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To the Chair Motor Accident Commission

Opinion

I have audited the financial report of the Motor Accident Commission for the financial year ended 30 June 2022.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Motor Accident Commission as at 30 June 2022, its financial performance and cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chair, Motor Accident Commission and the Chief Financial Officer, South Australian Government Financing Authority.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Motor Accident Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Board of Directors for the financial report

The Board of Directors is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28(3) of the *Motor Accident Commission Act 1992*, I have audited the financial report of Motor Accident Commission for the financial year ended 30 June 2022.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Motor Accident Commission's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson
Auditor-General

20 September 2022

Motor Accident Commission

Financial Statements for the year ended 30 June 2022

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

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

**MOTOR ACCIDENT COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

		MAC Fund		Consolidated	
	Note	2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Investment revenue and expense	6	3,111	2,814	3,111	2,815
Investment management fee		(518)	(605)	(518)	(605)
Gain on reinsurance		4,247	5,445	4,247	5,445
Net investments		6,840	7,654	6,840	7,655
Management expenses		(355)	(271)	(361)	(266)
Road Safety expenses	5	-	-	-	-
Total expenses		(355)	(271)	(361)	(266)
Road Safety revenue	5	-	-	1	3
Total revenue		-	-	1	3
Net loss		(355)	(271)	(360)	(263)
Net result before market value movements		6,485	7,383	6,480	7,392
Investment market value movements	6	(6,889)	2,938	(6,889)	2,938
Net result		(404)	10,321	(409)	10,330
Total comprehensive result		(404)	10,321	(409)	10,330

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**MOTOR ACCIDENT COMMISSION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2022**

		MAC Fund		Consolidated	
	Note	2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash	17	337	296	3,260	3,217
Receivables	7	57	86	73	101
Reinsurance and other recoveries receivable	8	425	538	425	538
Other financial assets	9	121,481	133,718	121,481	133,718
Reinsurance asset		73,878	113,424	73,878	113,424
Prepayments		6,243	9,595	6,243	9,595
Total Current Assets		202,421	257,657	205,360	260,593
Non-Current Assets					
Reinsurance and other recoveries receivable	8	1,334	1,930	1,334	1,930
Reinsurance asset		195,774	271,374	195,774	271,374
Prepayments		16,528	22,903	16,528	22,903
Total Non-Current Assets		213,636	296,207	213,636	296,207
Total Assets		416,057	553,864	418,996	556,800
Current Liabilities					
Payables		226	191	227	191
Outstanding claims	11	80,121	123,019	80,193	123,084
Deferred revenue		3,028	4,871	3,028	4,871
Reinsurance and other recoveries payable	8	425	538	425	538
Total Current Liabilities		83,800	128,619	83,873	128,684
Non-Current Liabilities					
Other financial liabilities	10	109,190	106,478	109,190	106,478
Outstanding claims	11	212,302	294,277	212,302	294,277
Deferred revenue		9,780	12,184	9,780	12,184
Reinsurance and other recoveries payable	8	1,334	1,930	1,334	1,930
Total Non-Current Liabilities		332,606	414,869	332,606	414,869
Total Liabilities		416,406	543,488	416,479	543,553
Net assets		(349)	10,376	2,517	13,247
Equity					
Retained earnings		(349)	10,376	2,517	13,247
Total equity		(349)	10,376	2,517	13,247

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	MAC Fund		Consolidated	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Cash Flows from Operating Activities					
Cash payment of premium to the Department of Treasury and Finance		-	(15,089)	-	(15,089)
Other cash payments in the course of operations		(343)	(1,512)	(343)	(1,354)
Investment redemptions and interest income		10,651	24,902	10,653	24,906
GST refunded from the ATO		54	21	54	22
Net Cash inflows from Operating Activities	17	10,362	8,322	10,364	8,485
Cash Flows from Financing Activities					
Return of capital		(10,321)	(9,294)	(10,321)	(9,294)
Net Cash outflows from Financing Activities		(10,321)	(9,294)	(10,321)	(9,294)
Net change in cash held		41	(972)	43	(809)
Cash at the beginning of the year		296	1,268	3,217	4,026
Cash at the end of the year	2(k),17	337	296	3,260	3,217

The accompanying notes form part of these financial statements.

