

The Motor Accidents Authority of NSW

Annual Report 2004-05



**MOTOR ACCIDENTS
AUTHORITY**

The MAA 2004-2005 Annual Report has been prepared in accordance with the relevant legislation for
the Hon John Della Bosca, MLC, Minister for Commerce

NSW Government publication

MAA © October 2005

ISSN 1034-6694

Motor Accidents Authority of NSW

Level 22, 580 George Street, Sydney, 2000 Australia

Phone: 1300 137 131 Fax: 1300 137 707 TTY: 8268 1450

Copies are available at www.maa.nsw.gov.au or by phoning 1300 137 131

The Hon John Della Bosca MLC
Special Minister of State
Minister for Commerce
Minister for Industrial Relations
Minister for Ageing
Minister for Disability Services
Assistant Treasurer
Vice President of the Executive Council

Parliament House, Macquarie Street
Sydney NSW 2000

October 2005

Dear Minister

We are pleased to submit the 16th Motor Accidents Authority of NSW Annual Report for presentation to the NSW Parliament.

It has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, the *Motor Accidents Compensation Act 1999* and relevant regulations.



Richard Grellman
Chairman, Board of Directors



David Bowen
General Manager

Contents

The MAA	7
MAA structure	8
MAA Board	9
Motor Accidents Council	10
Being an effective regulator	11
Promoting appropriate treatment for injured persons	15
Providing medical and claim assessments in disputed cases	19
Providing advice to the Minister, Board, Council, Parliamentary Committee and stakeholders	25
Supporting injury prevention initiatives	27
Providing services as the Nominal Defendant	31
Corporate Plan 2003-2006	33
Financial statements	37
Appendices	63
Scheme Performance Report	75
Index	96

Message from the Chairman and General Manager

The motor accidents scheme continues to work well, providing benefits to both consumers and claimants.

The 1999 reforms continue to deliver faster access to medical treatment for claimants. The Accident Notification Form has been an unqualified success in allowing much faster access to treatment and has been backed up by continued improvement in the CTP insurers' management of the treatment and medical needs of claimants. The MAA – through its audit of the Claims Handling Guidelines and the Treatment, Rehabilitation and Attendant Care Guidelines – has noted significant improvement by insurers over the last few years in meeting their obligations to claimants medical and care needs. The challenge over the next year is to move from this base to develop 'best practice' standards for the industry.

The MAA has for a number of years been concerned with making health outcomes for claimants a success measure and reporting criteria for the scheme and this year the Annual Report has included information on health outcomes in the scheme performance report. The success of the Whiplash Treatment Guidelines in improving health outcomes for claimants with Whiplash Associated Disorder is one of the most pleasing results that the scheme has delivered. Far from overriding clinical judgment by the health practitioners these guidelines have been developed by the experts in the area and have been well received by both health practitioners and consumers alike. This is a good pointer for the development of other appropriate treatment guidelines to build on those already in place.

The scheme also continues to deliver through earlier resolution of claims. It has been particularly pleasing to note a significant improvement in the time for disposition of MAAS matters reflecting the huge effort made by staff of the Motor Accidents Assessment Service (MAAS) working with the assessors. We are satisfied that the MAA has been able to attract the very best medical and legal practitioners to undertake the assessments and we are very appreciative of the commitment and the energy that the assessors have given to MAAS. The collegiate 'ownership' of the services by the assessors and their contribution to developing and improving the practices and procedures of MAS and CARS will ensure the continued success of MAAS.

Dealing with serious and catastrophic injuries remain a priority for the scheme from prevention through treatment and when necessary life long care. While it is pleasing to see that support for and payments to the most seriously injured have continued to increase, this year the MAA, at the request of the Minister, undertook the development of a proposal to extend and enhance the scheme by providing no fault medical and care benefits to all people catastrophically injured in a motor vehicle accident.

On 21 June 2005 the then Premier of NSW, Bob Carr, and the Minister for Commerce, John Della Bosca, released the *Lifetime care and support plan for people with catastrophic injuries from a motor vehicle accident*. The MAA has subsequently undertaken an extensive consultation on the proposal, the result of which has been provided to the Minister.

The MAA continues to fund rehabilitation programs. As of June 2005 the MAA had committed funding of approximately \$9 million for rehabilitation projects over the next three years. In the past reporting period, rehabilitation funding has focussed on catastrophic injury such as spinal cord and brain injuries. The MAA developed new protocols for reporting on the care and support needs of adults and children with a traumatic brain injury within the CTP scheme. The protocols – which will be trialled for 12 months – focus on providing a standard and consistent reporting format for care and approval requests.

For motorists greenslip prices have fallen again over the last twelve months and are now at the most affordable level for over a decade. The market remains competitive and with the CTP insurers using different risk rating factors it pays for motorists to compare prices. The MAA has delivered this message through a sustained advertising campaign urging motorists to "shop around for your greenslip" by using the MAA Greenslip Helpline or website to get the best price. In the last year over 530,000 motorists made use of these services.

The MAA is satisfied that the CTP insurance market remains stable and competitive. This year the MAA has undertaken a wider review of insurer profit which will be provided to the Standing Committee on Law and Justice as part of its annual review of the motor accidents scheme. We note that this report shows that the profit level being achieved by the CTP insurers is well in excess of those predicted in the premium filings, primarily as a result of the CTP insurers being slow to pass on reductions in risk premiums. The MAA has a responsibility to ensure that the licenced insurers are able to make a reasonable return on the capital that they have invested in this market, which in turn will provide a competitive and risk weighted market for the benefit of NSW motorists. However the MAA also has a responsibility to ensure that those profits are not excessive and while generally competition in the market place will ensure the proper balance is met we would foreshadow that this is an area that the MAA will continue to monitor closely and intervene if necessary.

The drop in prices is a product of a declining risk premium, partly attributable to scheme reforms and partly to long term reduction in the accident frequency. The reasons for this reduction are not well identified and it is a change seen all around Australia. The MAA is working with other jurisdictions through the Heads of CTP Committee to get a better understanding of this. While there may be some seasonal factors at work (eg the drought) it would seem to be a product of:

- safer vehicles as the major vehicle safety changes introduced from the early 1990s find their way through the fleet of NSW registered vehicles
- safer roads, through increased divided roads and 50km urban zones; and
- safer drivers as long term road education strategies have effect.

However, in all of these areas there remains room for improvement and the MAA remains committed to a vigorous road safety agenda. As of June 2005 the MAA had committed funding of \$6.4 million for road safety projects over the next three years.

The organisation continued to enlist the talents of young people through its Arrive alive youth road safety program. This year we offered 19 grants of up to \$10,000 to groups of young people aged between 16-25. The Arrive alive grants empower young people to take responsibility for road safety issues in their local community, particularly those that affect their peers.

The MAA expanded its sponsorship of South Sydney Rabbitohs to include Wests Tigers and St George Illawarra Dragons, and continued its sponsorship of Soccer NSW and Netball NSW female players. As part of the sponsorship agreements sports stars deliver road safety presentations to young people. These powerful presentations continue to have a positive impact in promoting road safety among young people.

We would like to thank the very many people who contribute to the good governance of this scheme. Officers of the MAA have many formal and informal channels to consider the operation of the scheme and discuss it with informed participants from legal, medical and other health professions, the insurance industry, and representatives of injured people and disability groups, all of whom contribute ideas that enable well informed decisions to be made.

We thank our Minister, the Hon. John Della Bosca, MLC and his staff who set the tone by encouraging open and accountable management and wide consultation. The terms of the MAA Board expired in October 2005 and we thank all of the Board members who have contributed to the good governance of the scheme during their appointment. The term of the MAA Council also expired in October and as we await the further appointments we also thank the members of the Council for their continued support and advice. And finally, but not least, we thank the MAA staff for their hard work and dedication throughout the year.

Richard Grellman
David Bowen

The Motor Accidents Authority of NSW

What is the MAA?

The Motor Accidents Authority (MAA) is a statutory corporation that monitors and supervises the compulsory third party (CTP) scheme for motor vehicles registered in New South Wales. It was established by the NSW Parliament under the *Motor Accidents Act 1988* on 10 March 1989.

The MAA is funded by a levy on third party premiums (greenslips). The scheme was amended by the *Motor Accidents Compensation Act 1999* (the Act).

What does the MAA do?

The MAA is constituted by Section 198 of the Act and certain functions are set out in Section 206 of the Act, including:

- monitoring the operation of the CTP scheme
- collecting and analysing scheme statistics
- publishing and disseminating scheme information
- providing funding for the reduction of trauma as a result of motor accidents
- issuing certain guidelines
- advising the Minister on scheme efficiency and effectiveness
- providing support and advice to the Motor Accidents Council
- performing specific functions to support the provision of acute care, treatment, rehabilitation, long-term support and other services for persons injured in motor accidents.

Our vision

is to lead and support a CTP scheme that minimises the impact of motor vehicle accidents.

Our role

is to have a CTP insurance and compensation scheme that is affordable, fair and accessible by the Authority:

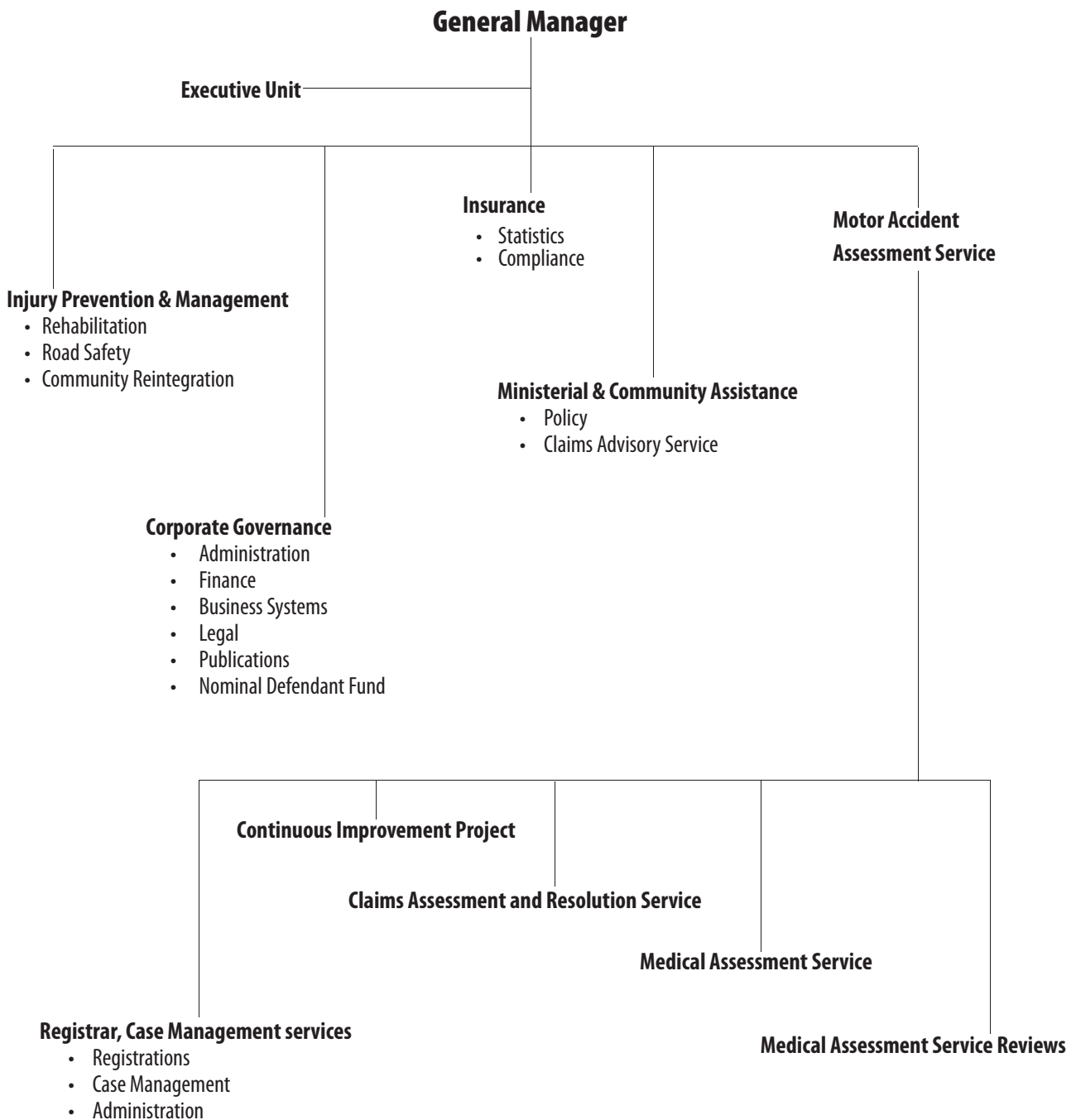
- being an effective regulator
- promoting appropriate treatment of injured persons
- providing medical and claims assessments in disputed cases
- providing advice to the Minister, Board, Council, Parliamentary Committee and stakeholders
- supporting injury prevention.

The MAA's role was revised in the 2004 revision of the Corporate Plan (which is on page 33).

Corporate governance

In March 2000, the MAA published its first Corporate Governance Statement after comprehensive consultation with staff, the Board and the Minister. The Corporate Governance Statement clarifies the roles and responsibilities of the Minister, Board of Directors, MAA Council and the Authority's management and the relationships between them. The revised Corporate Governance Statement is available at www.maa.nsw.gov.au

MAA structure



MAA Board

Richard Grellman FCA, Chairman

Richard Grellman is President and Chairman of the Board of Mission Australia, Chairman of Cryosite Limited and the Association of Surfing Professionals, a Non-Executive Director of AMP Limited, Atlas Group Holdings Limited and Trafalgar Corporate Limited.

Penny Le Couteur BSc (Hons), Deputy Chair

Penny Le Couteur is the Deputy Chair of the Motor Accidents Authority. She is also Chairman of Employers Mutual Limited, President of KU Children's Services, a member of the Interim Scheme Board for Home Warranty Insurance and a director of the Uniting Church Trust Association. She was formerly Managing Director of the Securities Institute of Australia.

Alan Hunt BA, LLM

Alan Hunt is a company director and corporate adviser and was the managing partner of a large legal firm for more than 10 years. His experience as a lawyer includes general, life and reinsurance matters. He is a director of Insurance Manufacturers of Australia.

Antoinette le Marchant BA (Hons), MA (Hons)

Antoinette le Marchant has extensive experience in third party and workers' compensation, as well as social justice issues. She is the CEO of a large, not-for-profit organisation and is also a member of a number of government bodies, including the Central Sydney Planning Committee. She is Chair of the NSW Government's Transport Authority and the NSW Government's Social Justice Reference Group.

Roger Wilkins

Roger Wilkins is Director-General of the NSW Cabinet Office, which provides the NSW Premier with independent policy advice, and the NSW Ministry for the Arts. He chairs a number of standing committees that coordinate government policy across all sectors as well as a number of national taskforces and committees dealing with public sector reform, including the Council of Australian Governments (COAG) Committee on Regulatory Reform.

David Bowen BA, Dip Law

Before his appointment as MAA General Manager in December 1998, Mr Bowen was with the Attorney General's Department for more than 10 years, as Assistant Director of Policy and Legislation and Director of Community Relations. He is a member of the Government Agency Road Safety Committee and the Road Safety Taskforce.

Board meetings attended

David Bowen	5	Penny Le Couteur	6
Richard Gellman	6	Antoinette le Marchant	6
Alan Hunt	6	Roger Wilkins	2

Motor Accidents Council

Dr Stephen Buckley is a consultant physician in rehabilitation medicine at the Royal North Shore Hospital and specialises in traumatic brain injury. He is involved in educational and professional rehabilitation issues and is Chairman of the Board of Censors of the Australasian Faculty of Rehabilitation Medicine, Royal Australasian College of Physicians and a surveyor with the Australian Medical Council.

Dr John Frith is a lecturer in environmental medicine at the University of New South Wales. He has more than 25 years experience in clinical and academic general practice and in community and environmental health. He is a member of the Royal Australian College of General Practitioners, and the NSW Children's Services Health and Safety Committee. He brings medical and health and safety perspectives to the Council.

Michael Griffiths has over 25 years in road safety with experience in on-scene in-depth crash studies and management of the RTA's crash test facility. He initiated the Australian New Car Assessment Program and the Child Restraint Evaluation Program. He chairs the National Panel on Bio-mechanics of Impact Injury, and also Standards Australia's Child Restraint Systems Committee. He is an active member of the international road safety community with frequent attendance at overseas conferences and meetings.

Dr Michael Henderson has had a long career in traffic safety research, policy and administration. A former Director of Traffic Safety at the RTA, he established the original Traffic Accident Research Unit in 1970. He is a Fellow of the Association for the Advancement of Automotive Medicine (AAAM), a Fellow of the Australian College of Road Safety and past Chair of the Australian Advisory Committee on Road Trauma (AACRT). He is a Board member of the SpineCareFoundation (a Division of Northcott) and consults on road trauma for government and non-government organisations.

Robyn Norman is the CTP Manager for QBE Insurance. She has worked across all third party schemes in New South Wales since the late 1980s, developing a detailed knowledge of accident compensation issues.

Douglas R Pearce is Group Executive, Personal Injury, Health and Commercial Insurance, NRMA. He has been with the NRMA for more than 20 years and has experience in all aspects of the financial and general management of insurance operations including insurance research, reinsurance, road and member services, CTP insurance and finance and accounting.

Felicity Purdy has worked in the disability field for more than 30 years. She is a former President of the National Industry Association for Disability Services, and sits on the boards of Carers NSW and the Nursing Research Centre for Adaptation in Health and Illness.

Andrew Stone is a barrister specialising in motor vehicle accident claims. He is a member of the Bar Association's Personal Injury Litigation Committee and is an editor of the Leslie and Britts Motor Vehicle Law looseleaf service. Andrew is a regular seminar speaker on the operation of the motor accident compensation scheme.

Penny Waters is a solicitor practising in Northern NSW, Councillor for the Law Society of NSW, Accredited Specialist and member of the Law Society Government Lawyers, Ethics and Disclosures committees. She is an experienced solicitor in the area of paediatric brain and spinal cord injury claims.

Role **1**

Being an effective regulator

Priority

To develop an insurer compliance strategic plan for 2005-2008

Three year plan approved by the MAA Board (June 2005)

A draft insurer compliance plan was presented to the Board in April 2005. The final plan is scheduled for consideration by the Board in October 2005.

Consultation with stakeholders on insurer compliance strategies (June 2005)

The MAA consulted with Queensland MAIC, APRA, ASIC and the NSW Bar Association in developing the strategic plan.



Being an effective regulator

The MAA is a business regulator not a prudential regulator. The Australian Prudential and Regulatory Authority (APRA) is the national prudential regulator of the insurance industry. State regulators like the MAA rely on APRA for prudential and solvency regulation of insurers. A Memorandum of Understanding (MOU) between the MAA and APRA was signed in 1999. This reliance on the Federal prudential regulator is reflected in the fact that, to be a licensed CTP insurer in NSW, a general insurer must first be an authorised insurer under the Commonwealth Insurance Act.

In June 2003 the MAA Board Audit Committee decided that Ernst & Young, the MAA's internal auditors, would review the MAA's prudential role in light of the HIH Royal Commission report, published in April 2003. The report contained a number of recommendations relevant to the MAA and prudential regulation of general insurers. It recommended that APRA should be the sole prudential regulator of general insurers. Ernst & Young began their review in June 2004 and reported to the Audit Committee in October 2004. The main action arising from the review was that while the MAA and APRA consider that the current MOU is satisfactory, that it be kept under review by both parties and that regular, formal meetings between APRA and the MAA continue.

Performance against key result areas

Goals

- To ensure a high level of compliance by insurers

Key results and achievements

2005 audits showed all insurers performed satisfactorily against the treatment rehabilitation and attendant care (TRAC) guidelines. The MAA considers that all insurers are reporting accurate and reliable levels of compliance against the claims handling guidelines (CHGs) in their annual self assessment reports.

Complaints against insurers were dealt with in a timely and effective manner by the MAA. During the reporting period, 118 complaints were received and 88% were resolved.

- To promote a competitive CTP insurer market

- **Number of insurers in the scheme**

There are seven CTP insurers (no change since last year's report).

- **Market capacity**

AAMI and CIC Allianz increased their market share by more than 1% and Allianz's market share fell by more than 2%.

- **Premium prices**

The best greenslip price for Sydney motorists dropped from \$306 (excluding gst) in June 2004 to \$296 (excluding gst) in June 2005

Industry achieves a high level of compliance

The NSW CTP insurance industry generally achieved high levels of compliance during the reporting period based on:

- the MAA's 2005 audit of compliance performance against the TRAC guidelines
- the insurers' 2004 compliance self-assessment reports against the CHGs
- the number of complaints received by the MAA and the outcome of complaint investigations.

The number of complaints received

During the reporting period, the MAA's Compliance Branch received 118 matters for investigation. 114 of these matters related to the way NSW CTP insurers managed claims. Of these 114 matters:

- 50 alleged a breach of the CHGs
- Nine alleged a breach of the TRAC guidelines
- 36 related to improper insurer behaviour
- 19 related to an allegation that the insurer was not just and expeditious in resolving the claim.

