PRUDENTIAL SUPERVISION AND SCHEME HEALTH

During the 2015-16 financial year, MAIC remained focused on delivering an affordable and viable scheme for all Queenslanders. To maintain the integrity of the scheme MAIC promotes principle-based supervision of licensed insurers, and undertakes regulatory program including benchmarking, compliance and performance monitoring.

Communication strategies

During 2015-16, MAIC focused on strengthening its communication strategies to ensure it was better able to advise stakeholders of any changes. MAIC and the Nominal Defendant developed new corporate identities and their website was redeveloped with a focus on increasing accessibility of information for claimants, insurers and service providers.

MAIC is currently developing a social media strategy and will continue to investigate ways new technology can be used to stay in touch with motorists and other stakeholders.

Fraud deterrence program

MAIC is committed to identifying and combatting fraud in motor vehicle crash claims. Where insurers refer matters to MAIC, these are thoroughly assessed and, where appropriate, MAIC pursues prosecutions and looks to courts to impose penalties upon those who commit offences under the *Motor Accident Insurance Act 1994*.

Prudential supervision

MAIC undertakes a range of prudential supervision activities in accordance with its powers and responsibilities under the MAIA. The risk of insurer failure is one of the most significant aspects MAIC monitors – given the financial risk to the State as well as the disruptive impact and implications for insured motorists and claimants.

In undertaking its supervision role MAIC has regard to the role of the Australian Prudential Regulatory Authority (APRA). MAIC has a Memorandum of Understanding (MoU) with APRA. The MoU covers a range of prudential supervision and information sharing protocols, and is intended to ensure an efficient supervisory regime that protects the interests of the State while avoiding excessive regulatory burden on licensed insurers. MAIC meets with APRA on a bi-annual basis to discuss matters related to the prudential supervision of Queensland licensed CTP insurers.

On at least an annual basis MAIC meets with senior executives from each of the licensed insurers to analyse key reports and discuss performance and trends. This process has been generally well received by licensed insurers although opportunities to strengthen and clarify aspects of the MAIC prudential supervision regime appear warranted and will be explored in 2016-17.

Targeted licensed insurer compliance programs

MAIC continues to closely supervise licensed insurer performance through its targeted compliance programs, and monitors claims data on a regular basis. MAIC meets with each CTP insurer claims manager on a bi-annual basis to discuss a range of claims performance and compliance issues. Performance is monitored against benchmarks as well as changes compared to the results of previous reviews.

MAIC also monitors the claims compliance and performance of insurers through sophisticated data and ad-hoc analysis, and monitoring industry trends, court decisions and levels of customer complaints.

OUR PEOPLE

MAIC works in partnership with Queensland Treasury (Treasury) to invest in our people to create the right workplace with the right skills, culture and behaviour. As part of this partnership, MAIC has adopted Treasury's frameworks for capability development, workforce planning, employee performance management, leadership, and industrial and employee relations. Treasury provides MAIC with strategic advice and support on issues such as recruitment, attraction, retention, induction, performance management, talent management, knowledge transfer and recognition.

In addition to providing MAIC with human resource support services, Treasury's Human Resources branch also assists MAIC with meeting its obligations under the *Public Sector Ethics Act 1994*. MAIC staff access Treasury's suite of online training modules specific to public sector ethics and the Queensland Government Code of Conduct. The online training package is rolled out to all new MAIC staff and all staff are required to complete the training annually.

In 2015-16, MAIC continued to develop and improve its complementary framework to Treasury's Great People Capability Development System. The framework has allowed MAIC to reinvigorate its current workforce ensuring MAIC staff demonstrate behaviours and grow capabilities that add value to the organisation. MAIC will continue to review the framework and ensure it remains flexible and relevant to the needs of the business.

In 2016, MAIC underwent a staged reshaping to ensure the organisation's structure aligned with service delivery needs. The revitalised structure allowed MAIC to realise a number of efficiencies and to build the necessary capabilities to provide interim support for NIISQ.

Staff also benefited from Treasury's workplace health and wellbeing policy and services including annual flu vaccinations, the employee assistance program, access to first aid officers, corporate health insurance rates and the opportunity to attend health workshops.

With a planned move to 1 William Street (1WS) in late 2016, MAIC continues to ensure staff remain supported through the transition. MAIC staff have remained engaged and informed of transition activities and the leadership team have worked with staff on ways the organisation can utilise 1WS's contemporary fitout to enhance productivity. MAIC will move to a more contemporary and dynamic way of working making the most of available collaborative spaces of 1WS and further promoting the usage of suburban satellite offices. These changes will further improve staff satisfaction and optimise employee work life balance in 2016-17.

MAIC's full-time equivalent staff establishment, employee expenses and key executive management personnel and remuneration information can be found in the Financial Information section (pages XX-XX for MAIC and pages XX-XX for the Nominal Defendant). Additional information on Treasury's workforce strategies and frameworks, along with workforce statistics that include MAIC, can be located in Treasury's annual report.

LEADING THE MOTOR ACCIDENT INSURANCE COMMISSION

Reporting to the State Parliament through the Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport, the Insurance Commissioner sets the direction for MAIC and the Nominal Defendant. The MAIC leadership team includes the Insurance Commissioner, Director Finance and Procurement, Director Business Solutions, Director Strategic Planning and Business Performance, and Director CTP Scheme Claims.

The leadership team's role is to lead and empower employees and to drive performance, ensuring the organisation meets the objectives and major activities set out in the strategic plan. The leadership team is also responsible for determining operational policy and strategies to identify and manage key areas of risk.

As at 30 June 2016, membership of the leadership team included:

Neil Singleton

Insurance Commissioner

B.Business (Insurance), MBA

Appointed as Insurance Commissioner in December 2010. Prior to this appointment Neil acquired over 30 years' insurance experience across a broad range of management and executive positions. Neil's responsibilities include providing strong strategic leadership to ensure a viable, affordable and equitable CTP scheme in Queensland.

Lina Lee

Director Finance and Procurement

B.Commerce, CA

Appointed to MAIC in 2006, Lina's responsibilities include financial and procurement management and ensuring MAIC meets statutory and government reporting obligations. Lina has an accountancy and auditing background covering the chartered profession, commerce, industry, and more recently the public sector.

Sarah Sawyer

Director Business Solutions

GAICD

Appointed to MAIC in June 2014, Sarah's responsibilities include providing strategic and operational direction for the Systems and Development, Business Intelligence and Continuous Improvement areas. Prior to this, Sarah worked for Queensland Treasury for 14 years responsible for a range of services including information technology, data management and urban development research.

Vicki Vanderent

Director Strategic Planning and Business Performance

MBA, B.Business (Communication)

Appointed to MAIC in 2006, Vicki's responsibilities include strategic and business planning, organisational reporting, policy, communication, capability development and business support. Prior to working for MAIC, Vicki worked in marketing and communication roles across government, university and private sector organisations.

Kylie Horton

Director CTP
Scheme Claims

Appointed to MAIC in 2012, Kylie has held leadership positions in personal injury insurance across the public and private sectors for more than 15 years. Kylie is responsible for leading the Nominal Defendant, supervising licensed insurer claims management compliance and performance, and managing claims related legislated functions.

Fanny Lau

CTP Scheme Performance Manager

B.Physiotherapy, MBA, M.Commerce, AFCHSM, CPA

Appointed to the Commission in 2006, Fanny's responsibilities include CTP premium setting, policy administration and acquisition matters, licensing and prudential supervision. Fanny also provides operational advice, and contributes to policy development and implementation to support whole-of-government initiatives. Fanny has a physiotherapy background and ten years' experience in health finance and administration with Queensland Health prior to her appointment to the Commission.

GOVERNANCE

Our corporate governance framework ensures we:

- meet out statutory responsibilities under the MAI Act and other legislation
- integrate risk management into organisational activity
- assess and enhance corporate governance processes, including our systems of internal control.

MAIC is committed to effective risk management and has adopted Treasury's framework for proactively identifying, assessing and managing risks. MAIC has continued to work within Treasury's policy framework which is aimed at enhancing risk management capabilities.

MAIC's leadership team is accountable for risks. As part of MAIC's ongoing planning and reporting processes, the leadership team identifies and monitors risks that may affect our ability to achieve our strategic objectives. MAIC maintains a risk register which the leadership team reviews on a quarterly basis. Risks are monitored with risk controls and treatment strategies assigned to each risk, this helps MAIC mitigate negative impacts to its core business. Treasury's Board of Management reviews the MAIC risk register from a consolidated Treasury' perspective, and MAIC has external auditors review the register annually. MAIC's commitment to business continuity management ensures continuity of key business services which are essential for or contribute to the achievement of MAIC's objectives.

In addition to managing operational risks, as part of our portfolio, program, project and contract management methodology, we identify risks associated with initiatives and develop solutions to mitigate and manage them. Initiative reporting includes continual assessment of risks, their impact and the need for intervention.

MAIC participates in Treasury wide risk and accountability management through representation on the Audit and Risk Management Committee (ARMC). MAIC also has an active Internal Audit program in place provided by the Treasury Internal Audit function.

Audit and Risk Management Committee

Insurance Commissioner Neil Singleton is a representative on Treasury's ARMC where he accesses advice and assurance on the performance or discharge of functions and duties prescribed in the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard Act 2009*, and other relevant legislation and prescribed requirements.

The committee's key responsibilities include:

- considering audit and audit-related findings
- assessing and enhancing our corporate governance processes including our systems of internal control and the internal audit function
- evaluating and facilitating the practical discharge of the internal audit function, particularly in planning, monitoring and reporting
- overseeing and appraising our financial and operational reporting processes through the internal audit function
- reviewing risk management, control and compliance framework and strategies
- considering our external accountability responsibilities and integrity framework.

The committee met five times during the year and had oversight of various matters including (but not limited to):

- the delivery of the 2015-16 Internal Audit plan
- review of the 2014-15 financial statements for Treasury, MAIC and the Nominal Defendant
- fraud and misconduct investigations
- Queensland Audit Office (QAO) activity including reports to Parliament where they related to Treasury.

Internal and external accountability

MAIC's governance framework includes both internal and external accountability measures.

Treasury provides internal audit services to MAIC through an outsourced arrangement with PwC. In 2015-16, Internal Audit provided an independent and objective assurance service operating in accordance with our Internal Audit Charter, which incorporates key internal audit and ethical standards. This function is independent of the QAO, however, it does liaise with the QAO regularly to ensure appropriate assurance services are provided.

In 2015-16, Internal Audit conducted a review of the Road Trauma Mitigation Fund to ensure allocation of funds were occurring efficiently and effectively.

Externally, MAIC and the Nominal Defendant are audited by the QAO in accordance with the *Financial Accountability Act 2009*. MAIC and the Nominal Defendant have achieved unqualified audits since the Commission commenced operations in 1994.

More information on Treasury's Audit and Risk Management framework including information about the committee can be located in Treasury's annual report.

Information systems and recordkeeping

In 2015-16, MAIC continued its commitment to prudent information systems and recordkeeping. Effective record keeping is fundamental to good business and ensures transparency and accountability in MAIC decision-making. MAIC's records are managed until they have completed their lifecycle where they are archived and disposed of in accordance with the Queensland State Archives Retention and Disposal Schedule.

MAIC's recordkeeping framework aligns with Treasury's Information Management framework. The framework aims to ensure our record management practices are consistent with other offices within the Treasury portfolio and are compliant with current legislation and best practice record keeping standards. These include *Public Records Act 2002, Information Privacy Act 2009* and the *Right to Information Act 2009 (RTA)* and *Information Standard 18 : Information Security, Information Standard 31 : Retention and Disposal of Government Information, Information Standard 34 : Metadata, Information Standard 38 : Use of ICT Facilities and Devices* and *Information Standard 40: Recordkeeping.*

MAIC supports the Queensland Government Open Data Initiative. In 2015-16, MAIC released 15 datasets including CTP scheme statistical data and annual report data. MAIC's open data sets are available at the following website: https://data.qld.gov.au/dataset/compulsory-third-party-ctp-statistics

LEVIES AND ADMINISTRATION FEE

Queensland's CTP insurance premium contains levies and an administration fee to help cover the costs involved in delivering different components of the CTP scheme. These levies and administration fee are calculated annually and include the Statutory Insurance Scheme levy, the Nominal Defendant levy, the Hospital and Emergency Services levy and an Administration Fee (payable to the DTMR).

The Statutory Insurance Scheme levy

The Statutory Insurance Scheme levy covers the estimated operating costs of administering the MAI Act and also provides funding for research into crash prevention and injury mitigation. From 1 July 2015, the levy was $1.50 per policy and the levy collected income of $6.109 million in 2015-16.

The Nominal Defendant levy

The Nominal Defendant levy, which varies by vehicle class, covers the estimated costs of the Nominal Defendant scheme which provides funds to pay for claims relating to uninsured or unidentified vehicles. The levy is set having regard to an actuarial assessment of claim trends. From 1 July 2015, the levy for Class 1 vehicles was $11.00, with $43.973 million collected in 2015-16.

The Hospital and Emergency Services levy

The Hospital and Emergency Services levy is designed to cover a reasonable proportion of the estimated cost of providing public hospital and public emergency services to people who are injured in motor vehicle crashes, who use such services and are claimants or potential claimants under the CTP scheme. The levy amount calculated varies by vehicle class. From 1 July 2015, the levy was $19.60 for Class 1 vehicles, proceeds from this levy are then apportioned to Queensland Health and the Department of Community Safety. In 2015-16, $78.347 million was collected in levy income.

The Administration fee

The Administration fee is the fee payable to DTMR for delivering administrative support for the CTP scheme. There was no change to this fee in 2015-16.

STATISTICAL INFORMATION 2015-16

Insured vehicles by class

(Registrations as at 30 June 2016)

Class	Description	Vehicles	%
1	Cars and station wagons	2,713,160	66.76%
2	Motorised homes	15,306	0.38%
3	Taxis	2,689	0.07%
4	Hire vehicles	41,549	1.02%
5	Vintage, veteran, historic or street rods	26,462	0.65%
6	Trucks, utilities and vans with a GVM of 4.5t or less	824,761	20.29%
7	Trucks, prime movers and vans with a GVM → 4.5t	73,921	1.82%
8	Non-commercial buses	5,744	0.14%
9	Buses for school/health use	3,770	0.09%
10A	Buses not in class 8, 9 or 10B but used within 350 km of base	2,607	0.06%
10B	Buses operating under an integrated mass transit service contract, other than school service or restricted school service	2,151	0.05%
11	Buses not in class 8, 9, 10A or 10B	6,516	0.16%
12	Motorcycles with driver only	74,021	1.82%
13	Motorcycles with pillion passenger or side car	125,290	3.08%
14	Tractors	24,953	0.61%
15	Self-propelled machinery, fire engines	7,117	0.18%
16	Ambulances	1,096	0.03%
17	Motor vehicles used only for primary production	38,441	0.95%
19	Limited access registration	44,552	1.10%
20	Zone access registration	11,717	0.29%
21	Self-propelled machinery not in classes 14, 15, 19 or 20	8,735	0.21%
23	Dealer plates	5,974	0.15%
24	Trailers	3,433	0.08%
Total		**4,063,965**	**100.00%**

Average Class 1 filed premium

Insurer	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
AAMI **	$290.95	$272.00	$305.50	$344.00	$317.50	$311.25	$325.80			
Allianz	$292.20	$270.50	$302.50	$344.50	$315.25	$310.50	$325.80	$332.85	$334.60	$331.35
NRMA *	$281.90	$259.30	$300.15	$345.25	$319.00	$314.25	$325.80	$331.10		
QBE	$281.80	$263.80	$300.70	$345.25	$319.00	$314.25	$325.80	$333.35	$336.60	$331.35
RACQI	$295.70	$272.00	$305.50	$345.25	$319.00	$314.25	$325.80	$333.35	$336.60	$331.35
Suncorp **	$292.20	$272.00	$305.50	$345.25	$319.00	$314.25	$325.80	$333.35	$333.35	$329.85

Note:

The average Class 1 filed premiums include levies.

* NRMA ceased to operate as a licensed CTP insurer in Queensland on 1 January 2014.

** AAI (trading as Suncorp) has been granted a Qld CTP licence for writing CTP insurance policies as from 1 July 2013. AAMI and Suncorp had transferred their respective general insurance businesses to AAI on 1 July 2013.

Premium levy and fee collection

(1 July 2015 to 30 June 2016)

Description	$ ('000)
Total insurance premiums collected*	1,410,474
Nominal Defendant levy	-43,973
Statutory insurance scheme levy	-6,109
Hospital and emergency services levy	-78,347
Administration fee (Transport fee)	-33,554
Insurers' premiums#	**1,248,491**

Note:

* Net of cancellations

Includes GST

Levies received for the period 1 July 2015 to 30 June 2016 are on a cash basis.

Distribution of hospital and emergency services levy

	$ ('000)
Hospital	-74,411
Emergency	-3,936
	-78,347

Scheme Performance

Delivery

2.5% Superimposed inflation scenario *	Scheme delivery							
	Claim benefits			Delivery costs				
Period	Claim payments	Levies	Total	Claim payments	Levies	Other costs	Profit	Total
Most recent 2 years	58.7%	5.9%	64.6%	5.4%	3.0%	7.8%	19.3%	35.4%
Most recent 3 years	55.6%	5.8%	61.4%	5.1%	3.0%	7.5%	23.1%	38.6%
Most recent 5 years	54.0%	5.6%	59.6%	4.9%	3.0%	7.3%	25.2%	40.4%

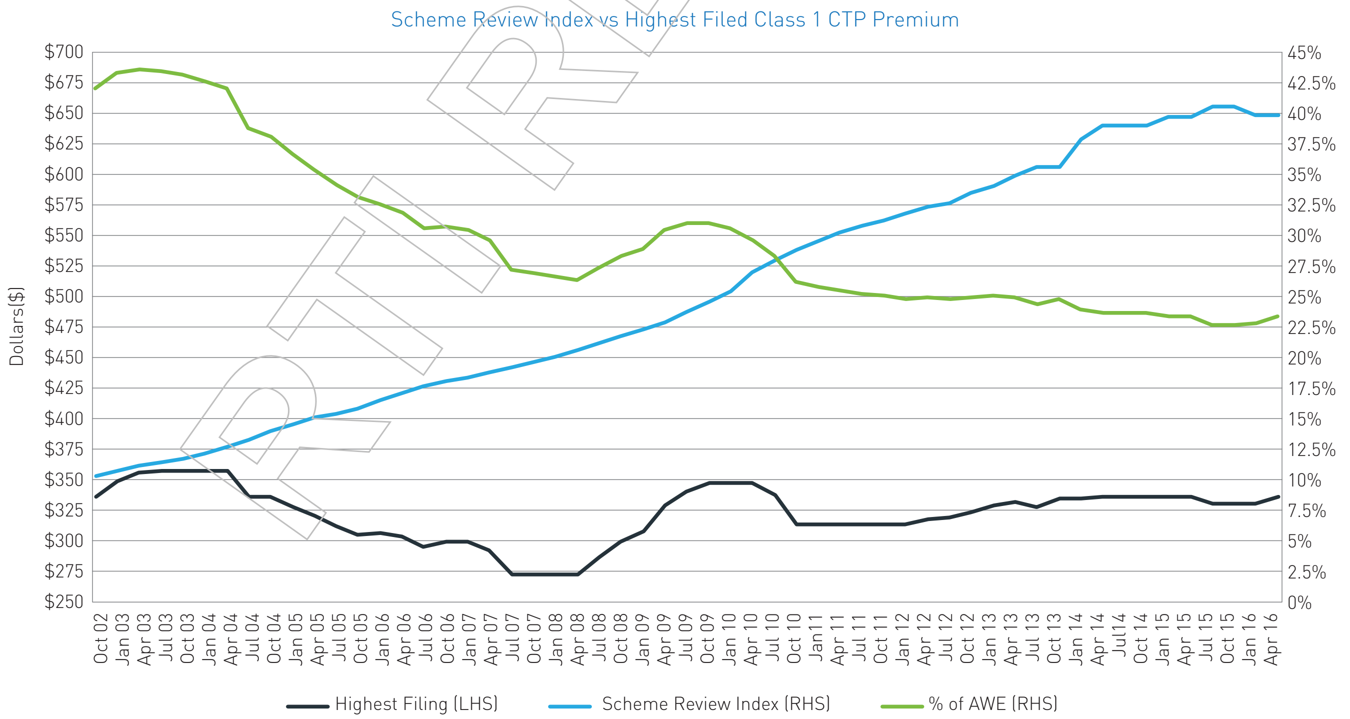
Note:

Scheme delivery is the proportion of Class 1 collected premium that is paid back to, or in respect of claimants.
Premium components can be split into claimant benefits and delivery costs.