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	MAC Fund		Consolidated	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Balance at 30 June (prior year)		10,376	9,349	13,247	12,211
Total Comprehensive Result for the year		(404)	10,321	(409)	10,330
Return of capital	15	(10,321)	(9,294)	(10,321)	(9,294)
Balance at 30 June		<u>(349)</u>	<u>10,376</u>	<u>2,517</u>	<u>13,247</u>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1 ACTIVITIES OF THE MOTOR ACCIDENT COMMISSION

During the year ended 30 June 2022, the principal activities of the Motor Accident Commission (Motor Accident Commission and / or the Commission) were:

- (a) To manage the run off of claims against policies issued up to and including 30 June 2016. From 1 July 2016, the SA Government opened the provision of CTP insurance in South Australia to the private sector. Accordingly Motor Accident Commission no longer has a role as a provider of CTP insurance in South Australia and ceased writing new CTP insurance policies from this date. However, Motor Accident Commission will continue its role as Nominal Defendant (for claims up until 31 December 2016) and run off its claims against policies issued up to and including 30 June 2016.
- (b) On 7 December 2018 a deed of Reinsurance and Agency was executed between Motor Accident Commission and the National Indemnity Company (NICO) transferring the risks associated with the outstanding claims portfolio.
- (c) Up to 30 June 2019, to lead in road safety behaviour change and education, with responsibility for managing SA's road safety communications program. As part of this role, Motor Accident Commission promoted road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behaviour. From 1 July 2019 the South Australian Police and the Department for Infrastructure and Transport are responsible for road safety activities.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are general purpose financial statements prepared in compliance with:

- a. Section 23 of the *Public Finance and Audit Act 1987*; and
- b. Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

The financial statements have been prepared with Motor Accident Commission being treated as a Not for Profit entity. The financial report for the Motor Accident Commission consists of the Motor Accident Commission Fund and the consolidated financial statements which includes the Road Safety Fund for the year ended 30 June 2022 and are prepared for the same reporting period, using consistent accounting policies. The Motor Accident Commission CTP Fund formerly established by the Commission continues in existence as the Motor Accident Commission Fund per section 25 of the *Motor Accident Commission Act 1992* and all intra-group balances, transactions, income and expenses are eliminated in full.

(b) Investment Income

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

(c) Deferred Revenue

Revenue associated with reinsurance arrangements has been deferred and will be recognised as revenue when related services are rendered.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(d) Claims

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

- a. CTP Claims - The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

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

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

(e) Prepayments

Claims handling expenses paid which are attributable to reinsurance activities are deferred and recognised as an asset, to the extent that they can be identified separately, measured reliably and it is probable that they will be recovered from future margins.

(f) Reinsurance and Other Recoveries Receivable

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

(g) Other Financial Assets

AASB 1023: General Insurance Contracts requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the Motor Accident Commission Fund are considered to be for the purpose of backing insurance liabilities.

- a. Unit Trusts - Motor Accident Commission's investment portfolio is held with Funds SA, the State Government investment body, Lanyon Asset Management and Bendigo Income Generation Fund. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

Other Financial Assets have been classified as current given the ability to redeem investments/funds within a short period of time if required.

There is no impairment loss on other financial assets due to the rating of the counterparties.

(h) Reinsurance Assets

Reinsurance assets represent balances due from NICO. Amounts recoverable are estimated in a manner consistent with the outstanding claims provision or settle claims associated with the reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Motor Accident Commission may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amount that Motor Accident Commission will receive from NICO. The impairment loss is recorded in the statement of profit or loss. Ceded reinsurance arrangements do not relieve Motor Accident Commission from its obligations to settle outstanding claims.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

(i) Taxation

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

Motor Accident Commission is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

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

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

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

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

(j) Payables

Payables include creditors, accrued expenses, and GST payable.

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

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

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

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

(k) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cashflows managed by Funds SA are presented on a net movement basis.

(l) Rounding

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

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

3 CHANGES IN ACCOUNTING POLICIES

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

The following accounting standard has been issued but not yet effective. This standard has not been early adopted by the Commission but will be relevant upon application:

AASB 17 Insurance Contracts

AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts issued with discretionary participation features. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of AASB 17 have on the financial position, financial performance and cash flows of the entity. The impact of the application of this standard to the public sector is still largely unknown. In March 2022, the Australian Accounting Standards Board published AASB Exposure Draft ED 319 Insurance Contracts in the Public Sector (ED 319), which was open for comment until June 2022. ED 319 proposes public sector specific modifications to AASB 17 including the deferral of its application date from 1 January 2023 to 1 July 2025. DTF coordinated an SA Government response to ED 319. The Motor Accident Commission performed a high level assessment to consider the impact of AASB 17 and the ED 319 proposals to incorporate within DTF's response to ED 319. This high level assessment included collaborating with the Motor Accident Commission's appointed actuary and other insurance industry peers. The Motor Accident Commission will complete its full assessment of the impact on the reporting of its insurance contracts once the Australian Accounting Standards Board finalises the accounting standard requirements.

