

**MOTOR  
ACCIDENT  
COMMISSION  
ANNUAL  
REPORT  
2015-16**

**MAC**



Government  
of South Australia



**Motor Accident Commission**  
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30 September 2016

The Hon Tom Koutsantonis MP  
Treasurer  
Minister for Finance  
Level 8, State Administration Centre  
200 Victoria Square  
ADELAIDE SA 5000

Dear Minister

I have pleasure in submitting for your information and presentation to Parliament the Motor Accident Commission's 2015-16 Annual Report.

This report outlines the activities and achievements of the Motor Accident Commission and incorporates audited financial statements for the year ended 30 June 2016, as required by Section 29 of the *Motor Accident Commission Act 1992*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Aaron Chia', with a stylized flourish at the end.

AARON CHIA  
Chief Executive Officer



**Government  
of South Australia**

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# ANNUAL REVIEW

# ABOUT MAC

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The Motor Accident Commission (MAC) is South Australia's leader in road safety behaviour change and education, and is dedicated to the safety of all South Australian road users.

MAC provides funding for research and projects that aim to reduce the number and impact of road injuries and deaths.

As South Australia's (SA) Compulsory Third Party (CTP) insurer in 2015-16, MAC provided approximately \$304 million in compensation to road crash victims.

CTP insurance is built into the State Government's motor vehicle registration process and Allianz Australia Ltd (Allianz), MAC's CTP claims manager, processed approximately 3,650 new claims during the year.

SA has an 'at-fault' CTP Insurance Scheme (CTP Scheme), which means that victims of road crashes may be eligible for compensation where the owner or driver of an SA registered vehicle is at fault. Victims are also covered in cases where a passenger is at fault.

The CTP Scheme also provides compensation for children under the age of 16 injured in a road crash occurring on SA roads, regardless of whether the child or an SA registered motor vehicle was at fault.

As part of the 2014-15 State Budget, the State Government announced that from 1 July 2016, MAC would cease its role as the sole provider of CTP insurance in favour of private sector provision of CTP insurance.

Four well-known and established insurers, AAMI, Allianz Australia Insurance Limited, QBE Insurance (Australia) Limited and SGIC, now provide CTP insurance as part of the transition to a fully competitive CTP market.

Under the changes MAC will continue to manage the run-off for all CTP claims up to and including 30 June 2016.

MAC will also continue to manage the State's road safety communications program and collaborate with lead agencies, key stakeholders and partners to deliver campaigns and programs that support SA's road safety priorities as detailed in 'Towards Zero Together' the State Road Safety Strategy 2020.

These initiatives focus on increasing community awareness and changing road user attitudes and behaviours to reduce the incidence of road trauma.

# CHAIRMAN'S REPORT



I am proud to report on a successful 2015-16 financial year with MAC's positive financial operating result, and performance of the CTP Fund and CTP Scheme.

In 2015-16 MAC's operating result of \$313.4 million, resulted in the CTP Fund's solvency ratio being 119.1% and a funding ratio (assets as a percentage of liabilities) being 137.2%; after allowing for the \$448.5 million contribution payment to the State Government Highways Fund in June 2016.

MAC achieved a \$201.5 million actuarial release this financial year which has been achieved through strong management of the CTP Scheme and the implementation of a number of targeted strategies.

This has resulted in net investment returns of \$120 million, with CTP Fund performance of 4.3% almost matching the internal benchmark return of 4.4% despite a volatile year.

MAC's communication programs and partnerships are targeted at saving lives and reducing serious injuries on SA roads. MAC is committed to reducing road trauma in SA and reducing the cost to the CTP Fund, arising from road crashes.

MAC continues to work with stakeholders to achieve the goals set out in the State Road Safety Strategy *'Towards Zero Together'*, with the aim to achieve less than 80 fatalities and 800 serious injuries per year by 2020. MAC's contribution to road safety has helped reduce SA's annual fatalities to 102 and serious injury crashes to 759 in 2015.

MAC has been working to successfully implement the transition to a fully competitive CTP market with the first phase taking effect on 1 July 2016. These changes have seen MAC intensify focus on road safety communications and education, and transition out of the provision of CTP insurance.

The Board and management have worked closely with the State Government and will continue to do so, to ensure a smooth process to these new market arrangements. I would like to thank the Treasurer, the Hon. Tom Koutsantonis MP, and the Department for Treasury and Finance for the continued support and assistance during this time.

The Board would like to express their gratitude to outgoing Directors, Ms Juliet Brown, Mr James Hazel and Ms Yvonne Sneddon. Their contribution and dedication to MAC has been significantly valued.

Commencing in July 2016, we welcomed three new Directors to the Board, Ms Julie Brennan, Mr Greg McCarthy and Ms Sylvia Rapo. All bring a wealth of knowledge and experience and MAC will greatly benefit from their individual expertise.

In closing, I would like to thank my fellow Directors, as well as the MAC staff and management team for the commitment and dedication they have shown during the past 12 months as we move through this period of significant change.

The achievements and successful results throughout 2015-16 are a credit to the effort, expertise and commitment of the Board, management and staff.

**William M Griggs AM ASM**

MBBS, MBA, PGDipAvMed  
Chairman

# CHIEF EXECUTIVE OFFICER'S REPORT



It is pleasing to report that 2015-16 has been another successful year for MAC with significant results in our financial performance, CTP Scheme performance and road safety communications and partnership programs.

The past 12 months has seen MAC lead the management of the State's road safety communications program across mass media, online communities and partnership programs.

A number of new initiatives and campaigns have been launched that continue MAC's focus on delivering effective road safety awareness campaigns. MAC successfully launched three new mass media campaigns in 2015-16, targeting mobile phone distraction, drug driving and sharing the road.

MAC's partnerships were used to leverage our mass media campaigns and connect with the community. 2015-16 saw our engagement with key target audiences through sport increase to its highest level, enabling MAC to deliver targeted road safety messages throughout the state.

A new three-quarter time activation at Adelaide Oval AFL games proved effective as did the expanded partnerships with the Royal Automobile Association (RAA), SA Police (SAPOL) and the Metropolitan Fire Service (MFS) to deliver school and community education programs.

MAC also holds great value in the support of the State's lead road safety stakeholders such as the Department for Planning, Transport and Infrastructure (DPTI), SAPOL, the RAA and the Centre for Automotive Safety Research (CASR). The important collaborations between our organisations continue to deliver significant road safety initiatives and benefits to SA.

I would like to acknowledge the current Minister for Road Safety, the Hon. Peter Malinauskas MLC and the previous Minister, the Hon. Tony Piccolo MP, who both have showed great support for MAC and the importance of road safety.

In closing, I believe the strong performance and success of MAC would not be possible without the loyal staff that make up this organisation.

As we transition out of the provision of CTP insurance, I would like to thank the executive management team and staff for the professionalism and commitment in what has been a challenging time of change.

I am very proud of the results that MAC has achieved during the past few years and the significant work we have done.

I would also like to thank Dr Bill Griggs and members of the MAC Board whose support has been critical in completing another positive year.



**Aaron Chia**  
BEc, FCA, MAICD  
Chief Executive Officer

# MAC BUSINESS REVIEW

## Compulsory Third Party Insurance Scheme management

### Working with Partners

MAC, through its claim agent Allianz has continued to deliver improved claims management outcomes, consistent with MAC's objectives. Throughout the year, Allianz:

- In collaboration with MAC, undertook preparations to transition to the role of managing the run-off portfolio (claims incurred from accidents arising prior to 1 July 2016).
- Closed 4,263 claims and contributed to a reduction in the current claims portfolio (including 'recoveries') from 8,602 to 8,061.
- Maintained its customer service rating, which assessed the overall satisfaction of Allianz's service delivery and interactions with claimants, at 3.9 out of 5.
- Continued to attend major crashes involving fatalities and serious injuries. The gathering of on site and other crash-related information enables Allianz to quickly be in a position to respond to requests for the payment of various expenses.
- Maintained a strong focus on the identification, analysis, investigation and management of fraudulent claims. Where there is sufficient evidence, matters are referred to SAPOL for investigation and prosecution.

Estimated claim savings have been maintained at a level consistent with the yearly averages over the past 6 years:

### Investigations and claim savings 2010-2016

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Fraud Team Investigations	83	104	128	130	122	125
Estimated Savings (\$m)	\$5.8m	\$6.3m	\$4.6m	\$5.7m	\$5.4m	\$4.7m

### Nominal Defendant

Allianz manages claims made against the Nominal Defendant on behalf of MAC. Nominal Defendant claims arise where the at-fault vehicle is either uninsured or unidentified.

The number of Nominal Defendant claims lodged this year has reduced from 225 to 175 as compared to last year. Of these claims, the portion involving unidentified vehicles decreased significantly from 150 to 104.

From 1 July 2016, the allocation of Nominal Defendant claims to approved insurers will be undertaken by the CTP Regulator on behalf of MAC.

### Summary of operational results

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Number of vehicles insured (000's) <sup>1</sup>	1 398	1 371	1 361	1 340	1 317	1 302
Average premium per vehicle <sup>2</sup>	\$345	\$338	\$372	\$468	\$448	\$437
Class 1 insurance rating district 1 premium <sup>3</sup>	\$378	\$370	\$408	\$512	\$489	\$476
Number of claims lodged	3 650	3 926	4 634	5 684	5 825	5 985
Claims lodged per 1,000 vehicles <sup>4</sup>	2.8	2.9	3.4	4.2	4.4	4.6
Number of settlements <sup>5</sup>	1 933	2 490	3 383	3 594	3 521	3 675
Number of claims current at end of period <sup>6</sup>	8 061	8 602	9 685	10 641	10 695	10 710
Average duration – months open to finalised <sup>7</sup>	27.3	24.7	23.2	22.3	22.1	22.6
Net claim payments (\$'000) <sup>8</sup>	\$304 279	\$327 346	\$359 924	\$382 623	\$334 994	\$361 329
Average claim cost (settlements) (adjusted to current values) <sup>9</sup>	\$113 683	\$112 628	\$112 202	\$113 838	\$111 701	\$111 843
Number of uninsured vehicle claims lodged	71	75	70	91	58	64
Number of hit and run vehicle claims lodged	104	150	207	268	290	282
Total Nominal Defendant claims lodged <sup>10</sup>	175	225	277	359	348	346

#### NOTES:

- 1 Annualised number of risks excluding trailers
- 2 Based on premium earned (GST inclusive) divided by annualised number of risks
- 3 As at commencement of the financial year
- 4 Based on annualised number of risks excluding trailers
- 5 Number of claims where an amount is paid for general damages
- 6 Includes Recoveries
- 7 Based on year claim finalised
- 8 Net of Recoveries and GST credits
- 9 Amounts paid to date on claims settled during each of the past 7 settlement years, adjusted for inflation to be equivalent to 2015-16 values
- 10 Also included in number of claims lodged (above)

## Claim payments

### TOTAL PAYMENTS BY HEADS OF DAMAGE (GROSS OF RECOVERIES)

Group claimant benefits		2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Non-Economic Loss		8.6%	0.1%	11.0%	10.6%	11.5%	11.7%
Economic Loss	Past	10.1%	9.8%	9.6%	8.7%	8.5%	7.7%
	Future	28.0%	29.2%	30.2%	32.0%	30.3%	30.9%
Treatment	Hospital	8.4%	7.2%	6.1%	6.1%	5.6%	5.0%
	Medical	4.8%	4.7%	4.6%	4.4%	5.0%	5.2%
	Future care	16.1%	16.1%	15.4%	15.6%	15.1%	17.2%
Other		4.5%	4.2%	4.1%	4.2%	3.7%	3.5%
<b>Total</b>		<b>80.5%</b>	<b>81.3%</b>	<b>81.0%</b>	<b>81.6%</b>	<b>79.7%</b>	<b>81.1%</b>
Claim costs		2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Legal	Plaintiff costs	8.9%	9.0%	9.3%	8.7%	9.8%	9.6%
	Defendant costs	4.9%	4.7%	4.7%	4.4%	4.7%	4.2%
Other		5.7%	5.0%	5.0%	5.3%	5.8%	5.1%
<b>Total</b>		<b>19.5%</b>	<b>18.7%</b>	<b>19.0%</b>	<b>18.4%</b>	<b>20.3%</b>	<b>18.9%</b>

### Motor Accident Injury Assessment Scheme (MAIAS)

As a result of the CTP Scheme reforms in 2013, an accreditation scheme was established for health professionals to provide independent, consistent and reliable medical evidence to assist in the assessment of an injured person's entitlement to compensation.

The Attorney General formed an Accreditation Panel in November 2014 which included representatives of

the Australian Medical Association, the Law Society, the Attorney General's Department and MAC. The Accreditation Panel, chaired by Dr Andrew Sutherland, established the MAIAS in February 2015. There are currently 119 accredited medical practitioners.

In 2015-16 MAC provided the secretariat services to the Accreditation Panel and MAIAS. This function will transition to the CTP Regulator from 1 July 2016.

## Investment management

MAC manages the CTP Fund worth in excess of \$2.5 billion. The portfolio includes a range of diversified domestic and international fixed income securities, domestic and international equities, infrastructure, absolute return funds, direct property assets and cash.

The CTP Fund returned 4.3% for the financial year, in line with the internal benchmark return of 4.4%, and contributed \$120 million to the CTP Scheme's operating result.

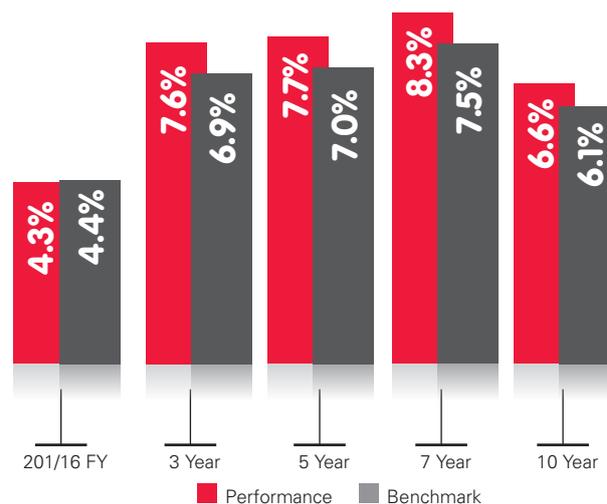
### Overview

In 2015-16, MAC adopted a defensive stance towards its asset allocation transitioning to a higher weight to defensive assets while managing and monitoring the CTP Fund's risks. MAC's liability driven investment approach has assisted in actively managing the dramatic movements in government bond discount rates and placing the CTP Scheme in a strong net asset position.