Costs and levies can be distinguished as either contributing to claim benefits or delivery costs.

* Superimposed Inflation (SI): this is any inflationary factor on claims costs which results in a rate of inflation greater than general economic inflation.

Scheme Review Index vs Highest Filed Class 1 CTP Premium

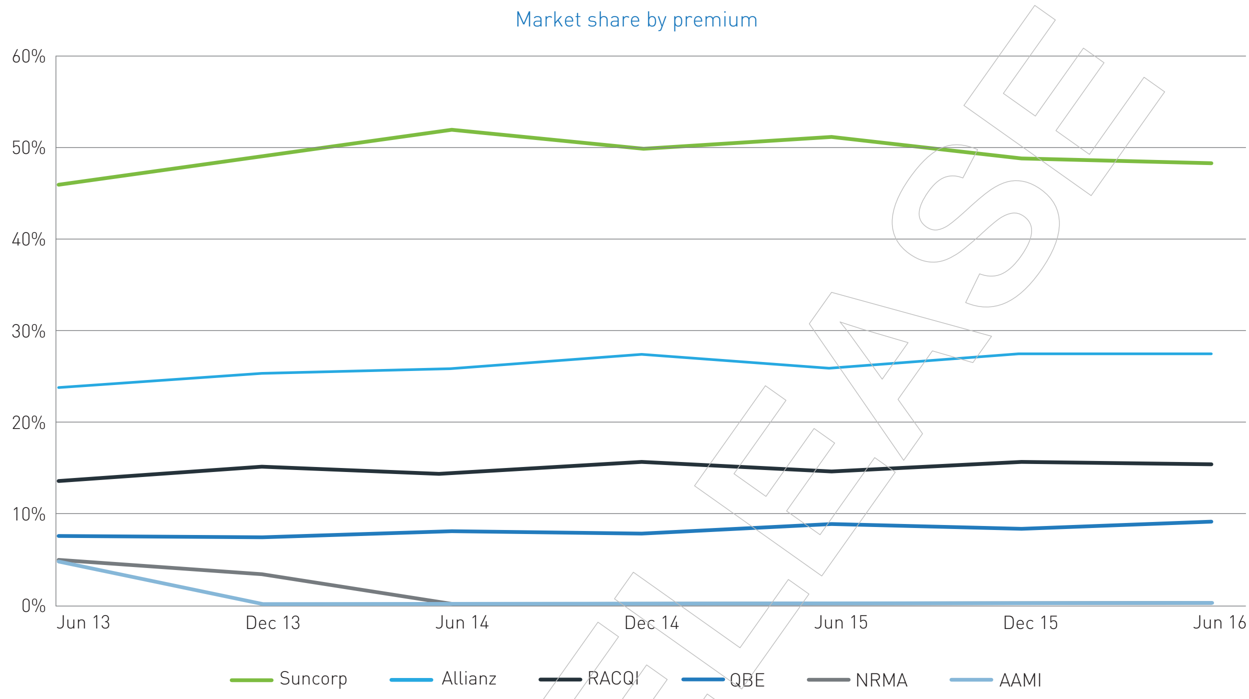


Note:

Due to the *Motor Accident Insurace Act 1994* being amended on the date of assent of the *Workers Compensation and Rehabilitation and Other Legislation Amendment Act* on 29/10/2013, the scheme review index, also known as the affordability index, now means 45 per cent of Queensland full-time adult persons ordinary time weekly earnings declared by the Australian Statistician in the original series of the statistician's average weekly earnings publication most recently published.

Market share by premium

(Six-month intervals from 2013-2016)



Note:

AAI (trading as Suncorp) has been granted a Qld CTP licence for writing CTP insurance policies as from 1 July 2013.

AAMI and Suncorp had transferred their respective general insurance businesses to AAI on 1 July 2013.

Number of accidents by region

(Accidents from 1 July 2006 to 30 June 2016)

Accident date	1 Jul 2006 - 30 Jun 2007		1 Jul 2007 - 30 Jun 2008		1 Jul 2008 - 30 Jun 2009		1 Jul 2009 - 30 Jun 2010		1 Jul 2010 - 30 Jun 2011	
	Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
Brisbane	2,680	49.7%	2,616	49.0%	2,874	50.3%	2,666	49.8%	2,838	49.0%
Other SE QLD region	1,574	29.2%	1,595	29.9%	1,653	28.9%	1,520	28.4%	1,702	29.4%
Regional QLD	882	16.4%	854	16.0%	908	15.9%	871	16.3%	916	15.8%
Interstate	253	4.7%	275	5.1%	281	4.9%	300	5.6%	336	5.8%
Total	**5,389**	**100.0%**	**5,340**	**100.0%**	**5,716**	**100.0%**	**5,357**	**100.0%**	**5,792**	**100.0%**

Note:

The recent accident years' data is immature due to the 'long-tail' nature of CTP claims.

The Brisbane region is based on postcodes 4000-4209 and 4500-4529.

Other SE QLD region is based on postcodes 4210-4349, 4550-4601 and 4619-4689 and includes Ipswich, Gold Coast and Sunshine Coast.

Regional QLD is based on postcodes 4350-4499, 4602-4618 and 4690-4899 and includes Toowoomba, Rockhampton, Mackay, Townsville, Mt Isa and Cairns.

Age group of claimants by gender

(All claims for accidents from 1 July 2006 to 30 June 2016 where relevant details are available)

Age group	Male	Female	Total	%
0-5	410	408	818	1.2
6-15	1,236	1,398	2,634	4.0
16-25	5,806	7,331	13,137	19.8
26-35	6,849	7,523	14,372	21.7
36-45	6,592	7,255	13,847	20.9
46-55	5,281	6,034	11,315	17.1
56-65	3,172	3,379	6,551	9.9
66+	1,633	2,006	3,639	5.5
Others	1	0	1	0.0
Total	**30,979**	**35,334**	**66,313**	**100.0**

Claim severity

(Finalised claims for accidents from 1 July 2006 to 30 June 2016)

AIS Severity*	Description	Claims	%
1	Minor	38,519	71.1
2	Moderate	8,163	15.1
3	Serious	3,136	5.8
4	Severe	417	0.8
5	Critical	185	0.3
6	Maximum#	755	1.4
9	Admin^	3,018	5.6
	Total	**54,193**	**100.0**

Note:

* The Abbreviated Injury Scale, 2005 edition (AIS 2005) is an anatomically-based global severity scoring system that classifies each injury by body region according to its relative importance on a 6-point ordinal scale. This classification represents the 'threat to life' associated with each injury. Conversion of reported injury codes from AIS 1985 to AIS 2005 in July 2008 may have caused changes to severity level of some claims.

\# Maximum severity is predominantly fatalities.

^ Admin severity includes but is not limited to unconfirmed injuries, injuries unspecified and business claims.

	1 Jul 2011 - 30 Jun 2012		1 Jul 2012 - 30 Jun 2013		1 Jul 2013 - 30 Jun 2014		1 Jul 2014 - 30 Jun 2015		1 Jul 2015 - 30 Jun 2016	
	Accidents	%	Accidents	%	Accidents	%	Accidents	%	Accidents	%
	2,846	50.7%	2,813	50.4%	2,827	51.4%	2,991	52.9%	2,140	52.2%
	1,545	27.5%	1,530	27.4%	1,492	27.1%	1,557	27.5%	1,211	29.6%
	923	16.4%	955	17.1%	898	16.3%	812	14.4%	503	12.3%
	301	5.4%	287	5.1%	286	5.2%	295	5.2%	242	5.9%
	5,615	**100.0%**	**5,585**	**100.0%**	**5,503**	**100.0%**	**5,655**	**100.0%**	**4,096**	**100.0%**

Rates of legal representation and litigation

(Accidents from 1 July 2006 to 30 June 2016)

Accident date	1 Jul 2006 - 30 Jun 2007	1 Jul 2007 - 30 Jun 2008	1 Jul 2008 - 30 Jun 2009	1 Jul 2009 - 30 Jun 2010	1 Jul 2010 - 30 Jun 2011	1 Jul 2011 - 30 Jun 2012	1 Jul 2012 - 30 Jun 2013	1 Jul 2013 - 30 Jun 2014	1 Jul 2014 - 30 Jun 2015	1 Jul 2015 - 30 Jun 2016
Claims	6,522	6,522	7,018	6,570	7,035	6,975	6,915	6,871	6,914	5,089
% Finalised	99.0%	98.3%	97.8%	96.9%	95.5%	93.2%	87.1%	73.9%	45.8%	12.6%
% Legal rep	72.8%	73.4%	74.5%	75.5%	74.1%	75.6%	76.9%	77.1%	76.5%	80.5%
% Litigated	8.5%	9.2%	9.8%	10.0%	9.6%	10.8%	10.2%	6.4%	1.5%	0.0%

Note:
The recent accident years' data is immature due to the 'long tail' nature of CTP claims.

Claim duration by licensed insurer

(Finalised claims for accidents from 1 July 2006 to 30 June 2016 where relevant details are available)

	Allianz	NRMA	QBE	RACQI	Suncorp	Average
Notification date to compliance date	0.6	0.7	0.6	0.8	0.8	0.8
Compliance date to liability decision date	2.0	1.8	3.0	3.3	2.3	2.4
Liability decision date to settlement date	14.7	15.5	14.7	14.1	15.4	15.0

Note:
Timeframes = Average in months

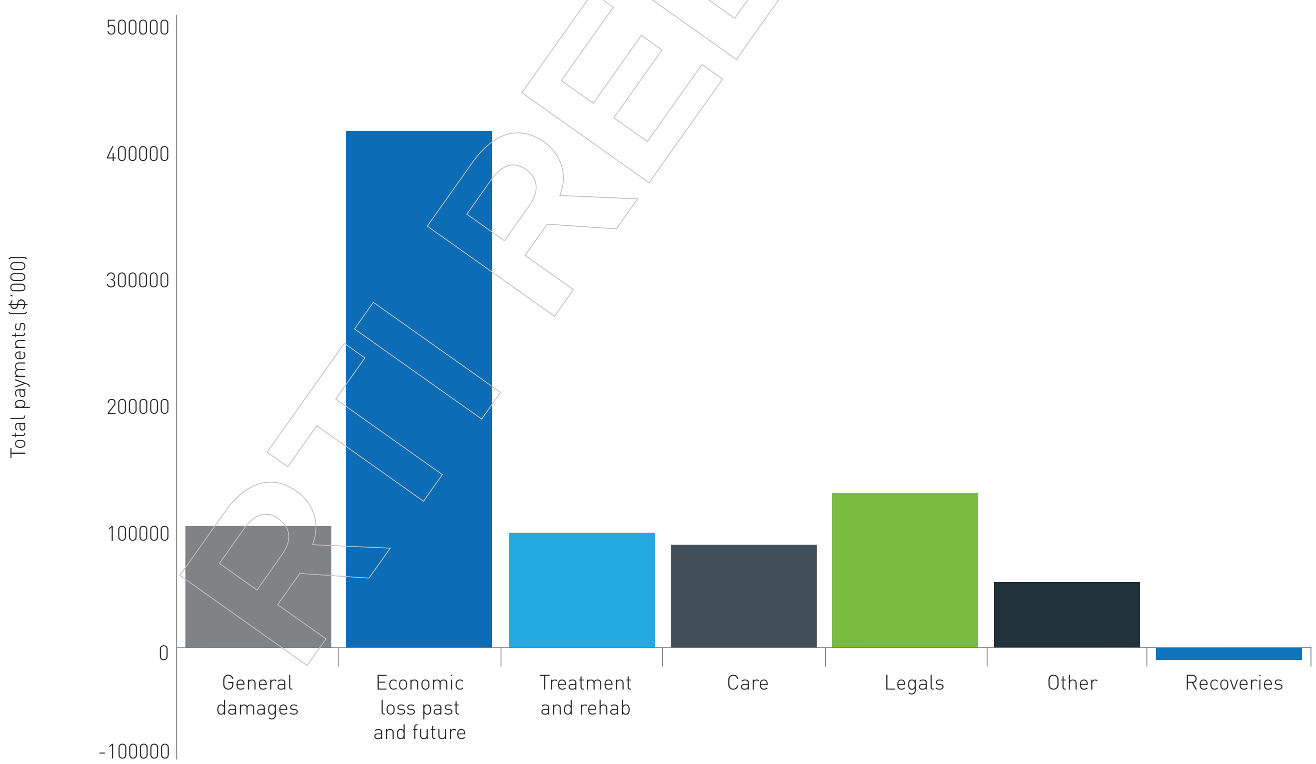
Heads of Damage breakdown

(Finalised claims from 1 July 2015 to 30 June 2016 for accidents from 1 July 2006 to 30 June 2016)

	General damages	Economic loss past & future	Treatment and rehab	Care	Legals	Other*	Recoveries #	Total
Finalised claims ^	6,372	5,688	7,230	1,194	4,337	6,735	104	7,754
% Finalised payments	11.4%	48.3%	10.7%	9.6%	14.4%	6.1%	-0.5%	100.0%
Total payments ($'000)	**95,952**	**407,952**	**90,483**	**81,045**	**121,932**	**51,720**	**-3,810**	**845,274**

Note:
* Other includes home and vehicle modifications, aids and appliances and investigation costs.
# Money recovered from the insured, other parties, uninsured driver/owners or interstate insurers.
^ Nil claims (zero payments) have been excluded from the data.

Total payments by Heads of Damage for claims finalised in 2015-16



Injury severity costs breakdown

(Finalised claims from 1 July 2015 to 30 June 2016 for accidents from 1 July 2006 to 30 June 2016)

	AIS severity description							
	Minor	Moderate	Serious	Severe	Critical	Maximum*	Admin#	Total
Finalised claims^	5,604	1,161	437	83	42	91	336	**7,754**
% Total payments	44.4%	19.1%	15.9%	8.2%	9.6%	2.1%	0.7%	**100.0%**
Average payment ($)	66,901	139,053	307,180	837,816	1,937,703	196,660	17,448	**109,011**
Total payments ($'000)	**374,914**	**161,441**	**134,238**	**69,539**	**81,384**	**17,896**	**5,863**	**845,274**

Note:

Due to minor claims generally settling in a shorter period, the above figures are not truly reflective of the relationship of total payments to severity.

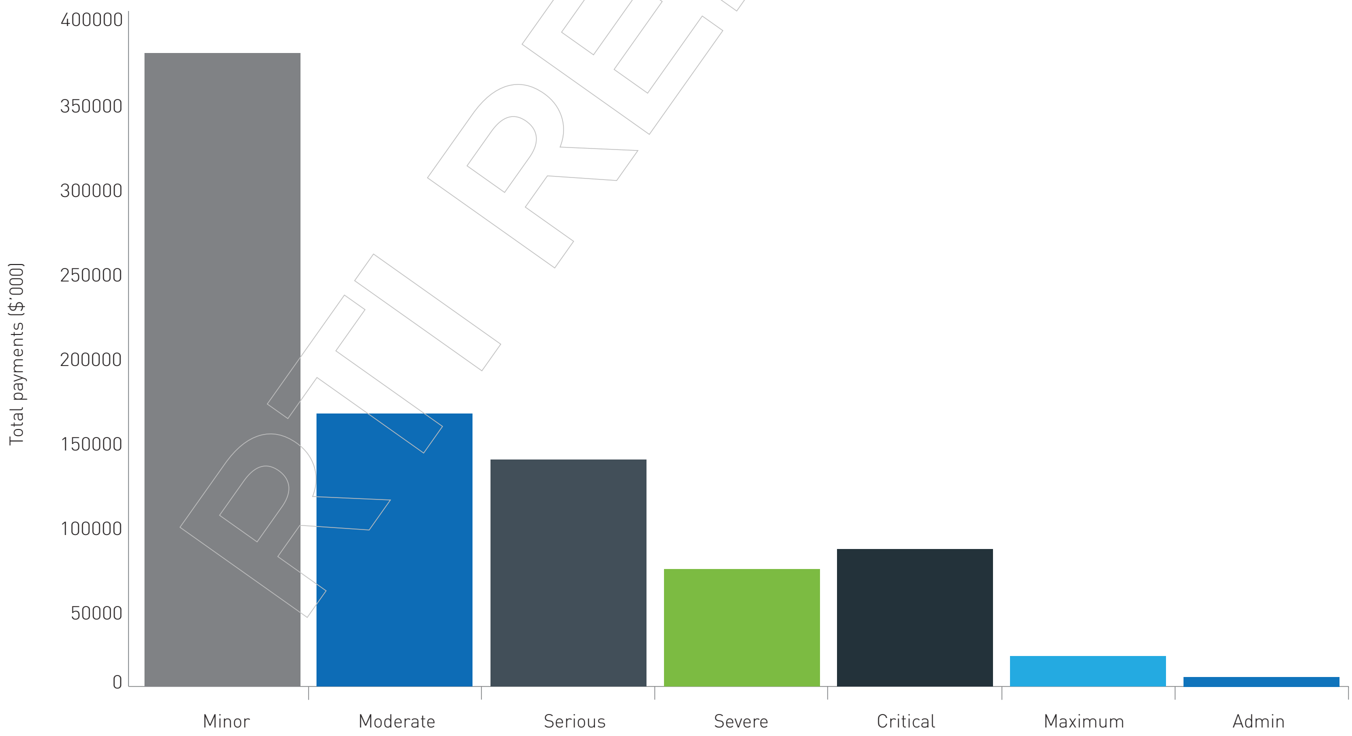
Injury severities are based on AIS 2005.

* Maximum severity is predominantly fatalities.

Admin severity includes but is not limited to unconfirmed injuries, injuries unspecified, nervous shock and business claims.

^ Nil claims (zero payments) and claims without injuries codes have been excluded from the data.

Total payments by severity for claims finalised in 2015-16



FINANCIAL INFORMATION 2015-16

OUR FINANCIAL INFORMATION

Motor Accident Insurance Commission

Financial Statements 2015-2016

These financial statements cover the Motor Accident Insurance Commission (MAIC).

MAIC is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business of MAIC is:
Level 9, 33 Charlotte Street
GPO Box 2203
Brisbane, Queensland 4000

A description of the nature of MAIC's operations and its principal activities is included in the notes to the financial statements.

