

# Motor Accident Commission

Financial report  
for the year ended  
30 June 2019



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## To the Chair Motor Accident Commission

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 the Motor Accident Commission for the financial year ended 30 June 2019.

### Opinion

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 2019, its financial performance and its cash flows for the year then ended in accordance with the 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, Motor Accident Commission and Director Finance, 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 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* have been met.

I believe that the audit evidence 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 the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the audit of the financial report**

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
- 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.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

**Auditor-General**

19 September 2019

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

		MAC Fund		Consolidated	
	Note	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Claims paid	6	(93,471)	(215,849)	(93,471)	(215,849)
Claims adjustment	6	73,254	344,348	73,254	344,348
Reinsurance and other recoveries		20,128	(393)	20,128	(393)
<b>Net claims</b>	19	<b>(89)</b>	<b>128,106</b>	<b>(89)</b>	<b>128,106</b>
Investment revenue and expense	5	700	(3,577)	728	(3,591)
Investment management fee		(499)	(3,492)	(499)	(3,492)
Gain on reinsurance		6,636	-	6,636	-
<b>Net investments</b>		<b>6,837</b>	<b>(7,069)</b>	<b>6,865</b>	<b>(7,083)</b>
Management expenses		(7,585)	(26,380)	(7,595)	(26,180)
Road Safety expenses	7	-	-	(13,055)	(13,823)
<b>Total expenses</b>		<b>(7,585)</b>	<b>(26,380)</b>	<b>(20,650)</b>	<b>(40,003)</b>
Other revenue		-	31	-	29
Road Safety revenue	7	-	-	14,391	13,966
<b>Total revenue</b>		<b>-</b>	<b>31</b>	<b>14,391</b>	<b>13,995</b>
<b>Net loss</b>		<b>(7,585)</b>	<b>(26,349)</b>	<b>(6,259)</b>	<b>(26,008)</b>
<b>Net result before market value movements</b>		<b>(837)</b>	<b>94,688</b>	<b>517</b>	<b>95,015</b>
Investment market value movements	5	19,367	48,026	19,367	48,026
<b>Net result</b>		<b>18,530</b>	<b>142,714</b>	<b>19,884</b>	<b>143,041</b>
<b>Total comprehensive result</b>		<b>18,530</b>	<b>142,714</b>	<b>19,884</b>	<b>143,041</b>

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  
AS AT 30 JUNE 2019**

		MAC Fund		Consolidated	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Current Assets</b>					
Cash	23	1,653	5,289	6,237	8,157
Receivables	8	4,433	2,832	3,992	2,980
Reinsurance and other recoveries receivable	9	560	700	560	700
Other financial assets	10	274,658	1,012,034	274,658	1,012,034
Reinsurance asset		215,162	-	215,162	-
Prepayments		18,241	-	18,241	-
<b>Total Current Assets</b>		<b>514,707</b>	<b>1,020,855</b>	<b>518,850</b>	<b>1,023,871</b>
<b>Non-Current Assets</b>					
Receivables	8	-	500	-	-
Reinsurance and other recoveries receivable	9	2,052	2,580	2,052	2,580
Reinsurance asset		430,050	-	430,050	-
Prepayments		36,380	-	36,380	-
Property, plant and equipment	12	-	-	-	16
<b>Total Non-Current Assets</b>		<b>468,482</b>	<b>3,080</b>	<b>468,482</b>	<b>2,596</b>
<b>Total Assets</b>		<b>983,189</b>	<b>1,023,935</b>	<b>987,332</b>	<b>1,026,467</b>
<b>Current Liabilities</b>					
Payables		1,274	2,601	1,381	2,741
Premiums held for other entities	14	15,089	15,089	15,089	15,089
Other financial liabilities	13	109,108	-	109,108	-
Outstanding claims	15	233,402	237,306	233,404	237,308
Provisions	17	3,328	10,560	4,452	10,813
Deferred revenue		11,308	-	11,308	-
Reinsurance and other recoveries payable		560	-	560	-
<b>Total Current Liabilities</b>		<b>374,069</b>	<b>265,556</b>	<b>375,302</b>	<b>265,951</b>
<b>Non-Current Liabilities</b>					
Other financial liabilities	13	101,255	-	101,255	-
Outstanding claims	15	466,431	615,624	466,500	615,689
Provisions	17	-	-	-	585
Deferred revenue		20,797	-	20,797	-
Reinsurance and other recoveries payable		2,052	-	2,052	-
<b>Total Non-Current Liabilities</b>		<b>590,535</b>	<b>615,624</b>	<b>590,604</b>	<b>616,274</b>
<b>Total Liabilities</b>		<b>964,604</b>	<b>881,180</b>	<b>965,906</b>	<b>882,225</b>
<b>Net Assets</b>		<b>18,585</b>	<b>142,755</b>	<b>21,426</b>	<b>144,242</b>
<b>Equity</b>					
Retained earnings		18,585	142,755	21,426	144,242
<b>Total Equity</b>		<b>18,585</b>	<b>142,755</b>	<b>21,426</b>	<b>144,242</b>

