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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 2025.

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 2025, its financial performance and its 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 2025
- a Statement of Financial Position as at 30 June 2025
- a Statement of Cash Flows for the year ended 30 June 2025
- a Statement of Changes in Equity for the year ended 30 June 2025
- notes, comprising material accounting policy information 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 of Directors 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 the Motor Accident Commission for the financial year ended 30 June 2025.

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 Blaskett
Auditor-General

Sep 24, 2025

Motor Accident Commission

Financial Statements for the year ended 30 June 2025

**MOTOR ACCIDENT COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2025**

| | Note | 2025 \$'000 | 2024 \$'000 |
|---|------|----------------|----------------|
| Investment revenue and expense | 5 | 482 | 2,516 |
| Investment management fee | | - | (375) |
| Gain on reinsurance | | 1,880 | 2,011 |
| Total revenue | | 2,362 | 4,152 |
| Management expenses | | (301) | (286) |
| Total expenses | | (301) | (286) |
| Net result before market value movements | | 2,061 | 3,866 |
| Investment market value movements | 5 | - | (433) |
| Net result | | 2,061 | 3,433 |
| Total comprehensive result | | 2,061 | 3,433 |

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 2025**

| | Note | 2025 \$'000 | 2024 \$'000 |
|---|------|----------------|----------------|
| Current Assets | | | |
| Cash and cash equivalents | 14 | 8,145 | 11,322 |
| Receivables | 6 | 27 | 67 |
| Reinsurance and other recoveries receivable | 7 | 309 | 207 |
| Reinsurance asset | | 15,833 | 34,658 |
| Prepayments | | 1,320 | 2,928 |
| Total Current Assets | | 25,634 | 49,182 |
| Non-Current Assets | | | |
| Reinsurance and other recoveries receivable | 7 | 1,539 | 697 |
| Reinsurance asset | | 78,564 | 96,837 |
| Prepayments | | 6,547 | 8,172 |
| Total Non-Current Assets | | 86,650 | 105,706 |
| Total Assets | | 112,284 | 154,888 |
| Current Liabilities | | | |
| Payables | | 190 | 156 |
| Outstanding claims | 8 | 17,153 | 37,586 |
| Deferred revenue | | 834 | 1,719 |
| Reinsurance and other recoveries payable | 7 | 309 | 207 |
| Total Current Liabilities | | 18,486 | 39,668 |
| Non-Current Liabilities | | | |
| Outstanding claims | 8 | 85,111 | 105,009 |
| Deferred revenue | | 5,086 | 6,081 |
| Reinsurance and other recoveries payable | 7 | 1,539 | 697 |
| Total Non-Current Liabilities | | 91,736 | 111,787 |
| Total Liabilities | | 110,222 | 151,455 |
| Net Assets | | 2,062 | 3,433 |
| Equity | | | |
| Retained earnings | | 2,062 | 3,433 |
| Total Equity | | 2,062 | 3,433 |

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 2025**

| | Note | 2025 \$'000 | 2024 \$'000 |
|--|----------|----------------|------------------|
| Cash Flows from Operating Activities | | | |
| Reinsurance premium paid to NICO | | - | (100,000) |
| Reinsurance premium interest paid to NICO | | - | (12,060) |
| Withholding tax payment to the ATO | | - | (1,335) |
| Other cash payments in the course of operations | | (289) | (349) |
| Interest and other investment income | | 521 | 2,114 |
| GST refunded from the ATO | | 23 | 21 |
| Net Cash inflows / (outflows) from Operating Activities | 14 | 255 | (111,609) |
| Cash Flows from Investing Activities | | | |
| Funds received from redemption of investments | | - | 99,836 |
| Net Cash inflows from Investing Activities | | - | 99,836 |
| Cash Flows from Financing Activities | | | |
| Return of capital | | (3,432) | (7,560) |
| Net Cash outflows from Financing Activities | | (3,432) | (7,560) |
| Net change in cash held | | (3,177) | (19,333) |
| Cash at the beginning of the year | | 11,322 | 30,655 |
| Cash at the end of the year | 2(k), 14 | 8,145 | 11,322 |

The accompanying notes form part of these financial statements.