For information in relation to MAIC's financial report please call 1300 302 568, email maic@maic.qld.gov.au or visit MAIC's internet site www.maic.qld.gov.au.

Nominal Defendant

Financial Statements 2015-2016

These financial statements cover the Nominal Defendant.

The Nominal Defendant is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business is:
Level 9, 33 Charlotte Street
GPO Box 2203
Brisbane, Queensland 4000

A description of the nature of the Nominal Defendant's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the Nominal Defendant's financial report please call 07 3035 6321, email nd@maic.qld.gov.au or visit the Nominal Defendant's internet site www.maic.qld.gov.au.

MOTOR ACCIDENT INSURANCE COMMISSION FINANCIAL SUMMARY 2015-16

MAIC managed its business within budget and achieved an operating surplus of $0.24 million for the year ended 30 June 2016.The major drivers for the $10.40 million decrease in operating surplus were the reduction in returns on financial assets and increase in grants expense.

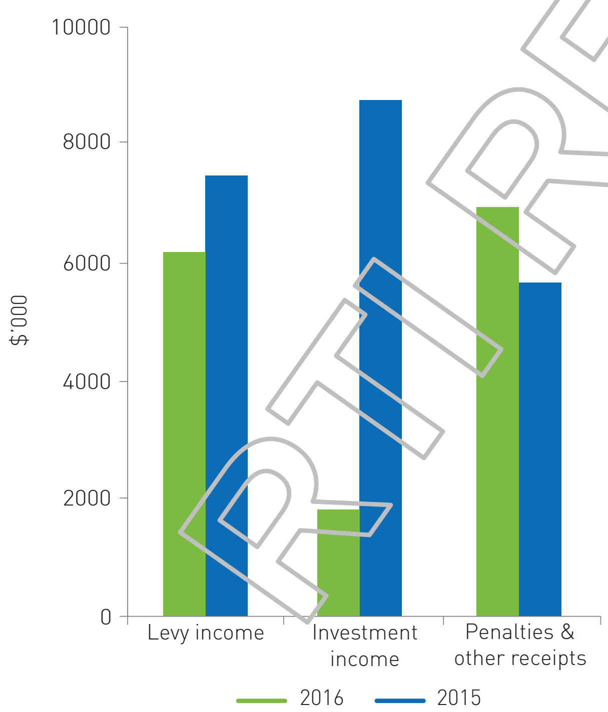
The lower return on investments held with QIC of $1.76 million versus the prior year's $8.72 million was due to the uncertainty in the global equity markets during the year.

The Statutory Insurance Scheme Levy per vehicle reduced to $1.50 in 2015-16 from $1.85 in the prior year. This lead to a decrease in levy income of $1.30 million. Penalty fines and other receipts rose by $1.23 million to $6.87 million.

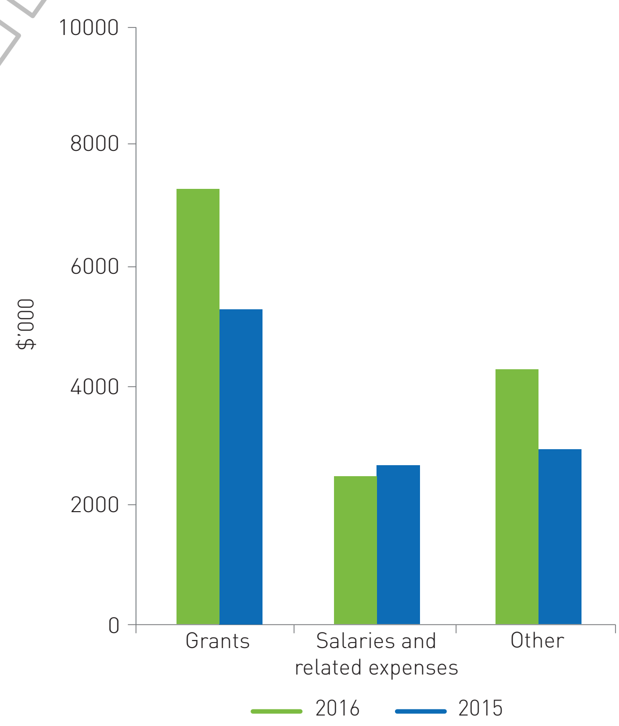
MAIC's total expenses for the year was $14.50 million (prior year $11.12 million). MAIC's largest expense item relates to the continued funding of research programs to seek to reduce the incidence and mitigate the effects of road trauma. The increase in grants expense of $2.17 million was due to additional funding for road safety initiatives under the Road Trauma Mitigation Fund which was established in 2015-16. Details of the grant funding are provided in Appendix 6.

MAIC's other operating expenditure rose by $1.30 million to $4.33 million primarily as a result of additional costs incurred in the preparation and implementation phases for the delivery of the National Injury Insurance Scheme Queensland (NIISQ) alongside the Queensland CTP Scheme.

Income



Expenses



Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Income			
Levy income		6,109	7,413
Net fair value gains on other financial assets		1,764	8,719
Interest income		133	165
Penalties and miscellaneous receipts		6,705	5,436
User charges		31	36
Total income		**14,742**	**21,769**
Expenses			
Grants	2	7,554	5,388
Employee expenses	3	2,617	2,707
Supplies and services	5	4,254	2,968
Depreciation and amortisation		9	10
Other expenses	6	65	47
Total expenses		**14,499**	**11,120**
Operating result		**243**	**10,649**
Other comprehensive income		-	-
Total comprehensive income		**243**	**10,649**

The accompanying notes form part of these statements.

Statement of Financial Position

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents		2,568	2,370
Receivables	7	403	608
Other financial assets		26,421	22,978
Prepayments		28	28
Total current assets		**29,420**	**25,984**
Non-current assets			
Other financial assets		137,598	140,804
Plant and equipment		-	10
Total non-current assets		**137,598**	**140,814**
Total assets		**167,018**	**166,798**
Current liabilities			
Payables		312	363
Accrued employee benefits	8	104	76
Total current liabilities		**416**	**439**
Total liabilities		**416**	**439**
Net assets		**166,602**	**166,359**
Equity			
Contributed equity		57,818	57,818
Accumulated surplus		108,784	108,541
Total equity		**166,602**	**166,359**

The accompanying notes form part of these statements.

Statement of Changes in Equity

for the year ended 30 June 2016

	Accumulated surplus $'000	Contributed equity $'000	Total equity $'000
Balance as at 1 July 2014	97,892	57,818	155,710
Operating result	10,649	-	10,649
Other comprehensive income	-	-	-
Balance as at 30 June 2015	**108,541**	**57,818**	**166,359**
Balance as at 1 July 2015	108,541	57,818	166,359
Operating result	243	-	243
Other comprehensive income	-	-	-
Balance as at 30 June 2016	**108,784**	**57,818**	**166,602**

The accompanying notes form part of these statements.

Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Inflows:			
Levy income		6,109	7,413
Interest income		126	182
Penalties and miscellaneous receipts		6,614	5,250
User charges		32	28
GST input tax credits from ATO		1,134	634
GST collected from customers		3	23
Outflows:			
Grants		(7,442)	(5,716)
Employee expenses		(2,575)	(2,960)
Supplies and services		(3,724)	(2,615)
GST remitted to ATO		(19)	(7)
GST paid to suppliers		(997)	(766)
Other		(63)	(47)
Net cash (used in) / provided by operating activities	9	**(802)**	**1,419**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of other financial assets		4,000	2,000
Outflows:			
Payments for other financial assets		(3,000)	(4,000)
Net cash provided by / (used in) investing activities		**1,000**	**(2,000)**
Net increase / (decrease) in cash and cash equivalents		**198**	**(581)**
Cash and cash equivalents at beginning of financial year		2,370	2,951
Cash and cash equivalents at end of financial year		**2,568**	**2,370**

The accompanying notes form part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Objectives and principal activities of MAIC

The Motor Accident Insurance Commission (MAIC) is responsible for regulating and ongoing management of the Queensland Compulsory Third Party (CTP) scheme and the Nominal Defendant Fund.

Established under the *Motor Accident Insurance Act 1994*, MAIC commenced operations on 1 September 1994 as a statutory body reporting to the Treasurer. It provides a framework for premium setting and ensures compliance with the provisions of the Act.

1. Summary of significant accounting policies

(a) Statement of compliance

MAIC has prepared these financial statements in compliance with Section 43(1) of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Financial Reporting Requirements for reporting periods beginning on or after 1 July 2015, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, MAIC has applied those requirements applicable to not-for-profit entities, as MAIC is a not-for-profit entity. The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of MAIC.

(c) Levy collection, contributions and penalties

Levies are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) to MAIC under s.27 of the *Motor Accident Insurance Act 1994*. This occurs at the time the levies are paid by motorists to DTMR.

Levies collected on behalf of Queensland Health and the Public Safety Business Agency during the current year have not been included as revenue in the Statement of Comprehensive Income as these amounts are not controlled. Similarly, remittances made to Queensland Health and the Public Safety Business Agency have not been included as expenses.

Details on the levies collected on behalf of and distributed to Queensland Health and the Public Safety Business Agency are provided in Note 10.

Penalties are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) and Queensland Treasury (State Penalties Enforcement Registry) to MAIC under s.20 of the *Motor Accident Insurance Act 1994*. This occurs at the time of receipt of monies from uninsured motorists.

(d) Grants

The *Motor Accident Insurance Act 1994* provides for MAIC to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant monies is dependent on the grantee organisation satisfying conditions as set out in the grant agreement. The expense is recognised when the payment is made.

(e) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June.

(f) Receivables

Receivables are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment where an event occurs that would cast doubt on the collectability of the receivable. All known bad debts were written-off as at 30 June.

(g) Fair value measurement

MAIC recognises in its other financial assets funds that are invested with Queensland Investment Corporation (QIC) at net market value in the financial statements using fair value measurement.

Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the investments being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the investments being valued. Significant unobservable inputs used by MAIC include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of MAIC's investments. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar investments.

All investments of MAIC for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical investments
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

Other financial assets are held through unlisted unit trusts with MAIC's funds' manager. While the units in the trust have quoted prices and are able to be traded, the market would not be considered active for level 1, therefore they are considered to be level 2. A market comparison valuation approach is used, with the units carried at redemption value as reasonably determined by the funds' manager.

Fair value information about MAIC's financial instruments is outlined in Note 12.

(h) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements. Items with a lesser value are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to MAIC. MAIC has $270,000 in intangibles that are fully amortised.

It has been determined that there is no active market for any of MAIC's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Internally generated software

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to MAIC, namely five years.

(i) Financial instruments

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when MAIC becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss
- Receivables – held at amortised cost
- Investments – held at fair value through profit or loss
- Payables – held at amortised cost.

MAIC does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, MAIC holds no financial assets classified at fair value through profit and loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by MAIC are included in Note 12.

(j) Employee benefits

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

Wages, salaries and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current remuneration rates.

As MAIC expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave when it is taken.

Annual and long service leave

No provision is recognised in MAIC's financial statements for liabilities in relation to annual and long service leave as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

Under the Queensland Government's Long Service Leave Scheme, a levy is made on MAIC to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. MAIC's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB1049 *Whole of Government and General Government Sector Financial Reporting.*

Key management personnel and remuneration

Key management personnel and remuneration disclosures are detailed in Note 4.

(k) Insurance

MAIC's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, MAIC pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(l) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(m) Taxation

MAIC is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by MAIC. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 7).

(N) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Director, Finance and Procurement at the date of signing the Management Certificate.

(o) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

The only area where MAIC has made a higher degree of judgement is in the use of level 2 for the fair valuation of its investments with QIC, with no other judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(p) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(q) New and revised accounting standards

MAIC did not voluntarily change any of its accounting policies during 2015-16. MAIC adopted AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101, [AASB 7, AASB 101, AASB 134 & AASB 1049]. The amendments seek to improve financial reporting which emphasises only including material disclosures in the notes. MAIC has applied this flexibility in preparing the 2015-16 financial statements.

No new Australian accounting Standards effective for the first time in 2015-16 had any material impact on this financial report.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 124 *Related Party Disclosures* will become effective from reporting periods beginning on or after 1 July 2016 and will apply to MAIC. The revised version of AASB 124 requires disclosures about the remuneration of key management personnel (KMP), transactions with related parties, and relationships between parent and controlled entities.

MAIC already discloses detailed information about remuneration of its KMP, based on Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies. Due to additional guidance from the AASB about the KMP definition in the revised AASB 124, MAIC will be assessing whether its responsible Minister should be part of its KMP from 2016-17. If the responsible Minister is assessed as meeting the KMP definition, no associated remuneration figures will be disclosed by MAIC, as it does not provide the Minister's remuneration. Comparative information will continue to be disclosed in respect of KMP remuneration.

The most significant implications of AASB 124 for MAIC are the required disclosures about transactions between MAIC and its related parties (as defined in AASB 124). For any such transactions, from 2016-17, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/ payables, commitments, and any receivables where collection has been assessed as being doubtful. In respect of related party transactions with other Queensland Government controlled entities, the information disclosed will be more high level, unless a transaction is individually significant. No comparative information is required in respect of related party transactions in the 2016-17 financial statements.

AASB 15 Revenue from Contracts with Customers will become effective from reporting periods beginning on or after 1 January 2018. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Based on present arrangements, MAIC does not enter into contracts for the sale of goods and services. However, if a contract for sale of goods and services does arise in the future, MAIC will need to follow the relevant accounting treatment specified in AASB 15.

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) will become effective for reporting periods beginning on or after 1 January 2018. The main impacts of these standards on MAIC are that they will change the requirements for the classification, measurement and disclosures associated with MAIC's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

At this stage and assuming no change in the types of transactions MAIC enters into, all of the financial assets are expected to be required to be measured at fair value as required in the standard (instead of the measurement classifications presently used in Notes 1(i) and 12). In the case of MAIC's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in MAIC's operating result.

Another impact of AASB 9 relates to calculating impairment losses for MAIC's receivables. Assuming no substantial change in the nature of MAIC's receivables, as they do not include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, MAIC will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

	2016 $'000	2015 $'000
2. Grants		
Strategic accident prevention research	2,786	2,916
Rehabilitation initiatives research	2,468	2,472
Road trauma mitigation research	2,300	-
Total	**7,554**	**5,388**

3. Employee expenses

	2016 $'000	2015 $'000
Employee benefits		
Salaries and wages	2,018	2,069
Employer superannuation contributions*	271	289
Leave levies*	260	285
Other employee benefits	12	6
Employee related expenses		
Workers' compensation premium	3	4
Payroll tax	-	1
Other employee related expenses	53	53
Total	**2,617**	**2,707**

*Refer to Note 1(j).

The number of employees as at 30 June, including both full-time employees and part-time employees, measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2016	2015
Full-Time Equivalent Employees	23	23

4. Key management personnel and remuneration expenses

(a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of MAIC during 2015-16. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position
Insurance Commissioner	Leads the efficient, effective and economic administration of MAIC.	SES3; *Public Service Act 2008* and Governor in Council, in accordance with section 7 of the *Motor Accident Insurance Act 1994*	6-Dec-10
Director, Finance and Procurement*	Responsible for the efficient, effective and economic financial administration of MAIC.	SO; *Public Service Act 2008*	13-Feb-06
Director, Business Solutions	Responsible for efficient and effective information systems and reporting.	SO; *Public Service Act 2008*	2-Jun-14
Director, Strategic Planning and Business Performance	Responsible for efficient and effective strategic, operational and capability planning and strategic communication.	SO; *Public Service Act 2008*	16-May-16
Director, CTP Scheme Claims	Responsible for the Nominal Defendant claims management operation and licensed insurer claims management monitoring.	SO; *Public Service Act 2008*	23-May-16

* This role was previously named Director, Coporate Governance.

(b) Remuneration expenses

Remuneration policy for MAIC's key management personnel is set by the Queensland Public Service Commission as provided for under the Public Service Act 2008. The remuneration and other terms of employment (including motor vehicle entitlements) for the key management personnel are specified in employment contracts.

For the 2015-16 year, remuneration of key management personnel increased by 2.5% in accordance with government policy.

The following disclosures include remuneration in connection with the management of MAIC, the Nominal Defendant and the Queensland Government Insurance Fund. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities. Remuneration for the Director, CTP scheme claims is reported in the Nominal Defendant financial statements under Note 5.

Remuneration expenses for key management personnel comprise the following components:

- Short term employee expenses which include:
  - Salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position.
  - Performance payments recognised as an expense during the year.
  - Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.

Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

1 July 2015 to 30 June 2016

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses $'000	Post employment expenses $'000	Termination benefits $'000	Total expenses $'000
	Monetary expenses $'000	Non-monetary expenses $'000				
Insurance Commissioner	224	-	5	25	-	254
Director, Finance and Procurement	138	-	3	17	-	158
Director, Business Solutions	109	-	2	14	-	125
Director, Strategic Planning and Business Performance	14	-	-	1	-	15

1 July 2014 to 30 June 2015

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses $'000	Post employment expenses $'000	Termination benefits $'000	Total expenses $'000
	Monetary expenses $'000	Non-monetary expenses $'000				
Insurance Commissioner	221	-	5	24	-	250
Director, Corporate Governance	132	-	3	17	-	152
Director, Business Solutions	108	-	2	13	-	123

(c) Performance payments

Performance bonuses are not paid under the contracts in place.

	2016 $'000	2015 $'000
5. Supplies and services		
Consultants and contractors	2,099	1,152
Rent	326	297
Supplies and consumables	272	205
Advertising	263	-
Corporate services fee	270	270
QIC management fee	512	477
Computer facilities management fee	94	81
Professional services	76	152
Actuarial fees	342	334
Total	**4,254**	**2,968**

6. Other expenses

External audit fees	21	20
Insurance premiums - QGIF	27	27
Other	17	-
Total	**65**	**47**

Total audit fees paid to the Queensland Audit Office relating to the 2015-16 financial year are estimated to be $20,550 (2015: $20,000). There are no non-audit services included in this amount.

7. Receivables

Penalties receivable	242	151
Accrued interest income	40	33
GST receivable	50	188
GST payable	(1)	(17)
Leave reimbursements	39	53
Grant receivable	26	180
Other receivables	7	20
Total	**403**	**608**

8. Accrued employee benefits

Current		
Leave levies payable	63	55
Accrued salaries and wages	41	21
Total	**104**	**76**

	2016 $'000	2015 $'000
9. Reconciliation of operating result to net cash from operating activities		
Operating result	243	10,649
Add/(subtract) items classified as investing activities:		
Net fair value gain on other financial assets	(1,236)	(8,197)
Non-cash items:		
Depreciation and amortisation expense	9	10
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	-	(28)
(Increase)/decrease in receivables	205	(356)
Increase/(decrease) in payables	(51)	(483)
Increase/(decrease) in accrued employee benefits	28	(176)
Net cash (used in) / provided by operating activities	**(802)**	**1,419**

	2016 $'000	2015 $'000

10. Agency transactions

MAIC receives Hospital and Emergency Services Levy amounts from the Department of Transport and Main Roads on behalf of Queensland Health and the Public Safety Business Agency. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Health and the Public Safety Business Agency at year end are as follows:

Levies

Comprise amounts collected from the Department of Transport and Main Roads on gross insurance premiums.

	2016 $'000	2015 $'000
Levies collected but not remitted in the previous year	6,634	6,585
Hospital levy	74,411	67,894
Emergency Services levy	3,936	5,024
Total	**84,981**	**79,503**

Contributions

Comprise payments to Queensland Health and the Public Safety Business Agency on account of levies received from the Department of Transport and Main Roads.

