

Motor Accident Commission

Financial report
for the year ended
30 June 2020



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To the Chair Motor Accident Commission

Opinion

I have audited the financial report of the Motor Accident Commission for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Motor Accident Commission as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, Motor Accident Commission and the Director Finance, South Australian Government Financing Authority.

Basis for opinion

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

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

Responsibilities of the Board of Directors for the financial report

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28(3) of the *Motor Accident Commission Act 1992*, I have audited the financial report of the Motor Accident Commission for the financial year ended 30 June 2020.

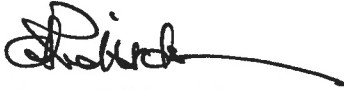
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Motor Accident Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Andrew Richardson

Auditor-General

21 September 2020

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

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

- comply with relevant Treasurer's Instructions;
- comply with relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Commission; and
- present a true and fair view of the financial position of the Commission as at 30 June 2020 and the results of its operation and cash flows for the financial year.

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

Signed in accordance with a resolution of the directors.



Timothy P Burfield
Chair



Craig L Fowler
Director Finance, SAFA

Adelaide

Dated: 11 September 2020

Motor Accident Commission

Financial Statements for the year ended 30 June 2020

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

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

**MOTOR ACCIDENT COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	MAC Fund 2020 \$'000	2019 \$'000	Consolidated 2020 \$'000	2019 \$'000
Claims paid	6	-	(93,471)	-	(93,471)
Claims adjustment	6	-	73,254	-	73,254
Reinsurance and other recoveries		-	20,128	-	20,128
Net claims	19	-	(89)	-	(89)
Investment revenue and expense	5	627	700	637	728
Investment management fee		(284)	(499)	(284)	(499)
Gain on reinsurance		8,605	6,636	8,605	6,636
Net investments		8,948	6,837	8,958	6,865
Management expenses		(1,339)	(7,585)	(1,340)	(7,595)
Road Safety expenses	7	-	-	(2)	(13,055)
Total expenses		(1,339)	(7,585)	(1,342)	(20,650)
Road Safety revenue	7	-	-	14	14,391
Total revenue		-	-	14	14,391
Net loss		(1,339)	(7,585)	(1,328)	(6,259)
Net result before market value movements		7,609	(837)	7,630	517
Investment market value movements	5	1,685	19,367	1,685	19,367
Net result		9,294	18,530	9,315	19,884
Total comprehensive result		9,294	18,530	9,315	19,884

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

**MOTOR ACCIDENT COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

		MAC Fund		Consolidated	
	Note	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current Assets					
Cash	23	1,268	1,653	4,026	6,237
Receivables	8	57	4,433	73	3,992
Reinsurance and other recoveries receivable	9	466	560	466	560
Other financial assets	10	150,832	274,658	150,832	274,658
Reinsurance asset		162,985	215,162	162,985	215,162
Prepayments		13,814	18,241	13,814	18,241
Total Current Assets		329,422	514,707	332,196	518,850
Non-Current Assets					
Reinsurance and other recoveries receivable	9	1,512	2,052	1,512	2,052
Reinsurance asset		351,124	430,050	351,124	430,050
Prepayments		29,717	36,380	29,717	36,380
Property, plant and equipment	12	-	-	-	-
Total Non-Current Assets		382,353	468,482	382,353	468,482
Total Assets		711,775	983,189	714,549	987,332
Current Liabilities					
Payables		1,382	1,274	1,222	1,381
Premiums held for other entities	14	15,089	15,089	15,089	15,089
Other financial liabilities	13	-	109,108	-	109,108
Outstanding claims	15	176,799	233,402	176,871	233,404
Provisions	17	-	3,328	-	4,452
Deferred revenue		7,018	11,308	7,018	11,308
Reinsurance and other recoveries payable		466	560	466	560
Total Current Liabilities		200,754	374,069	200,666	375,302
Non-Current Liabilities					
Other financial liabilities	13	103,837	101,255	103,837	101,255
Outstanding claims	15	380,841	466,431	380,841	466,500
Deferred revenue		15,482	20,797	15,482	20,797
Reinsurance and other recoveries payable		1,512	2,052	1,512	2,052
Total Non-Current Liabilities		501,672	590,535	501,672	590,604
Total Liabilities		702,426	964,604	702,338	965,906
Net Assets		9,349	18,585	12,211	21,426
Equity					
Retained earnings		9,349	18,585	12,211	21,426
Total Equity		9,349	18,585	12,211	21,426

