

Jim
Clifford



LETTER TO THE MINISTER

I have pleasure in submitting for your information and presentation to Parliament the Motor Accident Commission's 2005-06 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 2006, as required by Section 29 of the *Motor Accident Commission Act 1992*.

Yours sincerely



G T Vogt
Chief Executive Officer

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*I'm a safe &
considerate driver*

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Vision & Mission Statement

VISION

To be recognised as a leader in the management of motor vehicle bodily injury insurance.

MISSION STATEMENT

- To achieve a financially secure, affordable and equitable system of motor vehicle bodily injury insurance to serve the interests of South Australians.
- To contribute to a reduction in the frequency and impact of road injury, trauma and deaths in South Australia.



*the accident
wasn't my fault!*

Highlights 2005-06

INVESTMENT HIGHLIGHTS

- Portfolio outperformed benchmark for fourth year in a row – giving a positive return for the 11th year in a row.
- After an International Equity Review was conducted, new managers were brought on-board to increase emphasis to active management and generate greater returns in this sector.
- A 2.5% allocation to Hybrid Securities was introduced as part of the Strategic Asset Allocation. After producing good returns in the first six months, the Hybrid securities sector allocation was increased to 5%.
- A financial model capturing the interrelationships between the investment and claims portfolios was built and tested. The model will improve the organisation's understanding of the likely impact of changes in economic variables and assist in positioning the investments to minimise the impact of adverse economic events on the CTP Fund balance sheet. In other words, the fund will be better placed to maximise returns within prudent risk parameters.

CTP HIGHLIGHTS

- Reduced claims numbers due to:
 - Road safety activities – leading to a fall in the number of claims compared with last year (resulting in premium reductions)
 - A reduction in the number of claims registered per accident
 - Continued focus by Allianz to improve claims management procedures
- The reduction of CTP premiums (for the first time in 16 years), with a Class 1 Premium reduction of 2.6%, which came into effect on 1 July 2005, and a further 1.1% reduction, which came into effect on 1 July 2006.
- Full implementation of MAC's internal audit program relating to Allianz CTP operations resulting in useful recommendations and information to improve Allianz CTP operations.
- Successful market testing for the contracting of:
 - Debt Collection – the contract to manage recoveries on behalf of MAC was put to tender this year and a new provider commenced on 1 June 2006. This should provide MAC with savings and better outcomes in the collection of recoveries.
 - Investigations – a Request for Proposal process was undertaken for the provision of investigation services to support claims management. This resulted in the appointment of a smaller, more manageable panel of investigation firms.

ROAD SAFETY INITIATIVES

- State Government initiatives considered beneficial to road safety/claims management:
 - New graduated drivers licensing scheme introduced 1 October 2005 – required novice drivers to spend longer hours under supervision, with stricter penalties for those breaking road rules and the provision of rewards for those who are well behaved. Young drivers generated a large proportion of CTP claims; hence this initiative is expected to eventually result in reduced road trauma and CTP claim reductions.
- Random Drug Testing Bill passed in December 2005, commenced operation in July 2006 – Random Breath Testing (RBT) has been proven to be an effective deterrent for drink driving. It is anticipated that random drug testing will be similarly effective against increased drug driving.
- Interactive display at Birdwood Motor Museum – MAC sponsored the development of an interactive road safety display at Birdwood Motor Museum. This is a driving simulator that provides feedback on any poor driving habits. It has been especially popular with young visitors to the museum and it is expected to teach them safe lifelong driving behaviors.

↙ refers to me!

- Promotion of Electronic Stability Control (ESC) – Adelaide Motor Show – MAC part sponsored an ESC display at the Adelaide Motor Show. ESC has been shown to reduce single vehicle casualty crashes by approximately 40% and has been claimed to be the most important vehicle safety feature since the seatbelt.
- Road safety curriculum development at Birdwood High School – MAC supported the development of a pilot road safety curriculum program for Year 11 students at Birdwood High School, as part of its annual sponsorship program.
- Continued sponsorship of the Centre for Automotive Safety Research (CASR). Projects completed in 2005-06 included:
 - **Whiplash Associated Disorders:** Approximately 40% of CTP claims are for whiplash injuries. In an extensive review, the CASR report covered the issues from epidemiological, engineering, biomechanical, and treatment perspectives. As a 'state of the art' summary of whiplash, the report provided material to assist in the understanding and treatment of this significant problem arising from road crashes.

- **Rear end crashes:** CASR was also commissioned to investigate the nature of the crash types that most frequently lead to whiplash. Rear end crashes lead to approximately 40% of CTP claims. The report made recommendations on how to reduce the number of rear end crashes, including the installation and improvement of right turning lanes and other engineering solutions. CASR also noted that the inadequate attention of drivers was an issue, and suggested this could be improved through the use of technology such as warning devices that alert drivers when they are too close to another vehicle.
- **Road safety evaluation questionnaire:** CASR was commissioned to develop a questionnaire that could identify improvements in road safety attitudes. This was trialed at Birdwood High to determine the success of the curriculum program and provide ideas for improvements.

- **Roll over crashes:** Although the incidence of roll over crashes is not high, these crashes frequently lead to severe injury or death. CASR reported on the nature of these crashes, in particular that they frequently occurred when a vehicle ran onto the left, unsealed shoulder of the road. Recommendations included the sealing of shoulders, the installation of audio tactile line marking, and an emphasis on wearing seatbelts.
- **Edge delineations:** The CASR report investigated a trial of non-standard edge delineation material, and considered other types of edge delineations and their effectiveness. Due to recent reductions in price, the audio tactile line marking (ATLM) was considered more cost effective than the trialed method. ATLM is a raised profile thermoplastic 'rumble strip' that alerts drivers who drift away from the main carriageway. The report recommended expansion of the use of ATLM, to cover all major highways and roads with a high incidence of 'run-off road' crashes.

Chairman's Report



The Motor Accident Commission's (MAC) financial results for the 2005-06 year have once again been very solid, with this year's profit attributable to continued strong investment market returns, with net investment earnings well above budgeted levels. The Compulsory Third Party (CTP) Fund performed strongly for the third year in a row, and as at 30 June 2006 the CTP Fund had net assets of \$324.7m and posted a surplus of \$105.7m, compared with a \$103.5m surplus in 2005.

The combined factors of strong investment market returns, net investment earnings above budgeted levels, and stability in the key economic assumptions used in actuarial calculations of the outstanding claims liability, resulted in a profit broadly in line with that of last year.

The MAC investment portfolio returned 10.2% per annum (gross) for the year, outperforming its benchmark by 0.7%. The strong returns provided by the growth asset classes (equity markets and property) over the year, were moderated by the 65% strategic asset allocation to the defensive sectors. This conservative structure immunises MAC's liabilities and helps protect the CTP Fund during poor investment market conditions.

In 2002, MAC, supported by the Third Party Premiums Committee (TPPC), established a strategy to enable the CTP Fund to meet the Sufficient Solvency target (set by regulation) by 2007-08. The strong financial results achieved in 2004-05 resulted in the CTP Fund achieving its solvency target several years ahead of target.

During 2005-06, coinciding with the introduction of the International Financial Reporting Standards, the Treasurer revised the formula required to calculate the Sufficient Solvency target. Under this formula, the Fund will have a sufficient level of solvency if its assets exceed the solvency target.

As at 30 June 2006 (under the new formula), the Sufficient Solvency target was \$1,862.4m (2005: \$1,776.7m), compared to the Fund's assets of \$1,954.2m (2005: \$1,788.7m). Therefore in the 2006 financial year MAC achieved 104.9% (2005: 100.7%) of the required level of Sufficient Solvency. The Fund's ratio of Assets (\$1,954.2m) to Liabilities (\$1,629.5m) expressed (as a percentage) is 119.9% (2005: 114.0%).

While still well below Australian Prudential Regulatory Authority (APRA) solvency requirements for private sector insurers, the new target is considered to represent an appropriate level when the protection of claimants' interests provided by the Government guarantee is considered.

There has been significant movement in MAC's solvency in recent years, which demonstrates the volatility of the CTP Fund and its dependence on strong investment market returns. Having achieved the Sufficient Solvency target for the past few years, such market volatility reaffirms the need for MAC to maintain Sufficient Solvency in accordance with the MAC Act. It should however be recognised that market volatility and fluctuations in claims lodged could occasionally result in departures from this goal.

OTHER ACTIVITIES

MAC is committed to the reduction of road related trauma in South Australia and annually invests in excess of \$2m towards sponsorship initiatives designed to reduce the incidence and impact of road crashes and the resulting injuries in our State. In addition, MAC annually contributes a further \$2m towards the State Government's road safety mass media advertising campaign.

I would like to take this opportunity to express my appreciation to all of the Board members, advisers and the Allianz staff for their efforts throughout the past year.

Special thanks must be extended to Dick McKay, who completed 11 years of service to the MAC Board as a Director on 30 June 2006 – including four years of dedicated service as Chairman from 2002 to 2006, during which period MAC made considerable progress.

In closing, I acknowledge the efforts of the small, dedicated team of staff at MAC who continue to work toward the goal of providing a financially secure, affordable and equitable system of motor vehicle bodily injury insurance to serve the interests of all South Australian road users.

R A Cook
Chairman

Chief Executive Officer's Report

I am pleased to report on the progress of the Motor Accident Commission (MAC) for the 2005-06 year.

Highlights of the year include the achievement of a net operating surplus of \$105.7m for 2006, and surpassing our Sufficient Solvency Target for the third year in a row – thanks to ongoing strong investment market returns, with net investment earnings significantly above budgeted levels.

This financial year also saw the reduction of CTP premiums (for the first time in 16 years), with a Class 1 Premium reduction of 2.6%, which came into effect on 1 July 2005, and a further 1.1% reduction, which came into effect on 1 July 2006. This compares with an average rate of increase over the previous five years of 8.5%.

As at 30 June 2006, Allianz has completed its third year in the role of claims manager, during which it has continued a proactive approach to claims management, which has contributed to the reduction in the number of current claims by more than 20% as at 30 June, compared with last year.

Allianz's approach to claims management continues to emphasise early and regular contact with the claimant. Settlements directly with claims staff or at informal conferences are a tangible benefit of the proactive approach to claims management.

This year Allianz has also refined a reporting system intended to improve and broaden the capacity to report and analyse trend data. We commend Allianz for its efforts to enhance the reporting system, which will have ongoing benefits for the CTP scheme.

In the past year, we have continued to strengthen cooperative relationships with key scheme stakeholders, including the Law Society of South Australia, Australian Lawyers Alliance, Australian Medical Association, Allied Health Alliance members and others relating to CTP scheme and claims management issues.

In other developments for 2005-06, the following legislation is noteworthy from the perspective of road safety:

- *Road Traffic (Excessive Speed) Amendment Act 2005* – provides increased sanctions against motorists who exceed the posted speed limit by 45kph or more. This includes an enhanced expiation fee structure and the option for police to suspend licences and/or disqualify drivers' licences. This came into operation on 1 December 2005.
- *Road Traffic (Drug Driving) Amendment Act 2005* – allows for drug testing of drivers. This came into operation on 1 July 2006.
- *Criminal Law Consolidation (Serious Vehicle and Vessel Offences) Amendment Act 2005* – provides sanctions against motorists who fail to stop at, or leave the scene of, an accident in which a person has been injured or killed. It includes substantial prison terms and a significant increase in fines and should help to ensure injured people receive faster medical attention, hence reducing their recovery times. This came into operation on 30 July 2006.

At MAC, we are committed to ensuring motorists funds are used to make a difference. The 2005-06 financial year saw MAC undertake a record sponsorship investment in South Australia with an investment in excess of \$2m aimed ultimately at reducing the incidence of road trauma in our State.

Our sponsorship program provides:

- Preventative measures for road safety
- Rehabilitation to assist victims of motor vehicle crashes
- Funding for medical research into treatment of road crash victims
- Support for crash victims and their families

(Please refer to the Road Safety Sponsorship Program details outlined on Page 16 of this report.)

I also take great pleasure in congratulating the strong, committed team of staff at MAC on their valued efforts during the past year. They have created a warm and friendly, cooperative, professional and highly productive work environment, which is beneficial to all who deal with MAC.

In 2006-07, MAC will strive to contain the relative cost of CTP insurance in South Australia while continuing to pay fair and equitable compensation in accordance with the law.

Importantly our key objective will be to continue to make a significant contribution to the reduction in road trauma, injury and death in our State by funding strategic road safety initiatives and research for the benefit of all South Australian road users.