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

Commitments	21
Contingent assets and liabilities	25

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	MAC Fund		Consolidated	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>				
Other cash receipts in the course of operations	742	1,296	15,110	15,227
Cash payments in settlement of claims	(102,887)	(232,345)	(102,887)	(232,346)
Proceeds from sale of Direct Property Portfolio	-	565,500	-	565,500
Other cash payments in the course of operations	(19,371)	(36,364)	(33,157)	(50,814)
Reinsurance premium paid	(717,740)	-	(717,740)	-
Interest and other investment income	967,553	31,204	967,608	31,224
GST refunded from the ATO	10,767	19,872	11,846	20,199
<b>Net Cash inflows from Operating Activities (Note 23)</b>	<b>139,064</b>	<b>349,163</b>	<b>140,780</b>	<b>348,990</b>
<b>Cash Flows from Investing Activities</b>				
Payment for property, plant and equipment	-	-	-	(4)
<b>Net Cash outflows from Investing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>
<b>Cash Flows from Financing Activities</b>				
Return of capital	(142,700)	(359,400)	(142,700)	(359,400)
<b>Net Cash outflows from Financing Activities</b>	<b>(142,700)</b>	<b>(359,400)</b>	<b>(142,700)</b>	<b>(359,400)</b>
Net change in cash held	(3,636)	(10,237)	(1,920)	(10,414)
Cash at the beginning of the year	5,289	15,526	8,157	18,571
<b>Cash at the end of the year (Notes 2(l), 23)</b>	<b>1,653</b>	<b>5,289</b>	<b>6,237</b>	<b>8,157</b>

The accompanying notes form part of these financial statements.

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	MAC Fund \$'000	Consolidated \$'000
Balance at 30 June 2017		359,441	360,601
<b>Total Comprehensive Result for 2017-18</b>		<b>142,714</b>	<b>143,041</b>
Return of capital for 2017-18	20	(359,400)	(359,400)
Balance at 30 June 2018		142,755	144,242
<b>Total Comprehensive Result for 2018-19</b>		<b>18,530</b>	<b>19,884</b>
Return of capital for 2018-19	20	(142,700)	(142,700)
Balance at 30 June 2019		18,585	21,426

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 2019**

**1 ACTIVITIES OF THE MOTOR ACCIDENT COMMISSION**

During the year ended 30 June 2019, the principal activities of the Motor Accident Commission (MAC 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 MAC 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, MAC 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) to lead in road safety behaviour change and education, with responsibility for managing SA's road safety communications program. As part of this role, MAC promotes road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behaviour. From 1 July 2019 the South Australian Police and the Department of Planning, Transport and Industry will be responsible for road safety activities.
- (c) on 7 December 2018 a deed of Reinsurance and Agency was executed between MAC and the National Indemnity Company (NICO) transferring the risks associated with the outstanding claims portfolio.

**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 has been prepared with MAC being treated as a Not for Profit entity. The financial report for MAC consists of the MAC Fund and the consolidated financial statements which includes the Road Safety Fund for the year ended 30 June 2019 and are prepared for the same reporting period, using consistent accounting policies. The MAC CTP Fund formerly established by the Commission continues in existence as the MAC 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.

**(d) Claims**

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

**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

- (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**

AASB1023: *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 MAC Fund are considered to be for the purpose of backing insurance liabilities.

**(a) Unit Trusts**

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

**(b) Other Investments**

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

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 counterparty as they are with SAFA and Funds SA.

**(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 MAC 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 MAC will receive from NICO. The impairment loss is recorded in the statement of profit or loss. Ceded reinsurance arrangements do not relieve MAC 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 2019**

**(i) Employee Benefits**

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

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave  
The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

**Long service leave**

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

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

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

**Superannuation**

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

**(j) Taxation**

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

MAC 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.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**(k) Payables**

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

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 MAC.

Payables includes accrued expenses and employee on-costs.

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.

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

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.

**(l) 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.

**(m) Rounding**

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

**(n) Interest in a Jointly Controlled Property**

During July 2017, MAC had a 50% interest in a jointly controlled property at 400 George Street, Brisbane. MAC recognised its interest in the jointly controlled property by recognising its share of liabilities, expenses and income from the use and output of the jointly controlled property.