	2016 $'000	2015 $'000
Hospital levy contributions	73,798	67,934
Emergency Services levy contributions	4,017	4,935
Total	**77,815**	**72,869**

Amounts collected on behalf of but not yet remitted to Queensland Health and the Public Safety Business Agency in respect of hospital and emergency services levies at 30 June:

	2016 $'000	2015 $'000
Hospital levy	6,808	6,195
Emergency Services levy	358	439
Total	**7,166**	**6,634**

11. Grant commitments

Approval has been given to various grantees in accordance with formal agreements to pay the following grants and subsidies provided certain criteria are met.

Commitments for grant expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	2016 $'000	2015 $'000
· Not later than one year	10,200	4,851
· Later than one year and not later than five years	13,155	2,094
Total	**23,355**	**6,945**

12. Financial instruments

(a) Categorisation of financial instruments

MAIC has the following categories of financial assets and financial liabilities:

Category	Note	2016 $'000	2015 $'000
Financial assets			
Cash and cash equivalents		2,568	2,370
Receivables	7	403	608
Other financial assets		164,019	163,782
Total		**166,990**	**166,760**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables		312	363
Total		**312**	**363**

(b) Financial risk management

MAIC's activities expose it to a variety of financial risks - interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Government and MAIC policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of MAIC.

All financial risk is managed by Finance and Procurement under policies approved by MAIC. MAIC provides written principles for overall risk management, as well as policies covering specific areas.

12. Financial instruments – continued

(c) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to MAIC's other financial assets. With all other variables held constant, MAIC would have a surplus and equity increase/(decrease) of $26,000 (2015: $24,000) due to interest rate risk and $1,640,000 (2015: $1,638,000) due to unit price risk.

MAIC's sensitivity to movements in interest rates in relation to the value of cash and cash equivalents is shown in the table below.

		Financial impact			
Cash	**Movement in variable %**	**Profit/(loss) 2016 $'000**	**Equity 2016 $'000**	**Profit/(loss) 2015 $'000**	**Equity 2015 $'000**
Interest rate risk	+1	26	26	24	24
	-1	(26)	(26)	(24)	(24)

MAIC's sensitivity to movements in unit price rates in relation to the value of investments is shown in the table below.

		Financial impact			
QIC Investments	**Movement in variable %**	**Profit/(loss) 2016 $'000**	**Equity 2016 $'000**	**Profit/(loss) 2015 $'000**	**Equity 2015 $'000**
Unit price risk	+1	1,640	1,640	1,638	1,638
	-1	(1,640)	(1,640)	(1,638)	(1,638)

(d) Fair value

The recognised fair values of other financial assets are classified according to the fair value hierarchy as disclosed in Note 1(g).

According to the fair value hierarchy, MAIC classifies other financial assets at fair value through profit or loss as level 2.

The carrying amounts of other financial assets and liabilities approximate their fair values. The fair value of investments is measured at net market value based on Queensland Investment Corporation advice.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

13. Budget vs actual comparison

A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

In accordance with AASB 1055 *Budgetary Reporting*, the budget information presented to parliament has been restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget.

Statement of Comprehensive Income

	Variance Notes	Actual 2016 $'000	Original Budget 2016 $'000	Variance $'000	Variance (%)
Income					
Levy income		6,109	6,013	96	2%
Net fair value gains on other financial assets	1	1,764	11,785	(10,021)	-85%
Interest income		133	180	(47)	-26%
Penalties and miscellaneous receipts	2	6,705	5,000	1,705	34%
User charges		31	-	31	-
Total income		**14,742**	**22,978**	**(8,236)**	**-36%**
Expenses					
Grants	3	7,554	16,000	(8,446)	-53%
Employee expenses		2,617	2,840	(223)	-8%
Supplies and services		4,254	4,075	179	4%
Depreciation and amortisation		9	10	(1)	-10%
Other expenses		65	53	12	23%
Total expenses		**14,499**	**22,978**	**(8,479)**	**-37%**
Operating result		**243**	**-**	**243**	**-**
Other comprehensive income		-	-	-	-
Total comprehensive income		**243**	**-**	**243**	**-**

13. Budget vs actual comparison – continued

Statement of Financial Position

	Variance Notes	Actual 2016 $'000	Original Budget 2016 $'000	Variance $'000	Variance (%)
Current assets					
Cash and cash equivalents	4	2,568	2,000	568	28%
Receivables		403	248	155	63%
Other financial assets	5	26,421	22,996	3,425	15%
Prepayments		28	-	28	-
Total current assets		**29,420**	**25,244**	**4,176**	**17%**
Non-current assets					
Other financial assets	5	137,598	142,418	(4,820)	-3%
Plant and equipment		-	-	-	-
Total non-current assets		**137,598**	**142,418**	**(4,820)**	**-3%**
Total assets		**167,018**	**167,662**	**(644)**	**0%**
Current liabilities					
Payables	6	312	854	(542)	-63%
Accrued employee benefits		104	137	(33)	-24%
Total current liabilities		**416**	**991**	**(575)**	**-58%**
Total liabilities		**416**	**991**	**(575)**	**-58%**
Net assets		**166,602**	**166,671**	**(69)**	**0%**
Equity					
Contributed equity		57,818	57,818	-	-
Accumulated surplus		108,784	108,853	(69)	0%
Total equity		**166,602**	**166,671**	**(69)**	**0%**

13. Budget vs actual comparison – continued

Statement of Cash Flows

	Variance Notes	Actual 2016 $'000	Original Budget 2016 $'000	Variance $'000	Variance (%)
Cash flows from operating activities					
Inflows:					
Levy income		6,109	6,013	96	2%
Interest income		126	180	(54)	-30%
Penalties and miscellaneous receipts	2	6,614	5,000	1,614	32%
User charges		32	-	32	-
GST input tax credits from ATO		1,134	-	1,134	-
GST collected from customers		3	-	3	-
Outflows:					
Grants	3	(7,442)	(16,000)	8,558	-53%
Employee expenses		(2,575)	(2,838)	263	-9%
Supplies and services		(3,724)	(3,436)	(288)	8%
GST remitted to ATO		(19)	-	(19)	-
GST paid to suppliers		(997)	-	(997)	-
Other		(63)	(161)	98	-61%
Net cash (used in) / provided by operating activities		**(802)**	**(11,242)**	**10,440**	**-93%**
Cash flows from investing activities					
Inflows:					
Proceeds from sale of other financial assets	7	4,000	-	4,000	-
Outflows:					
Payments for other financial assets	7	(3,000)	11,242	(14,242)	-127%
Net cash provided by / (used in) investing activities		**1,000**	**11,242**	**(10,242)**	**-91%**
Net increase / (decrease) in cash and cash equivalents		**198**	**-**	**198**	**-**
Cash and cash equivalents at beginning of financial year		2,370	2,000	370	19%
Cash and cash equivalents at end of financial year		**2,568**	**2,000**	**568**	**28%**

13. Budget vs actual comparison – continued

Explanations of major variances

Statement of Comprehensive Income

1. The decrease in net fair value gains on financial assets is primarily due to lower than expected earnings on QIC investments due to uncertainty in the international equity market during the year.

2. The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year.

3. The variance in grants payments is due to lower than anticipated investment in research activities and timing of payments with some grants being delayed until 2016-17.

Statement of Financial Position

4. The cash and cash equivalents balance is higher than projected as detailed in the Statement of Cash Flows.

5. The variance in current and non-current other financial assets is primarily due to a reclassification from non-current to current QIC investments.

6. The variance in payables is due to fluctuations in accrued expenses at year end.

Statement of Cash Flows

7. The variances in cash flows from investing activities reflect QIC cash investments and drawdowns performed during the year to meet MAIC's cash flow requirements.

CERTIFICATE OF THE MOTOR ACCIDENT INSURANCE COMMISSION

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009 (the Act)*, section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements.

In accordance with section 62(1)(b) of the Act we certify that in our opinion:

(a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission (MAIC) for the financial year ended 30 June 2016 and of the financial position of MAIC at the end of that year

(c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

L. Lee
B. Com, CA
Director Finance and Procurement
24 August 2016

N.Singleton
B. Bus (Insurance), MBA
Insurance Commissioner
24 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of the Motor Accident Insurance Commission, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Director Finance and Procurement.

The Insurance Commissioner's Responsibility for the Financial Report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

(i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

P. Christensen

P. Christensen CPA
As Delegate of the Auditor-General of Queensland

QUEENSLAND
31 AUG 2016
AUDIT OFFICE

Queensland Audit Office
Brisbane

NOMINAL DEFENDANT FINANCIAL SUMMARY 2015-16

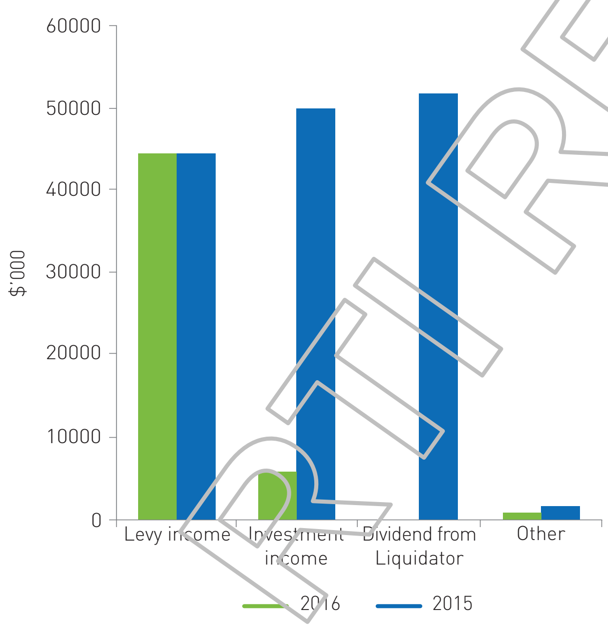
The operating surplus of the Nominal Defendant for the year ended 30 June 2016 was $21.52 million compared to the prior year's operating surplus of $116.12 million.

The major drivers for the $94.6 million decrease in operating surplus were the cessation of dividends from FAI liquidators and the reduction in returns on financial assets. The final dividends from the FAI liquidators were received in the prior financial year ($51.83 million) with dividends ceasing from 1 July 2015 resulting in nil dividends for the year ended 30 June 2016. The lower return on investments held with QIC of $5.55 million versus the prior year's $49.76 million was due to the uncertainty in the global equity markets during the year.

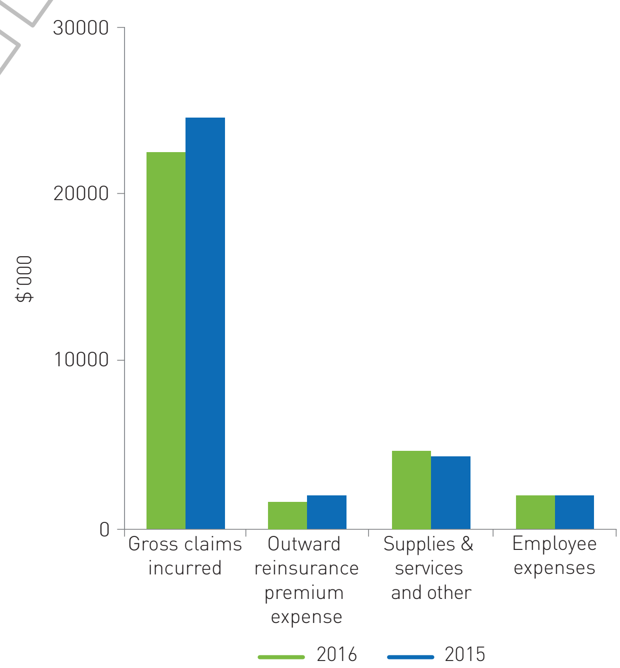
In relation to the normal business of the Nominal Defendant, claim payments were $24.31 million (prior year $24.38 million) and claim recoveries were $0.62 million (prior year $0.94 million). The gross outstanding claims liabilities were actuarially assessed at 30 June 2016 and decreased by $2.01 million to $132.46 million.

The Nominal Defendant levy decreased by $0.50 to $11.00 per Class 1 vehicle from 1 July 2015. The reduction in the levy resulted in a $0.20 million decrease in levy income to $44.59 million compared to prior year's $44.80 million.

Income



Expenses



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Income			
Levy income	2	44,593	44,795
Net fair value gains on other financial assets		5,549	49,759
Dividends received from FAI liquidator		-	51,831
Reinsurance and other recoveries	3	458	914
Interest income		48	53
Total income		**50,648**	**147,352**
Expenses			
Gross claims incurred	3	22,585	24,821
Outward reinsurance premium expense	2	1,193	1,239
Employee expenses	4	1,323	1,380
Supplies and services	6	3,469	3,227
Depreciation and amortisation		523	524
Other	7	39	38
Total expenses		**29,132**	**31,229**
Operating result		**21,516**	**116,123**
Other comprehensive income		**-**	**-**
Total comprehensive income		**21,516**	**116,123**

The accompanying notes form part of these statements.

Statement of Financial Position

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents		3,358	3,118
Receivables	8	1,626	289
Other financial assets		670,702	195,194
Reinsurance and other recoveries on outstanding claims	11	672	972
Prepayments		9	14
Total current assets		**676,367**	**199,587**
Non-current assets			
Other financial assets		281,629	741,340
Reinsurance and other recoveries on outstanding claims	11	2,693	3,895
Plant and equipment		-	4
Intangible assets	9	2,509	3,028
Total non-current assets		**286,831**	**748,267**
Total assets		**963,198**	**947,854**
Current liabilities			
Payables		341	378
Accrued employee benefits	10	60	38
Outstanding claims liability	11	28,377	30,588
Unearned levies		21,827	22,447
Total current liabilities		**50,605**	**53,451**
Non-current liabilities			
Outstanding claims liability	11	113,048	116,374
Total non-current liabilities		**113,048**	**116,374**
Total liabilities		**163,653**	**169,825**
Net assets		**799,545**	**778,029**
Equity			
Contributed equity		121	121
Accumulated surplus		799,424	777,908
Total equity		**799,545**	**778,029**

The accompanying notes form part of these statements.

Statement of Changes in Equity

for the year ended 30 June 2016

	Accumulated surplus $'000	Contributed equity $'000	Total equity $'000
Balance as at 1 July 2014	661,785	121	661,906
Operating result	116,123	-	116,123
Other comprehensive income	-	-	-
Balance as at 30 June 2015	**777,908**	**121**	**778,029**
Balance as at 1 July 2015	777,908	121	778,029
Operating result	21,516	-	21,516
Other comprehensive income	-	-	-
Balance as at 30 June 2016	**799,424**	**121**	**799,545**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Inflows:			
Levy income		43,973	45,121
Interest income		40	53
Dividends received from FAI liquidator		-	51,831
Reinsurance and other recoveries		615	3,925
GST input tax credits from ATO		601	681
GST collected from customers		13	15
Outflows:			
Gross claims incurred		(28,122)	(26,862)
Outward reinsurance premium expense		(1,183)	(1,347)
Employee expenses		(1,310)	(1,556)
Supplies and services		(743)	(474)
GST paid to suppliers		(582)	(672)
GST remitted to ATO		(13)	(15)
Other		(49)	(30)
Net cash provided by operating activities	12	**13,240**	**70,670**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of other financial assets		-	4,500
Outflows:			
Payments for other financial assets		(13,000)	(76,000)
Net cash used in investing activities		**(13,000)**	**(71,500)**
Net increase/(decrease) in cash and cash equivalents		**240**	**(830)**
Cash and cash equivalents at beginning of financial year		3,118	3,948
Cash and cash equivalents at end of financial year		**3,358**	**3,118**

The accompanying notes form part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Objectives and principal activities of Nominal Defendant

The Nominal Defendant was established under the *Motor Accident Insurance Act 1994* to act as a Queensland Compulsory Third Party (CTP) insurer for claims arising from unidentified and uninsured vehicles and to provide continuity of protection if a licensed insurer becomes insolvent.

1. Summary of significant accounting policies

(a) Statement of compliance

The Nominal Defendant has prepared these financial statements in compliance with section 43(1) of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accruals basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Financial Reporting Requirements for the year ending 30 June 2016, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Nominal Defendant has applied those requirements applicable to not-for-profit entities, as the Nominal Defendant is a not-for-profit entity. The financial statements have been prepared on a historical cost basis, except where otherwise stated.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Nominal Defendant.

(c) Funding of the Nominal Defendant

Funding is by way of levies, as explained at Note 1(d), interest on investments, and monies recovered by the Nominal Defendant against owners and/or drivers of uninsured vehicles and failed claimants.

(d) Levy income

In order to comply with the provisions of Australian Accounting Standard AASB 1023 *General Insurance Contracts*, the Nominal Defendant Levy, as stated in section 12 of the *Motor Accident Insurance Act 1994*, is to be treated as "premium" as defined in AASB 1023 and is accounted for as such in accordance with the provisions of AASB 1023.

Levy revenue is recognised in the Statement of Comprehensive Income only when it has been earned in accordance with the accounting principles set out in AASB 1023. Levies received but not earned as at the end of the reporting period are recorded as a liability (unearned levies) in the Statement of Financial Position and then systematically transferred to revenue in the Statement of Comprehensive Income as the levy is earned over time.

In accordance with AASB 1023 the recognition of earned levies is on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the Department of Transport and Main Roads.

Levy revenue is received from motorists via the Department of Transport and Main Roads in accordance with section 29 of the *Motor Accident Insurance Act 1994* based on a levy on gross premiums collected for Compulsory Third Party motor vehicle insurance policies. These levies are used to fund estimated costs of the Nominal Defendant scheme for the financial year and shortfalls from previous years.

The Nominal Defendant Levy rate is fixed each year by regulation in accordance with section 14A(1) of the *otor Accident Insurance Act 1994*.

The Motor Accident Insurance Commission makes a recommendation to the Minister on the levy rate after obtaining and considering actuarial advice.

(e) Outwards reinsurance premium expense

Premium ceded to reinsurers is recognised as outwards reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract.

(f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June.

(g) Receivables

Receivables are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment where an event occurs that would cast doubt on the collectability of the receivable. All known bad debts were written-off as at 30 June.

It is not the policy of the Nominal Defendant to recognise the debt or potential income accruing as the result of judgements granted in favour of it for legal costs and claims against uninsured owners and/or drivers. The resultant receipts are immaterial when compared to the Nominal Defendant's other sources of income and are recognised in the financial statements in the period in which they are received. This policy is under constant review by the Nominal Defendant.

(h) Reinsurance and other recoveries on outstanding claims

The reinsurance and other recoveries on outstanding claims have been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

Reinsurance and other recoveries revenue and a receivable for reinsurance and other recoveries on outstanding claims are recognised for claims incurred but not yet paid and incurred but not yet reported claims.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims liability (Note 1 (k)). Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

(i) Fair Value Measurement

The Nominal Defendant recognises in its other financial assets funds that are invested with Queensland Investment Corporation (QIC) at net market value in the financial statements using fair value measurement.

Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the investments being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the investments being valued. Significant unobservable inputs used by the Nominal Defendant include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Nominal Defendant's investments. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar investments.

All investments of the Nominal Defendant for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical investments
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

Other financial assets are held through unlisted unit trusts with the Nominal Defendant's funds' manager. While the units in the trust have quoted prices and are able to be traded, the market would not be considered active for level 1, therefore they are considered to be level 2. A market comparison valuation approach is used, with the units carried at redemption value as reasonably determined by the funds' manager.