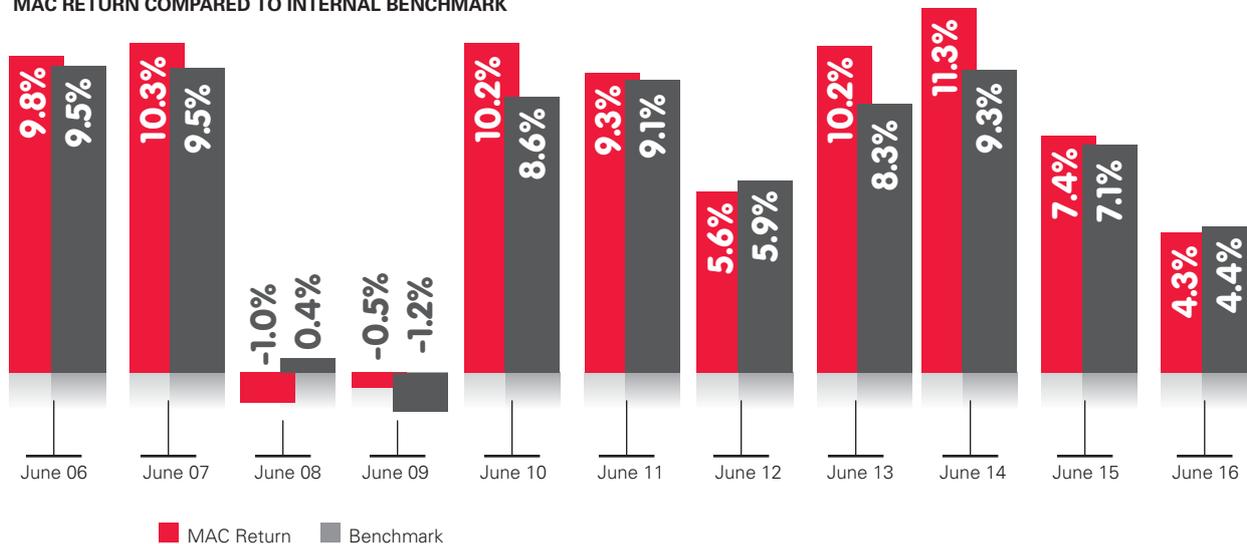
Due to MAC's strong net asset position, MAC was able to deliver \$448.5 million as a contribution payment to the State Government Highways Fund in June 2016.

The CTP Fund's positive absolute performance is largely attributable to the contribution from defensive asset classes, particularly the Diversified Strategies Income and Fixed Income portfolios. Real assets such as the Direct Property and Infrastructure portfolios also contributed to absolute performance and funds investment gain for the year. Fixed income, diversified strategies income, Australian Equities and the MAC direct property portfolio underperformed their internal benchmarks in 2015-16, although all still generated positive returns for the year.

### TOTAL MAC FUND MANAGER PERFORMANCE AGAINST BENCHMARK



### MAC RETURN COMPARED TO INTERNAL BENCHMARK

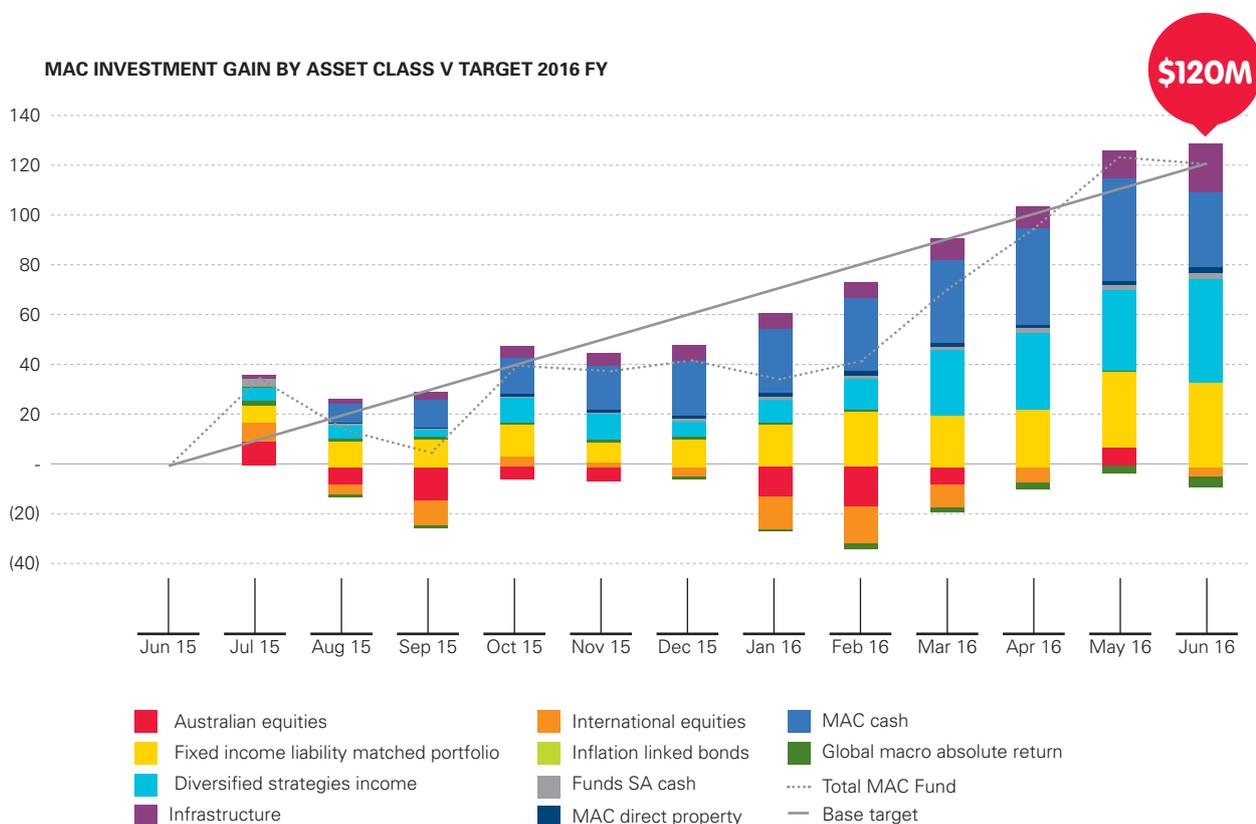


Asset class	Closing market value \$m 2016 FY	2016 FY performance Return	Benchmark	Out/under performance
Australian equities*	\$170	0.3%	0.9%	▼ -0.6%
International equities*	\$166	-2.1%	-1.8%	▼ -0.3%
MAC direct property	\$589	4.9%	12.5%	▼ -7.6%
Global macro absolute return*	\$32	-8.7%	5.3%	▼ -14.0%
Infrastructure*	\$152	14.5%	5.3%	▲ 9.2%
MAC fixed interest liability matched portfolio*	\$504	4.7%	4.8%	▼ -0.1%
Diversified strategies income*	\$794	5.5%	6.1%	▼ -0.6%
MAC cash	\$22	3.0%	2.2%	▲ 0.8%
FSA cash*	\$81	2.3%	2.2%	▲ 0.1%
<b>TOTAL MAC FUND</b>	<b>\$2 510</b>	<b>4.3%</b>	<b>4.4%</b>	<b>-0.1%</b>

\* These portfolios are implemented and managed by Funds SA. MAC direct property and MAC cash are implemented and managed internally. Transition of the MAC cash portfolio into other defensive asset classes, in line with changes to the investment strategy commenced in May 2016.

MAC Fixed Interest is an insurance liability matched benchmark aligned portfolio.

MAC INVESTMENT GAIN BY ASSET CLASS V TARGET 2016 FY

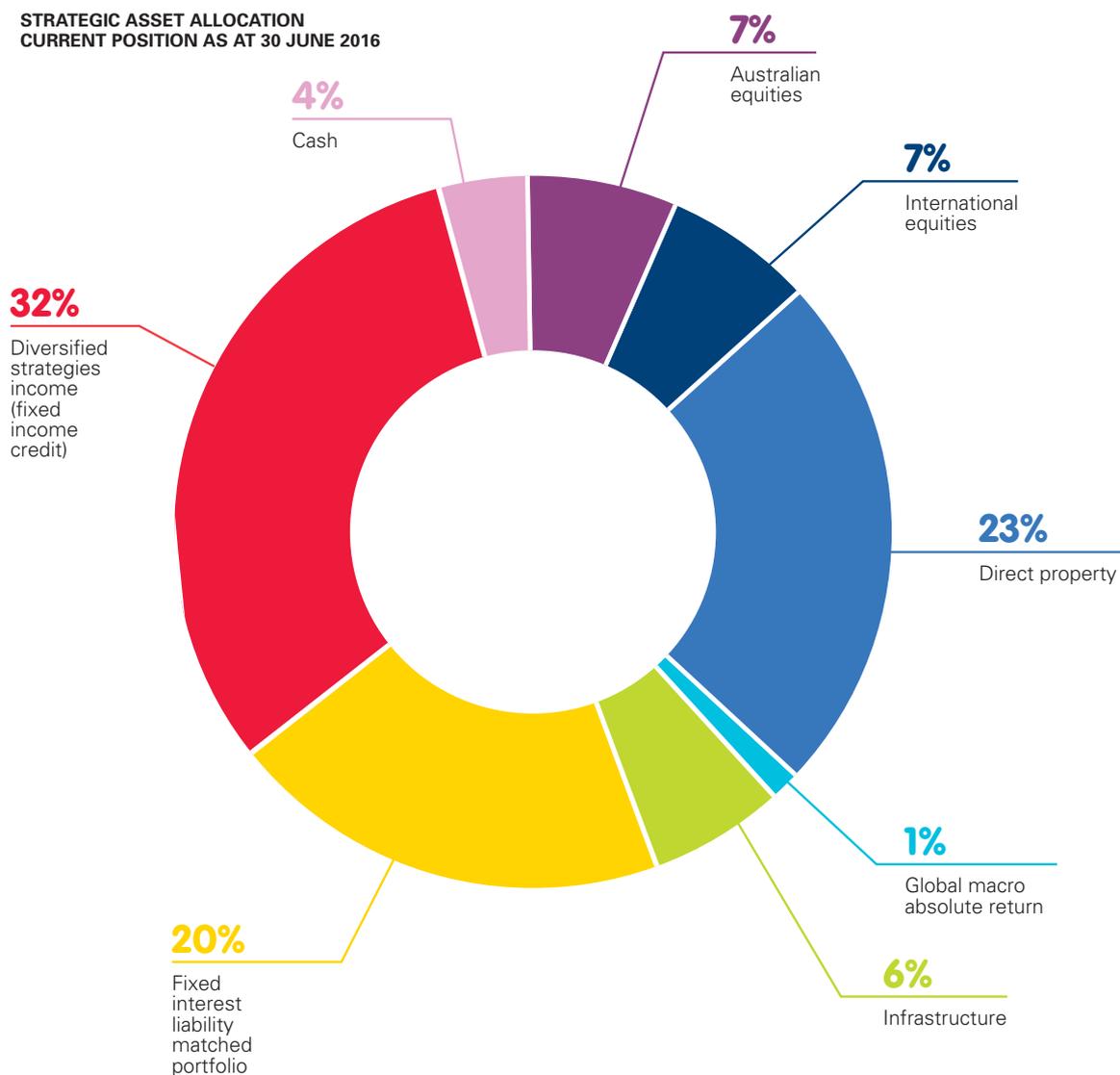


### Investment model

An Asset Liability Committee comprised of MAC management and external advisors is in place to closely monitor and manage the movements of MAC's outstanding liabilities valuations against the structure of the associated fixed interest liability matched portfolio for the CTP Scheme. The MAC Board oversees the strategic management of the overall CTP Fund.

In 2016-17, MAC will continue to transition to its new strategic asset allocation, increasing its weight to defensive assets in line with the changes to the MAC Charter.

STRATEGIC ASSET ALLOCATION  
CURRENT POSITION AS AT 30 JUNE 2016



### Market commentary

The global economy experienced increased market volatility in 2015-16 due to concerns arising from the impact of falling energy prices, softening growth, geopolitical risks and shifts in major central banks' monetary policies. However, the improved outlook for the US economy saw the US and Australian markets produced modest positive returns, while other developed markets and emerging markets finished the year lower. This led to a rally in the US dollar against most currencies, with currencies of energy-producing countries falling the most. The Australian dollar fell marginally against the US dollar but broadly kept pace with the Euro, British pound and Japanese yen.

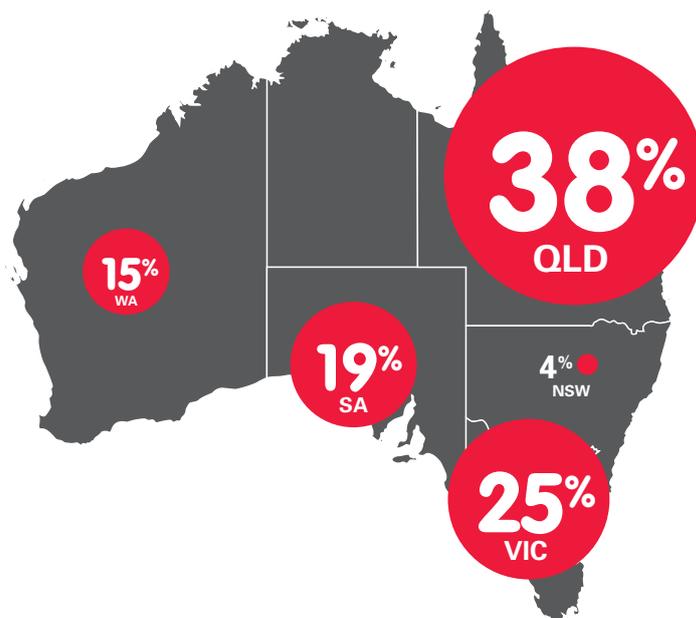
In Australia, over the financial year, the transition away from mining investment-led growth remained slow, as the Australian share market continued to lag its overseas counterparts. However, Australian property delivered strong returns, amid sustained investor demand for both listed and unlisted property investments. The Reserve Bank of Australia cut the official cash rate once during the year to a historic low of 1.75%. This, combined with the lower Australian dollar, provided positive returns in the Australian share market over the year.

### MAC direct property

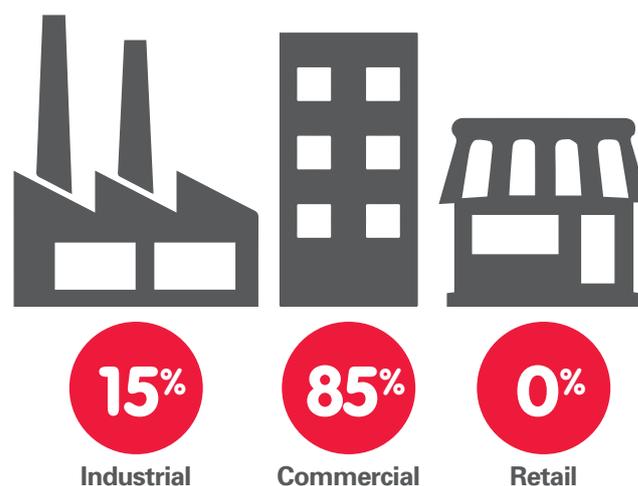
This portfolio is also managed in-house by MAC and represents 23.4% of MAC's investments. It is comprised of 11 buildings in five states: seven commercial properties (85% of the portfolio) and four industrial properties (15% of the portfolio). This portfolio delivered a net income of \$45.7 million and decreased from capital revaluations of \$15.9 million. The MAC direct property portfolio performance was 7.6% below the internal benchmark, impacted predominantly by its higher exposure to the underperforming Perth office market.

No properties were purchased or sold during 2015-16.

### MAC PROPERTY PORTFOLIO BY GEOGRAPHY



### MAC PROPERTY PORTFOLIO BY SECTOR



## Road safety communications

### Overview

In 2015-16, MAC continued to develop and implement strategic road safety campaigns and initiatives to increase community awareness and change road user attitudes and behaviour to reduce the incidence of road trauma.

MAC was encouraged by a decrease in fatalities in 2015, at 102 from 108 in 2014. However, there was an increase in serious injuries, totalling 759 in 2015 up from 711 in 2014.

MAC is committed to achieving an ongoing decrease in road trauma to achieve the aim set out in South Australia's Road Safety Strategy of reducing our annual road toll to less than 80 fatalities and 800 serious injuries by 2020.

Key road safety issues were addressed through a range of targeted communications platforms including mass media, partnership strategies, digital initiatives and public relations.

Each platform offered a different way to approach key issues and audience groups, with the layering of multiple methods in some campaigns providing the most effective way to create awareness and achieve behaviour change.