Out of the total of 118 matters, 102 were finalised during the reporting period. 53 were resolved in favour of the applicant and 42 were resolved in favour of the insurer. Seven complaints concerned issues over which the MAA had no jurisdiction.

Insurer Compliance Strategy

The MAA developed a three-year strategic plan for the period 2005-2008 on insurer compliance to promote best outcomes for claimants. In developing the plan, the MAA consulted with insurers, the Bar Association, interstate CTP regulators, APRA and ASIC. The main objectives were to ensure insurers provide:

- early access to appropriate and early treatment, rehabilitation and compensation
- non-economic loss compensation for the most severely injured claimants with ongoing impairment and disabilities
- fair and equal access to greenslip cover.

The strategy includes:

- reviews of insurer self-reports on compliance/performance with CHGs and TRAC guidelines
- monitoring and analysing the MAA complaint database and insurer self-reports on complaints

- monitoring and analysing the MAA claims databases
- analysing stakeholder surveys
- reviewing insurer claims handling business and compliance systems
- focused investigations/audits on compliance and performance
- reporting outcomes and performance to insurers and other stakeholders.

Developing a regulatory and enforcement policy

The MAA developed a draft regulatory and enforcement policy to assist MAA officers in applying a fair and consistent approach to insurer non-compliance. In particular, the policy sets out criteria and procedures for issuing breach notices to insurers in the case of major non-compliances. The MAA consulted with insurers, the Bar Association, Queensland Motor Accidents Insurance Commission, APRA and ASIC when developing the policy. This was trialled during the reporting period and as a result, three out of 27 non-compliances were assessed as major and were issued with breach notices.

MAA complaint handling policy and procedures

The MAA drafted a new policy for handling all complaints and the MAA complaints database was upgraded to identify in whose favour the complaint was resolved and whether breaches were minor or major.

Claims handling guidelines

The MAA reissued the CHGs on 1 July 2004 following consultation with the Insurance Council of Australia, the Council of the Bar Association and the Council of the Law Society. The major changes were that insurers provide:

- reasons for an allegation of contributory negligence
- copies of all treatment provider reports in their possession, and
- advice about the insurer's internal dispute resolution procedures when declining to pay for treatment expenses.

The CHGs require all insurers monitor their compliance and prepare a report for the MAA each year, and provide action plans to address non-compliances. The MAA has reviewed the insurers' self-reports for 2002 and 2003 and has compared the compliance levels with those determined from MAA audits. The MAA found that all insurers' self-assessments were reliable and accurate.

Market Practice Guidelines

The MAA reissued the Market Practice Guidelines on 1 July 2004. In mid 2005, the new requirements of the guidelines were audited by the MAA and all insurers were found to be compliant. The new requirements are that insurers:

- provide existing customers with explanatory information about changes in CTP prices when sending out greenslip renewals
- record complaints about the issuing of greenslips.

A competitive CTP insurer market

Competition in the CTP market increased. Insurers filed lower premiums from 1 July 2004 and as a result, the Sydney metropolitan best price for people aged 30-55 dropped from \$306 to \$299 (excluding gst). All insurers reduced their best price at this time with individual insurer reductions of between \$7 and \$16.

As insurers had filed for 1 July 2004 premiums, they did not need to file again until May in the following year for 1 July 2005 premiums. However, reduced premiums were filed by a number of insurers during the reporting period. One insurer reduced its base premium by \$14 with effect from October 2004. AAMI and GIO filed lower premiums to apply from January 2005, taking the best price for a Sydney metropolitan motorist to \$296 (+ gst), \$3 less than the then current market leader NRMA.

AAMI launched a television advertising campaign to coincide with its lower premiums. The campaign started over Christmas 2004 and continued at various levels of intensity throughout the six months to 30 June 2005. As a result, AAMI's market share increased from less than 10 per cent in 2004 to 14 per cent in the June 2005 quarter.

In addition to reductions in best prices, a number of insurers also filed during the reporting period with changes to their discount/loading structure. While best prices are known at the time of filing, average premiums are calculated at the end of each quarter. Average premiums reflect the application of insurers' discount/loading structures.

The average Sydney metro class 1 premium dropped from \$343 in the June 2004 quarter to \$324 in the June 2005 quarter. The average all classes premium dropped from \$332 to \$320. The best price for Sydney motorists dropped from \$306 to \$296. (All prices are excluding gst.)

Before the 1999 legislative reforms the lowest greenslip price for metropolitan Sydney motorists under 55 was 50 per cent of average weekly earnings (AWE). During the reporting period this reduced from 32 per cent in June 2004 to 29 per cent of AWE in June 2005.

Pending the potential introduction of the Lifetime Care and Support (LTCS) plan, the MAA decided to allow insurers' current filings to continue rather than file for a 1 July 2005 start. It should be noted that insurers can submit a premium filing at any time.

Insurers in the scheme and market capacity

The number of active CTP licences remains at seven. There have been some changes in market share. AAMI and CIC Allianz increased their market share by more than one per cent and Allianz's market share fell by more than two per cent.

While there are seven active licences, there are also five suspended licences under which insurers formerly underwriting CTP manage their run-off CTP claims portfolios.

Company	2004-2005 %	2003-2004 %
AAMI	11.4	9.8
Allianz	16.6	19.2
CIC Allianz	7.6	6.4
GIO	7.5	7.4
NRMA Insurance	39.1	39.3
QBE	11.4	11.9
Zurich	6.4	6.0

The MAA is the Nominal Defendant for claims arising from accidents in NSW against owners and drivers of uninsured and unidentified motor vehicles. The MAA allocates these claims to licensed insurers in proportion to their market share. The insurer then manages the claim.

The Nominal Defendant allocated 622 claims between 1 July 2004 and 30 June 2005. In addition, the Nominal Defendant returned 268 claims to claimants, claimants' solicitors or insurers, for the following main reasons:

- the vehicle was insured at the date of the accident, and
- the accident did not occur on a road or road-related area in NSW.

Nominal Defendant claims represented approximately five per cent of all claims and six per cent of incurred costs. Since 1 July 1989, in approximately 68 per cent of Nominal Defendant claims, the vehicle at fault was unidentified, while in 32 per cent of claims the vehicle at fault was uninsured.

Role

2

Promoting appropriate treatment of injured persons

Priority

Strategic planning and management of the Injury Prevention and Management (IP&M) programs (this is also a priority under role 5)

Three year plan approved by the MAA Board in September 2004

An independent review of the MAA Grants Program in 2004 examined the operations and outcomes of a range of projects funded by the MAA from 1999 to 2003. The review made a number of recommendations to improve the overall strategic direction of the program as well as evaluation measures, reviews and management processes.

A number of recommendations on the review and management of projects have been implemented. A three year strategic plan and evaluation framework is currently being developed.

The plan will focus on injury issues that impact on the CTP scheme, and will apply a more rigorous, outcome oriented approach to the allocation of MAA funding. The plan will be finalised during 2005/2006.

Consultation with stakeholders

Stakeholders will be informed about the strategic plan when it has been completed.

Promoting appropriate treatment of injured persons

Performance against key result areas

Goals

- To promote positive health outcomes for injured people

Key results and achievements

The MAA commissioned a study on Whiplash Associated Disorders (WAD) and health outcomes. The study indicates that health outcomes two years post injury have improved following the 1999 legislation, with 37 per cent of claimants having recovered pre-legislation compared with 51 per cent post legislation. A greater number of claimants injured in 2003 recovered within three and six months post injury compared with those injured in 2001. The extent of the disability of those not recovered is less for the 2003 cohort than the 2001 cohort.

The study also indicates that payment occurred earlier for WAD claims post 1999. Payment occurred earlier in the 2003 cohort than the 2001 cohort and was significantly faster than the 1999 cohort. Claims are finalising significantly faster for the 2001 cohort, and even more so for the 2003 cohort, compared to the 1999 cohort.

- To ensure service providers adopt the MAA treatment guidelines

The MAA and the Australian Physiotherapy Association ran a two day workshop on the WAD guidelines for physiotherapists. The MAA ran a workshop for CTP insurers on WAD and low back guidelines.

The MAA conducted five training sessions throughout the reporting period on the Brain Injury Care and Support Protocols for all health professionals involved in the assessment of people with a brain injury.

- To ensure the costs of treatment is consistent with the MAA treatment guidelines

Rehabilitation and treatment payments on claims throughout the reporting year indicate that payment patterns for WAD claims are consistent with the WAD guidelines.

The payment patterns for low back injuries throughout the reporting year are consistent with the WAD guidelines, indicating that service providers and insurers are using the WAD guidelines to manage low back pain.

Payment trends remain positive and consistent with the scheme objectives. Since the 1999 amendment there has been a:

- 73% reduction in legal costs
- 62% reduction in investigation costs
- 83% reduction in non-economic loss payments
- 16% reduction in physiotherapy costs
- 33% reduction in chiropractic costs
- 5.3% reduction in rehabilitation costs, excluding lower limb injuries

- Compliance with statutory guidelines

All CTP insurers were audited between March and May 2005 for compliance with the treatment, rehabilitation and attendant care guidelines. All insurers received a satisfactory rating with three exceeding the required standards. Of these, two insurers achieved an overall commendable result (70-84%) and QBE achieved an overall excellent result (85-100%).

Brain Injury Care and Support Protocols

During the reporting year, the MAA developed new protocols for reporting on the care and support needs of adults and children with a traumatic brain injury within the CTP scheme. The protocols focus on providing a standard and consistent reporting format for care and approval requests.

The protocols for children and adults were developed by a working party of representatives from organisations with experience in assessing and providing for the needs of people with traumatic brain injury.

The protocols will be trialled for 12 months and then reviewed.

Community Participation Program

This program, jointly managed by the MAA and the Department of Ageing, Disability and Home Care, is trialling and evaluating a model of service coordination to improve the community participation of people with spinal cord injury.

The \$2 million project commenced in 2004 bringing together government agencies that provide services to this group so that a coordinated approach is possible for their recovery and rehabilitation.

The MAA's funding is used to provide interim care and other services, so that the person can be discharged back into the community as soon as they are medically ready. There are currently 40 people being assisted through this project.



Role
3

Providing medical and claims assessments in disputed cases

Priority
MAAS dispute resolution



Providing medical and claims assessments in disputed cases

Performance against key result areas

<i>Goals</i>	<i>Key results and achievements</i>
<ul style="list-style-type: none"> Milestone on approved reform package project met 	<p>Following extensive consultation with stakeholders during 2003/4 (the Hannaford Consultations), a MAAS policy reform package was developed which will:</p> <ul style="list-style-type: none"> improve the climate for dispute resolution streamline assessment processes simplify internal processes. <p>Detailed implementation plans, covering some 25 areas of change, are being developed with a target implementation date of 1 January 2006.</p>
<ul style="list-style-type: none"> Quality and timeliness of MAS assessments 	<p>MAS introduced a number of initiatives to improve the quality and timeliness of medical assessments including:</p> <ul style="list-style-type: none"> the standardisation and reformatting of assessor decisions to improve consistency, accuracy and ease of use by parties ongoing communication, education and peer exchange through newsletters, forums and targeted training programs a new quality assurance (QA) approach to assessor determinations to improve assessor performance. <p>Quality</p> <ul style="list-style-type: none"> 68% of certificates/reports met QA standards 82% of assessment determinations deemed ineligible to refer for review 50% of assessment determination decisions referred to a review panel resulted in no change to the outcome. <p>Timeliness</p> <ul style="list-style-type: none"> 79% of medical assessor reports were completed on time (within 10 days of the date of the assessment)
<ul style="list-style-type: none"> Quality and timeliness of CARS assessments 	<p>CARS introduced a number of initiatives to maintain the quality and timeliness of assessor decisions including:</p> <ul style="list-style-type: none"> a performance audit of assessors from the scheme inception to 12/11/04 and feedback to individual assessors on their performance. The result of the audit will be used as a benchmark for future performance reviews ongoing communication, education and peer exchange through newsletters, forums and targeted training programs to promote consistent decision making maintaining high performing assessors through a selection and reappointment process. <p>Quality</p> <ul style="list-style-type: none"> 95% of certificates or reasons required no amendment. <p>Timeliness</p> <ul style="list-style-type: none"> 87% of preliminary conferences were held on time 95% of preliminary conference reports submitted were on time 34% of assessment conferences that resulted in an assessment were on time
<ul style="list-style-type: none"> Improved performance reporting 	<p>Timely and accurate quarterly KPI reports on MAAS compliance with statutory timeframes were provided to the General Manager, Board and Council on a regular basis</p> <p>Initiatives are underway to determine other forms of MAAS performance reporting that will be useful for stakeholders.</p>
<ul style="list-style-type: none"> Board/Council/Stakeholder satisfaction with performance 	<p>Positive feedback from Board/Council/stakeholders regarding their satisfaction with performance.</p>

Performance against key result areas

Goals

- Satisfaction of claimants and service providers with services

Key results and achievements

The Justice Policy Research Centre, University of Newcastle, is progressively undertaking the user satisfaction survey. The following modules have been completed and reported on:

- MAS and CARS assessors
- CTP insurers
- CTP insurer and claimant solicitors
- MAS claimants.

The CARS claimants survey will start in late 2005. MAAS is responding to the issues raised, some of which will be addressed in the MAAS reform agenda.

- Efficient, effective and economic delivery of services

Meeting statutory timeframes

MAS

- 97% of MAS applications done on time
- 99% of MAS replies done on time
- 33% of preliminary assessments done on time (within 15 working days)
- average number of working days for a matter to complete MAS lifecycle: 142 days.

CARS

- 97% of CARS applications done on time
- 99% of CARS replies done on time
- 89% of allocation reviews were completed on time
- 62% of matters were deferred at least once
- 63% of reasons and certificates were completed on time
- average number of working days for a matter to complete CARS general assessments lifecycle: 243 days.

Finalisation rates

The timeliness of matters finalised has improved in each application year. Finalisation rates based on the 2003/04 application year were:

MAS

- 35% finalised within 5 months
- 86% finalised within 9 months
- 94% finalised within 12 months

CARS

- 48% finalised within 5 months
- 63% finalised within 9 months
- 72% finalised within 12 months

The finalisation rate for the 2004/05 application year is unable to be calculated until 30 June 2006 to allow a full 12 months development of that application year.

As an input/output indicator for 2004/05 a total of 10,111 MAS and CARS applications were received and 9,603 were finalised.

Cost per assessment/dispute

A budget costing exercise was undertaken for 2003/04 and the results presented to the Board at its February 2005 meeting. The methodology is being further refined and budget data is being finalised for a 2004/05 costing.

Quality assurance targets

A QA policy and framework developed, and a QA officer position was established. QA targets will then be set and monitored for 2005/06 reporting period.

Medical Assessment Service

MAS resolves disputes about medical issues in claims between injured people and insurers primarily through medical assessments. In this reporting period, MAS received 5,693 applications including further assessment applications. This is a two per cent reduction compared to the last reporting period. In the reporting period, 5,357 matters were finalised.

Applications received	2004/05
Treatment or other services	657
Permanent impairment, stabilisation	3,421
Earning capacity	648
Further medical assessment	967
Total	5,693

Matters finalised by assessment	2004/05
Treatment or other services	440
Permanent impairment, stabilisation	2,980
Earning capacity	581
Further medical assessment	525
Total	4,526

Outcomes

In this reporting year outcomes are based on the types of dispute specific to each treatment, permanent impairment/stabilisation and earning capacity application category. An application can be made for more than one type of dispute within each category of MAS application. Consequently, the number of treatment dispute outcomes can exceed the number of applications finalised by assessment. The following outcomes relate to matters finalised during the reporting period.

Treatment disputes

The two types of treatment disputes are:

- causation: whether or not a treatment relates to the injury caused by the motor accident, and
- reasonable and necessary: whether the treatment is or was reasonable and necessary in the circumstance (past and future).

The overall number of assessed treatment dispute outcomes decreased by 44 per cent compared to the previous year.

Causation	2004/05
All treatment allowed	103
Some treatment allowed	43
No treatment allowed	48
Subtotal	194
Settled/withdrawn/rejected at preliminary assessment/nonassessable	99
Total	293

Reasonable and necessary treatment	2004/05
All treatment allowed	77
Some treatment allowed	169
No treatment allowed	165
Subtotal	411
Settled/withdrawn/rejected at preliminary assessment/nonassessable	230
Total	641
Overall total assessed outcomes	605

Stabilisation and impairment disputes

Stabilisation refers to the assessment of whether the injuries are stable and unlikely to change significantly. Whole person impairment (WPI) is the assessment of the level of impairment that resulted from the injuries caused by the accident. A WPI rating over the threshold of 10 per cent entitles the claimant to apply for compensation for non-economic loss. An injury must be stabilised before the degree of WPI can be determined. The overall number of assessed stabilisation and impairment dispute outcomes decreased by 19 per cent compared to the previous year.

Stabilisation	2004/05
No injuries were considered stable	37
Some injuries were considered stable	293
All injuries were considered stable	2,622
Subtotal	2,952
Settled/withdrawn/rejected at preliminary assessment/nonassessable	233
Total	3,185

Whole person impairment	2004/05
Not permanent & likely not greater than 10%	48
Not permanent & likely greater than 10%	16
Permanent & not greater than 10%	2,152
Permanent & greater than 10%	567
Subtotal	2,783
Settled/withdrawn/rejected at preliminary assessment/nonassessable	435
Total	3,218
Overall total assessed outcomes	5,735

Earning capacity disputes

Earning capacity assessments determine whether there has been a loss of capacity to earn an income either in the past (from the accident date to the assessment), or in the future (from the assessment onwards). These assessments are non-binding and are indicative for the parties, CARS assessors and the courts. The overall number of assessed earning capacity outcomes decreased by 50 per cent compared to the previous year.

Past earning capacity	2004/05
No Impairment to past EC	52
Impairment to past EC	484
Subtotal	536
Settled/withdrawn/rejected at preliminary assessment/nonassessable	53
Total	589

Future earning capacity	2004/05
No Impairment to future EC	207
Impairment to future EC	351
Subtotal	558
Settled/withdrawn/rejected at preliminary assessment/nonassessable	72
Total	630
Overall total assessed outcomes	1,094

Further medical assessments

Once an assessment has been completed by MAS, either of the parties to the dispute may apply for a 'further medical assessment' if there is a deterioration of the injury if they provide relevant information about the injury.

During the reporting period, 967 applications for further assessment were received. This was a 25 per cent increase compared with the previous period. The applicant's solicitor made most of the applications (82%). There was a minor decrease in the proportion of applications that were accepted for further assessment from 80 per cent to 77 per cent.

Reviews

Once a MAS assessment is completed and the decision has been issued, either party may apply for a review of the MAS decision. A review application will only be accepted if the Proper Officer is satisfied that there is reasonable cause to suspect that the assessment is incorrect in a material respect.

A total of 738 review applications were received during 2004/05, a 13 per cent decrease compared to the previous reporting period.

Review applications accepted	2004/05
Review applications considered	973
Review applications referred to a panel	180
% of applications referred to a panel	18%

Of the 144 review panel decisions issued, 72 (50%) reversed the outcome and in another 49 (34%) an alteration to detail was made to the certificate. For the balance of 23 (16%) the panel confirmed the certificates previously issued.

Further medical assessment applications	2004/05
Accepted for further assessment	558
Not accepted for further assessment	168
Subtotal	726
Matters withdrawn/settled	72

Claims Assessment and Resolution Service

Under the Act, all disputed claims have to come to CARS for either exemption from assessment, or general assessment in respect of both liability (fault) and the quantum (amount) of any damages.

The Act also provides for five types of disputes regarding claims procedures to be assessed by CARS. In this reporting year CARS received 4,418 applications, an eight per cent decrease compared to the previous reporting period. In the reporting period, 4,246 matters were finalised.

Applications received	2004/05
Exemption/not suitable	1,712
General assessment	2,470
Further assessment	10
Special assessment	226
Total	4,418

Matters finalised by assessment	2004/05
Exemption/not suitable	1,442
General assessment	544
Further assessment	1
Special assessment	150
Total	2,137

Outcomes

The outcomes below related to matters finalised during the reporting period.

Exemptions	2004/05
Settled/withdrawn/dismitted	142
Exempted	1,204
Not exempted	238
Total	1,584

General & further assessments	2004/05
Settled	1,542
Withdrawn/dismitted/exempted	353
Assessed with conference	398
Assessed on the papers	147
Total	2,440

Special assessments	2004/05
Settled/withdrawn/dismitted	72
Determined	150
Total	222

Role

4

Providing advice to the Minister, Board, Council, Parliamentary Committee and stakeholders

Priority 1

Scheme reform package
Implement modifications to enhance the operation of the Motor Accidents Scheme

Consultation with stakeholders in July 2004

Proposal submitted to the Minister and Board in August 2004

The MAA completed its stakeholder consultations and advanced reform proposals to the Board and Minister in accordance with the Corporate Plan targets.

Advice and support to be provided to the Minister during passage of legislation through Parliament

The proposed legislative reforms did not proceed during this reporting period.

Priority 2

Lifetime Care and Support (LTCS) plan

The LTCS consultation paper was developed during this reporting period

The LTCS plan – which will assist people with catastrophic injuries from motor vehicle accidents – was released on 21 June 2005.