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

Commitments	21
Contingent assets and liabilities	25

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	MAC Fund		Consolidated	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities					
Other cash receipts in the course of operations		1,956	742	1,508	15,110
Cash payments in settlement of claims		-	(102,887)	-	(102,887)
Other cash payments in the course of operations		(3,665)	(19,371)	(5,065)	(33,157)
Reinsurance premium paid		-	(717,740)	-	(717,740)
Interest and other investment income		19,244	967,553	19,266	967,608
GST refunded from the ATO		610	10,767	610	11,846
Net Cash inflows from Operating Activities	23	18,145	139,064	16,319	140,780
Cash Flows from Financing Activities					
Return of capital		(18,530)	(142,700)	(18,530)	(142,700)
Net Cash outflows from Financing Activities		(18,530)	(142,700)	(18,530)	(142,700)
Net change in cash held		(385)	(3,636)	(2,211)	(1,920)
Cash at the beginning of the year		1,653	5,289	6,237	8,157
Cash at the end of the year	2(l), 23	1,268	1,653	4,026	6,237

The reinsurance premium paid during the year ended 30 June 2019 is the full contract value of the reinsurance arrangement with NICO, a portion of the funds were withheld as required under the contract and remitted during the current financial year. The final tranche will be remitted during the year ending 30 June 2024.

The accompanying notes form part of these financial statements.

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

		MAC Fund	Consolidated
	Note	\$'000	\$'000
Balance at 30 June 2018		142,755	144,242
Total Comprehensive Result for 2018-19		18,530	19,884
Return of capital for 2018-19	20	(142,700)	(142,700)
Balance at 30 June 2019		18,585	21,426
Total Comprehensive Result for 2019-20		9,294	9,315
Return of capital for 2019-20	20	(18,530)	(18,530)
Balance at 30 June 2020		9,349	12,211

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1 ACTIVITIES OF THE MOTOR ACCIDENT COMMISSION

During the year ended 30 June 2020, the principal activities of the Motor Accident Commission (MAC and / or the Commission) were:

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

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

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

The financial statements has been prepared with MAC being treated as a Not for Profit entity. The financial report for MAC consists of the MAC Fund and the consolidated financial statements which includes the Road Safety Fund for the year ended 30 June 2020 and are prepared for the same reporting period, using consistent accounting policies. The MAC CTP Fund formerly established by the Commission continues in existence as the MAC Fund per section 25 of the *Motor Accident Commission Act 1992* and all intra-group balances, transactions, income and expenses are eliminated in full.

(b) Investment Income

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

(c) Deferred Revenue

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

(d) Claims

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

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

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

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

(e) Prepayments

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

(f) Reinsurance and Other Recoveries Receivable

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

(g) Other Financial Assets

AASB1023: *General Insurance Contracts* requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the MAC Fund are considered to be for the purpose of backing insurance liabilities.

(a) Unit Trusts

MAC's investment portfolio is held with Funds SA, the SA State Government investment body and during the year ended 30 June 2020 invested with Lanyon Asset Management and Bendigo Income Generation Fund. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

(b) Other Investments

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

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

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

(h) Reinsurance Assets

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

(i) Employee Benefits

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

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave

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

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

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

Superannuation

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

All employees ceased employment 30 June 2019 and final employee benefits were paid out in July 2019.

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

(j) Taxation

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

MAC is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

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

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

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

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

(k) Payables

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

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

Payables includes accrued expenses and employee on-costs.

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

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

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

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

(l) Cash

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

(m) Rounding

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

(n) Interest in a Jointly Controlled Property

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

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

3 CHANGES IN ACCOUNTING POLICIES

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

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

AASB 17 Insurance Contracts

AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts issued with discretionary participation features. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of AASB 17 have on the financial position, financial performance and cash flows of the entity. At this time the estimated effects are yet to be determined. This Standard is applicable to annual reporting periods beginning on after 1 January 2023.