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025**

| | Note | <u>\$'000</u> |
|---|------|---------------|
| Balance at 30 June 2023 | | 7,560 |
| Total comprehensive result from 2023-24 | | 3,433 |
| Return of capital for 2023-24 | 12 | (7,560) |
| Balance at 30 June 2024 | | 3,433 |
| Total comprehensive result from 2024-25 | | 2,061 |
| Return of capital for 2024-25 | 12 | (3,432) |
| Balance at 30 June 2025 | | <u>2,062</u> |

The accompanying notes form part of these financial statements. The net result and total comprehensive result is 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 2025

1 ACTIVITIES OF THE MOTOR ACCIDENT COMMISSION

During the year ended 30 June 2025, 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. Legacy road safety funds were transferred to the Department for Infrastructure and Transport in 2022-23.

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*.
- c. Relevant Australian Accounting Standards.

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 is prepared 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.

(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 2025

2 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 financial statements 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.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Reinsurance Assets

Reinsurance assets represent balances due from NICO. Amounts recoverable are estimated in a manner consistent with the outstanding claims provision or settled 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 Comprehensive Income. Ceded reinsurance arrangements do not relieve Motor Accident Commission from its obligations to settle outstanding claims.

(h) 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.

(i) 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 15 days from the date of the invoice or the date the invoice is received.

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

(j) Cash

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

(k) 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 2025

3 CHANGES IN ACCOUNTING POLICIES

The Commission has not adopted any new accounting standards or amendments to standards, applicable to annual reporting periods commencing on or after 1 January 2024.

The following accounting standard has been issued but is not yet effective. The standard has not been early adopted by the Commission and the Commission continues to assess the potential impact.

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.

In December 2022 the AASB published AASB 2022-9: *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*. This states that AASB 17 for public sector entities applies to annual reporting periods beginning on or after 1 July 2026. The Commission expects to apply AASB 17 in 2026-27.

During the financial year ended 30 June 2025, MAC engaged consultants to perform a review of the application of AASB 17’s requirements to MAC and to propose an implementation plan. This review identified that there are a range of accounting policy and methodology papers to be developed, as well as presentation and disclosure changes to be implemented. MAC’s AASB 17 implementation plan is based on preparatory work being undertaken during the financial year ended 30 June 2026, in readiness for the 1 July 2026 commencement date.

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

4 Expenditure - SA Business and Non-SA Business

The following table includes all expenditure in relation to contracts above \$55,000 (GST inclusive) resulting from a procurement as defined in Treasurer’s Instructions 18 - Procurement. Arrangements between public authorities and arrangements with other governments are not included.

Expenditure is inclusive of non-recoverable GST.

Charges

| | 2025 Proportion SA and non-SA businesses | |
|--|---|---------------|
| | \$’000 | |
| Total expenditure with South Australian businesses | 6 | 5.9% |
| Total expenditure with non-South Australian businesses | 96 | 94.1% |
| Total Expenditure | 102 | 100.0% |

Classification as SA business or non-SA business is generally based on circumstances as at the time of entering into a contract. For contracts entered into before 20 February 2023, where sufficient evidence of an assessment made under previous procurement requirements is known to the Commission, this was used to determine classification. For contracts where such evidence of prior assessment is not available and for all other contracts, classification is based on the definition of an SA business provided in TI 18.

TI 18 defines a business as being South Australian where it operates in South Australia and more than 50% of the workforce delivering the contract resulting from the procurement on behalf of the business are South Australian residents.

The disclosure for expenditure with SA businesses reflects the total spent on contracts within the TI 18 definition and in some instances includes the cost of goods sourced from outside South Australia.

