

# 2013

ANNUAL  
REPORT

INNOVATING  
FOR OUR CLIENTS



TRANSPORT  
ACCIDENT  
COMMISSION





## OUR VISION IS A FUTURE WHERE EVERY JOURNEY IS A SAFE ONE

**Our mission** is to work with the Victorian community to reduce road trauma and support those it affects.

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# Highlights

## SERVICE DELIVERY

- / \$1.086 billion in support services and benefits provided to 45,038 people
- / Highest ever client feedback score of 7.63
- / After-tax operating profit of \$973 million

## ROAD SAFETY

- / Victorian Government 10 year Road Safety Strategy launched:
  - committed \$100 million per year to road safety improvements
  - committed to investigating and reducing serious injury crashes
- / Lowest ever Victorian road toll at 282 – five fewer than 2011
- / Invested \$76.6 million in road safety improvements

## OUR PERFORMANCE

Key performance indicators	10/11	11/12	12/13	Target 12/13
<b>Scheme Viability</b>				
Actuarial Release	\$42 million	\$130 million	(\$102 million)	\$105 million
<b>Client Outcomes*</b>				
Index score			63.8	67.0
<b>Client Experience</b>				
Client Feedback Survey	7.31/10	7.33/10	7.63/10	7.65/10

\* These new indicators are explained further on page 12.

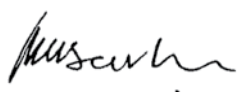
# Letter from the Chairman to the Minister

29 August 2013

The Honourable Gordon Rich-Phillips MLC  
Assistant Treasurer  
Level 5, 1 Macarthur Street  
EAST MELBOURNE VIC 3000

Dear Minister

I am pleased to submit the twenty-seventh Annual Report of the Transport Accident Commission (TAC) for presentation to Parliament pursuant to Part 7 of the *Financial Management Act 1994*.



Paul Barker  
Chairman

# Chairman and CEO's report



Guided by our mission to support those affected by road trauma, in 2012/13 the TAC introduced innovations to cut red tape to improve the outcomes and experiences of our clients.

Our TAC 2015 strategy continually pushes us to improve, with targets set in the key areas of client outcomes, client experience and scheme viability.

These corporate goals have driven us to seek more efficient ways to support our clients.

Already, many people injured on our roads have had their claim accepted within six days (compared to up to 70 in the past) and soon, most client and provider accounts will be paid within 14 days. About 90% of our Recovery clients now have an action plan in place to help them return to work and more than 70% of our clients with severe injuries have an Independence Plan containing their goals and a clear pathway to achieving them.

As the TAC 2015 strategy progresses with a focus on service, we will continue to initiate and embed more efficient processes that will mean less red tape for our clients.



## SERVICE DELIVERY

We funded \$1.086 billion in support services and benefits for our clients in 2012/13, compared to \$1.01 billion in the previous year. We also received 19,354 new claims, compared to 19,002 in 2011/12.

Overall 45,038 people received funded support from the TAC in 2012/13, up from 44,410 in 2011/12.

Our client satisfaction score for 2012/13 was 7.63, significantly above last year's score of 7.33 out of 10. This is the highest ever client satisfaction score achieved by the TAC.

## FINANCIAL RESULTS

Ensuring we support our clients in a socially and economically responsible manner is part of the objective of the *Transport Accident Act 1986*.

The TAC recorded an after-tax operating profit of \$973 million in 2012/13 compared to a loss of \$1,024 million in 2011/12. This was driven by better than expected external factors. In 2012/13, our performance from insurance operations was negative \$12 million compared to \$351 million in 2011/12. While the underlying business is sound, the result reflects the challenging environment insurers operate in with respect to common law claims.

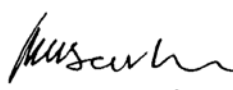
The TAC's funding ratio as at 30 June 2013 was 84.9%, compared to 70.8% last financial year. The investment return was 15.5% compared to 4.2% in 2011/12.

## ROAD SAFETY

In 2013 we were proud to stand with the Victorian Government and our road safety partners to announce the 10 year Road Safety Strategy for Victoria.

The strategy aims to reduce road deaths by 30%, to less than 200 deaths per year. It also sets out a clear intent to investigate and reduce serious injuries by more than 30% over a decade, an aspect of the strategy in which the TAC will play a key role.

Our vision is a future where every journey is a safe one. With a record low road toll of 282 last year and the 10 year strategy in place, we are seeing this vision gradually become a reality.



Paul Barker  
Chairman



Janet Dore  
Chief Executive Officer

## IMPACTS ON PROFIT (\$M)

	08/09	09/10	10/11	11/12	12/13
Performance from insurance operations	103	200	187	351	(12)
Impact on profit from external factors:					
/ Difference between actual investment returns and long-term expected returns	(1,305)	252	226	(245)	618
/ Change in inflation assumptions and discount rates	(193)	(572)	(22)	(1,581)	772
Tax	424	39	(112)	451	(405)
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(971)</b>	<b>(81)</b>	<b>279</b>	<b>(1,024)</b>	<b>973</b>

WITH A RECORD LOW ROAD TOLL OF 282 LAST YEAR AND THE 10 YEAR STRATEGY IN PLACE, WE ARE SEEING OUR VISION GRADUALLY BECOME A REALITY

# Board and Executive Management

## BOARD OF MANAGEMENT

**Paul Barker**  
Appointed Chairman 2007  
Director since 2002

**Julie Caldecott**  
Appointed 2004  
End of term 2013

**Andrew Dyer**  
Appointed 2009

**Deborah Hallmark**  
Appointed 2010

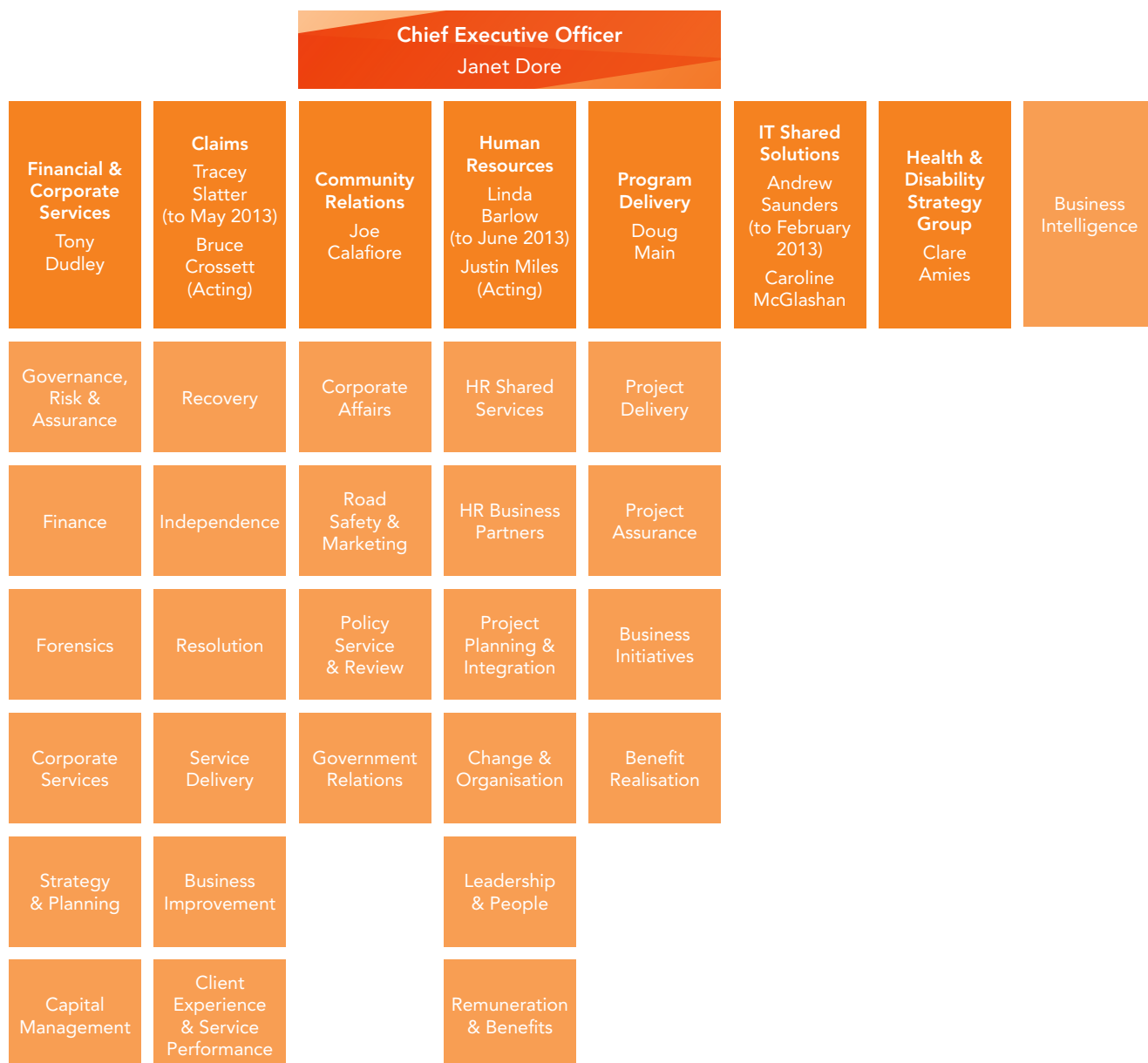
**Geoff Hilton**  
Appointed 2007  
End of term 2013

**David Krasnostein**  
Appointed 2012

**Prof. Robert Officer**  
Appointed 2006  
End of term 2012

**Sonia Petering**  
Appointed 2007

**Helen Silver**  
Appointed 2013  
Resigned 2013



# What we do

## MAKING EVERY JOURNEY A SAFE ONE

Victoria's road safety efforts were boosted in March 2013 with the launch of the Government's Road Safety Strategy.

The strategy contains the high-level direction for the future of road safety in Victoria between 2013 and 2022, while the first Action Plan for 2013-2016 outlines a number of key initiatives that will be implemented in the short term.

The TAC plays a key role in developing those initiatives with its road safety partners VicRoads, Victoria Police and the Department of Justice. Together, our objective is to have safer drivers in safer cars on safer roads and at safer speeds.

## SAFER DRIVERS

The TAC encourages safer drivers on Victoria's roads through targeted public education campaigns.

### Distractions

The Assistant Treasurer Gordon Rich-Phillips and the former Premier Ted Baillieu launched the Distractions campaign on 27 February 2013. Viewed by the community and State Government as one of the most significant new areas of the Road Safety Strategy, the announcement included tougher penalties for mobile phone use while driving and the release of VicRoads' Road Mode app. Vicki Richardson, whose daughter Brooke died in a crash while texting, was an integral part of the media launch. The campaign included TV, radio, print, outdoor and online advertising and has gained significant media attention.

### A Place to Remember

On 30 November 2012 the Assistant Treasurer, former Premier and the TAC launched a three day activation event titled "A Place to Remember" at Southbank. This involved a long table being set with 256 places and chairs, representing those Victorians who would not be at the family table for Christmas. The launch was supported by five TAC clients who shared their stories with the community. The event attracted significant metropolitan and regional media, and was recognised as an outstanding activation example at the Cannes Advertising Awards.

## Road Trip Forever

The TAC targeted youth with an exciting new online initiative called Road Trip Forever. Using a phased "discovery" strategy, the campaign involved an online interactive video to connect with young risk-taking Victorians aged 18 to 25 years and raise awareness of the dangers of speeding and distracted driving. The online campaign resulted in 29,000 views and 400 tweets in the first two weeks alone.

## Community road safety grants

The TAC's Community Road Safety Grants Program makes grants of up to \$20,000 available for community-based projects run by not-for-profit groups, to address specific local road safety issues. In the 2012/13 financial year, 50 Community Road Safety Grants were approved for a total of \$868,781.

## SAFER CARS

The TAC continued its support of the Australasian New Car Assessment Program (ANCAP) and together with VicRoads, the RACV and the Monash University Accident Research Centre (MUARC), encourage the purchase of five-star crash tested cars, through the Used Car Safety Ratings Guide, which this year celebrated its 21st year. Through the website [www.howsafeisyourcar.com.au](http://www.howsafeisyourcar.com.au), we encourage Victorians to buy the safest car they can afford.

## SAFER ROADS

The TAC continues its investment in the Safer Roads Infrastructure Program to help improve Victorian roads. These projects are managed by VicRoads and focus on Victoria's highest risk locations for run-off road crashes in regional areas and at high risk intersections. In the 2012/13 financial year the TAC has invested \$76.6 million in the program.



## PARTNERSHIPS AND CAMPAIGN REPORTING

The TAC builds strong, long-term community partnerships to ensure road safety messages reach a diverse audience at a grass-roots level. We also partner with community organisations to support community and economic development.

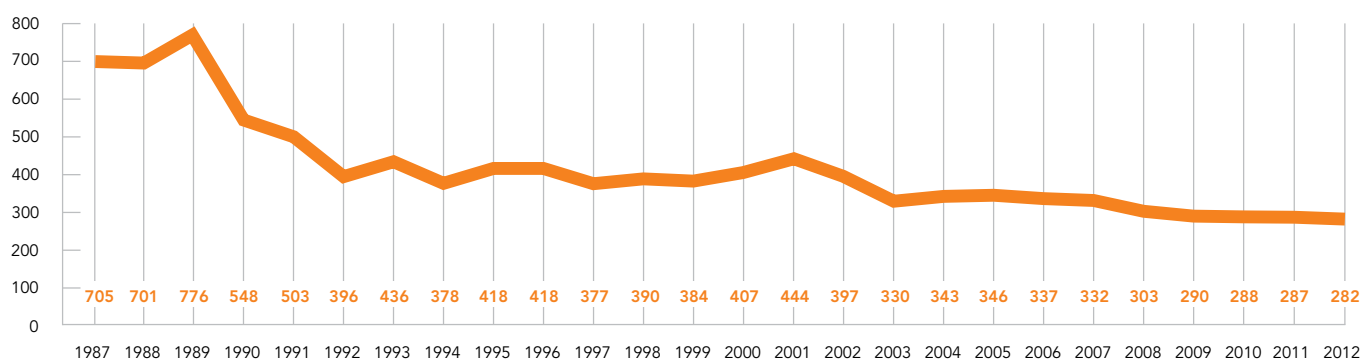
Community engagement activities included free breath-testing, educational competitions, supporting shuttle buses as alternative transport and distributing targeted road safety information. We also work closely with the Australian Drug Foundation, Road Trauma Support Services Victoria and VicHealth to support our public education and community engagement efforts.

### Specific partnerships in 2012/13:

Strategic Partnerships	
AFL Victoria	\$435,000
Melbourne Victory	\$260,000
Geelong Football Club	\$223,000
MotoGP (Australian Grand Prix Corporation)	\$203,000
Country Racing Victoria Limited	\$120,000
Falls Festival	\$70,000
The Winemakers of Rutherglen	\$25,000
Yarra Valley Winegrowers Association	\$25,000

Community Partnerships	
Road Trauma Support Services	\$430,000
Give Where You Live (formerly United Way)	\$54,000
Barwon Health Foundation	\$33,000
SpinChat	\$33,000
Barwon Sports Academy	\$20,000
Independence Australia – Spinal Cord Injury Awareness Week	\$19,800
Run Geelong	\$15,000
Amy Gillett Foundation – Amy's Ride	\$11,000
Great Ocean Road Marathon	\$11,000
Australian Masters Games	\$11,000

### Reported fatalities 1987 - 2012



# What we do

## WORKING WITH THE VICTORIAN COMMUNITY

The TAC supports people injured in transport accidents that are directly caused by the driving of a car, motorcycle, bus, train or tram.

The TAC administers a “no-fault” scheme, which means that anyone injured in a transport accident within Victoria (or interstate if in a Victorian registered vehicle) is eligible to receive support services, irrespective of who caused the crash. Where a person suffers a serious injury in a transport accident and the accident was someone else’s fault, they may receive a lump sum payment and make a common law claim.

The TAC is governed by the *Transport Accident Act 1986*. To support this, we have policies and guidelines that help with our decision-making. We also rely on information and recommendations obtained from health care professionals.

The TAC funds medical treatment for transport accident-related injuries for as long as it is necessary. For people with severe injuries, funding and support may continue for the rest of their lives.

The TAC funds the cost of reasonable treatment related to a person’s accident injuries. This may include ambulance services, surgery and medical visits, medicines, therapies and nursing visits. Depending on the seriousness of the injury, TAC support may extend to income support, rehabilitation and disability services, return to work programs, attendant care, allowances for parents to visit dependent children in hospital, travel costs to and from medical appointments and equipment or aids, such as wheelchairs.

## SERVICE DELIVERY

In 2012/13 the TAC funded a total of \$1.086 billion in support services and benefits (compared with \$1.01 billion in 2011/12). The number of new claims received was 19,354 (compared to 19,002 in 2011/12). The TAC provided funded support to 45,038 people compared with 44,410 the previous year.

The TAC’s enquiry centre answered nearly 241,516 calls in 2012/13, with an average call time of 11.19 minutes. Approximately 52% of the calls were from TAC clients, 38% from providers and 10% from new clients. The TAC made payments for 1.6 million services, with 82% of these being made to service providers and 18% to clients.



## HARRY

Rehabilitation doesn’t just stop here, I’ve got to just keep trying to better myself and improve my health and wellbeing.

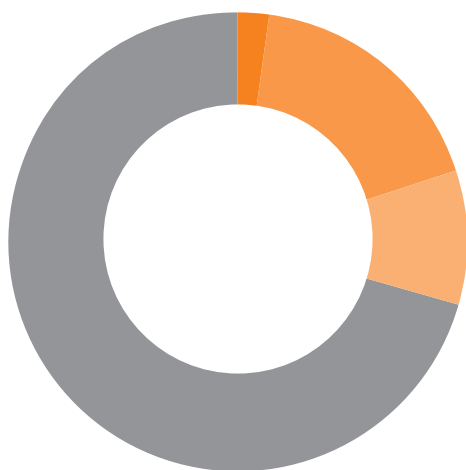
# THE TAC RESOLVED 1,120 COMMON LAW CLAIMS IN 2012/13

## COMMON LAW DAMAGES

If a person suffers a “serious injury” as defined by the *Transport Accident Act 1986* and another person was to blame for the accident, the injured person may bring a claim for damages. Damages are payable for economic loss up to a maximum of \$1,119,060 and for pain and suffering up to a maximum of \$497,340. *Wrongs Act 1958* damages can be paid to the dependents of a person killed by a negligent driver in a transport accident up to a maximum of \$814,590.

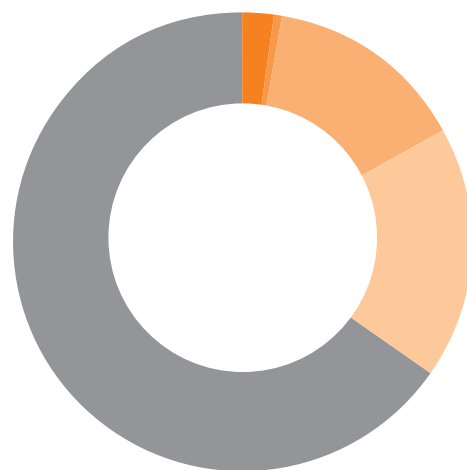
The TAC resolved 1,120 common law claims in 2012/13 (compared to 945 in 2011/12) and 52% were achieved within 12 months from the date of application.

2012/13 Accepted claims according to severity



- Not hospitalised 70.9%
- Fatal 2.1%
- Hospitalised > one day 17.6%
- Hospitalised one day 9.4%

2012/13 Accepted claims according to injury type



- Musculoskeletal 65.4%
- Fatal 2.1%
- Catastrophic 0.6%
- Other severe 14.3%
- Orthopaedic 17.6%

# How we do it

## CLAIMS MANAGEMENT

The TAC is guided by our long term strategy, TAC 2015, a clear, long-term vision of what we want to achieve.

Its three core goals of client outcomes, client experience and scheme viability focus our attention on client satisfaction and achievements as key measures of our success.

Our aim is to help our clients recover after an accident, support them to reach their independence goals and ensure they receive excellent service along the way. It is our responsibility to the Victorian community and a role we take pride in.

The Recovery branch is focussed on supporting clients, who have mild to moderate injuries, to return to health and work after their transport accident. At the time of writing, more than 90% of clients had a Recovery Action Plan in place. This plan identifies individual challenges and puts in place solutions to help clients get their life back on track.

In 2012/13 Recovery also increased the number of proactive phone calls to long-term clients. More than 1,000 clients have been contacted multiple times and assisted with specific ongoing concerns.

The Independence branch works with clients who are more seriously injured to help them live more independent lives after a transport accident. More than 70% of clients now have an Independence Plan in place to help them achieve their goals, another significant progression under TAC 2015.

The Service program is the third and final claims component of the TAC 2015 strategy. In the past year we have focussed on improving our service to clients by removing unnecessary processes and cutting red tape. The result is more efficient and streamlined operations and better customer service.

In 2012/13, the Service program has implemented a number of key changes that have had an immediate impact on our service delivery and contributed to the highest ever client feedback score.