Fair value information about the Nominal Defendant's financial instruments is outlined in Note 14.

(j) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements. Items with a lesser value are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to the Nominal Defendant. The residual value is zero for all of the Nominal Defendant's intangible assets.

It has been determined that there is no active market for any of the Nominal Defendant's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Internally generated software

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the Nominal Defendant, namely seven years, commencing from the date the assets are available for use.

(k) Outstanding claims liability

The liability for outstanding claims has been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

Claims incurred expense and a liability for outstanding claims are recognised for claims incurred but not yet paid, incurred but not yet reported claims and anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claims files and estimating unnotified claims and settlement costs using statistics based on past experiences and trends. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation.

(l) Financial instruments

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Nominal Defendant becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss
- Receivables – held at amortised cost
- Investments – held at fair value through profit or loss
- Payables – held at amortised cost.

The Nominal Defendant does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, the Nominal Defendant holds no other financial assets classified at fair value through profit and loss.

All disclosures relating to the measurement basis and financial risk management of other financial instruments held by the Nominal Defendant are disclosed in Note 14.

(m) Employee benefits

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

Wages, salaries and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current remuneration rates.

As the Nominal Defendant expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting an expense is recognised for this leave as it is taken.

Annual and long service leave

No provision is recognised in the Nominal Defendant's financial statements for liabilities in relation to annual and long service leave as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

Under the Queensland Government's Long Service Leave Scheme, a levy is made on the Nominal Defendant to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The Nominal Defendant's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

Key management personnel and remuneration

Key management personnel and remuneration disclosures are detailed in Note 5.

(n) Insurance

The Nominal Defendant's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Nominal Defendant pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(o) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities.* Appropriations for equity adjustments are similarly designated.

(p) Taxation

The Nominal Defendant is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Nominal Defendant. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 8).

(q) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Director, Finance and Procurement at the date of signing the Management Certificate.

(r) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

The Nominal Defendant places high reliance on actuarial estimates provided by its actuary, Queensland Government State Actuary's Office, in calculating the reinsurance and other recoveries on outstanding claims and the outstanding claims liability as at the end of the financial year. Refer to Notes 1 (h), 1 (k) and 11.

The only other area where the Nominal Defendant has made a higher degree of judgement is in the use of level 2 for the fair valuation of its investments with QIC, with no other judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(s) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(t) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2015-16. The Nominal Defendant adopted AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101, [AASB 7, AASB 101, AASB 134 & AASB 1049].* The amendments seek to improve financial reporting which emphasises only including material disclosures in the notes. The Nominal Defendant has applied this flexibility in preparing the 2015-16 financial statements.

No new Australian accounting Standards effective for the first time in 2015-16 had any material impact on this financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 124 *Related Party Disclosures* will become effective from reporting periods beginning on or after 1 July 2016 and will apply to the Nominal Defendant. The revised version of AASB 124 requires disclosures about the remuneration of key management personnel (KMP), transactions with related parties, and relationships between parent and controlled entities.

The Nominal Defendant already discloses detailed information about remuneration of its KMP, based on Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies. Due to additional guidance from the AABS about the KMP definition in the revised AASB 124, the Nominal Defendant will be assessing whether its responsible Minister should be part of its KMP from 2016-17. If the responsible Minister is assessed as meeting the KMP definition, no associated remuneration figures will be disclosed by the Nominal Defendant, as it does not provide the Minister's remuneration. Comparative information will continue to be disclosed in respect of KMP remuneration.

The most significant implications of AASB 124 for the Nominal Defendant are the required disclosures about transactions between the Nominal Defendant and its related parties (as defined in AASB 124). For any such transactions, from 2016-17, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/ payables, commitments, and any receivables where collection has been assessed as being doubtful. In respect of related party transactions with other Queensland Government controlled entities, the information disclosed will be more high level, unless a transaction is individually significant. No comparative information is required in respect of related party transactions in the 2016-17 financial statements.

AASB 15 Revenue from *Contracts with Customers* will become effective from reporting periods beginning on or after 1 January 2018. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Based on present arrangements, the Nominal Defendant does not enter into contracts for the sale of goods and services. However, if a contract for the sale of goods and services does arise in the future, the Nominal Defendant will need to follow the relevant accounting treatment specified in AASB 15.

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) will become effective for reporting periods beginning on or after 1 January 2018. The main impacts of these standards on the Nominal Defendant are that they will change the requirements for the classification, measurement and disclosures associated with the Nominal Defendant's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

At this stage and assuming no change in the types of transactions the Nominal Defendant enters into, all of the financial assets are expected to be required to be measured at fair value as required in the standard (instead of the measurement classifications presently used in Notes 1(l) and 14). In the case of the Nominal Defendant's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the Nominal Defendant's operating result.

Another impact of AASB 9 relates to calculating impairment losses for the Nominal Defendant's receivables. Assuming no substantial change in the nature of the Nominal Defendant's receivables, as they do not include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the Nominal Defendant will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

	2016 $'000	2015 $'000
2. Net levy income		
Levy income	44,593	44,795
Outward reinsurance premium expense	(1,193)	(1,239)
Net levy income	**43,400**	**43,556**

3. Net claims incurred

(a) Claims analysis

Gross claims incurred	22,585	24,821
Reinsurance and other recoveries	(458)	(914)
Total net claims incurred	**22,127**	**23,907**
Net claims incurred attributable to Nominal Defendant		
Gross claims incurred	22,302	25,711
Reinsurance and claims recoveries	(568)	(971)
	21,734	24,740
Net claims incurred attributable to FAI		
Gross claims incurred	283	(890)
Reinsurance and other recoveries	110	57
	393	(833)
Total net claims incurred	**22,127**	**23,907**

3. Net claims incurred – continued

(b) Claims development

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

Claims attributable to Nominal Defendant

	2016			2015		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	59,730	(40,260)	19,470	44,656	(23,492)	21,164
Discount	(4,011)	6,843	2,832	(4,019)	8,566	4,547
	55,719	(33,417)	22,302	40,637	(14,926)	25,711
Reinsurance and other recoveries						
Undiscounted	1,247	(744)	503	926	(60)	866
Discount	(82)	147	65	(82)	187	105
	1,165	(597)	568	844	127	971
Net claims incurred - discounted	**54,554**	**(32,820)**	**21,734**	**39,793**	**(15,053)**	**24,740**

Claims attributable to FAI

	2016			2015		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	-	(253)	(253)	-	(1,755)	(1,755)
Discount	-	536	536	-	865	865
	-	283	283	-	(890)	(890)
Reinsurance and other recoveries						
Undiscounted	-	(221)	(221)	-	(144)	(144)
Discount	-	111	111	-	87	87
	-	(110)	(110)	-	(57)	(57)
Net claims incurred - discounted	**-**	**393**	**393**	**-**	**(833)**	**(833)**

Total net claims incurred - discounted	**54,554**	**(32,427)**	**22,127**	**39,793**	**(15,886)**	**23,907**

	2016	2015
	$'000	$'000

3. Net claims incurred – continued

(c) Claims reconciliation

Claims comprise amounts required to be paid on behalf of those insured, amounts set aside for future claims and claims settlement costs. Claims settlement costs include costs that can be associated directly with individual claims, such as legal and professional fees.

	2016 $'000	2015 $'000
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	24,314	24,377
Movement in outstanding claims liability	(2,012)	1,334
	22,302	**25,711**
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	3,808	2,486
Movement in outstanding claims liability	(3,525)	(3,376)
	283	**(890)**
Total gross claims incurred	**22,585**	**24,821**
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	615	940
Movement in reinsurance and other recoveries receivable	(47)	31
	568	**971**
Reinsurance and other recoveries attributable to FAI		
Reinsurance and claims recoveries	1,345	82
Movement in reinsurance and other recoveries receivable	(1,455)	(139)
	(110)	**(57)**
Total reinsurance and other recoveries	**458**	**914**
Net claims incurred	**22,127**	**23,907**

	2016 $'000	2015 $'000
4. Employee expenses		
Employee benefits		
Salaries and wages	1,049	1,092
Employer superannuation contributions*	134	139
Leave levies*	128	146
Employee related expenses		
Workers' compensation premium	1	2
Payroll tax	-	(1)
Other employee related expenses	11	2
Total	**1,323**	**1,380**

*Refer to Note 1(m).

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2016	2015
Number of employees	12	12

5. Key management personnel and remuneration expenses

(a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2015-16. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position (End date)
Insurance Commissioner	Leads the efficient, effective and economic administration of the Nominal Defendant.	SES3; *Public Service Act 2008* and Governor in Council, in accordance with section 7 of the *Motor Accident Insurance Act 1994*	6-Dec-10
Director, Finance and Procurement*	Responsible for the efficient, effective and economic financial administration of the Nominal Defendant.	*SO; Public Service Act 2008*	13-Feb-06
Director, Business Solutions	Responsible for efficient and effective information systems and reporting.	*SO; Public Service Act 2008*	2-Jun-14
Director, Claims	Responsible for the Nominal Defendant claims management unit.	*SO; Public Service Act 2008*	1-May-14 (29-Feb-16)
Director, Strategic Planning and Business Performance	Responsible for efficient and effective strategic, operational and capability planning and strategic communication.	*SO; Public Service Act 2008*	16-May-16
Director, CTP Scheme Claims	Responsible for the Nominal Defendant claims management operation and licensed insurer claims management monitoring.	*SO; Public Service Act 2008*	23-May-16

* This role was previously named Director, Corporate Governance

(b) Remuneration expenses

Remuneration policy for the Nominal Defendant's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment (including motor vehicle entitlements) for the key management personnel are specified in employment contracts.

For the 2015-16 year, remuneration of key management personnel increased by 2.5% in accordance with government policy.

The following disclosures include remuneration in connection with the management of the Nominal Defendant, the Motor Accident Insurance Commission and the Queensland Government Insurance Fund. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities.

The other key management personnel are not included in this table, however, they have been included in the Motor Accident Insurance Commission financial statements under Note 4.

Remuneration packages for key management personnel comprise the following components:

- Short term employee benefits which include:
  - Salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position.
  - Performance payments recognised as an expense during the year.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

1 July 2015 to 30 June 2016

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses $'000	Post employment expenses $'000	Termination benefits $'000	Total expenses $'000
	Monetary expenses $'000	Non-monetary expenses $'000				
Director, Claims	92	-	2	10	-	104
Director, CTP Scheme Claims	17	-	-	2	-	19

1 July 2014 to 30 June 2015

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses $'000	Post employment expenses $'000	Termination benefits $'000	Total expenses $'000
	Monetary expenses $'000	Non-monetary expenses $'000				
Director, Claims	126	-	3	15	-	144

(c) Performance payments

Performance bonuses are not paid under the contracts in place.

	2016 $'000	2015 $'000

6. Supplies and services

	2016 $'000	2015 $'000
QIC management fee	2,648	2,507
Computer facilities management fee	41	66
Rent	154	140
Consultants and contractors	258	135
Corporate services fee	230	230
Supplies and consumables	48	60
Actuarial fees	90	89
Total	**3,469**	**3,227**

7. Other expenses

	2016 $'000	2015 $'000
Audit fees	37	37
Insurance premiums - QGIF	2	1
Total	**39**	**38**

Total audit fees paid to the Queensland Audit Office relating to the 2015-16 financial year are estimated to be $37,525 (2015: $36,400). There are no non-audit services included in this amount.

8. Receivables

	2016 $'000	2015 $'000
Accrued interest income	14	7
Sharing recoveries receivable on paid claims	1,553	207
GST receivable	37	56
Leave reimbursements	22	19
Total	**1,626**	**289**

	2016	2015
	$'000	$'000
9. Intangible assets		
Internally generated software: At cost		
Gross	3,634	3,634
Less: accumulated amortisation	(1,125)	(606)
Total	**2,509**	**3,028**
Intangibles reconciliation		
Internally generated software: At cost		
Carrying amount at 1 July	3,028	3,547
Amortisation	(519)	(519)
Carrying amount at 30 June	**2,509**	**3,028**
10. Accrued employee benefits		
Current		
Leave levies payable	40	29
Accrued salaries and wages	20	9
Total	**60**	**38**

	2016 $'000	2015 $'000
11. Net outstanding claims		
(a) Net outstanding claims		
Gross outstanding claims liability:		
Current	28,377	30,588
Non-current	113,048	116,374
Total	**141,425**	**146,962**
Reinsurance and other recoveries on outstanding claims:		
Current	672	972
Non-current	2,693	3,895
Total	**3,365**	**4,867**
Net outstanding claims:		
Current	27,705	29,616
Non-current	110,355	112,479
Total	**138,060**	**142,095**
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	132,311	136,886
Claims settlement costs	7,745	8,013
	140,056	144,899
Discount to present value	(7,596)	(10,427)
Gross outstanding claims liability	**132,460**	**134,472**
Current	26,791	28,348
Non-current	105,669	106,124
Gross outstanding claims liability	**132,460**	**134,472**
Reinsurance and other recoveries on outstanding claims	3,227	3,339
Discount to present value	(175)	(240)
Reinsurance and other recoveries on outstanding claims	**3,052**	**3,099**
Current	617	654
Non-current	2,435	2,445
Reinsurance and other recoveries on outstanding claims	**3,052**	**3,099**
Net outstanding claims	**129,408**	**131,373**
Central estimate	117,644	119,430
Risk margin	11,764	11,943
Net outstanding claims	**129,408**	**131,373**

11. Net outstanding claims – continued

(a) Net outstanding claims – continued

	2016 $'000	2015 $'000
Net outstanding claims attributable to FAI		
Gross outstanding claims/ expected future claim payments	9,191	13,180
Claims settlement costs	266	339
	9,457	13,519
Discount to present value	(492)	(1,029)
Gross outstanding claims liability	**8,965**	**12,490**
Current	1,586	2,240
Non-current	7,379	10,250
Gross outstanding claims liability	**8,965**	**12,490**
Reinsurance and other recoveries on outstanding claims	329	1,896
Discount to present value	(16)	(128)
Reinsurance and other recoveries on outstanding claims	**313**	**1,768**
Current	55	318
Non-current	258	1,450
Reinsurance and other recoveries on outstanding claims	**313**	**1,768**
Net outstanding claims	**8,652**	**10,722**
Central estimate	7,459	9,243
Risk margin	1,193	1,479
Net outstanding claims	**8,652**	**10,722**

11. Net outstanding claims – continued

(b) Actuarial assumptions

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

Assumptions attributable to the Nominal Defendant

	2016	2015
Inflation rate	5.60%	5.75%
Discount rate	1.65%	2.35%
Claims handling expenses	6.00%	6.00%
Risk margin	10.00%	10.00%
Weighted average expected term to settlement	3.5 years	3.3 years

Assumptions attributable to FAI

	2016	2015
Inflation rate	5.60%	5.75%
Discount rate	1.60%	2.30%
Claims handling expenses	3.00%	3.00%
Risk margin	16.00%	16.00%
Weighted average expected term to settlement	3.4 years	3.5 years

(c) Impact of changes in key variables on net outstanding claims

The following table illustrates how a change in some key valuation assumptions in section (b) above affects the net outstanding claims and shows an analysis of the profit/(loss) and equity changes in these assumptions. Note that the table is illustrative only, and is not intended that it cover the range of potential variations.

Sensitivity analysis attributable to the Nominal Defendant

		Financial impact			
Net outstanding claims	**Movement in variable**	**Profit/(loss) 2016 $'000**	**Equity 2016 $'000**	**Profit/(loss) 2015 $'000**	**Equity 2015 $'000**
Inflation rate	+1%	(3,287)	(3,287)	(4,135)	(4,135)
	-1%	3,120	3,120	3,970	3,970
Discount rate	+1%	3,116	3,116	3,906	3,906
	-1%	(3,354)	(3,354)	(4,152)	(4,152)
Claims handling expenses	+1%	(1,221)	(1,221)	(1,239)	(1,239)
	-1%	1,221	1,221	1,239	1,239
Risk margin	+1%	(1,176)	(1,176)	(1,194)	(1,194)
	-1%	1,176	1,176	1,194	1,194
Weighted average term to settlement	+0.5 years	1,034	1,034	1,480	1,480
	-0.5 years	(1,042)	(1,042)	(1,496)	(1,496)

11. Net outstanding claims – continued

(c) Impact of changes in key variables on net outstanding claims – continued

Sensitivity analysis attributable to FAI

		Financial impact			
Net outstanding claims	**Movement in variable**	**Profit/(loss) 2016 $'000**	**Equity 2016 $'000**	**Profit/(loss) 2015 $'000**	**Equity 2015 $'000**
Inflation rate	+1%	(288)	(288)	(373)	(373)
	-1%	277	277	358	358
Discount rate	+1%	275	275	354	354
	-1%	(292)	(292)	(376)	(376)
Claims handling expenses	+1%	(84)	(84)	(104)	(104)
	-1%	84	84	104	104
Risk margin	+1%	(75)	(75)	(92)	(92)
	-1%	75	75	92	92
Weighted average term to settlement	+0.5 years	68	68	121	121
	-0.5 years	(68)	(68)	(123)	(123)

(d) Nature and extent of risks arising from claims liabilities

The objective of the Nominal Defendant is to ensure it is fully funded to enable it to meet its obligations under the *Motor Accident Insurance Act 1994*. This is facilitated by an actuarially derived levy which is incorporated in the Compulsory Third Party (CTP) premium charged by the respective CTP policy insurers. The levy is derived by taking into consideration such factors as claim frequency, average claim size, wages, inflation, applicable discount rates, operating expenses and cost of reinsurance. The levy amount is supplemented by investment income derived from investing the levy and other income from reinsurance and non-reinsurance recoveries.

A suitably qualified insurance broker is engaged in a consultancy capacity to provide the Nominal Defendant with the most cost effective plan to protect the Fund against major and catastrophic loss, and provide ongoing insurance risk advice. To this end, the broker facilitates an annual contract for excess of loss reinsurance cover entered into by the Nominal Defendant with reinsurance underwriters from both local and overseas markets to provide reinsurance cover at various layers.

Reinsurers must comply with Queensland Treasury's minimum requirement for performance guarantee under a contract (per Section 36 of the *Financial and Performance Management Standard 2009*) which is for the approved financial institution to have a minimum S&P rating of A-. In the 2015-16 financial year the Nominal Defendant was able to secure unlimited cover with an excess of loss retention level of $7.5 million. All reinsurers complied with Treasury's minimum requirements as specified by the Financial Management Standards.

	2016 $'000	2015 $'000
12. Reconciliation of operating result to net cash from operating activities		
Operating result	21,516	116,123
Add/(subtract) items classified as investing activities:		
Net fair value gain on other financial assets	(2,797)	(47,026)
Non-cash items:		
Depreciation	4	5
Amortisation	519	519
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	5	(14)
(Increase)/decrease in receivables	165	3,031
Increase/(decrease) in payables	(37)	(74)
Increase/(decrease) in unearned levies	(620)	319
Increase/(decrease) in outstanding claims liability	(5,537)	(2,041)
Increase/(decrease) in accrued employee benefits	22	(172)
Net cash from operating activities	**13,240**	**70,670**

13. Events occurring after reporting date

The *National Injury Insurance Scheme (Queensland) Act 2016* commenced on 1st July 2016 and establishes the National Injury Insurance Scheme, the National Injury Insurance Agency Queensland and the National Injury Insurance Scheme Fund.