There are no other standards that are not yet effective and that would be expected to have a material impact on in the current or future reporting periods and on foreseeable future transactions.

4 NET RESULT

	MAC Fund		Consolidated	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000

Net result is arrived at after crediting and charging the following specific items:

Credits

Interest received/receivable

	1	2	2	6
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5 ROAD SAFETY

Road Safety revenue

- Interest received

Total Road Safety revenue

	-	-	1	3
	-	-	1	3

Total Road Safety expenses

	-	-	-	-
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Net Road Safety

	-	-	1	3
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From 1 July 2019, Motor Accident Commission no longer performs the road safety function, refer Note 1(c). Motor Accident Commission continues to hold road safety funds, in a bank account, hence the interest income.

6 INVESTMENTS

Investment revenue and expense

- Fund distribution

- Interest received

	3,110	2,812	3,110	2,812
	1	2	1	3

Total Investment revenue and expenses

	3,111	2,814	3,111	2,815
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Investment market value movements – unrealised gains/(losses)

- Credit Securities

- Equities

- Other

	(1,980)	1,984	(1,980)	1,984
	(694)	685	(694)	685
	(4,215)	269	(4,215)	269

Total Investment market value movements

	(6,889)	2,938	(6,889)	2,938
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Total Investments

	(3,778)	5,752	(3,778)	5,753
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MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

7 RECEIVABLES	MAC Fund		Consolidated	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current				
Trade debtors (1)	-	29	16	44
	-	29	16	44
Investment debtors (2)	57	57	57	57
	57	57	57	57
Total Current receivables	57	86	73	101
Total receivables	57	86	73	101

(1) Trade debtors principally relates to ATO refunds that are receivable at balance date.

(2) Investment debtors relates to rent due.

8 REINSURANCE AND OTHER RECOVERIES RECEIVABLE

Expected future recoveries (undiscounted)	1,976	2,548	1,976	2,548
Discount to present value	(216)	(80)	(216)	(80)
Reinsurance and other recoveries receivable	1,759	2,468	1,759	2,468
Reinsurance and other recoveries receivable				
- Current	425	538	425	538
- Non-current	1,334	1,930	1,334	1,930
	1,759	2,468	1,759	2,468

9 OTHER FINANCIAL ASSETS

Current				
Unit Trusts				
- Units in Unlisted Trusts - Funds SA	15,980	28,213	15,980	28,213
- Bendigo Income Generation Fund	99,428	99,093	99,428	99,093
- Lanyon Global Value Fund	2,394	2,440	2,394	2,440
- Lanyon Australian Value Fund	2,474	2,623	2,474	2,623
- Lanyon Australian Share Fund	1,205	1,349	1,205	1,349
Total Current Other Financial Assets	121,481	133,718	121,481	133,718
Total Other Financial Assets	121,481	133,718	121,481	133,718

From 2021 the Motor Accident Commission's investment with Funds SA is in a Capital Defensive Tax-Exempt investment option. Previously this investment was in a tailored MAC strategy which only invested in Cash, Fixed Interest and Diversified Strategies.

10 OTHER FINANCIAL LIABILITIES

Non-Current				
Retained premium - NICO	109,190	106,478	109,190	106,478
Total Non-Current Other Financial Liabilities	109,190	106,478	109,190	106,478
Total Other Financial Liabilities	109,190	106,478	109,190	106,478