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

4 NET RESULT	MAC Fund		Consolidated	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Net result is arrived at after crediting and charging the following specific items:				
Credits				
Interest received/receivable	136	751	160	779
Charges				
Amounts set aside to provide for:				
- Employee benefits	-	-	-	219
- Depreciation of property, plant and equipment	-	-	-	16
 5 INVESTMENTS				
Investment revenue and expense				
- Fund distribution	491	-	491	-
- Interest	136	751	146	779
- Rentals	-	(51)	-	(51)
Total Investment revenue and expenses	627	700	637	728
Investment market value movements – unrealised gains/(losses)				
- Fixed Interest	642	15,680	642	15,680
- Credit Securities	167	-	167	-
- Equities	(214)	-	(214)	-
- Other	1,090	3,687	1,090	3,687
Total Investment market value	1,685	19,367	1,685	19,367
Total Investments	2,312	20,067	2,322	20,095

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

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

6 CLAIMS	MAC Fund		Consolidated	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Claims paid	-	(93,471)	-	(93,471)
Claims provision adjustment	-	86,457	-	86,457
Adjustment for economic assumptions	-	(13,203)	-	(13,203)
Total Claims	-	(20,217)	-	(20,217)

As part of the reinsurance arrangements costs associated with all claims will be the responsibility of NICO. As a result of this agreement MAC has recognised offsetting adjustments through the Statement of Comprehensive Income for all claims costs.

7 ROAD SAFETY

Road Safety Revenue				
- Road Safety funding	-	-	-	14,349
- Interest received	-	-	14	42
Total Road Safety Revenue	-	-	14	14,391
Road Safety expenses	-	-	(2)	(13,055)
Total Road Safety Expenses	-	-	(2)	(13,055)
Total Road Safety	-	-	12	1,336

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

From 1 July 2019, MAC no longer performs the road safety function, refer Note 1(c) and expenses incurred during the year ended 30 June 2020 are residual items from the previous financial year. Road Safety expenses comprise management and road safety program expenditure. MAC promoted road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behaviour.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

8 RECEIVABLES	MAC Fund		Consolidated	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Current				
Trade debtors	-	4,416	16	3,974
	<u>-</u>	<u>4,416</u>	<u>16</u>	<u>3,974</u>
Investment debtors	57	17	57	18
	<u>57</u>	<u>17</u>	<u>57</u>	<u>18</u>
Total Current Receivables	<u>57</u>	<u>4,433</u>	<u>73</u>	<u>3,992</u>
Total Receivables	<u>57</u>	<u>4,433</u>	<u>73</u>	<u>3,992</u>

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

Investment debtors consists of interest and rent due on investments.

9 REINSURANCE AND OTHER RECOVERIES RECEIVABLE

Expected future recoveries (undiscounted)	2,005	2,718	2,005	2,718
Discount to present value	(27)	(106)	(27)	(106)
Reinsurance and other recoveries receivable	<u>1,978</u>	<u>2,612</u>	<u>1,978</u>	<u>2,612</u>
Reinsurance and other recoveries receivable				
- Current	466	560	466	560
- Non-current	1,512	2,052	1,512	2,052
	<u>1,978</u>	<u>2,612</u>	<u>1,978</u>	<u>2,612</u>

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

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

10 OTHER FINANCIAL ASSETS	MAC Fund		Consolidated	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cash and Fixed interest				
- Funds withheld - NICO	-	109,199	-	109,199
- Cash - Unit trust	27,944	38,018	27,944	38,018
- Fixed interest - Unit trust	67,475	91,903	67,475	91,903
Other - Unit Trusts				
- Diversified strategies income - Unit trust	-	35,538	-	35,538
- Bendigo Income Generation Fund	50,251	-	50,251	-
- Lanyon Global Value Fund	1,960	-	1,960	-
- Lanyon Australian Value Fund	2,101	-	2,101	-
- Lanyon Australian Share Fund	1,101	-	1,101	-
Total Current Other Financial Assets	150,832	274,658	150,832	274,658

11 ASSETS HELD FOR SALE

**Amounts recognised in the Statement of
Comprehensive Income for investment property
held for sale**

Direct operating expenses	-	(51)	-	(51)
Total amount recognised	-	(51)	-	(51)

The sale of the Property Portfolio was finalised on 31 July 2017 for \$565.5 million. Amounts recognised in the Statement of Comprehensive Income for rental income and direct property expenses relate to pre-settlement transactions. With the sale of MAC's Direct Property Portfolio on 31 July 2017, there are no leasing commitments under non-cancellable operating leases as at 30 June 2020.