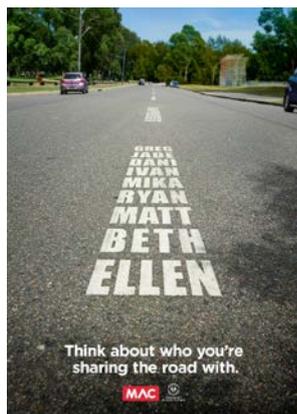
MAC's campaigns in 2015-16 focused on the main road safety issues of drug driving, drink driving, speed, fatigue, mobile phone distraction, regional drivers, young drivers and seatbelts.

Successful partnerships with major events such as the Santos Tour Down Under and the Encounter Youth managed Schoolies Festival continued, as well as programs aimed at improving quality of life, such as the Brain Injury Network of SA (BINSAs) Reconnect Transition Program.

MAC commenced the naming rights partnership with the MAC Adelaide Lightning WNBL team and Basketball SA which enabled our road safety messages to be delivered across SA, with a focus on regional areas, through a structured engagement program.

MAC became the naming rights sponsor for the MAC Footy Express service, providing free bus, train and tram travel to and from Adelaide Oval on AFL Game Days, increasing our presence across football. MAC continued to engage football fans at Adelaide Oval, local grounds through the SA National Football League (SANFL) and also country football, through our partnership with the South Australian Community Football League (SACFL).

## Road safety campaigns

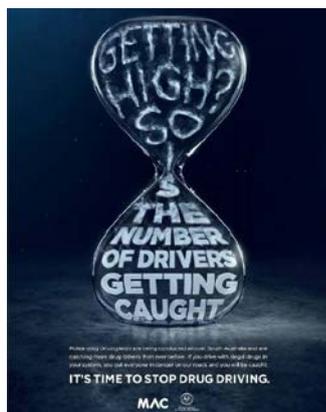


### Share the road: 'Think about who you're sharing the road with'

As a result of the State Government's 'Sharing the roads safely' Citizens' Jury, MAC developed a campaign that sought to encourage greater consideration between road users, in consultation with a number of key road user stakeholder groups.

The campaign introduces people's names into the everyday road environment of signs, line markings and vehicles, aiming to personalise the road safety message. It promotes and encourages all road users to be courteous, respectful and responsible on the roads. It positions road users as 'people', as opposed to 'vehicles', and attempts to eliminate the "us" and "them" attitude that can exist between motorists, cyclists, pedestrians, motorcyclists and truck drivers.

The campaign launched in April 2016.



### Drug driving: 'It's time to stop drug driving'

The campaign was developed as a result of MAC's research which revealed a lack of understanding of how long the impairing elements of certain illicit drugs stayed in the system, leading some people to make the wrong decision to drive.

The campaign includes information to educate drivers regarding the detection windows for roadside driver drug testing and assists them to avoid driving under the influence of drugs. It also communicates that increased enforcement and roadside testing increases the likelihood of getting caught if you drive with drugs in your system.

The campaign launched in February 2016.



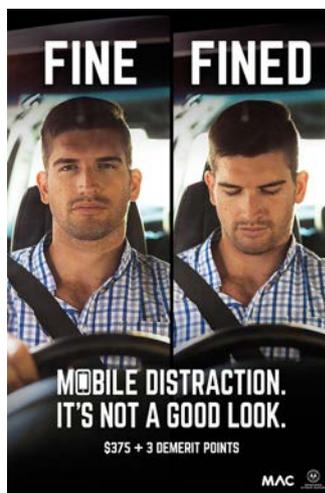
### New cycling laws: 'Stay wider of the rider'

As a result of the Government's 2014 Citizens' Jury, two recommendations proposed specific amendments to South Australia's cycling laws.

The two new laws, relating to the minimum passing distances and cycling on footpaths, were introduced on 25 October 2015.

To generate awareness of the new laws, MAC developed an educative communications campaign in collaboration with the DPTI.

The campaign launched in October 2015.



### Mobile phones: 'Not a good look'

The campaign is aimed at influencing attitudes away from illegal mobile phone use as 'normal' and the creative is designed to leverage how obvious using a mobile phone while driving is both to the police and disapproving others.

The campaign launched in September 2015.

## Road safety partnerships

MAC's partnerships build and maintain a strong road safety culture in SA and are an important road safety initiative.

MAC invests in partnerships that enhance the understanding and reputation of MAC's role and its purpose in the community which is to ultimately reduce the number and severity of crashes on South Australian roads.

In 2015-16, MAC continued partnerships with the SANFL, Adelaide Oval Stadium Management Authority, and began a new naming rights partnership with the MAC Footy Express service, to deliver the Game Changer campaign.

MAC's partnership with the Adelaide Football Club and Port Adelaide Football Club allowed for a highly visible road safety presence during all AFL games at Adelaide Oval including a MAC on field promotion during three-quarter time.

Sporting environments provide an opportunity to engage directly with thousands of game attendees in a situation that is susceptible to risk-taking behaviours, such as drink driving.

Through the partnership with the SACFL, MAC delivered road safety messages into the country football clubs leveraging the 'Bromance' campaign.

MAC continued a number of existing road safety initiatives aimed at school students and novice drivers, such as its partnership with Encounter Youth for the annual Schoolies Festival. Major partnerships with SAPOL, the MFS and the RAA provided road safety education to youth through the SAPOL Road Safety Centre, the Road Awareness Program (RAP) and through events including the RAA's Street Smart.

The partnership with the Santos Tour Down Under continued with promotion of the cycling safety program 'Be Safe Be Seen'. Through the event, MAC was the Stage 6 naming rights partner, providing opportunities to promote cycling safety messages in the Victoria Square 'Tour Village' to thousands of spectators. MAC also continued to support the award winning cycling safety education program through Bike SA throughout 2015-16.

MAC commenced a partnership with Basketball SA and the MAC Adelaide Lightning WNBL Basketball team, communicating road safety messages in basketball venues and through a community engagement program.

MAC continued to support the 'Good Sports' program, which promotes the responsible service of alcohol in local sporting clubs and the Community Road Safety Grants in partnership with DPTI.

During 2015-16 free public transport was provided during periods of high risk, such as New Year's Eve and at key events including the Clipsal 500, Adelaide and Melbourne Cup days and the Oakbank Racing Carnival. Each of these partnerships provide road safety awareness messaging opportunities.

MAC continues to partner with initiatives that ensure the best possible health outcomes for those suffering from injuries sustained in road crashes and this includes support for the State Rescue Helicopter Service and Brain Injury Network of SA (BINSAs).

MAC remained a major contributor to the internationally recognised CASR while working collaboratively with DPTI to identify significant research projects to improve road safety.

### **Digital strategy and online communities**

Digital technology enables MAC to reach South Australians in ways that are relevant to their everyday lives.

The aim of the digital strategy is to maintain MAC's online impact and amplify our activity to increase the reach, engagement and relevance of our road safety communications.

Through 2015-16 MAC's social media community grew by 28% due to increased investment in new and existing online advertising platforms. This maximised audience exposure by ensuring the right message was in the right place at the right time.

Through 2016-17 MAC will continue to adopt innovative and smarter outcomes through data driven decisions and increased analysis and evaluation.

### **Editorial media**

MAC's credible brand and successful proactive messaging was again reflected throughout 2015-16 with a strong presence recorded across print, television and other media services.

Coupled with a year round calendar of regular road safety reminders and the continual provision of reliable commentary, data and supporting messages, MAC is the leading voice and influence amongst the SA community on road safety.

In addition to traditional media, MAC continued to increase online media presence to further expand reach amongst target audiences.

## **Road safety infrastructure**

In 2013-14 the State Government established the Road Safety Advisory Group with representation from MAC, DPTI, SAPOL, RAA and the Local Government Association to make recommendations for the Road Safety Infrastructure Fund (RSI Fund).

The RSI Fund, established in 2012-13 with a \$100 million contribution by MAC, was used to invest in road safety improvement throughout SA.

Projects completed in 2015-16 included the North East Road/Sudholz Road intersection upgrade, shoulder sealing and hazard protection works in the Adelaide Hills, Victor Harbor Road Welch/Waterport roundabout and the Willunga Hill median widening scheme.

# MAC OPERATIONS

## Management of human resources information

As at 30 June 2016, MAC employed 37 staff (36.05 FTE positions). All staff were employed on individual contracts for terms of up to five years with two staff employed on a long-term 'ongoing' basis. In addition, temporary staff and contractors were employed to

ensure MAC's operations were managed in a timely manner or to provide specialist expertise.

Further human resources information is available from the Commissioner for Public Sector Employment <http://publicsector.sa.gov.au/about/our-public-sector/workforce-information/>.

## Workforce diversity

### NUMBER OF EMPLOYEES BY AGE BRACKET BY GENDER

Age bracket	Male	Female	Total	% of total	2014 Workforce Benchmark*
15-19	—	—	—	—	5.5%
20-24	—	—	—	—	9.7%
25-29	1	3	4	10.8%	11.2%
30-34	—	3	3	8.1%	10.7%
35-39	2	1	3	8.1%	9.6%
40-44	4	5	9	24.3%	11.4%
45-49	4	3	7	18.9%	11.1%
50-54	2	4	6	16.2%	11.4%
55-59	3	—	3	8.1%	9.1%
60-64	—	2	2	5.4%	6.7%
65+	—	—	—	—	3.6%
<b>Total</b>	<b>16</b>	<b>21</b>	<b>37</b>	<b>100%</b>	<b>100%</b>

\*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at November 2013.

### Total number of employees with disabilities\*

Male	Female	Total	% of agency
-	-	-	-

\*According to Commonwealth Disability Discrimination Act 1992 definition.

## Executives\*

### BY GENDER, CLASSIFICATION AND STATUS

Classification	Term untenured		Male %	Female %	Total
	Male	Female			
Chief Executive	1	—	100%	—	1
Executives	3	1	80%	25%	4
<b>Total</b>	<b>4</b>	<b>1</b>	<b>80%</b>	<b>20%</b>	<b>5</b>

## Leave management

### AVERAGE DAYS LEAVE PER FULL TIME EQUIVALENT EMPLOYEE

Leave type	2012 -2013	2013 -2014	2014 -2015	2015 -2016
Sick leave	4	6	8	8
Family carer leave	1	1	1	2
Miscellaneous special leave	1	2	1	1

## Performance development

### DOCUMENTED REVIEW OF INDIVIDUAL PERFORMANCE MANAGEMENT

Employees with	% of total workforce
A review within the past 12 months	94.6%
A review older than 12 months	2.7%
Not reviewed (e.g. new/exiting staff)	2.7%

## Leadership and management development

All staff are provided with appropriate development opportunities relevant to their future aspirations which are identified through MAC's Performance Management System. These opportunities include attendance at training courses, conferences and seminars along with support to undertake study to further their educational qualifications. Leadership management and development opportunities are also provided to staff as appropriate.

### LEADERSHIP AND MANAGEMENT TRAINING EXPENDITURE

Training and development	Total cost	% of total salary expenditure
Total training and development expenditure	\$63 990	1.2%
Total leadership and management development expenditure	\$21 595	0.4%

## Equal Employment Opportunity (EEO)

As an EEO employer, MAC ensures that the principles of EEO are understood and enacted by creating, maintaining and promoting a vibrant and productive workplace culture that genuinely values diversity at all levels of the organisation.

## Disability access and inclusion plans

MAC is committed to ensuring equity for people with disabilities. We have a strong commitment to a workplace culture and environment that is free from discriminatory behaviours.

## Fraud

During the year there have been no instances of fraud detected at MAC.

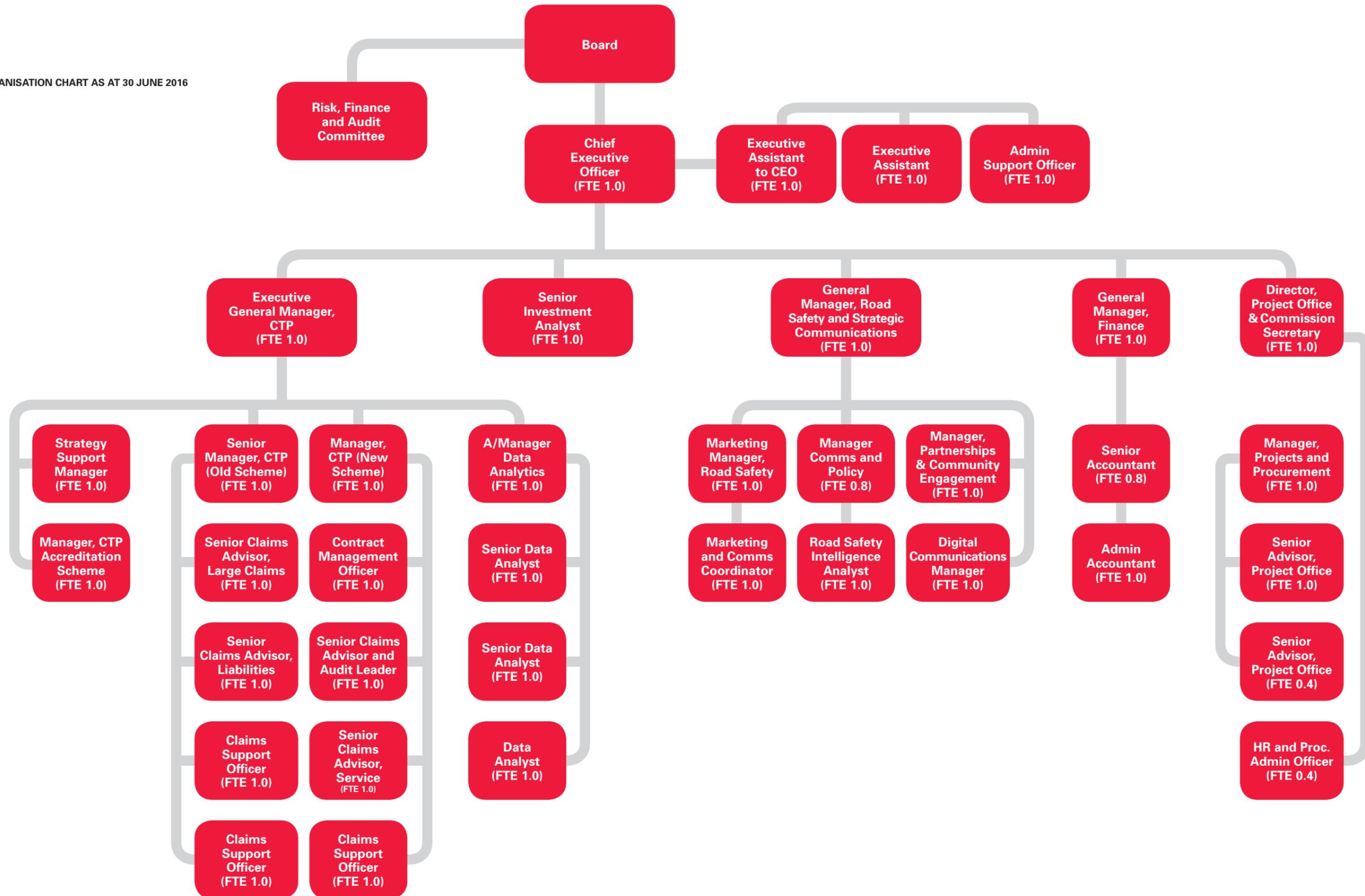
## Work health and safety and injury management

MAC's WHS committee oversees the maintenance of the Commission's WHS framework. This committee has adequate representation from staff and senior management including representation of the different Divisions within MAC.