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

11 OUTSTANDING CLAIMS

	MAC Fund		Consolidated	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
(a) Expected future claims payments (undiscounted)	288,770	369,719	288,842	369,784
Risk margin applied (undiscounted)	53,049	62,413	53,049	62,413
Discount to present value - central estimate	(41,739)	(12,710)	(41,739)	(12,710)
Discount to present value - risk margin applied	(7,657)	(2,126)	(7,657)	(2,126)
Liability for outstanding claims	292,423	417,296	292,495	417,361
Current	80,121	123,019	80,193	123,084
Non-current	212,302	294,277	212,302	294,277
Liability for outstanding claims	292,423	417,296	292,495	417,361
On 1 July 2013, a new South Australian CTP Scheme came into effect. The New Scheme embodies a series of scheme reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.				
Old Scheme	143,628	181,336	143,628	181,336
New Scheme	148,795	235,960	148,795	235,960
Non-CTP	-	-	72	65
Liability for outstanding claims	292,423	417,296	292,495	417,361
(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:				
For the succeeding year				
- Inflation rate	5.00%	4.25%	5.00%	4.25%
- Discount rate	3.50%	0.90%	3.50%	0.90%
For subsequent years				
- Inflation rate	5.00%	4.25%	5.00%	4.25%
- Discount rate	3.50%	0.90%	3.50%	0.90%
(c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:				
	4.3 years	3.8 years	4.3 years	3.8 years

The method of calculating outstanding claims is set out in detail in Note 2(d).

The claims provision for the Motor Accident Commission Fund as at 30 June 2022 has been reviewed by the Fund Actuary, Gillian Harrex BEc, FIAA of Finity Consulting Pty Limited. The directors have adopted a central estimate plus a risk margin as determined by the Actuary to achieve an 80% probability that the provision will prove adequate. An overall risk margin of 18% (2021: 17%) has been applied and is derived using the framework established by the Actuaries Institute. As Motor Accident Commission only includes one class of insurance, no allowance has been made for diversification of insurance classes.

Sensitivity analysis

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

- Effective 1 July 2019, claims management was transferred from Allianz to BHCTPSA. While BHCTPSA employed several former Motor Accident Commission and Allianz staff, the transfer may affect the management of open claims. This may increase the uncertainty associated with the valuation results.
- The Motor Accident Commission Scheme now being in run-off. It is possible that claims development patterns may change now that Motor Accident Commission has ceased underwriting new business. This could be due to differences that emerge in terms of claims management and also the potential for the external claims environment (which is now influenced by the private sector insurers who have entered the market from 1 July 2016) having an impact on Scheme performance.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
OUTSTANDING CLAIMS - (Continued)

- c. The actual impact of the CTP legislative changes effective 1 July 2013 (i.e. "New Scheme") and the commencement of the Lifetime Support Scheme from 1 July 2014. The key risks include:
- Estimating the claims frequency and number of claim settlements.
 - Estimating the impact of tort reform on the ultimate cost of claims.
- d. Large claims, given their potential to cause significant one-off effects on the valuation and the difficulty in estimating future large claims experience, particularly as the Scheme goes further into run-off. The claims which are harder to resolve will become a greater proportion of the overall liability.
- e. Future inflation and superimposed inflation. While the claims environment has been benign for some years, it is possible for some level of claims cost escalation to emerge as service providers (particularly solicitors) adjust to the New Scheme environment, and as the new market participants start to exert influence on the market overall.

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

The sensitivity analysis has been conducted on the outstanding claims provision net of third party recoveries but gross of reinsurance.

Change in Model parameters

	Impact on Provision	
	%	\$'000
Change in Valuation Assumption:		
For accidents before 1 July 2013:		
- average size of attritional claims increased by 15%	2.1	6,159
For accidents after 30 June 2013:		
- Cost of attritional claims deteriorates by 5% per half year over the next two years	4.8	13,929
- Number of expected future large claims increased from 0 to 6	1.8	5,291
- Above case estimates are overstated by 15%	5.5	16,036
- Discount rate increased from 3.5% to 4.0% p.a.	(2.0)	(5,844)
- Discount rate decreased from 3.5% to 3.0% p.a.	2.1	6,105
- Superimposed inflation rate increase from 2.0% to 3.0% p.a.	(0.0)	(68)
- Superimposed inflation rate decreased from 2.0% to 1.0% p.a.	0.0	65

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
OUTSTANDING CLAIMS - (Continued)