MOTOR ACCIDENT COMMISSION
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12 PROPERTY, PLANT AND EQUIPMENT	MAC Fund		Consolidated	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Building fitout	-	-	-	1,024
Accumulated depreciation	-	-	-	(1,024)
Total building fitout	-	-	-	-
Plant and equipment	-	-	-	130
Accumulated depreciation	-	-	-	(130)
Total plant and equipment	-	-	-	-
Other	-	-	-	38
Accumulated depreciation	-	-	-	(38)
Total other	-	-	-	-
Total Property Plant and Equipment	-	-	-	-

Reconciliation of Property, Plant and Equipment is as follows:

Plant and equipment

Carrying amount at beginning of year	-	-	-	16
Additions	-	-	-	-
Depreciation	-	-	-	(16)
Carrying amount at end of year	-	-	-	-

13 OTHER FINANCIAL LIABILITIES

Funds withheld - NICO	-	109,108	-	109,108
Retained premium - NICO	103,837	101,255	103,837	101,255
	103,837	210,363	103,837	210,363

Other Financial Liabilities

- Current	-	109,108	-	109,108
- Non-current	103,837	101,255	103,837	101,255
	103,837	210,363	103,837	210,363

MOTOR ACCIDENT COMMISSION
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14 PREMIUMS HELD FOR OTHER ENTITIES	MAC Fund		Consolidated	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Premiums held for other entities	15,089	15,089	15,089	15,089

In accordance with section 25(5)(a) of the *Motor Accident Commission Act 1992* MAC may be required to make a payment to the Department of Treasury and Finance for distribution to the approved Insurers and to the South Australian CTP Insurance Regulator. At 30 June 2020 no request for payment has been received.

15 OUTSTANDING CLAIMS

a) Expected future claims payments	487,608	621,691	487,680	621,762
Risk margin applied (undiscounted)	80,555	99,983	80,555	99,983
Discount to present value - central estimate	(9,061)	(18,945)	(9,061)	(18,945)
Discount to present value - risk margin applied	(1,462)	(2,896)	(1,462)	(2,896)

Liability for outstanding claims	557,640	699,833	557,712	699,904
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Current	176,799	233,402	176,871	233,404
Non-current	380,841	466,431	380,841	466,500

Liability for outstanding claims	557,640	699,833	557,712	699,904
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On 1 July 2013, a new South Australian CTP Scheme came into effect. The New Scheme embodies a series of scheme reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

Old Scheme	206,905	258,820	206,905	258,820
New Scheme	350,735	441,013	350,735	441,013
Non-CTP	-	-	72	71

Liability for outstanding claims	557,640	699,833	557,712	699,904
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b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

For the succeeding year				
- Inflation rate	3.75%	4.75%	3.75%	4.75%
- Discount rate	0.60%	1.15%	0.60%	1.15%
For subsequent years				
- Inflation rate	3.75%	4.75%	3.75%	4.75%
- Discount rate	0.60%	1.15%	0.60%	1.15%

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

	3.1 years	2.7 years	3.1 years	2.7 years
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The method of calculating outstanding claims is set out in detail in Note 2(d).

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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15 OUTSTANDING CLAIMS (continued)

The claims provision for the MAC Fund as at 30 June 2020 has been reviewed by the Fund Actuary, Gillian Harrex BEc, FIAA of Finity Consulting Pty Limited. The directors have adopted a central estimate plus a risk margin as determined by the Actuary to achieve an 80% probability that the provision will prove adequate. An overall risk margin of 17% (2019: 16%) has been applied and is derived using the framework established by the Actuaries Institute. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

Sensitivity analysis

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

- a) The COVID-19 pandemic and related health and economic response continues to evolve in Australia and throughout the world. The unique set of circumstances associated with the COVID-19 pandemic means there is greater than normal uncertainty in relation to the broader social and economic landscape. At this stage we expect the impact of COVID-19 on the Scheme will be minimal or nil given MAC is now deep into run-off.
- b) Effective 1 January 2019, claims management has transferred from Allianz to NICO although Allianz continued to manage claims until 30 June 2019. From 1 July 2019 NICO has employed several former MAC and Allianz staff however the transfer may affect the management of open claims. This may increase the uncertainty associated with our valuation results.
- c) The MAC Scheme now being in run-off it is possible that claims development patterns may change now that MAC has ceased underwriting new business. This could be due to differences that emerge in terms of claims management and also the potential for the external claims environment (which is now influenced by the four insurers who have entered the market) having an impact on the Scheme performance.
- d) The actual impact of the CTP legislative changes effective 1 July 2013 (i.e. "New Scheme") and the commencement of the LSS from 1 July 2014. The key risks include:
 - * Estimating the claims frequency and number of claim settlements.
 - * Estimating the impact of tort reform on the ultimate cost of claims.
- e) Large claims, given their potential to cause significant one-off effects on the valuation and the difficulty in estimating future large claims experience, particularly as the Scheme goes further into run-off. The claims which are harder to resolve will become a greater proportion of the overall liability.
- f) Future inflation and superimposed inflation. While the claims environment has been benign for some years, it is possible for some level of claims cost escalation to emerge as service providers (particularly solicitors) adjust to the New Scheme environment, and as the new market participants start to exert influence on the market overall.