Implementation plan to be developed within two months of enactment of legislation for the LTCS plan

The implementation plan was deferred as legislation did not proceed during this reporting period.

Performance against key result areas

Goals

Key results and achievements

<ul style="list-style-type: none"> To ensure the MAA meets its statutory obligations to the Minister and NSW Parliament 	<p>Report to the Law and Justice Committee on Insurer Profit</p> <p>Under the <i>Motor Accidents Compensation Act 1999</i> (section 28), it is a statutory requirement that the MAA report to the Law and Justice Committee each year on insurer profit. During the reporting period, this requirement was met.</p>
<ul style="list-style-type: none"> To ensure the Minister, the MAA Board and MAA Council receive appropriate and timely advice 	<p>The MAA provides regular briefings and advice to the Minister, Board and Council on the operation of, and the trends in the CTP scheme.</p>
<ul style="list-style-type: none"> Encourage motorists to use the greenslip helpline and the MAA website to search for premium information and best prices 	<p>27 per cent of targeted motorists used the greenslip helpline and/or the MAA website when looking for CTP premium information and best prices. During the reporting period:</p> <ul style="list-style-type: none"> 8% (157,811) of targeted motorists used the greenslip helpline, and 19% (373,802) of targeted motorists used the MAA website's greenslip price guide calculator
<ul style="list-style-type: none"> Encourage claimants and service providers to use the Claims Advisory Service (CAS) for claims assistance information 	<p>During the reporting period:</p> <ul style="list-style-type: none"> 15,289 claimants contacted CAS, and 12,366 service providers contacted CAS

The Lifetime Care and Support (LTCS) plan released

On 21 June 2005, the proposed LTCS plan was released by the then Premier of NSW, Bob Carr, and the Minister for Commerce, John Della Bosca.

The proposed plan will provide lifetime care for approximately 125 people who are catastrophically injured in motor vehicle accidents each year. These injuries include paraplegia, quadriplegia and traumatic brain injury.

For the first time all people catastrophically injured will receive care and support for life, regardless of who caused the accident. Under the current arrangements approximately 60 people are considered "at fault" drivers and not entitled to any compensation. The proposed plan will give certainty to injured people and their families.

The proposed plan will guarantee:

- medical treatment and rehabilitation
- personal and nursing care
- aids such as wheelchairs
- domestic services
- respite care
- home and transport modifications
- assistance with community access
- educational and vocational services to help people enter or remain in school or the workforce
- the appointment of a life care coordinator to help people regain as much of their functioning and independence as possible.

CAS reaches more people

The Claims Advisory Service (CAS) provides information on making and managing claims to people who are injured in motor vehicle accidents. CAS also provides information to service providers in the motor accidents scheme.

During the reporting period there was a 30 per cent increase in the number of claimants contacting CAS, and a six per cent increase in the number of service providers contacting the service.

CAS also provides an Outreach service to legally unrepresented claimants who have applied to the MAA's medical and claims dispute resolution services. During the reporting period 1,699 unrepresented claimants accessing the dispute resolution services were contacted by Outreach.

The MAA provides a greenslip helpline to assist NSW motorists access the best greenslip premium prices. These prices are also available on the MAA website.

During the reporting period, 27 per cent of targeted vehicle owners used the MAA's premium information services to access greenslip prices.

Role

5

Supporting injury prevention initiatives



Supporting injury prevention initiatives

Performance against key result areas

Goals

Reduction in the number of road crash injuries in the MAA identified target groups

Key results and achievements

- Trends in injuries, claim numbers and costs per target group
Injury trends are being monitored using RTA and MAA data. Overall, the number of casualties has stabilised around 29,000 per year for the past three years and the annual number of CTP claims has decreased since the start of the new scheme in October 1999.

To reduce the severity of injuries in the MAA identified target groups

- Trends in serious injury data per target group
Trends in serious injury data are being monitored using NSW inpatient statistical collection data. The most current data indicates that there were 7,644 road users seriously injured in 2003/2004.

Promote road safety to young people

- The MAA has an Arrive alive program that includes activities in youth dominated areas such as music, arts and sport. Most of these are promoted on the MAA's youth website – www.arrivealive.com.au – via regular competitions and events. On average, the website receives up to 20,000 hits each month.
- The MAA provided \$155,516 to fund 19 Arrive alive youth projects.
- Four Arrive alive music festivals were hosted in Campbelltown, Newcastle, Wollongong and Wagga Wagga.
- The MAA expanded its sponsorship of South Sydney Rabbitohs to include Wests Tigers and St George Illawarra Dragons. Players visited more than 80 NSW high schools giving Arrive alive road safety presentations, and spoke with more than 3500 senior students throughout the reporting year.
- The MAA has naming rights of the NSW Arrive alive Cup – which is the major schoolboy rugby league competition in NSW – and promotes road safety messages primarily through the Arrive alive website.
- The MAA sponsors Soccer NSW and Netball NSW female players. The women's soccer and netball players visit schools promoting road safety to girls from years 10-12.
- The MAA continued its sponsorship of the Arrive alive University Games that attracted more than 4,000 students from throughout NSW.
- The MAA continued its sponsorship of the Arrive alive Wheelchair Sports Roadshow whereby high school students learn about wheelchair sport, play wheelchair basketball and discuss road safety messages and the consequences of taking risks on the road.
- The MAA sponsored Youth Week and YouthRock, and provided grants to 35 councils to operate shuttle buses to and from events.

Reduce the risk to children from reversing vehicle accidents

The MAA (in cooperation with other agencies) aimed to reduce the risk to young pedestrians from reversing accidents by:

- providing funding for 28 councils, health and community agencies across NSW to promote driveway safety
- producing a driveway safety video to support the driveway safety display kit
- supporting the development of technical specifications for relevant vehicle equipment
- producing a driveway safety television commercial
- funding a Farmsafe Australia publication to alert rural parents to the risks from reversing farm vehicles

To promote child passenger and pedestrian safety

- The MAA continued working with Kidsafe NSW to address child passenger, pedestrian and pedal cyclist safety.
- The MAA funded research on child occupant restraints.
- Child road safety reports are available on a dedicated child injury prevention page of the MAA website.
- The MAA continued its support for the annual Walk Safely to School Day multi-agency project that is coordinated by the Pedestrian Council of Australia.

Working with other organisations to support road safety

- The MAA is a member of the Road Safety Taskforce, the Government Agencies Road Safety Council (GARS), and the management committee for the Local Government Road Safety Program.
- The MAA continued its support for the local government grants program by providing \$303,180 to fund 41 local council road safety projects. This program is managed by the Institute of Public Works Engineering Australia (IPWEA).
- The MAA continued its support for Operation WestSafe in August/September 2004 – an alliance between the NSW Police, MAA and Roads and Traffic Authority (RTA) – that addresses road safety issues in Western Sydney.
- The MAA supported Operation Roadsafe in September 2004, an initiative to reduce fatalities and injuries in metropolitan Sydney.
- The MAA supported an enhanced Operation Roadsafe in May/June 2005 which aimed to improve road safety throughout metropolitan Sydney.
- The MAA and RTA jointly funded a motorcycle awareness advertising campaign targeting both riders and drivers in late 2004. The campaign highlighted issues of drink riding, braking safely and driver awareness of motorcycles.
- The MAA continued working with the RTA, Attorney General's Department and the Probation and Parole Service of the Department of Corrective Services, on the Sober Driver Program. This program targets repeat drink drive offenders. An independent long term evaluation of the program commenced in September 2004. The program is jointly funded by the MAA and RTA until June 2006.

Sponsorship and support of seminars and conferences

The MAA sponsored a range of road safety conferences and seminars including:

- Australian College of Road Safety seminar series incorporating a motorcycle safety seminar, an international conference on driver distraction and an older driver seminar
- the 2004 Local Government Road Safety conference
- the 2005 IPWEA (NSW) annual conference
- an industry seminar conducted by the Motorcycle Council of NSW on motorcycle protective clothing

Road safety strategies to reduce serious injuries

The MAA's road safety strategy focuses on reducing serious injuries in areas with greatest cost impact to the CTP scheme. Current priority target groups are young people, children, pedestrians and motorcyclists.

Young people

The Arrive alive grants scheme promotes active involvement of young people in road safety initiatives in their local communities. Thirty-seven applications for funding were received in the 2005 grant round with \$155,516 approved for 19 local projects. An advisory committee of young people and road safety stakeholders assisted in the selection process, and organised the third annual Arrive alive Youth Forum, which took place in January 2005. These projects will be completed and launched in the 2005-2006 reporting year.

Promoting Arrive alive through music festivals

The MAA held four 'Alive' music festivals in late 2004 and featured headline music acts supported by local bands. These provided an excellent opportunity to promote road safety to a total of 20,000 young people who attended. An evaluation of the events showed that the majority of people at the festivals recalled and understood the Arrive alive message.

Youth week activities

The MAA was the major sponsor of 2005 NSW Youth Week's Youth Rock – a rock band competition – showcasing talented young bands from secondary schools across NSW.

A major feature of this year's Youthrock was the 'Arrive alive Wildcard' where young people were able to vote their favourite band into the finals via the Arrive alive website. More than 4,000 visitors were exposed to road safety messages as they cast their vote.

The MAA also provided more than \$26,000 in grants to 35 local councils to operate shuttle bus services to and from Youth Week events. The Arrive alive shuttles transported more than 6,000 young people to Youth Week events, particularly in rural areas where there are limited alternative transport options. The buses highlighted the Arrive alive road safety message of celebrating safely.

Child program

The MAA committed \$60,000 to fund a three-year investigation into child restraint use, in particular their correct use and improved design. The research was completed in June 2005.

This project was undertaken by the Prince of Wales Medical Research Institute, UNSW and the Children's Hospital Westmead. Some of the findings included:

- children who are correctly restrained in the correct restraint for their height and weight are rarely seriously injured, irrespective of age
- children in the rear seat sustained significantly less severe injuries than children in the front
- the head, abdomen and extremities were the most commonly seriously injured regions.

The research showed that children under four years of age are being moved up from forward facing child restraints to booster and adult seat belts before they are ready. If a child's upper body isn't properly restrained, it dramatically increases the risk of serious injury.

A child passenger safety campaign is being developed for late 2005 to promote proper use and selection of child occupant restraints.

Role

6

Providing services as the Nominal Defendant



Providing services as the Nominal Defendant

This is the Nominal Defendant administering HIH claims management through Allianz Australia Insurance Ltd. This operation is funded by NSW Treasury.

Performance against key result areas

<i>Goals/outcomes</i>	<i>Key results and achievements</i>
HIH run-off claimants receive appropriate and timely settlements	<ul style="list-style-type: none"> • Comparison to industry averages CIC/FAI run-off claimants received appropriate and timely compensation. This is demonstrated by the lack of official substantiated complaints. The comparative industry data is not available. The following finalisation rates will be an indicator of the performance of CIC/FAI portfolios.
Contracted service provider achieves the agreed minimum levels of performance	<ul style="list-style-type: none"> • Finalisation rates Under <i>Motor Accidents Act 1988</i> (old Act) the finalisation rates were: CIC: 98.7% FAI: 98.8% All licensed CTP insurers: 99.0% Under <i>Motor Accidents Compensation Act 1999</i> (new Act) the finalisation rates were: CIC: 84.0% FAI: 85.0% All licensed CTP insurers: 63.8% • Average claims cost Under <i>Motor Accidents Act 1988</i> (old Act) the average claim costs were: CIC: \$50,800 FAI: \$54,400 All licensed CTP insurers: \$50,400 Under <i>Motor Accidents Compensation Act 1999</i> (new Act) the average claim costs were: CIC: \$39,600 FAI: \$46,400 All licensed CTP insurers: \$31,700 • Comparison to industry averages Under <i>Motor Accidents Act 1988</i> (old Act) compared to industry average, CIC/ FAI companies are in line with the industry performance. Under <i>Motor Accidents Compensation Act 1999</i> (new Act) compared to industry average, CIC/ FAI figures are volatile due to small size of the sample and absence of underwriting since March 2001.
Speedy claims resolution	<ul style="list-style-type: none"> • Active managed claims dropped in number from 639 to 413 (31% reduction) from June 2004 to June 2005. As HIH claims are mostly tail end, the resolution process is more difficult than the industry.
Internal process improvements	<ul style="list-style-type: none"> • Through regular monitoring and audits MAA has improved the internal claims management systems in the HIH run-off portfolio.

Corporate plan 2003-2006

(revised June 2004)

Vision

To lead and support a CTP Scheme that minimises the impact of motor vehicle accidents

Role

Our Role is to have a CTP Insurance and Compensation Scheme that is affordable, fair and accessible by:

- being an effective regulator
- promoting appropriate treatment of injured persons
- providing medical and claims assessments in disputed cases
- providing advice to the Minister, Board, Council, Parliamentary Committee and stakeholders
- supporting injury prevention initiatives.
- providing services as the Nominal Defendant

We believe in

- providing quality services
- working in an equitable, supportive and professional environment
- being an independent and ethical regulator
- continuously improving our internal operations.

Priorities for 2005-2006

- Changed scope of scheme-lifetime care and no fault for children
- Review injury prevention and management programs
- Improved dispute resolution for CTP claimants

Being an effective regulator

Outcomes	Performance Indicator
• Insurer compliance	• Level of compliance by insurers • Complaints dealt with in a timely and effective manner
• A competitive CTP insurer market	• Insurer profit level • Number of insurers in scheme • Market capacity • Premium prices
• CTP Scheme is effective	• Affordability • Effectiveness • Fairness • Efficiency

Promoting appropriate treatment of injured persons

Outcomes	Performance Indicator
<ul style="list-style-type: none">• Positive health outcomes for injured persons• Service providers adopt MAA treatment guidelines• Costs of treatment consistent with MAA treatment guidelines• Compliance with statutory guidelines	<ul style="list-style-type: none">• Trends in health outcomes• Level of use of guidelines by service providers• Cost trends per injury type• Level of compliance by stakeholders

Providing medical and claims assessments in disputes cases

Outcomes	Performance Indicator
<ul style="list-style-type: none">• Satisfaction of claimants and service providers with services• Efficient, effective and economic delivery of services• Services are accessible	<ul style="list-style-type: none">• Level of satisfaction of claimants and service providers as measured by survey• Cost per assessment /dispute• Finalisation rates• Quality Assurance targets met• Level of satisfaction of claimants measured by survey• % of identified unrepresented claimants using MAS/CARS who are contacted by Outreach

Providing advice to the Minister, Board, Council, Parliamentary Committee and stakeholders

Outcomes	Performance Indicator
<ul style="list-style-type: none">• 100% Statutory obligations to Minister and Parliament are met by deadlines and are acceptable• Minister, Board and Council receive appropriate and timely advice• Motorists use Helpline & Internet to search for premium information• Claimants and service providers use CAS for claims assistance information	<ul style="list-style-type: none">• % Statutory Timeframes met• Feedback from Minister, Board and Council• Number of calls on Helpline• Number of website hits• % of targeted motorists using Helpline• % of targeted motorists using website• Number of claimants using CAS• Number of service providers using CAS

Supporting injury prevention initiatives

Outcomes	Performance Indicator
<ul style="list-style-type: none">• Reduction in number of road crash injuries in target groups• Reduction in severe injuries in target groups	<ul style="list-style-type: none">• Trends in injuries, claim numbers and costs per target group• Trends in serious injury data per target group

Providing services as the Nominal Defendant

Outcomes	Performance Indicator
<ul style="list-style-type: none">• Claimants to receive appropriate and timely settlements• Contracted service provider to attain the agreed levels of performance as a minimum	<ul style="list-style-type: none">• Comparison to industry averages• Finalisation rates• Average claims cost• Comparison to industry averages

Priorities for 2005–2006

Changed scope of scheme-lifetime care and no fault for children

Outcomes	Performance indicator	Targets	Responsibility	Timing
Improved care and health outcomes for catastrophically injured persons	Establish scheme framework	Established detailed project plan	MACA Exec	Subject to Cabinet approval
	Begin operating the scheme	Appoint a project manager	IP&M, LTCA MAAS	
Broader scope of scheme	Timely payments on child claims	Establish Lifetime Care Scheme framework	Insurance	
Improved service delivery		Begin operating the LTC scheme		
Insurers' obligation to provide treatment and care for children is extended				

Review injury prevention and management programs

Outcomes	Performance Indicator	Targets	Responsibility	Timing
Base set for future funding of IPM Programs	Funding model and evaluation criteria established	Develop methodology to measure value and cost/benefit of initiatives	IPM	October 05
Funded IP&M Programs add value in targeted areas.	Focus on areas/initiatives with potential to add most value	Identify options for future areas of investment		December 2005
IP&M initiatives more integrated into compensation scheme	Board approval of 3 year strategic plan and budget	Clarify MAA role Identify target groups and initiatives Allocate budget Develop evaluation framework		Completed by June 06

Improved dispute resolution for CTP claimants

Outcomes	Performance Indicator	Targets	Responsibility	Timing
More claims resolved by the parties before they become disputes to MAAS	Improved dispute resolution reforms commenced by due date	Intensive pre-implementation roll-out to parties	MAAS/Policy/ Insurance	July-Sept 05
Fewer non-threshold disputes handled by MAAS	Parties participation in and satisfaction with process MAAS KPI performance	Full implementation Feed back loops and help line established Post implementation evaluations	All MAA MAAS/CAS MAAS/CAS	Oct 05 Oct 05 QuarterlyDec05-06
Faster quality dispute resolution by MAAS		Regular KPI reporting	MAAS	Ongoing

Motor Accidents Authority of NSW

Financial Statements

as at 30 June 2005

• <i>Introduction</i>	38
• <i>Statement by the members of the Board of Directors</i>	39
• <i>Auditor General's opinion</i>	40
• <i>Statement of Financial Position (2004-2005)</i>	41
• <i>Statement of Financial Performance at 30 June 2005</i>	42
• <i>Statement of Cash Flows</i>	43
• <i>Notes to and forming part of the accounts</i>	44

End of audited statements

• <i>Financial summary</i>	59
• <i>Comparative Statement of Financial Performance</i>	60
• <i>Notes to Comparative Statement of Financial Performance</i>	61

Introduction

The Authority recorded a financial year surplus of \$3.031 million for the year ended 30 June 2005, to increase the financial position of the Authority from a surplus of \$17.813 million at 30 June 2004 to a surplus of \$20.844 million at 30 June 2005.

The main source of funding for the Authority was a levy of 2.5% on CTP insurance premiums collected by licensed insurers. The levy amount was \$36.675 million in 2004-2005 (\$23.489 million in 2003-2004).

Total expenditure including accruals for the Authority, amounted to \$40.893 million.

The largest item of expenditure was \$10.922 million for Salaries and Related costs. Salaries were higher than budget by \$0.968 million mainly due to the employment of additional permanent and temporary staff in the Motor Accidents Assessment Service due to the high level of assessments.

The movement in recovery from the Crown Entity was \$5.828 million. The Nominal Defendant cash outflows of \$48.338 million and \$1.618 million were offset by the following cash inflows: NSW Treasury grants of \$50.339 million and Nominal Defendant recoveries of \$0.215 million.

Road Safety and Rehabilitation grants for the year amounted to \$9.259 million.

A major expenditure item for 2004-05 was \$6.397 million incurred in medical assessor fees and a further \$2.314 million was incurred in CARS assessor fees. Other operating expenses of \$3.536 million includes \$1.654 million for Rent and Related costs.

Total assets decreased by \$41.563 million mainly due to the reduction in Receivables from the Crown Entity for payments of outstanding Nominal Defendant Claims in the Authority's Statement of Financial Position.

Similarly, corresponding to the above, total liabilities decreased by \$44.594 million, mainly due to a reduction in the provision for outstanding Nominal Defendant claims recognised in the Authority's Statement of Financial Position.

Equity represented by the accumulated funds at the end of the year increased by \$3.031 million to \$20.844 million. A part of the funds are formally committed to long-term Rehabilitation and Road Safety projects.



Motor Accidents Authority of NSW

Level 22, 580 George Street Sydney, NSW 2000, Australia, DX 1517 Sydney
Phone: 1300 137 131 Fax: 1300 137 707 TTY: 02 8267 1450 www.maa.nsw.gov.au info@maa.nsw.gov.au

STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2005

In accordance with section 41B of the Public Finance and Audit Act 1983:

- We certify that the Financial Statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions.
- In our opinion the Financial Statements exhibit a true and fair view of the financial position and transactions of the Motor Accidents Authority.
- At the date of signing this report, we are not aware of any circumstances that would render any particulars included in the Financial Statements to be misleading or inaccurate.