G T Vogt
Chief Executive Officer

Road Safety & Sponsorship Program

As well as ensuring fair CTP compensation for all South Australians, MAC is committed to ensuring that motorists' funds are used to make a contribution to a reduction in road injury, trauma and deaths in the State.

MAC's road safety sponsorship program plays a critical role in the effort to reduce the incidence and impact of road crashes and the resultant injuries on South Australian roads.

In addition to supporting crash prevention and injury minimisation initiatives, sponsorship monies are directed to rehabilitation programs and medical research to enhance the recovery and quality of life of crash victims.

In 2005-06 MAC undertook a record sponsorship investment of approximately \$2m in South Australia, with the ultimate goal of reducing the incidence of road trauma in our State. The sponsorship program has a particular focus on initiatives targeting young road users and regional areas.

IN 2005-06 SPONSORED ORGANISATIONS INCLUDED:

Adelaide Head Injury Group

Road trauma is a leading cause of acquired brain injury in South Australia. The Adelaide Head Injury Group, comprising: the University of Adelaide, Royal Adelaide Hospital and the Institute of Medical and Veterinary Science, was supported by MAC to conduct medical research into the viability of a drug that improved the outcomes for victims of traumatic brain injury.

Australasian College of Road Safety

MAC's sponsorship funds assist the college to present specialist guest speakers at regular lunchtime forums to facilitate discussion on road safety issues and bring together the diverse range of practitioners that work in the road safety arena.

Centre for Automotive Safety Research

MAC has an ongoing sponsorship in place (until 2012) with the Centre for Automotive Safety Research (CASR). A world-renowned unit of the University of Adelaide, CASR specialises in road safety and injury control research. The unit has particular expertise in brain injury, pedestrian safety, speed and alcohol studies and in-depth investigations of road crashes.

Compassionate Friends

MAC provides funds to the Compassionate Friends, Bereaved Parents and Families Support Group so that it may support families and friends who have experienced the loss of a close relative or loved one. Almost 75% of current support group members have lost relatives through road trauma.

CRASH! A Meeting of Views Compulsory Third Party Seminar

In its fifth year in 2005, this annual seminar supported by MAC was tailored for those who are involved in the CTP field, from claims management through to claims resolution.

Good Sports

As the exclusive Regional Sponsor of the Good Sports Program's expansion initially to the Eastern Eyre Peninsula and the South East of SA, MAC has supported an initiative that focuses on reducing the incidence of drink driving by aiming to reduce alcohol related harm caused by excessive short term alcohol consumption in sporting and recreational clubs.

Hampstead Rehabilitation Centre

Nationally there are about 150 new cases of spinal cord injury as a result of road crashes each year. MAC's sponsorship of the Hampstead Rehabilitation Centre supported medical research into spinal cord injury (SCI) diagnostics through the ProgIND project, which aims to define the specifics of an innovative medical diagnostic test designed for the purpose of early identification of spinal cord injury outcome.

New Year's Eve Free Public Transport

MAC proudly supported the New Years Eve 'FREE RIDE' campaign on 31 December 2005 when all public transport in metropolitan Adelaide was free after midnight, in a bid to reduce injuries and deaths on our roads on New Year's Eve by offering a free and accessible alternative to driving.

New Year's Eve Bus Service - Victor Harbor

Supported by MAC, this service also provided free public transport for Goolwa, Port Elliot and Victor Harbor residents and visitors attending New Year's Eve celebrations in Victor Harbor, thereby decreasing the risk of alcohol related car crashes and resultant CTP claims.

Occupational Therapist Driver Training, Brain Injury

MAC's funding provided for the training of several driver assessment accredited Occupational Therapists at the Brain Injury Rehabilitation Service at the Hampstead Rehabilitation Centre so that they may review, advise and assist clients with acquired brain injury who wish to return to driving. This method improves the rehabilitation process, while reducing the cost of alternative transportation.

Ramsay Rebuild, Paraquad SA

As a major corporate sponsor of Paraquad SA's and ArchiCentre's Ramsay Rebuild Project, MAC's funding goes towards providing affordable wheelchair-accessible housing at Ramsay Avenue, Hillcrest, for people who have experienced the trauma of a spinal cord injury.

Schoolies Festival Bus Service

MAC's sponsorship of the Schoolies Festival Bus Service provided an alternative mode of transport to reduce the number of alcohol related crashes during the Schoolies Festival held at Victor Harbor from Friday 25 November to Monday 28 November 2005. No road crashes have been reported during the Festival since 2001, when the bus service was introduced. The Schoolies Festival approach in South Australia is considered best practice, with Queensland and Western Australia adopting similar strategies. Discussion has taken place at a national level to replicate the Festival across the other states.

SA Police Road Safety Education

MAC is the major sponsor of the South Australian Police's Road Safety Education Program delivered to schools, community organisations and business groups across the State.

The program comprised:

- School Education – to develop the students' knowledge, skills and attitudes towards road safety behaviour when walking, riding, driving and being driven on roads.
- Business and Community Education – to provide participants with an increased knowledge of general road safety awareness, road risk management and road law.

Wandering Star

The Wandering Star bus service provides affordable, safe, and accessible late night transport from the Adelaide CBD to metropolitan and hills regions on Friday and Saturday nights, to reduce the incidence of alcohol and drug related car crashes and resultant injuries and deaths.

Road Safety Communications Program

Educating South Australians of appropriate behaviour on the road is a key objective of the State Government's road safety strategy.

MAC contributes \$2m each year to the SA road safety communications program, implemented by the Department for Transport, Energy and Infrastructure.

Together with enforcement and legislative measures, the road safety communications program plays a key role in working to achieve this objective by focusing on critical road safety issues such as speeding, drink driving, inattention, the use of seatbelts and fatigue.

Corporate Governance Statement

This statement outlines the main Corporate Governance practices in place throughout the financial year, for MAC (unless otherwise stated). These practices are dealt with under the following headings:

- Board of Directors
- Board Committees
- Risk Management
- Ethical Standards
- The Role of Stakeholders (the Government of South Australia)

BOARD OF DIRECTORS

Role of the Board

The Board is responsible for the overall Corporate Governance of the entity. The Board is accountable to the South Australian Government for the management of the CTP Fund for the benefit of South Australian road users. 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 and mortgage guarantee activities of the former SGIC.

In performing its role, the Board continuously works to ensure that funds contributed by motorists are invested to achieve benchmark or better returns, are prudently safeguarded and that all risks arising from the operations of the entity are identified early and managed appropriately. The principal risks relate to the management of claims liabilities arising from CTP insurance and funds investment, but also include some residual risks for commercial mortgage insurance and overseas inwards reinsurance of the old SGIC.

The Board's responsibilities include:

- Setting the framework for MAC's long term success which involves reviewing and determining the strategic direction of MAC, allocation of resources and planning for the future
- Appointing and liaison with the CEO for the ongoing management task of developing and implementing suitable business strategies consistent with MAC's mission statement, objectives and policies
- Regularly evaluating the performance of the CEO
- Regularly evaluating the performance of its external managers including the CTP Fund claims and investment managers
- Regularly measuring performance against objectives to monitor the suitability of its strategies and the performance of management
- Continually reviewing comprehensive operating information, especially financial information, to understand at all times the state of health of MAC and to ensure that internal controls, reporting procedures and external disclosure policies are comprehensive

- Responsibility for driving a strong risk culture throughout MAC so that material risks can be identified, managed and treated as they arise; and
- Ensuring that MAC acts legally, responsibly and ethically in all matters and in accordance with its Act and Charter.

Performing an overview of the strategic direction of MAC, determining its policies and objectives, and monitoring performance are also key roles of the Board. To this end, the Board has prepared and adopted a comprehensive business plan for MAC. Section 18 of the MAC Act provides for a Charter to be prepared for MAC and reviewed annually by the Minister ('the Treasurer') in consultation with the Board. The Charter details the nature and scope of activities, which may be undertaken by MAC and is one of the key influences in compiling the business plan. The Board also ensures that linkages between the South Australian Strategic Plan (SASP) and the MAC Business plan are clearly understood to ensure that the MAC plan aligns with the SASP. Financial results and general performance are monitored against the plan objectives.

This plan must be consistent with the requirements of the *Motor Vehicles Act 1959* and is subject to determinations of the Third Party Premiums Committee (TPPC) regarding the level of premiums, which may be charged, the Charter and any directions issued by the Treasurer. The Directors also recognise their responsibility to see that MAC has in place disclosure policies and procedures to ensure compliance with the law and to communicate effectively with the Government, suppliers (including small business in South Australia), employees and customers while meeting the requirements of the regulators and the communities in which the entity operates.

The Board delegates responsibility for the operation and administration of MAC to the Chief Executive Officer (CEO) and senior management. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including a Claims Management Committee, an Investment Committee and a Finance & Audit Committee.

In accordance with Section 7 of the MAC Act, three Directors constitute a quorum for a meeting of the Board and no business may be transacted at a meeting of the Board unless a quorum is present.

The composition of the Board is regularly reviewed by the Treasurer to ensure that the Board has the appropriate mix of expertise and experience. Final approval for appointments to the Board rests with the Governor after receiving Cabinet advice and approval. The terms and conditions of the appointment and retirement of the Directors are set out in the Cabinet approval, which covers the following matters:

- The manner in which remuneration is determined; and
- The term of the appointment.

The Board normally meets 12 times per year. The agenda for meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and Commission Secretary and accurate minutes are kept of the proceedings of the Board and its Committees. Standing items at Board meetings include the Chief Executive Officer's report, financial reports and reports from Committee Chairs. Strategic matters, governance and compliance are addressed on a regular basis. Board submissions are circulated in advance and executives are regularly involved in Board discussions.

Director Education

The Board has a formal process to educate new directors about the nature of the organisation, current issues, the corporate strategy and the expectations concerning performance of directors. Directors are also provided the opportunity to participate in educational seminars that are relevant to the operations of MAC to update and enhance their skills and knowledge.

Access to Commission Information

Directors are able to meet directly with management to gain a better understanding of MAC's business operations. This is customarily done after advising the CEO or Chairman.

Composition of the Board

Section 5 of the MAC Act establishes the Board of Directors of MAC. The Board is the governing body of MAC and anything undertaken by the Board in the administration of MAC's affairs is binding on MAC. The Board is subject to direction by the Treasurer.

In accordance with Section 6 of the MAC Act, the Board consists of not more than ten and not less than three persons appointed by the Governor of South Australia. At least one of the Directors must be a man and at least one must be a woman. One of the Directors is appointed by the Governor to chair the Board.

A Director is appointed for a term (not exceeding three years) specified in the Instrument of Appointment and is, on expiration of a term of office, eligible for reappointment.

DIRECTORS DETAILS

The following term is used in this financial report:

Entity – MAC, incorporating the Compulsory Third Party (CTP) Insurance Fund (Fund).

Directors – The directors of MAC at any time during or since the end of the financial year are:

Name, qualifications and independence status

Richard J McKay AM
FAIB, FAICD
Independent Non-executive
Chairman
Age: 72

Juliet H Brown
LLB, MAICD
Independent Non-executive
Director
Age: 50

Experience and special responsibilities

Mr McKay has extensive experience in the banking and finance industry both in Australia and overseas. He holds the position of Chairman, Martindale Holdings Pty Ltd and was Chairman and director of a number of public and private companies.

Mr McKay was a former State General Manager, National Australia Bank. During his time with the Bank, Mr McKay held a number of senior managerial and executive appointments throughout Australia and overseas.

Director from 1 July 1995 to 30 June 2006

Chairman from 11 April 2002 to 30 June 2006

Special responsibilities: Member of Claims Management Committee to 30 June 2006

Member of Investment Committee to 30 June 2006

Ms Brown is a legal practitioner with over 25 years experience in commercial and insurance litigation for both public and private sector clients.

From 1999 until December 2004, Ms Brown was the Chief Executive of Thomson Playford, a substantial commercial law firm practising throughout Australia.

Ms Brown is currently President of the Royal Automobile Association of SA Inc. She is also director of the Australian Automobile Association and RAA Insurance Limited. Other Board memberships include the Local Government Superannuation Board, the Central Northern Adelaide Health Service and the Cancer Council of SA. Ms Brown has also previously held Chair and Member positions in a wide range of private and public sector Boards and Committees.

Director since 1 July 2004

Special responsibilities: Member of Claims Management Committee and Chair from 24 July 2006

Name, qualifications and independence status

Roger A Cook
Independent Non-executive Director
Age: 62

Experience and special responsibilities

Mr Cook has had extensive national and international experience in real estate and was formerly CEO of Colliers Jardine Asia Pacific. He is currently Chairman of Urban Construct Pty Ltd and the SA Motor Sport Board, Deputy Chair of Adelaide Bank Ltd and is a Director of private investment companies.