Claims Development

Net ultimate claims cost estimate	2013	2014	2015	2016	2017	2018	2019-2022	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At end of accident year	514,693	400,476	338,287	330,164	-	-	-	-
One year later	461,742	373,204	289,240	304,856	-	-	-	-
Two years later	428,069	316,737	249,295	284,835	-	-	-	-
Three years later	384,174	247,424	232,867	270,931	-	-	-	-
Four years later	355,826	233,463	248,772	279,015	8,846	-	-	-
Five years later	358,766	234,297	254,889	271,036	9,141	-	-	-
Six years later	368,863	241,031	250,145	266,106	-	-	-	-
Seven years later	371,251	235,845	248,098	-	-	-	-	-
Eight years later	375,935	239,918	-	-	-	-	-	-
Nine years later	377,322	-	-	-	-	-	-	-
Current est. of net ultimate claims cost	377,322	239,918	248,098	266,106	9,141	-	-	-
Cumulative payments	(347,861)	(216,277)	(205,479)	(200,971)	(9,141)	-	-	-
Net undiscounted claims liability for the ten most recent accident years	29,461	23,641	42,619	65,135	-	-	-	160,857
Discount to present value	(5,981)	(3,508)	(5,527)	(7,785)	-	-	-	(22,801)
Net discounted claims liability for the ten most recent accident years	23,481	20,133	37,092	57,350	-	-	-	138,056

Reconciliation

Net discounted claims liability for accident years 2011/12 and prior	88,001
Claims handling expenses	19,215
Risk margin (inclusive of risk margin on claims handling expenses)	45,392
Net outstanding claims liability, gross of reinsurance	290,664
Net outstanding claims liability, net of reinsurance	22,771
Gross outstanding claims liability on the statements of financial position	292,423
Other recoveries on outstanding claims liability	(1,759)
Reinsurance on outstanding claims liability	(267,893)
Net outstanding claims liability, net of reinsurance	22,771

Estimated timing of net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

Estimated timing of net cashflows	Up to 1	2 - 4	5 - 9	10 - 14	15 - 19	20 - 24	Total
	year	years	years	years	years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities (incl Risk Margin)	79,696	89,946	77,556	36,302	7,164	-	290,664

12 INSURANCE CONTRACTS RISK MANAGEMENT

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

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

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
INSURANCE CONTRACTS RISK MANAGEMENT - (Continued)

Risk Management objectives and policies for mitigating insurance risk

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

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

(a) Insurance risk

As Motor Accident Commission ceased writing new CTP insurance policies from 1 July 2016, its involvement in premium setting and associated policy pricing risks has been mitigated.

From 1 January 2019 Motor Accident Commission has entered into a reinsurance and agency arrangement with NICO. Reinsurance is placed on outstanding claims against policies issued up to and including 30 June 2016. This reduces the risk that Motor Accident Commission will not have sufficient reserves to cover its liabilities as this risk has been transferred to NICO. Amounts recoverable from NICO are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Although Motor Accident Commission has reinsurance arrangements, it is not relieved of its direct obligations to policyholders from its obligations to settle outstanding claims to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Motor Accident Commission has established a process to regularly monitor performance and it is through this process risks associated with the reinsurance and agency arrangement are managed and mitigated.

(b) Claims management

From 1 July 2019 claims management has been undertaken by NICO. It is Motor Accident Commission's policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

(c) Investment management

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities.

13 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

(a) Categorisation of Financial Instruments

The total carrying amount for all financial assets is equal to the fair value of these assets. All assets held in unit trusts as detailed in note 9 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

(b) Derivative Financial Instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from assets, liabilities, reference rates or indices. Derivatives are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Motor Accident Commission's external investment managers use a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Motor Accident Commission's external investment managers, for the purposes described above.

The fair values of all derivative positions as at 30 June 2022 are incorporated within the Statement of Financial Position.

(c) Currency Risk

As at 30 June 2022 Motor Accident Commission does not directly hold any international equities and was not exposed to any foreign exchange risk. Motor Accident Commission's external fund manager for the Global Value Fund hedged 100% of this exposure back to Australian dollars.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES - (Continued)

(d) Interest Rate Risk

Interest Rate risk is the risk that movements in interest rates will cause the value of fixed interest securities and the discount rate used to calculate Motor Accident Commission's outstanding liabilities, to deviate from expectations. Motor Accident Commission manages interest rate risk by using an appropriate asset / liability duration matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon for each. The risk is also managed through the use of specialist external investment managers.