Approval has been sought from and granted by the Treasurer under section 95 of the *National Injury Insurance Scheme (Queensland) Act 2016* to direct the Nominal Defendant to transfer $600 million to the National Injury Insurance Scheme Fund. The transfer took effect on 22 August 2016.

14. Financial instruments

(a) Categorisation of financial instruments

The Nominal Defendant has the following categories of financial assets and financial liabilities:

Category	Note	2016 $'000	2015 $'000
Financial assets			
Cash and cash equivalents		3,358	3,118
Receivables	8	1,626	289
Other financial assets		952,331	936,534
Total		**957,315**	**939,941**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables		341	378
Total		**341**	**378**

(b) Financial risk management

The Nominal Defendant's activities expose it to a variety of financial risks - interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Government and the Nominal Defendant policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Nominal Defendant.

All financial risk is managed by Finance and Procurement under policies approved by the Nominal Defendant. The Nominal Defendant provides written principles for overall risk management, as well as policies covering specific areas.

14. Financial instruments – continued

(c) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to the Nominal Defendant's financial assets. With all other variables held constant, the Nominal Defendant would have a surplus and equity increase/(decrease) of $34,000 (2015: $31,000) due to interest rate risk and $9,523,000 (2015: $9,365,000) due to unit price risk.

The Nominal Defendant's sensitivity to movements in interest rates in relation to the value of cash and cash equivalents is shown in the table below.

		Financial impact			
Cash	**Movement in variable %**	**Profit/(loss) 2016 $'000**	**Equity 2016 $'000**	**Profit/(loss) 2015 $'000**	**Equity 2015 $'000**
Interest rate risk	+1	34	34	31	31
	-1	(34)	(34)	(31)	(31)

The Nominal Defendant's sensitivity to movements in unit price rates in relation to the value of investments is shown in the table below.

		Financial impact			
Investments	**Movement in variable %**	**Profit/(loss) 2016 $'000**	**Equity 2016 $'000**	**Profit/(loss) 2015 $'000**	**Equity 2015 $'000**
Unit price risk	+1	9,523	9,523	9,365	9,365
	-1	(9,523)	(9,523)	(9,365)	(9,365)

(d) Fair value

The recognised fair values of other financial assets are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements as outlined in Note 1(i).

According to the hierarchy, the Nominal Defendant classifies other financial assets at fair value through profit or loss as level 2.

The carrying amounts of other financial assets approximate their fair values. The fair value of investments is measured at net market value based on Queensland Investment Corporation advice.

15. Budget vs actual comparison

A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

In accordance with AASB 1055 *Budgetary Reporting*, the budget information presented to parliament has been restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget.

Statement of Comprehensive Income

	Variance Notes	Actual 2016 $'000	Original Budget 2016 $'000	Variance $'000	Variance (%)
Income					
Levy income		44,593	43,787	806	2%
Net fair value gains on other financial assets	1	5,549	66,325	(60,776)	-92%
Reinsurance and other recoveries	2	458	-	458	-
Interest income		48	50	(2)	-4%
Total income		**50,648**	**110,162**	**(59,514)**	**-54%**
Expenses					
Gross claims incurred	3	22,585	51,590	(29,005)	-56%
Outward reinsurance premium expense	4	1,193	1,575	(382)	-24%
Employee expenses		1,323	1,303	20	2%
Supplies and services	5	3,469	3,805	(336)	-9%
Depreciation and amortisation		523	523	-	-
Other		39	42	(3)	-7%
Total expenses		**29,132**	**58,838**	**(29,706)**	**-50%**
Operating result		**21,516**	**51,324**	**(29,808)**	**-58%**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**21,516**	**51,324**	**(29,808)**	**-58%**

15. Budget vs actual comparison – continued

Statement of Financial Positions

	Variance Notes	Actual 2016 $'000	Original Budget 2016 $'000	Variance $'000	Variance (%)
Current assets					
Cash and cash equivalents	6	3,358	3,000	358	12%
Receivables	7	1,626	89	1,537	1727%
Other financial assets	8	670,702	219,916	450,786	205%
Reinsurance and other recoveries on outstanding claims	9	672	1,043	(371)	-36%
Prepayments		9	-	9	-
Total current assets		**676,367**	**224,048**	**452,319**	**202%**
Non-current assets					
Other financial assets	8	281,629	798,868	(517,239)	-65%
Reinsurance and other recoveries on outstanding claims	9	2,693	4,171	(1,478)	-35%
Plant and equipment		-	-	-	-
Intangible assets		2,509	2,513	(4)	0%
Total non-current assets		**286,831**	**805,552**	**(518,721)**	**-64%**
Total assets		**963,198**	**1,029,600**	**(66,402)**	**-6%**
Current liabilities					
Payables		341	552	(211)	-38%
Accrued employee benefits		60	76	(16)	-21%
Outstanding claims liability	10	28,377	39,763	(11,386)	-29%
Unearned levies		21,827	22,128	(301)	-1%
Total current liabilities		**50,605**	**62,519**	**(11,914)**	**-19%**
Non-current liabilities					
Outstanding claims liability	10	113,048	149,585	(36,537)	-24%
Total non-current liabilities		**113,048**	**149,585**	**(36,537)**	**-24%**
Total liabilities		**163,653**	**212,104**	**(48,451)**	**-23%**
Net assets		**799,545**	**817,496**	**(17,951)**	**-2%**
Equity					
Contributed equity		121	121	-	-
Accumulated surplus	11	799,424	817,375	(17,951)	-2%
Total equity		**799,545**	**817,496**	**(17,951)**	**-2%**

15. Budget vs actual comparison – continued

Statement of Cash Flows

	Variance Notes	Actual 2016 $'000	Original Budget 2016 $'000	Variance $'000	Variance (%)
Cash flows from operating activities					
Inflows:					
Levy income		43,973	43,787	186	0%
Interest income		40	50	(10)	-20%
Reinsurance and other recoveries	12	615	-	615	-
GST input tax credits from ATO		601	-	601	-
GST collected from customers		13	-	13	-
Outflows:					
Gross claims incurred	13	(28,122)	(31,977)	3,855	-12%
Outward reinsurance premium expense	4	(1,183)	(1,575)	392	-25%
Employee expenses		(1,310)	(1,302)	(8)	1%
Supplies and services	5	(743)	(981)	238	-24%
GST paid to suppliers		(582)	-	(582)	-
GST remitted to ATO		(13)	-	(13)	-
Other		(49)	(52)	3	-6%
Net cash provided by operating activities		**13,240**	**7,950**	**5,290**	**67%**
Cash flows from investing activities					
Outflows:					
Payments for other financial assets	14	(13,000)	(7,950)	(5,050)	64%
Net cash used in investing activities		**(13,000)**	**(7,950)**	**(5,050)**	**64%**
Net decrease in cash and cash equivalents		**240**	**-**	240	-
Cash and cash equivalents at beginning of financial year		3,118	3,000	118	4%
Cash and cash equivalents at end of financial year		**3,358**	**3,000**	**358**	**12%**

15. Budget vs actual comparison – continued

Explanations of major variances

Statement of Comprehensive Income

1. The decrease in net fair value gains on financial assets is primarily due to lower than expected earnings on QIC investments due to uncertainty in the international equity market during the year.

2. The increase in reinsurance and other recoveries primarily relates to unanticipated claim recoveries.

3. The variance in gross claims incurred is a result of $25.1M lower than anticipated movement in outstanding claims liability and $3.9M lower than anticipated claims costs. The outstanding claims liability is based on actuarial assessment.

4. The decrease in outward reinsurance premium expense is primarily due to savings from moving the self-retention limit from $6M to $7.5M. The Original Budget was based on a limit of $6M.

5. A decrease in supplies and services is primarily due to lower than anticipated support costs for the Connect claims management system. Also contributing is a reduction in management costs associated with QIC investments as a result of a change in investment mandate during 2015-16.

Statement of Financial Position

6. The cash and cash equivalents balance is higher than projected as detailed in the Statement of Cash Flows.

7. The increase in receivables is primarily due to higher than anticipated sharing recoveries receivable on paid FAI-Tail claims.

8. The variance in current and non-current other financial assets relates to a reclassification from non-current to current QIC investments as $600M will be transferred to the National Injury Insurance Scheme Fund in 2016-17. The overall decrease in current and non-current other financial assets is primarily due a decrease in the operating result available for investment.

9. The variance in reinsurance and other recoveries on outstanding claims reflects actuarial assessment as at 30 June 2016.

10. The movement in the current and non-current outstanding claims liability reflects actuarial assessment as at 30 June 2016.

11. The decrease in accumulated surplus reflects lower than anticipated operating result in 2015-16 and actual audited opening balances lower than projected in the 2015-16 budget.

Statement of Cash Flows

12. The variance is due to receipt of receivables recorded as at 30 June 2015 which were not anticipated in the 2015-16 budget.

13. The variance in gross claims incurred is a result of lower than expected claim payments as the 2015-16 budget was based on 30 June 2014 projections.

14. The variances in cash flows from investing activities reflect the investment of higher than expected surplus funds provided by operating activities.

CERTIFICATE OF THE NOMINAL DEFENDANT

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements.

In accordance with s.62(1)(b) of the Act we certify that in our opinion:

(a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects

(b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2016 and of the financial position of the Nominal Defendant at the end of that year

(c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

L. Lee
B. Com, CA
Director Finance and Procurement
24 August 2016

N.Singleton
B. Bus (Insurance), MBA
Insurance Commissioner
24 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of the Nominal Defendant, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Director Finance and Procurement.

The Insurance Commissioner's Responsibility for the Financial Report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

  (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

  (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

QUEENSLAND
31 AUG 2016
AUDIT OFFICE

P. Christensen CPA
As Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

APPENDICES

Appendix 1: Actuarial Certificate, Nominal Defendant Fund

Actuarial Certificate
Queensland Nominal Defendant Fund
Outstanding Claims Liability as at 30 June 2016

The State Actuary's Office was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 2016 and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled "Nominal Defendant Outstanding Claims Liability Review 30 June 2016". The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 137 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2016 is $129.4 million, comprising the central estimate of the liability for outstanding claims and a prudential margin. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses. The prudential margin of 10% of the central estimate allows for the risk and uncertainty associated with the estimated liability.

Reliances and Limitations

In preparing our advice we relied extensively on information supplied by the Nominal Defendant. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency.

Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and to be expected.

A.A. van den Berg
Fellows of the Institute of Actuaries of Australia
3 August 2016

M. J. Clacher

Appendix 2: Actuarial Certificate, Nominal Defendant Fund – FAI Run-Off

Actuarial Certificate
Queensland Nominal Defendant Fund – FAI Run-Off
Outstanding Claims Liability as at 30 June 2016

The State Actuary's Office was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities in respect of the FAI run-off as at 30 June 2016 and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled "Nominal Defendant – FAI Run-Off Outstanding Claims Liability Review 30 June 2016". The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 1023 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2016 is $8.7 million, comprising the central estimate of the liability for outstanding claims and a prudential margin. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses. The prudential margin of 16% of the central estimate allows for the risk and uncertainty associated with the estimated liability.

Reliances and Limitations

In preparing our advice we relied extensively on information supplied by the Nominal Defendant. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency.

Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and to be expected.

A.A. van den Berg
Fellows of the Institute of Actuaries of Australia
3 August 2016

M. J. Clacher

Appendix 3: Licensed insurers

Current licensed CTP insurers

AAI Limited (trading as Suncorp)
GPO Box 1453
Brisbane QLD 4001
Ph 13 11 60
ABN 48 005 297 807

Allianz Australia Insurance Limited
GPO Box 2226
Brisbane Qld 4001
Ph 131 000
ABN 15 000 122 850

QBE Insurance (Australia) Limited
GPO Box 1072
Brisbane Qld 4001
Ph 07 3859 5666
ABN 78 003 191 035

RACQ Insurance Limited
PO Box 3313
Tingalpa DC Qld 4173
Ph 131 905
ABN 50 009 704 152

Previous licensed CTP insurers

Suncorp Metway Insurance Limited
ABN 83 075 695 966 *Licence withdrawn 01/07/2013*

Australian Associated Motor Insurers Limited (trading as AAMI)
ABN 92 004 791 744 *Licence withdrawn 01/07/2013*

Insurance Australia Limited (trading as NRMA Insurance)
ABN 11 000 016 722 *Licence withdrawn 01/01/2014*

CIC Insurance Limited
ACN 004 078 880 *Licence withdrawn 22/01/1996*
Insurer became insolvent on 15 March 2001

GIO General Limited
ACN 002 861 583 *Licence withdrawn 30/06/1996*

Mercantile Mutual Insurance (Australia) Ltd
ACN 000 456 799 *Licence withdrawn 01/11/1996*

Commercial Union Assurance of Australia Ltd
ACN 004 478 371 *Licence withdrawn 01/03/1997*

Zurich Australian Insurance Limited
ACN 000 296 640 *Licence withdrawn 15/11/1997*

Fortis Insurance Limited (formerly VACC Insurance Co. Limited)
ACN 004 167 953 *Licence suspended 30/03/1999 pending withdrawal*

FAI General Insurance Company Limited
ABN 15 000 327 855 *Licence suspended on 1 January 2001*
Insurer became insolvent on 15 March 2001

FAI Allianz Limited (trading as FAI Insurance)
ABN 80 094 802 525 *Licence withdrawn 01/07/2002*

Appendix 4: Committees

Committees as at 30 June 2016

Section 11 of the *Motor Accident Insurance Act 1994* provides that the Commission may establish one or more advisory committees to advise on exercising its statutory functions. The Commission has one Advisory Committee to provide independent and expert advice on a range of matters with the primary activity relating to setting the premium bands.

The structure of the 2015-16 Advisory Committee was:

Chairperson – Bernard Rowley
Members – Rowan Ward

The Advisory Committee has extensive industry experience within the insurance industry. The areas of expertise of individual members are:

Committee member	Area of expertise
Bernard Rowley, former CEO of Suncorp	Insurance industry and actuarial experience
Rowan Ward, former executive General Manager, Actuarial services at Suncorp	Insurance industry and actuarial experience

From **1 July 2015 to 30 June 2016,** a total of seven meetings of the Advisory Committee were held. The total remuneration to the Committee for the year was **$7,875.00**. These payments were made within the framework of the *Government's Remuneration of Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities* arrangements administered by the Department of Justice and Attorney-General.

Appendix 5: Performance Statement (SDS)

Service standards	Notes	2015-16 Published Annual Target	2015-16 Revised Annual Target	2015-16 YTD Target	2015-16 Progress to Date
Effectiveness measure					
Highest filed CTP premium for Class 1 vehicles (sedans and wagons) as a percentage of average weekly earnings		<45%	<45%	<45%	23.36%
Efficiency measures					
Percentage of the Nominal Defendant claims finalised compared to the number outstanding at the start of the financial year		50%	50%	50%	75.9%
Percentage of Nominal Defendant claims settled within two years of compliance	1	50%	50%	50%	73.8%
Percentage of Nominal Defendant claims with General Damages paid within 60 days of the settlement date	2	95%	95%	95%	95.8%

1. Favourable variance is due to higher than anticipated number of claims being finalised.
2. Claims can take two to three years to settle, consequently it is difficult to estimate the number of claims that will be finalised in any given period.

Appendix 6: Grants and sponsorships

Organisation	Future commitment*	2015-16 $	2014-15 $
Recover Injury Research Centre formerly (CONROD) (2014-2017) incorporating:	2,068,755	1,964,860	2,400,000
University of Queensland	1,152,941	1,075,719	1,536,758
Griffith University allocation	915,814	889,141	863,242
Centre for Accident Research and Road Safety Queensland (CARRS-Q) (2011 – 2016) ^Additional funding for three years commencing 1 September 2016 approved in May 2016.	^8,432,873	2,730,047	2,637,396
Department of Transport and Main Roads Funding to support Transport Academic Partnership 2015-2020 - formerly Academic Strategic Transport Alliance (ASTRA).	285,606	0	52,999
Queensland Police Service Funding to support 'Stay on Track Outback'.	240,000	0	0
University of Sunshine Coast Young driver situation awareness fast tracking including identifying escape routes (SAFER) : a pilot project.	30,923	30,923	0
The George Institute for Global Health Contribution towards ongoing costs of Physiotherapy Evidence Database (PEDro).	25,000	25,000	25,000
University of Sydney Partnership funding to develop software to support improved management of people with whiplash.	8,000	28,000	4,000
University of Queensland To establish a Professorial Fellowship in Traumatic Brain Injury Research at the Queensland Brain Institute (2015-2020).	1,200,000	300,000	0
Griffith University Partnership funding to develop and test a decision system for identifying housing options, preferences and priorities in the disability market.	127,251	72,743	0
Metro South Hospital and Health Service Transitional rehabilitation service pilot (2016-2021).	14,675,918	0	0
University of Queensland via Children's Health Foundation Queensland Partnership funding to establish a Queensland Chair in Paediatric Rehabilitation (2016–2021).	998,087	0	0
Griffith University Partnership funding to develop a clinical pathway of care for whiplash injury.	110,625	36,875	0
Griffith University Partnership funding to establish a Professor of Disability and Rehabilitation.	60,000	40,000	0

Organisation	Future commitment*	2015-16 $	2014-15 $
Spinal Injuries Association of Australia Contribution towards continuation of Queensland school awareness programme –Spinal Education Awareness Team (SEAT).	0	25,000	25,000
Centre for Accident Research and Road Safety Queensland (CARRS-Q) Reduce the crash involvement of taxis in Queensland : situational analysis and crash and exposure analyses.	0	0	99.585
Spinal Injuries Association of Australia Equipment for rehabilitation assessment centre.	0	0	42,818
Centre for Accident Research and Road Safety Queensland (CARRS-Q) Improving taxi driver safety with a smartphone feedback system: a pilot study.	0	0	101,013
Road Trauma Mitigation Fund Collaborate with Queensland Police Service (QPS) and Department of Transport and Main Roads (DTMR) around identified initiatives to reduce claims frequency and support Qld Road Safety Strategy and Action Plan.	3,795,000	2,325,000 DTMR-1,325,000 QPS-1,000,000	0
Total funding committed/allocated	**32,058,038**	**7,578,448**	**5,387,811**
Less refunds of residual grant funding			
Centre for Accident Research and Road Safety Queensland (CARRS-Q) To undertake an evaluation of the 'Braking the Cycle' intervention to assist disadvantaged youth to meet learner driver requirements.		(674)	0
Centre of National Research on Disability and Rehabilitation Medicine (CONROD) (2010-2014)		0	(463,560)
Centre for Accident Research and Road Safety Queensland (CARRS-Q) Undertake preliminary investigation and the production of a toolkit for use by providers of a community based mentor driving program.		0	(20,636)
Centre for Accident Research and Road Safety Queensland (CARRS-Q) To undertake an in-depth analysis of crashes involving young drivers in order to better understand factors behind these crashes and identify appropriate interventions.		0	(7,648)
Road Trauma Mitigation Fund		**(24,940)**	**0**
Total funding returned		**(25,614)**	**(491,844)**
GRANT TOTAL (Allocated less returned)		**7,552,834**	**4,895,967**

* Estimate of grant funding committed for expenditure from 1 Jul 2016.

Ongoing projects funded in previous years

In the majority of cases, the following projects were previously funded by the Commission through the provision of a one-off payment. This payment is held in trust with the interest used to fund the ongoing operations of each project. The progress of these projects is monitored through regular activity and financial reporting.