Mr Cook has previously chaired and been a member of a number of private and public sector organisations across a wide range of industry and government operational areas.

Director since 1 July 2004

Chairman from 1 July 2006

Special responsibilities: Member of Investment Committee

Member of Claims Committee from 24 July 2006

Alexander M Gallacher
Independent Non-executive Director
Age: 52

Mr Gallacher has a comprehensive overview, appreciation and understanding of the Road Transport Industry across Australia. He is currently Secretary/Treasurer of the SA and Northern Territory Branch of the Transport Workers' Union of Australia.

He is a member of the State's Road Safety Advisory Committee and a Director of the Transport Training Advisory Board SA Inc and the TWU Superannuation Fund Trustee Company.

Director since 8 September 2005

Special responsibilities: Member of Claims Management Committee from 23 September 2005 to 23 July 2006

Member of Investment Committee from 24 July 2006

Christopher L Harris
B.Ec, FCPA, FAICD
Independent Non-executive Director
Age: 59

Mr Harris has a company management/administrative background with experience in corporate finance and investment. He is a director of a number of publicly listed and private companies. He is Chairman of Argo Investments Limited and a non-executive director of Adelaide Brighton Ltd and McGuigan Simeon Wines Limited. He is Chairman of EvoGenix Limited and a director of JM Financial Group Limited and United Water International Pty Ltd. Mr Harris was formerly Group Managing Director and Chief Executive Officer of pharmaceutical company, FH Faulding & Co Limited.

Director from 1 July 1995 to 30 June 2006

Special responsibilities: Member of Finance & Audit Committee from 26 August 2005 to 30 June 2006

Name, qualifications and independence status

John T Hill PSM
B.Ec
Independent Non-executive Director
Age: 61

Experience and special responsibilities

Mr Hill has extensive knowledge of the Commission's business and extensive management experience in the financial discipline, principally with the South Australian Department of Treasury and Finance.

He is a Board member of the Central Northern Adelaide Health Service, Meals on Wheels Inc, a member of the Independent Gambling Authority and a member of the Essential Services Commission of South Australia.

In addition, he is a member of the Audit and Compliance Committee of the University of Adelaide and of the Resources Advisory and Audit Committees of the Nurses Board of SA.

Director from 1991 to 1 August 2005

Special responsibilities: Chair of Claims Management Committee to 1 August 2005

Brett G Rowse
B.Ec
Independent Non-executive Director
Age: 46

Mr Rowse has extensive experience in Commonwealth and State Government specialising in economic and financial analysis. He is a Deputy Under Treasurer in the South Australian Department of Treasury and Finance. He also chairs the Board of the South Australian Asset Management Corporation (SAAMC) and is also a member of the Board of the Adelaide Festival Corporation and of the Port Adelaide Maritime Corporation.

Director since 27 February 2003

Special responsibilities: Member of Claims Management Committee and Chair from 26 August 2005 to 23 July 2006

Member of Finance & Audit Committee

Dr Roger N Sexton
B.Ec (Hons), M.Ec, Ph.D (Econ),
FAICD, FAIM
Independent Non-executive Director
Age: 56

Dr Sexton has had extensive experience in Commonwealth and State Government agencies and the private sector specialising in economics, investment banking and funds management. He has held positions on the Boards of a number of Australian public and private companies. He is currently the Chairman of Investment Bank, Beston Pacific Asset Management and is the Chairman of the Venture Capital Board for the SA Government. He has been the Chief Executive of the Economic Development Board and prior to that appointment was the Chief Executive of Challenger Beston Ltd. He was formerly Chairman of MAC from 1 July 1995 to 31 March 2002.

He has also held positions on several community organisations, including Chairman, Board of Governors, Flinders University of SA Foundation Inc, Chairman, Flinders Cancer Centre and Advisory Board Member, Walk for the Cure.

Director since 1 July 2004

Chairman from 1 July 1995 to 31 March 2002

Special responsibilities: Chair of Investment Committee

Member of Finance & Audit Committee to 26 August 2005

Name, qualifications and independence status**Yvonne Sneddon**

BA(ACC), FAICD, FCA
Independent Non-executive
Director
Age: 50

Experience and special responsibilities

Ms Sneddon is a Chartered Accountant with over 25 years experience providing financial services to both Government and private sector clients. She has a wide range of experience and was a partner at Deloitte Touche Tohmatsu until 2004. She now acts as a non-executive Company Director.

Ms Sneddon has been a Member of the SAFA Advisory Board since 2000 and is currently Chair of the Audit Committee. She chairs and is a member of private and public sector Boards' and is also a member of the Audit, Governance and Risk Management Committees for Statewide Superannuation Trust and Statewide Financial Management Service Pty Ltd. In addition, she serves in senior roles on Councils of Professional and Academic organisations.

Director since 1 July 2004

Special responsibilities: Member of Finance & Audit Committee

Denise J Watkins

LLB
Independent Non-executive
Director
Age: 59

Ms Watkins has practised extensively in the areas of general and commercial litigation for 25 years and was previously a partner in the Adelaide legal firm of Thomson Simmons.

Ms Watkins is a lawyer and currently holds the position of Director of Professional Standards at the Law Society of South Australia and is responsible for statutory and professional regulation of legal practitioners in South Australia.

Ms Watkins has significant expertise in the medical/health industry and in the management of personal injury claims. She was on the Board of Flinders Medical Centre and was Chair of the Audit Committee and a member of the Corporate and Clinical Governance sub-committees of that Board for eight years and continues to serve on the Boards of a variety of charitable 'not-for-profit' organisations.

Director since 1 April 2000

Special responsibilities: Member of Claims Management Committee

Name, qualifications and independence status**Kym A Weir**

B.Ec, FCA, MAICD
Independent Non-executive
Director
Age: 58

Experience and special responsibilities

Mr Weir is the Managing Director of Adelaide based Merchant Bank, Rundle Capital Partners Ltd. Mr Weir is a Chartered Accountant with extensive experience in the accounting and finance fields and has specialised in corporate advisory and reconstruction work. Mr Weir has handled numerous large and small insolvency administrations, strategic planning, corporate restructuring and business valuation assignments. He was a senior partner with Price Waterhouse and held senior management positions in Adelaide, Melbourne and North Queensland. He has also operated his own accountancy firm.

He has been a Director of WorkCover Corporation and a number of public and private companies and organisations.

Director since 1 July 1995

Special responsibilities: Chair of Finance & Audit Committee

Committees of Directors

At the date of this report, MAC had the following committees of directors:

Finance & Audit

K A Weir (Chair)
B G Rowse
Y Sneddon

Claims Management

J H Brown (Chair)
R A Cook
B G Rowse
D J Watkins

Investment

R N Sexton (Chair)
R A Cook
A M Gallacher

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of MAC during the financial year were:

	Meetings of Committees							
	Board Meetings		Finance & Audit		Claims Management		Investment	
	A	B	A	B	A	B	A	B
R J McKay	11	11	-	-	11	11	8	8
J H Brown	9	11	-	-	8	11	-	-
R A Cook	10	11	-	-	-	-	7	8
A M Gallacher	8	9	-	-	7	8	-	-
C L Harris	9	11	3	6	-	-	-	-
J T Hill	1	1	-	-	1	1	-	-
B G Rowse	11	11	6	6	11	11	-	-
R N Sexton	10	11	2	2	-	-	8	8
Y Sneddon	10	11	6	6	-	-	-	-
D J Watkins	8	11	-	-	10	11	-	-
K A Weir	11	11	6	6	-	-	-	-

A: Number of meetings attended.

B: Number of meetings held during the time the director held office during the year.

Directors' Remuneration

The Treasurer determined the Board remuneration after consultation with the Office of the Commissioner for Public Employment and the Department of Treasury and Finance. Final approval rests with the Governor after receiving advice and a recommendation from Cabinet. Remuneration levels are set according to Government guidelines.

The current remuneration for Directors is \$27,800 per annum (Chairman \$36,300). Director members of Board Committees receive an additional \$3,640 per annum (Chairman \$5,450) for each Committee appointment. Further details of Directors' remuneration, superannuation and retirement payments are set out in the Notes to the Financial Statements.

Executive Appointments and Remuneration

Responsibility for executive appointments rests with the Board, subject to Ministerial approval of the terms and conditions of any executive staff appointments. Details of executive remuneration are set out in the Notes to the Financial Statements.

BOARD COMMITTEES

To assist in the execution of its responsibilities, the Board has established three Committees, namely a Finance & Audit Committee, an Investment Committee and a Claims Management Committee. Each of the Committees has a documented Charter, approved by the Board. All members must be non-executive Directors of MAC, with membership reviewed annually by the Board. The Chairman of the Finance & Audit Committee may not be the Chairman of the Board.

Finance & Audit Committee

The Finance & Audit Committee has a documented Charter approved by the Board. The role of the Finance & 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.

The external auditors, the CEO and the Finance & Administration Manager are invited to Finance & Audit Committee meetings at the discretion of the Committee. The Committee may meet with the external auditors without management being present if this is deemed necessary.

The functions and responsibilities of the Finance & Audit Committee include:

- Reviewing accounting policies and their application to ensure compliance with Australian Accounting Standards and generally accepted accounting principles
- Reviewing financial statements and other information distributed externally
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management
- Reviewing the half-year and annual accounts for Board approval
- Reviewing and considering enhancements to the risk management framework and internal control procedures
- Ensuring the existence of appropriate ethical standards and
- Monitoring and reviewing the procedures in place to ensure appropriate compliance with Australian Accounting Standards, Australian Taxation Office, Motor Vehicles Act, MAC Act, Charter and instructions or directions from the Treasurer
- Reviewing any reports on defalcations, frauds and thefts from MAC

- Reviewing the quality of the accounting function
- Reviewing the declaration from the CEO, Finance & Administration Manager and if appropriate, Commission Secretary on compliance with statutory responsibilities
- Reviewing and recommending major variations to significant contracts other than the Claims Management and Investment Management Agreements
- Reviewing sponsorship recommendations from the annual call for expressions of interest or otherwise; and
- Review the Internal Audit plan and Internal Audit reports.

Review of Financial Statements

The Finance & Audit Committee reviews the performance of the external auditors on an annual basis and may meet with them during the year to:

- Discuss any significant issues
- Identify any significant changes in structure, operations, internal controls or accounting policies likely to impact on the Financial Statements
- Review the fees proposed for the audit work to be performed; and

Prior to Board approval of Annual Financial Statements:

- Review the results and findings of the audit, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made;
- Review the draft final financial statements and any significant adjustments required as a result of the audit; and
- Make the necessary recommendation to the Board for the approval of these documents.

Internal Audit

The Board has established an in-house internal audit function, which strengthens the governance and internal control framework structures of the Commission. The position of Internal Auditor is responsible to the Finance & Audit Committee for providing assurance on the integrity and soundness of the control environment across all functions and to undertake operational reviews as required by the Committee.

Investment Committee

The Investment Committee has a documented Charter approved by the Board. The role of the Investment Committee includes:

- Analysis, determination and monitoring of an appropriate investment strategy
- Determining the need for and identification of suitable investment advisers and custodians
- Determining the appropriate allocation of assets among investment managers
- Determining appropriate investment guidelines for investment managers
- Reviewing and recommending major variations to the Investment Management Agreement and other investment management arrangements
- Considering proposals for investment property acquisitions and disposals; and
- Reviewing and recommending to the Board annual business plans and budgets for each property investment and considering any substantial within year variations to the business plan/budgets.

Claims Management Committee

The Claims Management Committee has a documented Charter approved by the Board. The role of the Claims Management Committee includes:

- Ensuring the process of managing CTP claims is cost effective, efficient and equitable
- Ensuring there are adequate systems to monitor and facilitate the delivery of appropriate and cost effective treatment (type, quality and amount) by medical and related health service providers for the benefit of injured persons
- Reviewing the usage of service providers to assist in the management of claims to ensure they are used appropriately and that services are of a satisfactory quality
- Ensuring that public communications regarding the compensation system are accurate, appropriate and informative
- Ensuring the accuracy and relevance of the claims management database
- Reviewing the performance of the Claims Manager under the Claims Management Agreement; and
- Reviewing and recommending major variations to the Claims Management Agreement and other service provider contracts.

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 CTP Fund activities and the Board takes the view that well managed risk is critical to optimised performance.