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

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

Change in Model parameters	Impact on Provision	
	%	\$'000
Change in Valuation Assumption:		
For accidents before 1 July 2013:		
- average size of attritional claims increased by 15%	1.9	10,300
For accidents after 30 June 2013:		
- Cost of attritional claims deteriorates by 5% per quarter over the next two years	6.5	36,200
Number of expected future large claims increased from 1 to 7	0.9	4,800
Average size of large claims increased by 30%	14.4	79,900
Discount rate increased from 0.6% to 1.1% p.a.	(1.5)	(8,400)
Discount rate decreased from 0.6% to 0.1% p.a.	1.6	8,700
Superimposed inflation rate increased from 2.0% to 3.0% p.a.	1.3	7,200
Superimposed inflation rate decreased from 2.0% to 1.0% p.a.	(1.2)	(6,700)

MOTOR ACCIDENT COMMISSION
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15 OUTSTANDING CLAIMS (continued)

Claims Development

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net ultimate claims cost estimate											
At end of accident year	483,650	492,426	514,693	400,476	338,287	330,164	-	-	-	-	
One year later	469,417	488,162	461,742	373,204	289,240	304,856	-	-	-		
Two years later	466,825	432,909	428,069	316,737	249,295	284,835	-	-			
Three years later	429,090	422,326	384,174	247,424	232,867	270,931	-				
Four years later	402,857	399,451	355,826	233,463	248,772	279,015					
Five years later	390,716	370,748	358,766	234,297	254,889						
Six years later	364,330	360,417	368,863	241,031							
Seven years later	364,469	363,163	371,251								
Eight years later	365,165	363,712									
Nine years later	364,989										
Current est. of net ultimate claims cost	364,989	363,712	371,251	241,031	254,889	279,015	-	-	-	-	
Cumulative payments	(350,142)	(343,491)	(320,804)	(186,417)	(168,392)	(143,632)	-	-	-	-	
Net undiscounted claims liability for the ten most recent accident years	14,847	20,221	50,447	54,614	86,497	135,383	-	-	-	-	362,009
Discount to present value	(352)	(534)	(988)	(846)	(1,391)	(2,258)	-	-	-	-	(6,369)
Net discounted claims liability for the ten most recent accident years	14,495	19,687	49,459	53,768	85,106	133,125	-	-	-	-	355,640
Reconciliation											
Net discounted claims liability for accident years 2009/10 and prior											83,594
Claims handling expenses											37,335
Risk margin											79,094
Net outstanding claims liability, gross of RI											555,663
Net outstanding claims liability, net of RI											43,531
Gross outstanding claims liability on the statements of financial position											557,640
Other recoveries on outstanding claims liability											(1,978)
RI on outstanding claims liability											(512,131)
Net outstanding claims liability, net of RI											43,531

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

Estimated timing of net cashflows

	Up to 1	2 - 4	5 - 9	10 - 14	15 - 19	20 - 24	Total
	year	years	years	years	years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities	176,333	238,346	91,933	44,122	4,925	4	555,663

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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16 INSURANCE CONTRACTS RISK MANAGEMENT

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

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

Risk Management objectives and policies for mitigating insurance risk

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

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

Insurance risk

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

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

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

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

Claims management

Until 30 June 2019 claim determination was managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC's policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations. From 1 July 2019 claims management has been undertaken by NICO.

**MOTOR ACCIDENT COMMISSION
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16 INSURANCE CONTRACTS RISK MANAGEMENT (continued)

Investment management

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

17 PROVISIONS

	MAC Fund		Consolidated	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits				
- Annual leave	-	-	-	232
- Long Service Leave	-	-	-	357
- Retention & Termination	-	-	-	529
- SERL	-	-	-	6
Incentive payments	-	3,328	-	3,328
Total Current Provision	-	3,328	-	4,452

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

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

**MOTOR ACCIDENT COMMISSION
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18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

(1) Categorisation of Financial Instruments

The total carrying amount for all financial assets is equal to the fair value of these assets. Property, Plant and Equipment in note 12 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in unit trusts as detailed in note 10 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

(2) Derivative Financial Instruments

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

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

The fair values of all derivative positions as at 30 June 2020 are incorporated within the Statement of Financial Position.