On 31 July 2017, 100% of the Direct Property Portfolio was sold including the 50% interest MAC held in 400 George Street, Brisbane.

**3 CHANGES IN ACCOUNTING POLICIES**

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

AASB 9: *Financial Instruments* replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

MAC has assessed the impact of AASB 9 and considers there will be no material impact on the accounting policies or the financial report.

**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

4	NET RESULT	MAC Fund		Consolidated	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
	Net result is arrived at after crediting and charging the following specific items:				
	<b>Credits</b>				
	Interest received/receivable	751	328	779	350
	<b>Charges</b>				
	Amounts set aside to provide for:				
	- Employee benefits	-	-	219	119
	- Depreciation of property, plant and equipment	-	-	16	405
5	<b>INVESTMENTS</b>				
	Investment revenue and expense				
	- Interest	751	328	779	341
	- Rentals	(51)	(3,905)	(51)	(3,932)
	<b>Total Investment revenue and expenses</b>	<b>700</b>	<b>(3,577)</b>	<b>728</b>	<b>(3,591)</b>
	Investment market value movements – unrealised gains/(losses)				
	- Fixed Interest	15,680	15,908	15,680	15,908
	- Equities	-	21,141	-	21,141
	- Other	3,687	9,400	3,687	9,400
	- Profit/(loss) – investments realised	-	1,577	-	1,577
	<b>Total Investment market value</b>	<b>19,367</b>	<b>48,026</b>	<b>19,367</b>	<b>48,026</b>
	<b>Total Investments</b>	<b>20,067</b>	<b>44,449</b>	<b>20,095</b>	<b>44,435</b>

Rentals include conveyancing and settlements costs. Further details in note 11, conveyancing fees and settlement costs are included in direct operating expenses.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

6 CLAIMS	MAC Fund		Consolidated	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Claims paid	(93,471)	(215,849)	(93,471)	(215,849)
Claims provision adjustment	86,457	333,476	86,457	333,476
Adjustment for economic assumptions	(13,203)	10,872	(13,203)	10,872
<b>Total Claims</b>	<b>(20,217)</b>	<b>128,499</b>	<b>(20,217)</b>	<b>128,499</b>
<b>7 ROAD SAFETY</b>				
Road Safety Revenue				
- Road Safety funding	-	-	14,349	13,931
- Interest received	-	-	42	35
<b>Total Road Safety Revenue</b>	<b>-</b>	<b>-</b>	<b>14,391</b>	<b>13,966</b>
Road Safety expenses	-	-	(13,055)	(13,823)
<b>Total Road Safety Expenses</b>	<b>-</b>	<b>-</b>	<b>(13,055)</b>	<b>(13,823)</b>
<b>Total Road Safety</b>	<b>-</b>	<b>-</b>	<b>1,336</b>	<b>143</b>

In 2016-17, MAC and the SA CTP Regulator entered into a 3 year Memorandum of Administrative Arrangement (MoAA). This MoAA establishes a funding arrangement whereby the CTP Regulator provides funding to MAC to perform its road safety function until 30 June 2019.

Road Safety expenses comprise management and road safety program expenditure. MAC promotes road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behaviour.

**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

8 RECEIVABLES	MAC Fund		Consolidated	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Trade debtors	4,416	2,583	3,974	2,705
Other debtors	-	-	-	25
	<u>4,416</u>	<u>2,583</u>	<u>3,974</u>	<u>2,730</u>
Investment debtors	17	249	18	250
	<u>17</u>	<u>249</u>	<u>18</u>	<u>250</u>
<b>Total Current Receivables</b>	<u>4,433</u>	<u>2,832</u>	<u>3,992</u>	<u>2,980</u>
<b>Non-Current</b>				
Payroll Advance	-	500	-	-
<b>Total Non-Current Receivables</b>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>

Trade debtors principally relates to ATO refunds that are receivable at balance date and Other debtors generally arise from transactions within the usual operating activities of the Commission.

Investment debtors consists of interest and rent due on investments.

**9 REINSURANCE AND OTHER RECOVERIES**

Expected future recoveries (undiscounted)	2,718	3,585	2,718	3,585
Discount to present value	(106)	(305)	(106)	(305)
<b>Reinsurance and other recoveries receivable</b>	<u>2,612</u>	<u>3,280</u>	<u>2,612</u>	<u>3,280</u>
<b>Reinsurance and other recoveries receivable</b>				
- Current	560	700	560	700
- Non-current	2,052	2,580	2,052	2,580
	<u>2,612</u>	<u>3,280</u>	<u>2,612</u>	<u>3,280</u>

Refer to Note 15 for details of the inflation and discount rates used in the determination of the discounting adjustment.