The Motor Accident Commission's exposure to interest rate risk and repricing maturities on financial assets and liabilities at balance date is set out below:

	Consolidated		
	Floating interest rate \$'000	Non- interest bearing \$'000	Total carrying amount \$'000
30 June 2022			
Financial Assets			
Cash	3,260	-	3,260
Receivables	-	73	73
Other - Unit trust	-	121,481	121,481
Total financial assets	3,260	121,554	124,814
Financial Liabilities			
Payables	-	227	227
Other financial liabilities	-	109,190	109,190
Total financial liabilities	-	109,417	109,417
Net financial assets	3,260	12,137	15,397
	Consolidated		
	Floating interest rate \$'000	Non- interest bearing \$'000	Total carrying amount \$'000
30 June 2021			
Financial Assets			
Cash	3,217	-	3,217
Receivables	-	101	101
Cash - Unit trust	-	133,718	133,718
Total financial assets	3,217	133,819	137,036
Financial Liabilities			
Payables	-	191	191
Other financial liabilities	-	106,478	106,478
Total financial liabilities	-	106,669	106,669
Net financial assets	3,217	27,150	30,367

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

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES - (Continued)

Reconciliation of Net Financial Assets	Consolidated	
	2022	2021
	\$'000	\$'000
Net Financial Assets	15,397	30,367
Add - Reinsurance and other recoveries receivable	1,759	2,468
- Reinsurance assets	269,652	384,798
- Prepayments	22,771	32,498
Less - Reinsurance and other recoveries payable	(1,759)	(2,468)
- Outstanding claims	(292,495)	(417,361)
- Deferred revenue	(12,808)	(17,055)
Net Assets	2,517	13,247

(e) **Credit Risk**

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

Recognised Financial Instruments

The carrying amounts of financial assets included in the Statement of Financial Position represent Motor Accident Commission's maximum exposure to credit risk to these assets.

The credit risk relating to investments is monitored and assessed by Motor Accident Commission's fund managers, and maximum exposures are limited.

From 2021 the Motor Accident Commission's investment with Funds SA is in a Capital Defensive Tax-Exempt investment option. Previously this investment was in a tailored MAC strategy which only invested in Cash, Fixed Interest and Diversified Strategies.

All unit trusts are unrated.

(f) **Market Risk**

Market risk is the risk that investment returns generated by different financial markets will be volatile and will underperform long-term expectations over the short to medium term.

Motor Accident Commission's fund managers manage the risk of financial market volatility through the adherence to two principles:

- a. ensuring a diversity of exposures to different financial markets and sub-markets: and
- b. ensuring asset allocations for different investment options are consistent with the time horizon of each.

(g) **Liquidity and Cash Flow Risk**

Liquidity risk is the risk that Motor Accident Commission will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for business cash outflows are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand. Motor Accident Commission ensures that a very high proportion of the Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are further minimised through trading with approved exchanges and counterparties.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

14 NET CLAIMS INCURRED

Prior period claims relate to a reassessment of the risks borne in all previous reporting periods. There were no current claims.

	MAC Fund		Consolidated	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Gross claims incurred and related expenses - undiscounted	(4,429)	(27,345)	(4,429)	(27,345)
Reinsurance and other recoveries - undiscounted	(2,601)	16,646	(2,601)	16,646
Net claims incurred - undiscounted	(7,030)	(10,699)	(7,030)	(10,699)
Discount and discount movement - gross claims incurred	(34,560)	(4,312)	(34,560)	(4,312)
Discount and discount movement - reinsurance and other recoveries	31,863	3,977	31,863	3,977
Net discount movement	(2,697)	(335)	(2,697)	(335)
Net claims incurred	(9,727)	(11,034)	(9,727)	(11,034)

As part of the reinsurance arrangements costs incurred as part of managing claims are the responsibility of NICO. As a result of this agreement Motor Accident Commission has recognised an offsetting adjustment through the Statement of Comprehensive Income for Net Claims Incurred.

15 RETURN OF CAPITAL

Return of capital	10,321	9,294	10,321	9,294
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During 2021-22, Motor Accident Commission made a payment of \$10.321 million to the Treasurer's Consolidated Account (2021: \$9.294 million to the Consolidated Account). The payment was a return of net surplus capital as required by the Treasurer pursuant to section 26(2) of the *Motor Accident Commission Act 1992*.

16 AUDITORS' REMUNERATION

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA

	37	35	37	35
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No other services were provided by the Auditor-General's Department.

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of management expenses.

17 CASH FLOW RECONCILIATION

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of the operating cash flows.