- Royal Australian College of General Practitioners Research Fellowship
- Royal Australasian College of Physicians Research Fellowship
- Royal Australasian College of Surgeons Research Fellowship
- University of Queensland
  - School of Human Movement Studies Teaching and Community Services Rehabilitation Research Fellowship

Research centres

The two Commission funded research centres (RECOVER and CARRS-Q) produce six monthly activity and financial reports covering the research conducted within the centres and providing details on projects funded through other competitive grant processes.

Further information on CARRS-Q and RECOVER's research and activities is available by visiting **www.carrsq.qut.edu.au** and **www.recover.edu.au**

Sponsorship Program

In the 2015-16 financial year MAIC also provided $132,318 in sponsorship funding for events and activities that promote either improved outcomes for persons injured in motor vehicle accidents or research and education about road safety and injury prevention. Sponsorships awarded include contributions towards Queensland Road Safety Week, Australian Physiotherapy Association Conference and Australasian Road Safety Conference held on the Gold Coast.

Appendix 7: Glossary

Term	Definition
1WS	1 William Street
ABI	Acquired Brain Injury
APRA	Australian Prudential Regulation Authority
ARMC	Audit and Risk Management Committee
CARRS-Q	Centre for Accident Research and Road Safety Queensland
CAV	Cooperative and Automated Vehicles
C-ITS	Cooperative Intelligent Transport System
CONROD	Centre of National Research on Disability and Rehabilitation Medicine
CTP	Compulsory Third Party
DTMR	the Department of Transport and Main Roads
MAIA	Motor Accident Insurance Act
MAIC	Motor Accident Insurance Commission
NIISQ	National Injury Insurance Scheme Queensland
QAO	Queensland Audit Office
QBI	Queensland Brain Institute
QPS	Queensland Police Service
QUT	Queensland University Of Technology
SEAT	Spinal Education Awareness Team
TRS	Transitional Rehabilitation Service
UQ	University of Queensland

Pages 391 through 393 redacted for the following reasons:
- -
Sch.3(2)(1)(b) - Cabinet Matter

BRIEFING NOTE

FROM	**Treasury**		
FOR	**Treasurer** **Minister for Aboriginal and Torres Strait Islander Partnerships** **Minister for Sport**		
SUBJECT	**CTP Premium Filings – 1 January 2017 to 31 March 2017**		
Contact Officer	Neil Singleton, Insurance Commission, 3035 6340	Reference No.	03938-2016
Approved by	AUT	Approved by	DUT

PURPOSE

1. To provide information about the Compulsory Third Party (CTP) insurance premiums filed by licensed insurers for registration renewals in the January to March 2017 quarter.

2. For Class 1 vehicles three insurers set their price at $368.60 (which represents no change from the previous quarter) while the fourth insurer (Allianz) has filed a Vehicle Class 1 premium of $363.60 (a $5 reduction from the previous quarter).

BACKGROUND

3. Queensland's CTP scheme is privately underwritten by four licensed insurers; AAI Limited (trading as Suncorp), Allianz, RACQ and QBE. Each Quarter, CTP insurers must file premiums for each vehicle class within the floor and ceiling limits set by MAIC.

4. A formal CTP Scheme Review is currently being undertaken to identify sustainable savings to CTP premiums and levies that can be implemented from 1 July 2017.

ISSUES

5. Suncorp has suggested that MAIC has a deliberate plan to reduce insurer return from the Queensland CTP scheme. Suncorp suggest that the ceiling for Vehicle Class 1 January 2017 quarter has been set below the appropriate level.

6. Allianz's decision to file $5 below the ceiling for Class 1 reflects its favourable claims finalisation experience.

7. For the January 2017 quarter, Vehicle Class 3 (Taxis – cars and station wagons) have had their premium reduced by $686.40 to $5,449.80 compared to the January 2016 quarter. This follows a fall in the number of claims involving taxis. MAIC continues to work with the Taxi Council on opportunities to reduce the incidence of road crashes such that taxi premiums could continue to reduce.

Sch.3(2)(1)(b) - Cabinet Matter

[redacted]

RECOMMENDATION

10. That you note the CTP premiums for the January to March 2017 quarter and that once finalised, options for personalised transport vehicles CTP insurance will be presented to you for your consideration and approval.

Jim Murphy
Under Treasurer / /

☐ Approved	☐ Not approved	☐ Noted
Comments		
HON. CURTIS PITT MP **Treasurer** **Minister for Aboriginal and Torres Strait Islander Partnerships** **Minister for Sport**		
/ /		

Pages 396 through 406 redacted for the following reasons:
- -
Sch.3(2)(1)(b) - Cabinet Matter

Hon Jackie Trad MP

Deputy Premier

Minister for Transport, Minister for Infrastructure, Local Government and Planning and Minister for Trade

Queensland Government

Our ref: MC80089

COPY

03 MAR 2015

The Honourable Annastacia Palaszczuk MP
Premier and Minister for the Arts
PO Box 15185
CITY EAST QLD 4002

Dear Premier

I am writing to seek your endorsement to reduce existing six-month registration renewal surcharges, and provide a three-month registration renewal surcharge associated with the introduction of a direct debit registration renewal service.

The Department of Transport and Main Roads (TMR) is currently developing a direct debit payment service for eligible customers, to establish automatic registration renewal payments. This service is currently scheduled to be delivered by mid-2015.

As part of the direct debit service, TMR is also introducing three-month registration renewal terms for customers enrolled in the service.

An existing surcharge is applied to six-month registration terms. This surcharge comprises four components being allocations to:

- Queensland Treasury (QT) to offset the cash flow impact of delayed collection
- the Motor Accident Insurance Commission (MAIC) paid to Compulsory Third Party (CTP) insurers to offset cash flow impacts and additional administration
- TMR to recoup additional transaction costs, as well as the cost of additional notice production and postage
- TMR from MAIC to recoup additional costs associated with administration of CTP.

TMR has been working with QT and MAIC to reduce each component of the existing six month and proposed direct debit three-month registration term surcharge to ensure they are as low as possible, and to maximise take up of the direct debit service.

Level 12 Executive Building
100 George Street Brisbane
PO Box 15009 City East
Queensland 4002 Australia
Telephone +61 7 3719 7100
Email deputy.premier@ministerial.qld.gov.au

The table below outlines the current six-month registration term surcharge charged to customers, the proposed reduction to this surcharge, and the proposed new three-month surcharge:

	6 Months Registration Term (Direct Debit and Non Direct Debit)		3 Months Registration Term (Direct Debit Only)	
SURCHARGE CATEGORY	Current Surcharge	[redacted]	Current Surcharge	[redacted]
Treasury	$4.75	$3.00	N/A	$1.95
MAIC/CTP insurer	$7.00	$4.00	N/A	$2.00
TMR Surcharge	$4.60	$4.60	N/A	$1.85
TMR CTP handling	$1.00	$1.00	N/A	$0.50
Total	$17.35	[redacted]	N/A	[redacted]
Annualised Total	$34.70	**$25.20**	N/A	**$25.20**

The proposed registration surcharge delivers a 37% reduction to the existing six-month surcharge. The introduction of a comparably priced, new three-month surcharge with the direct debit service will reduce the likelihood of negative customer perception. TMR will also continue to explore opportunities to further reduce costs for customers in the future by developing an option for customers to receive registration notices electronically.

TMR estimates that the Queensland Government revenue will not be impacted by the proposed registration surcharge reductions. This is due to a forecast migration of customers from 12-month registration renewal terms, which do not incur a surcharge to three-month direct debit registration terms which incur the above surcharge.

TMR has previously consulted staff from the Department of the Premier and Cabinet regarding the proposed registration renewal surcharge changes.

Should your officers require further information or clarification, they may contact Mr Graham Fraine, Deputy Director-General, Customer Services, Safety and Regulation, on 3066 7222 or by email at graham.z.fraine@tmr.qld.gov.au.

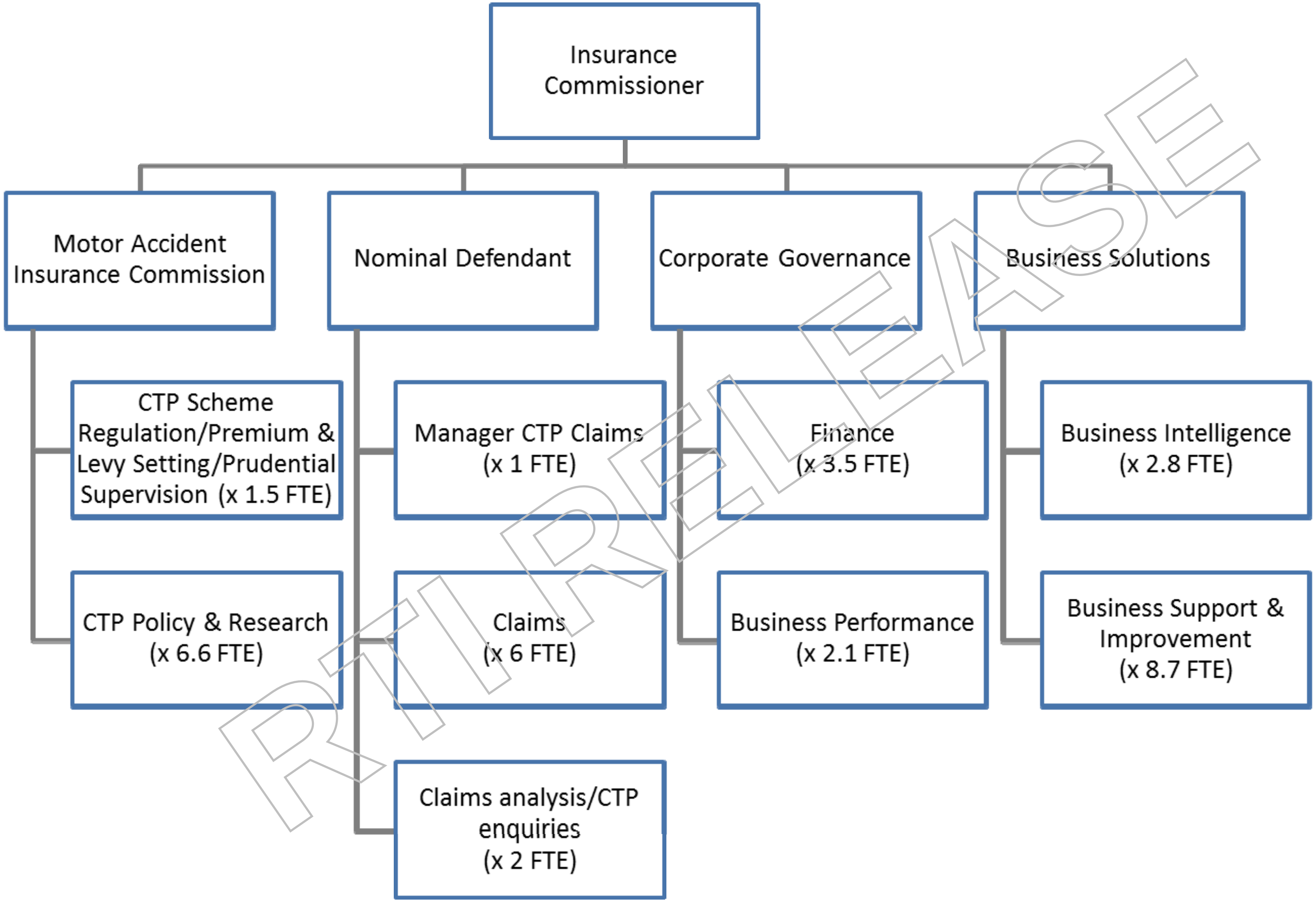
I look forward to receiving your endorsement to the above.

Yours sincerely

JACKIE TRAD MP
DEPUTY PREMIER
Minister for Transport, Minister for Infrastructure, Local Government and Planning and Minister for Trade

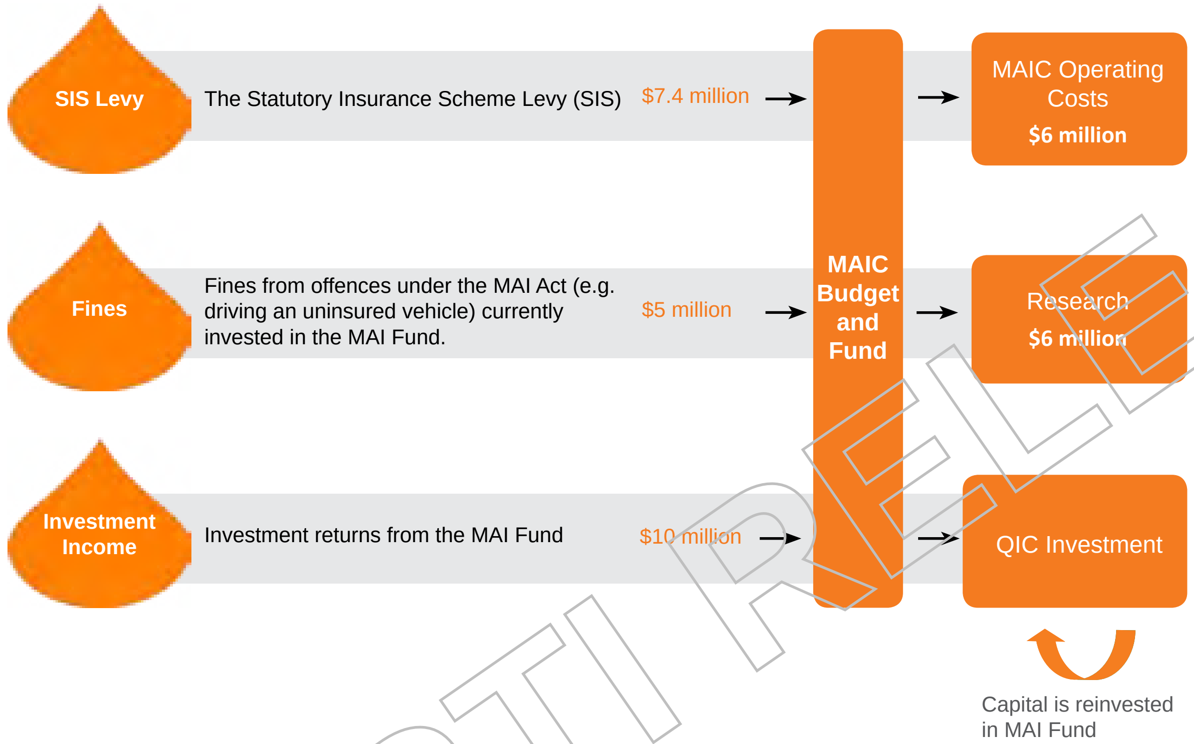
Attachment 1. MAIC functions and upcoming issues

Motor Accident Insurance Commission Organisation Chart



10 March 2015

Motor Accident Insurance Commission Funding Model



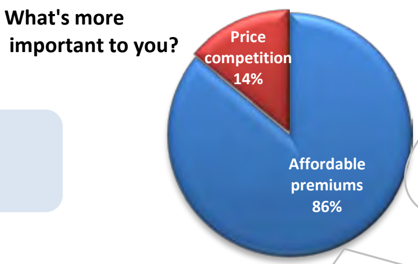
Key Highlights - MAIC 2013 Market Research

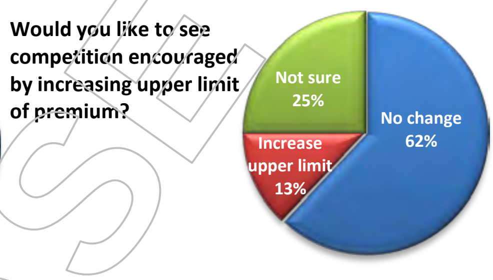
Background information

MCR was commissioned by MAIC in April 2013 to survey general motorists and new car buyers about Compulsory Third Party (CTP) insurance. Similar studies have been conducted by MCR on behalf of MAIC in 1999, 2007 and 2011. The 2013 study was conducted in two stages, a preliminary qualitative stage (three focus groups) and a quantitative phase (500 online surveys), 300 surveys with registered motor vehicle owners and 200 with people who had purchased a new car between May 2012 and June 2013. The survey fieldwork was conducted between the 28th May and 12th June 2013.

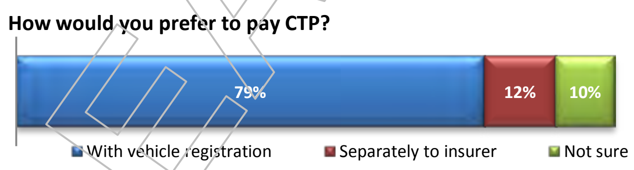
Affordability versus competition

Motorists prefer that the CTP scheme focuses on affordability over price competition.



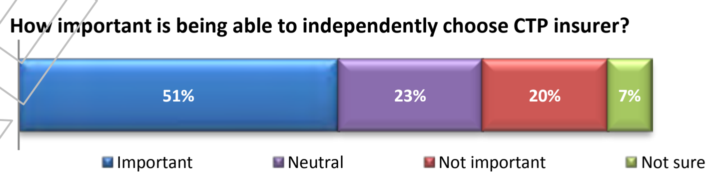


Given the product's compulsory nature, there is an expectation that the process should be simple, that important policy inclusions are consistent across insurers and the purchase process convenient.

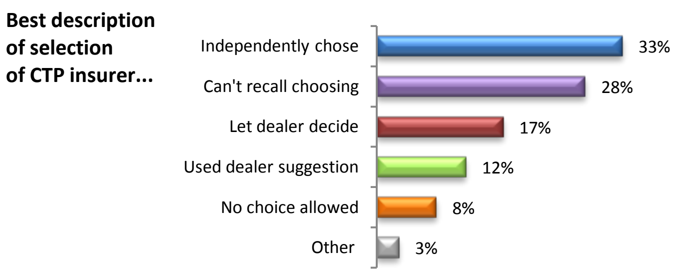


New car buyers

Being able to choose CTP insurer is not universally considered important and is not top of mind in the purchase process. Views may be impacted by the bundled pricing strategies used by dealers – only 12% reported that CTP was separately itemised when purchasing vehicle.

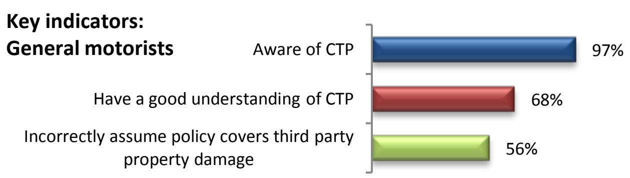


The majority of new car buyers reported their dealer did not try to persuade them in the choice of CTP insurer although only one third of buyers reported independently choosing their CTP insurer. There is evidence motor vehicle dealers are influencing this choice.



CTP knowledge and behaviour among general motorists

While awareness of CTP insurance is widespread, some confusion about the policy and what it covers persists.



Key Highlights - MAIC Legally Represented Claimant Research 2014

Background information

MCR was commissioned by MAIC in February 2014 to survey legally represented claimants of the Compulsory Third Party (CTP) insurance scheme. Respondents to the survey were aged 18 years or older at the time of the accident and had claims finalised between 1 November 2012 and 30 September 2013.
300 interviews, using CATI (computer assisted telephone interviewing), were completed between the 22nd April and the 8th May 2014. Quotas were set to ensure the survey sample reflected the profile of claimants (using the same inclusion and exclusion criteria) over the last five years.