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10 OTHER FINANCIAL ASSETS	MAC Fund		Consolidated	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash and Fixed interest				
- Funds withheld - NICO	109,199	-	109,199	-
- Cash - Unit trust	38,018	74,065	38,018	74,065
- Fixed interest - Unit trust	91,903	670,258	91,903	670,258
Other				
- Diversified strategies income - Unit trust	35,538	267,711	35,538	267,711
<b>Total Current Other Financial Assets</b>	<b>274,658</b>	<b>1,012,034</b>	<b>274,658</b>	<b>1,012,034</b>

**11 ASSETS HELD FOR SALE**

Balance at 1 July	-	565,500	-	565,500
Capitalised subsequent expenditure	-	43	-	43
Disposal of Direct Property Portfolio	-	(565,543)	-	(565,543)
<b>Direct property portfolio</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amounts recognised in the Statement of Comprehensive Income for investment property held for sale</b>				
Rental income	-	6,473	-	6,446
Direct operating expenses	(51)	(10,378)	(51)	(10,378)
<b>Total amount recognised</b>	<b>(51)</b>	<b>(3,905)</b>	<b>(51)</b>	<b>(3,932)</b>

The sale of the Property Portfolio was finalised on 31 July 2017 for \$565.5 million. Amounts recognised in the Statement of Comprehensive Income for rental income and direct property expenses relate to pre-settlement transactions. With the sale of MAC's Direct Property Portfolio on 31 July 2017, there are no leasing commitments under non-cancellable operating leases as at 30 June 2019.

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12 PROPERTY, PLANT AND EQUIPMENT	MAC Fund		Consolidated	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Building fitout	-	-	1,024	1,024
Accumulated depreciation	-	-	(1,024)	(1,024)
Total building fitout	-	-	-	-
Plant and equipment	-	-	130	130
Accumulated depreciation	-	-	(130)	(114)
Total plant and equipment	-	-	-	16
Other	-	-	38	38
Accumulated depreciation	-	-	(38)	(38)
Total other	-	-	-	-
<b>Total Property Plant and Equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>

Reconciliation of Property, Plant and Equipment is as follows:

*Building Fitout*

Carrying amount at beginning of year	-	-	-	333
Depreciation	-	-	-	(333)
<b>Carrying amount at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Plant and equipment*

Carrying amount at beginning of year	-	-	16	60
Additions	-	-	-	4
Depreciation	-	-	(16)	(48)
<b>Carrying amount at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>

*Other*

Carrying amount at beginning of year	-	-	-	24
Depreciation	-	-	-	(24)
<b>Carrying amount at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**13 OTHER FINANCIAL LIABILITIES**

Funds withheld - NICO	109,108	-	109,108	-
Retained premium - NICO	101,255	-	101,255	-
	<b>210,363</b>	<b>-</b>	<b>210,363</b>	<b>-</b>

**Other Financial Liabilities**

- Current	109,108	-	109,108	-
- Non-current	101,255	-	101,255	-
	<b>210,363</b>	<b>-</b>	<b>210,363</b>	<b>-</b>

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14 PREMIUMS HELD FOR OTHER ENTITIES	MAC Fund		Consolidated	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Premiums held for other entities	15,089	15,089	15,089	15,089

In accordance with section 25(5)(a) of the *Motor Accident Commission Act 1992* MAC may be required to make a payment to the Department of Treasury and Finance for distribution to the approved Insurers and to the South Australian CTP Insurance Regulator. At 30 June 2019 no request for payment has been received.

**15 OUTSTANDING CLAIMS**

a) Expected future claims payments (undiscounted)	621,691	793,589	621,762	793,656
Risk margin applied (undiscounted)	99,983	121,930	99,983	121,930
Discount to present value - central estimate	(18,945)	(54,459)	(18,945)	(54,459)
Discount to present value - risk margin applied	(2,896)	(8,130)	(2,896)	(8,130)
<b>Liability for outstanding claims</b>	<b>699,833</b>	<b>852,930</b>	<b>699,904</b>	<b>852,997</b>
Current	233,402	237,306	233,404	237,308
Non-current	466,431	615,624	466,500	615,689
<b>Liability for outstanding claims</b>	<b>699,833</b>	<b>852,930</b>	<b>699,904</b>	<b>852,997</b>

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

Old Scheme	258,820	296,393	258,820	296,393
New Scheme	441,013	556,537	441,013	556,537
Non-CTP	-	-	71	67
<b>Liability for outstanding claims</b>	<b>699,833</b>	<b>852,930</b>	<b>699,904</b>	<b>852,997</b>

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

For the succeeding year				
- Inflation rate	4.75%	5.00%	4.75%	5.00%
- Discount rate	1.15%	2.50%	1.15%	2.50%
For subsequent years				
- Inflation rate	4.75%	5.00%	4.75%	5.00%
- Discount rate	1.15%	2.50%	1.15%	2.50%

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

	2.7 years	2.8 years	2.7 years	2.8 years
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The method of calculating outstanding claims is set out in detail in Note 2(d).

**MOTOR ACCIDENT COMMISSION  
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**15 OUTSTANDING CLAIMS (continued)**

The claims provision for the MAC Fund as at 30 June 2019 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 16% (2018: 15%) has been applied and is derived using the framework established by the Actuaries Institute. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

**Sensitivity analysis**

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

- a) Effective 1 January 2019, claims management has transferred from Allianz to NICO although Allianz continued to manage claims until 30 June 2019. From 1 July 2019 NICO has employed several former MAC and Allianz staff however the transfer may affect the management of open claims. This may increase the uncertainty associated with our valuation results.
- b) The MAC Scheme now being in run-off it is possible that claims development patterns may change now that MAC 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 four insurers who have entered the market) having an impact on the Scheme performance.
- c) The actual impact of the CTP legislative changes effective 1 July 2013 (i.e. "New Scheme") and the commencement of the LSS 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% (2012/13 accidents only)	2.0	13,000
- average size of large claims increased by 43%	9.6	62,000
For accidents after 30 June 2013:		
- number of claims involving a settlement decreased by 15%	(6.8)	(44,000)
- average size of attritional claims increased by 15%	6.8	44,000
- average size of large claims increased by 43%	5.8	37,000
Number of large claims increased by 82% to 20	1.0	7,000
Discount rate increased from 1.15% to 1.65% p.a.	(1.3)	(8,000)
Discount rate decreased from 1.15% to 0.65% p.a.	1.3	9,000
Superimposed inflation rate increased from 2.0% to 3.0% p.a.	2.2	14,000
Superimposed inflation rate decreased from 2.0% to 1.0% p.a.	(2.1)	(13,000)

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**15 OUTSTANDING CLAIMS (continued)**

**Claims Development**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net ultimate claims cost estimate</b>											
At end of accident year	459,249	483,650	492,426	514,693	400,476	338,287	330,164	-	-	-	
One year later	458,570	469,417	488,162	461,742	373,204	289,240	304,856	-	-		
Two years later	440,122	466,825	432,909	428,069	316,737	249,295	284,835	-			
Three years later	426,006	429,090	422,326	384,174	247,424	232,867	270,931				
Four years later	400,245	402,857	399,451	355,826	233,463	248,772					
Five years later	359,144	390,716	370,748	358,766	234,297						
Six years later	350,019	364,330	360,417	369,863							
Seven years later	352,922	364,469	363,163								
Eight years later	348,554	365,165									
Nine years later	345,182										
Current est. of net ultimate claims cost	345,182	365,165	363,163	369,863	234,297	248,772	270,931	-	-	-	
Cumulative payments	(320,433)	(347,830)	(334,568)	(304,074)	(163,114)	(134,490)	(104,141)	-	-	-	
Net undiscounted claims liability for the ten most recent accident years	24,749	17,335	28,595	65,789	71,183	114,282	166,790	-	-	-	488,723
Discount to present value	(2,705)	(680)	(1,317)	(2,552)	(1,561)	(2,606)	(3,786)	-	-	-	(15,207)
Net discounted claims liability for the ten most recent accident years	22,044	16,655	27,278	63,237	69,622	111,676	163,004	-	-	-	473,516
<b>Reconciliation</b>											
Net discounted claims liability for accident years 2008/09 and prior											81,601
Claims handling expenses											47,015
Risk margin											97,087
<b>Net outstanding claims liability, gross of RI</b>											697,221
<b>Net outstanding claims liability, net of RI</b>											54,621
Gross outstanding claims liability on the statements of financial position											699,833
Other recoveries on outstanding claims liability											(2,612)
RI on outstanding claims liability											697,221
<b>Net outstanding claims liability, net of RI</b>											54,621

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
<b>Liabilities</b>	232,842	331,935	89,656	37,354	5,413	21	697,221

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**16 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. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

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

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

The risk management activities can be broadly separated into 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:

**Insurance risk**

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

Before 1 January 2019 the principal risk MAC faced under insurance contracts was that the actual claims and benefits payments or the timing thereof, differs from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of MAC is to ensure that sufficient reserves are available to cover these liabilities.