### WORK HEALTH AND SAFETY PROSECUTIONS, NOTICES AND CORRECTIVE ACTION TAKEN

Number of notifiable incidents pursuant to WHS Act Part 3	Nil
Number of notices served pursuant to WHS Act# Section 90, 191 and 195 (Provisional Improvement, improvement and prohibition notices)	Nil
Number of new work place injury claims	Nil
Number of prosecutions pursuant to WHS Act* Part 2 Division 5	Nil
Number of enforceable undertakings pursuant to WHS Act* Part 11	Nil

ORGANISATION CHART AS AT 30 JUNE 2016



## Board of Directors

### Dr William M Griggs AM ASM

MBBS, MBA, PGDipAvMed

#### Independent Non-Executive Director Chairman

Dr Griggs has extensive medical, retrieval and research experience with a particular focus on road safety. He has been a member of the Royal Australian Air Force Specialist Reserve since 1988; has received many Australian military awards, medals and commendations and has participated in numerous major retrieval events, both nationally and internationally. He has served for over 20 years on a number of medical boards and committees for the benefit of the community. Dr Griggs was appointed to the ReturnToWorkSA Board in November 2013.

Director since 9 September 2010

Chairman from 1 July 2015

#### Special responsibilities:

- ▶ Chair of Road Safety and Sponsorship Committee to 31 July 2015

### Hon Kevin O Foley

#### Independent Non-Executive Director

The Hon. Kevin Foley was a member of State Parliament from 1993 to December 2011. From 2002 to 2011 he was Deputy Premier and Treasurer of South Australia and also served in a range of other Cabinet positions. As Treasurer he was responsible for rebuilding the State's finances culminating in the attainment of a AAA credit rating. He also played a leading role in securing a series of significant contracts for the benefit of the State.

In February 2012 he established his own corporate advisory firm Foley Advisory.

Director since 7 August 2014

#### Special responsibilities:

- ▶ Member of Claims Management Committee to 31 July 2015
- ▶ Member of Investment Committee to 31 July 2015

### Ruth A Korotcoff

B.Mgt, LLB (Hons.)

#### Independent Non-Executive Director

Ms Korotcoff has extensive experience in the insurance industry with specialist knowledge in personal injury insurance (workers compensation and CTP) in all Australian jurisdictions.

She is currently Associate Director of SMB Premium Support and Adelaide Operations with Optus, responsible for providing senior leadership to SMB Customer Care and Technical teams to deliver an exceptional customer experience.

Director since 9 July 2009

#### Special responsibilities:

- ▶ Chair of Claims Management Committee to 31 July 2015
- ▶ Member of Risk Finance and Audit Committee

### Adrian G Tisato

BA, LL B, GDLP, MAICD

#### Independent Non-Executive Director

Mr Tisato is an experienced commercial lawyer and Company Director.

Throughout his career, Mr Tisato has been a director or board member in several private companies, statutory authorities and non-profit associations. His current Board roles include the South Australian Film Corporation and Independent Gambling Authority.

Director since 1 July 2015

#### Special responsibilities:

- ▶ Member of Risk Finance and Audit Committee

## Yvonne Sneddon

BA(ACC), FAICD, FCA

### Independent Non-Executive Director

Ms Sneddon is a Chartered Accountant with more than 30 years' experience providing financial services to both government and private sector clients. She now acts as a non-executive company director.

Ms Sneddon has been a Member of the SA Government Financing Authority Advisory Board since 2000 and is currently Chair of its Audit Committee. She chairs and is a member of private and public sector boards and audit, governance and risk management committees. Ms Sneddon was appointed to the WorkCover Board on 21 November 2013.

Director since 1 July 2004

### Special responsibilities:

- ▶ Chair of Risk Finance and Audit Committee to 30 June 2016
- ▶ Member of Road Safety and Sponsorship Committee to 31 July 2015

## Juliet H Brown

LLB, MAICD

### Independent Non-Executive Director

Ms Brown is a Lawyer and Company Director.

Ms Brown is Chair of the combined Board of Local Super and Statewide Superannuation Scheme. Her other current board roles include the SA Government Financing Authority, Bio Innovation SA, Health Services Australia Ltd and the Cancer Council. She was appointed Chair of the Lifetime Support Authority on 8 October 2013.

Director since 1 July 2004 to 30 June 2016

### Special responsibilities:

- ▶ Member of Claims Management Committee to 31 July 2015
- ▶ Member of Investment Committee to 31 July 2015

## James T Hazel

BEC, FFin, FAICD

### Independent Non-Executive Director

Mr Hazel is a professional Director whose working life was spent largely in senior executive positions in banking and investment banking and who has significant knowledge of the regional banking industry.

He serves as a Director of a number of prominent companies and has previously served on the boards of the SA Government Financing Authority and SA Tourism Commission.

Director since 15 July 2010 to 30 June 2016

### Special responsibilities:

- ▶ Chair of Investment Committee to 31 July 2015
- ▶ Member of Risk Finance and Audit Committee to 30 June 2016

## Greg McCarthy

### Independent Non-Executive Director

Mr McCarthy is a specialist insurance professional with expertise in Workers Compensation, Compulsory Third Party (CTP) Motor and Home Warranty Insurance.

Mr McCarthy has been the Chief Executive Officer of ReturnToWorkSA since 2012. Originally from NSW, he has served on numerous boards and advisory councils spanning the insurance and workers compensation sectors.

Director since 1 July 2016

## Julie Brennan

FCA, BA(Acc), PC SMSF

### Independent Non-Executive Director

Ms Brennan is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and a Fellow of the Tax Institute.

Ms Brennan is the National Manager, Business Banking at Beyond Bank Australia and has more than 25 years' experience in the banking and finance industry.

Director since 1 July 2016

### Special responsibilities:

- ▶ Chair of Risk Finance and Audit Committee

## Sylvia Rapo

BSc (Hons)

### Independent Non-Executive Director

Ms Rapo specialises in the communications field.

Ms Rapo is the Government Relations and Communications Manager at Beach Energy Limited and has a strong background in media with experience as an adviser and executive manager working at senior levels of Government.

Director since 1 July 2016

## Corporate Governance

### Role of the Board of Directors

The Board is responsible for the overall corporate governance of MAC and management of the Funds under its control. In addition, as a result of the corporatisation and sale of the business of the former State Government Insurance Commission (SGIC) in 1995, the Board is responsible for winding down certain reinsurance activities of the former SGIC.

Oversight of the strategic direction of MAC, determining its policies and objectives and monitoring performance are also key roles of the Board. Section 18 of the Motor Accident Commission Act, 1992 (MAC Act) provides for a Charter, detailing the nature and scope of activities which may be undertaken by MAC, to be prepared and reviewed annually by the Minister for Finance in consultation with the Board. Financial results and general performance are monitored against objectives and reported regularly to the Minister for Finance.

Responsibility for the operation and administration of MAC is delegated to the Chief Executive Officer and senior management.

### Composition of the Board

As the governing body, anything undertaken by the Board in the administration of MAC's affairs is binding on MAC. The Board is subject to direction by the Minister for Finance.

As at 30 June 2016, there were seven Directors appointed to the Board.

### Board committees

Following a review of Board Committees in July 2015, three of the four Committees previously established by the Board to assist in the execution of its responsibilities, were abolished effective from 1 August 2015. Those Committees being:

- ▶ Investment Committee;
- ▶ Claims Management Committee; and
- ▶ Road Safety and Sponsorship Committee.

Matters previously dealt with by these Committees are now dealt with at Board level.

The remaining Committee (Risk, Finance and Audit Committee) has a documented Charter, approved by the Board. All members must be Non-Executive Directors of MAC and the Board reviews membership annually. The Chairman of the Risk Finance and Audit Committee may not be the Chairman of the Board.

As at 30 June 2016, membership of the Risk, Finance and Audit Committee was made up of the following Directors:

- ▶ Y Sneddon (Chair)
- ▶ J T Hazel
- ▶ R A Korotcoff

Subsequently in July 2016, the Board approved the following Directors as members of the Committee:

- ▶ J A Brennan (Chair)
- ▶ A G Tisato
- ▶ R A Korotcoff

### Directors' meetings

The number of Directors' meetings and number of meetings attended by each Director during the financial year were:

Directors	Board Meetings		Risk, Finance & Audit	
	A	B	A	B
J H Brown	9	11	—	—
K Foley	9	11	—	—
W M Griggs	10	11	—	—
J T Hazel	9	11	1	2
R A Korotcoff	10	11	2	2
Y Sneddon	10	11	2	2
A Tisato	11	11	—	—

**A:** Number of meetings attended.

**B:** Number of meetings held during the time the Director held office.

### Risk, Finance & Audit Committee

The role of the Risk, Finance and Audit Committee is to advise on the establishment and maintenance of a robust internal control framework and appropriate ethical standards for the management of the entity. This gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

MAC's internal and external auditors are invited to Risk, Finance and Audit Committee meetings and the Committee may meet with the external auditors without management present if deemed necessary

## Risk management

The Board is committed to managing the material business risks presented by its environment and operations through a system of risk management and internal control. Risk management is integral to the MAC Fund activities and the Board takes the view that well-managed risks are critical to optimised performance.

The Board oversees the establishment, implementation and regular review of MAC's Risk Management Policy and Assessment Process. A focus of the Risk Finance and Audit Committee is to ensure that internal controls are established and maintained within the Risk Management Framework. Regular reporting on the identification and monitoring of risks is undertaken and any issues conveyed to the Board as necessary. Management report monthly to the Board on the status of 'high' risks.

## Ethical standards

Directors, management, staff and MAC's external managers have a fiduciary duty not to disclose or utilise for their personal gain or for the gain of their associates, any information not generally known to the public or to do anything that would prejudice the rights of the SA Government. MAC has committed itself to comply with the Code of Conduct applicable to employees in the public sector.

Each year, Directors must lodge a statement of pecuniary interests and the Board has developed procedures to assist Directors in this regard.

## Conflicts of interest

Directors must advise the Board of any interest that could potentially conflict with those of MAC. In addition, all Directors are required to abide by the SA Government's 'Honesty and Accountability for Members of Government Boards'.

The *Public Sector (Honesty and Accountability) Act 1995* and the *Public Sector Act 2009* specifies Directors' duties of honesty, care and diligence and responsibilities in relation to conflict of interest, and the Board strictly observes all requirements.

## Indemnification and insurance of Directors

Pursuant to Section 74 of the *Public Sector Act*, a Director incurs no liability for anything done honestly and with reasonable care and diligence in the performance or purported performance of functions or duties under the MAC Act. Any liability that would attach to a Director attaches instead to MAC.

## Principal activities

The principal activities carried out by the entity during the course of the financial year involved the underwriting of CTP insurance and management of the State's road safety and communications program. In addition, Inward (Overseas) Reinsurance continued to be managed in run-off.

## Review of operations

	2016 \$'000	2015 \$'000
Comprehensive result	313 407	424 593

## Ministerial Directions

Pursuant to Sections 5(3) and 25(5)(d) of the MAC Act, a direction dated 6 February 2004 was given to the Board by its Minister (the Treasurer) in respect of payments of \$5.3 million to the SA Ambulance Service (SAAS) from the 2003-04 and subsequent financial years for transport from motor vehicle accidents until such time as 75% of the cost of providing ambulance services in the financial year exceeds \$5.3 million. For the year in which 75% of the cost exceeds \$5.3 million, MAC will pay 75% of the total cost for the relevant year.

Pursuant to Sections 5(3) and 25(5)(d) of the MAC Act, a direction dated 21 June 2004 was given to the Board by its Minister (the Treasurer) in respect of payments of \$794 500 to the SA Police in respect of the provision of the State Rescue Helicopter Service for the 2003-04 financial and subsequent years until such time as 75% of the cost of providing these services in the financial year exceeds \$794 500. For the year in which 75% of the cost exceeds \$794 500 (plus GST if applicable) and in all subsequent years, MAC will pay 75% of the total cost for the relevant year.

Subsequent to the above direction, a further direction dated 19 June 2006 was given to the Board by its Minister (the Treasurer) that for the 2006-07 and subsequent financial years, MAC will pay the sum of \$794 500 (plus GST if applicable) from the CTP Fund to the Attorney General's Department in respect of the provision of the State Rescue Helicopter Service for the relevant financial year until such time as 75% of the cost of providing these services arising from motor vehicle crashes exceeds \$794 500 (plus GST if applicable). For the year in which 75% of the cost exceeds \$794 500 (plus GST if applicable) and in all subsequent years, MAC will pay 75% of the total cost for the relevant year. This direction revoked the previous direction of 21 June 2004.

Pursuant to Sections 25(5)(d) and 26(2) of the MAC Act, a direction dated 30 September 2015 was given to the MAC Board by the Treasurer that an amount of \$12 million be withdrawn from the MAC CTP Fund and applied for the purposes of construction of the SAAS MedSTAR Facility at Adelaide Airport.

Pursuant to Section 5(3) of the MAC Act, a direction dated 31 October 2015 was issued to MAC by the Treasurer with immediate effect that MAC must not employ any permanent or contract executive staff, or amend any executive's pay or terms and conditions of employment without the approval of the Minister or his authorised appointee, the Under-Treasurer.

Pursuant to Sections 25(5)(d) and Section 26(2) of the MAC Act, a direction dated 15 March 2016 was given to the MAC Board that an amount of \$448.5 million be made from the MAC CTP Fund surplus assets into the Highway Fund.

Pursuant to Section 5(3) and 26(2) of the MAC Act, a direction dated 20 June 2016 was given to the MAC Board by the Treasurer, revoking the following Directions with effect from 1 July 2016:

- ▶ A direction dated 6 February 2004 given to the Board pursuant to Sections 5(3) and 25(5)(d) of the MAC Act by its Minister (the then Treasurer) in respect of payments of \$5.3 million to the SA Ambulance Service from the 2003-04 and subsequent financial years for transport from motor vehicle accidents until such time as 75% of the cost of providing ambulance services in the financial year exceeds \$5.3 million. For the year in which 75% of the cost exceeds \$5.3 million, MAC will pay 75% of the total cost for the relevant year.
- ▶ A further direction dated 19 June 2006 given to the Board by its Minister (the then Treasurer) that for the 2006-07 and subsequent financial years, MAC will pay the sum of \$794 500 (plus GST if applicable) from the CTP Fund to the Attorney General's Department in respect of the provision of the State Rescue Helicopter Service for the relevant financial year until such time as 75% of the cost of providing these services arising from motor vehicle crashes exceeds \$794 500 (plus GST if applicable). For the year in which 75% of the cost exceeds \$794 500 (plus GST if applicable) and in all subsequent years, MAC will pay 75% of the total cost for the relevant year. This direction revoked the previous direction of 21 June 2004.

## Motor Accident Commission Charter

### Charter

This Charter is prepared pursuant to Section 18 of the *Motor Accident Commission Act 1992* (MAC Act).

### Interpretation

Expressions used in this Charter have the same meanings as in the MAC Act.

### Charter

#### 1. Nature and Scope of Activities which may be undertaken – Section 18(2)(a) MAC Act

The nature and scope of the activities which may be undertaken are as defined in the MAC Act, subject to the following additional conditions:

##### 1.1 Compulsory Third Party Insurance Market Reform Project (CIMR Project)

- (a) To conduct MAC's operations consistent with the Government's announcement to effect changes to the market for the provision of Compulsory Third Party (CTP) motor accident insurance in this State, including that from 1 July 2016, the MAC will cease its role as the sole provider of CTP vehicle insurance in South Australia to open the way for provision of CTP insurance by the private sector.
- (b) To refer MAC Board papers, submissions and other matters that have a potential to impact on delivery of the CIMR Project to the CIMR Steering Committee for approval prior to going to the MAC Board.
- (c) To conduct its activities on the basis that the balance of this Charter is subject to this clause 1.1 and all of MAC's operations are to be conducted in a manner consistent with this clause 1.1.