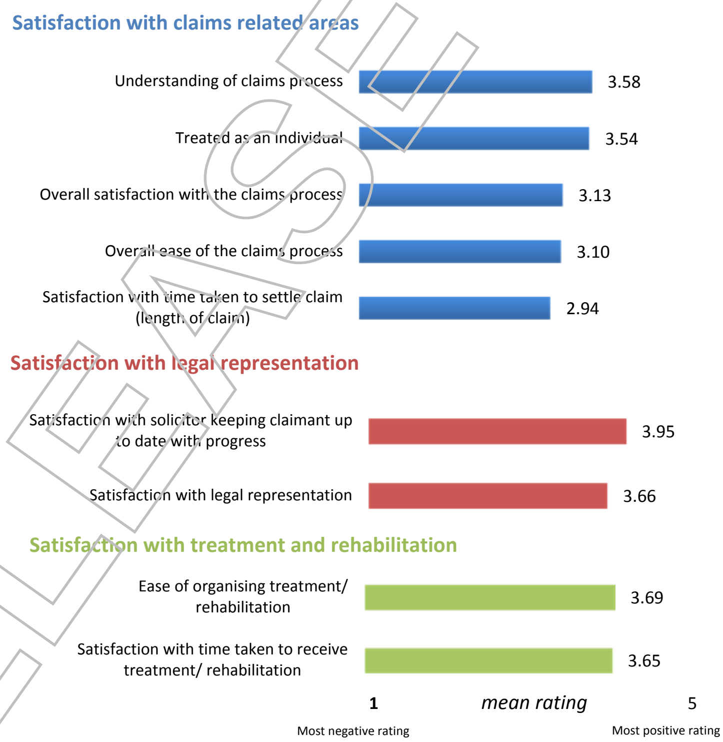
Satisfaction scores

The 2014 survey captured legally represented claimants' perspectives of the CTP claims process. Although the process was viewed as complex and lengthy, claimants were generally satisfied with most aspects surveyed. Satisfaction results were consistent with or slightly higher than repeated areas for legally represented claimants of a 2011 MAIC commissioned survey.

The most positive satisfaction scores in 2014 were registered for:

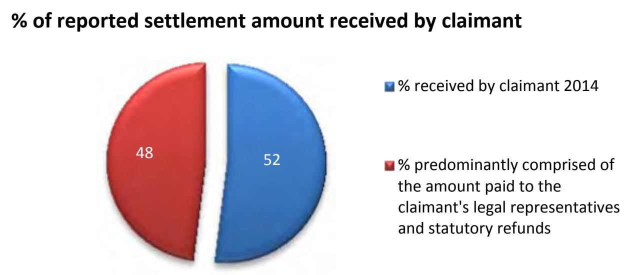
- The solicitor keeping claimant up to date with claim progress
- The ease of organising treatment/rehabilitation
- Satisfaction with legal representation
- The time taken to receive treatment or rehabilitation
- The claimant having a good understanding of the claims process
- Being treated as an individual.

The time taken to settle the claim (length of claim) received the lowest satisfaction score.



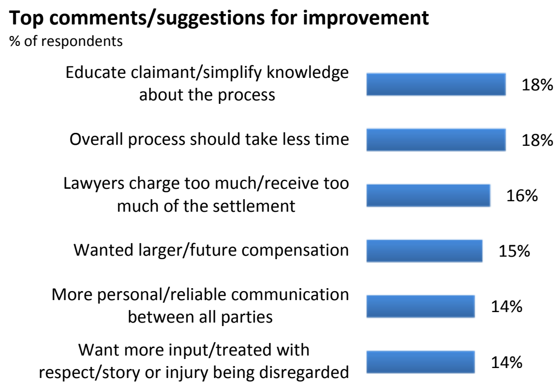
% of reported settlement amount received by the claimant

In 2014, surveyed claimants reported receiving 52% of their total reported settlement amount. The remaining 48% predominantly represents the amount paid to the claimant's legal representative along with statutory reimbursements for claimant benefits or services.



Comments/suggestions for improvement

63% of legally represented claimants made a final comment or suggested improvement in relation to the entire claims process, the most common themes being represented in the adjacent chart.



Pages 413 through 434 redacted for the following reasons:
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Contrary to public interest

2013-14 **Year in review**

Taxi Premiums Reduced

DTMR Admin fee – no increase

Nominal Defendant Levy – no increase

SIS Levy – no increase

CTP Claims

$762m in claim Payments*

Claimant Survey 3.5/5

6,402 claims notified

3.9m Vehicles insured

Up 2.4% on last year

CTP Premiums

$1.47bn premium

6 month premium flat

12 month premium up only 2.2%

Licensed insurers

4 Insurers

- NRMA Exit **1 January 2014**
- Suncorp Licence Consolidation **1 July 2013**

Market Share by Premium

AAI	ALLIANZ	QBE	RACQI
51%	26%	7%	16%

- CTP insurers now lodge premium filings via Qtender website – paperless, improving efficiency and reducing cost.
- Nominal Defendant invests in new business process system to help further improve efficiency and cost control.
- QUT Information Systems School engaged to explore CTP claim process improvement opportunities.

Note: * Payment amount is based on payment date from 1 July 2013 to 30 June 2014.

ROAD TRAUMA MITIGATION FUNDING

Proposing a **renewed model** for Motor Accident Insurance Commission (MAIC) funding to minimise the frequency and impact of road trauma.

Our vision

Reducing the incidence and effects of road trauma in Queensland:

- through a broad risk mitigation focus,
- by engaging a collaborative group of peak Queensland Government road trauma agencies, and
- utilising a range of resources and capabilities.

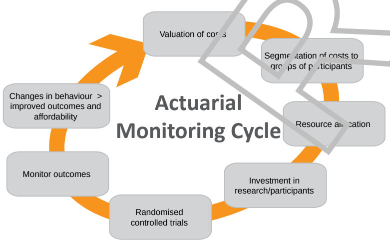
A plan for Queensland | **Foundation areas**

Road Trauma Mitigation Alignment

- **Health and Wellbeing** by preventing potentially avoidable deaths and injury.
- **Regional** by enhancing community safety and supporting regional programs and developing local resources.
- **People** supporting research and related programs that bring bright minds to Queensland.
- **Community** by leveraging community road safety programs and enabling volunteer activities.

Our proposal: Road Trauma Mitigation Funding Model

A new **Road Trauma Mitigation Advisory Body** will shape **strategic road trauma investment** advice regarding community initiatives, regional programs, industry partnerships, university research and pilot programs.



Supported by existing agency programs of work and priorities, a new actuarial monitoring cycle and funded by the MAIC road trauma mitigation fund.

Leading to improved road trauma outcomes, with measurable tracking and reporting, resulting in improved CTP scheme experience and better outcomes for Queenslanders.

Proposed approach

1. Establish an **advisory body**
2. Funded by a **defined research fund**
3. Informed by **actuarial monitoring and evaluation**
4. Supported by **agency programs of work**

Road Trauma Mitigation Advisory Body

- **Will include** representatives from Queensland Treasury & Trade, MAIC, Queensland Transport & Main Roads, Queensland Police, Queensland Health and the Office of the Chief Scientist.
- **Will shape** strategic investment advice on road trauma research, initiatives, pilot programs, industry partnerships, clinical research chairs.
- **Will engage** with community groups, industry partners such as RACQ, CTP insurers and/or representatives bodies through stakeholder forums.
- **Will be funded by** MAIC's existing budget at no additional cost to motorists or to Government with assurance reviews conducted by PwC.

Defined Road Trauma Mitigation Fund

- Cost centre established and **administered by MAIC**
- **Funded from existing MAIC income** from fines under the *Motor Accident Insurance Act 1994* (MAI Act) and investment earnings on the MAI Fund.
- **Reported on** as part of the MAIC budget and annual report cycle.

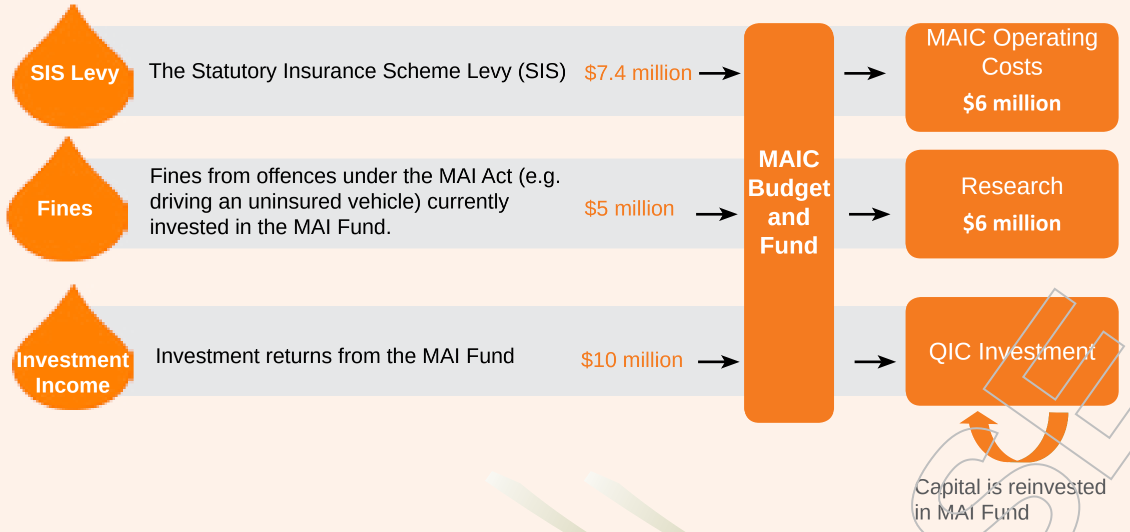
Actuarial Guidance

- Actuarial guided research and investment will provide a focused view of areas of **emerging risk costs and trends**
- An actuarial monitoring and evaluation cycle will assist to **drive innovation management and prevention initiatives** with insurers.

Agency Programs

- Input from agency representatives on relevant work programs.
- Includes Queensland Transport & Main Roads, Queensland Police, Queensland Health and the Office of the Chief Scientist.

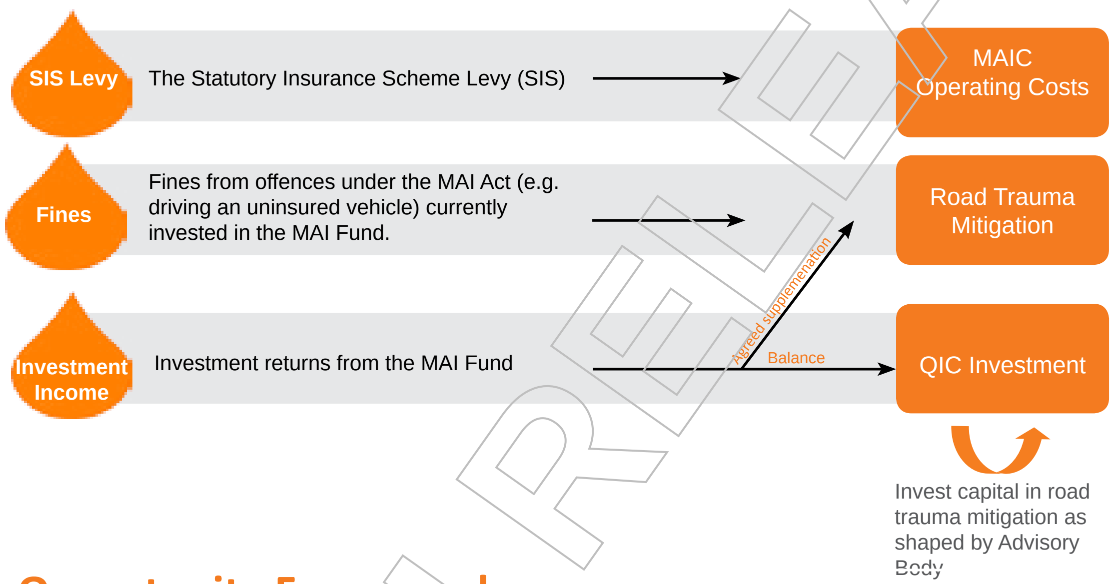
How MAIC currently funds road trauma mitigation



Issues

- No visibility of what income is funding what
- Research agenda reactive to scheme experience.
- Surplus funds in MAI fund under utilised
- Latent capability and resource untapped

How MAIC proposes to fund road trauma mitigation



Opportunities

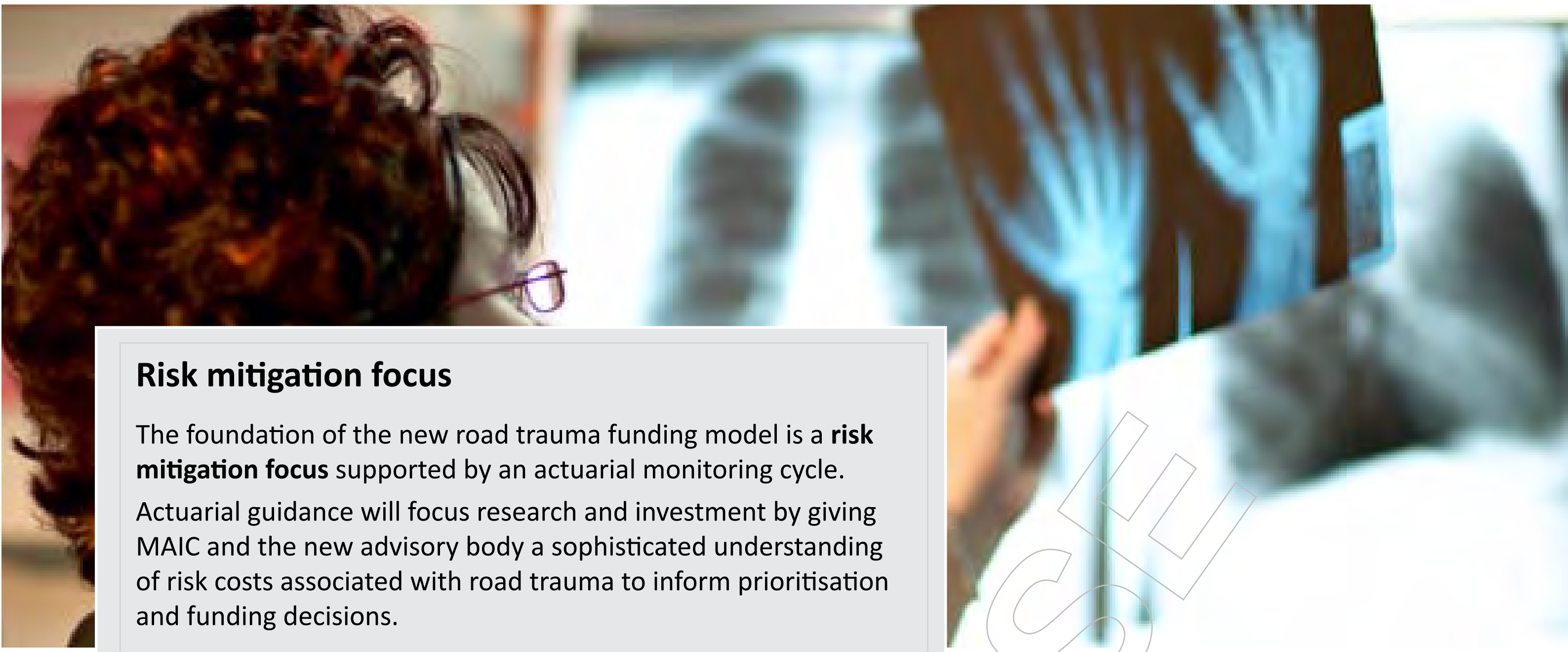
- Reduce levy over time through MAI operational improvements
- Specific focus on partnering, innovation, pilot programs, regional programs
- More dynamic funding model delivering material benefits and outcomes

Opportunity Framework:
Leverage existing resources or pilot/develop/collaborate

Road safety/Prevention		Road Trauma Management	
• CARRS-Q	• PCYC learner driver programs	• CONROD	• PAH Brain Injury/Spinal Injury Program
• Community Road Safety Program	• Corporate collaborations i.e. RACQ	• Spinal Injury Association	• Respite care/long term care (i.e. Youngcare)
• Join the Drive to Save Lives	• University of the Sunshine Coast Accident Research	• Synapse	• JCU Regional Health Care
• Kidsafe	• ANCAP		

Opportunity to reduce the number of people injured on Queensland roads by :

- leveraging existing government road trauma programs and resources, and
- investing in new and innovative partnerships and initiatives.



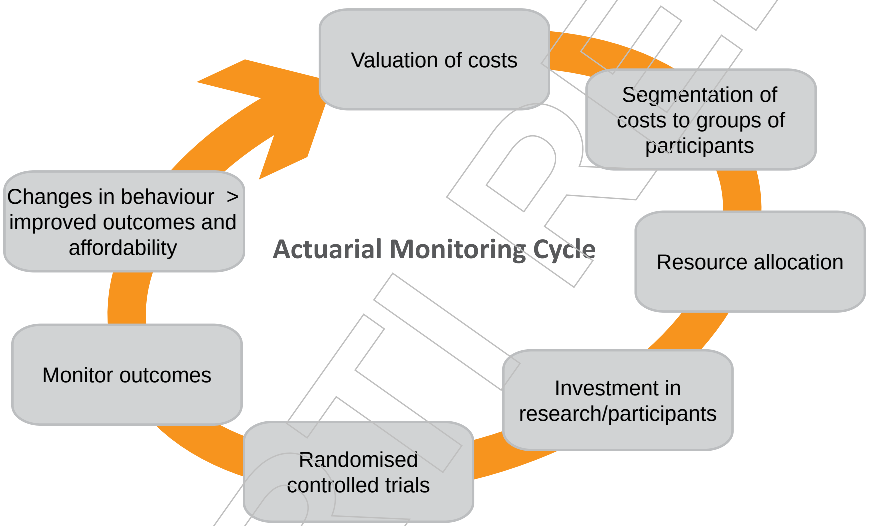
Risk mitigation focus

The foundation of the new road trauma funding model is a **risk mitigation focus** supported by an actuarial monitoring cycle.

Actuarial guidance will focus research and investment by giving MAIC and the new advisory body a sophisticated understanding of risk costs associated with road trauma to inform prioritisation and funding decisions.

Benefits of a risk mitigation focus

- ✓ Solutions focused - changes the focus to broader programs and innovative solutions
- ✓ Forward looking - not just reactive to past experience
- ✓ Actuarial focus - providing clear measurable linkage between funding and improving outcomes
- ✓ Regional and community programs - building State-wide capability
- ✓ Aligns resources in efficient and effective manner



Benefits	
Economic	Decreased road crash and trauma related economic disruption
Fiscal	Decreased demands on health and emergency services
Social	Reduction in the number of people injured in motor vehicle crashes

Enhanced monitoring/ valuation:

- **Will inform** prioritisation and alignment of funding
- **Will facilitate** policy, strategic and tactical decisions
- **Will deliver** visualisation tools providing a more complete picture of performance.

Next steps:

The next steps are proposed to implement a risk mitigation road trauma research funding model:

- ✓ Engage with peak agencies regarding their representation on the advisory board.
- ✓ Establish MAI Fund cost centre for transparency of road trauma risk mitigation funding.
- ✓ Progress actuarial model development.
- ✓ Establish consultation forums with external stakeholder and identify partnership opportunities.
- ✓ Engage Internal Audit for assurance/advice regarding Charter and operating model for advisory body.
- ✓ Establish program blue print including longer term goals and confirm any quick wins.

Pages 440 through 487 redacted for the following reasons:
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Contrary to public interest
Sch.3(2)(1)(b) - Cabinet Matter
Sch.3(3)(1)(e) - Executive Council information