Therefore the Board oversees the establishment, implementation and regular review of MAC's Risk Management Policy and Assessment Process. As previously outlined in this statement, the Board has established three Committees which undertake a key role in ensuring that risks are identified and managed to minimise any potential impact on the CTP Fund. A focus of the Finance and Audit Committee is to ensure that the internal control framework is established and maintained within the Risk Management Framework of MAC. Regular reporting on the identification and monitoring of risks is made to the Committee and any issues conveyed to the Board as necessary.

The internal control framework established and maintained within the Risk Management Framework of MAC also includes:

- Financial management entailing the development of a detailed annual budget, which is approved by the Board. Actual, monthly and year to date results are reported to the Board to enable it to monitor performance against the approved budget and take corrective action where necessary; and

- Copies of Board and Committee papers, including annual and half yearly financial reports are provided to the Treasurer and Department of Treasury and Finance staff before each Board meeting. Regular briefings on operations and issues are provided to the Treasurer by the Chairman and CEO.

The in-house internal audit function further strengthened the risk management and internal control frameworks of the Commission.

In accordance with this structured approach, management has established and implemented the Risk Management Policy and Framework approved by the Board. The Risk Management Assessment process is based on the Australian/New Zealand Standard for Risk Management (AS/NZ 4360) and is a structured approach for assessing, monitoring and managing operational, financial reporting and compliance risks for the organisation. Reports by the Finance and Audit Committee to the Board are based on the status of risks identified through the integrated Risk Management Assessment program. The program is also tied to the Objectives stated in the MAC Business Plan and includes the proactive management of insurance underwriting contingent liabilities.

Each operational business unit in MAC is responsible and accountable for implementing and managing the Risk Management Standards required by the program. Major risk areas include the outsourced CTP Claims Operations undertaken by Allianz and

the funds management undertaken by external Fund Managers. There is also a reputational and political risk, which the Board and the Chief Executive are required to manage effectively. The internal audit program oversighted by the Finance and Audit Committee is directly linked to the Risk Profile as identified through the Risk Management Assessment Process. A Business Continuity Plan is maintained and updated regularly.

ETHICAL STANDARDS

Directors, management, staff and MAC's external managers are continually in possession of information not generally known to the public and which they have a fiduciary duty not to disclose or utilise for their personal gain, or for the gain of their associates. The same duty requires that they do nothing that would prejudice the rights of the South Australian Government. MAC has committed itself to comply with the code of conduct applicable to other employees in the public sector.

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

Conflicts of Interest

Directors must keep the Board advised on an ongoing basis, of any interest that could potentially conflict with those of the Commission. The Board has developed procedures to assist directors to disclose potential conflicts of interest. In addition, all Directors are required to abide by the 'Code of Conduct for Directors of Boards' as outlined by the SA Government.

The Motor Accident Commission Act and the Public Sector Management Act specifies Directors' duties of honesty, care and diligence and responsibilities in relation to conflict of interest and all requirements are strictly observed by the Board.

THE ROLE OF STAKEHOLDERS (THE GOVERNMENT OF SOUTH AUSTRALIA)

The Government of South Australia, through the MAC Charter approved by the Treasurer, plays an integral part in Corporate Governance. The Board of Directors ensures that the Government is kept fully informed through:

- The Annual Report that is required to be delivered to the Treasurer and laid before both Houses of the Parliament of South Australia, pursuant to Section 29 of the MAC Act. The report includes relevant information about the operations of MAC during the preceding financial year, changes in the state of affairs of MAC and details of future developments. The report contains a complete set of audited financial statements, MAC's Charter currently in force with any amendments made during the financial year and any directions given to the Board by the Treasurer. The report is available on the Commission's website to any interested parties (www.mac.sa.gov.au);

- Distribution of all Board papers to the Treasurer for monitoring of MAC's operations and to the Department of Treasury and Finance for review. Any questions which arise are answered in a timely manner
- Half-year financial statements, prepared in accordance with the requirements of Accounting Standards and approved by the Board and provided to the Treasurer
- The Treasurer's approval being required for any major change in the entity; and
- Regular briefings being provided to the Treasurer on the operations of MAC including new developments and issues of concern.

Directors' Emoluments

Directors of the entity receive income in the form of statutory fees. The amount of fees paid is in accordance with a determination of the Commissioner for Public Employment.

Details of the nature and amount of each major element of the emoluments for 2005-06 of each director of the entity are provided in the table below:

	Base Emolument \$	Committee Fees \$	Non-cash Benefits \$	Superannuation Contributions \$	Total \$
Directors					
R J McKay (Chairman)	36,184	7,257	-	3,909	47,350
J Brown	27,711	3,628	-	2,821	34,160
R Cook	27,711	3,628	-	2,821	34,160
A M Gallacher	22,062	2,735	-	2,232	27,029
C L Harris	27,711	3,015	-	2,765	33,491
J T Hill	2,771	543	-	299	3,613
B Rowse *	-	-	-	-	-
R N Sexton	27,711	6,047	-	3,038	36,796
Y Sneddon	27,711	3,628	-	2,821	34,160
D J Watkins	26,752	3,503	-	2,723	32,978
K A Weir	27,711	5,433	-	2,983	36,127

* Mr Rowse is a public servant appointed to the Board by the State Government of South Australia and does not receive income from the entity.

Other Directors' Benefits

The entity sold CTP insurance to directors and 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.

Directors of the entity may hold positions in other entities in which the entity invests funds in the ordinary course of business. All such transactions are conducted on commercial terms 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.

Director's Benefits

The entity sold CTP insurance to directors and 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.

Directors of the entity may hold positions in other entities in which the entity invests funds in the ordinary course of business. All such transactions are conducted on commercial terms no more favourable than those available, or which might reasonably be available, on similar transactions to non-director related entities on an arms length basis.

Other than as outlined above, since the end of the previous financial year, no director of the entity has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the consolidated accounts) because of a contract made by the entity, its controlled entities or a related body corporate with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest.

Indemnification and Insurance of Directors

Pursuant to Section 9 of the MAC 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 the Crown of South Australia.

Principal Activities

The principal activity carried out by the entity during the course of the financial year involved the underwriting of CTP insurance. The following businesses continue to be managed in run-off:

- Inward (Overseas) Reinsurance
- Commercial Mortgage Guarantee Insurance

Review of Operations

	2006	2005
	\$'000	\$'000
Net profit of the entity	105,715	103,500

The net profit of the entity for the year ended 30 June 2006 was \$105.7m; an extremely pleasing result, which follows on from the strong result reported in 2005. Primarily, the profit for 2006 is attributable to continued strong investment market returns, with net investment earnings significantly above budgeted levels along with stability in the key economic assumptions used in the actuarial calculations of the outstanding claims liability. Combined, these factors resulted in a profit broadly in line with that of the previous year.

Section 14(3) of the MAC Act defines that a principal objective of the Commission is to seek to achieve and maintain a sufficient level of solvency in the CTP Fund. During the year, the Treasurer revised the formula required to calculate the Sufficient Solvency target. Under this formula, the Fund will have a sufficient level of solvency if its assets exceed the solvency target. As at 30 June 2006 under the new formula, the Sufficient Solvency target was \$1,862.4m (2005: \$1,776.7m), which compares to the Fund's assets of \$1,954.2m (2005: \$1,788.7m). This equates to 104.9% (2005: 100.7%) of the required level of Sufficient Solvency. The Fund's ratio of Assets (\$1,954.2m) to Liabilities (\$1,629.5m) expressed (as a percentage) is 119.9% (2005: 114.0%). Further information regarding the Sufficient Solvency requirements of the Fund can be found in the Notes to the Financial Statements.

In recent years, there has been significant movement in MAC's solvency which demonstrates the volatility of the CTP Fund on an annual basis and its dependence on strong investment market returns. Having achieved the Sufficient Solvency target for the past few years, it reaffirms the need to continue to maintain Sufficient Solvency, whilst accepting that fluctuations in the attainment of this target will occur from year to year.

Significant Events during the Financial Year

During 2004-05, MAC, based on actuarial advice, recommended an average decrease of 2.7% in CTP premiums be approved by the Third Party Premiums Committee (TPPC). Cabinet subsequently approved this decrease effective 1 July 2005.

In the assessment of the outstanding liability of the Fund as at 30 June 2006, the Actuaries identified a number of factors used in the assessment of the liability which impacted the liabilities of the Fund as at 30 June 2006. These factors, which were offsetting included an increase in claim payments due to greater large claim settlements and changes in the underlying economic assumptions.

For the third year running, investment markets performed exceptionally well. Investment returns were significantly better than expected with outstanding performers being Australian equities and property. MAC's core investment holdings in fixed income and inflation linked bonds also posted strong results, all of which aided MAC's total portfolio return for the year to be well above budgeted levels.

The above factors were significant contributors to the reported profit of \$105.7m.

Ministerial Directions

Pursuant to Section 5(3) of the MAC Act, a direction dated 11 May 1998 was given to the Board by its Minister (the Treasurer) in respect of the employment arrangements for executive staff.

Subsequent to the above direction and pursuant to Section 5(3) of the MAC Act, a direction dated 30 May 2004 was given to the Board by its Minister (the Treasurer) that in respect of employment arrangements for executive staff, the Under Treasurer is appointed as his authorised representative.

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 \$5.3m to the SA Ambulance Service from the 2003-04 financial and subsequent years until such time as 75% of the cost of providing ambulance services in the financial year exceeds \$5.3m. For the year in which 75% of the cost exceeds \$5.3m, 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, 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 accidents 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.

Matters Subsequent to the End of the Financial Year

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the entity, to affect significantly the operations of the entity, the results of those operations, or the state of affairs of the entity in subsequent financial years.

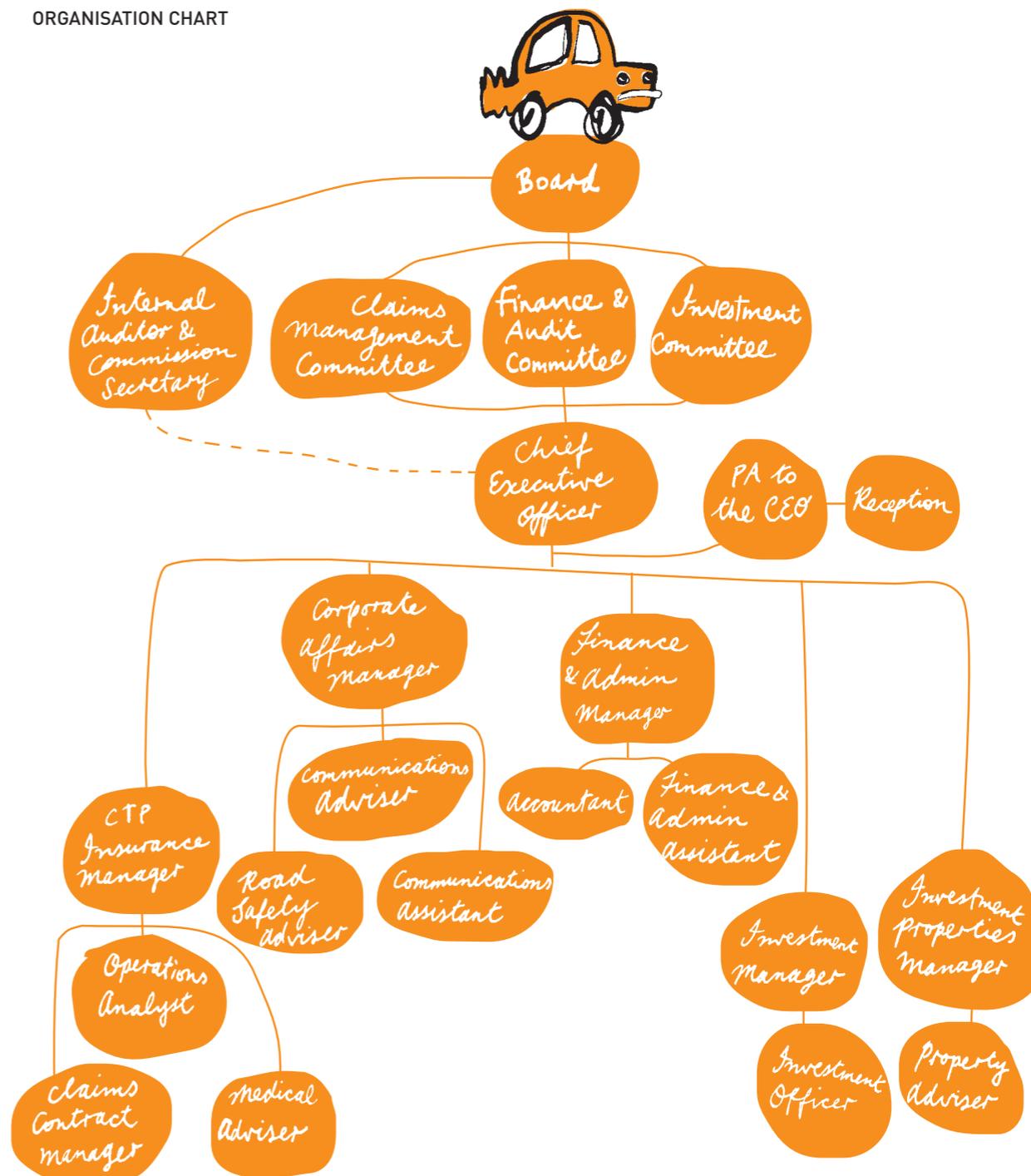
Likely Developments and Expected Results

The operating results achieved by MAC are principally the product of claims costs, premium levels and investment earnings. The maximum premiums which MAC may charge are determined by the TPPC, taking into account such issues as the expected claims experience, an assumption about investment earnings and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund.