##### 1.2. Compulsory Third Party (CTP) Insurance

- (a) To conduct CTP insurance business in accordance with the provisions of the Motor Vehicles Act 1959 and in accordance with the Government's long term financial objectives as advised by the Minister from time to time.
- (b) To contract the management of claims to a manager or managers or agent or agents approved by the Minister.

- (c) To provide support for anti-fraud campaigns and community and other similar programs as, and to the extent that, this support is consistent with the objectives in section 14 and 25 of the MAC Act.
- (d) Consistent with Section 14 (d) of the MAC Act, to provide funding from the CTP Fund and manage the Government Road Safety Marketing and Communications program, complying with Government advertising guidelines and protocols and with the approval of the Minister for Road Safety as appropriate.

##### 1.3. Investment Policies – Section 18(2)(a) (i) MAC Act

- (a) To adopt a prudent investment strategy with the funds comprising the Compulsory Third Party Fund and to manage those investments against the strategic asset allocation benchmarks adopted by the Commission and approved by the Minister. The strategy should be framed consistent with the outcomes of the CIMR Project, which requires MAC to transition to a strategic asset allocation consisting of a higher weight of defensive assets and lower earning rate of return whilst achieving a portfolio of investments with characteristics which allow the Commission to meet identifiable claims as and when they become due for settlement up to 1 July 2016. Funds SA will manage an investment portfolio transferred to it by MAC in line with MAC's strategic asset allocation benchmarks and provide MAC with a suitable level of reporting in a timely manner that will provide assurance to MAC that its investment strategy objectives are being achieved.
- (b) To invest in and manage property assets through direct ownership and property trusts. Direct property assets must meet the requirements of the approved direct property strategy and the asset allocation benchmarks approved by the Minister.
- (c) To manage business cash flow requirements with the investment of excess cash inflows into the most appropriate yielding Cash investments of the MAC Cash Fund which meet the asset allocation benchmarks approved by the Minister.

#### 1.4. Activities Outside the State – Section 18(2)(a)(ii) MAC Act

In pursuing the objectives specified in section 14 of the Act, the Commission may undertake activities or transactions outside the State consisting of:

- (a) Activities and transactions necessary to avoid exposure to excessive levels of insurance risk by reinsuring its risks.
- (b) Any activities and transactions relating to the conduct of any part of the run-off of the Commission's insurance business.
- (c) Any activities and transactions relating to the conduct of the investment policies of the Commission as adopted pursuant to clause 1.2 of this Charter.

#### 1.5. Subsidiaries, Unincorporated Joint Ventures, Partnerships, or Undertakings – Section 18(2)(a)(iii) MAC Act

- (a) The Commission must not undertake in partnership, or under any arrangement for the sharing of profits, co-operation or joint venture with another person, or allow subsidiaries of the Commission, or other companies or entities related to the Commission to undertake, any activities or transactions, unless approved by the Minister.
- (b) The remaining Inwards Reinsurance undertaking from the former SGIC (California Re) to continue until a resolution is reached as required under existing contractual arrangements and subject to clause 1.4 (a).

## 2. Information to be provided to the Minister for Finance – Section 18(2)(b)(i) MAC Act

2.1. The Minister for Finance requires the Commission to provide a range of appropriate reports including the following:

- (a) Regular financial information as presented to the Board;
- (b) Budgets and projections as presented to the Board;
- (c) Regular analysis of investment performance compared to asset allocation benchmarks including any change in the basis of valuation of investments; and
- (d) Any other information which, in the opinion of the Board, should be provided or is requested by the Minister for Finance, the Treasurer or his nominee.

2.2. To notify the Minister for Finance and the Treasurer whenever the Commission enters into any arrangements which give rise to a material contingent liability, and whenever a material event occurs.

## 3. Accounting Policies and Financial Statements – Section 18(2)(b)(ii) and (iii) MAC Act

- 3.1 To comply with appropriate Australian Accounting Standards, generally accepted accounting principles and practices and all relevant Treasurer's Instructions issued under the Public Finance and Audit Act, 1987. Preparation of financial statements by MAC will be in accordance with Government reporting standards for statutory authorities.
- 3.2 To maintain separate accounts and records for the Compulsory Third Party Fund established under the MAC Act.
- 3.3 To develop and adopt performance indicators relating to the Compulsory Third Party Fund as approved by the Minister and to include in any reports on the Fund assessment of the Fund's performance judged against such indicators.

## 4. Other Matters – Section 18(3)(b) MAC Act

- 4.1 The Treasurer's Representative, in accordance with Treasurer's Instruction 7, is authorised to attend meetings of the Board and access its papers and all other Board communications, materials and information.
- 4.2 Every delegation made by the Board or a delegate of the Board under section 13 of the MAC Act which will or could give rise to a liability or contingent liability must contain a limitation which requires that the delegate must not incur a liability that exceeds the monetary amount specified in the instrument of delegation.
- 4.3 The strategic planning process undertaken by the Board must be linked to South Australia's Strategic Plan with a focus on relevant Priorities from the Government's Seven Strategic Priorities. Annual Performance reports of the Board (eg Annual Report or suitable alternative) must include reference to achievement of MAC Actions/Targets linked to the SASP.
- 4.4 The Government will comply with the SA Strategic Plan targets on gender balance (Women in Leadership) when appointing MAC Board Directors. Relevant expertise required for appointment to the Board will take into account business and commercial experience, financial and legal skills and knowledge of personal injury insurance and road safety matters.
- 4.5 In addition to the Government, MAC has a number of critical relationships to manage. It is expected that the MAC Board will ensure that these key stakeholders and relationships will be managed appropriately for the benefit of the CTP Scheme.

## 5. Commencement Date – Section 18(6) MAC Act

- 5.1. This Charter shall come into effect on 4 February 2015.

## Administrative matters

### Contractual arrangements

MAC operates in a substantially outsourced environment. A service contract commencing 1 July 2007 is in place with Allianz Australia Ltd for the management of CTP claims. This contractual arrangement exceeds \$4 million. The contracting out of the claims management function is a requirement of clause 1.1(b) of the MAC Charter.

In addition, MAC engaged a number of other consultants during the year as detailed below:

#### CONSULTANT EXPENDITURE 2015-16

Value below \$10 000	9 Consultants	\$57 082
Value \$10 000 and above	20 Consultants	\$3 999 580
	BDO (Australia) Ltd	Audit Services
	Besenyei, Andrea	Claims Audit Services
	Blade Assurance & Advisory	Audit Services
	Byok, Dr Beata M.	Medical Advisory Services
	Chris Rae Consulting	Road Safety Advisory Services
	Colmar Brunton Social Research	Market Research Services
	Cummins & Partners South Australia Pty Ltd	Creative Advertising Services
	Deloitte	Data & Analytical Services
	Dwight Dowda Pty Ltd	Medical Advisory Services
	EnvyUs Design	Creative Design & Printing Services
	Finity Consulting Pty Limited	Actuarial Services
	Fusion	Creative & Website Hosting
	Global Road Safety Solutions	Road Safety Advisory Services
	KPMG	Business Advisory and Audit Services
	KWP! Advertising Pty Ltd	Creative Advertising Services
	Medicine @ Work	Medical Advisory Services
	Mercer Investments (Australia) Ltd	Investment Advisory Services
	Morton Phillips	HRM Services
	Norsena Pty Ltd	Medical Advisory Services
	Taylor Fry	Actuarial Services

### **Freedom of Information**

MAC's CTP claims management function, as it relates to a particular claim, is exempt under the Freedom of Information Act, 1991. MAC's current Freedom of Information statement can be found at [www.mac.sa.gov.au](http://www.mac.sa.gov.au).

### **Overseas travel**

There were no overseas trips undertaken in 2015-16 by MAC personnel.

### **Public complaints**

MAC received a total of 59 complaints regarding the CTP Scheme in 2015-16, this is a small increase on the previous year (57). MAC works closely with its claims manager Allianz to resolve complaints in a timely manner. Most are resolved within two business days and 10 business days for more complex complaints. The majority of complaints relate to the claims management process.

A total of 10 complaints through email and Ministerial correspondence, regarding MAC's advertising campaigns, were received in 2015-16.

There was one formal complaint to the Advertising Standards Bureau (ASB) about the 'It's time to stop drug driving' television commercial. The ASB dismissed the complaint, finding that the advertisement did not breach the Australian Advertising Code of Practice.

# FINANCIAL STATEMENTS

For the year ended  
30 June 2016

Motor Accident Commission  
Compulsory Third Party  
ABN: 45 346 597 132

Motor Accident Commission  
Non-Compulsory Third Party  
ABN: 64 416 679 821

**MAC**



Government  
of South Australia

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Note	CTP		MAC	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Premium revenue	5	458,275	432,744	458,275	432,744
Outwards reinsurance expense		(2,834)	(3,087)	(2,834)	(3,087)
<b>Net premium</b>		<b>455,441</b>	<b>429,657</b>	<b>455,441</b>	<b>429,657</b>
Claims expense	6	(140,157)	(122,080)	(140,157)	(122,080)
Reinsurance and other recoveries	5	(1,415)	1,096	(1,415)	1,096
<b>Net claims</b>	<b>24</b>	<b>(141,572)</b>	<b>(120,984)</b>	<b>(141,572)</b>	<b>(120,984)</b>
Unexpired risk expense	10	16,168	9,157	16,168	9,157
Other underwriting expenses	7	(124,610)	(113,426)	(124,387)	(113,332)
Contributions	8	(12,000)	-	(12,000)	-
<b>Underwriting profit (loss)</b>		<b>193,427</b>	<b>204,404</b>	<b>193,650</b>	<b>204,498</b>
Investment revenue	5	50,136	55,755	49,759	55,482
Other revenue	5	-	-	6	(10)
Investment management fee		(8,572)	(8,491)	(8,572)	(8,491)
<b>Net investment revenue</b>		<b>41,564</b>	<b>47,264</b>	<b>41,193</b>	<b>46,981</b>
<b>Net Result before market value movements</b>		<b>234,991</b>	<b>251,668</b>	<b>234,843</b>	<b>251,479</b>
Investment market value movements	5	78,564	173,114	78,564	173,114
<b>Net result</b>		<b>313,555</b>	<b>424,782</b>	<b>313,407</b>	<b>424,593</b>
<b>Total comprehensive result</b>		<b>313,555</b>	<b>424,782</b>	<b>313,407</b>	<b>424,593</b>

The net result and total comprehensive result are attributable to the SA Government as owner.

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

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	CTP		MAC	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current Assets</b>					
Cash	28	15,216	25,680	16,661	26,680
Receivables	9	3,459	7,233	3,482	7,323
Reinsurance and other recoveries receivable	11	1,667	2,187	1,667	2,187
Other financial assets	12	440,300	187,299	440,300	187,299
Assets held for sale	14	587,900	-	587,900	-
Prepayments		-	15,810	-	15,810
Other assets	13	-	348	-	348
<b>Total Current Assets</b>		<b>1,048,542</b>	<b>238,557</b>	<b>1,050,010</b>	<b>239,647</b>
<b>Non-Current Assets</b>					
Receivables	9	500	500	-	-
Reinsurance and other recoveries receivable	11	6,190	8,660	6,190	8,660
Other financial assets	12	1,481,961	2,031,408	1,481,961	2,031,408
Investment property	15	-	603,750	-	603,750
Property, plant and equipment	16	-	-	478	755
<b>Total Non-Current Assets</b>		<b>1,488,651</b>	<b>2,644,318</b>	<b>1,488,629</b>	<b>2,644,573</b>
<b>Total Assets</b>		<b>2,537,193</b>	<b>2,882,875</b>	<b>2,538,639</b>	<b>2,884,220</b>
<b>Current Liabilities</b>					
Payables	17	5,102	9,189	5,243	9,055
Unearned income	18	-	144,758	-	144,758
Premiums held for other entities	19	120,126	-	120,126	-
Outstanding claims	20	323,232	361,850	323,234	361,852
Unexpired risk liability	10	-	1,455	-	1,455
Provisions	22	11,413	9,900	11,790	10,352
<b>Total Current Liabilities</b>		<b>459,873</b>	<b>527,152</b>	<b>460,393</b>	<b>527,472</b>
<b>Non-Current Liabilities</b>					
Unearned income	18	-	1,712	-	1,712
Outstanding claims	20	1,389,096	1,516,129	1,389,161	1,516,191
Unexpired risk liability	10	-	14,713	-	14,713
Provisions	22	-	-	875	829
<b>Total Non-Current Liabilities</b>		<b>1,389,096</b>	<b>1,532,554</b>	<b>1,390,036</b>	<b>1,533,445</b>
<b>Total Liabilities</b>		<b>1,848,969</b>	<b>2,059,706</b>	<b>1,850,429</b>	<b>2,060,917</b>
<b>Net Assets</b>		<b>688,224</b>	<b>823,169</b>	<b>688,210</b>	<b>823,303</b>
<b>Equity</b>					
Retained earnings		688,224	823,169	688,210	823,303
<b>Total Equity</b>		<b>688,224</b>	<b>823,169</b>	<b>688,210</b>	<b>823,303</b>
<b>The Total Equity is attributable to the SA Government as owner.</b>					
Commitments	26				
Contingent assets and liabilities	30				

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

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Cash Flows from Operating Activities</b>				
Cash receipts from CTP insurance premiums	472,278	479,800	472,278	479,800
Other cash receipts in the course of operations	1,711	2,318	1,717	2,308
Cash payments in settlement of claims	(328,327)	(353,539)	(328,327)	(353,539)
Rescue Retrieval & Aviation Services Base contribution	(12,000)	-	(12,000)	-
Other cash payments in the course of operations	(128,174)	(119,532)	(127,712)	(119,038)
Interest and other investment income	310,700	764,346	310,727	764,376
GST paid to the ATO	(15,152)	(14,101)	(15,183)	(14,162)
<b>Net Cash inflows/(outflows) from Operating Activities (Note 28)</b>	<b>301,036</b>	<b>759,292</b>	<b>301,500</b>	<b>759,745</b>
<b>Cash Flows from Investing Activities</b>				
Payment for property, plant and equipment	-	-	(19)	(234)
<b>Net Cash outflows from Investing Activities</b>	<b>-</b>	<b>-</b>	<b>(19)</b>	<b>(234)</b>
<b>Cash Flows from Financing Activities</b>				
Return of capital	(448,500)	(852,900)	(448,500)	(852,900)
<b>Net Cash outflows from Financing Activities</b>	<b>(448,500)</b>	<b>(852,900)</b>	<b>(448,500)</b>	<b>(852,900)</b>
Net change in cash held	(147,464)	(93,608)	(147,019)	(93,389)
Cash at the beginning of the year	184,661	278,269	185,661	279,050
<b>Cash at the end of the year (Notes 2(q), 28)</b>	<b>37,197</b>	<b>184,661</b>	<b>38,642</b>	<b>185,661</b>

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

# STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

		CTP	MAC
	Note	\$'000	\$'000
Retained Earnings at 30 June 2014		1,251,287	1,251,610
<b>Total Comprehensive Result for 2014/15</b>		<b>424,782</b>	<b>424,593</b>
Return of capital for 2014/15		(852,900)	(852,900)
Retained Earnings at 30 June 2015		<b>823,169</b>	<b>823,303</b>
<b>Total Comprehensive Result for 2015/16</b>		<b>313,555</b>	<b>313,407</b>
Return of capital	25	(448,500)	(448,500)
<b>Balance as at 30 June 2016</b>		<b>688,224</b>	<b>688,210</b>

All changes in equity are attributable to the SA Government as owner.