From 1 January 2019 MAC 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 MAC 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 MAC has reinsurance arrangements, it is not relieved of its direct obligations to policyholders or from its obligations to settle outstanding claims to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

MAC has established a robust process to regular monitor performance and it is through this process that risks associated with the reinsurance and agency arrangement are managed and mitigated.

**Claims management**

Until 30 June 2019 claim determination was managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC'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. From 1 July 2019 claims management will be undertaken by NICO.

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**16 INSURANCE CONTRACTS RISK MANAGEMENT (continued)**

**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.

**Risk reduction**

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

**17 PROVISIONS**

	MAC Fund		Consolidated	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Employee benefits				
- Annual leave	-	-	232	248
- Long Service Leave	-	-	357	-
- Retention & Termination	-	-	529	-
- SERL	-	-	6	5
Incentive payments	3,328	10,560	3,328	10,560
<b>Total Current Provision</b>	<b>3,328</b>	<b>10,560</b>	<b>4,452</b>	<b>10,813</b>
<b>Non-Current</b>				
Employee benefits				
- Long Service Leave	-	-	-	585
<b>Total Non-Current Provisions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>585</b>
<b>Total Provisions</b>	<b>3,328</b>	<b>10,560</b>	<b>4,452</b>	<b>11,398</b>

Liabilities for payment of incentives to Allianz have been accrued at 30 June 2019. Payment of these incentives is based on Allianz's performance in reducing the cost of claims over the 2018-19 financial year compared to benchmarks in accordance with the terms of the CTP Services Contract.

The annual leave liability, long service leave, retention & termination and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. All employees ceased employment 30 June 2019 and employee benefits were paid out.

No provision has been made for sick leave as all sick leave is non-vesting.

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**18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES**

**(1) Categorisation of Financial Instruments**

The total carrying amount for all financial assets is equal to the fair value of these assets. Property, Plant and Equipment in note 12 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in unit trusts as detailed in note 11 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.

**(2) 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. MAC'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 MAC's external investment managers, for the purposes described above.

The fair values of all derivative positions as at 30 June 2019 are incorporated within the Statement of Financial Position.

**(3) Currency Risk**

As part of a diversified investment strategy, MAC invested funds in international markets. During 2017-18, MAC's external currency overlay manager for international equities, hedged 20% of the developed markets exposure within international equities to Australian dollars. As at 30 June 2018 and 30 June 2019 MAC did not hold any international equities and was not exposed to any foreign exchange risk. MAC's external fund managers for International Fixed Income Securities and Infrastructure Securities hedged 100% of this exposure back to Australian dollars.

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**18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(4) Interest Rate Risk**

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

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

	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000
<b>30 June 2019</b>			
<b>Financial Assets</b>			
Cash	6,237	-	6,237
Receivables	-	3,992	3,992
Cash - Unit trust	38,018	-	38,018
Fixed interest - Unit trust	-	91,903	91,903
Other - Funds withheld	-	109,199	109,199
Other - Unit trust	-	35,538	35,538
<b>Total financial assets</b>	<b>44,255</b>	<b>240,632</b>	<b>284,887</b>
<b>Financial Liabilities</b>			
Payables	-	1,381	1,381
Other financial liabilities	-	210,363	210,363
<b>Total financial liabilities</b>	<b>-</b>	<b>211,744</b>	<b>211,744</b>
<b>Net financial assets</b>	<b>44,255</b>	<b>28,888</b>	<b>73,143</b>

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

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**18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(4) Interest Rate Risk (continued)**

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

	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000
<b>30 June 2018</b>			
<b>Financial Assets</b>			
Cash	8,157	-	8,157
Receivables	-	2,980	2,980
Cash - Unit trust	74,065	-	74,065
Fixed interest - Unit trust	-	670,258	670,258
Other - Unit trust	-	267,711	267,711
<b>Total financial assets</b>	<b>82,222</b>	<b>940,949</b>	<b>1,023,171</b>
<b>Financial Liabilities</b>			
Payables	-	2,741	2,741
<b>Total financial liabilities</b>	<b>-</b>	<b>2,741</b>	<b>2,741</b>
<b>Net financial assets</b>	<b>82,222</b>	<b>938,208</b>	<b>1,020,430</b>

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

<b>Reconciliation of Net Financial Assets</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Net Financial Assets	73,143	1,020,430
Add - Reinsurance and other recoveries receivable	2,612	3,280
- Reinsurance assets	645,212	-
- Prepayments	54,621	-
- Property, plant and equipment	-	16
Less - Premiums held for other entities	(15,089)	(15,089)
- Reinsurance and other recoveries payable	(2,612)	-
- Outstanding claims	(699,904)	(852,997)
- Deferred revenue	(32,105)	-
- Provisions	(4,452)	(11,398)
<b>Net Assets</b>	<b>21,426</b>	<b>144,242</b>