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 any of the following factors over which MAC has limited or no control:

- Variations in claims experience
- Variations in investment earnings
- Directions by the Minister to MAC to charge premiums other than those determined by the TPPC.

MOTOR ACCIDENT COMMISSION ORGANISATION CHART



Claims Management Contract

ALLIANZ'S THIRD YEAR AS THE CLAIMS MANAGER

Since 1 July 2003 Allianz Australia Ltd has been contracted as CTP claims manager for the Motor Accident Commission (MAC).

Having completed its third year in the role, 2005-06 has been a period of stability. Highlights of the year included:

- Ongoing improvement in the efficiency of claims management processes through the use of imaging and workflow technologies. A project to review the CTP staff resource manual was also implemented to enable claims staff to access this tool on-line.
- Continued efforts to ensure the informal settlement of claims at an early and appropriate opportunity. Of claims settled in 2005-06, only 0.1% was by means of court judgment.
- Greater benefit from the implementation of Allianz's active claims management model, such as further development of the Multi-Disciplinary Teams (MDT) model, to guide and assist the progress of all major claims. The establishment of Case Resolution Plans has also enhanced case resolution processes.

- The development and maintenance of a database to assist the proactive management of claims.
- Continuing liaison between MAC and Allianz to better align the contract requirements with the ongoing requirements of both organisations.
- Further improvement of MAC's internal audit program following review of the service level requirements of the contract. Apart from some issues concerning data entry, audits undertaken indicated claims were being managed efficiently and appropriately. Allianz and MAC have collaboratively addressed the need to improve data collection quality for claims management, in a bid to achieve longer term benefits for scheme trend analysis.
- The appointment of a new collection agent to undertake CTP claims recoveries from 1 June 2006, following a competitive tender process for the first time in this area of the scheme.
- The appointment of a panel of investigation firms to assist with the claims management role from 1 July 2006.

- Further development of the secure, web-based claims data exchange and reporting system to assist scheme reporting and trend analysis.
- Ongoing enhancements to the claims management computer system, such as changes in the methodology used to calculate GST on claim settlement payments.

Allianz has also continued to focus on the professional development of claims staff. Management of both Allianz and MAC remain committed to maintaining close communication, with the aim of optimising opportunities to further improve claims management.



Compulsory Third Party (CTP) Scheme Performance

FINANCIAL HISTORY

Compulsory Third Party Insurance Fund

	Budget	Actual	Actual	Actual	Actual	Actual
	2006	2006	2005	2004	2003	2002
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000

Statement of Financial Performance

Net Earned Premium	380,990	385,570	377,966	346,407	304,782	266,658
Net Incurred Claims	(374,279)	(368,696)	(358,443)	(300,201)	(314,234)	(281,986)
Claims Ratio	98.2%	95.6%	94.8%	86.7%	103.1%	105.7%
Unexpired risk expense	-	(6,700)	(4,900)	-	-	-
Licence fee	(41,556)	(42,008)	(41,177)	(37,807)	(33,162)	(28,988)
Administration Costs	(31,366)	(32,184)	(28,099)	(25,837)	(25,523)	(24,031)
Administration Cost Ratio	8.2%	8.3%	7.4%	7.5%	8.4%	9.0%
Underwriting Profit (Loss)	(66,211)	(64,018)	(54,653)	(17,438)	(68,137)	(68,347)
Combined Operating Ratio	117.4%	116.6%	114.5%	105.0%	122.4%	125.6%
Net Investment Income	93,583	136,624	91,046	71,621	65,381	60,545
Market Value Gains (Losses)	-	33,099	67,106	57,132	(33,203)	(46,442)
12 month investment returns	5.9%	10.2%	10.8%	10.0%	2.8%	1.2%

Pre Tax Profit (Loss)	27,372	105,705	103,499	111,315	(35,959)	(54,244)
Tax Expense	-	-	-	-	-	(3,548)
Net Profit/(Loss)	27,372	105,705	103,499	111,315	(35,959)	(57,792)

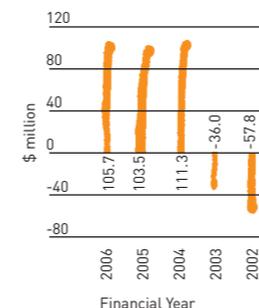
Statement of Financial Position

Investments		1,892,856	1,702,524	1,485,645	1,259,398	1,210,799
Other Assets		61,352	86,188	38,472	42,201	42,498
Total Assets		1,954,208	1,788,712	1,524,117	1,301,599	1,253,297
Unearned Income		134,948	137,267	127,901	118,791	100,485
Outstanding Claims		1,449,860	1,368,202	1,271,529	1,166,486	1,105,360
Other Liabilities		44,678	64,226	9,169	12,119	7,290
Total Liabilities		1,629,486	1,569,695	1,408,599	1,297,396	1,213,135
Net Assets		324,722	219,017	115,518	4,203	40,162
Sufficient Solvency Target		\$1,862.4m	\$1,776.7m	\$1,604.0m	\$1,473.3m	\$1,372.7m
Sufficient Solvency ratio		104.9%	100.7%	95.0%	88.3%	91.3%
Assets as % of Liabilities		119.9%	114.0%	108.2%	100.3%	103.3%

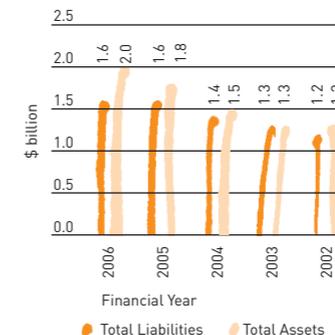
* Effective 1 July 2002 MAC was removed from the State tax equivalent regime.

A new calculation for Sufficient Solvency was gazetted in May 2006. Previous year's ratios have been updated to reflect the revised calculation.

Net Profit (Loss)



Assets & Liabilities

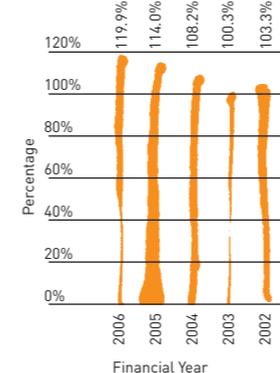


1. PREMIUMS

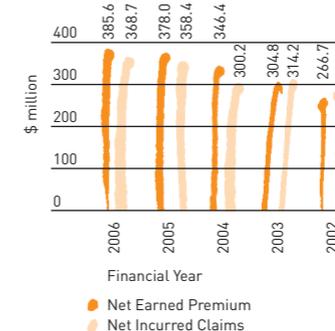
The premium for Private or Business Passenger vehicles (Class 1, non-ITC entitled) was reduced by 2.6% from \$385 to \$375 from July 1 2005. The Gross Written Premium decreased by 1% to \$387.1m in 2006. The reduction was less than the individual premium decrease due to an increase in the total number of vehicles registered.

Net Earned Premium for the year rose by \$7.6m over the previous year. This increase can be attributed to a portion of premiums received in 2005 (prior to the premium rate reduction) not being earned until 2006.

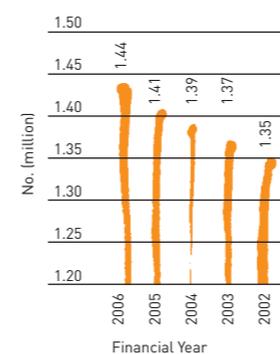
Assets as a % of Liabilities



Premiums & Claims



No. of Current Registrations including Trailers



Have a VERY SORE head & a broken leg. Not a happy chappy! (nurses were nice though!)

2. SUMMARY OF OPERATIONAL RESULTS	2006	2005	2004	2003	2002
Number of Vehicles Insured (000's) ¹	1,194	1,157	1,132	1,113	1,096
Average Premium per Vehicle ²	\$352	\$356	\$333	\$301	\$267
Class 1 Insurance Rating Dist 1 Premium ³	\$375	\$385	\$365	\$335	\$290
Number of Claims Lodged	5,978	6,371	8,738	10,357	10,730
Claims Lodged per 1,000 Vehicles ⁴	5.0	5.5	7.7	9.3	9.8
Number of Settlements ⁵	4,163	4,166	3,125	5,036	4,802
Number of Claims Finalised	7,287	9,038	8,651	11,348	12,214
Number of Claims Current at End of Period ⁶	11,945	15,107	14,636	11,786	12,423
Number of Claims Actioned in Period	19,232	24,145	23,287	23,134	24,637
Average Duration – Months Open to Closed ⁷	23.8	23.0	19.0	14.7	14.6
Net Claim Payments (\$'000) ⁸	\$285,759	\$263,420	\$195,556	\$253,012	\$210,091
Average Claim Cost (Settlements) (adjusted to current values) ⁹	\$69,300	\$69,900	\$68,800	\$58,300	\$50,600
Number of Uninsured Vehicle Claims Lodged	117	77	86	163	118
Number of Hit & Run Vehicle Claims Lodged	210	197	176	233	225
Total Nominal Defendant Claims Lodged ¹⁰	327	274	262	396	343

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 By settlement year – 2005-06 values
- 10 Also included in number of claims lodged

3. CLAIMS MANAGER

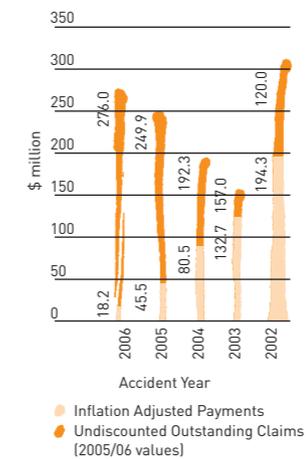
Allianz has continued to apply an innovative and proactive approach to its services, with the implementation of further improvements in its operations. Allianz continues to enhance the 'Active Claims Management' model implemented last year to improve service levels through increased customer contact in the early stages of the claims process. As a result, customer satisfaction has increased from 83.7% in 2005 to 87.2% this year, exceeding MAC's benchmark of 85%.

This has also positively influenced claims settlements, which along with fewer new claims, has resulted in a 20.9% reduction in the number of current claims as at the end of June 2006 (compared with the same period last financial year).

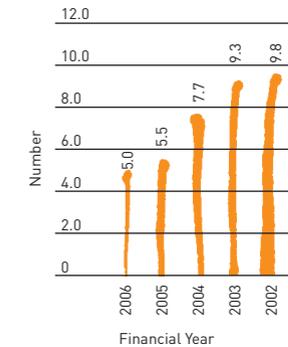
The effort expended creating a data warehouse reporting system came to fruition in 2006. Monthly, quarterly and annual reports were developed, with direct access provided to appropriate MAC personnel. The further development of a Key Performance Indicator measurement system using data from the Defendant Legal Practice System implemented last year has now been completed, and the results distributed to the legal panel, with a view to improving performance. Allocation of referrals to the panel is determined by these performance figures through another automated allocation system, also developed in 2006.

4. CLAIM FREQUENCY AND INCURRED COST**Incurred Claims Cost – Projected by Accident Year**

The incurred cost of claims by accident year is estimated on the value of claims paid (adjusted for inflation) and the amount due to be paid on outstanding claims as at 30 June 2006 (expressed in 2005-06 values).

Incurred Claims Cost Projected by Accident Year

The number of claims reported has decreased by 6.2% on the previous year. The reduction in injury crashes being reported by the South Australian Police also reflects this trend.