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

## 1 Activities of the Motor Accident Commission

During the year ended 30 June 2016, the principal activities of the Motor Accident Commission (MAC and / or the Commission) were:

- (a) The sole provider and underwriter of Compulsory Third Party (CTP) insurance in South Australia; and
- (b) The leader in road safety behaviour change and education, with responsibility for managing SA's road safety communications program. As part of this role, MAC promotes road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behavior.

Effective 1 July 2016, the SA Government has opened the provision of CTP insurance in South Australia to the private sector. Accordingly MAC will no longer have a role as a provider of CTP insurance in South Australia and ceased writing new CTP insurance policies from this date. However, MAC will continue its role as Nominal Defendant and run off its claims against policies issued up to and including 30 June 2016.

## 2 Statement of Significant Accounting Policies

### (a) Basis of Preparation

MAC has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial report has been prepared with MAC being treated as a Not for Profit entity. The financial report contains consolidated financial statements for MAC and the MAC CTP Fund (CTP) for the year ended 30 June 2016. The financial statements of MAC and the MAC CTP Fund are prepared for the same reporting period, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in full.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian accounting standards and comply with Treasurer's Instructions (TI) and accounting policy statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

In the interest of public accountability and transparency, the accounting policy statements require the following note disclosure, which have been included in this financial report:

- i) *revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;*
- ii) *expenses incurred as a result of engaging consultants;*
- iii) *employees whose normal remuneration is equal to or greater than the base executive remuneration (within \$10 000 bandwidths) and the aggregate of the remuneration level paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and*
- iv) *board/committee member and remuneration information where a board/committee member is entitled to receive income from membership other than a direct out of pocket reimbursement.*

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2016. Refer to Note 3.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for Other financial assets, Investment properties and Assets held for sale which are valued in accordance with the valuation policy applicable.

### **(b) Premium Revenue**

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.

### **(c) Investment Income**

Fees and discounts are amortised over the period to which they relate. Interest is taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

### **(d) Outwards Reinsurance**

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

### **(e) Claims**

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

- i) *CTP Claims* - The liability for outstanding CTP claims is measured as the present value of the expected future payments. These 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. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80%.

- ii) *Other Claims* - In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

### **(f) Reinsurance and Other Recoveries Receivable**

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

### **(g) Unexpired Risk**

AASB 1023 'General Insurance Contracts' requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries.

In order to meet the Liability Adequacy Test (LAT), additional provisioning is included in 2014/15 at a probability of sufficiency of 80%.

### **(h) Collection Charges**

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.

### **(i) Levies and Charges**

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment, which is the Licence Fee payable to Revenue SA.

## **(j) Receivables**

### *i) Trade Debtors*

Trade debtors principally relate to premiums collected by the Department for Planning, Transport & Infrastructure (DPTI), an agent of MAC, not yet passed over to the CTP Fund. The settlement of these amounts occurs within seven working days.

### *ii) Investment Debtors*

Investment debtors consists of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

## **(k) Other Financial Assets**

AASB1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

### *i) Unit Trusts*

The bulk of MAC's investment portfolio is held with Funds SA, the SA State Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

### *ii) Property Securities*

By market quotations.

### *iii) Other Investments*

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

## **(l) Investment Properties**

Investment Properties are properties which are held for long term rental yields or for capital appreciation or both. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. Revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Statement of Comprehensive Income. Rental income is recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

## **(m) Employee Benefits**

A liability for employee benefits has been accrued at 30 June 2016.

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

### *Salaries and wages, annual leave, SERL and sick leave*

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

### *Long service leave*

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities across the government sector. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave and are accounted for under Payables.

### *Superannuation*

MAC makes contributions to SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board (SASB) or external schemes.

### **(n) Taxation**

MAC is an income tax exempt organisation pursuant to Section 24AK of the *Income Tax Assessment Act 1936*.

MAC is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax and local government rates.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST which is payable to the ATO is disclosed separately.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitment and contingencies are disclosed on a gross basis.

### **(o) Property, Plant and Equipment**

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fitout are recorded at cost (a proxy for fair value) and depreciated over their estimated useful lives. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

The useful lives of all major assets held by MAC are reassessed on an annual basis.

Depreciation / amortisation for non-current assets is determined as follows;

Asset Class	Depreciation Method	Depreciation Rate
Plant and equipment	Diminishing Value	20%
Building fitout	Straight Line	Over the remaining useful life
Other	Straight Line	10%

### **(p) Payables**

Payables include creditors, accrued expenses, GST payable and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period and that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of MAC.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice is first received.

Employee benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

#### **(q) Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call.

#### **(r) Provision for Incentive Payment**

Liabilities for payment of incentives to Allianz have been accrued at 30 June 2016. Payment of these incentives is based on Allianz's performance in reducing the cost of claims over the 2015/16 financial year, compared to benchmarks in accordance with the terms of the CTP Services Contract.

#### **(s) Rounding**

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

#### **(t) Interest in a Jointly Controlled Property**

MAC has a 50% interest in a jointly controlled property at 400 George Street, Brisbane. MAC recognises its interest in the jointly controlled property by recognising its share of liabilities, expenses and income from the use and output of the jointly controlled property.

#### **(u) Events after the Reporting Date**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised, where an event occurs after 30 June and before the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

### **3 Changes in Accounting Policies**

The Commission did not voluntarily change any of its accounting policies during the year.

Except for AASB 2015-7 which MAC has early adopted, Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2016. MAC has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

## 4 Net Result

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net result is arrived at after crediting and charging the following specific items:				
<b>Credits</b>				
Interest received/receivable	2,313	9,625	2,340	9,655
<b>Charges</b>				
Amounts set aside to provide for:				
- Employee benefits	-	-	215	267
- Depreciation of property, plant and equipment	-	-	290	127

## 5 Revenue

Premium revenue				
- Direct	458,275	432,744	458,275	432,744
	<b>458,275</b>	<b>432,744</b>	<b>458,275</b>	<b>432,744</b>
Reinsurance and other recoveries				
- Other	(1,415)	1,096	(1,415)	1,096
	<b>(1,415)</b>	<b>1,096</b>	<b>(1,415)</b>	<b>1,096</b>
Investment revenue				
- Interest	2,313	9,625	2,340	9,655
- Rentals	45,734	45,814	45,330	45,511
- Profit/(loss) – investments realised	2,089	316	2,089	316
	<b>50,136</b>	<b>55,755</b>	<b>49,759</b>	<b>55,482</b>
Investment market value movements – unrealised gains/(losses)				
- Fixed Interest	34,056	27,549	34,056	27,549
- Equities	(5,592)	99,917	(5,592)	99,917
- Properties	(16,730)	2,014	(16,730)	2,014
- Other	66,830	43,634	66,830	43,634
	<b>78,564</b>	<b>173,114</b>	<b>78,564</b>	<b>173,114</b>
Other revenue				
- Foreign exchange gains/(losses)	-	-	(2)	(10)
- Other	-	-	8	-
	-	-	<b>6</b>	<b>(10)</b>
	<b>585,560</b>	<b>662,709</b>	<b>585,189</b>	<b>662,426</b>

## 6 Claims Expense

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Claims paid*	305,808	327,346	305,808	327,346
Claims provision adjustment	(185,532)	(147,561)	(185,532)	(147,561)
Adjustment for economic assumptions	19,881	(57,705)	19,881	(57,705)
	<b>140,157</b>	<b>122,080</b>	<b>140,157</b>	<b>122,080</b>

\* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

	2016 \$'000	2015 \$'000
Ambulance and helicopter rescue services	6,095	6,095

## 7 Other underwriting expenses

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Management expenses *	50,677	53,143	50,454	53,049
Levies and charges **	62,433	48,783	62,433	48,783
Collection charges **	11,500	11,500	11,500	11,500
	<b>124,610</b>	<b>113,426</b>	<b>124,387</b>	<b>113,332</b>

\* Management expenses includes supplies and services paid or payable to SA Government entities as follows:

	2016 \$'000	2015 \$'000
Corporate support services	225	230
Road safety supplies & services	2,198	2,031

\*\* In relation to Levies and charges and Collection charges, the entire amount was paid or payable to SA Government entities.

## 8 Contributions

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Rescue Retrieval & Aviation Services Base	12,000	-	12,000	-
	<b>12,000</b>	<b>-</b>	<b>12,000</b>	<b>-</b>

In 2015-16, MAC and SA Health entered into a Memorandum of Administrative Arrangement (MoAA) for MAC to provide \$12 million in funding less any amounts previously expended by MAC for this project. The payment was required by the Treasurer pursuant to sections 25(5)(d) and 26(2) of the Motor Accident Commission Act 1992. Payment was made to the Department of Health and Ageing in the 2015-16 financial year.

## 9 Receivables

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>				
Trade debtors	2,729	4,131	2,744	4,146
Other debtors	-	-	7	74
	<b>2,729</b>	<b>4,131</b>	<b>2,751</b>	<b>4,220</b>
Investment debtors	892	3,102	893	3,103
Allowance for Doubtful Debts	(162)	-	(162)	-
	<b>730</b>	<b>3,102</b>	<b>731</b>	<b>3,103</b>
<b>Total Current Receivables</b>	<b>3,459</b>	<b>7,233</b>	<b>3,482</b>	<b>7,323</b>
<b>Non-Current</b>				
Payroll Advance	500	500	-	-
<b>Total Non-Current Receivables</b>	<b>500</b>	<b>500</b>	<b>-</b>	<b>-</b>
<b>Total Receivables</b>	<b>3,959</b>	<b>7,733</b>	<b>3,482</b>	<b>7,323</b>
<b>Movement in the allowance for doubtful debts</b>				
Carrying amount at beginning of year	-	-	-	-
Increase in the allowance	(162)	-	(162)	-
Amounts written off	-	-	-	-
Amounts recovered during the year	-	-	-	-
<b>Carrying amount at end of year</b>	<b>(162)</b>	<b>-</b>	<b>(162)</b>	<b>-</b>

Investment debtors consists of interest and rent due on investments.

Other debtors generally arise from transactions outside the usual operating activities of the Commission.

## 10 Unexpired risk liability

AASB 1023 requires a Liability Adequacy Test (LAT) which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

Effective 1 July 2016, MAC no longer has a role as provider of CTP insurance policies in South Australia. Accordingly no expected future claims relating to the unexpired risk period of unearned premium exist as at 30 June 2016. The assessment undertaken by the Actuaries as at 30 June 2016 is therefore nil.

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Central estimate of present value of future claims	-	112,100	-	112,100
Risk margin	-	18,200	-	18,200
Other expenses	-	16,800	-	16,800
<b>Present value of expected future claims</b>	-	<b>147,100</b>	-	<b>147,100</b>
Unearned premium liability	-	146,470	-	146,470
Related reinsurance asset	-	272	-	272
Prepaid licence fees	-	(15,810)	-	(15,810)
	-	<b>130,932</b>	-	<b>130,932</b>
<b>Unexpired risk liability</b>	-	<b>16,168</b>	-	<b>16,168</b>

The Liability Adequacy Test (LAT) is no longer required to be met as at 30 June 2016. However as at 30 June 2015, additional provisioning for the premium liability was included at a probability of sufficiency of 80% which resulted in a risk margin of 14.1%. This risk margin was based on MAC's claims experience and the Actuaries knowledge of industry practice for CTP insurance portfolios which they considered were appropriate for MAC. As MAC has only one class of insurance, no allowance has been made for diversification of insurance classes.

### Unexpired Risk Liability

Opening balance	16,168	25,325	16,168	25,325
Unexpired risk expense	(16,168)	(9,157)	(16,168)	(9,157)
<b>Closing balance</b>	-	<b>16,168</b>	-	<b>16,168</b>
Unexpired risk liability				
- Current	-	1,455	-	1,455
- Non-current	-	14,713	-	14,713
<b>Total liability</b>	-	<b>16,168</b>	-	<b>16,168</b>

## 11 Reinsurance and other recoveries receivable

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expected future recoveries (undiscounted)	8,423	11,901	8,423	11,901
Discount to present value*	(566)	(1,054)	(566)	(1,054)
<b>Reinsurance and other recoveries receivable</b>	<b>7,857</b>	<b>10,847</b>	<b>7,857</b>	<b>10,847</b>
Reinsurance and other recoveries receivable				
- Current	1,667	2,187	1,667	2,187
- Non-current	6,190	8,660	6,190	8,660
	<b>7,857</b>	<b>10,847</b>	<b>7,857</b>	<b>10,847</b>

\*Refer to Note 20(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

## 12 Other financial assets

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>				
Fixed interest				
- Cash and deposits	21,981	158,981	21,981	158,981
- Cash - Unit trust	17,889	13,797	17,889	13,797
- Fixed interest - Unit trust	111,026	14,521	111,026	14,521
-----				
Equities				
- Australian equities - Unit trust	37,489	-	37,489	-
- International equities - Unit trust	36,545	-	36,545	-
-----				
Other				
- Absolute return - Unit trust	7,037	-	7,037	-
- MAC infrastructure - Unit trust	33,534	-	33,534	-
- MAC diversified strategies income - Unit trust	174,800	-	174,800	-
-----				
<b>Total Current Other Financial Assets</b>	<b>440,300</b>	<b>187,299</b>	<b>440,300</b>	<b>187,299</b>
<b>Non-Current</b>				
Fixed interest				
- Cash - Unit trust	63,376	-	63,376	-
- Fixed interest - Unit trust	393,326	711,547	393,326	711,547
-----				
Equities				
- Australian equities - Unit trust	132,810	219,757	132,810	219,757
- International equities - Unit trust	129,466	216,174	129,466	216,174
-----				
Other				
- Absolute return - Unit trust	24,928	34,660	24,928	34,660
- Internal inflation linked - Unit trust	-	55,281	-	55,281
- MAC infrastructure - Unit trust	118,799	133,855	118,799	133,855
- MAC diversified strategies income - Unit trust	619,255	660,134	619,255	660,134
-----				
<b>Total Non-Current Other Financial Assets</b>	<b>1,481,961</b>	<b>2,031,408</b>	<b>1,481,961</b>	<b>2,031,408</b>
<b>Total Other Financial Assets</b>	<b>1,922,261</b>	<b>2,218,707</b>	<b>1,922,261</b>	<b>2,218,707</b>

## 13 Other assets

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Rescue Retrieval & Aviation Services Base	-	348	-	348

During 2014/15, the MAC Board agreed to fund the establishment of an emergency medical retrieval service facility on leased land at the Adelaide Airport to a value of approximately \$12.0 million. Work on the project commenced during 2014/15 and the amount brought to account reflected work in progress to that date. In 2015/16, under the direction of the Treasurer, MAC transferred the remaining funding and responsibility for construction of the building to the SA Health via a MoAA. Further detail is included at Note 8.

## 14 Assets held for sale

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Direct property portfolio	587,900	-	587,900	-
	<b>587,900</b>	<b>-</b>	<b>587,900</b>	<b>-</b>

Properties previously held as Investment properties were reclassified as Non-current Assets held for Sale due to changes in the MAC Charter which required MAC to transition to a higher weight of defensive assets whilst achieving a portfolio of investments with characteristics which allow the Commission to meet identifiable claims as and when they become due. Expressions of interest in the sale closed on 11 July 2016.

Non-current assets held for sale recognised in the Statement of Financial Position as at 30 June 2016 are classified as level 2 being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

During the year, Non-current Assets Held for Sale were reclassified from Investment properties. Amounts were recognised in the Statement of Comprehensive Income for rental income and direct property expenses for these Investment Properties. Commitments under non-cancellable operating leases were also receivable on these properties. Further details in relation to these amounts are included in the Investment Property Note 15.

## 15 Investment property

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>At Fair Value</b>				
Balance at 1 July	603,750	599,500	603,750	599,500
Capitalised subsequent expenditure	880	2,236	880	2,236
Net (loss)/gain from fair value adjustments	(16,730)	2,014	(16,730)	2,014
Reclassification to assets held for sale	(587,900)	-	(587,900)	-
<b>Balance at 30 June</b>	<b>-</b>	<b>603,750</b>	<b>-</b>	<b>603,750</b>

### Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. MAC categorises non-financial assets measured at fair value into the hierarchy based on the level of inputs use in measurement.

Fair value measurements for Investment property recognised in the Statement of Financial Position are classified as level 2 being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

### Valuation basis

Valuation techniques used to derive level 2 fair values are detailed as follows. There were no changes in valuation techniques during 2016. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The revaluations were based on independent assessments made by members of the Australian Property Institute.

### Amounts recognised in the Statement of Comprehensive Income for investment property

Rental income	58,731	60,165	58,327	59,862
Direct operating expenses	(12,997)	(14,351)	(12,997)	(14,351)
<b>Total amount recognised</b>	<b>45,734</b>	<b>45,814</b>	<b>45,330</b>	<b>45,511</b>

### Leasing arrangements

Commitments under non-cancellable operating leases at the reporting date are receivable as follows:

Not later than one year	50,968	49,422	50,968	49,422
Later than one year but no later than five years	156,113	171,554	156,113	171,554
Later than five years	62,747	74,559	62,747	74,559
	<b>269,828</b>	<b>295,535</b>	<b>269,828</b>	<b>295,535</b>

These operating leases are not recognised in the Statements of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent is payable monthly in advance. Provisions within the lease agreements typically require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. In some cases options exist to renew the leases at the end of the term of the leases. We have utilised the calculations provided by our valuers to determine the commitments under non-cancellable operating leases as at 30 June 2016. In determining those figures, our valuers have based their figures utilising AASB117.

## 16 Property, plant and equipment

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Building Fitout	-	-	1,012	1,012
Accumulated depreciation	-	-	(611)	(337)
	-	-	<b>401</b>	<b>675</b>
Plant and equipment	-	-	105	115
Accumulated depreciation	-	-	(56)	(60)
	-	-	<b>49</b>	<b>55</b>
Other	-	-	38	31
Accumulated depreciation	-	-	(10)	(6)
	-	-	<b>28</b>	<b>25</b>
<b>Total Property Plant and Equipment</b>	-	-	<b>478</b>	<b>755</b>
<i>Building Fitout</i>				
Carrying amount at beginning of year	-	-	675	559
Additions	-	-	-	228
Depreciation	-	-	(274)	(112)
<b>Carrying amount at end of year</b>	-	-	<b>401</b>	<b>675</b>
<i>Plant and equipment</i>				
Carrying amount at beginning of year	-	-	55	61
Additions	-	-	12	6
Disposals	-	-	(6)	-
Depreciation	-	-	(12)	(12)
<b>Carrying amount at end of year</b>	-	-	<b>49</b>	<b>55</b>
<i>Other</i>				
Carrying amount at beginning of year	-	-	25	28
Additions	-	-	7	-
Depreciation	-	-	(4)	(3)
<b>Carrying amount at end of year</b>	-	-	<b>28</b>	<b>25</b>

## 17 Payables

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>				
Creditors and accruals	5,102	9,189	5,243	9,055

## 18 Unearned income

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>				
Unearned premium	-	144,758	-	144,758
<b>Total Current Unearned Income</b>	-	<b>144,758</b>	-	<b>144,758</b>
<b>Non-Current</b>				
Unearned premium	-	1,712	-	1,712
<b>Total Non-Current Unearned Income</b>	-	<b>1,712</b>	-	<b>1,712</b>
<b>Total Unearned Income</b>	-	<b>146,470</b>	-	<b>146,470</b>

Effective 1 July 2016, the provision of CTP insurance policies in South Australia will be provided by four approved private insurers. Accordingly MAC no longer has an entitlement to premiums collected but not yet earned. These unearned premiums are payable to the four new insurers and the South Australian CTP Insurance Regulator. Therefore as at 30 June 2016, these amounts have been reclassified as Premiums held for Other Entities as detailed in Note 19.

## 19 Premiums held for other entities

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Premiums held for other entities	120,126	-	120,126	-
<b>Total Premiums held for other entities</b>	<b>120,126</b>	-	<b>120,126</b>	-

The Treasurer has directed that payment of \$105.0 million of the amount held for other entities will be made to the Department of Treasury and Finance for distribution to the approved Insurers and to the South Australian CTP Insurance Regulator. The remainder is payable on such dates and in such instalments as notified to MAC by the Department of Treasury and Finance.

## 20 Outstanding claims

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
a) Expected future claims payments (undiscounted)	1,597,929	1,810,059	1,597,996	1,810,123
Risk margin applied (undiscounted)	217,551	239,088	217,551	239,088
Discount to present value - central estimate	(90,737)	(151,065)	(90,737)	(151,065)
Discount to present value - risk margin applied	(12,415)	(20,103)	(12,415)	(20,103)
<b>Liability for outstanding claims</b>	<b>1,712,328</b>	<b>1,877,979</b>	<b>1,712,395</b>	<b>1,878,043</b>
Current	323,232	361,850	323,234	361,852
Non-Current	1,389,096	1,516,129	1,389,161	1,516,191
<b>Liability for outstanding claims</b>	<b>1,712,328</b>	<b>1,877,979</b>	<b>1,712,395</b>	<b>1,878,043</b>

On 1 July 2013, a new South Australian CTP Scheme came into effect. The New Scheme embodies a series of scheme reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

Old Scheme	789,287	1,170,578	789,287	1,170,578
New Scheme	923,041	707,401	923,041	707,401
Non-CTP	-	-	67	64
<b>Liability for outstanding claims</b>	<b>1,712,328</b>	<b>1,877,979</b>	<b>1,712,395</b>	<b>1,878,043</b>

b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

For the succeeding year				
- Inflation rate	5.25%	5.50%	5.25%	5.50%
- Discount rate	1.80%	2.50%	1.80%	2.50%
For subsequent years				
- Inflation rate	5.25%	5.50%	5.25%	5.50%
- Discount rate	1.80%	2.50%	1.80%	2.50%

c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:

	3.2 years	3.4 years	3.2 years	3.4 years
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The method of calculating outstanding claims is set out in detail in Note 2(e).

The claims provision for the Compulsory Third Party Fund as at 30 June 2016 has been reviewed by the Fund Actuary, Gillian Harrex BEc, FIAA of Finity Consulting Pty Limited. The directors have adopted a central estimate plus a risk margin as determined by the Actuaries to achieve an 80% probability that the provision will prove adequate. An overall risk margin of 14% (2015: 13%) has been applied and is derived using the framework established by the Actuaries Institute. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For Inwards Reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

## 20 Outstanding claims (continued)

### Sensitivity analysis

There is considerable uncertainty inherent in the estimation of the outstanding claims liability and in particular there is uncertainty attached to:

- a) the actual impact of the CTP legislative changes effective 1 July 2013 (i.e. "New Scheme") and the commencement of the Lifetime Support Scheme (LSS) from 1 July 2014. The key risks include:
  - estimating the claims frequency and the number of claim settlements; and
  - estimating the impact of tort reform on the ultimate cost of claims.
- b) large claims, given their potential to cause significant one-off effects on the valuation and the difficulty in estimating future large claims experience.

- c) future inflation and superimposed inflation. While the claims environment has been benign for some years, it is possible for some level of claims cost escalation to emerge as service providers (particularly solicitors) adjust to the New Scheme environment.

The relative financial sensitivity of the outstanding claims provision to changes in the key valuation assumptions is illustrated in the following table. The sensitivities shown should not be considered to be equally probable, nor are they mutually exclusive. Furthermore, they do not represent upper or lower bounds of all possible outcomes.

Change in Model parameters	Impact on Provision	
	%	\$'000
<b>Change in Valuation Assumption:</b>		
For accidents from 1 July 2010 to 30 June 2013:		
- average size of attritional claims increased by 15%	2.2	37,600
- average size of large claims increased by 18%	4.0	67,700
For accidents after 30 June 2013:		
- number of claims involving a settlement decreased by 25%	(9.8)	(166,700)
- average size of attritional claims increased by 15%	6.6	112,000
- average size of large claims increased by 18%	1.8	31,400
Number of large claims increased by 7% to 136	0.4	6,800
Discount rate increased from 1.8% to 2.3% p.a.	(1.5)	(26,400)
Discount rate decreased from 1.8% to 1.3% p.a.	1.6	27,300
Superimposed inflation rate increased from 2.0% to 3.0% p.a.	2.9	49,300
Superimposed inflation rate decreased from 2.0% to 1.0% p.a.	(2.8)	(47,100)

## 20 Outstanding claims (continued)

Claims Development											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net ultimate claims cost estimate</b>											
At end of accident year	382,329	426,940	444,156	459,249	483,650	492,426	514,693	400,476	338,287	330,164	
One year later	386,338	394,295	426,282	458,570	469,417	488,162	461,742	373,095	288,914		
Two years later	378,015	397,754	433,527	440,122	466,825	432,909	429,302	317,260			
Three years later	380,349	397,925	411,612	426,006	429,090	423,085	387,443				
Four years later	383,684	394,421	408,503	400,245	409,690	402,730					
Five years later	369,627	383,942	366,346	353,942	386,992						
Six years later	361,341	355,010	335,156	343,210							
Seven years later	354,025	361,708	352,247								
Eight years later	343,858	362,534									
Nine years later	346,251										
Current est. of net ultimate claims cost	346,251	362,534	352,247	343,210	386,992	402,730	387,443	317,260	288,914	330,164	
Cumulative payments	(320,648)	(327,782)	(325,585)	(297,946)	(289,452)	(242,991)	(181,473)	(57,945)	(44,767)	(31,614)	
Net undiscounted claims liability for the ten most recent accident years	25,603	34,752	26,662	45,264	97,540	159,739	205,970	259,315	244,147	298,550	<b>1,397,542</b>
Discount to present value	(1,532)	(2,033)	(1,378)	(2,336)	(4,933)	(8,408)	(10,434)	(14,351)	(13,782)	(21,410)	<b>(80,597)</b>
Net discounted claims liability for the ten most recent accident years	24,071	32,719	25,284	42,928	92,607	151,331	195,536	244,964	230,365	277,140	<b>1,316,945</b>
<b>Reconciliation</b>											
Net discounted claims liability for accident years 2005/06 and prior											84,452
Claims handling expenses											97,938
Risk margin											205,136
<b>Net outstanding claims liability</b>											<b>1,704,471</b>
Gross outstanding claims liability on the statements of financial position											1,712,328
Reinsurance and other recoveries on outstanding claims liability											(7,857)
<b>Net outstanding claims liability</b>											<b>1,704,471</b>
Estimated timing of net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.											
<b>Estimated timing of net cashflows</b>											
	Up to 1 year	2-4 years	5-9 years	10-14 years	15-19 years	20-24 years	Later	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Liabilities	321,564	937,421	362,325	66,466	15,515	1,179	1	<b>1,704,471</b>			

## 21 Insurance Contracts Risk Management

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

### **Risk Management objectives and policies for mitigating insurance risk**

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

#### *Pricing*

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and takes account of current market and Scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee (TPPC), taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund.

The CTP Premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in economic factors (such as inflation and interest rates) and investment market volatility and directions by the Minister to charge premiums other than those recommended by the TPPC.

As MAC will cease writing new CTP insurance policies from 1 July 2016, its involvement in the premium setting process has now ended.

#### *Reinsurance*

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard & Poor's rating of "A -". MAC's reinsurance broker monitors the Standard & Poor's rating of all panel reinsurers.

#### *Claims management*

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

#### *Investment management*

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the Notes to the Accounts.

#### *Risk reduction*

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

## 22 Provisions

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current</b>				
Employee benefits				
- Annual leave	-	-	371	447
- SERL	-	-	6	5
Incentive payment	11,413	9,900	11,413	9,900
<b>Total Current Provision</b>	<b>11,413</b>	<b>9,900</b>	<b>11,790</b>	<b>10,352</b>
<b>Non-Current</b>				
Employee benefits				
- LSL	-	-	875	829
<b>Total Non-Current Provisions</b>	<b>-</b>	<b>-</b>	<b>875</b>	<b>829</b>
<b>Total Provisions</b>	<b>11,413</b>	<b>9,900</b>	<b>12,665</b>	<b>11,181</b>

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth bonds has decreased from 2015 (3%) to 2016 (2%).

The decrease in the bond yield, which is used as the rate to discount further long service leave cash flows, results in an increase in the reported long service liability.

The net financial effect of the changes in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long term discount rate.

## 23 Additional Financial Instrument Disclosures

### (1) Categorisation of Financial Instruments

The total carrying amount for all financial assets is equal to the fair value of these assets. Investments in investment properties as detailed in notes 14 and 15 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in unit trusts (excluding inflation linked investments) as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active markets for identical assets and level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in inflation linked investment unit trusts as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets,

level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price and level 3 assets being fair values that are not based on observable market data.

### (2) Derivative Financial Instruments

Derivatives are defined as financial contracts whose value depend on, or are derived from assets, liabilities, reference rates or indices. They are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively.

MAC's external investment managers may from time to time use authorised derivatives, such as over-the-counter swap agreements, forward rate agreements, futures and options, to manage portfolio risks and to facilitate the implementation of effective investment strategies.

The fair values of all derivative positions as at 30 June 2016 are incorporated within the Statement of Financial Position.

## 23 Additional Financial Instrument Disclosures (continued)

### (3) Foreign Exchange Risk

As part of a diversified investment strategy, MAC has funds invested in international markets. MAC's external currency overlay manager for international equities, hedges 50% of the developed markets exposure within international equities to Australian dollars. MAC's external fund managers for International Fixed Income Securities and Infrastructure Securities hedge 100% of this exposure back to Australian dollars. The Global Macro Absolute Return investment is denominated in Australian dollars, but the external fund manager takes active currency positions.

### (4) Interest Rate Risk

Interest Rate risk is the risk that movements in interest rates will cause the value of fixed interest securities and the discount rate used to calculate MAC's outstanding liabilities, to deviate from expectations. MAC manages interest rate risk by using an appropriate asset / liability duration matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon for each. The risk is also managed through the use of specialist cash and fixed income investment managers, as well as specialist advice from an Investment Asset Consultant. Furthermore, an Asset Liability Committee is in place to manage these risks.