(a) Reconciliation of cash

Cash disclosed in the Statement of Financial Position	337	296	3,260	3,217
Balance as per the Statement of Cash Flows	337	296	3,260	3,217

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
CASH FLOW RECONCILIATION - (Continued)

(b) Reconciliation of net cash inflows/(outflows) from operating activities

	MAC Fund		Consolidated	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Total comprehensive result	(404)	10,321	(409)	10,330
Add/(less) non-cash items:				
- Revaluation of investments to market value	6,889	(2,938)	6,889	(2,938)
Net cash inflows/(outflows) from operating activities before changes in assets and liabilities	6,485	7,383	6,480	7,392
Change in assets and liabilities				
- (Increase)/decrease in other financial assets	5,348	20,052	5,348	20,052
- (Increase)/decrease in reinsurance assets	115,146	129,311	115,146	129,311
- (Increase)/decrease in prepayments	9,727	11,033	9,727	11,033
- (Increase)/decrease in receivables	738	(519)	737	(518)
- Increase/(decrease) in payables	35	(1,191)	36	(1,031)
- Increase/(decrease) in outstanding claims	(124,873)	(140,344)	(124,866)	(140,351)
- Increase/(decrease) in other liabilities	(2,244)	(17,403)	(2,244)	(17,403)
Net Change in assets and liabilities	3,877	939	3,884	1,093
Net cash inflows from operating activities	10,362	8,322	10,364	8,485

18 SUFFICIENT LEVEL OF SOLVENCY

Section 13A of the Motor Accident Commission Act 1992 states that the Motor Accident Commission Fund has a sufficient level of solvency if the amount in the Fund equals or exceeds an amount calculated in accordance with the formula published in the South Australian Government Gazette. A revised formula to calculate a Sufficient Level of Solvency was issued by the Treasurer on 7 December 2016 and subsequently published in The South Australian Government Gazette. The formula specifies that the Motor Accident Commission Fund will have a Sufficient level of Solvency if its assets exceed the sum of the Fund's liabilities.

As at 30 June 2022, the Sufficient Solvency target was \$416.4 million (2021 was \$543.5 million) which compares to the Fund's assets of \$416.1 million (2021 was \$553.9 million) and this equates to 99.92% (2021: 101.91%) of the required level of Sufficient Solvency.

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

While the MAC Fund has not met the Sufficient Solvency level required at 30 June 2022 it is expected that the MAC Fund will be able to meet all its liabilities as they fall due. Liabilities at 30 June 2022 include \$12.8 million of non-cash liabilities, being deferred revenue.

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

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

19 CONTINGENT ASSETS AND LIABILITIES

As part of the security arrangements under the Reinsurance deed, NICO has delivered a Letter of Credit to Motor Accident Commission. In the event of default, Motor Accident Commission would access the funds held.

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

20 CONSULTANTS

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

	MAC Fund			
	2022 Number	2022 \$'000	2021 Number	2021 \$'000
Below \$10,000	-	-	-	-
Above \$10,000	1	134	1	99
Total paid/payable to the consultants engaged	1	134	1	99

21 DIRECTORS' REMUNERATION

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

Mr T Burfield
Ms T Blight
Ms C Uncle

In accordance with the Department of the Premier & Cabinet circular No. 016, as the directors are government employees, they did not receive any remuneration from the Commission for Board or Committee duties during the financial year.

22 RELATED PARTIES

Key Management Personnel

Key management personnel of Motor Accident Commission include the Treasurer and the governing board members who have responsibility for the strategic direction and management of Motor Accident Commission. No compensation is paid by Motor Accident Commission to key management personnel.

Transactions with Key Management Personnel and other related parties

There were no transactions requiring disclosure for key management personnel and related parties.

Directors' transactions with the Commission

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

Transactions with other government entities

Effective 1 July 2019, SAFA provides management and administrative services to Motor Accident Commission. Additionally, Motor Accident Commission has dealings with other Government instrumentalities. All dealings are in the ordinary course of business and on normal trading terms.

23 Events After The End Of The Reporting Period

No event has arisen since 30 June 2022 that would be likely to materially affect the operations or the state of affairs of Motor Accident Commission.

**MOTOR ACCIDENT COMMISSION
CERTIFICATION OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

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

- a. Comply with relevant Treasurer's Instructions;
- b. Comply with relevant Australian Accounting Standards; and
- c. Are in accordance with the accounts and records of the Commission;
- d. Present a true and fair view of the financial position of the Commission as at 30 June 2022 and the results of its operation and cash flows for the financial year.

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

Signed in accordance with a resolution of the directors.



Jane Burton
Chair



Mark Twells
Chief Financial Officer, SAFA

Adelaide

Dated: 9 September 2022