RICHARD GRELLMAN

Chairman

DAVID BOWEN

General Manager

Dated at Sydney this 26th day of October 2005



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Motor Accidents Authority of New South Wales

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Motor Accidents Authority of New South Wales:

- (a) presents fairly the Authority's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

The Board's Role

The financial report is the responsibility of the members of the Board of the Authority. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the members of the Board had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Authority,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

G J Gibson FCPA
Acting Assistant Auditor-General

SYDNEY
27 October 2005

Statement of Financial Position as at 30 June 2005

	Notes	2005 \$ '000	2004 \$ '000
Current assets			
Cash assets	2	17,237	15,040
Receivables	3(a)	39,933	64,851
TOTAL current assets		57,170	79,891
Non-current assets			
Receivables	3(b)	86,485	105,192
Plant and equipment	4	254	287
Leasehold Improvements	4	908	1,010
TOTAL non-current assets		87,647	106,489
TOTAL assets		144,817	186,380
Current liabilities			
Interest Bearing Liabilities	6(b)	236	-
Payables	6(a)	2,623	2,811
Provisions	1(b)/ 7a	33,081	58,823
TOTAL current liabilities		35,940	61,634
Non-current liabilities			
Provisions	1(b)/ 7b	88,033	106,933
TOTAL non-current liabilities		88,033	106,933
TOTAL liabilities		123,973	168,567
Equity			
Retained Profits	20	20,844	17,813
TOTAL equity		20,844	17,813

Statement of Financial Performance for the year ended 30 June 2005

	Notes	2005 \$ '000	2004 \$ '000
Revenue from ordinary activities			
Movement in Nominal Defendant:			
Recovery from Crown	1(g)/7	5,828	-
Claims	1(g)/7	-	38,600
CTP premium levy	9	36,675	23,489
Interest	10	996	1,429
Other income	11	425	821
TOTAL revenue from ordinary activities		43,924	64,339
Less expenditure from ordinary activities			
Movement in Nominal Defendant:			
Claims	7	5,828	-
Recovery from Crown	7	-	50,845
Salaries and related costs	13	10,922	11,413
Other operating expenses	14	3,536	3,641
Road safety grants and sponsorships	15/21	4,409	5,707
Rehabilitation grants	15/21	4,850	2,414
Medical assessor fees		6,397	5,253
CARS assessor fees		2,314	1,035
Contracted services: other		1,699	1,682
Advertising, promotion and publicity		283	261
Audit fees	18	111	256
Council members' fees	19	134	138
Board members' fees	19	133	130
Depreciation	1(c)/4	218	93
Consultancy fees		15	-
Loss on disposal of non-current assets		44	10
TOTAL expenditure from ordinary activities		40,893	82,878
Net Profit/(Loss)		3,031	(18,539)
TOTAL changes in equity other than those resulting from transactions with owners as owners		3,031	(18,539)

Statement of Cash Flows for the year ended 30 June 2005

	Notes	2005 Inflows/ (Outflows) \$'000	2004 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
<i>Payments</i>			
Payments to suppliers and employees		(29,166)	(18,331)
Rehabilitation/Road Safety Grant		(9,259)	(8,121)
Nominal Defendant claims payment		(48,338)	(68,226)
Nominal Defendant: claims handling expenses		(1,618)	(3,966)
<i>Receipts</i>			
Receipts from licensed insurers		35,355	23,181
Interest received and other income		4,560	4,964
Nominal defendant recoveries		215	10,048
<i>Cash flows from Government</i>			
Grants from NSW Treasury		50,339	58,826
Net cash provided by / (used in) operating activities	23(a)	2,088	(1,625)
Cash flows from investing activities			
Proceeds from sale of plant & equipment		13	20
Payments for plant and equipment		(140)	(1,215)
Net cash used in investing activities		(127)	(1,195)
Net increase/(decrease) in cash held		1,961	(2,820)
Cash at the beginning of the financial year		15,040	17,860
Cash at the end of the financial year	23(b)	17,001	15,040

Notes to and forming part of the financial statements for the year ended 30 June 2005

1 Accounting policies

- (a) The Motor Accidents Authority's financial statements for the year ended 30 June 2005 are a general purpose financial report and have been prepared:
- in compliance with the Public Finance and Audit Act 1983, Treasurer's Directions and the Public Finance and Audit Regulation 2000
 - in accordance with the Historical Cost Convention, and
 - on a full accrual basis and in accordance with applicable Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Urgent Issues Group (UIG) Consensus Views.

- (b) Calculations for accrued Long Service Leave (liability provided for leave due after five years) and other staff benefits are based on the computations of leave due. The present value method has been used to calculate the liability.

- (c) Plant and equipment costing \$5,000 and above individually are capitalised. Depreciation has been calculated on the straight-line basis over the estimated useful life of assets. The following depreciation rates were used:

	2005 %	2004 %
Office machinery	12.5	12.5
Computer hardware	40.0	40.0
Plant & equipment	12.5	12.5
Motor vehicles	20.0	20.0
Leasehold Improvements	10.0	10.0

- (d) The Authority's funds, generated from a levy of 2.5% (1.6% in 2004) on CTP premiums, are used to meet the expenses of its operations (including the provision of Rehabilitation project funding) under the Motor Accidents Compensation Act 1999. Any unused funds are kept in interest bearing investment accounts in accordance with the Motor Accidents Compensation Act 1999 and in line with the Board's approved investment strategy.

- (e) There has been no change in the accounting policies during the financial year. Comparative information has been reclassified where appropriate to enhance comparability.

- (f) Revenues, expenses and assets are recognised net of GST, except:
- the amount of GST incurred by the Authority as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
 - receivables and payables are stated with the amount of GST included. Commitments are stated with the amount of GST included.
 - The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cashflows are included in the Statement of Cash Flows on a gross basis.

(g) NDF proceeds from Clearing House and pay back from major shared claims are not included in Other Income. All claims payments are reflected in the Accounts by way of reduction of HIH claims liabilities (Note 7).

(h) International Accounting Standards

MAA will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005. MAA is managing the transition to the new standards by allocating internal resources to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

MAA has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as indicative mandates).

Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on MAA's equity and profit/ loss. MAA does not anticipate any material impacts on its cash flows. The actual effects of the transition may differ from estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. MAA's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

Reconciliation of key aggregates

Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS

	30-Jun 2005 \$'000	1-Jul 2004 \$'000
Total equity under AGAAP	20,844	17,813
Adjustments to accumulated funds		
Defined benefit superannuation adjustment for change in discount rate	(1,431)	(840)
Total equity under AEIFRS	<u>19,413</u>	<u>16,973</u>

Reconciliation of surplus under AGAAP to surplus under AEIFRS

Year ended 30 June 2005	Notes	\$'000
Surplus under AGAAP		3,031
Defined benefit superannuation	1	(591)
Surplus under AEIFRS		<u>2,440</u>

Notes to tables above

1 Employee benefits

AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. Where the superannuation obligation is not assumed by the Crown, as is the case with the Authority, this will increase the defined benefit superannuation liability and change the quantum of the superannuation expense.

Financial Instruments

In accordance with NSW Treasury's indicative mandates, MAA will apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit / loss. Further the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

Grant recognition for not-for profit entities

MAA will apply the requirements in AASB 1004 Contributions regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and / or expense recognition will not occur until either Motor Accidents Authority of NSW supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

2 Cash assets

	2005 \$ '000	2004 \$ '000
Cash at Bank	17,237	15,040
Total	17,237	15,040

3 Receivables

(a) Current

	2005 \$ '000	2004 \$ '000
CTP Levy Income Receivable	3,724	2,404
GST Receivable	476	510
Prepaid Superannuation (note 5)	111	13
Advance to Allianz	2,434	3,053
Recovery from Crown Entity (note 7)	33,001	58,805
Other Receivables	187	66
Total	39,933	64,851

As at 30 June 2005, MAA advanced to Allianz amounted to \$2.434 million (\$3.053 million in 2004) and the funds were available for making payments to Nominal Defendant claimants from the Westpac bank account.

(b) Non-current

	2005 \$ '000	2004 \$ '000
Recovery from Crown Entity (note 7)	86,485	105,192
Total	86,485	105,192

4 Plant & equipment and Leasehold Improvements

The written down value is considered to approximate the market value at 30 June 2005.

On 30 June 2005 fully depreciated assets totalled \$168,429 (\$162,283 in 2003-04). The fully depreciated assets consist of computer hardware items with a total cost of \$162,297 (\$156,151 in 2003-04) and one office machine costing \$6,132 (\$6,132 in 2003-04).

Schedule of non-current assets as at 30 June 2005

	Computer hardware \$'000	Leasehold improvements \$'000	Motor Vehicle \$'000	Office machinery \$'000	Total \$'000
At cost	439	1,010	28	97	1,574
Accumulated depreciation	282	102	11	17	412
Written down value as at 30/6/05	157	908	17	80	1,162

Schedule of non-current assets as at 30 June 2004

	Computer hardware \$'000	Leasehold improvements \$'000	Motor vehicle \$'000	Office machinery \$'000	Total \$'000
At cost	397	1,010	28	180	1,615
Accumulated depreciation	248	-	6	64	318
Written down value as at 30/6/04	149	1,010	22	116	1,297

A reconciliation of the carrying amount at the beginning and end of the reporting period is set out below:

	Computer hardware \$'000	Leasehold improvements \$'000	Motor vehicle \$'000	Office machinery \$'000	Total \$'000
Written down value as at 1/7/04	149	1,010	22	116	1,297
Acquisitions	100	-	-	40	140
Disposals	(59)	-	-	(123)	(182)
Depreciation	(96)	(102)	(5)	(15)	(218)
Write-back of depreciation on disposal	63	-	-	62	125
Written down value as at 30/6/05	157	908	17	80	1,162

5 Superannuation

Superannuation has been provided for all employees, part-time Directors, Medical Assessors, CARS Assessors and contractors in compliance with the Superannuation Guarantee Scheme 1992.

The actuary appointed has assessed the Gross Superannuation Liabilities for certain employers within the three defined benefit schemes (SSS, SASS and SANCS) administered by the SAS Trustee Corporation (STC) for the year ended 30 June 2005. The calculation of SSS, SASS and SANCS is based on the requirements of AAS25. The financial assumptions that have been applied for the calculations are:

	2004/05 % p.a.	2005/06 % p.a.	2006/07 and thereafter %p.a.
Rate of investment return	7.0	7.0	7.0
Rate of salary increase	4.0	4.0	4.0
Rate of increase in CPI	2.5	2.5	2.5

Assumptions with regard to rates of mortality, resignation, retirement and other demographics are those to be used for the 2003 triennial valuation.

The status of the superannuation reserves as at 30 June 2005 with the Superannuation Administration Corporation is as follows:

	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Reserve account balance	1,007	544	2,357	3,908
Less accrued liability	(1,156)	(489)	(2,301)	(3,946)
Balance on 30 June 2005	(149)	55	56	(38)

The corresponding amounts for 2004 were:

	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Reserve account balance	1,018	506	1,984	3,508
Less accrued liability	(1,102)	(493)	(2,568)	(4,163)
Balance on 30 June 2004	(84)	13	(584)	(655)

The deficit balance is shown as Provision for deferred superannuation liabilities (Note 7b). Surplus balances are shown as receivables (Note 3a).

6 Payables & Interest Bearing Liabilities

(a) Current payables

	2005 \$ '000	2004 \$ '000
Other creditors and accruals	2,428	2,504
Payable to AAIL (HIH claims)	195	215
Security deposits	-	92
Total	2,623	2,811

(b) Interest Bearing Liabilities

	2005 \$ '000	2004 \$ '000
Bank Overdraft	236	-
Total	236	-

The bank overdraft is due to unrepresented cheques being greater than the bank balance at 30 June 2005.

7 Provisions

(a) Current

	2005 \$ '000	2004 \$ '000
Provision for annual leave	709	657
Provision for long service leave	129	98
Provision for outstanding Nominal Defendant claims	32,243	58,068
Total	33,081	58,823

(b) Non-current

	2005 \$ '000	2004 \$ '000
Provision for long service leave	1,399	1,073
Provision for deferred superannuation liabilities (Note 5)	149	668
Provision for outstanding Nominal Defendant claims	86,485	105,192
Total	88,033	106,933

Provision for outstanding nominal defendant claims

Under the *Motor Accidents Compensation Act 1999*, the Nominal Defendant meets claims from policies issued by insolvent insurers. For the purposes of the Act the MAA is the Nominal Defendant. Following the HIH collapse, the Nominal Defendant became responsible for the liabilities owed to policyholders. The Nominal Defendant is also entitled to recoveries by the liquidator of HIH. The MAA engaged Allianz Australia Limited (AAIL) to manage the claims on behalf of MAA. A management fee of 10 per cent on costs incurred is paid to AAIL. A Variation Agreement to Claims Management & Agency Agreement with provisions for incentives based on performance in claims management against the industry standard was signed on 5 January 2005.

At 30 June 2005, liabilities for HIH CTP claims valued by the Actuaries after discounting at \$118.728 million (\$163.26 million in 2004) were recognised in the Crown's Entity's financial report. Movements in these liabilities for the year were:

		2005 \$'000	2004 \$'000
Balance 1 July	Note	163,260	262,700
Less Nominal Defendant Claims payment	8/ 12	(48,338)	(68,226)
NDF Claims handling expenses	8/ 16	(2,237)	(2,662)
NDF recoveries, net	8	215	10,048
Movement in Nominal Defendant Claims		5,828	(38,600)
Balance 30 June		118,728	163,260
Represented by:			
Current liabilities		32,243	58,068
Non-current liabilities		86,485	105,192

The movement in NDF Provision was due to an actuarial valuation of the HIH liabilities.

The liability for outstanding claims is measured as the present value of the expected future payments. Based on an actuarial valuation in June 2005 by the actuaries, Taylor Fry Pty Ltd, the expected cash flows to meet the claims were:

	2005 \$'000	2004 \$'000
Not later than one year	32,243	58,068
Later than one year but not later than five years	53,761	71,991
Later than five years	32,724	33,201
Total	118,728	163,260

The following inflation rates and discount factors were used in measuring the liability for outstanding claims:

	2005 % pa	2004 % pa
Claims expected to be paid not later than one year		
Inflation rate	4.5	4.0
Superimposed inflation	3.0	4.0
Discount rate	5.7	5.3
Claims expected to be paid later than one year		
Inflation rate	4.5	4.0
Superimposed inflation	3.0	4.0
Discount rate	5.7 – 5.8	5.4 – 6.4

Recovery from Crown Entity

Outstanding claims

Movements in the amount owing by the Crown Entity to meet outstanding claim liabilities was:

	2005 \$'000	2004 \$'000
Balance 1 July	163,997	273,668
Receipts (Note 8)	(50,339)	(58,826)
Movement in recovery*	5,828	(50,845)
Balance 30 June	119,486	163,997
Recovery from Crown Entity–NDF claims	118,728	163,260
Recovery from Crown Entity-Other NDF costs	758	737
Total	119,486	163,997
Represented by:		
Current		
Recovery from Crown Entity-Other NDF costs	758	737
Recovery from Crown Entity-NDF claims	32,243	58,068
	33,001	58,805
Non-current receivables	86,485	105,192

* The movement is based on actuarial valuation of HIH liabilities. In 2004, the movement included \$12.245 million relating to prior years non-actuarial reconciliation adjustments.

8 Receipts from NSW Treasury

NSW Treasury made a grant of \$50.339 million (\$58.826 million in 2003-04) to MAA Nominal Defendant Fund to offset the claims payments of \$48.338 million (\$68.226 million in 2003-04) made through Allianz Australia Insurance Ltd, Claims handling expenses of \$2.237 million (\$2.662 million in 2003-04). This was after the adjustment of \$0.215 million net receipts from Clearing House/ shared major claims (\$10.048 million in 2003-04)

9 CTP premium levy

The Authority was funded by a levy of 2.5% (1.6% in 2003-04) on CTP insurance premiums collected by licensed insurers. The annual levy income of \$36.675 million (\$23.489 million in 2003-04) includes the accrued levy of \$3.724 million for the month of June 2005 (\$2.404 million in 2003-04).

10 Interest earnings

Interest earnings on funds during 2004-05 amounted to \$0.996 million (\$1.429 million in 2003-04). The weighted average interest rate on cash was 4.93% pa.

11 Other income

Other Income received on MAA and NDF:

	2005 \$ '000	2004 \$ '000
HIH Trust Funds	91	436
Rental Income	130	310
Others	204	75
Total	425	821

12 Nominal Defendant claims payment

The Nominal Defendant funds were applied to the payment of HIH expired policies (CIC and FAI insurance policies expiring on or before 31 December 2000) and paid for settling the following:

- Payment to service providers
- Payment against court verdicts
- Other settlement amounts

13 Salaries and related costs

Salaries and Related Costs of \$10.922 million (\$11.413 million in 2003-04) for the year were lower by \$0.491 million in comparison with 2003-2004. The main components are:

	2005 \$ '000	2004 \$ '000
Permanent and temp salaries	7,621	6,927
Agency staff	573	972
Payroll tax	596	508
Employers Superannuation	815	2,342
Other salary components	1,317	664
Total	10,922	11,413

14 Other operating expenses

This broad group includes a number of line items. The major items are listed below:

	2005 \$ '000	2004 \$ '000
Rent and related costs	1,654	1,676
Computer software/expended hardware/maintenance	424	400
Telephone/fax	153	228
Staff development	171	246
Stationery	204	207
Interpreting services	224	177
Legal fees	86	100
Others	620	607
Total	3,536	3,641

15 Rehabilitation and road safety grants

These grants consist of:

	2005 \$ '000	2004 \$ '000
Rehabilitation	4,409	2,414
Road safety grants and sponsorships	4,850	5,707
TOTAL	9,259	8,121

The total commitment as at 30 June 2005 was \$15.432 million (\$17.244 million in 2003-04).

16 Nominal Defendant claims handling expenses

Nominal Defendant claims handling expense in 2005 included agent's fees to AAIL of \$1.754 million (\$2.206 million in 2003-04). Other Contracted services of \$0.275 million (\$0.293 million in 2003-04), & other expenses of \$0.208 million (\$0.163 million in 2003-04).

In line with the Agency Agreement MAA paid AAIL expended costs in managing the claims and a management fee of 10% of the costs incurred. Prior to the provisional liquidation of HIH, AAIL has been managing claims on behalf of HIH Insurance group on the same basis.

17 Project administration costs

Project costs were incurred during the year and comprise:

- the administration of grants through the Injury Prevention and Management Division,
- the Continuous Improvement Project in the Motor Accidents Assessment Services Division, and
- the Community Re-integration Program.

For reporting purposes, the following amounts were included as expenses in the Statement of Financial Performance relating to projects:

	2005 \$ '000	2004 \$ '000
Salaries and related costs	1,368	1,755
Other operating expenses	213	559
TOTAL	1,581	2,314

18 Audit fees

Annual Audit fees comprise payments of \$38,136 (\$190,242 in 2003-04) to Ernst & Young (for internal audit services), \$35,872 to the Internal Audit Bureau for internal audit (\$29,000 in 2003-04) and \$37,000 including accrual of \$21,000 (\$37,000 in 2003-04) to the Audit Office of NSW. The amount paid to the Audit Office of NSW was for auditing the financial statements only; no other amounts were paid.

19 Directors' and Council Members' benefits

In addition to the payments prescribed for Board and Council Members by the Premiers Department, the following council members received additional payments inclusive of GST during the reporting period:

- Geraldine Anne Daley was paid \$40,187 for CARS assessor fees (\$29,860 in 2003-04). Geraldine resigned from her position as Motor Accidents Council member and was appointed as a full time CARS assessor on 22 November 2004 for a term of 3 years.
- Stephen Buckley was paid \$ 11,935 for MAS assessor fees (\$1,661 in 2003-04), and
- Michael Henderson was paid \$3,046 (\$440 in 2003-04) for providing expert road safety advice.

20 Equity

Equity consists of Retained Profits. Movements for the year were:

	2005 \$ '000	2004 \$ '000
Balance at the beginning of the year	17,813	36,352
Changes in equity – other than transactions with owners as owners:		
Net Profit/(Loss) for the year	3,031	(18,539)
Balance at the end of the year	20,844	17,813

21 Commitments for expenditure

On 30 June 2005 the Authority has expenditure commitment in respect of the lease of its existing office premises, and ongoing Rehabilitation/Road Safety programs already approved by the Board. The lease commitment (inclusive of GST) is as follows:

	2005 Office premises \$'000	2004 Office premises \$'000
Not later than one year	1,774	1,825
Later than one year but not later than five years	5,256	6,944
Later than five years	-	233
Total	7,030	9,002

The MAA has an approved funding commitment (including GST) as at 30 June 2005 of \$8.894 million (\$12.026 million in 2003-04) for Rehabilitation grants and of \$6.578 million (\$5.218 million in 2003-04) for Road Safety grants. The grant commitments were not included in the current and non-current liabilities on the main body of the Statement of Financial Position considering the conditions attached to the disbursement of the approved funding. The total project grant commitment as at 30 June 2005 was \$ 15.432 million (\$17.244 million in 2003-04).

An integral part of the scheme is a commitment to effective injury management and rehabilitation. This is supported by provisions in the Motor Accidents Compensation Act 1999 that enable the MAA to fund initiatives that address the injury management needs of people injured in motor vehicle accidents. Applicants are required to submit a proposal within the guidelines for new project applications, demonstrating an impact on improving injury management and rehabilitation of persons sustaining such injuries. As MAA has a responsibility to ensure effective utilisation of the funding, conditions are attached to funding offers and projects are subject to monitoring and review processes through quarterly and six monthly reports including financial returns and also a final report on completion.

22 Contingent liabilities

There was no known contingent liability at 30 June 2005 (nil for 2003-04).