(3) Currency Risk

As at 30 June 2020 MAC does not directly hold any international equities and was not exposed to any foreign exchange risk. MAC's external fund manager for the Global Value Fund hedged 100% of this exposure back to Australian dollars.

**MOTOR ACCIDENT COMMISSION
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18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(4) Interest Rate Risk

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

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

	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000
30 June 2020			
Financial Assets			
Cash	4,026	-	4,026
Receivables	-	73	73
Cash - Unit trust	27,944	-	27,944
Fixed interest - Unit trust	-	67,475	67,475
Other - Unit trust	-	55,413	55,413
Total financial assets	31,970	122,961	154,931
Financial Liabilities			
Payables	-	1,222	1,222
Other financial liabilities	-	103,837	103,837
Total financial liabilities	-	105,059	105,059
Net financial assets	31,970	17,902	49,872

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

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(4) Interest Rate Risk (continued)

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

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

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

Reconciliation of Net Financial Assets	2020	2019
	\$'000	\$'000
Net Financial Assets	49,872	73,143
Add - Reinsurance and other recoveries receivable	1,978	2,612
- Reinsurance assets	514,109	645,212
- Prepayments	43,531	54,621
Less - Premiums held for other entities	(15,089)	(15,089)
- Reinsurance and other recoveries payable	(1,978)	(2,612)
- Outstanding claims	(557,712)	(699,904)
- Deferred revenue	(22,500)	(32,105)
- Provisions	-	(4,452)
Net Assets	12,211	21,426

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18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(5) Credit Risk

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

Recognised Financial Instruments

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

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

30 June 2020	A1+	A1				
Short Term	Allocation %					
Cash	85.00	15.00				
	AAA	AA	A	BBB	Below BBB	Not Rated
Long Term	Allocation %					
Fixed interest	80.50	19.50	-	-	-	-
30 June 2019	A1+	A1				
Short Term	Allocation %					
Cash	89.5	10.5				
Cash & Deposits	100	-				
	AAA	AA	A	BBB	Below BBB	Not Rated
Long Term	Allocation %					
Fixed interest	80.4	19.5	-	0.10	-	-
Diversified strategies income	36.3	27.8	26.1	9.8	-	-

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

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

All other units trusts are unrated.

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18 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(6) Market Risk

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

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

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

(7) Liquidity and Cash Flow Risk

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

19 NET CLAIMS INCURRED

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

	MAC Fund		Consolidated	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
	Prior	Prior	Prior	Prior
	Years	Years	Years	Years
Gross claims incurred and related expenses				
- undiscounted	(21,210)	(29,261)	(21,210)	(29,261)
Reinsurance and other recoveries				
- undiscounted	9,239	(31,231)	9,239	(31,231)
Net claims incurred				
- undiscounted	(11,971)	(60,492)	(11,971)	(60,492)
Discount and discount movement				
- gross claims incurred	11,317	40,747	11,317	40,747
Discount and discount movement				
- reinsurance and other recoveries	(10,436)	19,834	(10,436)	19,834
Net discount movement	881	60,581	881	60,581
Net claims incurred	(11,090)	89	(11,090)	89

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

**MOTOR ACCIDENT COMMISSION
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20	RETURN OF CAPITAL	MAC Fund		Consolidated	
		2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
	Return of capital	18,530	142,700	18,530	142,700

During 2019-20, MAC made a payment of \$18.53 million to the Treasurer's Consolidated Account (2019: \$142.7 million to the State Government's Highway Fund, an account maintained by the Department of Planning, Transport and Infrastructure). The payment was a return of net surplus capital as required by the Treasurer pursuant to section 26(2) of the *Motor Accident Commission Act 1992*.

21 COMMITMENTS

Management agreements

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

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22 AUDITORS' REMUNERATION

	MAC Fund		Consolidated	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA	52	91	54	101

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of management expenses and road safety (refer to note 7).