## MARCUS

My goals included returning to my studies ...I'm now about to complete a Bachelor of Criminal Justice degree.

## SERVICE PROGRAM ACHIEVEMENTS

### 01 FIRST SERVICE

Quickly and easily accepting claims so clients get the initial services and benefits they need

- / Three major trauma hospitals are submitting claims electronically under the First Service hospital pilot. This allows the TAC to make earlier claims acceptance, income payment and treatment decisions. A detailed review of the first 200 claims submitted showed:
  - / Average time to eligibility decision was 6 days from the date of accident (Previous average ~ 76 days)
  - / Two months into the pilot, 69% of hospitalised claims are being accepted within 5 days of the accident
  - / Average time for clients that qualify for an interim payment to receive their payment was 7 days from date of accident (Previous average ~ 100 days)
  - / Average time for full Loss of Earning payment from date of accident was 16 days (Previous average ~ 100 days)

### 02 CUSTOMER SERVICE

Making it easier for clients to contact us and improving how we listen to our clients, understand their needs and respond promptly

- / A Call Quality Coaching program has been implemented incorporating training, technology and ongoing support for staff. This will substantially improve how we interact with clients and providers and establish a consistent service culture.

### 03 RIGHT PAYMENTS

Transforming the way accounts are handled at the TAC

- / Payment processes have been frustrating clients and providers for many years. Through improvements now underway, the TAC aims to pay 90% of provider payments within 14 days. Current performance is 65%, representing a significant improvement from 49% in September 2012.

### 04 SERVICE AND BENEFIT DECISIONS

Efficiently and quickly making decisions about services and benefits

- / The streamlining of automated system processes has reduced the number of exceptions to be dealt with. Claims staff then have more time to focus on client interactions and outcomes rather than administration.

### 05 QUALITY HEALTH AND DISABILITY SERVICES

Improving access to providers and the range of services offered, to assist clients recover and regain independence

- / Improved Home Modifications processes have reduced the time it takes to approve and make the necessary modifications. Previously 63% of modifications took more than 49 weeks to complete. Following recent changes, this has reduced to 30%. The aim is to be at 20% by March 2014.
- / Clients and providers have been involved in the development of an individualised funding model, which will give severely injured clients more choice and control over their medical services.

## CLIENT OUTCOMES

The TAC has introduced the Client Outcomes Index, to provide insight into the direction and magnitude of improvements in outcomes for all our clients. While the target for 2012/13 was not achieved, our deeper understanding of outcomes provides a platform for improved achievement in 2013/14.

The measures have been developed according to the different needs and goals of our clients, depending on their level of injury and the time since their accident.

**Independence: Life Area Goal Achievement** measures progress towards Independence across six life areas: home living, education, vocation, recreation/leisure, living independence and community independence. These are integral to client-centred assessment, goal setting and service coordination.

**Recovery: Return to Work – Income Durations** relates to the proportion of clients requiring loss of earnings benefits from 12 months after their accident.

This measure helps us identify how effective we are in helping clients return to work.

**Recovery: Return to Health – Scheme Participation** reflects the proportion of clients still requiring treatment and support from the TAC after 12 months. It measures how effective we are in supporting our clients to return to health.

**Recovery: Return to Work Outcomes** relates to the proportion of clients that achieved a full or partial return to work, as reported in the client outcomes survey.

**Recovery: Self Assessed Mental Health and Recovery: Self Assessed Physical Health** are the mean average score from a self-assessed health questionnaire, providing a snapshot of the mental or physical functioning that the client is experiencing.

Client Outcomes Index 2012/13 Contributing Measures	Actual	Target	Performance
Independence: Life Area Goal Achievement	35.6%	40.0%	×
Recovery: Return to Work - Income Durations (12 months)	31.7%	30.0%	×
Recovery: Return to Health - Scheme Participation	37.5%	34.0%	×
Recovery: Return to Work Outcomes	81.9%	86.0%	×
Recovery: Self Assessed Mental Health	44.9	44.5	✓
Recovery: Self Assessed Physical Health	43.3	44.2	×
<b>Index Score</b>	<b>63.8</b>	<b>67.0</b>	×

## HOW ARE WE DOING?

Each year, the TAC surveys approximately 2,500 clients to measure their experiences with the organisation. The TAC's satisfaction score has remained relatively stable over the last two years, however in 2013, we have reached the highest ever score of 7.63. While this fell short of our target of 7.65, it is a good indicator of how the work achieved to date under the TAC 2015 strategy is starting to make a real difference to clients' lives.

# A TOTAL OF 817 MERIT REVIEW APPLICATIONS WERE LODGED IN 2012/13

## RESOLVING DISPUTES AND COMPLAINTS

The TAC makes hundreds of decisions each week that affect our clients. Sometimes a decision may not be accepted or understood. In these cases, a client may choose to have the decision:

- / Informally reviewed by the TAC
- / Reviewed under the Dispute Resolution Protocols, or
- / Reviewed by the Victorian Civil and Administrative Tribunal (VCAT) – known as a merit review.

### Informal reviews

Disagreement with TAC decisions has reduced again this year with 308 requests for an informal review lodged, compared to 361 in 2011/12 and 392 in 2010/11. Around 85% of informal reviews were resolved within four months, with nearly 60% of reviews maintaining TAC's original decision and 30% being resolved through compromise or overturned.

### Dispute Resolution Protocols

In 2005, protocols were implemented in collaboration with legal stakeholders to provide an alternative to the formal dispute resolution process at VCAT and reduce the time and cost to resolve disputes. In 2012/13, 974 applications for a review of a TAC decision were lodged under the protocols, compared to 1,078 in 2011/12.

### Merit reviews

A total of 817 merit review applications were lodged at VCAT in 2012/13. In the previous year, 822 merit reviews were lodged. The number of merit reviews resolved during the year was 675, compared to 745 in 2011/12.

### Model litigant

The TAC is committed to the Victorian Government's Model Litigant Guidelines. The guidelines require the TAC to act fairly and consistently, to avoid litigation, pay legitimate claims promptly and to minimise legal costs. The guidelines require fairness and the utmost propriety. During 2012/13, 6 formal complaints were received, compared to 11 the previous year. All complaints were investigated internally, with external advice sought in one instance, and no breaches of the guidelines were found.

## Complaints

The TAC takes service complaints very seriously and has a formal complaints office to manage these issues, including matters of inquiry from the Chief Executive Officer and Ombudsman Victoria. In 2012/13, the TAC received 206 formal complaints, a significant reduction of 25% compared to 274 in 2011/12. The TAC sees this as an indication that the Service program is having a positive impact on the experience of our clients and other stakeholders.

## Freedom of Information

In recent years the TAC has recorded a marked increase in Freedom of Information applications. However, the TAC has experienced a period of stability with 1,213 applications in 2012/13, compared to 1,236 received in 2011/12. The TAC continues to extend as far as possible the right of the community to access information held by the TAC.

In December 2012 the Victorian Freedom of Information Commissioner (FOIC) took office. The Commissioner's functions include review, handling complaints, monitoring agencies' compliance, reporting and providing advice, education and guidance. Since December 2012, the TAC has had three matters referred to the FOIC for review. One matter has been resolved to date, with the FOIC upholding the TAC's decision.

The TAC welcomes feedback from clients and other stakeholders to help us improve our service through [info@tac.vic.gov.au](mailto:info@tac.vic.gov.au)



# Who we are

## OUR WORKFORCE

In 2012/13 the TAC's Human Resources division has been consolidating its new operating model. Since January 2013 the TAC has also been providing HR support to Victorian Workcover Authority (VWA) employees in the TAC/VWA collaboration areas, IT Shared Services (ITSS) and Health and Disability Strategy Group (HDSG).

Key achievements for 2012/13 have included the development and endorsement of the Leadership and Talent Strategy, the rollout of a learning needs analysis, automation and streamlining of key HR processes and consolidation of the new performance development review for employees.

## EMPLOYEE OPINION SURVEY

The TAC conducts an annual employee survey to measure employee engagement and staff morale. In 2013, HDSG and ITSS employees were included in the TAC survey, including those directly employed by VWA. As a result around 1,000 employees participated in the survey, administered by Towers Watson. The overall staff engagement score is 86% (compared to 87% in 2011/12) and the staff morale index is 76% (same as last year). Both results are substantially above Australian national norms.

## OCCUPATIONAL HEALTH AND SAFETY

We actively promote a safe work environment for all employees, through an integrated Workplace Occupational Health and Safety program and a dedicated OHS Committee.

### 2012/13 Incident Report

In the past financial year, there were three new WorkCover claims. Of the claims that were current throughout 2012/13, a total of 91 days were lost due to injury and illness.

## PROGRAM DELIVERY DIVISION (PDD)

PDD is responsible for the delivery, monitoring and reporting on the TAC's portfolio of projects and is focussed on maximising the return on investment. During 2012/13, the PDD managed a portfolio of 54 projects with a budget of \$38.5 million: 40 projects were scheduled to be completed in 2012/13, 31 were completed and 9 carried forward into 2013/14 as agreed by their oversight groups.

## SHARED SERVICES WITH THE VICTORIAN WORKCOVER AUTHORITY

### Health and Disability Strategy Group (HDSG)

As part of the TAC's Provider Initiative and Service Strategy, HDSG has been instrumental in the design of two unique and innovative service models.

In conjunction with the Summer Foundation, the Shared Support Model of care has been developed for our seriously injured clients. It places the client at the centre of planning and decision making. This unique service model compliments new purpose-built accommodation in Abbotsford, known as the Residential Independence Proprietary Limited (RIPL) Project.

HDSG also worked with three leading providers to create Intensive Outreach, a service model that works with injured clients to achieve their goals, improve skills and community participation and reduce behaviours of concern.

In July 2012, HDSG supported the transition of the Spinal Community Integration Service (SCIS) into an ongoing service providing people with a spinal cord injury the information, skills and supports they need to transfer from hospital to home and achieve greater independence. SCIS was established through a partnership between the HDSG, the Departments of Health and Human Services, Alfred Health and Austin Health.

The TAC has contributed \$9 million towards a new Acquired Brain Injury rehabilitation facility at Alfred Health's Caulfield Hospital. HDSG continues to support the development of the facility which will improve access to quality care for patients with moderate to severe acquired brain injuries.

HDSG has also led a redesign of medical certificates for the TAC and VWA to incorporate return to work as part of recovery rather than as a result.

### Small Grants Program

This Program encourages innovative projects that facilitate client independence, promote quality of life, attainment of life goals and enable clients to become active members of their communities. In 2012/13, the TAC approved the funding of five Small Grants projects at a total of \$106,720.



### **IT Shared Solutions (ITSS)**

ITSS is a shared division of the TAC and VWA that provides IT solutions to enable the organisations to achieve their strategic goals and business outcomes.

In 2012/13, ITSS continued the program to refresh and replace IT Infrastructure. The focus has been preparing for the deployment and upgrade of new user operating systems and applications. As part of this program, ITSS introduced a number of improvements for measuring system performance of our critical business applications.

ITSS established a new IT framework to identify future strategic themes for the organisations. This will guide IT investment decisions and inform our IT destination architecture.

### **Institute for Safety, Compensation and Recovery Research (ISCRR)**

ISCRR is a joint initiative of the TAC, VWA and Monash University, established in 2009 to facilitate research and best practice in injury prevention, rehabilitation and compensation. Funding and support is provided by the three partner organisations, with the initial collaboration agreement ending in June 2013.

During 2012/13, PricewaterhouseCoopers completed an independent review of ISCRR, concluding that it is delivering value to its partners and is capable of further gains. In February 2013 the TAC endorsed the key findings and agreed to fund ISCRR for \$13.6 million for five more years. Endorsement of the report recommendations covered two main areas; developing a more applied approach to research and the better alignment of TAC business and ISCRR research priorities. It was recognised that there is a need for the TAC to work closely with ISCRR; in particular for an increased focus on translating research findings, so that they can be used to achieve better client outcomes and increased client satisfaction.



### **LEAH**

There are no doctors there saying anything, there are no therapists, you're just on the horse and you're free.

# Managing the scheme responsibly

## FINANCIAL AND CAPITAL MANAGEMENT

The TAC's objective is to maintain scheme viability through sound financial management, prudent investment and financial risk management.

### Operating results

The TAC recorded an after-tax operating profit of \$973 million in 2012/13 compared to a loss of \$1,024 million in 2011/12.

This was driven by better than expected external factors. The TAC has recorded an investment return of 15.5% compared to 4.2% in 2011/12, arising from strong performances in global equity markets. Secondly, rising bonds yields coupled with changes in inflation assumptions and risk margin have also contributed to the operating profit.

### Performance from insurance operations

The TAC has developed a reporting framework where contributions to annual profit from internal and external factors (such as volatility in investment markets, claims discount rates and inflation) are identified and reported separately. This allows the Board and management to assess the underlying financial performance of the TAC.

In 2012/13, the TAC's performance from insurance operations was unfavourable \$12 million (compared to positive \$351 million in 2011/12). This was primarily due to unfavourable claims experience particularly in relation to common law, treatment and income benefits. The TAC has recorded an actuarial release of negative \$102 million compared to positive \$130 million in 2011/12. This reflects the challenging operating environment insurers operate in with respect to common law claims. In 2012/13, the TAC recorded its highest annual number of common law claims at 1,120 claims.

## Assets and liabilities

The TAC's total assets as at June 2013 were \$10.3 billion while total liabilities were \$10.9 billion. Notwithstanding this negative net asset position, the going concern assumption of the TAC remains appropriate based on financial projections which continue to show improvements in the overall long-term financial position.

The TAC's funding ratio at 30 June 2013 was 84.9% compared to 70.8% as at 30 June 2012.

### Dividend

Under the *Transport Accident Act 1986*, the TAC may pay an annual dividend to the Victorian Government. The dividend is determined each year by the Treasurer in consultation with the TAC and the Minister responsible for the TAC, having regard to funding levels and other factors. A dividend of \$176 million, relating to 2011/12, was paid in 2012/13.

### Transport accident charge

Consistent with the *Transport Accident Act 1986*, transport accident charge levels for motorists increased in line with CPI (3.09%) on 1 July 2012. The TAC also covers people injured in train and tram accidents with charges paid by the railway and tramway managers to fund these claims. Transport accident charge levels for both motor vehicles and railways/tramways are set following a review of claims experience by independent actuaries.

### Reinsurance

As part of the TAC's financial risk management strategies – to protect the scheme against the impact of a catastrophic accident – the TAC has purchased reinsurance cover.

### Reducing fraud

The TAC is continuing to reduce fraud across the scheme with a balanced, risk-based and responsive forensics support program.

Enforcement action in 2012/13 included 17 prosecutions finalised through the Magistrates Court. In 10 cases a conviction was recorded and a total of \$390,664 in restitution was awarded. Eight matters are currently before the courts where TAC is alleging fraud against the scheme totalling \$258,664. There were 59 warning letters issued for breaches of the Act relating to fraud and providing false information to the TAC, incorporating demands for reimbursement of \$69,493.

Outcomes from three previous health practitioner referrals to the Australian Health Practitioner Regulation Agency (AHPRA) were finalised during 2012/13. These outcomes ranged from reprimands, supervision of the provider's clinical practice as well as the provider committing to specific education undertakings. One other previous referral was still outstanding as at 30 June 2013.

We continued our focus on ensuring payments made to health practitioners and service providers were appropriate and complied with the relevant TAC policies and fee schedules. Reviews were completed on 7,358 payments over 608 claims. Reimbursements received for inappropriately obtained payments totalled \$39,097.

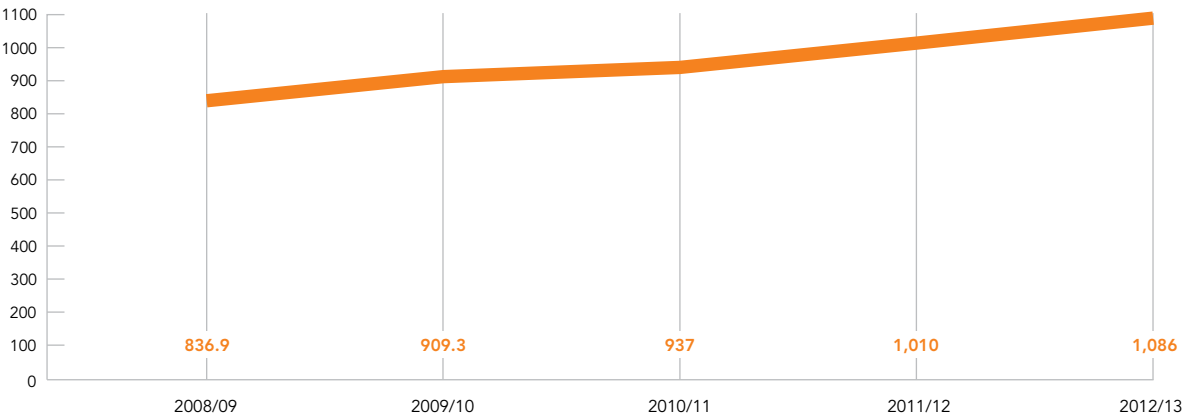


### JOHN

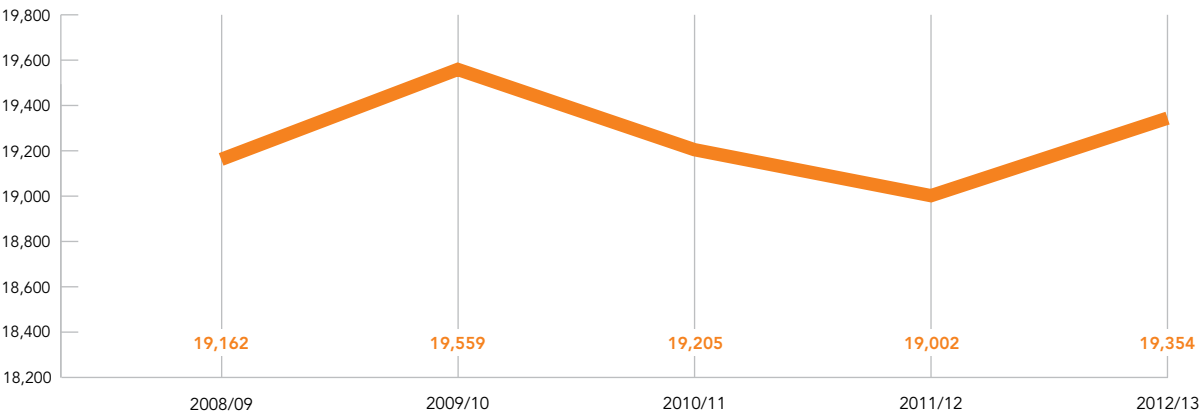
We just battled through it and did it together as a family and that's how we dealt with it. But if I needed anything I knew I could always call.

APPENDIX 1 /  
KEY PERFORMANCE MEASURES

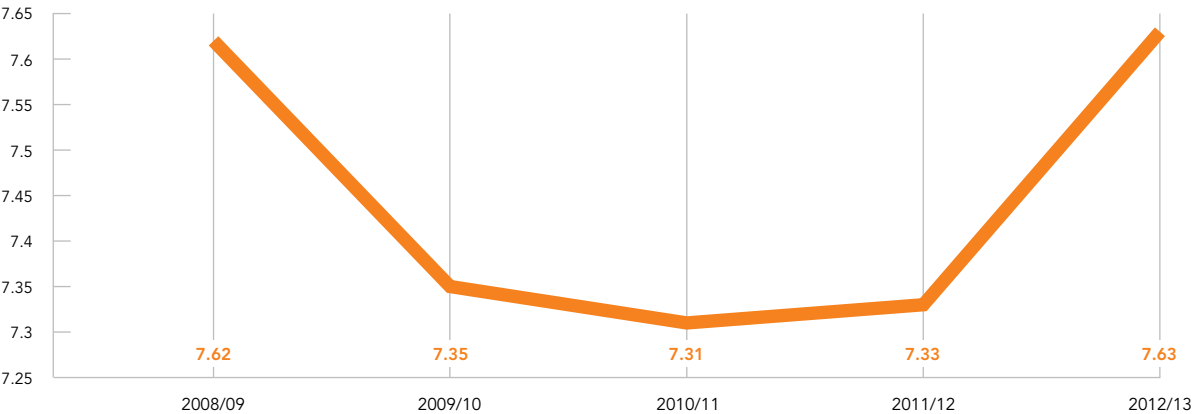
TOTAL PAYMENTS (\$ MILLION)



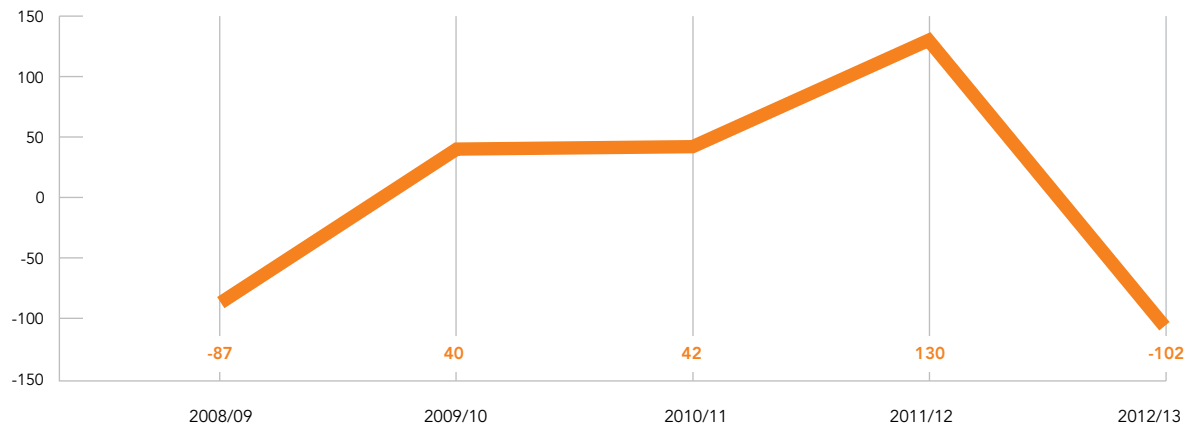
CLAIM LODGEMENTS (NUMBER)



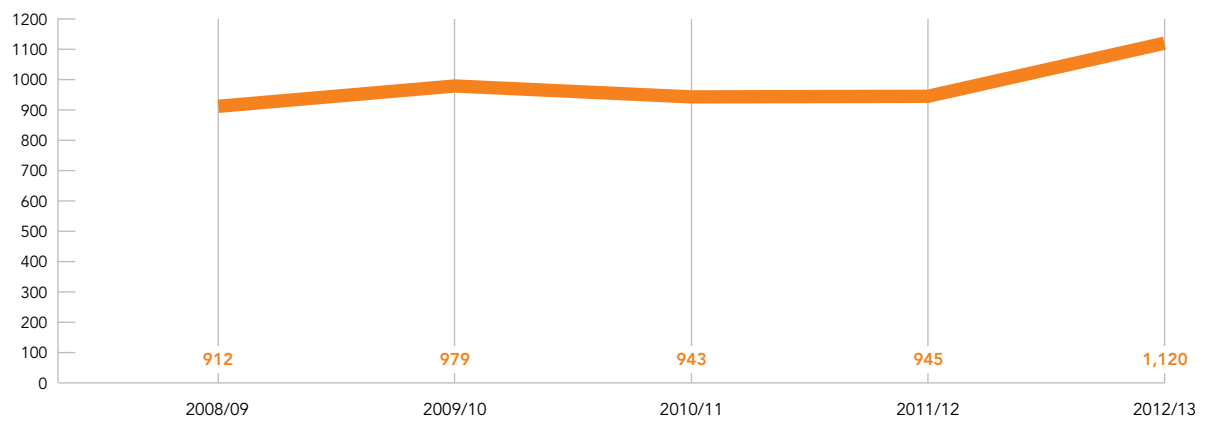
CLIENT SATISFACTION SCORE



### ACTUARIAL RELEASE (\$ MILLION)



### VICTORIAN COMMON LAW SETTLEMENTS (NUMBER)



# Financial Report

For the year ended 30 June 2013

## COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$000	2012 \$000
Premium revenue		1,457,133	1,384,633
Reinsurance premium expense		(1,901)	(1,971)
<b>Net premium revenue</b>		<b>1,455,232</b>	<b>1,382,662</b>
Gross claims incurred	7	(948,475)	(2,851,932)
Claims recoveries revenue	7	3,215	18,609
<b>Net claims incurred</b>		<b>(945,260)</b>	<b>(2,833,323)</b>
Administration costs	5	(149,213)	(146,254)
Marketing and road safety expenditure		(54,024)	(48,931)
Safer road infrastructure expenditure		(76,589)	(94,481)
Trauma projects expenditure		(11,747)	(11,426)
Premium collection fees	11	(35,659)	(33,829)
<b>Underwriting expenses</b>		<b>(327,232)</b>	<b>(334,921)</b>
<b>Underwriting profit / (loss)</b>		<b>182,740</b>	<b>(1,785,582)</b>
Investment income	6	1,219,962	332,401
Investment expense	6	(24,499)	(21,605)
<b>Net investment income</b>		<b>1,195,463</b>	<b>310,796</b>
<b>Profit / (loss) before income tax</b>		<b>1,378,203</b>	<b>(1,474,786)</b>
Income tax benefit / (expense)	8(a)	(405,330)	450,339
<b>Net result for the year</b>		<b>972,873</b>	<b>(1,024,447)</b>
Other comprehensive income		-	-
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive result for the year</b>		<b>972,873</b>	<b>(1,024,447)</b>

The above comprehensive income statement should be read in conjunction with the accompanying notes to the financial statements.

## BALANCE SHEET AS AT 30 JUNE 2013

	Note	2013 \$000	2012 \$000
<b>Current assets</b>			
Cash and cash equivalents	24(a)	23,887	37,860
Receivables	9	74,906	69,993
Investments	10	1,329,818	1,543,562
Deferred acquisition costs	11	17,872	17,044
Other assets	12	2,636	2,123
<b>Total current assets</b>		<b>1,449,119</b>	<b>1,670,582</b>
<b>Non-current assets</b>			
Receivables	9	392,844	388,660
Investments	10	7,540,268	6,172,643
Controlled entity	13	11,000	4,000
Plant and equipment	14	16,827	17,695
Intangibles	15	61,472	48,740
Deferred tax assets	8(c)	782,027	1,187,357
<b>Total non-current assets</b>		<b>8,804,438</b>	<b>7,819,095</b>
<b>Total assets</b>		<b>10,253,557</b>	<b>9,489,677</b>
<b>Current liabilities</b>			
Outstanding claims	17	1,063,550	1,001,213
Unearned premiums	18	728,841	692,936
Payables	16	84,320	82,520
Provisions	19	11,781	10,732
Lease liabilities	20(c)	1,015	823
<b>Total current liabilities</b>		<b>1,889,507</b>	<b>1,788,224</b>
<b>Non-current liabilities</b>			
Outstanding claims	17	8,966,788	9,101,450
Provisions	19	3,299	2,469
Lease liabilities	20(c)	987	1,431
<b>Total non-current liabilities</b>		<b>8,971,074</b>	<b>9,105,350</b>
<b>Total liabilities</b>		<b>10,860,581</b>	<b>10,893,574</b>
<b>Net assets / (liabilities)</b>		<b>(607,024)</b>	<b>(1,403,897)</b>
<b>Equity</b>			
Reserves	1(r)	10,693	6,727
Accumulated surplus / (deficit)		(617,717)	(1,410,624)
<b>Total equity</b>		<b>(607,024)</b>	<b>(1,403,897)</b>

The above balance sheet should be read in conjunction with the accompanying notes to the financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Motorcycle Road Safety Reserve \$000	Accumulated surplus / (deficit) \$000	Total \$000
<b>At 1 July 2011</b>	<b>5,332</b>	<b>(244,782)</b>	<b>(239,450)</b>
Total comprehensive result for the year	-	(1,024,447)	(1,024,447)
Transfer to Motorcycle Road Safety Reserve	-	(5,976)	(5,976)
Transfer from Motorcycle Road Safety Reserve	-	4,581	4,581
Transfer to accumulated surplus	(4,581)	-	(4,581)
Transfer from accumulated surplus	5,976	-	5,976
Dividend paid for 2010/11 year	-	(140,000)	(140,000)
<b>At 30 June 2012</b>	<b>6,727</b>	<b>(1,410,624)</b>	<b>(1,403,897)</b>
Total comprehensive result for the year	-	972,873	972,873
Transfer to Motorcycle Road Safety Reserve	-	(6,308)	(6,308)
Transfer from Motorcycle Road Safety Reserve	-	2,342	2,342
Transfer to accumulated surplus	(2,342)	-	(2,342)
Transfer from accumulated surplus	6,308	-	6,308
Dividend paid for 2011/12 year	-	(176,000)	(176,000)
<b>At 30 June 2013</b>	<b>10,693</b>	<b>(617,717)</b>	<b>(607,024)</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$000	2012 \$000
<b>Cash flows from operating activities</b>			
Premiums received		1,639,185	1,557,689
Dividends received		184,657	201,485
Interest received		135,425	157,817
Claims paid		(1,093,368)	(1,019,063)
Claims recoveries received		7,792	10,538
Payments to suppliers and employees		(205,822)	(204,817)
Payments for marketing and road safety projects		(56,915)	(51,797)
Payments for trauma projects and safer road infrastructure expenditure		(100,374)	(109,593)
Goods and services tax paid		(60,380)	(58,265)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>24(b)</b>	<b>450,200</b>	<b>483,994</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(4,817,396)	(4,643,121)
Sale of investments		4,450,411	4,385,855
Funds provided to controlled entity		(7,000)	(4,000)
Purchase of plant and equipment		(2,679)	(3,369)
Proceeds from sale of plant and equipment		660	880
Funds received from VFMC		21,664	16,976
Expenditure on intangibles		(22,958)	(14,491)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(377,298)</b>	<b>(261,270)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(176,000)	(140,000)
<b>Net cash outflow from financing activities</b>		<b>(176,000)</b>	<b>(140,000)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(103,098)</b>	<b>82,724</b>
Cash and cash equivalents at the beginning of the year		1,378,994	1,294,390
Effects of exchange rate changes on cash held in foreign currencies		(540)	1,880
<b>Cash and cash equivalents at end of the year</b>	<b>24(a)</b>	<b>1,275,356</b>	<b>1,378,994</b>

The above cash flow statement should be read in conjunction with the accompanying notes to the financial statements.

The Transport Accident Commission (TAC) was established and is governed by the *Transport Accident Act 1986*. The TAC operates the transport accident compensation scheme for Victorians who are injured or die as a result of a transport accident. For the purposes of this financial report prepared under Australian Accounting Standards:

- / insurance refers to the transport accident compensation scheme;
- / premiums refer to transport accident charge for motor vehicles and charge for trains and trams; and
- / policy refers to the cover provided under the *Transport Accident Act 1986*.

## 1 / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, Australian Accounting Standards and Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRSs). For the purposes of A-IFRSs, the Minister of Finance has determined that the TAC is a "for-profit" entity.

The financial report was authorised for issue by the directors on 29th August 2013.

### Basis of preparation

This financial report has been prepared on a historical cost basis, except for outstanding claims liabilities, recovery receivables, employee leave liabilities which are included at present value and investments, plant, equipment and motor vehicles which are included at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial report and estimates with a significant risk of material adjustments in the next year are disclosed in notes 1 (e), 2 and 25 in the financial report.

The financial statements do not consolidate the controlled entity of the TAC, the Residential Independence Pty Ltd (RIPL) as trustee for Residential Independence Trust (RIT) (note 13) as the financial impact of consolidation is considered not material.

The financial position continues to improve with strong operating results in the year of \$973 million (2012: loss \$1,024 million) leading to an improved net asset position of negative \$607 million as at 30 June 2013 (2012: negative \$1,404 million) and positive cash flows from operating activities of \$450 million (2012: \$484 million). A negative working capital ratio and performance from insurance operations results (note 4) have occurred for the year. Despite the negative net assets position, negative working capital ratio and performance from insurance results, the Directors have concluded that the going concern assumption of the TAC remains appropriate based on the financial projections which continue to show improvements in the overall financial position.

### Australian Accounting Standards issued but not yet effective

The AASB has issued the following amendments to Australian Accounting Standards which are applicable to the TAC. These amendments are not effective for the annual reporting period ended 30 June 2013 and have not been applied in preparing the TAC's financial report.

The nature of the application of these standards could impact the classification and measurement of financial assets. The extent of any impact has not yet been determined. The TAC will apply these standards for the annual reporting periods beginning on or after the operative dates set out below.

	Title	Operative Date
AASB 9	Financial Instruments	1 January 2015
AASB 13	Fair Value Measurement	1 January 2013
AASB 119	Employee Benefits	1 January 2013
2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2015
2011-8	Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013

	Title	Operative Date
2011-10	Amendments to Australian Accounting Standards arising from AASB 119	1 January 2013
2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 cycle	1 January 2013
2012-6	Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8)	1 January 2013

**The following significant accounting policies have been adopted in the preparation and presentation of the financial report.**

**(a) Premium revenue**

Premium revenue is recognised in the comprehensive income statement when it has been earned and is calculated from the attachment date over the period of the policy. The pattern of recognition over the policy period is based on time, which is considered to approximate closely the pattern of risks underwritten.

Premium revenue is net of refunds and excludes stamp duty and goods and services tax.

**(b) Investment income**

Dividend income is recognised when the TAC's right to receive the dividend has been established. Interest income is recognised on an accrual basis. Trust distribution income is recognised when the market prices are quoted ex-distribution for listed trusts. Unlisted trust distribution income is recognised when the trustee declares a distribution.

Changes in fair values of investments at balance date, as compared with their fair values at the previous balance date or cost of acquisition if acquired during the financial year, are recognised as investment income or loss. Realised profits or losses on the termination of derivative financial instruments and realised and unrealised profits or losses on changes in fair values of financial instruments are included in investment income.

**(c) Unearned premiums**

Unearned premiums represent the proportion of premiums received or receivable not earned and relate to periods of insurance subsequent to balance date, computed on the basis that the risk attaches to all policies from the middle of the month in which they are written.

**(d) Unexpired risk liability**

At each reporting date the TAC performs a liability adequacy test to assess whether the unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, then the unearned premium liability is deemed to be deficient. The TAC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, see note 1(e).

The entire deficiency is recognised immediately in the comprehensive income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability. No deficiency resulted in the year ended 30 June 2013 (2012: No deficiency).

**(e) Outstanding claims liability**

The liability for outstanding claims is measured on the basis of actuarially estimated costs of future claims payments, which include goods and services tax and the anticipated effects of inflation and other factors and are discounted to a present value at balance date. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin (refer note 17) is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided for to a 75% (2012: 75%) probability of sufficiency.

**(f) Claim recovery receivables**

Recoveries on claims paid and outstanding claims are recognised as revenue. Recoveries receivable are assessed in a manner similar to the measurement of outstanding claims liability. Receivables are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability (note 1(e)). A provision for impairment is established when there is objective evidence that the TAC will not be able to collect all the claim recovery amounts.

#### **(g) Deferred acquisition costs**

Acquisition costs represent fees incurred for the collection of transport accident charges for motor vehicles. Acquisition costs are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount and are expensed to correspond to the earning pattern of the premium revenue.

#### **(h) Assets backing insurance liabilities**

The TAC's investment portfolio is managed by the Victorian Funds Management Corporation (VFMC) through internal management and fund managers and a Master Custodian. The Master Custodian holds the investments and conducts settlements pursuant to instructions from internal management and fund managers.

The TAC has determined that all assets, except for plant, equipment and intangibles, are held to back insurance liabilities. Investments are designated at fair value through the comprehensive income statement on the basis that the investments are financial assets held for trading as they are managed as a portfolio based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies (refer note 10). Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised profits and losses recognised in the comprehensive income statement.

The following methods and assumptions are used to determine the fair value of investments:

- / financial instruments traded in an organised financial market (traded securities) – fair value based on current quoted market price for the instrument. Quoted market prices are used to value listed shares, options, debentures and other equity and debt securities.
- / financial instruments not readily traded in an organised financial market – fair value based on present value of contractual future cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows.

Details of fair value for the different types of investment assets are listed below:

- / cash assets, deposits held at call with banks and investments in money market instruments are carried at face value which approximate to their fair value;
- / investments in discounted money market instruments are valued at their quoted mid price at the balance sheet date, as with fine trading spreads in this market, there is an ability to transact at mid price;
- / shares, fixed interest securities, options and units in trusts listed on stock exchanges are initially recognised at cost (which is equal to fair value) and the subsequent fair value is taken as the quoted bid price of the instruments at the balance sheet date;
- / futures contracts listed on recognised exchanges are valued using the quoted settlement price; and
- / units in unlisted trusts are recorded at fair value as determined by the fund manager or valuation by other skilled independent third parties. In determining fair value, the manager or third parties use observable market transactions of the units and underlying assets where available and applicable; some of the underlying assets of the trusts are valued using valuation models that include inputs which are not based on observable market data.

All purchases and sales of investments that require delivery of the asset within the time frame established by regulation or market convention ('regular way' transactions) are recognised at trade date, being the date on which the commitments are made to buy or sell the asset. In cases where the period between trade and settlement exceeds this time frame, the transaction is recognised at settlement date.

Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the TAC has transferred substantially all the risks and rewards of ownership.

Investments that are due to mature, expire or be realised within twelve months of balance date are classified as current investments for the purposes of classification in the balance sheet. While this classification policy may result in a reported working capital deficit, the TAC holds high quality liquid assets in its investment portfolio which are readily convertible to cash assets. In addition, the TAC is normally cash flow positive with premium and investment income exceeding claims and administrative cost payments.

#### **(i) Foreign currency translation**

Foreign currency transactions are translated into Australian dollars at the exchange rates ruling at the dates of the transactions. Investments held at balance date that are denominated in foreign currencies are retranslated to Australian dollars at rates of exchange ruling at the balance sheet date. Exchange differences are recognised in the comprehensive income statement in the period in which they arise.

#### **(j) Derivative financial instruments**

VFMC and fund managers use derivative financial instruments such as foreign exchange contracts, futures, swaps and options to more effectively manage the risks associated with investing in large institutional portfolios. Derivatives are originally recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date with any gain or loss recognised in the comprehensive income statement.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

#### **(k) Employee benefits**

Provision is made for benefits accruing to employees in respect of salaries, annual leave and long service leave. In determining the provisions, allowance is made for on-costs including payroll tax, workers compensation and superannuation. No provision is made for non-vesting sick leave as the TAC has no legal obligation to pay accumulated sick leave upon staff termination.

Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Those liabilities that are not expected to be settled within twelve months are recognised in the provision for employee benefits as current liabilities, where the TAC does not have the right to defer settlement. This is measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Employee entitlements for which the TAC has an unconditional right to defer settlement of the liability beyond 12 months after the reporting date are shown as a non-current liability. This is measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

#### ***Defined contribution superannuation plans***

Contributions to defined contribution superannuation plans are expensed when incurred.

#### ***Defined benefit superannuation plans***

The amount charged to the comprehensive income statement in respect of defined benefit superannuation plans represents the contributions made to the superannuation plans in respect of the current services of employees. Superannuation contributions are made to the plans based on the relevant rules of each plan.

#### **(l) Plant, equipment and motor vehicles**

Plant and equipment is stated at fair value defined as cost less accumulated depreciation and any impairment in value. Motor vehicles under finance leases are capitalised at the present value of the minimum lease payments.

Depreciation of plant and equipment is calculated on a straight line basis at rates which allocate their costs over the estimated useful lives of the assets to its estimated residual value. The costs of improvements to leasehold premises is amortised over the remaining period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation on motor vehicles is calculated on a straight line basis over the term of the lease.

The depreciation rates applied to each of the asset classes are as follows:

- / Leasehold improvements, plant and equipment - 5% - 15% (2012: 5% - 15%)
- / Computer equipment - 20% - 33% (2012: 20% - 33%)
- / Motor vehicles under lease - 33% (2012: 33%)

#### **(m) Intangible assets**

Intangible assets represent identifiable non-monetary assets without physical substance.

Costs associated with the acquisition or development of computer software are capitalised and amortised on a straight line basis over the expected useful life of the computer software. The useful lives range from 3 to 10 years (2012: 3 to 10 years). The amortisation period for an intangible asset is reviewed annually.

#### **(n) Impairment of assets**

Assets are assessed annually for indications of impairment except for financial instrument assets and deferred tax assets. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off by a charge to the comprehensive income statement.

The recoverable amount for assets is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell, where applicable.

#### **(o) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are capitalised at fair value, or if lower, at the present value of the minimum lease payments. A lease liability of equal value is also recognised. Lease payments are allocated between the principal component of the lease liability and the interest expense. Finance leases assets are amortised on a straight line basis over the term of the lease.

Operating lease payments are charged as an expense in the comprehensive income statement on a straight-line basis over the lease term.

#### **(p) Dividends**

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian State Government, a dividend as determined by the Treasurer.

An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the TAC, the Assistant Treasurer and the Treasurer.

#### **(q) Income tax**

In accordance with section 88 (3D) of the *State Owned Enterprises Act 1992*, the TAC is required to pay income tax equivalent under the National Tax Equivalent Regime (NTER).

The income tax expense or benefit represents the tax payable or receivable on the current year's taxable income based on the prevailing income tax rate adjusted for changes in deferred tax assets and liabilities.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates that are expected to apply when the assets and liabilities are realised or settled, based on tax rates that have been enacted or substantially enacted by reporting date.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset as the TAC settles its current tax assets and liabilities on a net basis.

#### **(r) Motorcycle Road Safety Reserve**

The TAC premiums for certain motorcycle classes include an additional levy collected annually to fund special projects to improve motorcycle road safety in Victoria. These monies are set aside in the Motorcycle Road Safety Reserve specifically set up for this program. The program expenditure is developed by the Victorian Motorcycle Advisory Council (made up of representatives from the State's main road safety agencies, the RACV and motorcyclist interest groups) and administered by VicRoads which seeks reimbursement for expenditure from the TAC.

#### **(s) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of GST.

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

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

**(t) Commitments**

Commitments include operating and capital expenditure commitments arising from non-cancellable contractual sources and are disclosed at their nominal value inclusive of GST.

**(u) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value inclusive of GST.

**(v) Rounding**

Amounts have been rounded to the nearest thousand dollars unless otherwise stated.

**(w) Functional and presentation currency**

The functional currency of the TAC is the Australian dollar, which has also been identified as the presentation currency of the TAC.

## **2 / ACTUARIAL ASSUMPTIONS AND METHODS**

The TAC operates the Victorian transport accident compensation scheme which is long tail in nature, meaning that claims are typically settled more than one year after being reported.

Significant estimates and judgements are made by the TAC valuation actuary in respect of certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modelling techniques. The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below.

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not reported to the TAC.

The estimation of outstanding claims liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claims payments and claims handling costs incurred to reporting date. Each benefit type is usually examined separately.

Actuarial techniques used to analyse and project the various benefit types, include:

- / Payments per claim incurred (PPCI)
- / Payments per active claim (PPAC)
- / Payments per claim settled (PPCS)
- / Annuity based individual claim models (ICM)

Projected future claims payments and associated claims handling costs are discounted to a present value as required using appropriate risk free discount rates (i.e. rates set with reference to Commonwealth Government Securities). A projection of future claims payments are undertaken separately of both gross claims payments and recoveries.

This projection is made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding claims liabilities that has an approximately equal chance of proving adequate or inadequate. Where possible and appropriate, multiple actuarial methods will be applied to project future claims payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method, or even a combination of methods, is selected taking into account the characteristics of each benefit type and the extent of the development of each past accident period.

Large claims impacting each relevant benefit type are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

The final provision is then obtained by examining the results from the above methods and using judgement to combine them in varying proportions according to injury period.

The following assumptions have been made in determining the outstanding claims liabilities.

	30 June 2013	30 June 2012
Average claim frequency (claims per 1000 registrations)	3.59	3.77
Average claim size <sup>1</sup>	\$67,024	\$63,988
Expense rate	10.11%	10.03%
Discount rate (5-year average)	3.18%	2.59%
Short-term inflation (AWE) (5-year average)	3.75%	3.75%
Short-term inflation (CPI) (5-year average)	2.5%	2.60%
Superimposed inflation	0.25%	0.25%
Long-term gap (Discount – AWE)	1.75%	1.75%
Long-term gap (Discount – CPI)	3.00%	3.00%
Average weighted term to settlement from injury date	13.9 years	14.6 years
Risk margin	10.0%	10.5%

<sup>1</sup> Calculation basis changed to include payments made in the year of accident, which were previously excluded. The 30 June 2012 number has been restated from \$57,357 to reflect this change in calculation.

### Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

#### *Average claim frequency*

Claim frequency for the current accident year is estimated by projecting the number of claims incurred based on claims already reported and past patterns of claims reporting, and dividing this by the number of vehicle registrations. The claim frequency is not used explicitly in the valuation models but provides a high level indicator of claim experience.

#### *Average claims size*

The average claim size takes into account the past and expected payments for each payment type (e.g. long term care, income, common law), as well as the proportion of total claims which receive each benefit. The figures shown in the above table take into account both inflation to the time of payment and discounting the resultant payments back to the valuation date.

#### *Expense rate*

Claims handling expenses were estimated by reference to past levels of claims handling costs relative to past payments. Separate assumptions were determined for each division as follows:

- / 22.8% of benefits managed by Recovery (2012: 27.1%)
- / 8.1% of benefits managed by Independence (2012: 7.9%)
- / 8.8% of benefits managed by Lump Sum Compensation (2012: 8.3%)

#### *Discount rate*

Discount rates adopted are “risk-free” rates, set by reference to traded Commonwealth Government Securities.



### ***Inflation***

Short-term economic inflation assumptions are set by reference to current forecasts by bank and other economists. Long-term economic inflation assumptions are set by assuming a fixed real return.

### ***Superimposed inflation***

Superimposed inflation relates to inflation in excess of ordinary economic inflation. It occurs due to non-economic effects such as increases in court settlements and the cost of certain health services increasing at a higher rate than AWE or CPI inflation. An allowance for superimposed inflation was made for various benefits, after considering both the superimposed inflation observed in the portfolio and industry superimposed inflation trends.

### ***Average weighted term to settlement***

The average weighted term to settlement is calculated separately by benefit type based on historic settlement patterns. It is an outworking of the models rather than an explicit assumption.

### ***Risk margin***

A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided up to a 75% probability of sufficiency.

### **Sensitivity analysis – insurance contracts**

The TAC's valuation actuary conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the TAC. The tables below describe how a change in each assumption will affect the scheme liabilities and show how changes in these assumptions impact on profit and equity.

Variable	Impact of movement in variable
Average claim frequency	Claims frequencies are used in determining the level of claims incurred but not reported (IBNR). An increase or decrease in the assumed average frequency levels would have a corresponding impact on claims expense.
Expense rate	An estimate of the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Inflation and superimposed inflation rates	Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding impact on claims expense, with particular reference to longer tail benefits.
Average weighted term to settlement	A decrease in the average term to settlement would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the average weighted term would have an opposing impact on claims expense.

#### Impact of changes in key variables

		2013	2012	2013	2012
Variable	Movement	Net result \$000	Net result \$000	Equity \$000	Equity \$000
Recognised amounts per the financial statements		972,873	(1,024,447)	(607,024)	(1,403,897)
Average claim frequency	+1%	964,927	(1,032,214)	(614,970)	(1,411,664)
	-1%	980,819	(1,016,680)	(599,078)	(1,396,130)
Expense rate	+1%	908,835	(1,086,900)	(671,062)	(1,466,350)
	-1%	1,036,911	(961,994)	(542,986)	(1,341,444)
Short-term discount rate	+ 0.5%	1,098,879	(894,707)	(481,018)	(1,274,157)
	- 0.5%	843,392	(1,157,803)	(736,505)	(1,537,253)
Short-term inflation rates	+ 0.5%	841,604	(1,158,667)	(738,293)	(1,538,117)
	- 0.5%	1,101,859	(892,578)	(478,038)	(1,272,028)
Average weighted term to settlement	+ 1 year	1,104,342	(891,891)	(475,555)	(1,271,341)
	- 1 year	838,775	(1,159,654)	(741,122)	(1,539,104)

### 3 / INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operation of the TAC is affected by a number of key risks including insurance risk, interest rate risk, credit risk, market risk, liquidity risk, financial risk and operational risk.

In regard to insurance risks, the TAC's policies and procedures in respect of managing these risks are set out in this note.

#### (a) Risks arising from insurance operation and policies for mitigating those risks

The TAC has an objective to manage insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, performance from insurance operations are significantly affected by market factors external to the TAC as explained in note 4.

The TAC has developed, implemented and maintained a sound and prudent risk management strategy that encompasses all aspects of the TAC's operations including the reinsurance risk retention limits.

The strategy sets out the TAC's policies and procedures, processes and controls in respect of the management of both financial and non-financial risks likely to be faced by the organisation.

Key aspects of the processes established to mitigate risks include:

- / the maintenance and use of sophisticated management information systems, which provide reliable and up to date data on the risks to which the business is exposed at any point in time;
- / actuarial models, using information derived from the management information systems are used to monitor claims patterns. Past experience and statistical methods are used as part of the process;
- / catastrophic accidents are modelled and the TAC's exposures are protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the TAC's Board;
- / only reinsurers with credit ratings equal to, or in excess of, a minimum level determined by management are accepted as participants in the TAC's reinsurance treaties; and
- / the investment allocation strategy, established by VFMC in consultation with the TAC, is derived by the matching of assets to the underlying claims liabilities to optimise the returns within the risk management parameters.

**(b) Terms and conditions**

The terms and conditions of the transport accident compensation scheme administered by the TAC are established under the *Transport Accident Act 1986*. The period of indemnity is generally 12 months.

Reinsurance contracts are negotiated and entered into annually to protect the TAC against large losses.

**(c) Concentration of insurance risk**

The TAC operates the Victorian transport accident compensation scheme. The TAC's exposure to concentration of insurance risks is motor vehicles, trains and trams in metropolitan Melbourne.

**(d) Interest rate risk**

None of the financial assets or liabilities arising from insurance or reinsurance contracts entered into by the TAC is directly exposed to interest rate risk.

**(e) Credit risk**

The TAC has no significant concentrations of credit risk. Reinsurers with credit ratings equal to, or in excess of, a minimum level determined by management are accepted as participants in the TAC's reinsurance contracts.

#### 4 / EXPLANATION OF VOLATILITY OF FINANCIAL RESULTS

This note provides additional analysis of the profit before income tax of \$1,378 million (2012: loss \$1,475 million).

Given the long-term nature of the TAC scheme, the annual operating result for the TAC is significantly affected by market factors external to the organisation. External factors contribute to the difference between actual annual investment returns and the long-term average expected investment returns advised by VFMC and also include changes in claims economic assumptions and changes in legislation impacting the TAC. External factors can cause significant variations in reported results from year to year as illustrated below.

Accordingly for internal management reporting purposes, the TAC monitors and measures its financial performance based on performance from insurance operations excluding the impact of external factors. This approach is considered a more appropriate indicator for measuring financial performance of the TAC scheme and is adopted for reporting to the Victorian State Government.

The impact of external factors on the financial results is explained below.

	2013 (\$M)	2012 (\$M)
Performance from insurance operations	(12)	351
Impact on profit from external factors:		
- Difference between actual investment returns and long term expected returns <sup>1</sup>	618	(245)
- Changes in inflation assumptions and discount rates (refer note 7)	772	(1,581)
<b>Profit / (loss) before income tax</b>	<b>1,378</b>	<b>(1,475)</b>

<sup>1</sup> The TAC investment portfolio recorded a positive return of 15.5% (2012: positive 4.2%) compared to the long term expected return of 7.5%.

## 5 / ADMINISTRATION COSTS

	2013 \$000	2012 \$000
Staff and related	95,124	89,853
Information technology	14,017	16,101
Occupancy and utilities	8,481	7,909
Other operating costs	18,925	19,046
Depreciation and amortisation	12,666	13,345
<b>Total</b>	<b>149,213</b>	<b>146,254</b>
Total administration costs include the following:		
Impairment of plant and equipment and intangibles	417	1,263
Operating lease rentals	7,199	6,692
Auditor-General's fees <sup>1</sup>	263	257
Interest on finance lease	107	115
Finance costs <sup>2</sup>	(154)	179

<sup>1</sup> Fees are for audit of the financial report.

<sup>2</sup> Finance costs relate to the impact of changes in the discount rate on provision for employee benefits.

## 6 / INVESTMENT INCOME

	2013 \$000	2012 \$000
Dividends	187,272	193,127
Interest <sup>1</sup>	126,520	156,288
Changes in fair values of investments <sup>2</sup>		
- realised profit / (loss)	246,195	4,247
- unrealised profit / (loss)	659,975	(21,261)
Gross investment profit	1,219,962	332,401
Investment expense <sup>3</sup>	(24,499)	(21,605)
<b>Net investment profit</b>	<b>1,195,463</b>	<b>310,796</b>

<sup>1</sup> Interest represents coupon interest earned and net settlements on swap contracts.

<sup>2</sup> This is the difference between the fair value of the investments as at 1 July or the cost of acquisition (for investments purchased during the period), and net sales proceeds (realised) or their fair value as at 30 June (unrealised).

<sup>3</sup> Fees paid to Victorian Funds Management Corporation under the Client Funds Management Service Agreement and other professional fees incurred by the TAC in relation to the management of the investment portfolio.

The TAC investment portfolio benefited from the strong performance in global equity markets and recorded a return of 15.5% for 2012/13, compared to 4.2% for the previous year.

## 7 / CLAIMS INCURRED

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions and claims experience) made in all previous financial years and include the effects of discounting caused by the natural reduction in discount, as the claims move one year closer to settlement.

	2013			2012		
	Current year \$000	Prior years \$000	Total \$000	Current year \$000	Prior years \$000	Total \$000
Gross claims incurred						
Undiscounted	2,642,250	(399,970)	2,242,280	2,449,645	(492,163)	1,957,482
Discount movement	(1,286,791)	(7,014)	(1,293,805)	(1,113,854)	2,008,304	894,450
	1,355,459	(406,984)	948,475	1,335,791	1,516,141	2,851,932
Claims recoveries						
Undiscounted	(12,095)	4,521	(7,574)	(13,569)	2,150	(11,419)
Discount movement	2,988	1,371	4,359	3,256	(10,446)	(7,190)
	(9,107)	5,892	(3,215)	(10,313)	(8,296)	(18,609)
<b>Net claims incurred</b>	<b>1,346,352</b>	<b>(401,092)</b>	<b>945,260</b>	<b>1,325,478</b>	<b>1,507,845</b>	<b>2,833,323</b>

The net claims incurred of \$945 million (2012: \$2,833 million) is impacted by both internal and external factors as noted below:

	2013 \$M	2012 \$M
Claims incurred – internal <sup>1</sup>	1,717	1,252
Claims incurred – external <sup>2</sup>	(772)	1,581
<b>Total claims incurred</b>	<b>945</b>	<b>2,833</b>

<sup>1</sup> Claims incurred – internal for 2012/13 is \$1,717 million, which is higher than the claims incurred for the previous year. This is primarily due to unfavourable claims experience particularly in respect to common law and treatment and income benefits. In addition, in a maturing scheme like the TAC, some level of increase in claims incurred internal would normally be expected.

<sup>2</sup> Claims incurred – external reflects the financial impact on changes in inflation assumptions, risk margin and discount rates. In 2012/13, these external factors have had a favourable impact of \$772 million on claims liabilities, arising primarily from significant increases to bond yields over the period.

## 8 / INCOME TAX

	2013 \$000	2012 \$000
<b>(a) Income tax recognised in comprehensive income statement</b>		
<b>Income tax expense / (benefit) comprises:</b>		
Current tax expense / (benefit)	215,505	(406,141)
Deferred tax adjustment	191,494	(42,327)
Adjustment in respect of prior years	(1,669)	(1,871)
<b>Total tax expense / (benefit)</b>	<b>405,330</b>	<b>(450,339)</b>
<b>Deferred tax adjustment comprises:</b>		
(Increase) / decrease in deferred tax assets	112,336	(44,328)
Increase in deferred tax liabilities	79,158	2,001
	<b>191,494</b>	<b>(42,327)</b>
<b>(b) Reconciliation between net result before tax and income tax expense / (benefit)</b>		
Net profit / (loss) before tax	1,378,203	(1,474,786)
Tax at the statutory rate of 30% (2012 - 30%)	413,461	(442,436)
Imputation gross-up on dividends received	3,003	3,130
Franking credits and withholding tax on dividends received	(9,415)	(9,181)
Sundry items	(1,719)	(1,852)
<b>Income tax expense / (benefit)</b>	<b>405,330</b>	<b>(450,339)</b>
<b>(c) Deferred tax balances</b>		
<b>Deferred tax assets comprise:</b>		
Carry forward tax losses	596,276	825,082
Claims handling expense included in outstanding claims	263,780	264,009
Unrealised loss on investments	-	99,448
Provisions and accrued employee entitlements not currently deductible	5,910	5,409
Prepayments	1,800	-
Accruals not currently deductible	35	25
	<b>867,801</b>	<b>1,193,973</b>
<b>Deferred tax liabilities comprise:</b>		
Unrealised gain on investments	80,191	-
Difference in depreciation/amortisation of plant and equipment and intangible assets for accounting and income tax purposes	5,583	6,616
	<b>85,774</b>	<b>6,616</b>
<b>Net deferred tax assets</b>	<b>782,027</b>	<b>1,187,357</b>

## 9 / RECEIVABLES

	2013 \$000	2012 \$000
<b>Current</b>		
Premiums receivable <sup>1</sup>	13,721	11,551
Claims GST receivable <sup>2</sup>	50,044	46,711
Claims recoveries and other debtors <sup>3</sup>	13,409	14,054
Less: Provision for impairment	(2,268)	(2,323)
	11,141	11,731
<b>Total current</b>	<b>74,906</b>	<b>69,993</b>
<b>Non-current</b>		
Claims GST receivable <sup>2</sup>	343,631	335,460
Claims recoveries and other debtors <sup>3</sup>	49,564	53,453
Less: Provision for impairment	(351)	(253)
	49,213	53,200
<b>Total non-current</b>	<b>392,844</b>	<b>388,660</b>

<sup>1</sup> Premium receivables are computed based on the proportion of premium collections attributable to periods of insurance prior to the period when the premiums were collected.

<sup>2</sup> Amounts represent the GST credits which the TAC is entitled to claim on future claims payments. These amounts are actuarially estimated and discounted to present value at balance date.

<sup>3</sup> Included within the claims recoveries and other debtors balance is \$58.208 million (2012: \$62.851 million) of actuarially determined recoveries with the remaining \$4.765 million (2012: \$4.656 million) relating to actual receivables from known counterparties which are past due as at the reporting date. The TAC has provided for impairment of these on the basis of past experience. The average age of those receivables that are past due but not impaired is above 90 days. The TAC does not hold any collateral over these balances.

### (a) Movement in provision for impairment

	2013 \$000	2012 \$000
Balance at 1 July	(2,576)	(3,519)
Increase in allowance recognised in the net result	(113)	(58)
Decrease in allowance recognised in the net result	-	-
Reversal of unused provision recognised in the net result	70	1,001
<b>Balance at 30 June</b>	<b>(2,619)</b>	<b>(2,576)</b>

## 10 / INVESTMENTS

The TAC's investment activity is undertaken pursuant to the *Transport Accident Act 1986*, the *Borrowing and Investment Powers Act 1987* and the Treasurer's Prudential Statement. It is the Victorian Government's policy that all the investment assets of the TAC be managed by the Victorian Funds Management Corporation (VFMC).

Under the Centralised Model implemented by the Victorian Government in July 2006, the TAC is responsible for setting its investment objectives whilst the VFMC has responsibility to develop appropriate investment strategies that target the TAC's investment objectives. The investment strategy that is determined by the VFMC for the TAC is documented in a detailed Investment Risk Management Plan (IRMP) which is approved by the Treasurer. The IRMP is prepared by the VFMC and addresses issues concerning strategy, portfolio construction, benchmarks and risk management.

The TAC Board is not responsible for the management or prudential supervision of the investments – the management responsibility rests with the VFMC and the prudential supervision responsibility rests with the Department of Treasury and Finance. The VFMC Board is required to certify to the DTF on a quarterly basis and on an annual basis to the TAC, that the TAC's investment portfolio has been managed in accordance with the accepted IRMP and with the TAC's investment objectives. The TAC is responsible for the review of the contractual and service level agreements and for periodically reviewing and discussing with VFMC its investment performance against its investment objectives.

Investment performance, including comparisons to market benchmarks, is reported to the TAC Board monthly. The Board's standing Financial and Investment Strategies Committee also convenes periodically to review the VFMC's investment performance, discuss the investment strategy and review the implications for achieving the TAC's investment objectives.

The investment portfolio consists of a range of assets that broadly resemble: cash and nominal bonds to cover short term risk and liquidity needs; inflation linked assets that more closely match TAC's liability characteristics; and equities to provide for long term growth.

	2013 \$000	2012 \$000
<b>Asset category</b>		
Cash investments	346,708	492,909
Australian equities	1,127,506	892,215
International equities	3,072,344	2,646,913
Private equity	310,124	280,780
Inflation linked bonds	1,285,548	1,144,028
Infrastructure	429,581	304,955
Property	622,680	557,371
Diversified fixed income	1,051,767	901,420
Insurance	80,905	82,758
Non traditional strategies	528,354	415,761
Overlays	14,569	(2,905)
<b>Total</b>	<b>8,870,086</b>	<b>7,716,205</b>
Current	1,329,818	1,543,562
Non-current	7,540,268	6,172,643
<b>Total</b>	<b>8,870,086</b>	<b>7,716,205</b>

The TAC has uncalled capital commitments within its investments totalling \$324.1 million as at 30 June 2013 (2012: \$271.9 million), which have not been recognised on the balance sheet.



## 11 / DEFERRED ACQUISITION COSTS

	2013 \$000	2012 \$000
<b>Balance at 1 July</b>	17,044	16,240
Acquisition costs incurred in the year	36,487	34,633
Amount expensed to comprehensive income statement	(35,659)	(33,829)
<b>Balance at 30 June</b>	<b>17,872</b>	<b>17,044</b>

Deferred acquisition costs represent premium collection fees.

## 12 / OTHER ASSETS

	2013 \$000	2012 \$000
<b>Current</b>		
Prepayments and others	2,636	2,123
<b>Total Current</b>	<b>2,636</b>	<b>2,123</b>

## 13 / CONTROLLED ENTITY

	2013 \$000	2012 \$000
<b>Non-current</b>		
Controlled entity	11,000	4,000
<b>Balance at 30 June</b>	<b>11,000</b>	<b>4,000</b>

Residential Independence Pty Ltd (RIPL) as trustee for the Residential Independence Trust (RIT) is a controlled entity of the TAC which is wholly owned by the TAC. The RIT was established on 1 February 2011. The RIPL was incorporated in Victoria, Australia on the 21 December 2010 and its principal activity is to establish a portfolio of residential property configured so that the accommodation is suitable for selected TAC clients. The financial statements of RIPL have not been consolidated in the preparation of the financial report of the TAC as the financial impact of consolidation is considered not material. The valuation included in the financial statements is the cost of the units held as at 30 June 2013 by the TAC.

## 14 / PLANT AND EQUIPMENT

	2013 \$000	2012 \$000
Leasehold improvements	11,552	10,997
Accumulated depreciation	(2,399)	(1,847)
	9,153	9,150
Plant and equipment	9,033	8,564
Accumulated depreciation	(3,332)	(2,252)
	5,701	6,312
Motor vehicles under lease	2,878	3,013
Accumulated depreciation	(905)	(780)
	1,973	2,233
<b>Balance at fair value at 30 June</b>	<b>16,827</b>	<b>17,695</b>

Movements in carrying amounts	Leasehold improvements \$000	Plant & equipment \$000	Motor vehicles \$000	Total \$000
<b>Balance at 1 July 2011</b>	<b>9,699</b>	<b>4,896</b>	<b>2,395</b>	<b>16,990</b>
Additions	-	2,047	1,322	3,369
Disposals	-	-	(815)	(815)
Depreciation expense	(549)	(631)	(669)	(1,849)
<b>Balance at 30 June 2012</b>	<b>9,150</b>	<b>6,312</b>	<b>2,233</b>	<b>17,695</b>
Additions	555	990	1,134	2,679
Disposals	-	-	(690)	(690)
Impairment loss	-	(417)	-	(417)
Depreciation expense	(552)	(1,184)	(704)	(2,440)
<b>Balance at 30 June 2013</b>	<b>9,153</b>	<b>5,701</b>	<b>1,973</b>	<b>16,827</b>

## 15 / INTANGIBLES

	2013 \$000	2012 \$000
<b>Computer software</b>		
At cost	116,176	93,218
Less: Accumulated amortisation	(54,704)	(44,478)
<b>Balance at 30 June</b>	<b>61,472</b>	<b>48,740</b>
<b>Movements in carrying amounts</b>		
Balance at 1 July	48,740	47,008
Additions	22,958	14,491
Write down of intangibles	-	(1,263)
Current year amortisation	(10,226)	(11,496)
<b>Balance at 30 June</b>	<b>61,472</b>	<b>48,740</b>

## 16 / PAYABLES

	2013 \$000	2012 \$000
<b>Current</b>		
Advance premiums <sup>1</sup>	27,782	26,555
GST Payable	1,087	5
Other creditors and accruals <sup>2</sup>	55,451	55,960
<b>Total Current</b>	<b>84,320</b>	<b>82,520</b>

<sup>1</sup> Advance premiums represent premiums received for policies commencing after balance date.

<sup>2</sup> Accruals and creditors represent liabilities for goods and services provided to the TAC, prior to the end of the financial year, which are unpaid. Amounts are normally settled within 30 days and are carried at nominal value which approximates fair value. The TAC has processes in place to ensure that all payables are paid within the credit timeframe.

## 17 / OUTSTANDING CLAIMS

### (a) Outstanding claims liability

Outstanding claims liability as at 30 June 2013 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Pty Ltd.

	2013 \$000	2012 \$000
Expected future claims payments (undiscounted)	23,164,787	22,078,869
Discount to present value	(14,804,549)	(13,690,306)
	8,360,238	8,388,563
Claims handling expenses	799,332	796,406
	9,159,570	9,184,969
Risk margin	870,768	917,694
<b>Outstanding claims liability</b>	<b>10,030,338</b>	<b>10,102,663</b>
Current	1,063,550	1,001,213
Non-current	8,966,788	9,101,450
<b>Outstanding claims liability</b>	<b>10,030,338</b>	<b>10,102,663</b>

### (b) Risk margin

The TAC has added a risk margin to the central (best) estimate of the discounted future claims payments to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments.

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate. Uncertainty was analysed for each benefit type taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the insurance environment, and the impact of legislative reform.

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates. The calculation of this risk margin is reviewed by the Scheme's external actuaries from time to time and was recalculated during the 2012/13 year. As a result of this updated analysis, the risk margin applied at balance date was 10.0% (2012: 10.5%).

(c) Reconciliation of movement in discounted outstanding claims liability

	2013			2012		
	Gross \$000	Recoveries \$000	Net \$000	Gross \$000	Recoveries \$000	Net \$000
<b>Outstanding claims brought forward</b>	<b>10,102,663</b>	<b>(445,022)</b>	<b>9,657,641</b>	<b>8,142,562</b>	<b>(363,191)</b>	<b>7,779,371</b>
Effect of changes in economic assumptions	(620,638)	2,259	(618,379)	1,463,732	(6,231)	1,457,501
Effect of past inflation rate different to assumptions	(47,398)	258	(47,140)	(4,857)	774	(4,083)
Effect of changes in other assumptions	71,828	5,342	77,170	(156,276)	(233)	(156,509)
Increase in claims incurred/ recoveries in current accident year	1,355,459	(9,107)	1,346,352	1,335,791	(10,313)	1,325,478
Release of risk margin and claims handling expenses	(188,799)	-	(188,799)	(184,147)	-	(184,147)
Cost of prior year claims moving one year closer to payment	378,023	(1,967)	376,056	397,689	(2,606)	395,083
Included claims recognised in the comprehensive income statement	948,475	(3,215)	945,260	2,851,932	(18,609)	2,833,323
Claims payments and recoveries during the year	(1,032,304)	7,858	(1,024,446)	(964,732)	9,679	(955,053)
Increase in provision for GST credits	11,504	(11,504)	-	72,901	(72,901)	-
<b>Outstanding claims carried forward</b>	<b>10,030,338</b>	<b>(451,883)</b>	<b>9,578,455</b>	<b>10,102,663</b>	<b>(445,022)</b>	<b>9,657,641</b>

#### (d) Claims development table

The table shows the development of undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

Accident year	2004 \$000	2005 \$000	2006 \$000	2007 \$000	2008 \$000	2009 \$000	2010 \$000	2011 \$000	2012 \$000	2013 \$000	Total \$000
<b>Estimate of ultimate claims costs:</b>											
At end of accident year	1,443,864	1,330,042	1,715,906	1,924,878	2,103,279	1,902,683	1,868,977	2,095,677	2,190,740	2,375,635	
One year later	1,198,363	1,605,442	1,674,284	1,896,843	1,818,182	1,870,243	1,822,545	2,122,859	2,089,306		
Two years later	1,572,798	1,558,131	1,436,193	1,964,435	1,787,095	1,980,985	2,048,727	2,179,206			
Three years later	1,777,775	1,499,894	1,417,902	1,925,678	1,789,816	2,091,361	1,972,760				
Four years later	1,787,082	1,419,173	1,335,871	1,925,684	1,761,781	1,917,496					
Five years later	1,779,114	1,359,116	1,361,137	1,820,379	1,821,568						
Six years later	1,745,532	1,406,340	1,419,764	1,952,761							
Seven years later	1,757,192	1,411,894	1,394,534								
Eight years later	1,779,114	1,365,447									
Nine years later	1,779,017										
Current estimate of cumulative claims costs	1,779,017	1,365,447	1,394,534	1,952,761	1,821,568	1,917,496	1,972,760	2,179,206	2,089,306	2,375,635	18,847,730
Cumulative payments	(545,845)	(559,678)	(616,940)	(676,581)	(622,226)	(610,294)	(497,107)	(400,853)	(302,822)	(149,496)	(4,981,842)
<b>Outstanding claims - undiscounted</b>	<b>1,233,172</b>	<b>805,769</b>	<b>777,594</b>	<b>1,276,180</b>	<b>1,199,342</b>	<b>1,307,202</b>	<b>1,475,653</b>	<b>1,778,353</b>	<b>1,786,484</b>	<b>2,226,139</b>	<b>13,865,888</b>
Discount											(8,567,526)
2003 and prior claims											3,480,761
Claims handling expenses											799,332
Recoveries and GST credits											451,883
<b>Outstanding claims per balance sheet</b>											<b>10,030,338</b>

## 18 / UNEARNED PREMIUMS

	2013 \$000	2012 \$000
Balance at 1 July	692,936	660,961
Deferral of premium written in the year	728,841	692,936
Earning of premium written in previous year	(692,936)	(660,961)
<b>Balance at 30 June</b>	<b>728,841</b>	<b>692,936</b>

## 19 / PROVISIONS

	2013 \$000	2012 \$000
<b>Current</b>		
Employee benefits <sup>1</sup>	11,781	10,732
<b>Total current</b>	<b>11,781</b>	<b>10,732</b>
<b>Non-current</b>		
Employee benefits	3,299	2,469
<b>Total non-current</b>	<b>3,299</b>	<b>2,469</b>
<sup>1</sup> Annual leave and long service leave entitlements expected to be settled:		
- within 12 months of reporting date	6,799	6,106
- beyond 12 months of reporting date	4,982	4,626
<b>Total</b>	<b>11,781</b>	<b>10,732</b>

### (a) Movement in provision

	Employee benefits <sup>1</sup> \$000	Total \$000
<b>Balance at 1 July 2012</b>	<b>13,201</b>	<b>13,201</b>
Additional provision recognised	9,544	9,544
Reduction arising from payments	(7,511)	(7,511)
Unwind of discount and effect of changes in the discount rate	(154)	(154)
<b>Balance at 30 June 2013</b>	<b>15,080</b>	<b>15,080</b>

<sup>1</sup> The provisions for employee benefits consist of annual leave and long service leave entitlements, including on costs.

## 20 / COMMITMENTS

	2013 \$000	2012 \$000
<b>(a) Administrative expenditure<sup>1</sup></b>		
Estimated administrative expenditure contracted at balance date, but not provided for:		
- not later than one year	119,507	113,689
- later than one year but not later than five years	202,435	288,866
- later than five years	-	-
	<b>321,942</b>	<b>402,555</b>
<b>(b) Operating leases<sup>2</sup></b>		
Minimum lease payments:		
- not later than one year	7,411	7,265
- later than one year but not later than five years	31,061	30,298
- later than five years	104,309	112,420
	<b>142,781</b>	<b>149,983</b>
<b>(c) Finance leases</b>		
- not later than one year	1,110	944
- later than one year but not later than five years	1,024	1,492
Total minimum lease payments	2,134	2,436
- future finance charges	(132)	(182)
Lease liability <sup>3</sup>	2,002	2,254
- current liability	1,015	823
- non-current liability	987	1,431
	<b>2,002</b>	<b>2,254</b>

<sup>1</sup> Included in the administrative expenditure is a total amount of approximately \$243 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs (SRIP3) in Victoria (2012: \$343 million (nominal)). The programs are aimed at reducing the incidence of serious casualty crashes and road trauma and are expected to result in lower TAC claims costs. In the 2013-14 Victorian State Budget, it was determined that TAC would provide further funding towards the Road Safety Strategy 2013-2022 Project, however, it has not been recognised as an additional commitment at this time. It is estimated that the expected further funding commitment is approximately \$857 million (nominal). This will be reported in due course once the funding agreements are finalised.

<sup>2</sup> Operating leases relate to various offices and storage premises expiring within one to twenty years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The TAC does not have an option to purchase the leased asset at the expiry of the lease period.

<sup>3</sup> Finance leases relate to motor vehicles with lease terms of up to three years. The TAC does not have an option to purchase the motor vehicles at the expiry of the lease period. These are recognised in the balance sheet.

## 21 / EMPLOYEE SUPERANNUATION

Superannuation is provided for employees via the following superannuation funds:

	2013 \$000	2012 \$000
Emergency Services Superannuation Scheme		
- Revised and New Scheme <sup>1</sup>	576	576
Victorian Superannuation Fund - VicSuper Scheme	4,858	4,654
Private sector complying funds	2,513	2,915
<b>Total</b>	<b>7,947</b>	<b>8,145</b>

<sup>1</sup> These schemes are defined benefit superannuation plans.

The TAC does not recognise any defined benefit liability in respect of the Revised and New Scheme under the Emergency Services Superannuation Scheme, as the TAC has no legal or constructive obligation to pay future benefits relating to its employees. The TAC's only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial report.

The basis of superannuation contributions is based on the relevant rules of each plan. At 30 June 2013, contributions outstanding were \$nil (2012: \$nil).

Employees have the option of contributing exclusively to private sector complying funds or contributing to the Victorian Superannuation Fund or both.

## 22 / RESPONSIBLE PERSON-RELATED DISCLOSURES

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the responsible persons who held office during the financial year was The Honourable Gordon Rich-Phillips MLC, Assistant Treasurer from 2 December 2010 and the following responsible persons:

### Directors /

Mr Paul Barker (Chairman)

Dr Julie Caldecott (resigned 30 June 2013)

Mr Andrew Dyer

Mr Geoff Hilton (resigned 23 February 2013)

Mr David Krasnostein (appointed 10 October 2012)

Professor Robert Officer (resigned 9 October 2012)

Ms Sonia Petering

Ms Deborah Hallmark

Ms Helen Silver (appointed 29 May 2013, resigned 12 July 2013)

### Chief Executive Officer /

Ms Janet Dore



**(a) Remuneration of responsible persons**

	2013 \$000	2012 \$000
Total remuneration received or receivable by responsible persons <sup>1</sup>	834	910

The number of responsible persons of the TAC whose remuneration falls within the following bands were:

Income Band	2013	2012
\$10,000 - \$19,999	1	-
\$30,000 - \$39,999	2	-
\$40,000 - \$49,999	1	3
\$50,000 - \$59,999	3	5
\$110,000 - \$119,999	1	1
\$400,000 - \$409,999	-	1
\$430,000 - \$439,999	1	-

<sup>1</sup>Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet.

**(b) Related party transactions**

Mr David Krasnostein is and Mr Geoff Hilton and Mr Paul Barker were directors of the Victorian WorkCover Authority (WorkSafe), which is entitled to recover from the TAC under the *Accident Compensation Act 1985*, all compensation payable under the WorkCover scheme for injury in a transport accident during the course of work. The TAC also makes payments for the annual Workplace Injury Insurance premium to WorkSafe.

The TAC and WorkSafe reimbursed each other for the cost of external services acquired jointly, and internal services provided to each other, in relation to collaborative initiatives between WorkSafe and the TAC. In addition, the TAC received payments from WorkSafe for the management of WorkSafe claims of injured workers with catastrophic injuries.

The aggregate amounts in respect of the above transactions with responsible person-related entity were:

	2013 \$000	2012 \$000
Claim compensation paid	(69,600)	(68,600)
Annual Workplace Injury Insurance premium paid	(419)	(447)
Cost reimbursement receivable	6,043	5,768
Cost reimbursement payable	(8,650)	(10,345)
Management of catastrophic claims received	1,279	1,154

During 2012/13, Dr Julie Caldecott was a Board member of the Institute for Safety, Compensation and Recovery Research (ISCRR). The TAC is committed to contributing towards funding the research activities of ISCRR. During 2012/13, the total funding contributed to ISCRR amounted to \$2,670,800 (2012: \$2,552,327).

Mr David Krasnostein is a Board member of the Public Interest Law Clearing House (PILCH). During 2012/13, the TAC contributed funding of \$150,000 to the activities of PILCH.

Transactions with responsible person-related entities are made on normal commercial terms and conditions. Conflicts of interest are overcome where warranted, by Directors declaring their interests and abstaining from voting at the TAC's Board meetings.

**(c) Other transactions**

Other related transactions requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

## 23 / REMUNERATION OF EXECUTIVE OFFICERS AND PAYMENTS TO OTHER PERSONNEL

### (a) Remuneration of executives

The remuneration of executive officers, being operational key management personnel of the TAC, is set out below.

	2013 \$000	2012 <sup>2</sup> \$000
Short-term employee benefits	1,477	1,511
Post-employment benefits	91	108
Other long-term employee benefits	34	28
Termination benefits	46	144
<b>Total</b>	<b>1,648</b>	<b>1,791</b>

The number of executive officers of the TAC, excluding the Chief Executive Officer is shown in the table below. Base remuneration is exclusive of bonus, long service leave and redundancy payments.

The executive numbers vary from year to year due to the timing of appointments, resignations, and the composition of the executive officers.

Income band	Base remuneration		Total remuneration	
	2013 No.	2012 <sup>2</sup> No.	2013 No.	2012 <sup>2</sup> No.
less than \$100,000	2	3	2	1
\$120,000 - \$129,999	-	-	-	1
\$130,000 - \$139,999	-	-	-	1
\$140,000 - \$149,999	-	1	-	-
\$150,000 - \$159,999	-	-	-	1
\$160,000 - \$169,999	1	-	-	-
\$170,000 - \$179,999	1	-	-	-
\$200,000 - \$209,999	-	-	1	-
\$220,000 - \$229,999	-	1	-	1
\$230,000 - \$239,999	1	1	-	-
\$240,000 - \$249,999	2	1	-	1
\$250,000 - \$259,999	-	1	4	2
\$260,000 - \$269,999	1	-	-	-
\$280,000 - \$289,999	-	1	1	-
\$290,000 - \$299,999	-	-	-	1
<b>Total number</b>	<b>8</b>	<b>9</b>	<b>8</b>	<b>9</b>
<b>Total annualised employee equivalent<sup>1</sup></b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
<b>Total amount (\$000)</b>	<b>1,437</b>	<b>1,569</b>	<b>1,648</b>	<b>1,791</b>

<sup>1</sup> Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

<sup>2</sup> Further to the introduction of FRD 21B, executives within the collaborative initiatives of the TAC and the Victorian WorkCover Authority are shared between the two organisations, and the 2012 comparatives have been adjusted accordingly. The TAC's share of executives employed by the Victorian WorkCover Authority in the collaborative initiatives is included within Note 23(b) payments to other personnel.

**(b) Payments to other personnel**

The number of contractors charged with significant management responsibilities is disclosed in the table below, within the \$10,000 expense band. These contractors are responsible for planning, directing or controlling, directly or indirectly, the entity's activities.

Expense Band	2013 No.	2012 No.
less than \$100,000	1	-
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	1	-
<b>Total number</b>	<b>2</b>	<b>1</b>
<b>Total expenses exclusive of GST (\$000)</b>	<b>180</b>	<b>133</b>

**24 / NOTES TO THE CASH FLOW STATEMENT****(a) Reconciliation of cash and cash equivalents**

For the purpose of the cash flow statement, cash includes cash on hand and at banks and cash equivalent assets. Cash equivalent assets are highly liquid investments with short periods to maturity, which are readily convertible to cash at the option of the TAC. Cash at the end of the financial year, as shown in the cash flow statement, is reconciled to the related items in the balance sheet as follows:

	2013 \$000	2012 \$000
Cash and cash equivalents (bank)	23,887	37,860
Cash equivalents (investments)	1,251,469	1,341,134
<b>Total</b>	<b>1,275,356</b>	<b>1,378,994</b>

**(b) Reconciliation of net cash flows from operating activities to net results**

	2013 \$000	2012 \$000
Net result for the year	972,873	(1,024,447)
Depreciation and amortisation	12,666	13,345
Impairment of plant and equipment and intangibles	417	1,263
Finance costs	(154)	179
Realised profit on sale of investments	(246,195)	(4,247)
Unrealised loss / (profit) on investments	(659,975)	21,261
Loss / (profit) on sale of plant and equipment	30	(64)
<b>Changes in assets and liabilities</b>		
Increase / (decrease) in outstanding claims	(72,325)	1,960,101
Increase / (decrease) in unearned premium	35,905	31,975
Decrease / (increase) in receivables and other assets	(1,953)	(65,946)
Increase / (decrease) in creditors and provisions	3,581	913
Decrease / (increase) in net deferred tax balances	405,330	(450,339)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>450,200</b>	<b>483,994</b>

## 25 / FINANCIAL INSTRUMENTS

The TAC's financial assets and liabilities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. VFMC uses different methods to measure different types of risk to which the TAC's investment portfolio is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and credit rating for credit risk.

### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market interest rates (interest rate risk), foreign exchange (currency risk), and market prices (price risk).

VFMC manages market risk by seeking input from the TAC's actuaries to ensure the investment mix is appropriate to service future liabilities and that projected outcomes are in line with the TAC's overall investment objectives and remain within the risk parameters approved by the Treasurer.

For the sensitivity analysis of each type of market risk, the percentage change used for each of the variables has been determined by the TAC as at 30 June 2013 and 30 June 2012, in consultation with VFMC.

#### *(a) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The significant accounting policies (Note 1) describe the policies used to measure and report the assets and liabilities of the TAC. Where the applicable fair value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the operating statement.

VFMC manages interest rate risk through an asset allocation strategy for the TAC's investment portfolio, which acts as an economic hedge against the insurance liabilities of the TAC. To the extent that these assets and liabilities can be matched, unrealised gains and losses on re-measurement of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on re-measurement of investment assets.

VFMC uses derivatives to manage the interest rate risk on interest rate sensitive assets. Interest rate swap contracts and forward rate agreements are used to either change the interest rate risk between fixed and floating rates of interest or between different floating rates of interest.

#### *Interest rate swaps*

Interest rate swaps allow VFMC to swap floating rate investments into fixed rates and vice versa. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Contracts normally involve quarterly payment or receipt of the net amount of interest. The unrealised gain on the swaps in the portfolio at 30 June 2013 was \$2.2 million (2012: unrealised gain \$1.6 million).

#### *Interest rate options*

VFMC may enter into interest rate options to hedge interest rate exposures. The option contracts have repricing terms up to 3 months. As at 30 June 2013, the outstanding option contracts were \$nil (2012: \$nil).

#### *Forward rate agreements*

VFMC may enter into forward interest rate agreements with expiry terms out to 12 months to maximise anticipated investment returns. As at 30 June 2013, the outstanding agreements were \$nil (2012: \$nil).

A summary of the TAC's exposure to interest rate risk and maturity analysis is as follows:

		Fixed maturity dates					
2013	Variable interest rate \$000	3 months or less \$000	4 to 12 months \$000	1 to 5 years \$000	Over 5 years \$000	Non interest bearing \$000	Total value \$000
Financial assets							
Cash and cash equivalents	23,887	-	-	-	-	-	23,887
Investments:							
- interest rate swaps	2,235	-	-	-	-	-	2,235
- other investments	1,346,501	1,135,010	10,959	374,320	252,615	5,748,446	8,867,851
Other assets	-	-	-	-	-	4,765	4,765
	1,372,623	1,135,010	10,959	374,320	252,615	5,753,211	8,898,738
Financial liabilities							
Payables	-	-	-	-	-	55,451	55,451
Other liabilities	-	254	761	987	-	-	2,002
	-	254	761	987	-	55,451	57,453
Net financial assets	1,372,623	1,134,756	10,198	373,333	252,615	5,697,760	8,841,285

		Fixed maturity dates					
2012	Variable interest rate \$000	3 months or less \$000	4 to 12 months \$000	1 to 5 years \$000	Over 5 years \$000	Non interest bearing \$000	Total value \$000
Financial assets							
Cash and cash equivalents	37,860	-	-	-	-	-	37,860
Investments:							
- interest rate swaps	1,640	-	-	-	-	-	1,640
- other investments	1,437,993	1,154,625	28,071	388,631	441,793	4,263,452	7,714,565
Other assets	-	-	-	-	-	4,656	4,656
	1,477,493	1,154,625	28,071	388,631	441,793	4,268,108	7,758,721
Financial liabilities							
Payables	-	-	-	-	-	55,960	55,960
Other liabilities	-	206	617	1,431	-	-	2,254
	-	206	617	1,431	-	55,960	58,214
Net financial assets	1,477,493	1,154,419	27,454	387,200	441,793	4,212,148	7,700,507

## Reconciliation of net financial assets to net assets

	2013 \$000	2012 \$000
Net financial assets as above	8,841,285	7,700,507
Non-financial assets and liabilities:		
- Provisions	(15,080)	(13,201)
- Net insurance liabilities	(10,759,179)	(10,795,599)
- Net non-financial assets	1,325,950	1,704,396
<b>Net assets per balance sheet</b>	<b>(607,024)</b>	<b>(1,403,897)</b>

### Interest rate sensitivity

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0.5% increase or decrease in interest rates (or discount rates) is used by the TAC's actuaries to present the sensitivities of the actuarial claims liabilities to management to allow them to monitor interest rate risk on liabilities.

At reporting date, if interest rates had moved 0.5% up or down with all other variables held constant, the TAC's net profit and equity would move as follows (all other reserves would remain constant):

	2013 \$000	2012 \$000
Impact on profit and equity of a 0.5% increase in interest rates:		
- Before impact of interest rate derivatives	(42,615)	(42,014)
- Impact of interest rate derivatives	(7,676)	(3,853)
<b>- After impact of interest rate derivatives</b>	<b>(50,291)</b>	<b>(45,867)</b>
Impact on profit and equity of a 0.5% decrease in interest rates:		
- Before impact of interest rate derivatives	42,639	42,038
- Impact of interest rate derivatives	7,680	3,854
<b>- After impact of interest rate derivatives</b>	<b>50,319</b>	<b>45,892</b>

### (b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The TAC is exposed to foreign exchange risk through its investments which are denominated in foreign currency, and anticipated future transactions.

VFMC limits foreign exchange risk through the use of forward currency contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. VFMC's policy, approved under the Investment Risk Management Plan, is to hedge 50% of international equities exposure and 100% of other international asset exposure.

	Investment in foreign currency		Forward contract cover		Net exposure	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
- Australian Dollar	6,815,473	6,013,578	1,691,753	1,346,011	8,507,225	7,359,589
- United States Dollar	1,618,081	1,220,133	(755,441)	(544,241)	862,640	675,892
- British Pound	97,356	190,667	(307,058)	(228,351)	(209,702)	(37,684)
- Euro Dollar	226,371	49,756	(354,397)	(110,580)	(128,026)	(60,824)
- Japanese Yen	62,926	83,128	(150,885)	(257,583)	(87,959)	(174,455)
- Other currencies	149,486	122,908	(223,578)	(169,221)	(74,092)	(46,313)
<b>Total investments (note 10)</b>					<b>8,870,086</b>	<b>7,716,205</b>

#### Foreign currency sensitivity

The sensitivity analysis below has been determined based on the exposure to foreign exchange rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The following table details the TAC's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies with all other variables held constant.

The sensitivity analysis includes foreign currency denominated investments items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	2013 \$000	2012 \$000
Impact on profit and equity of a 10% increase in foreign exchange rates:		
- Before impact of foreign exchange derivatives	(137,099)	(106,056)
- Impact of foreign exchange derivatives	113,996	83,362
<b>- After impact of foreign exchange derivatives</b>	<b>(23,103)</b>	<b>(22,694)</b>
Impact on profit or equity of a 10% decrease in foreign exchange rates:		
- Before impact of foreign exchange derivatives	167,566	129,624
- Impact of foreign exchange derivatives	(139,328)	(101,887)
<b>- After impact of foreign exchange derivatives</b>	<b>28,238</b>	<b>27,737</b>

**(c) Other price risk**

The TAC is exposed to equity price risk arising from equity investments (both within Australian markets and overseas, refer to note 10). Equity investments are held for strategic rather than trading purposes.

VFMC limits price risk through diversification of the equity investment portfolio.

**Equity price sensitivity**

The sensitivity analysis below has been determined based on the exposure to equity prices both within Australia and overseas markets at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The following table details the TAC's sensitivity to a 10% increase and decrease in listed equities market and a 10% increase and decrease in unlisted equities markets in Australia and overseas.

At reporting date, if listed and unlisted equity prices had been 10% higher or lower and all other variables were held constant, the TAC's net profit and equity would move as follows:

	2013 \$000	2012 \$000
Impact on profit and equity of a 10% increase in equity prices:		
- listed equities	136,442	106,794
- unlisted equities - Australian	221,177	158,925
- unlisted equities - overseas	48,506	42,811
	<b>406,125</b>	<b>308,530</b>
Impact on profit and equity of a 10% decrease in equity prices:		
- listed equities	(136,442)	(106,794)
- unlisted equities - Australian	(221,177)	(158,925)
- unlisted equities - overseas	(48,506)	(42,811)
	<b>(406,125)</b>	<b>(308,530)</b>

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the TAC.

VFMC manages credit risk by conducting due diligence on counterparties and will only deal with counterparties of high quality with substantial balance sheets. Agreements also contain provisions for the agreement to be reviewed or rescinded upon the occurrence of specified events relating to counterparty credit and liquidity.

Assessment processes also ensure that well-defined documentation underpins each transaction; that clear rules exist for completing single transactions with a particular counterparty; and that appropriate credit limits exist to accommodate the transaction. Exposure is measured on a multi-tiered basis according to the individual transaction, counterparty total, credit rating total, etc. and is monitored by personnel separated from the dealing function. When conducting over-the-counter derivative transactions, bilateral legal contracts must be signed with the counterparty prior to execution of the transaction.

The establishment of appropriate policies and multi-tiered limits ensures that TAC maintains a diversified portfolio without any significant concentration of credit risk on an industry, regional or country basis.

The TAC's maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets as indicated in the balance sheet.



### Concentrations of credit risk

The TAC manages credit risk by diversifying the exposure amount with counterparties and operating in liquid markets. The TAC does not have any significant concentration of credit risk on an industry, regional or country basis. The investment strategy for the TAC is to ensure a diversified portfolio.

The table below provides information regarding credit risk exposure of the TAC by classifying assets according to VFMC's credit ratings of counterparties:

2013	Investment grade <sup>1</sup> \$000	Non-Investment grade <sup>2</sup> \$000	Total \$000
<b>Financial assets at fair value through comprehensive income statement</b>			
Cash and cash equivalents	23,887	-	23,887
Cash equivalents (investments)	1,251,469	-	1,251,469
Debt securities	1,835,555	47,506	1,883,061
Financial derivatives	-	2,235	2,235
Other assets	-	4,765	4,765
<b>Total</b>	<b>3,110,911</b>	<b>54,506</b>	<b>3,165,417</b>

2012	Investment grade <sup>1</sup> \$000	Non-Investment grade <sup>2</sup> \$000	Total \$000
<b>Financial assets at fair value through comprehensive income statement</b>			
Cash and cash equivalents	37,860	-	37,860
Cash equivalents (investments)	1,341,134	-	1,341,134
Debt securities	2,049,761	76,993	2,126,754
Financial derivatives	-	46,414	46,414
Other assets	-	4,656	4,656
<b>Total</b>	<b>3,428,755</b>	<b>128,063</b>	<b>3,556,818</b>

<sup>1</sup> VFMC classifies all assets with Standard and Poor's credit ratings of AAA to BBB- as investment grade.

<sup>2</sup> These non-investment grade assets include assets that fall outside the range of AAA to BBB- Standard and Poor's credit ratings as well as non-rated assets that are within the risk parameters outlined in the Investment Risk Management Plan.

### Liquidity risk

Liquidity risk arises from the TAC being unable to meet financial obligations as they fall due.

VFMC manages liquidity risks through holding high quality liquid assets in its total investment portfolio, which are readily convertible to cash assets. The TAC is cash flow positive with premium and investment income exceeding claims and administrative cost payments.

The following table summarises the maturity profile of the TAC's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date on which the TAC can be required to pay.

2013	Less than 3 months \$000	4-12 months \$000	1 - 5 years \$000	5 + years \$000	Total \$000
<b>Financial liabilities</b>					
Other creditors and accruals	55,451	-	-	-	55,451
Finance lease liabilities	254	761	987	-	2,002
Financial derivatives (net settled)	106,254	-	-	-	106,254
<b>Total</b>	<b>161,959</b>	<b>761</b>	<b>987</b>	<b>-</b>	<b>163,707</b>

2012	Less than 3 months \$000	4-12 months \$000	1 - 5 years \$000	5 + years \$000	Total \$000
<b>Financial liabilities</b>					
Other creditors and accruals	55,960	-	-	-	55,960
Finance lease liabilities	206	617	1,431	-	2,254
Financial derivatives (net settled)	-	-	-	-	-
<b>Total</b>	<b>56,166</b>	<b>617</b>	<b>1,431</b>	<b>-</b>	<b>58,214</b>

The table above includes only the liquidity analysis in relation to contractual (as opposed to statutory) financial liabilities. While the liability for outstanding claims is the most significant liability for which payments will need to be made in the future, these do not meet the definition of a financial liability. The average term to settlement from injury date for claims liabilities is 13.9 years (2012: 14.6 years).

### Fair Value

The TAC uses various methods in estimating the fair value of a financial instrument. The following tables illustrate the level in the fair value hierarchy in which fair value measurements are categorised for financial assets.

- / Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- / Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observables for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- / Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurement at end of the reporting period using				
30 June 2013	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets</b>				
Cash and cash equivalents	23,887	-	-	23,887
Investments				
Cash investments	321,431	25,277	-	346,708
Australian equities	533,881	593,603	22	1,127,506
International equities	1,788,726	1,283,618	-	3,072,344
Private equity	1,664	(16,729)	325,189	310,124
Inflation linked bonds	105,738	1,179,810	-	1,285,548
Infrastructure	468	(11,434)	440,547	429,581
Property	5,701	(3,583)	620,562	622,680
Diversified fixed income	69,295	958,930	23,542	1,051,767
Insurance	-	(4,206)	85,111	80,905
Non traditional strategies	168,780	79,431	280,143	528,354
Overlays	-	14,569	-	14,569
Other assets	4,765	-	-	4,765
	<b>3,024,336</b>	<b>4,099,286</b>	<b>1,775,116</b>	<b>8,898,738</b>
<b>Financial liabilities</b>				
Payables	55,451	-	-	55,451
Other liabilities	2,002	-	-	2,002
	<b>57,453</b>	<b>-</b>	<b>-</b>	<b>57,453</b>
<b>Net financial assets</b>	<b>2,966,883</b>	<b>4,099,286</b>	<b>1,775,116</b>	<b>8,841,285</b>

Fair value measurement at end of the reporting period using				
30 June 2012	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets</b>				
Cash and cash equivalents	37,860	-	-	37,860
Investments				
Cash investments	492,909	-	-	492,909
Australian equities	471,732	420,483	-	892,215
International equities	1,534,908	1,111,989	16	2,646,913
Private equity	2,876	277,904	-	280,780
Inflation linked bonds	69,016	1,075,012	-	1,144,028
Infrastructure	147	295,734	9,074	304,955
Property	4,195	553,176	-	557,371
Diversified fixed income	(46,764)	931,826	16,358	901,420
Insurance	-	204	82,554	82,758
Non traditional strategies	129,263	286,498	-	415,761
Overlays	-	(2,905)	-	(2,905)
Other assets	4,656	-	-	4,656
	<b>2,700,798</b>	<b>4,949,921</b>	<b>108,002</b>	<b>7,758,721</b>
<b>Financial liabilities</b>				
Payables	55,960	-	-	55,960
Other liabilities	2,254	-	-	2,254
	<b>58,214</b>	<b>-</b>	<b>-</b>	<b>58,214</b>
<b>Net financial assets</b>	<b>2,642,584</b>	<b>4,949,921</b>	<b>108,002</b>	<b>7,700,507</b>

#### Transfers between categories

An amount of \$nil was transferred from Level 1 to Level 2 during the year ended 30 June 2013 (2012: \$0.2 million).

An amount of \$1.4 billion (2012: \$nil) was transferred from Level 2 to Level 3 during the year based on TAC's reassessment of the significance of unobservable valuation inputs that had been used to derive the fair value of those investments. This reassessment arose from an in-depth review during 2012-13 which was able to access information about those investment valuations and confirm the absence of current observable inputs to adjust unit trust prices or evidence of current observable unit trust prices. TAC's review was also informed by expert advice from a number of independent sources, including TAC's fund manager and custodian, as well as expert accounting advice. The in-depth review identified unobservable valuation inputs that were significant to the fair valuations of those investments and as required by AASB7 the investments have been transferred to Level 3 within the fair value hierarchy.

An amount of \$nil was transferred from Level 3 to Level 2 during the year ended 30 June 2013 (2012: \$34.5 million).

### Reconciliation of Level 3 fair value movements

The following table presents the changes in Level 3 instruments (financial assets) for the year ended 30 June 2013.

	Total Level 3 \$000
Balance at beginning of the year	108,002
Profit recognised in the comprehensive income statement	101,150
Sales	(84,754)
Purchases	297,318
Transfer in to Level 3	1,353,400
Transfer out of Level 3	-
<b>Closing Balance</b>	<b>1,775,116</b>
Total gains for the period included in profit or loss for assets held at the end of the period	116,583

The investments managed by VFMC on behalf of the TAC include unlisted investments. These unlisted investments are not traded in an active market, and hence their fair value at reporting date is based on the price advised by fund managers or valuations determined by appropriately skilled independent third parties.

Where valuation techniques including discounted cash flows, multiples based analysis, comparison with similar transactions and other techniques considered appropriate in the circumstances have been employed in pricing or valuing investments, the valuations are inherently subject to estimation uncertainty. Given this inherent subjectivity, the underlying inputs and assumptions are reviewed on an ongoing basis to ensure the valuations reflect the best estimates of the economic conditions at reporting date.

The value of such investments is set out in the following table:

Investment Classes	2013 \$000	2012 \$000
Infrastructure	440,547	317,416
Private Equity	325,189	253,578
Property	620,562	551,610
Insurance	85,111	82,554
Diversified Fixed Income	23,542	20,770
Non Traditional Strategies	280,143	123,703
	<b>1,775,094</b>	<b>1,349,631</b>

It is reasonably possible that outcomes within the next financial year would be different from the assumptions used in the current valuation models and a material adjustment to the carrying amounts of the related investments could be required.

The disclosures below provide details of the inputs and assumptions used in the current valuation models. Further detailed information has been provided where available. A significant majority of these investments are held via third party pooled investment vehicles, and as such the TAC is not privy to the detailed assumptions used to value the underlying investment assets.

### ***Infrastructure Investments***

Infrastructure investments comprise both domestic and international exposures to transport, social, energy and other infrastructure assets through unlisted pooled vehicles and unlisted trusts.

The valuations of unlisted infrastructure investments are primarily based on a discounted cash flow methodology. Key inputs which are subject to estimation uncertainty include the choice of risk free discount rate in the main ranging between 8.8% - 11.3% (2012: 9.0% - 10.25%), risk premium, asset utilisation rates (for example this includes airline passenger volumes and mix at a foreign airport, and also includes assuming the renewal of existing gas transmission contracts upon their expiry at forecast volumes and pricing for another investment), capital expenditure forecasts, operating costs and other estimated future cash flows dependent on the longer term general economic forecasts and the forecast performance of applicable underlying assets (including, for example, gearing forecasts, expected foreign tax rates, long term retail price index, counter party risks and group tax relief).

### ***Private Equity Investments***

Private equity investments comprise both domestic and international exposures to venture capital, buyout, special situations and expansion capital sectors. The investments include externally managed unlisted pooled vehicles and trusts.

The valuations of unlisted private equity investments are primarily based on multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies. Assumptions which may be subject to estimation uncertainty would include the identification of appropriate comparables, estimated future profits, risk free rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

### ***Property Investments***

Property investments comprise externally managed unlisted property trusts with exposure to domestic and international commercial, industrial, retail and development property market.

The valuations of unlisted property investments are primarily based on discounted cash flow, capitalisation and direct comparison methodologies. Assumptions which may be subject to estimation uncertainty would include the identification of appropriate comparables, estimated future profits, risk free rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

### ***Insurance Investments***

The valuation of insurance investments is primarily based on a discounted cash flow methodology. The portfolio of US life insurance policies is valued by an independent valuer using the actuarial asset share method. The actuarial asset share method is based on the assumptions of probabilities of insured's mortality and premium payments on the valuation date. Other assumptions and interdependencies in the valuation model include weighted average discount rate applied to the portfolio of 16.4% (2012: 18.9%), life expectancy estimates obtained from qualified providers and expected premium payments based on "back solving" premiums' optimisation method.

### ***Diversified Fixed Income Investments***

Diversified fixed income investments comprise of investments in government, government-related, corporate and securitised bonds, loans and other debt instruments, primarily from Australian issuers but with some limited exposure to international issuers, and fixed interest and currency instruments through externally managed unlisted pooled vehicles and segregated portfolios.

The valuation of diversified fixed income investments are primarily provided by third party pricing servicers, which source prices from brokers and market makers. For less liquid securities, valuations are based on valuation methodologies determined to be appropriate by the manager or their independent valuation agent. Such methodologies applied may include discounted cash flow, amortised cost, direct comparison and others.

Assumptions which may be subject to estimation uncertainty would include appropriate credit spread and other risk premium, future risk free rate, future cash flows, identification of appropriate comparables, future economic and regulatory conditions.

### ***Non Traditional Strategies Investments***

The non traditional strategies investments comprise investments in hedge funds and other non traditional investments that do not fit within the definition of other asset classes but which provide diversification benefits to the total portfolio. Investments are made through externally managed unlisted pool vehicles.

The valuation of non traditional strategies investments are primarily based on prices quoted on an exchange or traded in a dealer market. For less liquid securities, valuation methodologies are set out by each manager. Depending on the investment, the methodologies applied include discounted cash flow, amortised cost, direct comparison and other market accepted methodologies. The investment manager may choose to appoint independent valuation agents to seek independent price verification.

Assumptions which may be subject to estimation uncertainty would include appropriate credit spread and other risk premium, future risk free rate, future cash flows, identification of appropriate comparables, future economic and regulatory conditions.

### **Capital management strategy**

Capital maintained by the TAC is an integral part of managing the uncertainties impacting on the value of outstanding claims liabilities and returns from its investment portfolio. Consistent with the outcome of the State Government review, the TAC has adopted a target funding level of 100%, being the midpoint of a target funding level range of 80-120%. It is expected that from time to time the TAC's actual funding ratio will be outside that target funding range. In such circumstances, corrective action may be recommended to transition the actual funding range to the target funding level over time.

The TAC will seek to continually aim towards the target funding ratio of 100% over rolling five-year periods. Where funding ratio exceeded 120%, 'special' dividends may be payable in addition to the ordinary dividend, or other options such as increasing benefits or reducing premiums may be considered.

The TAC's funding ratio is calculated as "net assets less deferred tax asset and intangible assets divided by net outstanding claims liability". The funding ratio is also adjusted for an allowance for dividend at the benchmark rate to ensure the reported funding ratio is not misleading.

## **26 / SEGMENT INFORMATION**

The TAC operates the transport accident compensation scheme in Victoria.

## **27 / CONTINGENT LIABILITY**

A contingent liability exists due to an incorrect deployment of software licences by the TAC as at 30 June 2013. Based on the current information, the TAC does not expect the outcome to have a material effect on its financial position.

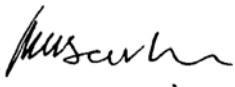
**STATEMENT BY CHAIRMAN, CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCE AND ACCOUNTING OFFICER**

We certify that the financial report of the Transport Accident Commission has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, present fairly the financial transactions for the year ended 30 June 2013 and the financial position of the Transport Accident Commission as at that date.

We are not aware of any circumstances which would render any particulars included in the financial report misleading or inaccurate.

Dated at Geelong this 29th day of August 2013.



Paul Barker  
Chairman



Janet Dore  
Chief Executive Officer



Tony Dudley  
Chief Finance and Accounting Officer



## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Transport Accident Commission

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2013 of the Transport Accident Commission which comprises the comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by chairman, chief executive officer and chief finance and accounting officer has been audited.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of the Transport Accident Commission are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

## Independent Auditor's Report (continued)

### *Independence*

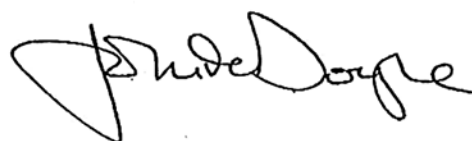
The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Transport Accident Commission as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Transport Accident Commission for the year ended 30 June 2013 included both in the Transport Accident Commission's annual report and on the website. The Board Members of the Transport Accident Commission are responsible for the integrity of the Transport Accident Commission's website. I have not been engaged to report on the integrity of the Transport Accident Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.



MELBOURNE  
3 September 2013

John Doyle  
Auditor-General



- / Monitor compliance with relevant laws, regulations and government directives and that accounting policies are in line with the *Financial Management Act 1994*, government guidelines and current Australian Accounting Standards.
- / Monitor compliance with the TAC's internal investment policies and procedures, the contractual arrangements with the VFMC and requirements of the Prudential Statement.
- / Advise the Finance and Investment Strategies Committee of any matter or internal control weakness that impacts the committee's area of responsibility.
- / Review and recommend to the Board approval of the annual plan submitted by internal audit.
- / Monitor that the objectivity and independence of internal and external audit is preserved by monitoring employment relationships, financial relationships and the provision of non-audit services and other assessments as deemed necessary.
- / Review management responses to internal and external audit reports, actions to correct any noted deficiencies and monitor progress to correct deficiencies.
- / Evaluate the overall effectiveness of internal and external audit and recommend appointment and fees for the internal auditors to the Board.
- / Implement the TAC's annual internal audit plan and deal with issues raised by the TAC's auditors (internal and external).
- / Initiate and supervise, where appropriate, special reviews.
- / Review and monitor the policies (including whistleblowers and protected disclosure) for preventing and detecting fraud.
- / Annually recommend to the Board an attestation to government that the TAC complies with the Victorian Government Risk Management Framework.

### **Financial and Investment Strategies Committee**

Members at 30 June 2013: Paul Barker, Sonia Petering and David Krasnostein (as Victorian WorkCover Authority)

Role:

- / Make recommendations at least annually to the Boards on TAC and WorkSafe's (the agencies) investment objectives in the context of overall balance sheet risk management and consistent with the Risk Preference Statements issued by the Minister;
- / Monitor compliance and make recommendations to the Boards regarding balance sheet management, pricing and other policies required under the Prudential Insurance Standard;
- / Review the operational performance of the VFMC, including VFMC's service level agreement, proxy voting and ESG obligations, and monitor compliance with the Prudential Investment Standard; and
- / Monitor the success of the VFMC investment strategy by reviewing fund performances compared to objectives, long-term targets and peer benchmarks.

The FISCo will also advise the Boards in relation to other matters relevant to the management of the agencies balance sheets, investment funds and other financial strategies as appropriate.

### **Marketing and Road Safety Committee**

Members as at 30 June 2013: Bob Officer (Chair until October 2012), Sonia Petering (Chair from October 2012), Andrew Dyer, Julie Caldecott and Deborah Hallmark.

Role:

- / Monitor strategic road safety issues that influence actuarial release.
- / Provide insight and feedback on the strategic approach adopted on road safety issues and the development of annual business plans.
- / Advocate to the Board initiatives undertaken by road safety, marketing and partnerships, in response to road safety issues.
- / Monitor partnerships and their road safety initiatives.
- / Make recommendations to the Board on proposals which are beyond the delegated authority of the Chief Executive Officer.



### Health Issues Committee

Members at 30 June 2013: Julie Caldecott (Chair) and Geoff Hilton (as Victorian WorkCover Authority until February 2013).

Role:

- / HISCo will add significant value to the agencies through the provision of strategic oversight. The Committee will review, challenge and make recommendation upon health services strategies and related business plans, health service related research priorities and health service key performance indicators.
- / HISCo will provide input with consideration to:
  - a focus on achieving improved health, employment and social outcomes for clients and stakeholders.
  - ensuring consistency with sector-wide trends (eg purchasing practices)
  - a focus on ensuring cost-effectiveness
  - ensuring the agencies build strong relationships with external health care services and that the agencies establish appropriate formal agreements where required
  - any other health related issue or priority referred to it by the Boards.

### Business Information Systems Committee

Members at 30 June 2013: Andrew Dyer (Chair) and Geoff Hilton (until February 2013).

Role:

- / Request, oversee, receive and review recommendations that relate to any material deployment or change to the business systems application portfolios of TAC and WorkSafe, including recommendations to decommission existing applications. Endorse such recommendations as appropriate for presentation to the Boards of the Participants;
- / Ensure the Participants continue to work together to achieve the ITSS Agreement Objectives and application of the Principles;
- / Oversee ITSS's delivery of its ITSS plan in meeting the requirements of TAC and WorkSafe;

- / Receive reports and presentations on major advances in information technology that may benefit the TAC and WorkSafe;
- / Review the TAC and WorkSafe business systems/ information technology Enterprise Architecture and Roadmap presented by management on a regular basis and ensure it is consistent with the ITSS Agreement Objectives and Core Principles and progresses the retirement of legacy systems, and make relevant recommendations to the Boards of the Participants;
- / Make recommendations to the Boards of the Participants as required on the alignment of business systems and IT infrastructure projects to the TAC and WorkSafe Enterprise Architecture and roadmap, including appropriate level of customisation and configuration;
- / Request to, or when requested by the Boards of the Participants, review the progress of any technology focussed project, including achievement of scope, use of Fineos, level of customisation and configuration; and make recommendations to the Boards;
- / Provide an escalation and review forum for IT business support services issues, audit action items involving ITSS, ITSS workforce management issues, significant variations to IT Enterprise Architecture and significant non-delivery of the ITSS plan;
- / Review critical commercial and performance risks that may cause a significant deviation to the ITSS plan and when necessary make recommendations to the Boards of the Participants;
- / Endorse the ITSS annual plan, including a review of projects to ensure that the works program is capturing technology synergies between both TAC and WorkSafe and leveraging existing platforms including Fineos;
- / Request to, or when requested by the Boards of the Participants, receive the post implementation review of any technology focussed project and make recommendations to the Boards; and
- / Undertake other roles allocated to it under the Agreement or as requested by the Boards of the Participants.

## Prudential Standards

The Board is required to submit annual certifications of compliance with the *Prudential insurance standards for Victorian Government insurance agencies* and the *Prudential Standard: VFMC and the Centralised Investment Model*. These standards impose obligations regarding liability reserving, capital management, pricing, reinsurance, actuarial review and the setting of appropriate investment objectives for TAC funds.

Certifications have been issued by the Board for the year ending 30 June 2013.

## RISK MANAGEMENT

The TAC has in place a risk management framework to ensure effective identification, assessment and management of risks. That framework details the roles of the Board and its committees, management and the internal auditor. The Board is responsible for setting the risk priorities on which the framework is focused. The Audit and Risk Management Committee oversees the framework and is responsible for ensuring the effectiveness of the design and implementation of control strategies and operational practices.

### Compliance with the Victorian Government Risk Management Framework

Standing Direction 4.5.5 given by the Minister for Finance pursuant to section 8 of the *Financial Management Act 1994* requires public sector agencies to provide an annual attestation of compliance with the risk management process requirements set out in the Victorian Government Risk Management Framework.

The Audit and Risk Management Committee of the Transport Accident Commission has considered the statement by the Chief Executive Officer on compliance with the Victorian Government Risk Management Framework, the internal attestation process undertaken by executive management and independent assessments from the internal auditor.

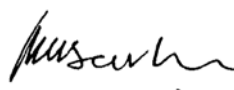
On that basis, I certify that the Transport Accident Commission has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009)* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board of the Transport Accident Commission verifies this assurance and that the risk profile of the Transport Accident Commission has been critically reviewed within the last 12 months.

## INSURANCE

Standing Direction of the Minister for Finance 4.5.5.1 *Insurance* requires Public Sector Agencies to evaluate the adequacy of their insurance arrangements. This involves the Transport Accident Commission making a judgement on the amount of risk they can bear and, where they decide to bear that risk, ensuring they are able to meet the financial impacts from existing resources.

I have considered the internal due diligence process and my Chief Financial Officer's certification of compliance.

On this basis, I certify that the Transport Accident Commission has complied with Ministerial Direction 4.5.5.1 – *Insurance*.



Paul Barker / Chairman  
Transport Accident Commission  
29 August 2013

# Compliance

## STATEMENT OF CORPORATE INTENT

### Business scope

The TAC is a Victorian Government-owned organisation established under the *Transport Accident Act 1986* (TAC legislation) to manage Victoria's transport accident personal injury scheme.

The Scheme funds a range of medical treatment, loss of income benefits and lifetime support services. In addition to no-fault benefits, the scheme also provides access to common law damages for seriously injured clients able to prove fault.

The TAC also administers the claims remaining from previous no-fault, common law and journey-to-work compensation schemes. The TAC has assumed financial responsibility for in course of employment transport accident claims from WorkSafe Victoria and also manages catastrophically injured workers on their behalf.

### Our responsibilities

The objects of the TAC legislation are to:

- / Manage the transport accident compensation scheme as effectively, efficiently and economically as possible
- / Ensure that appropriate compensation is delivered in the most socially and economically appropriate manner and as expeditiously as possible
- / Ensure that the transport accident scheme emphasises accident prevention and effective rehabilitation
- / Develop such internal management structures and procedures as will enable it to perform its functions and exercise its powers effectively, efficiently and economically
- / Manage claims under the *Accident Compensation Act 1985* as an authorised agent of the Victorian WorkCover Authority as effectively, efficiently and economically as possible
- / If appointed as an agent of a self-insurer under section 147A of the *Accident Compensation Act 1985*, to carry out the functions and powers of a self-insurer as effectively, efficiently and economically as possible.

The TAC's objectives are to:

- / Provide, in the most socially and economically appropriate manner, suitable and just compensation in respect of persons injured or who die as a result of transport accidents
- / Reduce the cost to the Victorian community of compensation for transport accidents
- / Determine claims for compensation speedily and efficiently
- / Provide suitable systems for the effective rehabilitation of persons injured as a result of transport accidents
- / Reduce the incidence of transport accidents
- / Manage the transport accident compensation scheme as effectively, efficiently and economically as possible.

### What we do

The TAC works with the Victorian community to reduce road trauma and improve the outcomes of those it affects by focusing on:

- / Road safety - working with our road safety partners to reduce the incidence and severity of road trauma
- / Rehabilitation and lifetime support - working with our claims and health partners to maximise the return to health, work and independence of those injured
- / Claims management - making the right decision at the right time to improve client outcomes, enhance the client experience and ensure the long term viability of the scheme
- / Financial and capital management - working with stakeholders and Government to ensure the scheme is viable and sustainable and represents value for money
- / Scheme design - working with stakeholders to ensure a balanced approach in line with community expectations.

Through a commitment to working responsibly and ethically, we will ensure that the TAC operates within the necessary legal and regulatory requirements and that we meet the needs of both our shareholder and the broader community.

### Government as shareholder

The Victorian Government is the TAC's sole shareholder and receives dividends from the TAC in its capacity as sole owner and ultimate guarantor of the scheme. We have an obligation to run the scheme as efficiently and effectively as possible for the benefit of our shareholder.

### Community service obligations

The TAC contributes to the Victorian community through the successful management of the scheme and through payment of dividends and tax equivalents to the Government. It is the role of the Government to distribute these funds to best meet community needs.

Other than its business obligations under the TAC legislation, the TAC has no community service obligations in its own right.

### Corporate governance

The TAC will pursue best practice in its governance and in managing relationships between stakeholders, directors and management.

## LEGISLATIVE DISCLOSURES

This section includes the disclosures required by the *Financial Management Act 1994* and the *Transport Accident Act 1986*.

### Incorporation and ministerial responsibility

The TAC is a body corporate established under Section 10 of the *Transport Accident Act 1986* (the Act) (No. 111 of 1986, reprint No. 12 dated 1 July 2011). The Act sets out the objectives, functions and powers of the TAC.

The Assistant Treasurer is the Minister administering the *Transport Accident Act 1986*.

### Ministerial directions

There were no Ministerial Directions given by the Assistant Treasurer or the former Minister for Finance in the period 1 July 2012 to 30 June 2013.

### The TAC's objectives, functions, powers and accountability

Sections 11, 12, 13 and 14 of the *Transport Accident Act 1986* set out the objectives, functions, powers and accountability of the TAC.

### Objectives of the Commission (section 11)

- / To manage the transport accident compensation scheme as effectively, efficiently and economically as possible
- / To ensure that appropriate compensation is delivered in the most socially and economically appropriate manner and as expeditiously as possible
- / To ensure that the transport accident scheme emphasises accident prevention and effective rehabilitation
- / To develop internal management structures and procedures that will enable it to perform its functions and exercise its powers effectively, efficiently and economically
- / To manage claims under the *Accident Compensation Act 1985* as an authorised agent of the Victorian WorkCover Authority as effectively, efficiently and economically as possible
- / If appointed as an agent of a self-insurer under S.147A of the *Accident Compensation Act 1985*, to carry out the functions and powers of a self-insurer as effectively, efficiently and economically as possible.

### Functions of the Commission (section 12)

- / To administer the Transport Accident Fund
- / To receive and assess, and accept or reject, claims for compensation
- / To defend proceedings relating to claims for compensation
- / To pay compensation to persons entitled to compensation
- / To determine transport accident charges
- / To collect and recover transport accident charges
- / To provide advice in relation to the transport accident scheme
- / To provide funds for the program designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents and for other rehabilitation programs for persons injured in transport accidents
- / To collect and assess data and statistics in relation to transport accidents



- / To provide advice to the Minister in relation to matters specifically referred to the Commission by the Minister and generally in relation to the administration of this Act and the compensation scheme under this Act
- / To commercially exploit knowledge and expertise in compensation schemes and scheme administration
- / To act as an authorised agent under section 23 of the *Accident Compensation Act 1985*
- / If appointed, to act as an agent of a self-insurer under section 147A of the *Accident Compensation Act 1985*
- / To carry out such other functions conferred on the Commission by this or any other Act
- / To promote the prevention of transport accidents and safety in use of transport
- / To promote, so far as possible, a program designed to secure the early and effective medical and vocational rehabilitation of people injured as a result of transport accidents to whom or on behalf of whom the Commission is or may become liable to make any payment under the Act.

#### **Powers of the Commission (section 13)**

- / To do all things that are necessary or convenient to be done for, or in connection with, the performance of its functions and to enable it to achieve its objectives
- / To enter into agreements or arrangements and settle or compromise differences or disputes with other persons
- / To do all things necessary to be done in connection with the management of its interest in the assigned debt within the meaning of Part 2A of the Act, which deals with the assigned debts of the Pyramid Building Society, Countrywide Building Society and the Geelong Building Society
- / To exercise other powers in relation to the assigned debt of the building societies on behalf of the Treasurer
- / To apply for, obtain and hold intellectual property rights (including patents, copyrights, trademarks and registered designs)

- / To enter into agreements or arrangements for the commercial exploitation within or outside Victoria of intellectual property rights and ancillary services on any terms or conditions as to royalties, lump sum payments or otherwise as the Commission may see fit
- / To enter into agreements or arrangements within or outside Victoria for the provision by the Commission of administration, management or information systems or services
- / To do all things necessary or convenient to be done in connection with acting as an authorised agent of the Victorian WorkCover Authority under section 23 of the *Accident Compensation Act 1985* and as an agent of a self-insurer under section 147A of that Act.

#### **Accountability of the Commission (section 14)**

The Commission must perform its functions and exercise its powers subject to the general direction and control of the Minister and in accordance with any specific written directions given by the Minister in relation to a matter or class of matters specified in the directions.

#### **LEGISLATION**

The following legislative changes have occurred in the period from 1 July 2012 to 30 June 2013:

On 1 July 2012, the *Supported Residential Services (Private Proprietors) Act 2010* amended the definition of "supported accommodation" in section 3(1) of the *Transport Accident Act 1986* by replacing the words "section 3(1) of the Health Services Act 1988" with the words "the Supported Residential Services (Private Proprietors) Act 2010".

On 1 July 2012, the *Disability (Amendment Act) 2012* amended the definition of "supported accommodation" in section 3(1) of the *Transport Accident Act 1986* by replacing the words "community residential unit" with the words "group home".

On 1 July 2012, the *Health Professions Registration (Repeal) Act 2012* amended the definition of "medical service" in section 3(1) of the *Transport Accident Act 1986* by replacing paragraph (ba) of that definition with the following wording:

- "(ba) the provision of acupuncture by a person –
- (i) registered as a Chinese medicine practitioner in the Division of Acupuncturists under the Health Practitioner Regulation National Law; or
  - (ii) whose registration is endorsed under section 97 of the Health Practitioner Regulation National Law as being qualified to practice as an acupuncturist; and"

## SUBORDINATE LEGISLATION

### Regulations

There were no Regulations made during 2012/13.

### Orders in Council

One Order in Council was made during 2012/13:

The Transport Accident Charges Order (No.1) 2012 was made on 13 May 2013 (Gazette 16 May 2013 pp1033). This order fixed the transport accident charges to apply during the 2012/13 financial year. The order increased the transport accident charges for vehicles in all classes by CPI.

## NATIONAL COMPETITION POLICY

### Review of Legislative Restrictions

In accordance with its National Competition Policy commitments, the Government commissioned a review of Victoria's transport accident compensation legislation in September 2000.

The review identified three main restrictions on competition: the compulsory nature of scheme, the TAC as a legislated monopoly and centralised premium setting. To address centralised premium setting, the Assistant Treasurer now has discretion to request the Essential Services Commission to provide an independent review of the TAC's proposed premium each year.

### Competitive Neutrality

Under Competitive Neutrality policy, the TAC is listed as a significant business enterprise. In accordance with this policy, the TAC pays the full suite of Commonwealth and State taxes or tax equivalents. The TAC is not a net borrower in its own right and therefore is not subject to the Financial Accommodation Levy.

## VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

During 2012/13, the TAC commenced two contracts totalling \$9.4 million to which the *Victorian Industry Participation Policy Act 2003* applied. The commitments by contractors under VIPP included an overall level of local content of 100% of the total value of the contracts, 12 full time equivalent jobs. No contracts were completed to which the VIPP applied.

## CONSULTANTS

During 2012/13, there were three consultants engaged where the cost of each individual engagement was in excess of \$10,000.

There were no other consultants engaged during the year where the total cost was less than \$10,000 per individual engagement. Total approved project fees and expenditure for 2012/13 exclude GST.

Consultancies (>\$10,000)	Description of work	Total approved project fee \$000	2012/13 expenditure \$000	Future expenditure \$000
Deloitte Touche Tohmatsu	Strategic Conversations - Introduction of a new approach to strategy development	644	211	433
Deloitte Touche Tohmatsu	Value for money review	150	25	125
PricewaterhouseCoopers	Development of Information and Analytics Strategy	23	23	-
Roger & Marlene Hallam	Value for money review	35	-	35

### **BUILDING ACT 1993**

The TAC's policy with respect to new building works, and alterations to existing buildings, is to comply with the *Building Act 1993* as though the TAC were not exempt from compliance as a public authority (this is provided for in section 217 (3) of the *Building Act 1993*).

Some premises occupied by the TAC may have been constructed or altered under exemptions for public bodies which applied at the time.

The TAC is unaware of any material non-compliance with the current building standards for buildings of their nature and age.

### **PROTECTED DISCLOSURE ACT 2012/ WHISTLEBLOWERS PROTECTION ACT 2001**

The *Protected Disclosure Act 2012* came into effect on 10 February 2013. The *Protected Disclosure Act 2013* replaces the *Whistleblowers Protection Act 2001*.

Under the *Whistleblowers Protection Act 2001*, the TAC could receive disclosures. From 1 July 2012 to 9 February 2013, there were no disclosures or investigations of improper conduct or detrimental actions made to the TAC by staff or referred to the TAC by the Ombudsman or other persons under the *Whistleblowers Protection Act 2001*.

Under the *Protected Disclosure Act 2012*, the TAC is no longer a public body that can receive disclosures.

### **ENVIRONMENTAL PERFORMANCE**

The TAC has a Green Office policy focussed on protecting the environment and supporting sustainable outcomes.

During 2012/13, the TAC continued a number of environmentally sustainable initiatives, supported by a corporate social responsibility committee, to reduce waste and improve resource efficiency.

### **CHARTER OF HUMAN RIGHTS AND RESPONSIBILITIES COMPLIANCE**

The TAC conducts regular updates to claims staff on the Charter of Human Rights and Responsibilities. All claims policies and work practices are audited for compliance with the Charter to help claims staff make decisions that are consistent with the provisions of the *Transport Accident Act 1986* (TA Act) and the Charter.

There is a designated team of lawyers who are available to assist all staff Charter queries.

### **MISCELLANEOUS DISCLOSURE**

To the extent applicable, the information required under Financial Reporting Direction 22 issued by the Minister for Finance under Section 8 of the *Financial Management Act 1994* has been prepared and is available on request.

#### **Advertising and Communications Disclosure**

Effective 1 July 2012, new disclosures relating to the State Government's commitment to transparency of advertising and communications expenditure, must be included in the report of operations. The disclosure of advertising expenditure is required for each government advertising campaign with total media buy of \$150,000.

Name of Campaign	Campaign summary	Start/End date	Advertising (Media) Expenditure 2012-13 (ex. GST)	Creative and campaign development Expenditure 2012-13 (ex. GST)	Research and evaluation Expenditure 2012-13 (ex. GST)
Speed "Reconstruction"	A campaign addressing the physics and physical consequences of low level speeding.	11/07/12 - 31/07/12	\$777,091	\$64,051	\$26,645
Drugs & Driving "The Cell"	A campaign addressing the impact of illicit drugs (methamphetamine) on the ability to control a vehicle and the potential consequences.	01/08/12 - 06/09/12	\$1,158,831	\$65,429	\$26,645
Drink Drive "Bloody Idiots"	A campaign addressing the impact of alcohol on the ability to control a vehicle and the ripple effect consequences.	07/09/12 - 08/10/12	\$1,896,917	\$336,432	\$26,645
Victoria's Road Safety Strategy - Survey	Press support for the community survey to inform the development of Victoria's Road Safety Strategy 2013-2022.	31/08/12 - 10/09/13	\$233,998	\$28,164	-
Speed "Pictures of You"	A campaign that highlights the relationship between the tragic impact of speed-related trauma and the importance of speed cameras in reducing a driver's tendency to speed.	09/10/12 - 21/11/12	\$2,035,077	\$199,120	\$26,645
Police Enforcement "The Party's Over"	A multifaceted campaign to support increased on-road Police enforcement activity, targeting drink driving, speeding, drug driving, unlicensed drivers and unregistered vehicles.	22/11/12 - 08/01/13	\$2,275,448	\$722,972	\$51,845
Drink Drive "Booze Busted"	An online-focused campaign targetting drink driving males, highlighting the extent and severity of penalties for repeat drink driving.	12/11/12 - 20/12/12	\$345,026	\$159,724	\$36,395
Homesafely Community Engagement	An innovative campaign using online, radio and digital outdoor to engage with the community and garner support for road safety messaging during Christmas and New Year.	17/12/12 - 14/01/13	\$160,703	\$174,192	-
Youth Risk Taking - MAFMAD Short Films 2012	A cinema and online campaign showcasing the two winning Make A Film Make A Difference (MAFMAD) concepts, developed by young people, addressing peer influence among 18-25 year olds.	13/12/12 - 03/02/13	\$390,183	\$239,516	\$33,045
Vehicle Safety "James"	A campaign promoting the benefits of safety features in new or used cars and promoting howsafeisyourcar.com.au for more information about vehicle safety.	10/01/13 - 07/02/13	\$1,039,102	\$171,012	\$26,645
Motorcycles "Risk & Responsibility"	A campaign promoting improved rider skills and strategies that riders can employ to reduce their risk.	08/02/13 - 26/02/13	\$1,108,900	\$82,336	\$41,510
Distractions "Blind"	A campaign reminding drivers, pedestrians and cyclists of the dangers of distractions, including mobile phones and other devices.	27/02/13 - 14/03/13	\$2,825,597	\$1,022,883	\$66,185

Name of Campaign	Campaign summary	Start/End date	Advertising (Media) Expenditure 2012-13 (ex. GST)	Creative and campaign development Expenditure 2012-13 (ex. GST)	Research and evaluation Expenditure 2012-13 (ex. GST)
Youth Risk Taking "Roadtrip Forever"	A campaign that uses social media to allow the public to experience first-hand the potential consequences of youth risk taking. Two engaging online interactive videos focus on the dangers of speed and distractions whilst driving.	04/03/13 - 31/05/13	\$351,311	\$808,500	\$52,445
Motorcycles & Drivers "Vice Versa"	A campaign addressing drivers and motorcyclists about shared responsibility on the road and greater respect for all road users.	15/03/13 - 26/03/13	\$398,385	\$49,244	\$41,510
Fatigue "SES Driver Reviver"	A campaign addressing fatigue on long drives and reminding drivers that SES Driver Reviver stops will be in operation.	07/03/13 - 03/04/13	\$282,086	\$47,040	\$26,645
Police Enforcement "The Party's Over"	Existing campaign adapted to raise awareness of increased police enforcement activity during the Easter period.	07/03/13 - 03/04/13	\$222,168	\$20,435	-
Drugs & Driving "Swap"	A campaign addressing the affects of illicit drugs (cannabis) on the ability to control a vehicle and the potential traumatic consequences.	04/04/13 - 07/05/13	\$1,503,571	\$63,553	\$26,645
Vehicle Safety "James"	A campaign promoting the benefits of safety features in new or used cars and promoting howsafeisyourcar.com.au for more information about vehicle safety.	08/05/13 - 06/06/13	\$1,354,249	\$91,603	\$26,645
Youth Risk Taking - MAFMAD Competition 2013	Promotion of the 2013 MAFMAD competition, a program asking young people to develop short films addressing youth risk taking on the road.	01/05/13 - 28/05/13	\$223,310	\$36,096	-
Police Enforcement "The Party's Over"	Existing campaign adapted to raise road user awareness of increased police enforcement activity during the Queen's Birthday long weekend.	07/06/13 - 10/06/13	\$312,991	\$11,948	-
Speed "Pictures of You"	A campaign that highlights the relationship between the tragic impact of speed-related trauma and the importance of speed cameras in reducing a driver's tendency to speed.	11/06/13 - 07/07/13	\$2,137,853	\$86,575	\$26,645
Child Safety "Thingle Toodle"	A year-long campaign using existing advertisements as part of the Victorian "Starting Out Safely" program, addressing early childhood education and parental influence on issues such as seatbelts, helmet wearing and crossing the road.	August 2012 - June 2013	\$309,327	\$54,137	-
Youth "TAC Cup Future Stars"	Media and content partnership for the TAC Cup Future Stars program addressing speeding among young learner drivers before speeding habits are established.	July - Sept 2012 & May - June 2013	\$450,000	\$41,749	-

## SCHEME NOTES

### Service of documents

Section 130 of the *Transport Accident Act 1986* sets out the method of service of documents on the TAC: by personally serving an authorised officer at the TAC's Melbourne office. People wishing to effect service should attend the TAC's Customer Service Centre, 60 Brougham Street, Geelong, and ask for an authorised officer to accept service.

Alternatively, an authorised officer of the TAC will give a written acknowledgment of service of process directed as follows:

Head of Claims  
PO Box 742  
GEELONG 3220  
Ausdoc: DX 216079 Geelong

Please note that this is a voluntary process and that proof of posting is not proof of service. If an acknowledgment letter is not received within 10 days after sending process by mail, personal service should be attempted under section 130.

## ACCESS TO INFORMATION

### Freedom of Information

The TAC officers responsible for monitoring receipt of requests and decision making under the *Freedom of Information Act 1982* are Justine Adams, Ellen Jennings, Debbie Finch, Kate Healy and Tahlee Byars.

Documents created and maintained for claims administration, general administrative, financial and investment functions are primarily electronic with a minority of documents stored using paper and aged documents on microfiche.

During 2012/13: the TAC received 1,213 Freedom of Information (FOI) requests for access to documents, compared with 1,236 during 2011/12. Most requests related to personal documentation. There were no requests for amendment to personal records.

Routine documentation may be released without making a formal FOI request. Potential applicants should therefore first request release of such documentation from the relevant staff member.

Should a formal FOI request be required, a request must be submitted in writing detailing the documents sought, as well as enclosing the statutory \$25.70 application fee, preferably in the form of a cheque payable to "Transport Accident Commission". The statutory application fee of \$25.70 is applicable for the period 1 July 2013 to 30 June 2014 in accordance with the *Monetary Units Act 2004*.

The fee will be waived for applicants seeking personal information who provide a copy of their current valid health care card or pensioner concession card. There is no application fee for a request for amendment to personal records.

The TAC is an agency subject to the *Freedom of Information Act 1982* and is therefore not subject to the direct access provisions of the *Information Privacy Act 2000* and the *Health Records Act 2001*.

Further information about FOI is available from the TAC's website: [www.foi.tac.vic.gov.au](http://www.foi.tac.vic.gov.au) and the Victorian Government FOI Commissioner's website [www.foicommissioner.vic.gov.au](http://www.foicommissioner.vic.gov.au).

Contact details for the TAC's FOI section are as follows:

Freedom of Information Officer  
Transport Accident Commission  
PO Box 742  
GEELONG VIC 3001  
Phone: 1300 654 329  
Fax: (03) 9656 9360  
Email: [foi@tac.vic.gov.au](mailto:foi@tac.vic.gov.au)

### Medical reports for common law purposes

To facilitate clients in receiving legal advice, the TAC will, on request or as part of its agreed protocols, provide copies of medical reports commissioned by the TAC, independently of its normal FOI access arrangements.

Requests for access to medical reports should be directed to the relevant TAC claims officer or, where the reports relate to impairment assessments, to the relevant impairment officer. There is no fee for access to documents under this policy.

### Subpoenas

All subpoenas should be addressed to 'The Authorised Person' and must be personally served on an authorised officer at the TAC's offices at 60 Brougham Street, Geelong. The TAC prefers to have a minimum of 14 days notice prior to the return date of the subpoena.

## PUBLICATIONS

The TAC produces and makes available the following publications:

Description	Mode of access
About the TAC	Copy/Internet
A career at the TAC	Copy
After Your Transport Accident	DVD
Annual Transport Accident charges including GST and duty	Internet
At home with the family	Copy/Internet
Checklist of services available as part of vocational programs	Copy
Choosing an Attendant Care Agency (information sheet)	Copy/Internet
Choosing a residential care service	Copy
Community Group Programs (information sheet)	Copy
Community Road Safety Grants newsletter	Copy/Internet
Community services for families (information sheet)	Copy
Community services (information sheet)	Copy/Internet
Connecting the Dots secondary school resource	Copy/Internet
Course of employment transport accident notes	Copy
Daily support (information sheet)	Copy/Internet
Drive Smart 2 CD-ROM (available to learner drivers)	CD
Empower	Copy/Internet
GST compliance	Copy/Internet
If you need further treatment (information sheet)	Copy/Internet
Independence – an overview for providers	Copy/Internet
Information for people with major injuries (Booklets 1 – 4)	Copy/Internet
Information on TAC medical examinations (information sheet)	Copy/Internet
Integration support billing information	Copy
Kids on the Move primary school resource	Copy
Loss of earnings capacity (information sheet)	Copy/Internet
Muck Up Day DVD	Copy
Occupational physicians - helping you get back to work	Copy/Internet
Occupational physiotherapists - helping you recover and get back to work	Copy/Internet
Occupational physiotherapists list - metro	Copy/Internet
Occupational physiotherapists list - regional	Copy/Internet
Pharmacy expenses	Copy/Internet
Post-hospital support (information sheet)	Copy/Internet
Preparing to go home - hospital discharge checklist	Copy/Internet
Public key infrastructure hospital staff	Copy
RAW DVD secondary school resource	Copy/Internet
Returning to work - information for employers	Copy
Returning to work - information for new employers	Copy
Returning to work (information sheet)	Copy
Residential care (information sheet)	Copy

Description	Mode of access
<i>Ride Smart</i>	Internet
<i>Road Safety Statistical Summary</i>	Internet
<i>Safe driving policy</i>	Copy/Internet
<i>Get Your Gear On</i>	Copy
<i>TAC Annual Reports</i>	Copy/Internet
<i>TAC allied health billing standards</i>	Copy/Internet
<i>TAC loss of earnings benefits for self-employed people</i>	Copy/Internet
<i>TAC billing requirements</i>	Copy/Internet
<i>TAC billing requirements for home, domestic and housekeeping services</i>	Copy
<i>TAC client service charter</i>	Copy/Internet
<i>TAC dependency benefits – a guide for funeral directors</i>	Copy/Internet
<i>TAC domestic services</i>	Copy
<i>TAC equipment suppliers billing standards</i>	Copy/Internet
<i>TAC Enterprise Agreement 2011-2014</i>	Copy
<i>TAC fee schedules</i>	Internet
<i>TAC home modifications information pack</i>	Copy
<i>TAC home services</i>	Copy/Internet
<i>TAC hospital charter</i>	Copy/Internet
<i>TAC hospital services billing standards</i>	Copy/Internet
<i>TAC information for people with soft tissue injuries</i>	Copy/Internet
<i>TAC impairment benefits</i>	Copy/Internet
<i>TAC impairment examination (information sheet)</i>	Copy/Internet
<i>TAC loss of earnings</i>	Copy/Internet
<i>TAC medical billing standards</i>	Copy
<i>TAC post-acute support services</i>	Copy/Internet
<i>TAC prosthetics and orthotics billing standards</i>	Copy
<i>TAC research charter</i>	Copy/Internet
<i>TAC support when a person dies</i>	Copy/Internet
<i>TAC vehicle modifications</i>	Copy/Internet
<i>The TAC and the Victorian Freedom of Information Act 1982</i>	Copy/Internet
<i>The TAC's complaints process</i>	Copy/Internet
<i>The Transport Accident Commission – the benefits of the TAC model for proposed injury insurance</i>	Copy
<i>Therapy Support (information sheet)</i>	Copy/Internet
<i>Traffic Safety Essentials</i>	Copy/Internet
<i>Using modified vehicles – cost exemptions</i>	Copy/Internet
<i>Victorian Trauma Foundation (information kit)</i>	Copy/Internet
<i>Your Feedback</i>	Copy
<i>Your Mental Health</i>	Copy/Internet
<i>Your Privacy and the TAC</i>	Copy/Internet
<i>Your TAC case manager (information sheet)</i>	Copy
<i>Your Voice newsletter</i>	Copy/Internet
<i>4th Edition Impairment Examinations Information Manual</i>	Copy



## Research information

Requests for information for research purposes should be directed in the first instance to the Senior Manager, Claims Research – Mr David Attwood (david\_attwood@tac.vic.gov.au)

The request must be in writing, setting out:

- / the research purposes for which the information will be used
- / a definition of the data requested.

## Access to information on the internet

The TAC's corporate website ([www.tac.vic.gov.au](http://www.tac.vic.gov.au)) includes information about the TAC, its claim policies, fees and benefit entitlement information for the public, clients, providers and key stakeholder groups. Information about road safety initiatives, statistics, promotions, and advice for drivers is available on the TAC's website ([www.tac.vic.gov.au](http://www.tac.vic.gov.au)).

The TAC also hosts road safety discussions at [www.openroads.com.au](http://www.openroads.com.au) and offers drivers information about vehicle crash test results on the How Safe Is Your Car website ([www.howsafeisyourcar.com.au](http://www.howsafeisyourcar.com.au)). Access to information for specific campaigns and target audiences can be found at:  
[www.spokes.com.au](http://www.spokes.com.au) (motorcyclists)  
[www.mafmad.com.au](http://www.mafmad.com.au) (young filmmakers competition)  
[www.picturesofyou.com.au](http://www.picturesofyou.com.au)  
[www.everybodyhurts.com.au](http://www.everybodyhurts.com.au) (speed campaigns)  
[www.roadtripforever.com](http://www.roadtripforever.com) (youth campaign)

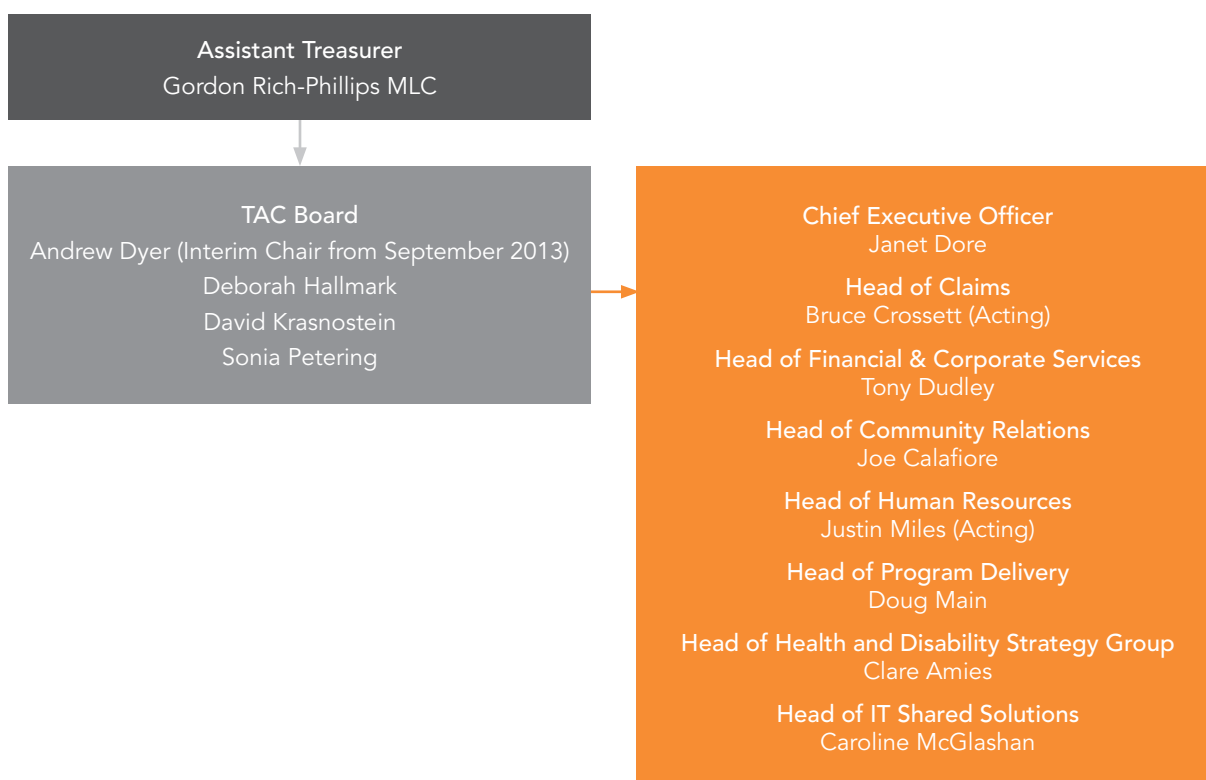
[www.youtube.com.au/tac](http://www.youtube.com.au/tac)  
[www.twitter.com/tacvictoria](http://www.twitter.com/tacvictoria)  
[www.facebook.com/mybloodoath](http://www.facebook.com/mybloodoath)  
[www.facebook.com/ilikevanessa](http://www.facebook.com/ilikevanessa)  
[www.facebook.com/openroads](http://www.facebook.com/openroads)  
[www.facebook.com/slowballchallenge](http://www.facebook.com/slowballchallenge)  
[www.facebook.com/howsafeisyourcar](http://www.facebook.com/howsafeisyourcar)  
[www.facebook.com/transportaccidentcommission](http://www.facebook.com/transportaccidentcommission)

## Application of Merit and Workplace Equity Principles

The TAC strongly believes that all people have the right to work in an environment free of discrimination and harassment. It is the objective of the TAC's Workplace Equity policy to ensure that there shall be no discrimination or harassment relating to race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy or potential pregnancy, religion, political opinion, national extraction, social origin, trade union association or non-association. The TAC regularly undertakes Equal Employment Opportunity training as part of its obligation and commitment to a workplace free of harassment and discrimination. The TAC's objective is to have a workplace free of these issues. To do this, managers must continually show leadership in order to develop and maintain a culture where these sorts of behaviours are unacceptable.

Workforce data	2013	2012
TAC (FTE)	884	824
Average age	38	38

## TAC ORGANISATIONAL STRUCTURE (AS AT PUBLICATION DATE)



# Disclosure Index

The Annual Report of the TAC is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the TAC's compliance with statutory disclosure requirements.

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\* Throughout



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