In many cases, the determination has been made on the basis of representations made by suppliers at a point in time which has not been subject to independent verification.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

| | | |
|--|---------------|---------------|
| 5 INVESTMENTS | 2025 | 2024 |
| | \$'000 | \$'000 |
| Investment revenue and expense | | |
| Fund distribution | - | 412 |
| Interest received | 482 | 2,104 |
| Total Investment revenue and expense | 482 | 2,516 |
| Investment market value movements | | |
| Credit Securities | - | 952 |
| Equities | - | (76) |
| Other | - | (1,309) |
| Total Investment market value movements | - | (433) |
| Total Investments | 482 | 2,083 |
| 6 RECEIVABLES | | |
| Current | | |
| GST Receivable | - | 2 |
| Accrued Interest | 27 | 65 |
| Total Current Receivables | 27 | 67 |
| 7 REINSURANCE AND OTHER RECOVERIES RECEIVABLE | | |
| Expected future recoveries (undiscounted) | 2,207 | 1,034 |
| Discount to present value | (359) | (130) |
| Reinsurance and other recoveries receivable | 1,848 | 904 |
| Reinsurance and other recoveries receivable | | |
| - Current | 309 | 207 |
| - Non-current | 1,539 | 697 |
| Total Reinsurance and other recoveries receivable | 1,848 | 904 |

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

| 8 OUTSTANDING CLAIMS | 2025 | 2024 |
|---|----------------|----------------|
| (a) Expected future claims payments (undiscounted) | 98,617 | 139,830 |
| Risk margin applied (undiscounted) | 25,067 | 33,170 |
| Discount to present value - central estimate | (17,074) | (24,564) |
| Discount to present value - risk margin applied | (4,346) | (5,841) |
| Liability for outstanding claims | 102,264 | 142,595 |
| Current | 17,153 | 37,586 |
| Non-current | 85,111 | 105,009 |
| Liability for outstanding claims | 102,264 | 142,595 |
| 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 | 61,860 | 85,611 |
| New Scheme | 40,404 | 56,984 |
| Liability for outstanding claims | 102,264 | 142,595 |
| (b) The following average inflation rates (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims: | | |
| For the succeeding year | | |
| - Inflation rate | 5.45% | 5.45% |
| - Discount rate | 3.90% | 4.20% |
| For subsequent years | | |
| - Inflation rate | 5.45% | 5.45% |
| - Discount rate | 3.90% | 4.20% |
| (c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be: | 4.7 years | 4.3 years |

MOTOR ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

8 OUTSTANDING CLAIMS (CONTINUED)

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 2025 has been reviewed by the Fund Actuary, Daniel Smith, 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 26% (2024:24%) 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:

- a. 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.
- b. 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.
- 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% | 2.3 | 2,316 |
| For accidents after 30 June 2013: | | |
| - Cost of attritional claims deteriorates by 5% per half year over the next two years | 3.5 | 3,487 |
| - Average size of Above Cap claims increased by 15% | 8.3 | 8,320 |
| - Above Cap case estimate deteriorates by 5% per half year over the next two years | 6.1 | 6,153 |
| - Discount rate increased from 3.9% to 4.4% p.a. | (2.2) | (2,212) |
| - Discount rate increased from 3.9% to 3.4% p.a. | 2.3 | 2,308 |
| - Superimposed inflation rate increased from 2.0% to 3.0% p.a. | 1.0 | 1,051 |
| - Superimposed inflation rate decreased from 2.0% to 1.0% p.a. | (1.0) | (995) |

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

8 OUTSTANDING CLAIMS (CONTINUED)

Claims Development

| Net ultimate claims cost estimate | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2025 | Total |
|--|-----------|---------|--------|--------|--------|--------|-----------|---------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At end of accident year | 330,164 | - | - | - | - | - | - | - |
| One year later | 304,856 | - | - | - | - | - | - | - |
| Two years later | 284,835 | - | - | - | - | - | - | - |
| Three years later | 270,931 | - | - | - | - | - | - | - |
| Four years later | 279,015 | 8,846 | - | - | - | - | - | - |
| Five years later | 271,036 | 9,141 | - | - | - | - | - | - |
| Six years later | 266,106 | 9,333 | - | - | - | - | - | - |
| Seven years later | 259,491 | 9,488 | - | - | - | - | - | - |
| Eight years later | 270,566 | 6,665 | - | - | - | - | - | - |
| Nine years later | 252,123 | - | - | - | - | - | - | - |
| Current est. of net ultimate claims cost | 252,123 | 6,665 | - | - | - | - | - | - |
| Cumulative payments | (236,567) | (6,665) | - | - | - | - | - | - |
| Net undiscounted claims liability for the ten most recent accident years | 15,556 | - | - | - | - | - | - | 15,556 |
| Discount to present value | (2,794) | - | - | - | - | - | - | (2,794) |
| Net discounted claims liability for the ten most recent accident years | 12,762 | - | - | - | - | - | - | 12,762 |