23 CASH FLOW RECONCILIATION

Cash flows are included in the Statement of cash Flows on a gross basis and the GST component of cash flows arising

1) Reconciliation of cash				
Cash	1,268	1,653	4,026	6,237
2) Reconciliation of net cash inflows/(outflows) from operating activities				
Total comprehensive result	9,294	18,530	9,315	19,884
Add/(less) non-cash items:				
- Depreciation	-	-	-	16
- (Profit) Loss on sale and revaluation to market value of investments	(1,685)	(20,624)	(1,685)	(20,624)
Net cash inflows/(outflows) from operating activities before changes in assets and liabilities	7,609	(2,094)	7,630	(724)
Change in assets and liabilities				
- (Inc)/dec in other financial assets	125,511	758,000	125,511	758,001
- (Inc)/dec in reinsurance assets	131,103	(645,212)	131,103	(645,212)
- (Inc)/dec in prepayments	11,090	(54,621)	11,090	(54,621)
- (Inc)/dec in receivables	5,010	(433)	4,553	(346)
- Inc/(dec) in payables and provisions	(3,220)	(5,947)	(4,611)	(5,693)
- Inc/(dec) in outstanding claims	(142,193)	(153,097)	(142,192)	(153,093)
- Inc/(dec) in other liabilities	(116,765)	242,468	(116,765)	242,468
Net cash inflows from operating activities	18,145	139,064	16,319	140,780

**MOTOR ACCIDENT COMMISSION
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24 SUFFICIENT LEVEL OF SOLVENCY

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

As at 30 June 2020, the Sufficient Solvency target was \$702.4 million (2019: \$964.6 million) which compares to the Fund's assets of \$711.8 million (2019: \$983.2 million) and this equates to 101.3% (2019: 101.9%) of the required level of Sufficient Solvency.

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

The Sufficient Solvency Target has created a prudential reserve for MAC which has allowed it to remain in a strong net asset position (\$9.3 million). The Sufficient Solvency Target has therefore fulfilled its role of underpinning the viability of the MAC Fund.

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

- The Fund reports positive net assets as at 30 June 2020;
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due;
- The Fund's investment strategy is designed to assist in maintaining Sufficient Solvency; and
- MAC is supported by a Government guarantee pursuant to sub-section 21(1) of the *Motor Accident Commission Act 1992*.

25 CONTINGENT ASSETS AND LIABILITIES

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

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

26 CONSULTANTS

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

	MAC			
	2020 Number	\$'000	2019 Number	\$'000
Below \$10,000	-	-	4	14
Above \$10,000	1	207	14	2,008
Total paid/payable to the consultants engaged	1	207	18	2,022

27 DIRECTORS' REMUNERATION

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

Mr T Burfield
Ms T Blight
Ms C Uncle

	2020 \$'000	2019 \$'000
The total remuneration received or receivable by members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.	-	300

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

	2020 Number	2019 Number
\$0 - \$19,999	-	1
\$20,000 - \$39,999	-	2
\$40,000 - \$59,999	-	3
\$60,000 - \$89,999	-	1
Total	-	7

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

**MOTOR ACCIDENT COMMISSION
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FOR THE YEAR ENDED 30 JUNE 2020**

28 REMUNERATION OF EMPLOYEES

	2020	2019
	\$'000	\$'000
Salaries and Wages	-	3,136
Skills and experience retention leave	-	1
Retention & Termination	-	528
Employment on-costs - superannuation	-	338
Board and committee fees	-	292
Employment on-costs - other	-	212
Annual Leave	-	(51)
Long Service Leave	-	(282)
Total	-	4,174

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

	Number	Number
\$334,001 - \$354,000**	-	1
\$374,001 - \$394,000**	-	1
\$394,001 - \$414,000**	-	1
Total	-	3

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

The total remuneration received by those employees for the year was \$nil (2019: \$1.1 million).

** This includes payments on termination.

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

29 RELATED PARTIES

Key Management Personnel

Key management personnel of MAC include the Ministers and the governing board members who have responsibility for the strategic direction and management of MAC.

In previous financial years this also included MAC senior management. The compensation detailed below excludes salaries and other benefits the Minister for Police and Treasurer receives, the Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

Compensation	2020	2019
	\$'000	\$'000
Salaries and other short-term employee benefits	-	823
Post-employment benefits	-	78
Other Long-term employee benefits	-	69
Retention & termination	-	145
Total	-	1,115

Transactions with Key Management Personnel and other related parties

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

Directors' transactions with the Commission

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

Transactions with other government entities

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