### (4) Interest Rate Risk (continued)

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate	Non-interest bearing	Total carrying amount
<b>30 June 2016</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>			
Cash and deposits	38,642	-	38,642
Receivables	-	3,482	3,482
Cash - Unit trust*	-	81,265	81,265
Fixed interest - Unit trust*	-	504,352	504,352
Australian equities - Unit trust*	-	170,299	170,299
International equities - Unit trust*	-	166,011	166,011
Other - Unit trust*	-	978,353	978,353
<b>Total financial assets</b>	<b>38,642</b>	<b>1,903,762</b>	<b>1,942,404</b>
<b>Weighted average interest rate %</b>	<b>2.28%</b>		
<b>Financial Liabilities</b>			
Creditors	-	5,243	5,243
<b>Total financial liabilities</b>	<b>-</b>	<b>5,243</b>	<b>5,243</b>
<b>Net financial assets</b>	<b>38,642</b>	<b>1,898,519</b>	<b>1,937,161</b>

\* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

## 23 Additional Financial Instrument Disclosures (continued)

### (4) Interest Rate Risk (continued)

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate	Non-interest bearing	Total carrying amount
<b>30 June 2015</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>			
Cash and deposits	185,661	-	185,661
Receivables	-	7,323	7,323
Cash - Unit trust*	-	13,797	13,797
Fixed interest - Unit trust*	-	726,068	726,068
Australian equities - Unit trust*	-	219,757	219,757
International equities - Unit trust*	-	216,174	216,174
Other - Unit trust*	-	883,930	883,930
<b>Total financial assets</b>	<b>185,661</b>	<b>2,067,049</b>	<b>2,252,710</b>
<b>Weighted average interest rate %</b>	<b>2.70%</b>		
<b>Financial Liabilities</b>			
Creditors	-	9,055	9,055
<b>Total financial liabilities</b>	<b>-</b>	<b>9,055</b>	<b>9,055</b>
<b>Net financial assets</b>	<b>185,661</b>	<b>2,057,994</b>	<b>2,243,655</b>

\* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

### Reconciliation of Net Financial Assets

	2016 \$'000	2015 \$'000
Net Financial Assets	1,937,161	2,243,655
Add - Reinsurance and other recoveries receivable	7,857	10,847
- Prepayments	-	15,810
- Non-current Assets held for sale	587,900	-
- Investment property	-	603,750
- Property, plant and equipment	478	755
- Other assets	-	348
Less - Unearned income	-	(146,470)
- Premiums held for other entities	(120,126)	-
- Outstanding claims	(1,712,395)	(1,878,043)
- Unexpired risk provision	-	(16,168)
- Provisions	(12,665)	(11,181)
<b>Net Assets</b>	<b>688,210</b>	<b>823,303</b>

### (5) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

#### Recognised Financial Instruments

The carrying amounts of financial assets included in the Statement of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit

risk by undertaking diversified transactions in a large number of investments through underlying external fund managers. MAC is not materially exposed to any individual counterparty.

The credit risk relating to investments is monitored and assessed, and maximum exposures are limited. The following table provides information regarding the credit risk exposure relating to MAC's interest bearing investments, based on S&P's counterparty credit ratings.

## 23 Additional Financial Instrument Disclosures (continued)

30 June 2016	A1+	A1				
<b>Short Term</b>	<b>Allocation %</b>					
Cash	89.8	10.2				
Cash & Deposits	81.3	18.7				
	AAA	AA	A	BBB	Below BBB	Not Rated
<b>Long Term</b>			<b>Allocation %</b>			
Fixed interest	74.6	25.4	-	-	-	-
Diversified strategies income	29.1	20.7	20.0	25.4	4.70	0.1
30 June 2015	A1+	A1				
<b>Short Term</b>	<b>Allocation %</b>					
Cash	83.5	16.5				
Cash & Deposits	95.6	4.4				
	AAA	AA	A	BBB	Below BBB	Not Rated
<b>Long Term</b>			<b>Allocation %</b>			
Internal inflation linked (externally managed portion)	72.9	19.5	3.6	4.0	-	-
Fixed interest	74.4	25.6	-	-	-	-
Diversified strategies income	22.3	13.3	34.8	29.53	-	-

The MAC Cash portfolio is predominately comprised of highly liquid Floating Rate Deposits.

The MAC Fixed Interest Liability Matched portfolio is comprised of Australian Government and Semi Government Bonds.

The MAC Diversified Strategy Income (DSI) portfolio is predominantly invested in investment grade securities (rated BBB and above by S&P).

### (6) Market Risk

In addition to the effects of movements in interest rates, the Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long term

expectations over the short / medium term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and sub-markets and via an asset liability matching process.

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

## 23 Additional Financial Instrument Disclosures (continued)

Financial Impact			
	Movement in Variable %	2016 \$'000	2015 \$'000
Interest rates	(1.0)	60,906	66,946
	(0.5)	29,107	32,177
	0.5	(26,415)	(29,584)
	1.0	(50,139)	(56,575)

An interest rate change will inversely affect the values of fixed interest investments. This change is calculated by multiplying the modified duration plus an adjustment for convexity of the fixed interest portfolio by the interest rate change.

Financial Impact			
	Movement in Variable %	2016 \$'000	2015 \$'000
Australian equity markets	(10)	(17,030)	(21,976)
	(5)	(8,515)	(10,988)
	(1)	(1,703)	(2,198)
	5	8,515	10,988
	10	17,030	21,976
International equity markets	(10)	(16,601)	(21,617)
	(5)	(8,301)	(10,809)
	(1)	(1,660)	(2,162)
	5	8,301	10,809
	10	16,601	21,617

Changes in Australian and International Equities markets will proportionally affect the values of the Australian and International Equity investments. The currency movement of the AUD will also have an impact on the International Equities portfolio.

### (7) Liquidity and Cash Flow Risk

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for business cash outflows are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand. MAC ensures that a very high proportion of the Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are further minimised through trading with approved exchanges and counterparties. An outstanding liabilities cash flow matching process has also been implemented to assist the business in managing future cash flow requirements.

## 24 Net claims incurred

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.

	CTP 30 Jun 16			MAC 30 Jun 16		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
	Gross claims incurred and related expenses					
- undiscounted	395,989	(323,848)	72,141	395,989	(323,848)	72,141
Reinsurance and other recoveries						
- undiscounted	(1,898)	3,801	1,903	(1,898)	3,801	1,903
<b>Net claims incurred - undiscounted</b>	<b>394,091</b>	<b>(320,047)</b>	<b>74,044</b>	<b>394,091</b>	<b>(320,047)</b>	<b>74,044</b>
Discount and discount movement						
- gross claims incurred	(26,296)	94,313	68,017	(26,296)	94,313	68,017
Discount and discount movement						
- reinsurance and other recoveries	114	(603)	(489)	114	(603)	(489)
<b>Net discount movement</b>	<b>(26,182)</b>	<b>93,710</b>	<b>67,528</b>	<b>(26,182)</b>	<b>93,710</b>	<b>67,528</b>
<b>Net claims incurred</b>	<b>367,909</b>	<b>(226,337)</b>	<b>141,572</b>	<b>367,909</b>	<b>(226,337)</b>	<b>141,572</b>

	CTP 30 Jun 15			MAC 30 Jun 15		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
	Gross claims incurred and related expenses					
- undiscounted	407,312	(348,212)	59,100	407,312	(348,212)	59,100
Reinsurance and other recoveries						
- undiscounted	(2,672)	2,015	(657)	(2,672)	2,015	(657)
<b>Net claims incurred - undiscounted</b>	<b>404,640</b>	<b>(346,197)</b>	<b>58,443</b>	<b>404,640</b>	<b>(346,197)</b>	<b>58,443</b>
Discount and discount movement						
- gross claims incurred	(38,227)	101,206	62,979	(38,227)	101,206	62,979
Discount and discount movement						
- reinsurance and other recoveries	220	(658)	(438)	220	(658)	(438)
<b>Net discount movement</b>	<b>(38,007)</b>	<b>100,548</b>	<b>62,541</b>	<b>(38,007)</b>	<b>100,548</b>	<b>62,541</b>
<b>Net claims incurred</b>	<b>366,633</b>	<b>(245,649)</b>	<b>120,984</b>	<b>366,633</b>	<b>(245,649)</b>	<b>120,984</b>

## 25 Return of capital

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	Return of capital	448,500	852,900	448,500

During 2015/16, MAC made a payment of \$448.5 million to the State Government's Highway Fund, an account maintained by the Department of Planning, Transport and Infrastructure in accordance with the Public Finance and Audit Act 1987. The payment was a return of net surplus capital as required by the Treasurer pursuant to section 26(2) of the Motor Accident Commission Act 1992.

## 26 Commitments

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Operational expenditure commitments</i>				
<i>Road Safety and Sponsorship expenditure *</i>				
Committed but not provided for and payable:				
Not later than one year	2,458	2,515	2,458	2,515
Later than one year but no later than five years	2,995	776	2,995	776
	<b>5,453</b>	<b>3,291</b>	<b>5,453</b>	<b>3,291</b>

\*The amounts indicated above are contract amounts and do not allow for CPI adjustments.

### *Management agreements*

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund currently expires on 30 June 2017. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an Incentive Fee arrangement. AAL is part of Allianz AG.

MAC does not have any contingent liabilities or commitments in relation to the jointly controlled property at 400 George Street, Brisbane.

## 27 Auditors' remuneration

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Amounts received or due and receivable for auditing the accounts of MAC:				
- Auditor-General's Department	<b>104</b>	<b>105</b>	<b>115</b>	<b>117</b>

No other services were provided by the Auditor-General's Department.

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Other underwriting expenses' (refer to note 7)

## 28 Cash flow reconciliation

	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>1) Reconciliation of cash</b>				
Cash	15,216	25,680	16,661	26,680
Deposits at call	21,981	158,981	21,981	158,981
	<b>37,197</b>	<b>184,661</b>	<b>38,642</b>	<b>185,661</b>
<b>2) Reconciliation of net cash inflows/(outflows) from operating activities</b>				
Total comprehensive result	313,555	424,782	313,407	424,593
Add/(less) non-cash items:				
- Depreciation	-	-	290	127
- Loss/(profit) on disposal of assets	-	-	6	-
- (Profit) Loss on sale and revaluation to market value of investments	(78,726)	(173,430)	(78,726)	(173,430)
Increase in taxes payable and provisions	-	-	(35)	(62)
<b>Net cash inflows/(outflows) from operating activities before changes in assets and liabilities</b>	<b>234,829</b>	<b>251,352</b>	<b>234,942</b>	<b>251,228</b>
Change in assets and liabilities				
- (Inc)/dec in investments	256,394	705,768	256,394	705,768
- (Inc)/dec in other assets	348	(348)	348	(348)
- (Inc)/dec in receivables	17,347	3,281	17,654	3,964
- Inc/(dec) in payables and provisions	(18,877)	(2,227)	(18,836)	(2,345)
- Inc/(dec) in outstanding claims	(162,661)	(204,218)	(162,658)	(204,206)
- Inc/(dec) in unearned premium	(26,344)	5,684	(26,344)	5,684
<b>Net cash (outflows)/inflows from operating activities</b>	<b>301,036</b>	<b>759,292</b>	<b>301,500</b>	<b>759,745</b>

## 29 Sufficient level of solvency

Sub-section 14(3) of the *Motor Accident Commission Act 1992* defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a Sufficient Level of Solvency in the CTP Fund. A revised formula to calculate a Sufficient Level of Solvency was issued by the Treasurer on 21 June 2013 and subsequently published in The South Australian Government Gazette. The formula specifies that the Fund will have a Sufficient Level of Solvency if its assets exceed the sum of the Fund's liabilities plus 10% of the outstanding claims liabilities, 10% of the premium liabilities provision and 10% of the investments in equities and property.

As at 30 June 2016, the Sufficient Solvency target was \$2,131.1 million (2015: \$2,383.0 million) which compares to the Fund's assets of \$2,537.2 million (2015: \$2,882.9 million) and this equates to 119.1% (2015: 121.0%) of the required level of Sufficient Solvency.

In recent years, there has been significant movement in MAC's solvency, which demonstrates the potential volatility of the CTP Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain Sufficient Solvency.

The Sufficient Solvency Target has created a prudential reserve for MAC which has allowed it to remain in a strong net asset position (\$688.2m). The Sufficient Solvency Target has therefore fulfilled its role of underpinning the viability of the CTP Fund.

The accounts are prepared on a going concern basis after consideration of the following issues:

- The Fund reports positive net assets as at 30 June 2016;
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due;
- The Fund's investment strategy is designed to assist in maintaining Sufficient Solvency; and
- MAC is supported by a Government guarantee pursuant to sub-section 21(1) of the *Motor Accident Commission Act 1992*.

## 30 Contingent assets and liabilities

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

## 31 Consultants

The number and value of consultancies paid /payable that fell within the following bandwidths during the financial year were:

	MAC			
	2016		2015	
	Number	\$'000	Number	\$'000
Below \$10,000	9	57	7	27
Above \$10,000	20	4,000	19	4,211

## 32 Directors' remuneration

The names of each person holding the position of director of MAC during the financial year are:

J H Brown (Retired 30 June 2016)	J T Hazel (Retired 30 June 2016)	A G Tisato (Appointed 1 July 2015)
K O Foley	R A Korotcoff	
W M Griggs	Y Sneddon (Retired 30 June 2016)	

	2016 \$'000	2015 \$'000
Total remuneration paid or payable, or otherwise made available, to all directors of MAC from the Commission:	339	358

	2016 Number	2015 Number
The number of directors of MAC whose remuneration received or receivable from the Commission falls within the following bands:		
\$0 - \$9,999	-	2
\$30,000 - \$39,999	3	-
\$40,000 - \$49,999	2	1
\$50,000 - \$59,999	1	4
\$70,000 - \$79,999	1	-
\$80,000 - \$89,999	-	1

Directors of MAC receive remuneration in the form of statutory fees. In accordance with the Department of Premier & Cabinet circular No. 016, government employees did not receive any remuneration from the Commission for Board or Committee duties during the financial year.

### *Superannuation and retirement benefits*

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with MAC other than the amount set aside by the Commission in compliance with the Superannuation Guarantee Charge of \$29,000 (2015: \$31,000).

### 33 Remuneration of Employees

	MAC	
	2016 \$'000	2015 \$'000
Salaries & Wages	4,601	4,911
LSL	168	211
Annual Leave	45	56
SERL	2	-
Employment on-costs - superannuation	385	464
Employment on-costs - other	282	330
Board & committee fees	340	359
<b>Total employee remuneration expense</b>	<b>5,823</b>	<b>6,331</b>

		Number	Number
The number of employees			
whose remuneration received or receivable falls	\$145,001 - \$155,000	-	1
within the following bands:	\$155,001 - \$165,000	1	1
	\$165,001 - \$175,000	2	3
	\$185,001 - \$195,000	1	-
	\$225,001 - \$235,000	-	1
	\$235,001 - \$245,000	1	1
	\$245,001 - \$255,000	2	-
	\$255,001 - \$265,000	-	1
	\$265,001 - \$275,000	1	1
	\$285,001 - \$295,000	-	1
	\$295,001 - \$305,000	1	-
	\$335,001 - \$345,000	-	1
	\$345,001 - \$355,000	-	1
	\$365,001 - \$375,000	1	-
<b>Total number of employees</b>		<b>10</b>	<b>12</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2.4 million (2015 \$2.8 million).

### 34 Related Parties

Apart from the details disclosed in this note, no director has entered into a contract with the Commission since the end of the previous financial year and there were no contracts involving directors' interests existing at year-end.

#### *Directors' transactions with the Commission*

MAC sold CTP insurance to directors of the Commission or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms' length basis.

### 35 Events after Reporting Date

The SA Government announced it has decided to open the provision of Compulsory Third Party (CTP) insurance to the private sector in South Australia from July 2016. As part of this initiative, MAC will end its role as the sole provider of CTP insurance in South Australia and this will allow MAC to cease writing new CTP insurance policies and run off its claims against policies issued up to and including 30 June 2016. Consequently this will allow MAC to pay an amount from its surplus net assets into the Highways Fund to invest in improving the safety of roads in South Australia.

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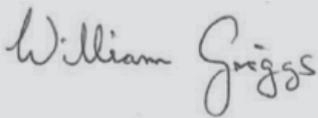
## Motor Accident Commission certification of the Financial Statements

We certify that the attached general purpose financial statements for the Motor Accident Commission:

- 1 comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- 2 are in accordance with the accounts and records of the Commission; and
- 3 presents a true and fair view of the financial position of the Commission as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Motor Accident Commission for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

Signed in accordance with a resolution of the directors.



**William (Bill) Griggs AM ASM**

MBBS, MBA, PGDipAvMed  
Chairman



**Aaron Chia**

BEC, FCA, MAICD  
Chief Executive Officer



**Kathryn Govan**

FCPA, CSA  
General Manager, Finance

Adelaide | Dated the 26th day of August 2016

**MAC**



Government  
of South Australia