Claims Lodged per 1000 Vehicles*

* Based on annualised number of risks & excluding trailers

5. CLAIM PAYMENTS

Gross Payments by Heads of Damage

Group		2006	2005	2004	2003	2002
Claimant Benefits						
Non Economic Loss		17.2%	17.5%	19.4%	23.6%	25.4%
Economic Loss	Past	8.9%	7.9%	8.7%	9.0%	8.8%
	Future	29.2%	26.4%	25.8%	25.8%	22.7%
Treatment	Hospital	4.1%	2.6%	4.1%	3.6%	3.8%
	Medical	6.4%	6.5%	7.7%	7.6%	8.8%
	Future Care	15.0%	12.9%	9.2%	8.6%	7.7%
Other		2.3%	10.3%	9.2%	7.4%	7.5%
Total		83.1%	84.1%	84.0%	85.6%	84.7%

Claim Costs

Legal	Plaintiff Costs	7.9%	7.0%	7.0%	6.8%	7.1%
	Defendant Costs	3.6%	4.0%	3.7%	3.0%	3.2%
Other		5.4%	4.9%	5.2%	4.6%	5.0%
Total		16.9%	15.9%	16.0%	14.4%	15.3%

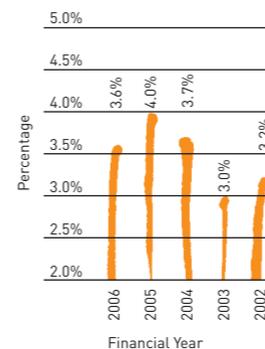
Gross Payments \$ millions (net of GST Credits)	287.8	265.7	196.0	256.0	213.1
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Claim Payments

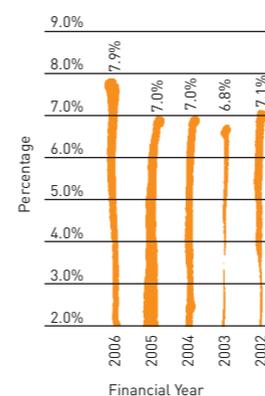
Claim payments rose 8.3% in 2006 to \$287.8m from \$265.7m in 2005. This increase was in line with the greater number of claim settlements in the higher incurred value range during the year. The significant reduction in 'Other' Claimant Benefits is a result of the re-categorisation of benefit types as per the new MAC Schedule 1 reporting guidelines, which took effect on 1 July 2005.

The proportion of payments of direct benefit to claimants dropped by 1% to 83.1%, compared to a percentage of 84.1 in 2005. This is attributed to the rise in plaintiff legal costs and 'Other' non-customer benefits claim costs (covering payments for medical reports, investigations and miscellaneous claim management costs).

Gross Payments for Defendant Legal Costs as % of Total



Gross Payments for Plaintiff Legal Costs as % of Total



The rise in plaintiff legal costs is due to the settlement this year of some old cases with significant payouts to plaintiff solicitors. Tighter monitoring of referrals to the defendant legal panel and the greater experience of claims managers has contributed to the reduction in gross payments for defendant legal costs to 3.6% from 4.0% in 2005.

6. SETTLEMENTS

Claim Settlements by Type 2006



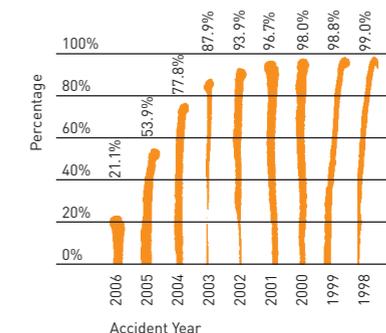
The level of settlements was maintained with 4,163 claims settled in 2005-06 compared to 4,166 claims settled in 2004-05. The percentage of direct settlements and informal conference also remained high at 82.3% in 2005-06 compared with 87.5% in 2004-05.

The number of claims settled by Formal Conference increased from 12.5% in 2004-05 to 17.7% in 2005-06. This is mainly due to an improvement in the scheduling of these conferences, which has reduced the number of adjourned cases.

Continual effort by Allianz to tightly monitor referrals to the defendant legal panel has contributed to this performance.

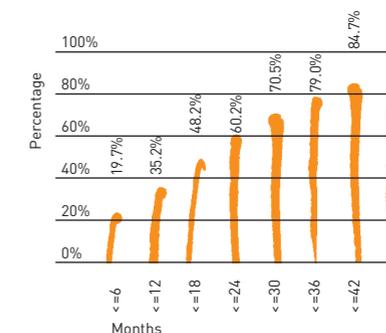
7. CLAIM DURATION

% of Claims finalised as at June 2006 by Accident Year



The percentage of claims finalised within the same year as the accident occurred decreased to 21.1% in 2006 from 24.3% the previous year. A reduction in the numbers of 'no claims' and 'low quantum claims' recorded, resulted in fewer claims available for finalisation in this period.

Profile of Elapse Period 2006 Open to Closed

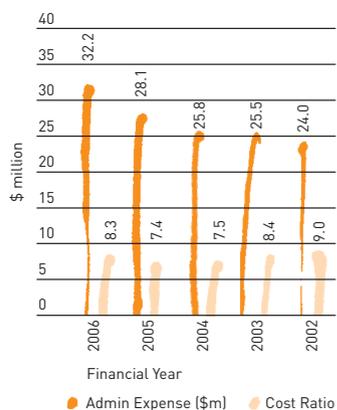


8. ADMINISTRATION EXPENSES

The ratio of administration expenses to net earned premium for the 2005-06 year rose to 8.3% from 7.4% the previous year.

This increase of \$3m is primarily due to a rise in premium collection charges introduced during the year.

Administration Expenses



9. FRAUD PREVENTION & CONTROL

Fraud creates significant financial, operational and social ramifications for the CTP Scheme. The Fraud Prevention team at Allianz focuses on the identification of fraudulent and exaggerated claims, and assists claims staff to successfully deny or reduce these claims. When evidence of fraud is obtained, the matter is referred to the Police for investigation and prosecution.

The trend in the number of factual investigations is attributed to a decline in the number of motor vehicle crashes, new claims lodged in the previous year and more efficient claims management.

	2006	2005	2004	2003	2002
Number of Factual Investigations	2,286	2,407	2,904	3,524	3,361
Number of Fraud Investigations	182	237	226	239	325
Estimated Savings	\$5.98m	\$3.76m	\$2.5m	\$3.47m	\$3.60m

The reported decrease in the number of fraud investigations is linked to a change in the coding of this statistic to exclude matters that were only 'reviewed' by the Investigation Team and not subject to a more 'detailed' investigation.

Savings have significantly increased this financial year to \$5.98m, from \$3.76m last year. This is due to an increase in the closure of claims with a significant economic loss component.

10. MAJOR CRASH INVESTIGATION

The Allianz Investigator attended most major crashes involving serious injuries. The gathering of on-site factual information in relation to accident circumstances and injuries is part of the service provided by Allianz's CTP team in anticipation of claims by the families of the victims.

The Major Crash Investigator attended 143 crashes this year, of which 83 involved fatalities. Of the crashes investigated, 58 occurred in the country, with the remaining 85 taking place in the metropolitan area.

	2006	2005	2004	2003	2002
Major Crash Investigations	143	123	175	222	233

11. NOMINAL DEFENDANT

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

The number of Nominal Defendant claims has continued to rise since 2004. A further increase of 19.3% was recorded for 2005-06.

	2006	2005	2004	2003	2002
Unidentified	210	197	176	233	225
Uninsured	117	77	86	163	118
Total Nominal Defendant Claims Lodged	327	274	262	396	343

*I met a nice lady friend
in hospital. We're having
lunch next week...
And she likes my hat* 🧢

Investment Management

Investment markets again performed well in the 2005-06 financial year. Economic and liquidity conditions remained supportive for most asset classes despite the sharp rise in oil prices and moderate monetary policy tightening in the US, Europe and Australia in the first half of 2006.

Demand from economies such as China, Japan and the US, drove commodity prices to increase strongly in the last two quarters of 2005. This was, however, followed by a commodity price decline towards the end of the financial year due to the rise in official cash rates in the US, Europe and Australia. Australian exports continued to benefit from growth in the Chinese economy, which offset some of the slowing sectors of the economy that were affected by the Reserve Bank of Australia's policy of moving the cash rate higher to 5.75%.

The Australian dollar reached US 78 cents in May 2006, but fell and remained supported at US 74 cents. Low unemployment, moderate inflation and relatively stable interest rates helped support company profits despite Australian economic growth slowing throughout the financial year.

The MAC investment portfolio returned 10.2% per annum (gross) for the year, outperforming its benchmark by 0.7%. The strong returns provided by the growth asset classes (equity markets and property) over the year, were moderated by the 65% strategic asset allocation to the defensive sectors. This conservative structure immunises MAC's liabilities and helps protect the CTP Fund during poor investment market conditions.

Of all sectors, Australian equities recorded the best performance, returning 24% per annum. Property continued to provide strong returns, while fixed income returns were solid despite expectations of interest rate rises.

The Fund's strategic asset allocation and management structure as at 30 June 2006 is provided below.

Australian Equities 14.0%

Colonial First State Investment Managers
Maple-Brown Abbott Investment Managers
UBS Global Asset Management

International Equities 8.5%

AllianceBernstein
Barclays Global Investors

Direct Property 10.0%

Managed in-house by MAC

Listed Property 2.5%

Colonial First State Investment Managers

Fixed Interest 45.0%

Colonial First State Investment Managers

Index Linked Bonds 13.0%

Colonial First State Investment Managers

Cash 2.0%

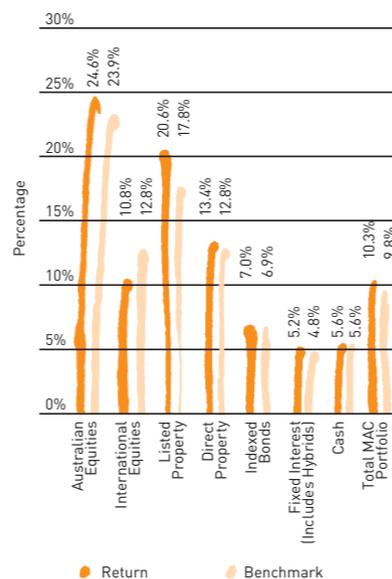
Colonial First State Investment Managers

Hybrid Securities 5.0%

AMP Capital Investors

Challenger Financial Services

Three Year Performance (annualised) ending 30 June 06



Investment Highlights

INVESTMENT HIGHLIGHTS FOR 2005-06

Direct Property Portfolio

The in-house direct property portfolio delivered a return of 14.4% per annum over the 2005-06 financial year, outperforming the three year benchmark (MAC Property Index) return of 12.8% per annum.

As at 30 June 2006, the portfolio consisted of 9 buildings diversified across the commercial, industrial and retail sectors, with properties located in Adelaide, Sydney, Melbourne and Brisbane to ensure the portfolio was not overly exposed to any particular market. The in-house management team continued to search for properties meeting the sector, location, quality and return criteria defined in MAC's property strategy with a view to increasing investment in this sector. During the year three properties were purchased and a further property was contracted with settlement in July 2006.

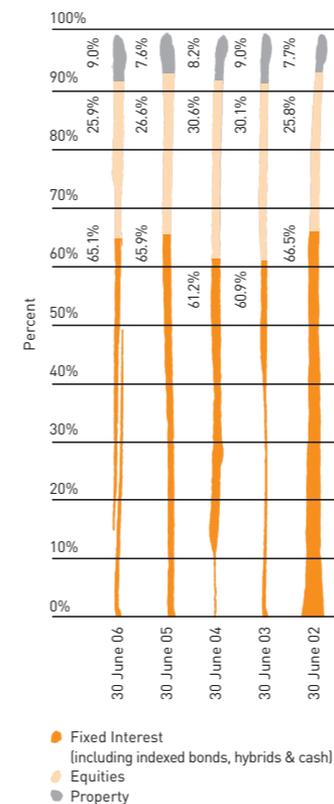
In addition to the new purchases of \$23.36m, well-targeted capital expenditure and the sound management of tenancy negotiations led to a significant increase in the portfolio valuation, from \$87.35m to \$119.58m.

Properties that detracted from performance included 113 Ledger Road Beverley, which decreased from \$7.13m to \$6.9m due to the write down of the purchasing costs, and 850 Woodville Road, Villawood, which decreased from \$10 to \$9.5m, due to localised poor market conditions and tenancy issues.

These performances were more than offset by strong improvements in 99 Gawler Place, Adelaide, which increased from \$22m to \$24.5m, 356 Collins Street from \$17.65m to \$21m, and 370 Nudgee Road, Hendra, from \$15.4 to \$16.8m. Overall the strategic management of the portfolio has driven its strong performance in recent years.