Reconciliation

| | |
|--|----------------|
| Net discounted claims liability for years 2014/15 and prior | 60,690 |
| Claims handling expenses | 6,243 |
| Risk margin (inclusive of risk margin on claims handling expenses) | 20,721 |
| Net outstanding claims liability, gross of reinsurance | 100,416 |
| Net outstanding claims liability, net of reinsurance | 7,867 |
| Gross outstanding claims liability on the Statements of Financial Position | 102,264 |
| Other recoveries on outstanding claims liability | (1,848) |
| Reinsurance on outstanding claims liability | (92,549) |
| Net outstanding claims liability, net of reinsurance | 7,867 |

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 year \$'000 | 2 - 4 years \$'000 | 5 - 9 years \$'000 | 10 - 14 years \$'000 | 15 - 19 years \$'000 | 20 - 24 years \$'000 | Total \$'000 |
|-------------------------------------|---------------------------|--------------------------|--------------------------|----------------------------|----------------------------|----------------------------|-----------------|
| Liabilities (including Risk Margin) | 16,844 | 34,603 | 36,787 | 8,926 | 2,557 | 699 | 100,416 |

9 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 2025

9 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 that 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.

10 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.

(b) Currency Risk

As at 30 June 2025 Motor Accident Commission does not directly hold any international equities and was not exposed to any foreign exchange risk.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

10 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

(c) 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. All investments were redeemed in period ended 30 June 2024.

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:

| | Floating interest rate \$'000 | Non- interest bearing \$'000 | Total carrying amount \$'000 |
|------------------------------------|--|---------------------------------------|---------------------------------------|
| 30 June 2025 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 8,145 | - | 8,145 |
| Receivables | - | 27 | 27 |
| Total financial assets | 8,145 | 27 | 8,172 |
| Financial Liabilities | | | |
| Payables | - | 190 | 190 |
| Total financial liabilities | - | 190 | 190 |
| Net financial assets | 8,145 | (163) | 7,982 |

| | Floating interest rate \$'000 | Non- interest bearing \$'000 | Total carrying amount \$'000 |
|------------------------------------|--|---------------------------------------|---------------------------------------|
| 30 June 2024 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 11,322 | - | 11,322 |
| Receivables | - | 67 | 67 |
| Total financial assets | 11,322 | 67 | 11,389 |
| Financial Liabilities | | | |
| Payables | - | 156 | 156 |
| Total financial liabilities | - | 156 | 156 |
| Net financial assets | 11,322 | (89) | 11,233 |

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

10 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

Reconciliation of Net Financial Assets

| | 2025 \$'000 | 2024 \$'000 |
|---|----------------|----------------|
| Net Financial Assets | 7,982 | 11,233 |
| Add - Reinsurance and other recoveries receivable | 1,848 | 904 |
| - Reinsurance assets | 94,397 | 131,495 |
| - Prepayments | 7,867 | 11,100 |
| Less - Reinsurance and other recoveries payable | (1,848) | (904) |
| - Outstanding claims | (102,264) | (142,595) |
| - Deferred revenue | (5,920) | (7,800) |
| Net Assets | 2,062 | 3,433 |

(d) 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.

All investments were redeemed in period ended 30 June 2024.

(e) 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.

All investments were redeemed in period ended 30 June 2024.

(f) 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. All investments were redeemed in period ended 30 June 2024.