23 Notes to the Statement of Cash Flows

(a) Reconciliation of net cash provided by/ (used in) operating activities to net profit/ (loss) from ordinary activities

	2005 \$'000	2004 \$'000
Net profit/(loss) for the year	3,031	(18,539)
Depreciation	218	93
Loss/(gain) on disposal of fixed assets	44	10
<i>Change in assets and liabilities</i>		
Decrease/(increase) receivables: current	24,918	29,116
Decrease/(increase) receivables: non-current	18,707	87,181
Increase/(decrease) in payables: current	(188)	(969)
Increase/(decrease) in provisions: current	(25,742)	(12,061)
Increase/(decrease) in provisions: non-current	(18,900)	(86,456)
Net cash provided by/(used in) operating activities	2,088	(1,625)

(b) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank & on hand, highly liquid investments & interest bearing liabilities. Cash at the end of the financial year as shown on the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position:

	2005 \$'000	2004 \$'000
Cash at bank (Note 2)	17,237	15,040
Interest Bearing Liabilities (Note 6(b))	(236)	-
Total	17,001	15,040

24 Financial instruments

Credit risk exposures

The credit risk on financial assets of the Authority included in the Statement of Financial Position is the carrying amount (net of any provisions) based on historical cost.

Interest rate risk exposures

2005 on the Statement of Financial Position	Variable interest rate					Non- interest bearing \$'000	Total \$'000
	Weighted av. Rate \$'000	1 Year or Less \$'000	Over 1 to 5 Years \$'000	Fixed rate \$'000			
Financial assets							
Cash assets	4.93%	17,237	-	-	-	-	17,237
Trade debtors	-	-	-	-	-	3,724	3,724
Other receivables	5.43%	2,434	-	-	-	148	2,582
Crown receivables	-	-	-	-	-	119,486	119,486
	-	19,671	-	-	-	123,358	143,029
Financial Liabilities							
Payables	-	-	-	-	-	2,623	2,623
Interest bearing liabilities	-	-	-	-	-	236	236
Nominal Defendant provisions	-	-	-	-	-	118,728	118,728
	-	-	-	-	-	121,587	121,587
Net Financial Assets/ Liabilities	-	19,671	-	-	-	1,771	21,442

2004 on the Statement of Financial Position	Variable interest rate					Non- interest bearing \$'000	Total \$'000
	Weighted av. Rate \$'000	1 Year or Less \$'000	Over 1 to 5 Years \$'000	Fixed Rate \$'000			
Financial Assets							
Cash Assets	5.02%	15,040	-	-	-	-	15,040
Trade debtors	-	-	-	-	-	2,404	2,404
Other Receivables	5.07%	3,053	-	-	-	27	3,080
Crown receivables	-	-	-	-	-	163,997	163,997
	-	18,093	-	-	-	166,428	184,521
Financial liabilities							
Payables	-	-	-	-	-	2,719	2,719
Nominal Defendant provisions	-	-	-	-	-	163,260	163,260
	-	-	-	-	-	165,979	165,979
Net Financial Assets	-	18,093	-	-	-	449	18,542

The carrying cost of all financial assets and liabilities is Net Fair Value unless stated otherwise.

2004-2005 Financial summary

The financial information shown below augments the audited financial statements of the Authority. The information is provided in accordance with the provisions of the *Public Finance and Audit Act, 1983*, the *Annual Reports (Statutory Bodies) Act, 1984* and Treasurer's Directions.

The Authority has not made representations to Treasury for an extension of time nor has it requested exemptions from the reporting provisions of the *Annual Report (Statutory Bodies) Act, 1984* and Regulations thereto.

Actual/budget comparison year ended 30 June 2005

	Actual	Budget	Variance
	2004/2005 \$'000	2004/2005 \$'000	+ / (-) \$'000
Expenditures:			
Rehabilitation Grants	4,850	4,624	(226)
Road Safety Grants and Sponsorships	4,409	5,025	616
Labour Costs	10,922	9,954	(968)
Other Operating Costs	4,072	5,225	(1,153)
External Services	10,812	8,237	2,575
Contingency	-	300	300
Total	35,065	33,365	(1,700)
Capital Expenditure	140	85	(55)

Notes:

- 1 Movement in Nominal Defendant: Recovery from Crown of \$5.828 million has been excluded from the comparison above as it is not part of the core business of the Authority and is managed by MAA through NSW Treasury grants.
- 2 External Services comprise : Medical Assessor Fees - \$6.397 million, CARS Assessor Fees - \$2.314 million, MAS Review Panel Fees - \$0.387 million, Contracted Services other - \$1.699 million, Consultancy Fees - \$0.015 million.
- 3 A contingency of \$300,000 provided to meet unforeseen expenditure was not required.
- 4 The 2004-2005 budget approved by the Board has been reduced by \$0.880 million as required by NSW Treasury savings targets for the year.

Comparative statement of financial performance for the year ended 30 June 2005

	Actual 2004/2005 \$'000	Budget 2004/2005 \$'000	Budget 2005/2006 \$'000
Revenue from ordinary activities			
Movement in Nominal Defendant Claims	5,828	-	-
CTP Premium Levy	36,675	35,258	36,232
Interest	996	1,200	1,367
Other Income	425	-	-
TOTAL Revenue from ordinary activities	43,924	36,458	37,599
Expenditure from ordinary activities			
Movement in Nominal Defendant			
Claims	5,828	-	-
Salaries and related costs	10,922	9,954	11,817
Other Operating Expenses	3,536	4,041	3,703
Road Safety Grants	4,409	5,025	4,425
Rehabilitation Grants	4,850	4,624	6,512
Medical assessor fees	6,397	5,682	6,232
CARS assessor fees	2,314	742	1,818
Contracted Services – Others	1,699	1,797	3,106
Advertising, Promotion and Publicity	283	564	365
Audit Fees	111	325	244
Council Members' Fees	134	152	143
Board Members' Fees	133	143	156
Depreciation	218	-	220
Consultancy Fees	15	16	42
Loss on disposal of non-current assets	44	-	-
Contingency	-	300	300
TOTAL expenditure from ordinary activities	40,893	33,365	39,083
Net Profit/(Loss)	3,031	3,093	(1,484)

Note: The approved 2005-2006 Budget is given above. The 2004-2005 expenditure budget approved by the Board has been reduced by \$0.880 million in line with NSW Treasury savings target for 2004-2005.

Notes to comparative statement of financial performance for the year ended 30 June 2005

- 1 Movement in Nominal Defendant Claims of \$5.828 million is not a budget item.
- 2 CTP Premium Levy income for 2004-2005 was 4% higher than the budgeted amount.
- 3 Interest income was 17% lower than budget.
- 4 Other Income constitutes:
 - Trust funds remittance from Solicitors (\$0.091 million),
 - Seminar revenue (\$0.064 million),
 - Rent & lease related outgoings recoupe (\$0.130 million), and
 - Other income (\$0.140 million).
- 5 Accruals and prepayments were fully provided for in accordance with the MAA's policy on accruals and prepayments.
- 6 Salaries and Related expenditure of \$10.922 million was 10% higher than budgeted mainly due to:
 - additional temporary and permanent staff employed within the Motor Accidents Assessment Services division because of the high level of claims.
- 7 Other Operating Expenses was lower than budgeted by \$0.505 million (13%) mainly due to lower spending on telephone, travel, postage and translation costs.
- 8 The combined expenditure on Rehabilitation and Road Safety project payments were lower than budget by 4%.
- 9 Medical assessor and CARS assessor fees were higher than budget by \$0.715 million (13%) and \$1.572 million (212%) respectively due to the high level of MAS and CARS applications received during the year.
- 10 The expenditure variation on Contracted Services were 5% lower than budgeted due to the reduction in the use of contractors.
- 11 Advertising, Promotion and Publicity expenses were lower than budgeted by \$0.281 million (50%) mainly due to a decrease in publication and printing costs.
- 12 Audit fees were \$0.214 million (66%) lower than budget due to a number of low risk internal audits being deferred to the following year.
- 13 Council and Board members' fees were lower than budget by 12% and 7% respectively. There were no fee increases during the year.
- 14 The expenditure variation in Consultancy Fees were 6% lower than budgeted.
- 15 Historically, depreciation was not budgeted for, as the timing of capital purchases was not known.
- 16 A surplus of \$3.031 million for the year was slightly lower than the budgeted surplus amount of \$3.093 million.

Summary of statement of financial performance: actual and budget comparison from 2001-2002 to 2004-2005

	2004-2005 \$'000		2004-2005 \$'000		2003-2004 \$'000		2003-2004 \$'000		2002-2003 \$'000		2002-2003 \$'000		2001-2002 \$'000		2001-2002 \$'000	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenue from ordinary activities																
Movement in Nominal Defendant	5,828	-	38,600	-	-	-	43,522	-	-	-	-	-	-	-	-	-
Receipt from NSW Treasury	-	-	-	-	-	-	-	-	-	-	-	-	554,063	-	-	-
CTP Premium Levy	36,675	35,258	23,489	22,124	19,514	18,774	19,514	18,774	18,377	18,774	18,377	18,733	18,377	18,733	18,733	18,733
Interest	996	1,200	1,429	1,252	1,221	996	1,221	996	1,464	996	1,464	927	1,464	927	927	927
Other Income	425	-	821	390	12,628	379	12,628	379	1,591	379	1,591	285	1,591	285	285	285
TOTAL revenue from ordinary activities	43,924	36,458	64,339	23,766	76,885	20,149	76,885	20,149	575,495	20,149	575,495	19,945	575,495	19,945	19,945	19,945
Expenditure from ordinary activities																
Movement in Nominal Defendant	5,828	-	50,845	-	34,274	-	34,274	-	-	-	-	-	-	-	-	-
Nominal Defendant Claims Payment	-	-	-	-	-	-	-	-	541,924	-	-	-	-	-	-	-
Nominal Defendant – Other Expenses	-	-	-	-	1,589	-	1,589	-	7,891	-	-	-	7,891	-	-	-
Salaries and Related Costs	10,922	9,954	11,413	9,713	7,703	6,893	7,703	6,893	5,657	6,893	5,657	4,762	5,657	4,762	4,762	4,762
Nominal defendant Claims Mgmt	-	-	-	-	-	-	-	-	4,202	-	-	-	4,202	-	-	-
Other Operating Expenses	3,536	4,041	3,641	3,664	7,245	6,293	7,245	6,293	3,722	6,293	3,722	3,957	3,722	3,957	3,957	3,957
Road Safety Grants	4,409	5,025	5,707	5,795	6,486	2,463	6,486	2,463	2,897	2,463	2,897	2,725	2,897	2,725	2,725	2,725
Rehabilitation Grants	4,850	4,624	2,414	7,015	5,265	2,607	5,265	2,607	2,512	2,607	2,512	2,310	2,512	2,310	2,310	2,310
Medical assessor fees	6,397	5,682	5,253	4,455	-	-	-	-	-	-	-	-	-	-	-	-
CARS assessor fees	2,314	742	1,035	662	1,682	1,664	1,682	1,664	1,475	1,664	1,475	1,713	1,475	1,713	1,713	1,713
Contracted Services – Others	1,699	1,797	1,682	2,255	282	380	282	380	277	380	277	368	277	368	368	368
Advertising, Promotion & Publicity	283	564	261	620	205	270	205	270	141	270	141	148	141	148	148	148
Audit Fees	111	325	256	319	138	139	138	139	135	139	135	126	135	126	126	126
Council Members' Fees	134	152	138	152	131	130	131	130	127	130	127	121	127	121	121	121
Board Members' Fees	133	143	130	143	80	-	80	-	83	-	83	-	83	-	-	-
Depreciation	218	-	93	-	46	60	46	60	295	60	295	312	295	312	312	312
Computer Bureau	-	-	-	-	35	60	35	60	161	60	161	360	161	360	360	360
Consultancy Fees	15	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	300	-	-	-	300	-	300	-	300	-	300	-	300	-	300
Loss on disposal of non-current assets	44	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL expenditure from ordinary activities	40,893	33,365	82,878	34,793	65,336	21,259	65,336	21,259	571,499	21,259	571,499	17,202	571,499	17,202	17,202	17,202
Net Profit/(Loss)	3,031	3,093	(18,539)	(11,027)	11,549	(1,110)	11,549	(1,110)	3,996	(1,110)	3,996	2,743	3,996	2,743	2,743	2,743

Notes: (1) Expenditure on capital items is excluded from this summary. (2) Depreciation is not budgeted, as the timing of capital purchases is not known. (3) Each year starts on 1 July and ends on 30 June next year, that is, in line with the fiscal year.

Appendices

Operations	64-65
Accounts payable performance	64
Credit card certification	64
Information technology	64
Internal Audit Committee and risk management	64
Insurance	64
Major assets acquired	64
Privacy Management Plan	64
Use of consultants	65
Waste reduction	65
Accommodation	65
Shared corporate services	65
Staffing	66-67
Staff numbers and grading	66
Senior Executive Service	66
GM's performance statement	66
Equal Employment Opportunity	66
Grievances	66
Occupational Health and Safety	66
Parliamentary annual report tables	67
Community	68
Action Plan for Women	68
Disability Strategic Plan	68
Ethnic Affairs Priority Statement	68
Overseas visits made by MAA officers	68
Promotion	68
Publications	68
Legislation	69
Statutory reporting obligations	69
Freedom of Information	69
Legislative changes	69
Code of Conduct	70
Garrantee of Service	72
Committees at 30 June 2005	73

Accounts payable performance

During the reporting period, all MAA suppliers and service providers were paid within 30 days as required by NSW Treasury.

Credit card certification

Credit card use by MAA officers is certified in accordance with Treasury's Direction 205.01 and relevant Premier's Memoranda and additional Treasurer's Directions and government policy.

Information technology

TRIM context

A major upgrade to our records management system was introduced in early 2005. More useable software, along with organisation-wide training and information sessions, have resulted in a marked increase in the use of the system, leading to improvements in security and accessibility of the MAA's information resources.

PSL vision

Building on the infrastructure provided by the MAA's migration to a voice over IP system last year, a call management and unified messaging system was implemented in April 2005. The new software has significantly improved service to customers by allowing a more efficient call queue and agent management, system administration, and reporting.

Sirius case management system

A major project to provide enhancements to the MAAS case management system commenced. The system will be expanded to allow on-line lodgement of applications and supporting documents, on-line progress tracking for lodged applications, and improved communications between the MAA and a large team of claims and medical assessors. The new system will streamline business processes within MAAS, and provide a much higher level of customer service.

Website

The MAA's website was redesigned to improve navigation and provide a more informative search facility. A new content management system reduces the time taken to manage and keep the site relevant and helps to keep the site up-to-date. Functionality was further expanded in July 2005 with a secured extranet information service for MAAS assessors and other service providers.

Internal audit and risk management

The Ernst & Young contract expired on 30 June 2004. Following a competitive tendering process the Internal Audit Bureau (IAB) was engaged to complete a risk analysis review for the MAA and was awarded the MAA internal audit contract for three years starting on 1 July 2004.

Ernst & Young completed the remaining reviews outstanding from the 2003-04 internal audit program during the year at a cost of \$38,136:

- Assessment Management Review
- Business Process Review
- Governance

At a cost of \$35,872 the Internal Audit Bureau completed the following reviews in 2004-2005:

- Taxation and Superannuation Compliance
- Privacy Review
- OH&S Review

The Audit Sub-committee of the MAA Board receives internal and external audit reports and reviews the MAA's progress in implementing all risk minimisation recommendations.

Insurance

The MAA is appropriately insured for public liability, contents and electronic equipment, motor vehicles, workers' compensation and directors' and officers' liability.

Major assets acquired

No major assets were acquired during the reporting period.

Privacy Management Plan

The MAA's Privacy Management Plan complies with the requirements of the Privacy and Personal Information Protection Act 1998. It includes procedures for handling privacy complaints, applications for internal review and compliance with public register provisions. During 2005 the plan was reviewed to ensure it complied with the requirements of the Health and Information privacy Act 2002. Recommendations from the review will be implemented in 2005-2006.

The MAA did not receive any requests for review under the Act this year.

Use of consultants

The MAA engages consultants in accordance with the Premier's Department's Guidelines for the engagement and use of consultants. Consultancy fees to 30 June 2005 totalled \$14,526. The total number of consultants used during the reporting period was one.

Waste reduction and purchasing plan

The MAA reported to Resource NSW in August 2003 on its activities over the previous two years. The next report is due in August 2005.

Reducing waste

The MAA has an electronic data management system that reduces the use of paper, lever arch files, cardboard file covers and minimises paper based filing. Paper waste is further minimised by using email, the intranet and internet to distribute information. Use of paper is also reduced by receiving all faxes electronically. Superseded computing equipment is directed to the Reconnect.nsw program. The use of online information directories, such as the White and Yellow Pages also reduces the use of paper.

The MAA is continuing to reduce its stock of printed publications. All MAA publications are available as pdf files to download from our website. We continue to make savings through the use of electronic letterhead, and single colour (black) printed stationery.

Resource recovery

The MAA offices are serviced by Visy co-mingle recycling. The MAA recycles approximately 13 tonnes of paper a year. All used toner cartridges are recycled.

Recycled materials

Only reformatted disks are purchased. Paper with 50 per cent recycled content is used for all copying, faxing and printing. Printing contracts give preference to printing on recycled paper where this is appropriate and cost-effective.

Energy Management Policy

The Government's November 1998 Energy Management Policy outlines its commitment to reducing energy use and greenhouse gas emissions. The policy outlined specific agency responsibilities for establishing and reporting against performance goals. Again this year, the MAA maintained only one motor vehicle and continued to purchase energy efficient office and computing equipment.

Accommodation

To accommodate increased numbers, the majority of MAAS staff moved to level 19, 1 Oxford Street, Darlinghurst in the last reporting year. Staff are co-located with the Workers' Compensation Commission (WCC) and share the WCC registry, hearing rooms, training facility and reception/concierge services. The mail room, storage, archiving, records areas, staff facilities and meeting room are shared as well as a common counter area. The other MAA divisions remain at Level 22, 580 George Street. Some MAAS staff remain on Level 21, 580 George Street with other space on that level being used by a community group.

Shared corporate services

The MAA's agreement with WorkCover for the provision of corporate support functions has allowed the MAA to make cost savings while ensuring a high level of service to staff and suppliers. Services including accounts payable, monthly financial reporting, payroll and leave processing services were in place all year. The management of the MAA's recruitment processing function moved to WorkCover in June 2005.

Staff numbers and grading

There was a four per cent increase in the MAA's staffing level between 30 June 2004 and 30 June 2005: an additional five equivalent full time (EFT) staff. This was due to a strategic realignment of workloads and occurred in the lower graded positions. The actual number of staff employed (head count) at 30 June 2005 was 133 (excluding contractors and agency provided temporary staff). This equates to 128 EFT. Recruitment was proceeding for two positions at 30 June 2005.

	30 June 2002	30 June 2003	30 June 2004	30 June 2005
SES	3	4	4	4
Senior Officer	4	5	7	6
Clerk 11/12	14	15	16	15
Clerk 9/10	13	14	14	16
Clerk 7/8	6	16	19	19
Clerk 5/6	11	14	24	21
Clerk 3/4	11	26	20	18
Clerk 1/2	9	7	19	28
Other	-	6	5	4
Total (head count)	71	107	128	133
Total (EFT)	70	103.6	122.7	128

Senior executive officers

The MAA's SES establishment remains unchanged from last year: General Manager, Level 5; Manager, Insurance Division, Level 2; Principal Claims Assessor, Level 2 and Manager, MAAS Continuous Improvement Project, Level 3 (to December 2005). Three SES officers are women.

GM's performance statement

David Bowen, SES level 5, total remuneration package: \$219,850 per annum. The following statement is provided in compliance with annual reporting legislation, which requires that achievement statements be published for all SES officers, level 5 and above. Special Minister of State, the Hon John Della Bosca, has indicated his continued satisfaction with his performance in managing and directing the MAA. Achievements in 2004-05 included:

- directing the Continuous Improvement Project in MAAS division and continuing the streamlined work practices
- implementing the Community Participation Program

- developing a proposal for lifetime care and support for people catastrophically injured in a motor vehicle accident
- conducting a comprehensive review of the Grants Program
- improving the level of compliance by insurers
- continued increase in the use of the greenslip helpline and website by motorists to access best price
- reducing outstanding claims in the HIH run-off portfolio from 6,874 to 1,068 since the insurer went into liquidation in March 2001.

Equal Employment Opportunity

Progress during 2004-2005 of the EEO Plan 2003-2006 included:

- training sessions for staff and supervisors in implementing the Review of Achievements and Development Scheme (ROADS), the individual performance management scheme
- continuation of the internal training program which requires all staff to complete mandatory training in EEO, disability and multicultural awareness, and harassment prevention
- a number of training courses have been held with a view to ensuring all staff and supervisors are trained in grievance resolution
- a former participant in the disability traineeship scheme was appointed to a permanent position
- a program to review all HR policies on a three yearly basis in consultation with staff and the union continued
- Privacy guidelines were reviewed to ensure that all requirements of the Privacy legislation are met in the collection and use of EEO data.

Major targets for 2005-2006 include:

- training of more staff including union representatives in job evaluation
- implementing the revised ROADS with a corresponding training program for all staff and supervisors
- continuation of the review of HR policies in conjunction with the union.

Grievances

There were no formal grievances lodged in the 2004-2005 reporting year.

Occupational Health and Safety

There were four (ongoing) compensation claims in the reporting period. (from 2003-04, two claims in 2002-03). The annual workers' compensation premium was \$65,043. The MAA's OH&S workplace committee met five times, to assist the MAA meet its statutory obligations.

Parliamentary Annual Report tables

A: Trends in the representation of EEO groups

EEO group	Percentage of total staff				
	Target	2002	2003	2004	2005
Women	50	66	69	68	67
Aboriginal people and Torres Strait Islanders	2	0.0	0.0	0.0	0.0
People whose first language is not English	20	24	26	20	5
People with a disability	12	4	7	3	0.0
People with a disability requiring work-related adjustment	7	1.4	2.8	3.2	0.0

B: Trends in the Distribution of EEO Groups

EEO group	Distribution index				
	Target	2002	2003	2004	2005
Women	100	103	93	97	99
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	0	n/a
People whose first language is not English	100	n/a	91	97	n/a
People with a disability	100	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a

Source: Premier's Department, Workforce Profile Tool

Notes:

- 1 Staff numbers are as at 30 June
- 2 Excludes casual staff
- 3 A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The distribution index is automatically calculated by the software provided by The Office of the Director of Equal Opportunity in Public Employment
- 4 The distribution index is not calculated where EEO group or non-EEO group numbers are less than 20 and is presented as 'n/a' in Table B.

Action Plan for Women

The NSW Government's Action Plan for Women aims to:

- reduce violence
- promote safe and equitable workplaces
- maximise interests in economic reforms
- promote the position of women in society
- improve access to education, health and quality of life.

The MAA takes these aims into consideration as an industry regulator and in allocating funding grants, offering education and information and in dispute resolution.

Disability Strategic Plan

During 2004-2005 achievements against the Disability Strategic Plan 2003-2006 included:

- permanently appointing a trainee on completion of their traineeship
- training all staff in disability awareness (this is mandatory training)
- publishing the MAA Disability Plan on the intranet
- incorporating the needs of the visually impaired in redesigning the MAA website.

Ethnic Affairs Priority Statement

Major achievements in the Ethnic Affairs Policy Statement and Implementation Plan for 2003-2006 included:

- the plan and progress reports were made available on the intranet
- maintaining a database for peak ethnic affairs related agencies on the intranet
- the majority of position descriptions include EAPS responsibilities
- cultural diversity awareness training is mandatory for all staff and is included in ROADS, the performance management scheme
- 17 per cent of clients of MAAS have sought and been provided with interpreting services
- MAAS has met all requests for interpreter services.

Overseas visits made by MAA officers

The Minister approved attendance at the International Insurance Society Conference (11-14 July 2004) of the Chairman of the MAA Board, Richard Grellman. Costs were met from MAA funds.

Publications

The revised MAA Summary of Affairs was last published in the Government Gazette in June 2004.

MAA publications are listed in the MAA Freedom of Information Statement of Affairs (at 30 June 2005) which is available on the MAA website. Significant additions made in the reporting period include:

- Care and Support Services Communication Procedures for NSW Motor Accidents Scheme
- Guidelines for Levels of Attendant Care for People Who Have a Spinal Cord Injury and Can Claim Under the NSW Motor Accidents Scheme
- Guidelines for the management of anxiety following motor vehicle accidents
- Managing anxiety following motor vehicle accidents: A general practitioner's guide
- Managing anxiety following motor vehicle accidents: an insurer's guide
- Matching client needs and support worker skills
- Treatment, Rehabilitation and Attendant Care Guidelines
- Your guide to anxiety treatment after a motor vehicle accident.

The publication, Rehabilitation and the Motor Accidents Scheme, underwent a major review and update during the reporting period.

Statutory reporting obligations

All statutory and non-statutory management plans, reports and returns to central coordinating authorities were completed within required deadlines during the reporting period.

Freedom of Information

During 2004–2005, the MAA processed 19 Freedom of Information (FOI) applications. Of the 22 applications received by the MAA:

- one application brought forward from 2003–2004 reporting period was granted in full
- seven applications were granted in full
- two applications were refused on the basis that the documents requested were not held (s 28(1)(b))
- one application with three requests of which one request deferred with documents subsequently released, second request granted in full and the final request refused due to document not held (s 28(1)(b))
- eight applications granted in part and refused in part on the basis of exemptions within Sch 1 of the FOI Act (s 25(1)(a))
- three applications will be brought forward to 2005–2006 reporting period.

There was no request for amendments of personal records.

During 2004–2005 compliance with the provisions of the FOI Act had no significant impact on the administration of the MAA.

Two applications for internal review was lodged on exempt matter and finalised.

No application was reviewed before the Administrative Decisions Tribunal during this reporting period.

Legislative changes

Acts

The *Motor Accidents Legislation Amendment Act 2004* amended the *Motor Accidents Act 1988* and the *Motor Accidents Compensation Act 1999*. The amendments, which commenced on 11 October 2004, provide that the procedural and damages provisions of the *Motor Accidents Act 1988* and the *Motor Accidents Compensation Act 1999* do not apply to coal miner injury claims resulting from motor accidents that did not occur on a road or road related area, where there was no compulsory third party insurer or the Nominal Defendant on risk and the death or injury gives rise to a work injury claim.

Regulations

There were no amendments to the *Motor Accidents Compensation Regulation (No 2) 1999* during the reporting period.

Code of conduct

What is a code of conduct?

This Code sets out the standards of expected behaviour from all staff to help you identify clear boundaries of what is acceptable behaviour, to act as a guide to deal with situations you may not have encountered before and to help you solve any ethical dilemmas.

Our Code of Conduct applies equally to all staff, whether permanent, temporary or employed on a contract basis.

The MAA is expected to conduct its business with efficiency, fairness, impartiality and integrity. We are expected to behave ethically and professionally at all times to help us maintain our reputation for integrity and fair dealing and give us a basis for making day to day decisions.

The Code of Conduct cannot cover all situations. If you have any doubts or require advice about a particular situation, you should discuss the matter with your supervisor or Divisional Manager.

Personal conduct

We are all expected to:

- treat work colleagues, the public and MAA clients with courtesy and respect
- comply with relevant legislation and industrial requirements such as the areas of EEO, OHS, harassment and discrimination.

Offers of gifts, benefits or hospitality

In general, you should not accept gifts or benefits. However, the MAA recognises that you may receive token or complimentary gifts on various occasions such as publicity launches, promotions or at Christmas from business contacts in various fields in the private sector. On occasions, you may be invited to business or working lunches or social functions.

Under no circumstances should you solicit gifts or benefits.

Consumable gifts such as food and alcohol must be shared with the rest of the MAA, eg, at divisional or staff meetings. The Executive Officer should be informed of the gift for inclusion into the Register of Gifts and Invitations.

They may be accepted where:

- they are of a minor nature or nominal monetary value; and
- refusal to accept may offend.

They should not be accepted where:

- there is the possibility that you appear to be compromised in any way
- organisations you know are in the process of negotiating tenders/ contracts, supplying goods or services or applying for funding from the MAA. This does not mean you cannot meet representatives of such organisations over lunch, if necessary, but you must pay your own way.
- benefits such as personal discounts are offered on goods or services from current or prospective suppliers of the MAA other than those offered to the general public.

Is there a conflict of interest?

It is essential that no opportunity exists for your personal interests, associations or activities (financial or otherwise) to conflict with the proper performance of your duties.

Examples of a conflict of interest could include:

- working for companies dealing with any aspect of CTP insurance, claims or rehabilitation
- participation in political matters that may interfere with your ability to undertake your duties in a politically neutral manner
- commercial relationships that either you or your close family members have with the CTP insurance industry; applicants for MAA funding, or individual claimants that could affect or be construed to affect your impartiality.

Use of MAA resources

You are expected to be efficient and economical in the use and management of MAA resources.

Permission to use equipment for private purposes should be sought from your Divisional Manager. If permission is given, it should not disrupt you carrying out your normal duties.

Ethical decision making

To foster a climate of ethical awareness, conduct and decision making, consider the following points:

- is the decision or conduct lawful and consistent with Government policy and in line with the MAA's corporate objectives and its Code of Conduct?
- what is the likely outcome for staff, work colleagues, the MAA and others, including the stakeholders in the NSW Motor Accidents Scheme?
- can the decision or conduct be justified in terms of the public interest and would it withstand public scrutiny?

Public comment

The General Manager and the Principal Media Officer are the only staff authorised to communicate with the media on the MAA's operations. Divisional Managers are authorised to communicate with the media when the General Manager agrees.

However, you may be required to make public comment at public speaking engagements and when representing the MAA at meetings. You are expected to be professional and responsible when representing the MAA on business or social occasions.

Although as a private individual, you have the right to make public comment on political and social issues, discretion should be used as to when this may be inappropriate.

Confidentiality of official information

Much of the information that you use on a regular basis is of a sensitive or confidential nature. It should not be disclosed except in the course of your duties. Most of this information will be captured within the records management system. All staff have an obligation to manage their information in accordance with the MAA's records management policies and procedures. Information may relate to:

- proposed government policy
- the business of insurance companies
- details of private individuals obtained from the MAA claims register and statistical database
- MAA financial analysis system
- RTA's DRIVES database.

If for any reason you have doubts about disclosing specific information as part of your duties, discuss the matter with your supervisor.

Leaving the MAA

Should you obtain employment in the private sector that bears a close or sensitive relationship to your current position you should advise the General Manager immediately. The General Manager will make a determination as to the type of work you should be allocated prior to taking up duty in your position.

Even after you cease working with the MAA, you should not make public or otherwise use any knowledge or information gained as a result of your employment with the MAA.

Reporting procedure

The MAA's Protected Disclosures Policy nominates the General Manager and the Executive Officer as officers to make a protected disclosure. This Policy is available on the Intranet.

Make sure you check out other policies and procedures available on the Intranet.

Guarantee of service

Guarantee of Service (revised June 2004)

Our vision is to lead and support a CTP scheme that minimises the impact of motor vehicle accidents.

Our role is to have a CTP insurance and compensation scheme that is affordable, fair and accessible by:

- being an effective regulator
- promoting appropriate treatment of injured persons
- providing medical and claims assessments in disputed cases
- providing advice to the Minister, Board, Council, Parliamentary Committee and stakeholders
- supporting injury prevention initiatives
- providing services as the Nominal Defendant.

We believe in:

- providing quality services
- working in an equitable, supportive and professional environment
- being an independent and ethical regulator
- continuously improving our internal operations.

Corporate priorities for 2005-2006

- Changed scope of Scheme—Lifetime care and no fault for children
- Review of injury prevention and management programs
- Improved dispute resolution for CTP claimants
- Strategic planning and management of IP & M programs
- Insurer compliance strategy.

You can expect us to:

1 Treat you with respect and courtesy

2 Provide an efficient and professional service

To compare greenslip prices for privately registered vehicles, call the MAA's greenslip helpline on 1300 137 600. This automated service operates 24 hours, seven days a week. Alternatively, compare prices on the MAA website at www.maa.nsw.gov.au.

General enquiries about greenslips will be directed to the Claims Advisory Service, which operates between 8.30am and 5.00pm Monday to Friday.

Calls directed to this service out of hours will be returned by the next working day. You can also email the Claims Advisory Service at enquiries@maa.nsw.gov.au. Emails will be answered as quickly as possible depending on the information you require.

91The MAA's Claims Advisory Service can help you with your claim. This may include issues such as making a claim or lodging a dispute and negotiating with your insurance company.

If you phone the MAA's office on 1300 137 131 within business hours and we need to redirect your call, you will not be transferred more than once without your agreement, or we will arrange for the appropriate officer to return your call. If you write to us either by letter or email we will respond within 10 working days of receiving your letter/email. If we cannot fully answer your enquiry in that time, we will give you an interim response.

3 Provide equitable access to the MAA and information about the Motor Accidents Compensation scheme

The MAA makes information about the CTP scheme available in a range of formats (website, brochures, telephone service), to maximise access for all members of the community.

The MAA's website is designed to work with internet text-to-voice software commonly available for the vision impaired and on computers that have text-only browsers. MAA brochures are presented clearly and accessibly.

The MAA will arrange an interpreter service (sign language or language other than English) where necessary.

4 Provide appropriate information

Information on MAA and the CTP scheme is available from or you can phone or email the MAA and we will mail this information to you. The MAA also produces an annual report, statistical information papers, guidelines for health, insurance and legal service providers and rehabilitation education programs for professionals who work with the MAA.

5 Give you the opportunity to be heard

We welcome suggestions and complaints by phone, in person, by mail or email.

6 Meet statutory confidentiality and privacy requirements

If you have any suggestions on how the services described here can be improved or if you experience any difficulties, please contact the MAA at Level 22, 580 George Street, Sydney NSW 2000
Phone: 1300 137 131, Fax: 1300 137 707

Committees at 30 June 2005

Significant internal committees

Joint Consultative Committee

Management representatives: D. Bowen, C. Doepel (until March 2005)

Union representatives: M. Brew, I Scorzelli, S. Richards (PSA)

OHS Committee

Employer representatives: N Haken, J Kirkby, R Knapp

Employee representatives: N Bajaj, D Hamilton, N King

Significant external committees

Attendant Care Network Working Party

Children Killed and Injured in Driveways Steering Committee

Community Participation Reference Group

CTP National Road Safety Group

District Court of NSW Civil Business Committee

Heads of CTP

Government Agency Road Safety Council

Child Road Safety Initiative Steering Committee

Injury Risk Management Research Centre

Institute of Public Works Engineering Australia NSW Division, Road Safety Panel

Arrive alive Grants Advisory Committee

Law Council of Australia (Personal Injury) Committee

Law Society Specialist Accreditation (Personal Injury) Committee

Institute of Trauma Management (Research, Education and Rehabilitation)

24 Hour Care Guidelines Working Party

Neuropsychological Guidelines Working Party

Carers Linked into Caring Advisory Committee (Carers NSW)

Long Term Care Working Party

MAA Impairment Guidelines Review Working Party

MAISC/MAA Executive Committee

MAISC Health and Injury Management Sub-Committee

MAISC/MAA Claims Managers Committee

NSW Sober Driver Program Working Party

Operation Westsafe Steering Committee

Road Safety in Local Government Steering Committee

Road Safety in Local Government Management Committee

Road Safety Taskforce Committee

RTA Online Registration Working Party

School Bus Safety Working Group

Steering Committee for Inquiry into Long Haul Trucking Industry

Tripartite Committee

C Seidel, N Mackinnon

G Browne, J Edwards

D Bowen, S Lulham, N MacKinnon

J Edwards, G Browne, A Hall

B Cassidy

D Bowen, C Rizzo

D Bowen, G Browne

G Browne, J Edwards

K Atsu, D Bowen

J Edwards

A Hall, H Newland

B Cassidy

B Cassidy

N Mackinnon

S Lulham, T Bidese

S Lulham, N Mackinnon

M MacDonald

D Bowen, S Lulham

S Lulham, S Freeman, S Davison, J Kirkby, L Gee, N Mackinnon

D Bowen, C Rizzo

S Lulham

N Ikenberg, B Yeng

G Browne

G Browne, K Hayes

J Edwards

G Browne, J Edwards

D Bowen, K Hayes

B Dawson, R McLachlan

G Browne, K Hayes

D Bowen, G Browne, B Yeng

B Dawson, R McLachlan, C Rizzo

Motor Accidents Compensation Scheme

2004-05 Report

CTP insurance market

Over recent years there have been seven active licensed insurers writing CTP policies and this continued in the reporting year. There was some change in insurers' market shares during the period, with the main changes being a drop for Allianz and increases for CIC Allianz and AAMI.

The MAA considers that the CTP insurance market is stable and competitive. Previous concerns about the possibility of an insurer leaving the market have lessened and a number of insurers are competing to increase their market share.

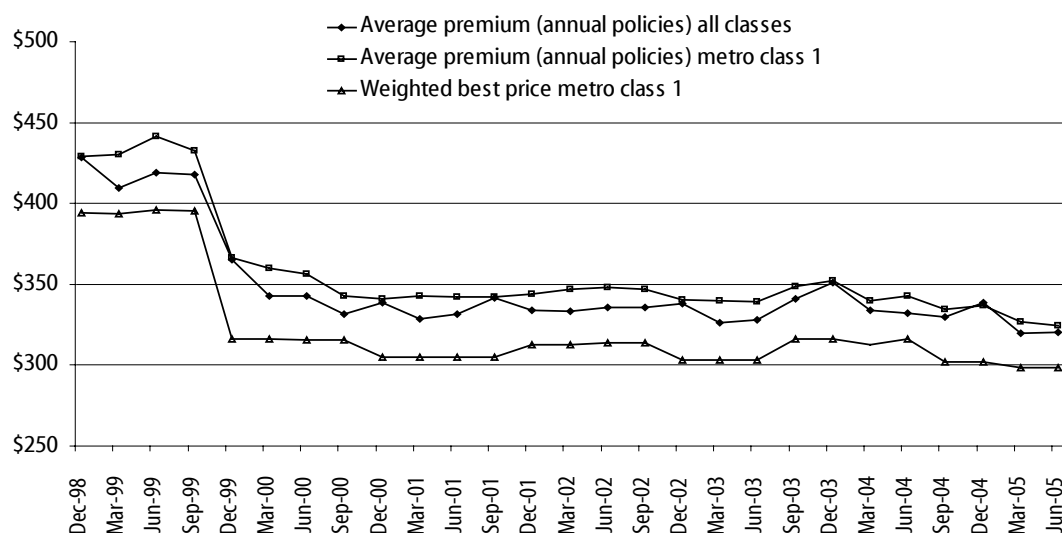
Percentage of market share as at end of:

Insurer	June 2004	June 2005
AAMI	9.8	11.4
Allianz	19.2	16.6
CIC Allianz	6.4	7.6
GIO	7.4	7.5
NRMA	39.3	39.1
QBE	11.9	11.4
Zurich	6.0	6.4

CTP premiums

All premiums are exclusive of GST

The total premium collected during 2004-05 was \$1.44 billion. The average premium for a Sydney metropolitan passenger vehicle in the June 2005 quarter was \$324 compared to \$343 in the June 2004 quarter. The average premium over all NSW vehicles was \$320 in the June 2005 quarter compared to \$332 in the June 2004 quarter.



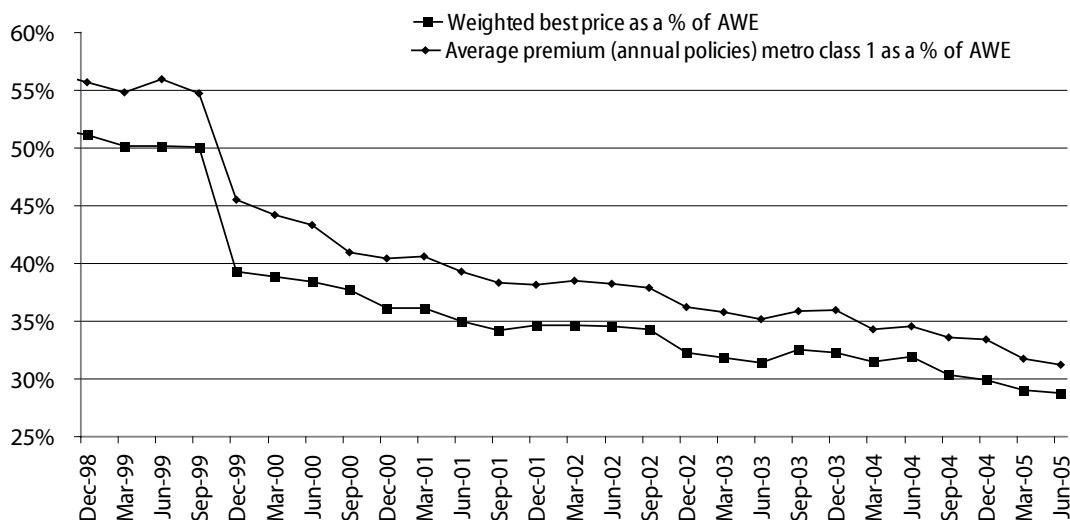
Risk rating 95

The MAA mandates the geographic and vehicle classifications and rating relativities for use by insurers in preparing their premium filings. The classifications and relativities ensure that, as far as possible, there is no cross subsidisation of claim costs between existing vehicle classes and geographic regions.

The MAA does not allow insurers to rate on any geographical subdivisions within MAA regions (such as local government area or postcode). However, the MAA permits insurers to risk rate on the basis of any other objective factors and offer their best prices to the best risks. Rating factors currently used by insurers in offering loadings and discounts include age and gender of vehicle owners and drivers, age of vehicle, vehicle performance, number of traffic offences, motor vehicle claims history, level of motor vehicle insurance and no claim bonus. No new rating factors were introduced in 2004-05.

Affordability

The affordability of greenslips is one of the key performance indicators for the scheme. The following graph tracks average premiums and best price as a percentage of average weekly earnings (AWE). As a proportion of average weekly earnings weighted best price has dropped from 50 per cent before the 1999 legislative reforms to 29 per cent in June 2005.



Competition

The MAA believes the current CTP market provides competitive risk rated premiums for the majority of motorists. There were reductions in the best price filed for 1 July 2004 commencement compared to the previous reporting period. After insurers filed for 1 July 2004 premiums, they were not required to file again until April/May 2005 for 1 July 2005 premiums. However, reduced premiums were filed by a number of insurers during the reporting period. One insurer reduced its base premium by \$14 from 4 October 2004. Two insurers, AAMI and GIO, filed lower premiums to apply from January 2005 reducing the best price for a Sydney metropolitan vehicle to \$296.

AAMI launched a TV advertising campaign to coincide with their lower premiums. The campaign started over Christmas 2004 and continued at varying levels of intensity throughout the reporting period. AAMI's market share increased from less than 10 per cent in 2004 to 14 per cent in the June 2005 quarter.

In addition to reductions in best prices, a number of insurers also filed with changes to their bonus/malus structures.

A review of premiums by vehicle class indicates there is competition between insurers for Class 1 (sedans), Class 10 (motorcycles) and 3c (light goods vehicles). There is also competition for fleets in Class 3d and 3e (medium and large trucks). These vehicles account for 96 per cent of registered vehicles.

Consumer advice

The MAA provides an information service for NSW motorists to assist them in finding the best greenslip price. This service complements the Government's focus on increasing competition between insurers on the cost of greenslips and the need for motorists to shop around. The information is provided by a greenslip helpline and on the MAA website. During the reporting period, 27 per cent of the MAA's targeted motorists accessed the MAA's services to find greenslip prices. There were 157,811 calls to the greenslip helpline and 373,802 visits to the website.

In last year's annual report, the MAA reported that it had been made aware from consumer inquiries to the MAA greenslip helpline that some insurers provided very little information to explain premium variations. For example, a person may be insured with a company that risk rates on age of vehicle. After perhaps many years with that company the person may be sent a renewal with a significant price increase because their vehicle is now more than 10 years old. Variations in premiums may occur when there are changes in risk rating factors, for example vehicle age, or changes in the motorist's circumstances, for example change of address from country to city.

The MAA believes the industry needs to take greater responsibility to properly inform consumers about the product's pricing basis and for that reason the MAA amended its Market Practice Guidelines to require that for vehicles with a registration renewal date after 30 September 2004 insurers must include with renewal offers information that clearly explains to the customer, in general terms, the reasons for any changes in the prices of premiums. This explanation may be in the form of a standard up-to-date leaflet or in a letter sent to the customer with the offer of renewal, or on the customer portion of the greenslip itself. An MAA review in 2005 found that all insurers complied with the new requirement.

Composition of filed premium

Insurers file with the MAA the base premium they intend to charge for an ordinary motor vehicle in metropolitan Sydney. The base premiums for all other classes of vehicles and regions are calculated by applying the relativities set by the MAA. The base premium is derived from the risk premium to which the insurer adds loadings for expenses, levies and a profit margin. The risk premium is the insurer's estimate of the cost of claims based on projected claims frequency and projected average claim size. The risk premium is expressed as an average price per policy. In calculating the base premium, various components are added to the risk premium:

- acquisition expenses which include but are not limited to:
 - agents' commission
 - net cost of reinsurance
 - statutory levies
 - the current Roads and Traffic Authority levy is \$2.68 per policy
 - the current MAA levy is 2.5 per cent of premium
- claims handling expenses
- profit margin.

99

Insurers may apply loadings and discounts to these base premiums in each region/vehicle category, according to the MAA's Premiums Determination Guidelines.

Composition of premium	%	\$
Risk premium	70.8	230
Claim payments	60.0	193
Legal and investigation costs	10.8	37
Loading		
Claims handling expenses	4.9	16
Acquisition expenses	15.6	50
Insurer profit	8.7	28
Average premium (Sydney Class 1) at 30 June 2005	100	324

Scheme efficiency

An efficient CTP scheme is one where as much as possible of the premium dollar is returned to injured people as compensation. This is achieved by reducing the transaction costs of administering the scheme. Transaction costs include acquisition expenses incurred by insurers in issuing greenslips and collecting premiums, and the payment of statutory levies. These represent a per policy cost independent of claims costs. Other transaction costs relate to claims management and include the cost of employing investigators, the cost of claims departments and payments to insurers' and claimants' legal representatives.

In the current filing period, the projected return to claimants is 60 per cent of total premiums. Generally, the return to the claimant has been greater under the new scheme averaging 61 per cent compared to 58 per cent under the old scheme. In terms of actual payments, the proportion paid to claimants has increased from 79 per cent to 85 per cent.

Report on profit

Section 28(1) of the MAC Act requires a licensed insurer to disclose to the MAA "the profit margin on which a premium is based" and "the actuarial basis for calculating that profit margin". Section 28(2) requires that the MAA report annually to the Legislative Council Standing Committee on Law and Justice on its assessment of the profit margin on which a premium is based and the actuarial basis for its calculation, as provided to it by a licensed insurer.

The MAA usually receives a premium filing from each insurer at least annually and considers all of the factors that go into calculating the proposed premiums. The MAA may reject a premium if it will not fully fund the liabilities or if it is excessive. In relation to profit, the act provides that a premium will fully fund the liabilities if the premium is sufficient to "provide a profit margin in excess of all claims costs and expenses that represents an adequate return on capital invested and compensation for the risk taken" (section 27(8)(c)).

The MAA must, therefore, not reject a premium on the basis of the level of the profit as long as the level is within the range that ensures an adequate return on capital but is not excessive. The MAA has made every effort to ensure that the profit component of the premium is assessed against objective criteria and has adopted a methodology prepared by Taylor Fry actuaries.

The Taylor Fry methodology refers to a 'representative' insurer and involves three components:

- 1 the determination of a suitable quantum of total capital (net assets) for a representative insurer
- 2 the determination of a suitable allocation of insurer capital to NSW CTP
- 3 the calculation of a profit loading to service the allocated capital at a fair rate of return.

The representative insurer is based on the average of insurers writing CTP business in NSW. Taylor Fry calculations are based on a representative insurer holding capital equal to 58 per cent of CTP technical provisions, which is approximately equal to 66 per cent of outstanding claims provision (OCP) for NSW CTP. The insurer also holds additional (implicit) capital as a prudential margin within the provision for outstanding claims. The Taylor Fry methodology for allocating capital to the CTP line of business is consistent with APRA's new prudential regime.

There are wide variations in levels of capitalisation between individual insurers. The allocation of capital by the representative insurer used in the derivation of the profit margin is slightly higher than the highest notional capital allocation reported by an individual CTP insurer.

The indicative range resulting from Taylor Fry's calculations is a profit of 4.5-6 per cent of gross premium for the representative insurer. As the range of profit margins relates to a representative insurer, they are illustrative only. It is fully expected that profit margins filed by individual insurers may vary from them, reflecting the insurers' own business structures. The MAA accepts that the level derived by the Taylor Fry methodology sets the minimum level of profit to ensure an adequate return on capital and that actual profit levels will be within a range above this as long as the level is justified by the insurer and not considered by the MAA as excessive.

Over the last five years, profit margins ranged from 7.5 to 10 per cent for individual insurers, with an industry average between 7.7 and 8.7 per cent. The MAA considers this range of profit margins to be reasonable although the MAA has ongoing discussions with the CTP insurers who believe that the level of profit derived from the Taylor Fry methodology is not adequate. Because of the likely introduction of the Lifetime Care and Support initiative at a date yet to be confirmed by Parliament, the MAA did not require insurers to lodge a filing in 2005 for premiums to apply from 1 July 2005. According to s26(1) of the MAC Act an insurer must lodge a filing once each year or such longer period as the MAA may allow. Insurers are still able to file for changes to their premiums at any time.

102

Profit margins in insurer filings

Filing period	Range (%)	Weighted average (%)
1999-00	7.5 – 9.5	7.7
2000-01	7.5 – 9.5	7.9
2001-02	7.5 – 9.5	8.2
2002-03	7.5 – 9.5	8.2
2003-04	7.5 – 9.7	8.5
2004-05	7.5 – 10.0	8.7

The slight increase in the projected profit margin in recent years reflects increased allocation of capital to this line of business in accordance with revised APRA standards. The MAA believes the risk of writing business in the NSW CTP scheme is less than for other long tail business because of the legislative changes to promote scheme stability and the existence of a regulator to closely monitor scheme performance. The MAA also believes that with the introduction of the Lifetime Care and Support plan, insurers will require less capital to underwrite CTP as a significant portion of the risk will be included in the LTCS fund and therefore insurers will retain a lower amount of profit attributable to CTP.

Realised profit

Section 5(2)(d) of the Act provides that the insurers, as receivers of public money that is compulsorily levied, should account for their actual profit margins.

The assessment of profit requires a review of the development of the underwriting year from the time of the premium filing. The premium filing includes the insurers' prospective estimates of the profit margin but the actual profit or loss that an insurer may ultimately make will depend on the extent to which the other assumptions in the premium filing are correct.

103

The profit or loss that an insurer makes on an underwriting year will depend in the main on the level of claim liabilities. During the development of an underwriting year as claims are received and paid, insurers identify a central estimate of claims cost in regular valuations. To meet APRA requirements insurers must hold a risk margin above the central estimate. If subsequent valuations identify a reduction in the claims cost, insurers will be able to release a proportion of the prudential margin for that underwriting year. That can happen at any time during the development of an underwriting year. However, it may also be necessary for insurers to strengthen their reserves if the valuation identifies increased claims cost.

The table over the page presents the current estimates of claims liabilities for each underwriting year and the estimated profit as a percentage of written premium. It is important to note that this is only an estimate of what the realised profit will be if the current liability valuation is correct.

Historically, NSW CTP experience has been volatile. Insurers' profit under the *Motor Accidents Act 1988* from 1991 to 1999 varied from an estimated 33 per cent loss in 1994 to an estimated 26 per cent profit in 1996. The average profit for this period is estimated to be eight per cent of premiums.

The MAA assesses the estimated future profit by accounting for the actual payments made to date and current estimates of the liabilities for each underwriting year. These estimates do not represent actual profit but a current indication of the profit that may be realised once all claims are paid if the current liability valuations prove correct. They are, therefore, heavily qualified by the fact that they will change as the scheme develops further and claims are paid. For example, even for the first underwriting year of the new scheme with approximately 88 per cent of full claims finalised, this represents only 66 per cent of the estimated ultimate incurred claim cost. As the larger claims are finalised over the next few years, this may change the estimated incurred claims cost for the underwriting year.

Noting these qualifications, the table sets out the current position and estimates for each underwriting year of the new scheme. The difference between the current estimate of claims cost and the estimate included in insurer filings is due to a reduction in the two components – claim frequency and average claim size – on which the insurers' risk premium is based.

To calculate a risk premium, insurers estimate the frequency of full claims, that is, the number of full claims per registered vehicle. The actual claim frequency has been lower than the projected claim frequency. Furthermore, the claim frequency has decreased from one underwriting year to the next. This is partly due to an increase in the number of registered vehicles and a drop in the rate of casualties/registered vehicle. It should also be noted that all Australian CTP jurisdictions report a decrease in claim frequency.

The average claim size has been lower than projected in premium filings reflecting the effective implementation of the 1999 reforms. With the introduction of the untested reformed scheme in 1999, insurers originally filed for less than 100 per cent scheme effectiveness in the first years of the scheme. As the scheme settled and demonstrated its effectiveness, insurers responded by incorporating scheme effectiveness of 100 per cent in their filings with the effect that premiums reduced further.

Scheme development by underwriting year (All figures are in \$ millions)

Year ended 30 Sep	Premiums written	Acquisition costs ¹	Estimate of ultimate claims costs in insurers' premium filings		Estimated ultimate claims cost excluding claims handling expenses			Estimated ultimate claims cost including claims handling expenses	Estimated profit
			Discounted ²	Discounted +15% prudential margin ³	Undiscounted	Discounted	Discounted +15% prudential margin		
2000	1325	200	1053	1211	1041	717	796	328 (24.8%)	
2001	1321	198	977	1123	1047	757	862	261 (19.8%)	
2002	1342	185	997	1146	1043	743	869	288 (21.5%)	
2003	1395	197	1018	1171	1061	786	935	264 (18.9%)	

Claim payments

Year ended 30 Sep	Claim payments to 30/9/05		% of full claims finalised	Estimated proportion of claims costs paid	
	Actual	Discounted		Undiscounted	Discounted
2000	592	476	88%	57%	66%
2001	435	373	80%	41%	49%
2002	236	212	65%	23%	29%
2003	139	131	47%	13%	17%

Notes:

- 1 Including estimated net cost of reinsurance
- 2 The discounted value of the claims estimate translates the estimated ultimate total claim payments back to underwriting year dollars for valid comparison. The actual amount that insurers pay will be greater than the discounted amount.
- 3 APRA requires that insurers' estimates of their claim liabilities include a prudential margin that will provide at least a 75% probability that the insurers' provisions are sufficient to cover their liabilities. This represents a prudential margin of approximately 15%.

Claims

To put the Motor Accidents scheme in context:

- Approximately 28,000 people are injured in NSW motor vehicle accidents in a year. The majority of injuries are not severe and include soft tissue injuries, cuts, abrasions and bruising.
- There are 900 traumatic hospitalisations due to motor vehicle accidents.
- 120 people receive catastrophic injuries requiring intensive lifetime care, about 60 of whom are eligible to make a claim under the NSW CTP scheme.
- Insurers receive 6,000 whiplash claims. This is the single largest injury group in the NSW CTP scheme representing 45 per cent of claims and 25 per cent of costs.

New scheme claims experience by accident year

Accident years are from 1 October to 30 September, except for Year 1 which runs from 5 October to 30 September (as the scheme began on 5 October 1999)

At the end of June 2005, a total of 75,174 notifications had been received by insurers. Of the total there were 60,179 full claims, and 14,995 Accident Notification Forms (ANFs) which had not converted to full claims by 30 June 2005. It is estimated that there will ultimately be more than 84,000 notifications in relation to the accident period from 5 October 1999 to 30 June 2005. The estimated ultimate number of notifications for each accident year is greatest for the first accident year being almost 17,000 and reduces to less than 13,000 notifications for the most recent accident years.

Accident year	Full claims	ANFs	Total claims	IBNR estimates	Ultimate claims
1) 1999-00	14,034	2,669	16,703	141	16,844
2) 2000-01	12,315	2,906	15,221	281	15,502
3) 2001-02	10,882	2,705	13,587	468	14,055
4) 2002-03	9,583	2,548	12,131	754	12,885
5) 2003-04	9,184	2,319	11,503	1,309	12,812
6) 2004-05	4,181	1,848	6,029	5,962	11,991
Total	60,179	14,995	75,174	8,916	84,090

Note: Accident years are 1 October to 30 September. 2004/05 covers only 9 months

The estimated ultimate number of notifications is used to calculate the two measures: claim frequency and propensity to claim. Claim frequency is the number of notifications per 10,000 registered vehicles. Claim frequency has dropped from an estimate of 46 for the first accident year to 32 for the most recent accident years. This is at least partly due to the increase in the number of registered vehicles over the period and the reduction in the rate of casualties/registered vehicle. It is noteworthy that all Australian CTP jurisdictions report a decrease in claim frequency, which suggests that the decrease may be due to factors outside the CTP schemes, such as effective road safety campaigns and the prolonged drought, for example.

The propensity to claim is the number of notifications per NSW road casualty. The upper limit of this measure is well below 100 per cent in NSW, as the scheme is fault based and an injured person may lodge a claim only when a negligent vehicle owner or driver caused the injuries, consistent with common law principles. The estimated propensity to claim (including ANFs) is 58 per cent for accident Year 1 (similar to later years of the old scheme when the rate was around 60%) and has dropped to around 48 per cent for more recent accident years.

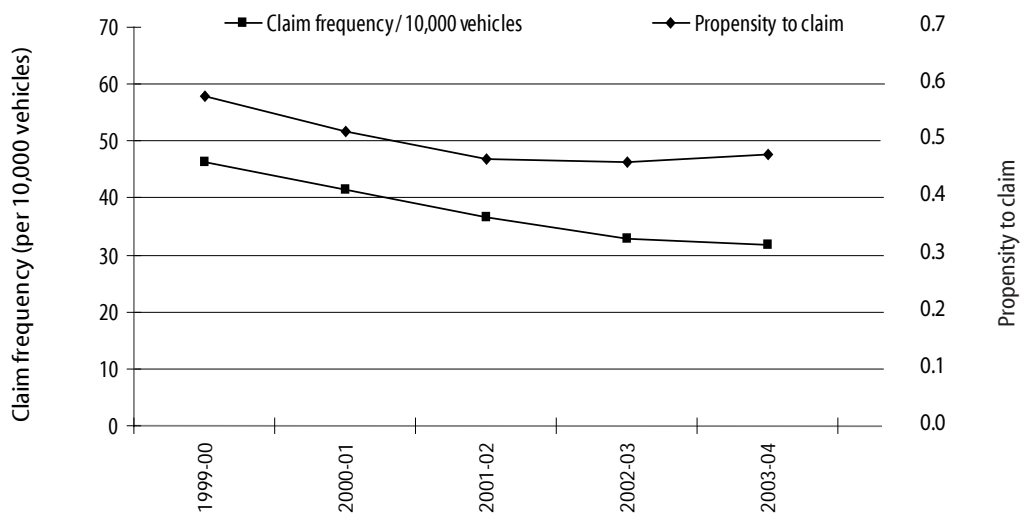
Accident year	Registered vehicles ('000)	Claim frequency / 10,000 vehicles	NSW road casualties	Propensity to claim	Casualties / 10,000 vehicles
1) 1999-00	3,644	46	29,061	0.58	80
2) 2000-01	3,737	41	29,993	0.52	80
3) 2001-02	3,829	37	30,080	0.47	79
4) 2002-03	3,934	33	27,745	0.46	71
5) 2003-04	4,049	32	26,961	0.48	67

Note: This table does not include 2004-05, which only covers 9 months.

The following table presents information on each accident year at 30 June 2005. When comparing accident years, it is necessary to note the long tail nature of the scheme and that the profile of each accident year will change over time. Each accident year in the table is at a different stage of development and this means that comparisons between accident years are not straightforward.

	Accident year						Total
	1	2	3	4	5	6	
Full claims	14,034	12,315	10,882	9,583	9,184	4,181	60,179
<i>Direct full claims</i>	10,762	8,804	7,871	6,650	6,299	2,805	43,191
<i>Converted ANFs</i>	3,272	3,511	3,011	2,933	2,885	1,376	16,988
ANFs	2,669	2,906	2,705	2,548	2,319	1,848	14,995
Total notifications	16,703	15,221	13,586	12,131	11,503	6,029	75,174
% ANFs of total notifications	35.6	42.2	42.1	45.2	45.2	53.5	42.5
Finalised notifications	15,230	13,026	10,211	7,475	5,117	1,126	52,185
% finalised	91.2	85.6	75.2	61.6	44.5	18.7	69.4
% legal representation: full claims	61.4	60.1	55.1	53.5	52.3	45.9	56.3
% legal representation: total notifications	52.2	49.5	44.8	42.7	42.2	32.7	45.7
% litigated: full claims	6.8	5.4	3.5	2.1	0.8	0.0	3.8
% litigated: total notifications	5.7	4.4	2.8	1.6	0.6	0.0	3.0

Note: Year 6 only covers 9 months.



Claim payments

All payment figures are historical - not adjusted for inflation

Insurers have paid out \$646 million in relation to Year 1 accidents. This consists of \$610 million on individual claims and \$36 million in bulk payments to the NSW Health Department for public hospital and ambulance services provided to people injured in motor vehicle accidents in Year 1.

Although 91 per cent of Year 1 notifications have been finalised, only 67 per cent of the estimated total cost of reported claims (\$907 million) has been paid. This estimate of claims costs does not include a component for claims relating to Year 1 accidents that have not yet been reported. It is the aggregate of estimates attached by insurers to individual reported claims. These estimates are revised throughout the life of a claim. Revisions are made in response to stabilisation of the claimant's injuries and factors such as superimposed inflation and legal precedent.

109

Comparing Year 1 with the last year of the old scheme at the same stage of development, the total incurred claim cost on reported claims is \$183 million lower. The reduction in claim cost is less than the reduction in premiums collected, which fell by \$231 million over the same period. Furthermore, of the actual payments made on finalised Year 1 claims, 85 per cent was paid to claimants compared to 79 per cent in the old scheme. This is due to the reduction in the level of legal and investigation expenses. In relation to individual heads of damages, a lower proportion of new act full claims received each head of damages, but the average amount received was greater. In the case of legal and investigation expenses, a lower proportion of new act claims attracted these expenses and the average cost was also lower.