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**18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(5) Credit Risk**

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

**Recognised Financial Instruments**

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

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

<b>30 June 2019</b>	<b>A1+</b>	<b>A1</b>					
<b>Short Term</b>	<b>Allocation %</b>						
Cash	89.5	10.5					
Cash & Deposits	100	-					
	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>Below BBB</b>	<b>Not Rated</b>	
<b>Long Term</b>	<b>Allocation %</b>						
Fixed interest	80.4	19.5	0	0.10	-	-	
Diversified strategies income	36.3	27.8	26.1	9.8	-	-	
<b>30 June 2018</b>	<b>A1+</b>	<b>A1</b>					
<b>Short Term</b>	<b>Allocation %</b>						
Cash	90.0	10.0					
Cash & Deposits	100	-					
	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>Below BBB</b>	<b>Not Rated</b>	
<b>Long Term</b>	<b>Allocation %</b>						
Fixed interest	70.7	29.2	0.1	-	-	-	
Diversified strategies income	20.8	27.8	27.2	18.0	5.2	1.0	

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

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

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

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**FOR THE YEAR ENDED 30 JUNE 2019**

**18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(6) 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.

Funds SA manage the risk of financial market volatility through the adherence to two principles:

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

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

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

**19 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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
	Prior	Prior	Prior	Prior
	Years	Years	Years	Years
Gross claims incurred and related expenses				
- undiscounted	(29,261)	(147,861)	(29,261)	(147,861)
Reinsurance and other recoveries				
- undiscounted	(31,231)	504	(31,231)	504
<b>Net claims incurred</b>				
- <b>undiscounted</b>	<b>(60,492)</b>	<b>(147,357)</b>	<b>(60,492)</b>	<b>(147,357)</b>
Discount and discount movement				
- gross claims incurred	40,747	19,362	40,747	19,362
Discount and discount movement				
- reinsurance and other recoveries	19,834	(111)	19,834	(111)
<b>Net discount movement</b>	<b>60,581</b>	<b>19,251</b>	<b>60,581</b>	<b>19,251</b>
<b>Net claims incurred</b>	<b>89</b>	<b>(128,106)</b>	<b>89</b>	<b>(128,106)</b>

**MOTOR ACCIDENT COMMISSION  
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20	RETURN OF CAPITAL	MAC Fund		Consolidated	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
	Return of capital	142,700	359,400	142,700	359,400

During 2018-19, MAC made a payment of \$142.7 million to the State Government's Highways Fund, an account maintained by the Department of Planning, Transport and Infrastructure in accordance with the *Public Finance and Audit Act 1987*. The payment was a return of net surplus capital as required by the Treasurer pursuant to section 26(2) of the *Motor Accident Commission Act 1992*.

**21 COMMITMENTS**

**Operational expenditure commitments**

*Road Safety and Sponsorship expenditure*

Committed but not provided for and payable:

Not later than one year	-	-	-	2,663
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The amounts indicated above are contract amounts and do not allow for CPI adjustments.

*Management agreements*

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund expired on 30 June 2019. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an Incentive Fee arrangement. AAL is part of Allianz AG.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**22 AUDITORS' REMUNERATION**

	MAC Fund		Consolidated	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA	91	89	101	99

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 and road safety (refer to note 7).

**23 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.

**1) Reconciliation of cash**

Cash	1,653	5,289	6,237	8,157
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**2) Reconciliation of net cash inflows/(outflows) from operating activities**

Total comprehensive result	18,530	142,714	19,884	143,041
Add/(less) non-cash items:				
- Depreciation	-	-	16	405
- (Profit) Loss on sale and revaluation to market value of investments	(20,624)	(46,448)	(20,624)	(46,448)
Increase in taxes payable and provisions	-	-	-	(27)
<b>Net cash inflows/(outflows) from operating activities before changes in assets and liabilities</b>	<b>(2,094)</b>	<b>96,266</b>	<b>(724)</b>	<b>96,971</b>
Change in assets and liabilities				
- (Inc)/dec in other financial assets	758,000	598,073	758,001	598,073
- (Inc)/dec in reinsurance assets	(645,212)	-	(645,212)	-
- (Inc)/dec in prepayments	(54,621)	-	(54,621)	-
- (Inc)/dec in receivables	(433)	70	(346)	20
- Inc/(dec) in payables and provisions	(5,947)	(2,469)	(5,693)	(3,300)
- Inc/(dec) in outstanding claims	(153,097)	(342,777)	(153,093)	(342,774)
- Inc/(dec) in other liabilities	242,468	-	242,468	-
<b>Net cash (outflows)/inflows from operating activities</b>	<b>139,064</b>	<b>349,163</b>	<b>140,780</b>	<b>348,990</b>

**MOTOR ACCIDENT COMMISSION  
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**24 SUFFICIENT LEVEL OF SOLVENCY**

Section 13A of the *Motor Accident Commission Act 1992* states that the MAC 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 MAC Fund will have a Sufficient level of Solvency if its assets exceed the sum of the Fund's liabilities.

As at 30 June 2019, the Sufficient Solvency target was \$964.6 million (2018: \$881.2 million) which compares to the Fund's assets of \$983.2 million (2018: \$1,023.9 million) and this equates to 101.9% (2018: 116.2%) of the required level of Sufficient Solvency.

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

The Sufficient Solvency Target has created a prudential reserve for MAC which has allowed it to remain in a strong net asset position (\$18.6 million). The Sufficient Solvency Target has therefore fulfilled its role of underpinning the viability of the MAC Fund.

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

- The Fund reports positive net assets as at 30 June 2019;
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due;
- The Fund's investment strategy is designed to assist in maintaining Sufficient Solvency; and
- MAC is supported by a Government guarantee pursuant to sub-section 21(1) of the *Motor Accident Commission Act 1992*.

**25 CONTINGENT ASSETS AND LIABILITIES**

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

**MOTOR ACCIDENT COMMISSION  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2019**

**26 CONSULTANTS**

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

	MAC			
	2019 Number	\$'000	2018 Number	\$'000
Below \$10,000	4	14	5	19
Above \$10,000	14	2,008	13	2,992
<b>Total paid/payable to the consultants engaged</b>	<b>18</b>	<b>2,022</b>	<b>18</b>	<b>3,011</b>

**27 DIRECTORS' REMUNERATION**

The names of each person holding the position of director of MAC during the financial year were. All ceased being Directors from 1 July 2019.

J Brennan	G McCarthy
W M Griggs	S M Rapo
R A Korotcoff	G Stevens
M Lydon	

	2019 \$'000	2018 \$'000
The total remuneration received or receivable by members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.	300	322

The number of directors of MAC whose remuneration received or receivable from the Commission falls within the following bands:

	2019 Number	2018 Number
\$0 - \$19,999	1	3
\$20,000 - \$39,999	2	3
\$40,000 - \$59,999	3	3
\$60,000 - \$89,999	1	1
<b>Total</b>	<b>7</b>	<b>10</b>

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

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**28 REMUNERATION OF EMPLOYEES**

	2019	2018
	\$'000	\$'000
Salaries and Wages	3,136	3,541
Skills and experience retention leave	1	(12)
Retention & Termination	528	-
Employment on-costs - superannuation	338	336
Board and committee fees	292	322
Employment on-costs - other	212	202
Annual Leave	(51)	15
Long Service Leave	(282)	30
<b>Total</b>	<b>4,174</b>	<b>4,434</b>

The number of employees whose remuneration received or receivable falls within the following bands:

	Number	Number
\$151,001 - \$171,000	-	1
\$191,001 - \$211,000	-	1
\$331,001 - \$351,000**	1	-
\$351,001 - \$371,000	-	1
\$371,001 - \$391,000**	1	-
\$391,001 - \$411,000**	1	-
<b>Total</b>	<b>3</b>	<b>3</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits.

\*\* This includes payments on termination.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**29 RELATED PARTIES**

**Key Management Personnel**

The Key management personnel of MAC include the Ministers, the governing board members and senior management (including the Chief Executive Officer) who have responsibility for the strategic direction and management of MAC. The compensation detailed below excludes salaries and other benefits the Minister for Police and Treasurer receives, the Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

<b>Compensation</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and other short-term employee benefits	823	1,091
Post-employment benefits	78	92
Other Long-term employee benefits	69	75
Retention & termination	145	-
<b>Total</b>	<b>1,115</b>	<b>1,258</b>

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

**Transactions with other government entities**

There were no significant transactions with government entities which have not been adequately disclosed elsewhere in the financial statements.

**MOTOR ACCIDENT COMMISSION  
CERTIFICATION OF THE FINANCIAL STATEMENTS**

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

- comply with relevant Treasurer's Instructions;
- comply with relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Commission; and
- present a true and fair view of the financial position of the Commission as at 30 June 2019 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.



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Timothy P Burfield  
Chair



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Craig L Fowler  
Director Finance, SAFA

Adelaide

Dated: 16 September 2019