11 NET CLAIMS INCURRED

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

| | 2025 \$'000 | 2024 \$'000 |
|---|----------------|----------------|
| Gross claims incurred and related expenses - undiscounted | (18,054) | (43,894) |
| Reinsurance and other recoveries - undiscounted | 14,098 | 37,808 |
| Net claims Incurred - undiscounted | (3,956) | (6,086) |
| Discount and discount movement - gross claims incurred | 8,984 | 12,107 |
| Discount and discount movement - reinsurance and other | (8,262) | (11,162) |
| Net discount movement | 722 | 945 |
| Net claims Incurred | (3,234) | (5,141) |

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.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

12 RETURN OF CAPITAL

| | 2025 | 2024 |
|-------------------|--------|--------|
| | \$'000 | \$'000 |
| Return of capital | 3,432 | 7,560 |

During 2024-25, Motor Accident Commission made a payment of \$3.43 million to the Treasurer's Consolidated Account (2024: \$7.56 million). 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*.

13 AUDITORS' REMUNERATION

Audit fees paid/payable to the Audit Office of South Australia relating to work performed under the *Public Finance and Audit Act 1987*

| | |
|----|----|
| 39 | 37 |
|----|----|

No other services were provided by the Audit Office of South Australia.

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

14 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 and cash equivalents disclosed in the Statement of Financial Position | 8,145 | 11,322 |
| Balance as per the Statement of Cash Flows | 8,145 | 11,322 |

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

| | | |
|--|-------|-------|
| Total comprehensive result | 2,061 | 3,433 |
| Add/(less) non-cash items: | | |
| - Revaluation of investments to market value | - | 433 |

Net cash inflows/(outflows) from operating activities before changes in assets and liabilities

| | |
|-------|-------|
| 2,061 | 3,866 |
|-------|-------|

Change in assets and liabilities

| | | |
|---------------------------------------|----------|-----------|
| - (Inc)/dec in other financial assets | - | (1,467) |
| - (Inc)/dec in reinsurance assets | 37,098 | 60,782 |
| - (Inc)/dec in prepayments | 3,233 | 5,142 |
| - (Inc)/dec in receivables | (904) | 298 |
| - Inc/(dec) in payables | 34 | (36) |
| - Inc/(dec) in outstanding claims | (40,331) | (65,923) |
| - Inc/(dec) in other liabilities | (936) | (114,271) |

Net Change in assets and liabilities

| | |
|---------|-----------|
| (1,806) | (115,475) |
|---------|-----------|

Net cash inflows / (outflows) from operating activities

| | |
|-----|-----------|
| 255 | (111,609) |
|-----|-----------|

MOTOR ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

15 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 2025, the Sufficient solvency target was \$110.2 million (2024 \$151.5 million) which compares to the Fund's assets of \$112.3 million (2024 \$154.9 million) and this equates to 101.87% (2024: 102.27%) 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.

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*.

16 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 financial statements.

17 CONSULTANTS

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

| | 2025 | | 2024 | |
|--|----------|-----------|----------|-----------|
| | Number | \$'000 | Number | \$'000 |
| Below \$10,000 | - | - | - | - |
| Above \$10,000 | 1 | 96 | 2 | 99 |
| Total paid/payable to the consultants engaged | 1 | 96 | 2 | 99 |

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

18 DIRECTORS' REMUNERATION

The names of each person holding the position of director of Motor Accident Commission during the financial year were:

| | |
|--------------|----------|
| Ms S Pitcher | Chair |
| Mr A Coates | Director |
| Ms C Uncle | Director |

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.

19 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 arm's length basis.

Transactions with other government entities

Effective 1 July 2019, South Australian Government Finance Authority 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.

20 EVENTS AFTER THE END OF THE REPORTING PERIOD

Effective from 1 July 2025, NICO will be transferring the management of the remaining 200 claims in the MAC back-book to its defendant legal firm, Jones Harley Toole (JHT).

**MOTOR ACCIDENT COMMISSION
CERTIFICATION OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

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

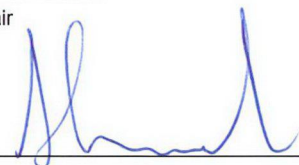
- a. Comply with relevant Treasurer's Instructions;
- b. Comply with relevant Australian Accounting Standards; and
- c. Are in accordance with the accounts and records of the Commission;
- d. Present a true and fair view of the financial position of the Commission as at 30 June 2025 and the results of 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.



Sandra Pitcher
Chair



Alexander Kromwyk
Chief Financial Officer, SAFA

Adelaide

Dated: 22 September 2025