In support of global and local efforts to reduce greenhouse gas emissions, MAC has continued to reduce energy consumption within its property portfolio. Progress has continued in line with the Government's target to reduce building energy usage by 15.0% by 2010, with the negotiation of energy performance contracts at 50 Pirie Street and 99 Gawler Place, Adelaide. This is expected to increase the Australian Building Greenhouse Ratings (ABGR) of both buildings above the three star level. A similar approach has been adopted for MAC's office building at 356 Collins Street, Melbourne.

Asset Allocation



Non-CTP Activities

Activities in Run-off

As part of the corporatisation and sale of the South Australian State Government Insurance Commission (SGIC), the SGIC was renamed the Motor Accident Commission pursuant to the *SGIC (Sale) Act 1995 (SA)*. Consequently MAC assumed the liability resulting from insurance policies issued by the former SGIC with the objective of running off the liabilities remaining in those portfolios.

Commercial Mortgages

When it was State Government owned, the trustee group Austrust Ltd (now Australian Executor Trustees Limited), through both Executor Trustee Australia Limited and Austrust Ltd, had a number of mortgage loans that it insured with the former SGIC. At the time of the sale of Austrust Ltd, these mortgage insurance responsibilities were retained within MAC. Only a small number of these commercial mortgage transactions remain. MAC continues to monitor each transaction closely in an attempt to reach a satisfactory outcome.

Inwards Reinsurance

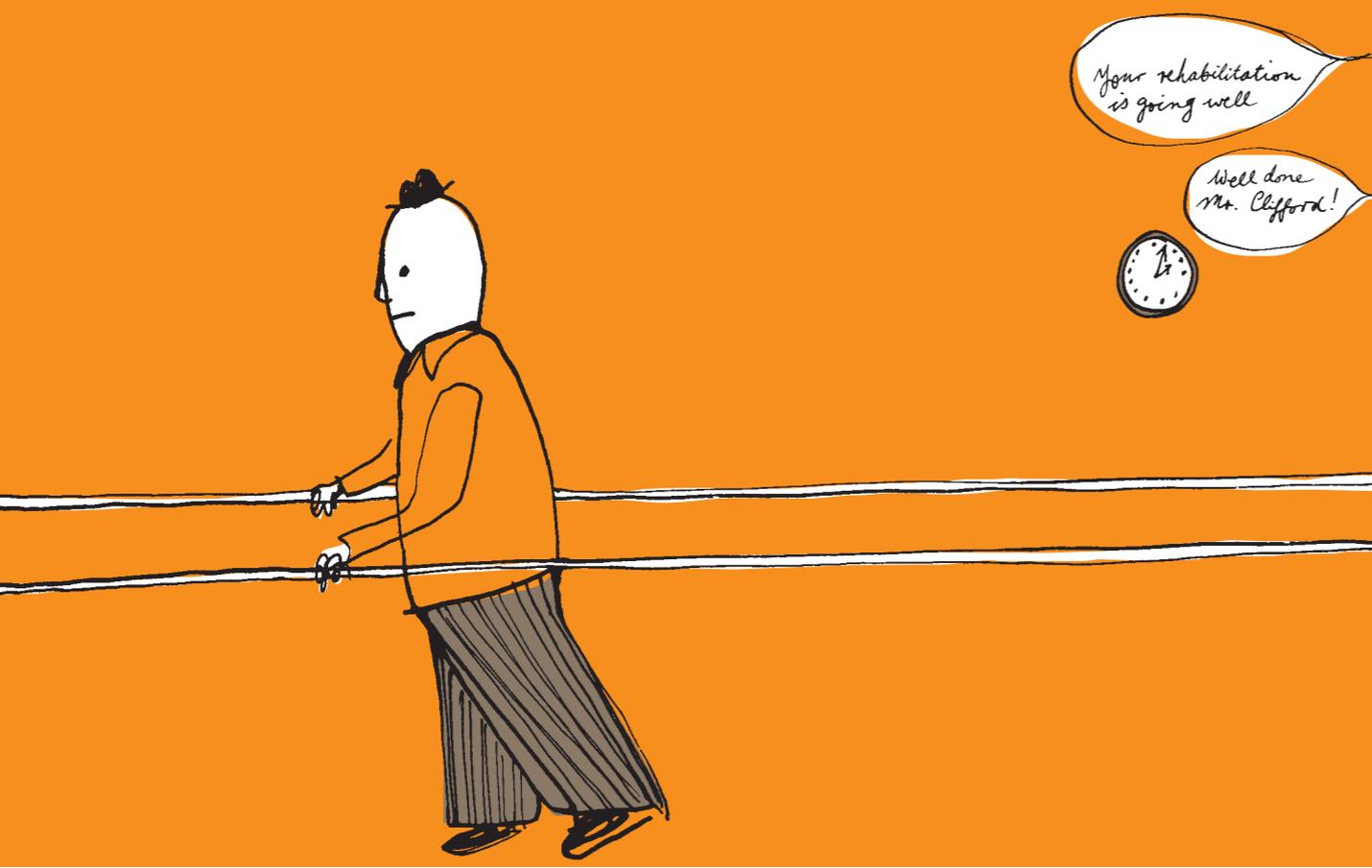
During the years 1988 to 1992, the former SGIC was involved in underwriting overseas reinsurance contracts. MAC continues to manage the run-off of the portfolio's remaining reinsurance contracts with outstanding claims.

Subsidiary Companies and Joint Ventures

As at 30 June 2006, MAC no longer controlled any subsidiaries or engaged in any joint ventures.

MAC previously held a 25% interest in a partnership agreement called Scrimber, the principal activity of which was the development of synthetic timber products. In late 1999, MAC assigned its interest in this partnership to other parties, in exchange for a royalty on gross annual income received by the new consortium. In the event of the successful commercial development of the product, MAC would benefit from an annual income stream, free of any development, commercial or legal risk.

*Young lass at Allianz
was very helpful.
The only thing I had
to worry about was
whether Hope was going to get
back together with Bo on
'days of our lives'!*



Workforce Data

Employment and Other Human Resource Matters

As at 30 June 2006, MAC employed 18 staff including one individual who was on special leave without pay as at that date. This was represented by 16.5 full time equivalent (FTE) positions. All staff members are employed on individual contracts for terms of up to five years. In addition, at times temporary staff members are employed to ensure MAC's operations are managed in a timely manner, or to provide specialist expertise in particular aspects of the work undertaken by MAC.

Employee Numbers, Gender and Status (includes active and non-active employees)

Persons	18	
FTE's	16.5	
Gender	% Persons	% FTE's
Male	44	47
Female	56	53
Number of persons separated from MAC during the 05-06 financial year		2
Number of persons recruited to MAC during the 05-06 financial year		1
Number of persons on leave without pay at 30 June 2006		1

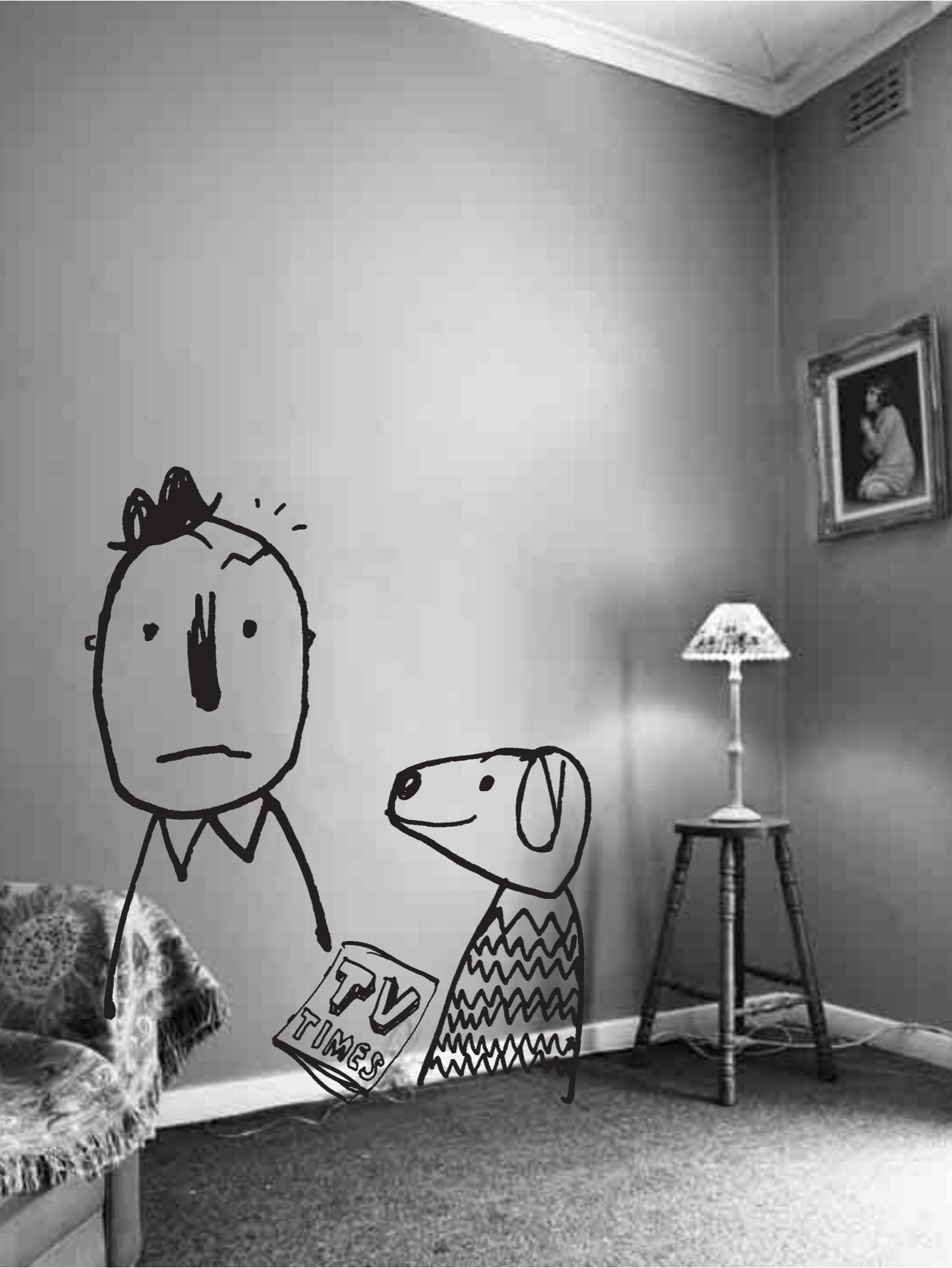
Number of Employees by Salary Bracket (includes active and non-active employees)

Numbers of employees per salary bracket reflects contracted salary entitlements (excluding superannuation) on a full-time equivalent basis, rather than actual income received/receivable during the year. Similarly no adjustment has been made for part-time working arrangements.

Salary Bracket	Male	Female	Total
\$0 - \$43,999	-	2	2
\$44,000 - \$54,999	1	2	3
\$55,000 - \$67,999	-	2	2
\$68,000 - \$88,999	4	2	6
\$89,000+	3	2	5
Total	8	10	18

Status of Staff & Executive Employees in Current Positions (active employees only)

FTE's	Ongoing	Short-Term Contract	Long-Term Contract	Casual	Total
Female	-	-	7.8	-	7.8
Male	-	2	5.8	-	7.8
Total	-	2	13.6	-	15.6



At least I had time to bond with the dog!

Persons	Ongoing	Short-Term Contract	Long-Term Contract	Casual	Total
Female	-	-	9	-	9
Male	-	2	6	-	8
Total	-	2	15	-	17

Of the 17 staff working at MAC on 30 June 2006, three males and one female were employed at the Executive level under long-term untenured contracts.

Leave Management

Leave Type	2005-2006 ave days/FTE	2004-2005 ave days/FTE	2003-2004 ave days/FTE	2002-2003 ave days/FTE
Sick leave	4	4	2	3
Family carer leave	-	1	-	-
Special leave with pay	2	1	-	1
Total	6	6	2	4

Workforce Diversity

Age Profile (active employees only)

Age Bracket	Male	Female	Total	% of all agency employees	% of SA workforce*
20-24	-	1	1	5.9	10.7
25-29	-	3	3	17.6	9.8
30-34	1	1	2	11.8	10.5
35-39	-	1	1	5.9	11.4
40-44	-	2	2	11.8	12.4
45-49	1	-	1	5.9	12.4
50-54	5	1	6	35.2	10.9
60-64	1	-	1	5.9	4.4
	8	9	17	100%	

*Benchmark as at January 2006 from ABS Supertable LM8

Of the staff employed by MAC, one was born in a country other than Australia. However no employees speak a language other than English at home, none are Indigenous and none have a permanent disability.