Payment year	Accident year						Total
	1	2	3	4	5	6	
	\$ millions						
Year 1	\$13						\$13
Year 2	\$42	\$13					\$54
Year 3	\$74	\$45	\$13				\$132
Year 4	\$147	\$91	\$50	\$13			\$301
Year 5	\$212	\$171	\$76	\$43	\$13		\$516
Year 6	\$121	\$180	\$130	\$62	\$40	\$7	\$539
Payments to 30/06/05	\$610	\$499	\$269	\$118	\$53	\$7	\$1,556
Incurred cost	\$907	\$902	\$859	\$757	\$726	\$294	\$4,444
% paid	67%	55%	31%	16%	7%	2%	35%
Bulk Bill for ambulance & public hospital	\$36	\$36	\$36	\$39	\$42	\$31	\$221
Total payments	\$646	\$535	\$306	\$157	\$95	\$38	\$1,777

Notes: (1) Accident years and payment years are from 1 October to 30 September

(2) Year 6 covers only 9 months

Finalised claims	Old scheme		New scheme		New scheme	
	last year		Year 1 full claims		Year 1 notifications	
Number reported	16,193		14,034		16,703	
% finalised	95%		90%		91%	
Payments (\$)	% receiving payment	Average payment	% receiving payment	Average payment	% receiving payment	Average payment
Medical / treatment	84	13,500	80	16,000	79	13,500
Non economic loss	61	25,300	9	71,200	7	71,200
Past economic loss	42	11,800	34	15,500	28	15,500
Future economic loss	33	29,000	21	45,700	18	45,600
Other	9	13,000	15	11,900	15	10,100
Legal	67	14,600	58	9,300	48	9,300
Investigation	77	1,800	72	1,400	68	1,200
Total	96	56,000	94	45,000	93	37,800
Claimant benefit	79%		85%		85%	

Effectiveness

In addition to making greenslips more affordable for NSW CTP policyholders, an important objective of the legislation was that claimants, particularly those with serious injuries, continue to receive appropriate compensation.

To achieve both aims of lowering the cost of greenslips and maintaining compensation levels for seriously injured claimants, the legislation provides access to non-economic loss payments only to claimants with greater than 10 per cent permanent impairment, and provides economic loss payments only after the first five days' loss of pay. The reforms also aimed to increase the scheme's efficiency, which means that as much as possible of the premium dollar is available to claimants for compensation. In order to achieve this objective, legislation was introduced to limit transaction costs including legal costs, medico-legal costs and investigation costs. In addition, the legislation sought to streamline the claims process to make it less adversarial and so reduce transaction costs and also provide a more claimant friendly environment.

The legislation also sought to improve access to payment for early treatment expenses for all claimants. More generally, an objective of the reforms was to improve the service provided by insurers to claimants and the reforms provided the MAA with the power to issue Claims Handling Guidelines against which the insurers are audited.

One of the key reforms was the Accident Notification Form (ANF). The ANF enables faster injury notification, thereby providing injured people with faster payment for early treatment, which in turn helps to maximise recovery. The ANF gives insurers a 10 day deadline to accept provisional liability and entitles the injured person to a maximum of \$500 for medical and treatment expenses. Liability is deemed accepted for passengers and pedestrians. Under the new scheme, 36 per cent of claimants have used this simplified procedure to notify insurers of their claim and obtain more immediate compensation.

To measure scheme effectiveness, the experience of the first accident year of the new scheme, from its start to the end of June 2005, is compared against the experience of the last year of the old scheme at the end of June 2004. The number of notifications received by the end of June 2005 for accident year 1 was 16,703 which was three per cent more than the number of claims received in relation to the last accident year of the old scheme at the same stage of development.

111

Timing and service delivery

The introduction of ANFs has shortened the time that it takes for an injured person to seek compensation from an insurer and for compensation payments to be made. For the first accident year of the new scheme, the average time to lodge an ANF was 30 days. Over all notifications, the notification period (time between the accident and the claimant's notification to insurers) dropped by 11 per cent.

The average time to the first payment to the claimant dropped by 25 per cent, and the average time to finalisation also reduced by four per cent. Insurers reduced the time to determine liability on full claims by 28 per cent.

These trends indicate that injured people now lodge claims more quickly, access funds for the treatment of their injuries more quickly, and settle their claims more quickly.

Legal representation

Of injured people lodging full claims, 61 per cent were legally represented compared to 68 per cent of claimants in the last year of the old scheme. In total there was legal representation in 52 per cent of Year 1 notifications.

Litigation

In seven per cent of Year 1 full claims (6% of total notifications) litigation had commenced compared to 26 per cent of claims from the last year of the old scheme at the same stage of development. These trends suggest that the legislation has succeeded in changing the adversarial nature of compensation and contributed to the reduction in legal costs.

Claims handling and treatment guidelines

A key aim of the MAC Act was to improve insurers' management of claims and provision of rehabilitation and treatment to claimants. The MAA developed claims handling and treatment guidelines for insurers in consultation with relevant stakeholders.

The Treatment, Rehabilitation and Attendant Care (TRAC) Guidelines aim to improve consistency in insurers' decision making about treatment, rehabilitation and attendant care for CTP claimants. These guidelines were initially developed in 1998 and insurers' compliance with the guidelines was audited in 1999. The guidelines were substantially revised after the introduction of the MAC Act in 1999 and were further revised in May 2004. The MAA most recently audited insurers on these revised guidelines in the first half of 2005. All insurers achieved an overall satisfactory rating on the full range of the criteria. Three of the six insurers exceeded the required standards with two achieving an overall commendable result and one (QBE) achieved an overall excellent result.

The MAA, with the guidance of an expert group, developed the Whiplash Associated Disorders (WAD) guidelines. After the introduction of the guidelines, insurers have made payments more quickly and have finalised claims more quickly. Insurers' payments on claims for WAD and lower back injuries are consistent with the guidelines. Most importantly, an independent evaluation by Pricewaterhouse-Coopers has confirmed that both the guidelines and the legislative reforms have improved the health outcomes of WAD claimants.

The Claims Handling Guidelines (CHGs) were developed by the MAA in 2000 in consultation with the Insurance Council of Australia (ICA), the Council of the Bar Association and the Council of the Law Society. The MAA conducted regulatory compliance audits of insurers' files against the CHGs in 2002 and 2003. The 2003 audit indicated that insurers complied with the majority of claims handling requirements. Revised CHGs were issued by the MAA on 1 July 2004 after consultation with the ICA, the Council of the Bar Association and the Council of the Law Society. In addition to including general principles for claims handling, the major changes were new requirements that insurers provide:

- reasons for an allegation of contributory negligence
- copies of all treatment provider reports in their possession, and
- advice about their internal dispute resolution procedures when declining to pay for treatment expenses.

One of the requirements of the CHGs is that insurers review and monitor their compliance with the guidelines and submit self reports to the MAA each year. This annual report is due at the end of January each year in relation to the previous calendar year. In line with recommendations from the MAA's internal auditors, the reports include insurers' action plans to address areas of non compliance. During the reporting period the MAA assessed the reliability and accuracy of insurers' self reports against MAA audit findings and concluded that the self reports were reliable and accurate. Further, all insurers' self reports had improved significantly in quality and level of reporting detail. Insurers' compliance with the CHGs continues to improve.

Fairness

The scheme is intended to provide a fair and equitable system for claimants ensuring that the most seriously injured receive maximum compensation. Serious brain injury claims represent one of the most significant serious injury groups, and historically have been a high cost group of claims. The experience of the most serious brain injury claims in the new scheme is examined by comparing the first accident year of the new scheme at the end of June 2005 with the last accident year of the old scheme at the end of June 2004.

A total of 165 serious brain injury claims were made relating to accidents in the first accident year after the reforms, compared to 153 claims relating to accidents in the last accident year before the reforms.

Average time to determine liability reduced by 34 per cent. Almost 95 per cent of both old and new scheme claimants were legally represented. Litigation had been commenced in 47 per cent of new scheme claims compared to 54 per cent of old scheme claims at the same stage of development.

There were 44 new scheme claims finalised with liability fully accepted (27%) compared to 41 (27%) old scheme claims. The rate of litigation was 20 per cent of finalised new scheme claims compared to 73 per cent of old scheme finalised claims. The average payment, excluding legal and investigation costs, increased by 19 per cent to \$703,000. Non-economic loss payments were made on 35 finalised new scheme claims and 39 finalised old scheme claims. The average non-economic loss payments on new scheme claims was \$157,700, 23 per cent higher than the average on old scheme claims.

Health outcomes

The MAA commissioned PricewaterhouseCoopers (PwC) to evaluate the impact of both the 1999 legislation and the Whiplash Associated Disorders (WAD) guidelines on the health outcomes of claimants. The study found that health outcomes two years post injury improved following the 1999 legislation: 37 per cent of old scheme claimants had recovered compared to 51 per cent of new scheme claimants. Further, a greater number of claimants injured in 2003 recovered within three months, and within six months post injury compared with those injured in 2001. The extent of the disability of those who had not recovered was less for the 2003 cohort than the 2001 cohort.

The study also indicated that insurers made payments earlier for WAD claims in the new scheme. The timing of payments improved further after the introduction of the WAD guidelines with the 2003 cohort receiving payments earlier than the 2001 cohort, and significantly faster than the 1999 cohort. Insurers' payments on claims for WAD and lower back injuries are consistent with the guidelines. Claims are finalising significantly faster for the 2001 cohort, and even more so for the 2003 cohort, compared to the 1999 cohort. The PwC study confirms that the 1999 legislation has not only improved service delivery but also the health outcomes of claimants. Health outcomes were further improved by the introduction of the MAA's WAD guidelines in 2002.

Medical Assessment Service

The 1999 legislation introduced the Motor Accident Assessment Services (MAAS) to assess disputes in the claims process with minimal recourse to litigation. MAAS comprises the Medical Assessment Service (MAS) and the Claims Assessment and Resolution Service (CARS).

MAS provides an independent medical assessment procedure designed to resolve interim medical disputes and end the costly and wasteful use of 'duelling doctors' in the claims process. MAS determines disputes about treatment costs, the degree of permanent impairment and loss of earning capacity. Assessment is by referral to health and other experts. MAS decisions about past treatment and permanent impairment are binding on the parties, CARS and the courts.

The total number of MAS applications has decreased over the last three years. This was so for treatment disputes, permanent impairment/stabilisation disputes, and disputes about earning capacity, although the reduction in the number of impairment/stabilisation disputes was not as pronounced as the other types of dispute. On the other hand, applications for further medical assessment have increased each year and reached 967 in 2004-05.

Permanent impairment/stabilisation applications continue to be the largest group, accounting for 60 per cent of MAS applications in 2004-05.

Applications	1999-02	2002-03	2003-04	2004-05
Treatment	785	1,312	806	657
Permanent impairment, stabilisation	2,493	3,807	3,468	3,421
Earning capacity	1,076	1,439	788	648
Further medical assessment	51	245	772	967
Total	4,405	6,803	5,834	5,693

The total number of assessed MAS matters peaked in 2003-04 at 6,003 and reduced by 25% in the reporting period. There were reductions in all categories except further assessments which increased by 74%.

MAS assessed matters	1999-02	2002-03	2003-04	2004-05
Treatment	291	734	817	440
Permanent impairment, stabilisation	948	2,406	3,721	2,980
Earning capacity	438	950	1,163	581
Further medical assessment	3	112	302	525
Total	1,680	4,202	6,003	4,526

Dispute outcomes

An application can cover one or more disputes. Consequently, the number of reported outcomes can exceed the number of applications that have been finalised. Outcomes relate to matters finalised during the reporting period.

Treatment dispute outcomes

There are two types of treatment disputes:

- causation: whether or not a treatment relates to the injury caused by the motor accident
- reasonable and necessary (R&N): whether the treatment is or was reasonable and necessary in the circumstances (past and future).

Causation	1999-02	%	2002-03	%	2003-04	%	2004-05	%
All treatment allowed	41	47	66	31	115	40	103	53
Some treatment allowed	31	36	93	44	106	37	43	22
No treatment allowed	15	17	51	25	64	23	48	25
Total disputes assessed	87	100	210	100	285	100	194	100
Unable to be assessed/settled/withdrawn/ rejected at preliminary assessment (PA) stage	14		49		80		99	

R&N treatment	19-2002	%	2002-03	%	2003-04	%	2004-05	%
All treatment allowed	20	7	64	9	91	11	77	19
Some treatment allowed	174	61	427	60	448	57	169	41
No treatment allowed	91	32	224	31	248	32	165	40
Total disputes assessed	285	100	715	100	787	100	411	100
Unable to be assessed/settled/withdrawn/ rejected at PA stage	62		217		328		230	

Stabilisation and impairment assessment outcomes

Stabilisation refers to the assessment of whether the injuries are stable and unlikely to change significantly. Whole person impairment (WPI) is the assessment of the level of impairment resulting from the injuries caused by the accident. A WPI rating over the threshold of 10 per cent entitles the claimant to apply for compensation for non-economic loss. An injury must be stabilised before the degree of WPI can be determined. Applications for stabilisation and WPI assessments are usually received and assessed together.

Whole Person Impairment	1999-02	%	2002-03	%	2003-04	%	2004-05	%
Permanent & not over 10%	81	9	1,901	84	2,740	80	2,152	77
Permanent & over 10%	15	2	244	11	582	17	567	20
Not permanent & likely not over 10%	702	79	102	4	87	2	48	2
Not permanent & likely over 10%	88	10	12	1	24	1	16	1
Total assessments	886	100	2,259	100	3,433	100	2,783	100
Unable to be assessed/settled/withdrawn/ rejected at PA stage	184		448		553		435	

Stabilisation	1999-02	%	2002-03	%	2003-04	%	2004-05	%
No injuries considered stable	75	8	68	3	63	1	37	1
Some injuries considered stable	74	8	177	7	322	9	293	10
All injuries considered stable	793	84	2,124	90	3,290	90	2,622	89
Total assessments	942	100	2,369	100	3,675	100	2,952	100
Unable to be assessed/settled/withdrawn/ rejected at PA stage	130		301		285		233	

Earning capacity dispute outcomes

Earning capacity assessments determine whether there has been a loss of capacity to earn an income either in the past (from the accident to the assessment), or in the future (from the assessment onwards). These assessments are not binding but are indicative for the parties, CARS assessors and the courts.

Past earning capacity	1999-02	%	2002-03	%	2003-04	%	2004-05	%
No impairment to past EC	39	25	182	23	131	12	52	10
Impairment to past EC	119	75	622	77	944	88	484	90
Total assessments	158	100	804	100	1,075	100	536	100
Unable to be assessed/settled/withdrawn/ rejected at PA stage	42		103		90		53	

Future earning capacity	1999-02	%	2002-03	%	2003-04	%	2004-05	%
No impairment to future EC	252	59	526	57	437	39	207	37
Impairment to future EC	175	41	395	43	680	61	351	63
Total assessments	427	100	921	100	1,117	100	558	100
Unable to be assessed/settled/withdrawn/ rejected at PA stage	106		158		127		72	

Further medical assessments

Once an assessment has been completed by MAS, either of the parties to the dispute may apply for a further medical assessment if there is a deterioration of the injury or they provide additional relevant information about the injury.

Acceptance of application	1999-02	%	2002-03	%	2003-04	%	2004-05	%
Accepted	178	90	154	90	450	79	558	77
Not accepted	19	10	17	10	118	21	168	23
Total	197	100	171	100	568	100	726	100
Withdrawn/settled	11		11		34		59	

Medical reviews and reassessments

Once a MAS assessment is completed and the decision has been issued, either party may apply for a review of the MAS decision. A review application will only be accepted if the Proper Officer is satisfied that there is reasonable cause to consider that the assessment is incorrect in a material respect. The number of applications reduced by 13 per cent in the reporting period, and the proportion that applications represented of MAS certificates also reduced. In the reporting period 18 per cent of applications were accepted and referred to a panel. The outcome of the original assessment was reversed in 50 per cent of panel decisions.

Reviews	1999-02	2002-03	2003-04	2004-05
Applications	187	402	846	738
MAS certificates	1,448	3,869	6,331	6,244
% of review applications to certificates	12.9%	10.4%	13.4%	11.8%

Review applications accepted	1999-02	2002-03	2003-04	2004-05
Applications considered	134	225	596	973
Applications referred to a panel	21	23	72	180
% of review applications referred to a panel	16%	10%	12%	18%

Review panel decisions	Pre 30/6/2003		2003-04		2004-05	
		%		%		%
Confirmed previous certificate	20	31	9	32	23	16
Alteration to detail of previous certificate	6	9	5	18	49	34
Reversed the outcome of the assessment	38	60	14	50	72	50
Total panel decisions	64	100	28	100	144	100

Claims Assessment and Resolution Service

The Claims Assessment and Resolution Service (CARS) provides an independent service to deal with disputed claims. All disputed claims must go to CARS. There is no access to court unless the matter has been to CARS. CARS will either assess the claim or find the matter unsuitable for assessment and issue an exemption certificate allowing the matter to proceed to court. The CARS procedures are intended to be flexible with an emphasis on dealing with matters on the papers or at conference, rather than formal hearings.

If the insurer admits liability, the CARS general assessment of the claim's quantum is binding on the insurer. The claimant can reject the assessment and proceed to court. However, cost penalties will apply if the claimant does not do significantly better at court.

In addition to exemptions and general assessments, the legislation also provides for special assessments by CARS of five types of disputes regarding claims procedures.

Total CARS applications reduced by eight per cent in the reporting period mostly due to fewer general assessment applications. The total number of CARS assessments remained the same as the previous reporting period. General assessments increased by 36 per cent and special assessments by nine per cent. There was a 10 per cent decrease in the number of exemptions.

Applications	1999-02	%	2002-03	%	2003-04	%	2004-05	%
Exemptions	1,135	81	1,407	33	1,720	36	1,712	39
General assessment	166	12	2,597	62	2,835	59	2,470	56
Further assessment	0	0	1	0	2	0	10	0
Special assessment	95	7	199	5	246	5	226	5
Total	1,396	100	4,204	100	4,803	100	4,418	100

Assessed matters	1999-02	%	2002-03	%	2003-04	%	2004-05	%
Exemptions	961	95	1,119	84	1,601	75	1,442	68
General assessment	13	1	139	10	400	19	544	25
Further assessment	0	0	0	0	0	0	1	0
Special assessment	35	4	84	6	138	6	150	7
Total	1,009	100	1,342	100	2,139	100	2,137	100

CARS matters finalised

Exemptions	1999-02	%	2002-03	%	2003-04	%	2004-05	%
Settled	3	0	11	1	28	2	41	3
Withdrawn	25	3	26	2	58	3	75	5
Dismissed	1	0	12	1	30	2	26	2
Exempted	687	69	974	83	1,382	81	1,204	76
Not exempted	274	28	145	13	219	12	238	14
Total	990	100	1,168	100	1,717	100	1,584	100

General or further assessments	1999-02	%	2002-03	%	2003-04	%	2004-05	%
Settled	38	63	381	64	1,348	64	1,542	63
Withdrawn	6	10	35	6	86	4	122	5
Dismissed	1	2	32	5	99	5	69	3
Exempted	2	3	15	2	170	8	162	7
Assessed at conference	3	5	38	6	195	9	398	16
Assessed on papers	10	17	101	17	205	10	147	6
Total	60	100	602	100	2,103	100	2,440	100

Special assessments	1999-02	%	2002-03	%	2003-04	%	2004-05	%
Settled	26	37	45	32	47	19	21	9
Withdrawn	5	7	7	5	59	23	46	21
Dismissed	4	6	6	4	8	3	5	2
Assessed	35	50	84	59	138	55	150	68
Total	70	100	142	100	252	100	222	100

In the reporting period 4,246 CARS matters were finalised. Of these, there were 2,440 general (or further) assessments, a 16 per cent increase from the previous reporting period. While 22 per cent of these matters were finalised by way of assessment, a majority (63%) settled before an assessment was undertaken. The proportion of settlements is the same as for previous reporting periods.

Index

A		L	
Accounts Payable Performance	64	Legislation	69
Action Plan for Women	68	Legislative changes	69
Audit Opinion	40	Lifetime Care and Support	26
B		M	
Board	9	Major assets acquired	64
Board meetings	9	Medical Assessment Service	22
C		N	
Chair and General Manager's message	5	Motor Accidents Council	10
Child Road Safety Program	30	Motor Accident Compensation Scheme Report	75-95
Claims Assessment and Resolution Service	24, 94	O	
Claims Advisory Service	26	Occupational Health & Safety	66
Community	68	Organisation Chart	8
Committees	73	Overseas visits	68
Complaints	13	P	
Compliance	13	Performance Statement for General Manager	66
Community Participation Program	17	Privacy Management Plan	64
Consultants	65	Promotion	68
Contact details	2	Prudential/compliance role	12
Corporate governance statement	7	Publications	68
Corporate objectives	33	R	
Corporate Plan 2003-2006 (revised 2004)	33	Risk management	64
Council	10	Road safety	30
Credit card certification	64	S	
CTP market	76	Scheme performance	75-95
D		Senior Executive Service	66
Disability Strategic Plan	68	Senior officers	66
E		Staff numbers	66
Energy management policy	65	Staffing structure	66
EEO	66	T	
Ethnic Affairs Priority Statement	68	Treatment costs and guidelines	16
F		V	
Financial statements	37-62	Vision	7
Freedom of Information	69	W	
G		Waste Reduction and Purchasing Policy (WRAPP)	65
Guarantee of Service	72	What is the MAA	7
Grading Structure	66	What does the MAA do	7
Grants Program Review	15	Y	
Grievances	66	Youth road safety initiatives	30
H			
Health outcomes	16, 89		
Helpline	26		
HIH Insurance	32		
HIH Royal Commission	12		
I			
Injury data	28		
Information technology	64		
Insurance	64		
Insurance compliance	13		
Insurer market	14, 76		
Internal audit	64		