Consultants & Contractual Arrangements

Voluntary Flexible Working Arrangements (active employees only)

Currently, three employees avail themselves of the opportunity to work part-time. In addition, 12 staff members have opted to access flexible working hours. No MAC employees have accessed purchased leave, compressed weeks or working from home arrangements.

	Male	Female	Total
Part-time	1	2	3
Flexitime	5	7	12

Training and Development

All staff members 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.

Training and Development 2006-07 target 2005-06 actual 2005-06 target

Employees with a documented individual development plan	100%	100%	100%
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Equal Employment Opportunity

As an Equal Employment Opportunity (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.

Occupational Health & Safety and Injury Management (OHS&IM)

MAC has an appointed OHS Co-ordinator and a Responsible Officer. Their role is to ensure appropriate OHS policies are in place and complied with, to ensure a safe working environment for the staff at MAC. This includes the regular review of MAC premises for potential hazards and regular staff briefings on OHS issues.

During the year there were no compensation claims reported (2005: nil claims).

Fraud

During the year, there have been no instances of fraud detected in the Commission (2005: nil reports).

Consultant Expenditure 2005-06

\$0 - \$9,999	5 consultants	\$20,713
\$10,000 - \$49,999	5 consultants Adrian Nye Atchison Consultants Colmar Brunton KPMG Taylor Fry	\$124,217 Road Safety advice Investment advice MAC Image and Reputation Research CTP Fund - GST Advice Actuarial Peer Review
Above \$50,000	1 consultant Brett & Watson	\$167,940 Actuarial Valuations for CTP Fund

Consultants and Contractual Arrangements

MAC operates in a substantially outsourced environment. A 5½-year service contract commencing 1 July 2003 is in place with Allianz Australia Ltd for the management of CTP claims. The contracting out of the claims management function is a requirement under clause 1.1(b) of the MAC Charter.

Service contracts are also in place with Department for Transport, Energy and Infrastructure for the collection of CTP premiums, and various investment managers for the investment activities of the Fund.

In addition, MAC, when required to obtain specialised advice on various aspects of its operations, uses consultants. During 2005-06, expenditure in relation to the use of Consultants included the following:

Other matters

Accounts Payable Performance

MAC has entered into a Service Level Agreement with the Department of Treasury and Finance for the provision of administrative, accounts payable and information technology services. Procedures are in place to ensure the timely authentication of accounts for payment processing. Allianz Australia Ltd pays accounts for medical and other services incurred as a part of the claims management process upon appropriate authentication of the relevant invoice.

Energy Efficiency Action Plan

In accordance with this Plan, MAC provides for continuous improvement in energy efficiency in its operations.

The most significant opportunities for energy savings within MAC operations exist within the internally managed direct property investment portfolio.

Our first energy performance contract at 50 Pirie Street Adelaide has now been in place for 24 months and has lead to a reduction in plant power consumption of 23%. The investment in the new management system has had a payback period of 1.8 years. In addition, the building's Australian Building Greenhouse Rating (ABGR) has been increased from two stars to 3.5 stars.

MAC is at an advanced stage of implementing a similar performance management agreement in 99 Gawler Place Adelaide, guaranteed to reduce the plant power consumed by 12%. These actions and further improvement in the energy efficiency of this building are expected to increase the ABGR above the three star level. MAC has also reduced the power consumption of its office premises by the installation of energy efficient T5 lighting and is offering this to tenants in its office buildings in return for extending their lease commitments.

Please refer to Appendix 3.

Urban Design Charter

This is not applicable to MAC.

Asbestos Management in Government Buildings

Please refer to Appendix 4.

Freedom of Information

Until 30 June 2002, MAC was an exempt organisation under the *Freedom of Information Act 1991*. Effective 1 July 2002, this status was amended by statute such that only the CTP claims activity of MAC remains exempt. MAC's current Freedom of Information statement is published on its website which can be found at www.mac.sa.gov.au.

Overseas Travel

The Chairman and CEO travel overseas when there is an opportunity to benefit from conference presentations and other meetings not available in Australia. Trips are co-ordinated in order to ensure maximum benefit is achieved in the time period available. During the year, one such trip was undertaken as follows:

Number of Employees/ Board Members	Destination/s	Reasons for Travel	Total cost to MAC \$'000
2	Beijing, Shanghai, London, Paris, Hanover	To attend the CIE International Investing Conference and meetings with Reinsurers.	32

*I had on-going
therapy at home*

Appendices

APPENDIX 3

Energy Efficiency Action Plan Reports

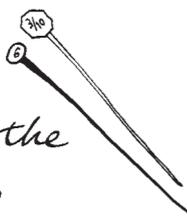
	Energy Use (GJ)	Expenditure (\$)	GHG Emissions (tonnes CO2 -e)	% change in GJ (compared to base year)
MAC Base Year (200/01):	142.76	\$5,277.69	38.1	
MAC 2001/02:	120.72	\$4,547.16	32.2	(15)%
MAC 2002/03:	126.41	\$5,027.33	33.7	(11)%
MAC 2003/04:	99.63	\$4,112.64	26.6	(30)%
MAC 2004/05:	117.23	\$4,890.70	31.3	(18)%
MAC 2005/06:	118.34	\$5,630.94	31.6	(17)%
Annual energy use 2005/06:	118.34 GJ			
Annual greenhouse emissions	31.60 tonnes			
Annual expenditure		\$5,119.04 excl GST		

APPENDIX 4

Asbestos Management Reporting

Category	Site Asbestos Status	Risk Level	No. of Sites	Risk Reduction Program: Activities conducted during 2005/06 (commentary)	Quantification of Activities	
					Number of Sites included	ACMs removed (by item/ by area)
	No data	Unknown	Nil	Data required		
1	Unstable, accessible Unstable, damaged or decayed	Severe	Nil			
2	Unstable, inaccessible Unstable, partly accessible	Major	1	Asbestos Management Plan in place. Removal of asbestos to be undertaken if asbestos becomes unstable, or when possible, and will be undertaken under the control of the appointed asbestos consultant	1	25m ² limpet asbestos removed
3	Stable, accessible Stable, accessible, initial signs of decay	Moderate	Nil			
4 (threshold score)	Stable, inaccessible Stable, partly accessible	Minor	2	Asbestos Management Plan in place. Removal of asbestos to be undertaken if asbestos becomes unstable, or when possible, and will be undertaken under the control of the appointed asbestos consultant		
5 (target score)	Asbestos free	No risk	6	No activities required		

My leg got soooo itchy underneath the plaster. And it was so heavy. Poor ol' dog copped it a few times!



*Back in the rat race.
Boy did I miss work!*



ANNUAL
FINANCIAL
STATEMENTS
& reports



	CTP		MAC	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash Flows from Operating Activities				
Cash receipts in the course of operations	423,476	428,721	423,556	428,721
Cash payments in the course of operations	(388,548)	(358,372)	(388,523)	(358,130)
Proceeds from sale of investments	1,452,735	2,055,006	1,452,735	2,055,005
Payment for investments	(1,582,101)	(2,173,014)	(1,582,101)	(2,173,014)
Taxes paid	(12,655)	(17,738)	(12,662)	(17,749)
Dividends received	6,389	7,089	6,389	7,089
Interest and other investment income	75,823	67,643	75,823	67,702
Net Cash (outflows) / inflows from Operating Activities (Note 24)	(24,881)	9,335	(24,783)	9,624
Cash Flows from Investing Activities				
Payment for property, plant and equipment	-	-	(37)	(89)
Proceeds from deregistration of Controlled Entities	-	-	-	120
Investment Market Movements – Realised	-	-	-	20
Net Cash (outflows) / inflows from Investing Activities	-	-	(37)	51
Net (decrease) / increase in cash held	(24,881)	9,335	(24,820)	9,675
Cash at the beginning of the year	84,609	75,274	85,885	76,210
Cash at the end of the year (Notes 2(r), 24)	59,728	84,609	61,065	85,885

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

	CTP 2006 \$'000	MAC 2006 \$'000
Retained Earnings at 30 June 2004	115,518	116,887
Net Result for 2004/05	103,499	103,500
Retained Earnings at 30 June 2005	219,017	220,387
Net Result for 2005/06	105,705	105,715
Retained Earnings at 30 June 2006	324,722	326,102
All changes in equity are attributable to the SA Government as owner.		

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

*Being injured
ain't no fun!!
I've got to admit
that I was lucky
it wasn't more serious*

DIRECTORS' DECLARATION

1 In the opinion of the directors of the Motor Accident Commission (MAC):

a) the financial statements and notes present fairly, in accordance with relevant Treasurer's Instructions (TI) promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and other mandatory professional requirements in Australia, including;

b) the financial position of the Motor Accident Commission as at 30 June 2006, the results of its operations and its cash flows for the year then ended.

2 The financial statements are in accordance with the accounts and records of the Commission and give an accurate indication of the financial transactions of the Commission for the year ended 30 June 2006 and as required by Section 28 of the MAC Act.

3 Internal controls over the financial reporting have been effective throughout the reporting period and there are reasonable grounds to believe that the Commission will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

R A Cook
Chairman

K A Weir
Director

Adelaide
Dated the 1st day of September 2006

Motor Accident Commission Charter

PRELIMINARY

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 (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 medium term financial objectives as advised by the Minister from time to time.
- (b) To contract the management of claims to a Manager or Managers 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.

1.2 Investment Policies – Section 18(2)(a) (i) MAC Act

- (a) To adopt a prudent investment strategy with the funds derived from each kind of insurance business and to manage those investments against the asset allocation benchmarks for each kind of insurance business adopted by the Commission and approved by the Minister. The strategy should be framed so as to achieve a portfolio of investments with characteristics which allow the Commission to meet identifiable claims as and when they become due for settlement.
- (b) For the purpose of determining whether an asset allocation benchmark has been complied with in a particular case, regard shall not be had to the Commission's investment in subsidiary companies, in companies or entities related to the Commission, or in investments which do not form part of the investment strategy of the insurance business in question.
- (c) To invest in more than 5% of the shares of a company or units in a trust (excluding property trusts) only with the approval of the Minister. Where investment exposure is obtained through a registered managed investment scheme this limit applies to the underlying exposure to any company or trust obtained through the investment vehicle.

On the ROAD again...

I still consider myself a safe & considerate driver.



- (d) To invest in property assets through direct ownership or through domestic property trusts that meet the requirements of the approved direct property strategy report, within the constraints of the benchmark asset allocation approved by the Minister.

1.3 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.

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

- (a) The Commission may continue to undertake in partnership, or under any arrangement for the sharing of profits, co-operation or joint venture with another person, (any such partnerships or arrangement being referred to in this clause 1 as an 'arrangement') or allow subsidiaries of the Commission, or other companies or entities related to the Commission to continue to undertake, the range of activities or transactions that were being undertaken prior to the commencement of this Charter, provided no new arrangements are entered into, other than to assist in the winding up of any existing arrangements and that those existing arrangements are to be wound up, with no further investment in them without the Minister's approval.
- (b) The Commission must not enter into any new arrangements nor invest further moneys into any existing arrangements without the approval of the Minister, as its primary focus must be to wind up these arrangements as soon as possible.

- (c) The Commission may 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, other than those which are included in clause 1.4(a), only with the approval of the Minister.

2. Information to be provided to the Treasurer – Section 18(2)(b)(i) MAC Act

- 2.1 The Treasurer 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 Treasurer or his nominee.

- 2.2 To notify 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 prepare general purpose interim financial reports in accordance with appropriate Australian accounting standards and generally accepted accounting principles and practices, which would meet audit scrutiny if required.
- 3.3 To maintain separate accounts and records for the Compulsory Third Party Fund established under the MAC Act.
- 3.4 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 Under Treasurer or his nominee is to have the right of attendance at meetings of the Board and access to its papers.
- 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. 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.

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

- 5.1 This Charter shall come into effect on 30 September 2005.



Auditor - General's Report

18 September 2006

Mr R A Cook
Chairman
Motor Accident Commission
GPO Box 1045
Adelaide SA 5001



Dear Mr Cook

The audit of the Financial Statements of the Motor Accident Commission (the Commission) for the financial year ended 30 June 2006 has been completed.

The audit coverage was consistent with that which was communicated to the Chief Executive officer in correspondence dated 10 May 2006. The results of the audit and overall assessment of the Commission's internal control structure was satisfactory.

Returned herewith are the Commission's Financial Statements together with my unqualified Independent Audit Report

Yours faithfully

K I MacPherson
Auditor-General

So that's my story... thank you for listening  *cuom*

MY JOURNEY:

