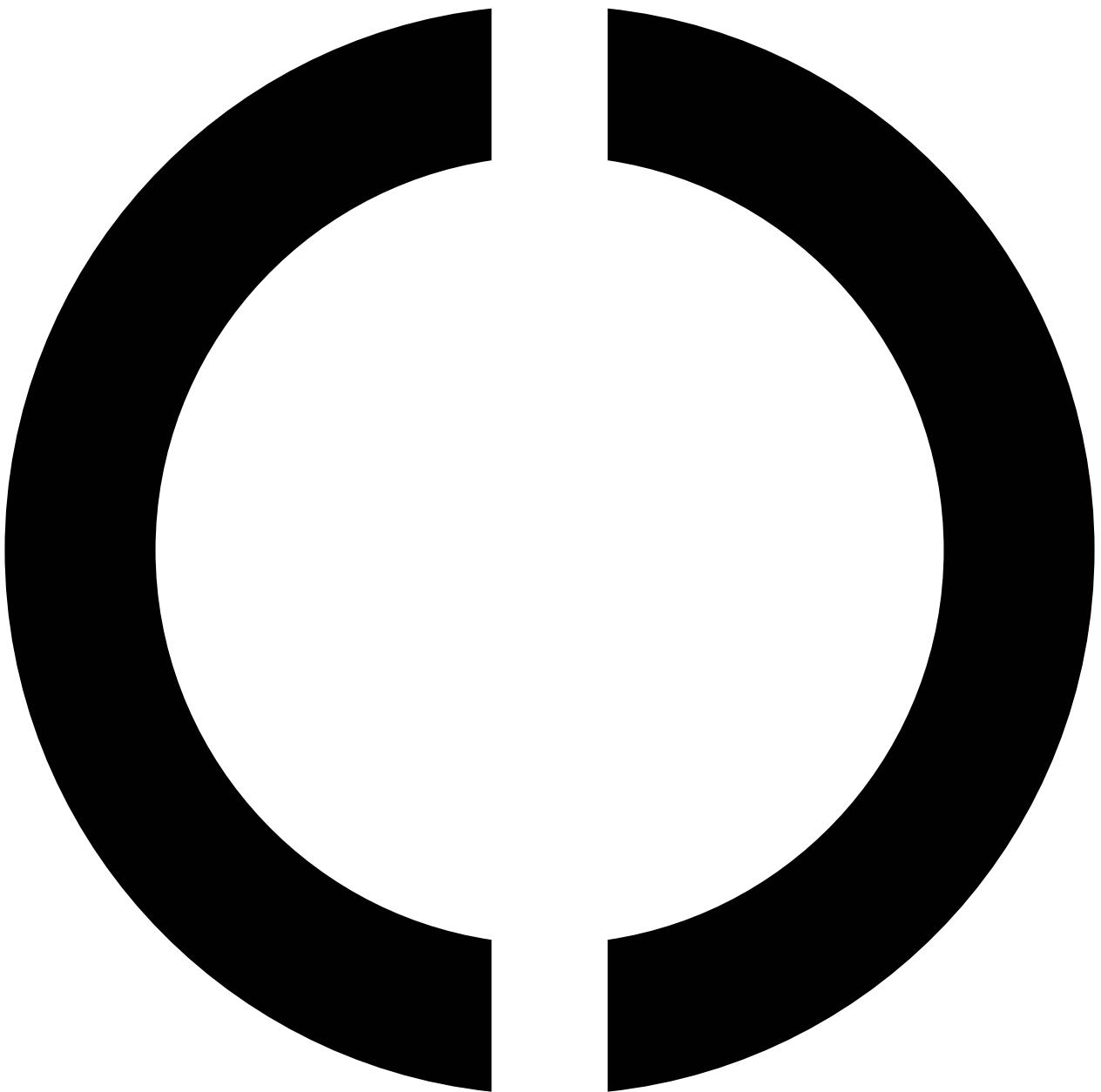


**ANNUAL REPORT  
2014-15**

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Committed to Leading  
Victoria Towards Zero





# CONTENTS

Letter from the Chair to the Ministers	2
Key Achievements 2014-15	4
Chair and CEO's report	6
About the TAC	8
Preventing Death and Serious Injury	10
Road Trauma Statistics	13
Supporting Injured Victorians	16
Managing the Scheme	22
Performance Measures	24
Financial Report	27
Corporate Governance	79
Compliance	83
Disclosure Index	94

# LETTER FROM THE CHAIR TO THE MINISTERS

27 August 2015

The Honourable Luke Donnellan MP  
Minister for Roads and Road Safety  
Level 22, 1 Spring Street  
Melbourne  
Victoria 3000

The Honourable Robin Scott MP  
Minister for Finance  
Level 5, 1 Macarthur Street  
East Melbourne  
Victoria 3002

Dear Ministers

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

A handwritten signature in black ink, appearing to read 'John Walter', with a stylized, cursive script.

**John Walter**  
Chair



VISION: A  
FUTURE WHERE  
EVERY JOURNEY  
IS A SAFE ONE

MISSION: TO WORK  
WITH THE VICTORIAN  
COMMUNITY TO  
REDUCE ROAD  
TRAUMA AND  
SUPPORT THOSE  
IT AFFECTS



# KEY ACHIEVEMENTS 2014-15

**\$1.1 billion**

IN SERVICES  
AND SUPPORTS  
PROVIDED TO

**47,204**

PEOPLE

**\$97.6 million**

CONTRIBUTION TO THE SAFE SYSTEM  
ROAD INFRASTRUCTURE PROGRAM

**\$1.2 million**

TO VICTORIAN COUNCILS  
TO IMPROVE ROAD SAFETY





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# Impact

OF NEW PARENTAL ROLE MODELLING  
CAMPAIGN FELT THROUGH WIDESPREAD  
COVERAGE IN AUSTRALIA AND OVERSEAS

---

# Record high

CLIENT  
SATISFACTION

RECORD EMPLOYEE ENGAGEMENT SCORE OF

# 91/100

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# CHAIR AND CEO'S REPORT



Looking back on 2014-15, the TAC is able to reflect on both achievements and challenges in serving the needs of injured Victorians.

The TAC provided \$1.1 billion in services and supports to 47,204 people, up slightly from 47,115 people in 2013-14. Of that number, 22,138 were new claims.

The work the TAC does in the core areas of prevention, compensation and rehabilitation relies on the long-term financial sustainability of the scheme. Through accident prevention and continued strong claims management, an actuarial release of \$93 million was achieved. This contributed to a performance from insurance operations in 2014-15 of \$413 million, compared to \$325 million in 2013-14.

The TAC recorded a net result of \$175 million in 2014-15, driven by a favourable performance from insurance operations and a strong investment return, partially offset by unfavourable external factors. The TAC's funding ratio as at 30 June 2015 was 92.3 per cent, compared to 91.1 per cent last financial year.

The fact that more than 20,000 people sought support in 2014-15 following a transport accident highlights the key challenge that exists in Victoria to make further gains in the area of accident prevention.

In many ways, 2014-15 marked the beginning of the next transformational step in road safety. The Victorian Government dedicated a specific Minister for Road Safety; work began on a new road safety strategy; and more than ever before, the TAC and its road safety partners acknowledged that for the zero vision to become a reality, it is critical the community accepts that road safety is a shared responsibility and that everyone has a role in making the roads safer.

The TAC's road safety campaigns will continue to play a part. In 2014-15, the new *Parental Role Modelling* campaign focused on the actions of parents and how they can shape the driving behaviour of their children. The impact was felt through widespread media and online coverage, both in Australia and overseas. Other campaigns during the year continued to target drink/drug driving and speed, which remains the leading cause of road trauma, while a pre-Christmas activity *Be Present* highlighted the choices people can make when using the roads to ensure they keep themselves and others safe.

The focus over the past year was also on the important work of preparing young motorists to use the road safely and responsibly; ongoing improvements to the roads with \$97.6 million invested into the Safe System Road Infrastructure Program; and supporting Victoria Police efforts with a \$17.7 million funding commitment for increased roadside drug and alcohol testing.

The targeted efforts of the past year place the TAC in a strong position to lead the community in a bold new direction, where the long term vision of *Towards Zero* will become an ambition that Victorians embrace.

The same ambition the TAC has in accident prevention is shared in an appetite to explore new ways to help injured Victorians recover from an accident. In 2014-15, five TAC clients with severe injuries moved into purpose built units as part of a pilot project designed to explore ways people can live with more independence following an accident.



THE TARGETED EFFORTS OF THE PAST YEAR PLACE THE TAC IN A STRONG POSITION TO LEAD THE COMMUNITY IN A BOLD NEW DIRECTION, WHERE THE LONG TERM VISION OF TOWARDS ZERO WILL BECOME AN AMBITION THAT VICTORIANS EMBRACE

In addition, the TAC collaborated with the National Disability Insurance Agency and WorkSafe Victoria by sharing knowledge and expertise in social insurance. The upcoming relocation of WorkSafe Victoria to Geelong solidifies the region as an insurance centre of excellence. Initiatives will not only benefit clients but will create investment, education and employment opportunities for the wider Geelong community.

Finally, 2014-15 was a period of transition at the TAC, where the seven year tenure of former CEO Janet Dore came to a conclusion. Janet was instrumental in re-focusing the organisation on client outcomes and leading the achievement of record levels of client satisfaction. The TAC acknowledges the enormous contribution Janet made to the TAC and to the community of Geelong over her tenure.

The TAC's people must also be congratulated. It has been enormously rewarding to see such commitment to continuous improvement for the benefit of the Victorian community. The TAC looks forward to working with the Victorian community to reduce road trauma, and to listening to the views of clients, stakeholders and the wider community as to how the service that is provided can be further enhanced.

**John Walter**  
Chair

**Joe Calafiore**  
Chief Executive Officer

IMPACTS ON PROFIT (\$M)					
	10/11	11/12	12/13	13/14	14/15
Performance from insurance operations	187	351	(12)	325	413
Impact on profit from external factors:					
/ Difference between actual investment returns and long-term expected returns	226	(245)	618	644	395
/ Change in inflation assumptions and discount rates	(22)	(1,581)	772	(277)	(586)
Tax	(112)	451	(405)	(193)	(47)
<b>NET RESULT FOR THE YEAR</b>	<b>279</b>	<b>(1,024)</b>	<b>973</b>	<b>499</b>	<b>175</b>
Accounting Funding Ratio*	85.0%	70.8%	84.9%	91.1%	92.3%
Economic Funding Ratio*	117.5%	117.2%	130.8%	145.7%	156.4%

\*The accounting funding ratio is defined as the ratio of net funding assets to net outstanding claims liabilities which are valued using the risk free discount rate and includes a prudential margin, as required by the applicable Australian Accounting Standards. The economic funding ratio is defined as the ratio of net funding assets to net outstanding claims liabilities which are valued using the long term market rate and excludes a prudential margin. Net funding assets are defined as net assets plus net outstanding claims liabilities less intangibles, deferred tax assets and an allowance for expected final dividend.



# ABOUT THE TAC

The TAC is a Victorian Government-owned organisation, established under the *Transport Accident Act 1986* to reduce the social and financial cost of transport accident injuries to the Victorian community.

The TAC's key functions are paying for treatment and support services for people injured in transport accidents, promoting road safety in Victoria and improving the state's trauma system.

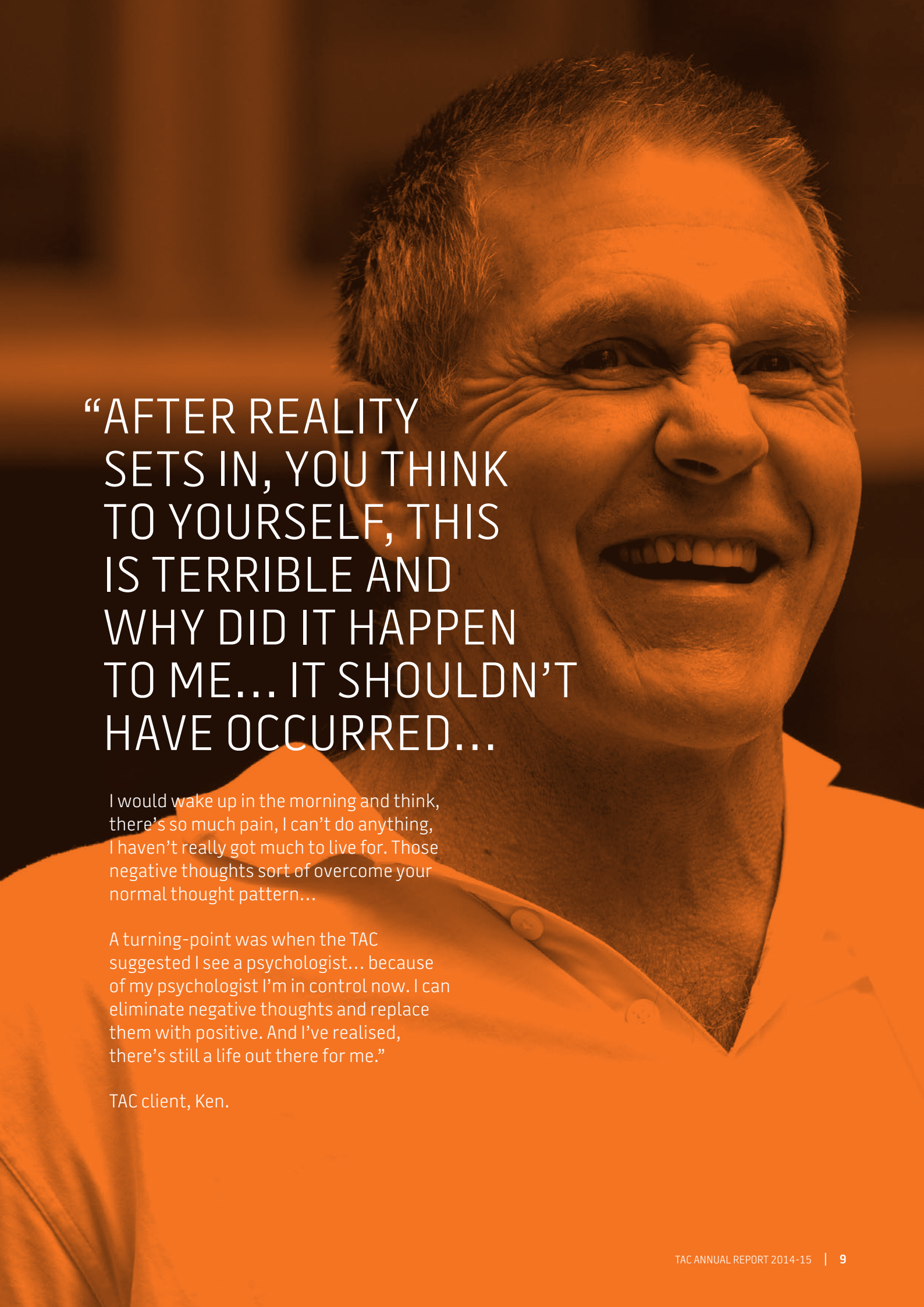
The funds the TAC needs to perform these functions come from payments made by Victorian motorists when they register their vehicles each year with VicRoads.

The TAC covers transport accidents directly caused by the driving of a car, motorcycle, bus, train or tram. The TAC can provide support services for people injured in a transport accident as a driver, passenger, pedestrian, motorcyclist or, in some cases, a cyclist.

The scheme operates on a 'no-fault' basis, 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 is someone else's fault, they may receive a lump sum payment and make a common law claim.

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 treatment and services the TAC pays for include ambulance services, surgery and medical visits, medicines, therapies and nursing visits. Depending on the seriousness of the injury, the TAC's 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.



“AFTER REALITY  
SETS IN, YOU THINK  
TO YOURSELF, THIS  
IS TERRIBLE AND  
WHY DID IT HAPPEN  
TO ME... IT SHOULDN'T  
HAVE OCCURRED...

I would wake up in the morning and think, there's so much pain, I can't do anything, I haven't really got much to live for. Those negative thoughts sort of overcome your normal thought pattern...

A turning-point was when the TAC suggested I see a psychologist... because of my psychologist I'm in control now. I can eliminate negative thoughts and replace them with positive. And I've realised, there's still a life out there for me."

TAC client, Ken.

# PREVENTING DEATH AND SERIOUS INJURY

## 2014-15

The TAC focused on delivering initiatives in line with the Safe System approach and supporting the development of a new Victorian Road Safety Strategy to move the number of deaths and serious injuries on the roads Towards Zero.

The community was given the opportunity to provide input into the strategy via a series of Towards Zero community consultation forums and an online feedback form. More than 450 people participated in the forums, while close to 2,800 people completed the online feedback form.

In 2014-15, the TAC also committed to supporting the Victorian Government's plan to achieve further reductions in young driver crash rates and maintain Victoria's leadership in youth road safety through the development and delivery of a suite of education and training initiatives.

Victoria Police efforts were supported with a \$17.7 million funding commitment for new booze/drug buses and extra drug testing; \$97.6 million was injected into the Safe System Road Infrastructure Program; and local government councils shared in \$1.2 million for projects to increase the safety of cyclists and pedestrians.

Another highlight of the year was the progress of the Enhanced Crash Investigation Study (ECIS). This study aims to examine more than 400 serious injury crashes in detail, giving researchers an unprecedented understanding of how crashes and injuries occur. The project has recruited nearly 130 people who have suffered serious injuries in a crash and another 500 drivers, not involved in crashes, who will form the 'control' group in the survey. Input will also come from expert panels, which will focus on particular crashes and identify any systemic issues. Five of these panel discussions have now taken place. The findings of the study will guide efforts to prevent accidents and reduce the cost of crash-related serious injuries.

All initiatives delivered in 2014-15 support the Safe System approach, which aims to make every journey a safe one by ensuring Victorians are SAFER ROAD USERS, driving SAFER CARS, at SAFER SPEEDS on SAFER ROADS.

### SAFER CARS

#### Increase in Auto-Emergency Braking

The TAC welcomed an increase in the number of new cars available with technology that automatically senses danger and applies the brakes. In the seven months following the TAC's launch of an Australian-first campaign encouraging new car buyers to look for vehicles with Auto-Emergency Braking (AEB), the number of cars available with the technology grew from 129 to 164. AEB systems generally use sensors to detect imminent danger, such as pedestrians or stationary vehicles in the car's path. The sensors trigger a warning and, depending on the AEB version installed, the car will brake automatically if the driver fails to respond. The success of AEB was reflected in new research from Australia (ANCAP) and Europe (EuroNCAP) that revealed a sharp decline in rear-end crashes for vehicles fitted with low-speed AEB compared to those without it. It is hoped Victorians will embrace AEB in a similar way to earlier vehicle safety technologies like Electronic Stability Control (ESC) and side curtain airbags. In the 10 years following the launch of the TAC's ground-breaking ESC campaign in 2004, the number of new vehicles fitted with ESC grew from 10 per cent to 95 per cent.

#### New website to assist first car buyers

A new website was launched by the TAC to help first car buyers find safe vehicles that won't break the bank. The *How Safe is Your First Car* website was developed in response to research showing Victoria's most inexperienced motorists were also the most likely to be driving old and unsafe vehicles. The website shows that it is possible to buy cars with many of the safety technologies, even on a small budget. By clicking onto [www.howsafeisyourfirstcar.com.au](http://www.howsafeisyourfirstcar.com.au) people can access information on thousands of safe used car models as well as do a search based on their individual budgets.





## SAFER SPEEDS

### Campaigns continue to target speed

The TAC's education campaigns continued to target speed, which remains a leading cause of road trauma and is a factor in about 30 per cent of all Victorian road deaths each year. Research conducted by the TAC in 2014-15 showed that Victorians may be changing their speeding habits and attitudes towards speeding. The research revealed Victorian drivers speed less and are more likely to find speeding unacceptable than their interstate counterparts. It found that 73 per cent of Victorians normally drive at or below the speed limit in a 50km/h zone, compared to 64 per cent of non-Victorian respondents. A similar trend was evident in other speed zones, with 72 per cent of Victorians saying they normally drive within the limit in 60km/h zones compared to 62 per cent in other states. Speed limit compliance dropped in 100km/h zones with only 61 of Victorians staying within the limit compared to 51 per cent interstate.

# PREVENTING DEATH AND SERIOUS INJURY

## 2014-15

### SAFER ROADS

#### Safe System Road Infrastructure Program

The TAC remains committed to building safer road infrastructure that will prevent crashes or protect drivers and passengers if a crash happens. In 2014-15, the TAC funded \$97.6 million of improvements, as part of a total commitment of \$1 billion over 10 years. A total of 97 projects were completed, consisting of 53 intersection improvements, 41 run-off road projects and improvements to the safety of three busy shopping strips.

#### Local Government Area (LGA) Small Infrastructure Grants Program

About 20 Victorian councils shared in \$1.2 million under a new TAC program to improve cyclist and pedestrian safety across the state. New bike paths, pedestrian precincts, reduced speed zones in busy shopping areas and crossings were among the projects to receive funding under the LGA Small Infrastructure Grants Program. The program encourages councils to develop solutions to local safety issues for cyclists and pedestrians. TAC data shows these road users account for more than 1,600 serious injuries across the state each year. There were 94 applications received from 52 Victorian councils for funding under the scheme.

Projects funded under the first round of grants included:

- Planning for a new pedestrian-friendly shared zone at the rear of Richmond Station
- A new path through Geelong's Eastern Gardens
- A new segregated bike path connecting two existing paths in Mildura
- Creation of a 40km/h speed limit for the Maryborough CBD

### SAFER ROAD USERS

#### Parental Role Modelling

A new campaign was launched by the TAC in 2014-15 to highlight the role parents play in shaping the driving behaviour of their children. The *Parental Role Modelling* campaign was designed to reduce road trauma among drivers aged 18 to 25, who only make up 12 per cent of drivers in Victoria, yet account for around one in five deaths. It follows international research linking the driving style of parents with that of their children in their first year on their P-plates. Actions like speeding or talking on the phone while driving are things children might pick up from the back seat without parents being aware. Included as part of the campaign was a TV commercial where a young boy, attached to puppet strings, mimics the poor behaviour of his father, illustrating the power of parental role modelling. It is the first time the TAC has directly targeted parents of primary school children, calling on them to consider their role in raising safe and responsible drivers. The impact of the campaign was felt through widespread media and online coverage, both in Australia and overseas.

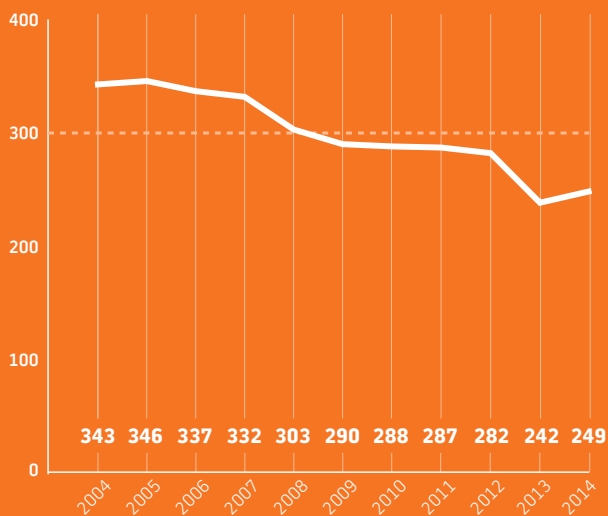
#### Be Present

To highlight road safety ahead of Christmas, the TAC encouraged all Victorians to make an important promise before hitting the roads on the holiday season – to *Be Present*. The campaign carried the message that when driving, people should *Be Present* in the moment – to think about the task at hand and be mindful about what needs to be done to make the journey a safe one. The underlying message was to *Be Present* at Christmas to celebrate all the special festive moments with loved ones. To spread the message, the TAC toured a giant inflatable present where members of the community could make their own personalised Christmas card with their promise to their family and friends to *Be Present* at Christmas.

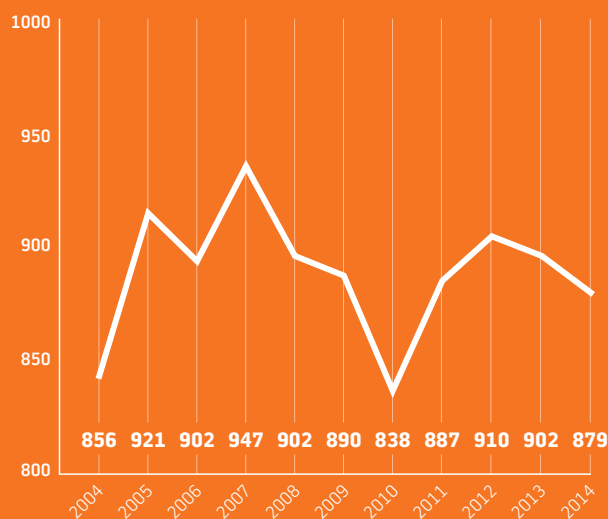
# ROAD TRAUMA STATISTICS

YEAR ENDING DECEMBER 2014

Reported Fatalities 2004-2014



Serious Injuries 2004-2014



PEDESTRIAN DEATHS

44

COMPARED TO 36 IN 2013



112

DEATHS IN METROPOLITAN MELBOURNE, UP FROM 102 IN 2013

137

DEATHS IN COUNTRY VICTORIA, DOWN FROM 141 IN 2013

MOTORCYCLIST DEATHS DOWN

27%



22

ROAD USERS AGED 80+ KILLED DOWN FROM

179

MALES KILLED

32

IN 2013

70

FEMALES KILLED



# PREVENTING DEATH AND SERIOUS INJURY

## 2014-15

### SAFER ROAD USERS *continued*

#### Double Bus campaign

The TAC tackled the growing issue of people driving with illicit drugs in their system in the *Double Bus* campaign, originally developed when booze buses became drug buses in 2006. The *Double Bus* campaign highlights that booze buses also test for drugs, including stimulants such as Methamphetamines (ice and speed) and is a reminder to road users that if they drive on drugs they will be caught. In the last five years, about 37 per cent of all drivers and motorcyclists killed on the roads had drugs in their system, with cannabis and stimulants the most common substances detected.

#### Cyclist safety

The TAC partnered with Cadel Evans – the only Australian to win the prestigious Tour de France – for the Cadel Evans Great Ocean Road Race to raise awareness of the need for all road users to share the road considerably. The event provided an opportunity to remind the community about how vulnerable cyclists are out on the road. In 2014 nine cyclists lost their lives on Victorian roads, up from six in 2013, while many more were hospitalised with injuries.

#### L2P Learner Driver Mentor Program

The L2P Learner Driver Mentor Program received TAC funding for another four years. The program provides supervised driving practice to disadvantaged young Victorian learner drivers who don't have access to a car or a supervising driver. About 1,800 young people participate in the program every year. Since 2007, the TAC has contributed \$22.5 million to the mentor program.

#### Alcohol interlocks

The introduction of alcohol interlock laws was highlighted in a campaign to coincide with an expansion of the program in October 2014. An alcohol interlock stops vehicles from being started if the driver has been drinking. They are proven to reduce drink-driving by up to 64 per cent while they are fitted. The expanded program means that every repeat offender will have to fit an alcohol interlock to any vehicle they drive. A large number of first-time drink drivers and riders will now also end up with an alcohol interlock. Drink drivers are responsible for 25-30 per cent of deaths and 11 per cent of serious injuries on the roads.

#### Fit2Drive

Victorian secondary schools continued to participate in a program aimed at teaching Year 11 students how to avoid risky situations on the roads. The Fit2Drive workshops encourage young Victorians to take responsibility for their own safety and challenge dangerous behaviours on the roads. The workshops are designed to empower young Victorians to have the courage to tell their friends to slow down, put their phone away, put their seatbelts on and not to drive if they've been drinking or taking drugs. The not-for-profit Fit2Drive Foundation is a partnership of the TAC, Victoria Police, VicRoads and the Department of Education and Training.

#### Mobile phone use

The TAC ramped up its pleas to Victorians to stay off their mobile phones while driving, after research found that more than half of Victorian drivers still admit to using their handheld devices at the wheel. Of the nearly 1,000 Victorian drivers surveyed by the TAC, 56 per cent admitted to illegally using their phones while driving. While the figure had decreased from 62 per cent since the previous year, the research showed many Victorians were ignoring the deadly link between distractions and road trauma.

#### Older drivers

The TAC called on older drivers and their families to watch for signs that their ability to drive safely may be declining. Between 1 July 2014 and 15 June 2015, more than 21,000 drivers aged 71 or older had their licences suspended or cancelled after failing a VicRoads medical assessment. The figure had increased from 19,745 the previous financial year. The TAC pointed out that the figures had to be viewed in the context of an ageing population and the fact that there were a lot more older drivers now on the roads.

# PARTNERSHIPS

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

STRATEGIC PARTNERSHIPS	TOTAL
Tennis Australia - Australian Open	\$800,000
AFL Victoria - TAC Cup & Youth Girls Academies	\$465,000
Melbourne Victory	\$306,000
Geelong Football Club	\$228,798
Australian Grand Prix Corporation - Moto GP	\$214,700
Country Racing Victoria	\$175,000
Falls Festival	\$70,000
The Winemakers of Rutherglen	\$51,600
Yarra Valley Winegrowers	\$35,741

COMMUNITY PARTNERSHIPS	TOTAL
Road Trauma Support Services	\$450,000
Give Where You Live	\$60,000
SpinChat	\$46,000
Cadel Evans Great Ocean Road Race	\$40,000
Barwon Health Foundation	\$35,000
Barwon Sports Academy	\$30,000
Cotton On Foundation - Run Geelong / Run Ballarat	\$20,000
Back to Back Theatre	\$15,000
Karingal	\$15,000

## COMMUNITY PARTNERSHIPS

### Road Trauma Support Services

Road Trauma Support Services Victoria is a not-for-profit organisation that provides counselling and support to people affected by road trauma.

### Give Where You Live

Give Where You Live is a charitable organisation that raises funds to address the symptoms and fundamental causes of disadvantage in the Geelong region.

### SpinChat

The SpinChat program aims to promote prevention and educate secondary school students about spinal cord injury.

### Barwon Health Foundation

The Barwon Health Foundation supports Barwon Health in its mission to deliver comprehensive medical, surgical, aged care, rehabilitation, community and mental health services.

### Barwon Sports Academy

The Barwon Sports Academy is a not-for-profit organisation that provides pathways for aspiring athletes to reach higher goals at State and National levels.

### Run Geelong

Run Geelong is a local event where 100 per cent of registration fees go towards supporting and improving health facilities for young people.

### Back to Back Theatre

Back to Back Theatre creates new forms of contemporary theatre imagined from the minds and experiences of a unique ensemble of actors with disabilities.

### Karingal

Karingal is a not-for-profit organisation that commenced services in Geelong in 1952. It was established to improve the quality of life for people with a disability by providing and promoting valued services and care.

### Cadel Evans Great Ocean Road Race

The Cadel Evans Great Ocean Road Race is an elite race on the world cycling calendar. It is inspired by the world's most prestigious one-day cycling races and the first event of its kind in Australia. The event also features the People's Ride for cyclists of all ages and abilities. The event provides an opportunity to remind the community about how vulnerable cyclists are out on the road.

# SUPPORTING INJURED VICTORIANS

2014-15



CALLS ANSWERED BY  
THE TAC'S CUSTOMER  
SERVICE CENTRE

205,151

9.95 MINUTES  
AVERAGE  
CALL TIME

7.65/10

RECORD CLIENT SATISFACTION SCORE

PROCESS IMPROVEMENTS MAINTAINED

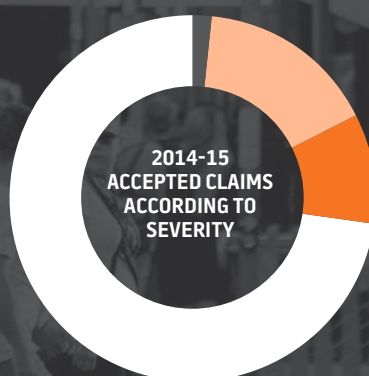
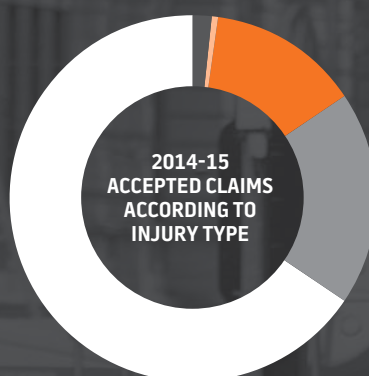
91% 60%

CLIENTS NOT  
HOSPITALISED HAVE  
CLAIM ACCEPTED  
WITHIN 5 DAYS  
OF LODGEMENT

OF HOSPITALISED  
CLIENTS HAVE  
CLAIM ACCEPTED  
WITHIN 5 DAYS  
OF ACCIDENT

45%

OF CLIENTS  
RECEIVE AN  
INCOME PAYMENT  
WITHIN 5 DAYS



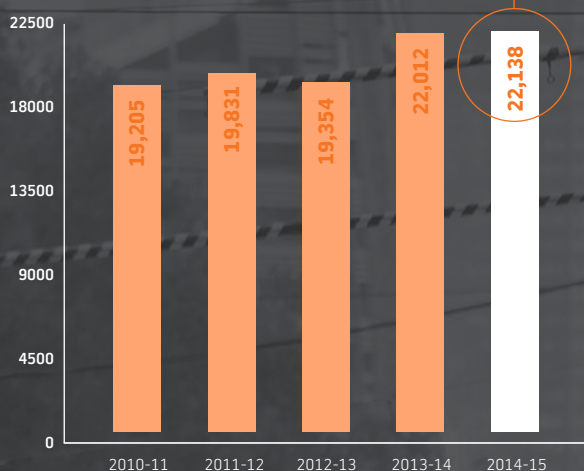


# 22,138

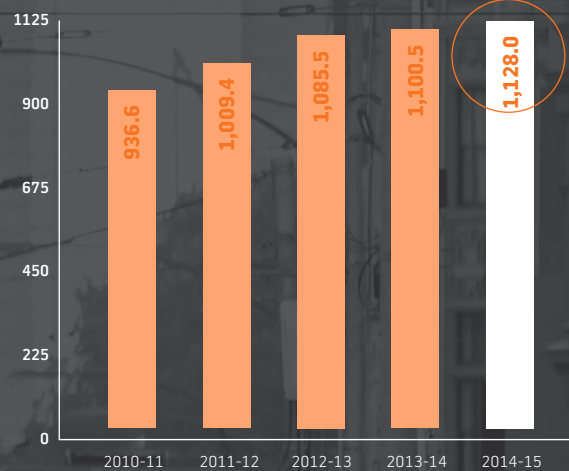
NEW CLAIMS IN 2014-15

# \$1.1 billion

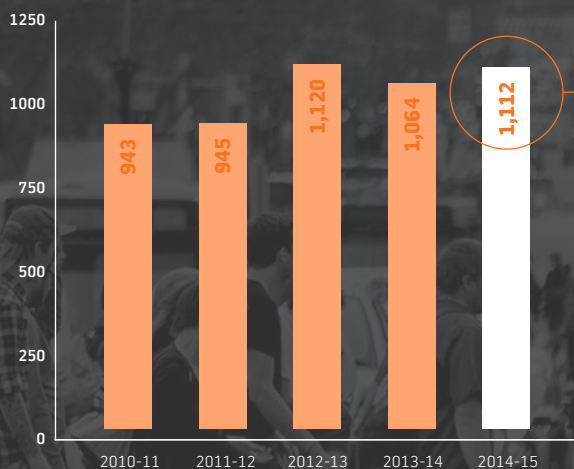
IN SERVICES AND SUPPORTS  
PROVIDED TO 47,204 PEOPLE



Total Claim Lodgements



Total Benefits Paid (\$ million)



Victorian Common Law Resolutions

# 1,112

COMMON LAW DAMAGES CLAIMS  
RESOLVED. 55% RESOLVED  
WITHIN 12 MONTHS FROM  
THE DATE OF APPLICATION

# SUPPORTING INJURED VICTORIANS

## 2014-15

### PROTECTING VULNERABLE CLIENTS

The TAC has established a taskforce that will ensure clients with disabilities are protected from mistreatment and abuse.

The taskforce is among a number of initiatives contained in a comprehensive plan developed by the TAC in response to an internal review and an independent review of client safeguard processes and controls, undertaken by PwC.

The plan includes both a tactical response, which will address any existing degree of vulnerability, as well as a strategic approach that will ensure:

- prevention of potential abuse
- detection of abuse in a timely and effective manner
- response to incidents of abuse in a timely and effective manner, utilising existing support systems in the community as well as strong provider management

The newly established taskforce has already commenced work on identifying clients who may be at risk of abuse and is coordinating a series of well-being checks.

The TAC has always had a zero tolerance approach to abuse but what the taskforce will do is ensure the organisation has the best systems and processes in place to protect those most at risk.

A working group has also been created to ensure issues are escalated to the appropriate authorities.

The TAC's approach has been commended by the Victorian Ombudsman in a June 2015 report *Reporting and Investigation of Allegations of Abuse in the Disability Sector*.

"The TAC's system of welfare checks by Support Coordinators, both in home and in supported accommodation, is also an example of good practice," the report says.

### HELPING CLIENTS WITH MENTAL HEALTH ISSUES

A new approach to helping clients with mental health issues has been expanded to include an early screening process.

This is giving the TAC the information it needs to address client issues earlier and that means being able to offer clients the help they need sooner.

Clients are also being referred to a broader and often more targeted range of services other than the traditional one-on-one psychology or psychiatry services. These may include peer to peer programs, outreach programs and e-health options.

The early screening process has been developed using findings from the TAC's Longitudinal Client Research Study, which was completed in November 2014.

### EXPANDING ACCOMMODATION OPTIONS

Another five TAC clients with severe injuries have moved into purpose-built units, as part of a pilot project designed to support people with disabilities to live as independently as possible in their own home.

The clients moved into units at Lilydale, which were completed in October 2014. Earlier, in September 2013, four clients moved into apartments at Abbotsford.

The pilot project is among a number of solutions being explored by the TAC to address a shortfall in accessible housing for clients with a disability.

For the clients involved in the project, independence is enhanced through a shared model of support and the use of assistive technology. For instance, an iPad and other devices are used to control such features as window furnishings, doors, security and lighting.

Another two properties are under development: eight client units are being built at Frankston and four client units at Glenroy.



## PEOPLE'S STORIES

For many people who have experienced road trauma, listening to other people's stories can provide both comfort and inspiration.

The TAC has now dedicated a section of its website to people's stories, where many clients have already opened up about the challenges they've faced since their accident, what motivates them to get past obstacles and the milestones or turning points in their recovery.

The short video stories provide insight into how clients are dealing with chronic pain, mental health issues or tragically, losing a family member in an accident. The importance of goal setting is a common theme, with many clients talking about how that has helped them to achieve everything from getting back to work to getting dressed independently, doing the housework or going shopping.

New stories are continually being added to the website and there are plans to expand the section to include photo galleries, written stories and poetry.

The new client hub on the TAC's website, titled *Peoples' Stories*, can be found here:  
[www.tac.vic.gov.au/claims/client-zone/peoples-stories](http://www.tac.vic.gov.au/claims/client-zone/peoples-stories).

“It was the hardest thing I’ve ever gone through. It’s something you can never prepare for and it hit me really hard ... there was a time I didn’t even want to leave the house ... I was embarrassed to be seen without a leg. I think taking up a sport was huge for me, you know. It really gives you a confidence boost because you’re surrounded by these people who also have disabilities and just live their life like nothing’s wrong.”

TAC client, Sarah.



# SUPPORTING INJURED VICTORIANS

## 2014-15

### HORIZON SCANNING

A Horizon Scanning program was established in 2014 to identify and track emerging health technologies, treatments and services that have the potential to improve the lives of TAC and WorkSafe clients.

The program is the first of its kind in Australia to focus on compensation health and was developed and piloted in partnership with international horizon scanning experts, the Canadian Agency for Drugs and Technology in Health (CADTH).

The program is designed to identify new health technologies, treatments and services at the earliest of stages, which will support a better understanding and awareness of the future health and disability landscape. It will also help to inform decisions on where to focus research, set priorities and plan for the future.

The topics covered during the first phase of the program include:

- 3-D printing for manufacturing prosthetics
- Mind-controlled prosthetic arm
- Abdominal functional electrical stimulation to improve respiratory function after spinal cord injury
- Donated human tissue for wound healing

As Horizon Scanning looks into the future, benefits from the technologies, treatments and services identified during scanning would take between two to four years to be realised.

The Horizon Scanning program is being conducted by the Institute for Safety, Compensation and Recovery Research (ISCRR), a joint initiative of the TAC, WorkSafe and Monash University. ISCRR was 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 current collaboration agreement in place until June 2018.

### SMALL GRANTS PROGRAM

The TAC's Small Grants Program encourages innovative projects that facilitate clients to live independently, increase quality of life, attain life goals and become active members of their communities. In 2014-15, the TAC approved the funding of seven Small Grants projects at a total of \$150,000.

### AUSTRALIAN INJURY AND DISABILITY INSURANCE NETWORK

The TAC has led the establishment of the Australian Injury and Disability Insurance Network, with core partners WorkSafe Victoria and the National Disability Insurance Agency (NDIA), to foster, develop and inspire excellence in the sector.

The Network was formed in Geelong after the successful relocation of the TAC to the regional city in 2009, followed by the NDIA in 2014 and soon WorkSafe Victoria.

The Network now has 12 collaborating partners and there are a number of initiatives already underway that will benefit the clients of all three schemes.

They include:

- **Professional Development Centre** – In collaboration with Deakin and the Gordon, a Professional Development Centre is being established to offer tertiary education (university and TAFE) programs that meet the current and future workforce needs of the Network partners.
- **Diversity Field Officer trial** – Jointly conducted by Deakin University and the Australian Federation of Disability Organisations, this trial will test an employment engagement strategy for small to medium size businesses aimed at increasing employment opportunities for people living with a disability.

As the Network grows and develops, it is also expected to create investment, education and employment opportunities for the wider community.

### IMPROVING SERVICES FOR PEOPLE WITH BRAIN INJURIES

The TAC contributed \$9 million towards a new facility at Caulfield Hospital, which will ensure Victorians who are left with a severe brain injury after a transport accident have access to specialised rehabilitation services. The Acquired Brain Injury (ABI) Rehabilitation Centre is expected to improve clients' long-term prospects and quality of life.

Every four days someone in Victoria suffers a severe brain injury in a road crash.

# RESOLVING DISPUTES AND COMPLAINTS

The TAC makes hundreds of decisions that affect clients each week. Sometimes a client does not accept or understand a decision made by the TAC, and in these cases, a client may choose to have the decision:

- Informally reviewed by the TAC;
- Reviewed under the No Fault Dispute Resolution Protocols; or
- Reviewed by the Victorian Civil and Administrative Tribunal (VCAT) – known as a merit review.

## Informal Reviews

There were 429 requests for an informal review of a TAC decision lodged by clients in 2014-15, compared to 266 in 2013-14 and 308 in 2012-13. About 84 per cent of these informal reviews were resolved within four months, with just over half of the reviews maintaining the TAC's original decision and a third being resolved through compromise or overturned.

## No Fault Dispute Resolution Protocols

In 2005, protocols were implemented in collaboration with legal stakeholders to provide an alternative dispute resolution process to the formal disputation process at VCAT, with a view to reducing the time and cost to resolve disputes about TAC decisions. In 2014-15, the total number of dispute applications lodged pursuant to the No Fault Dispute Resolution Protocols was 1,066, compared to 1,042 applications in 2013-14.

## Merit Reviews

A total of 465 merit review applications were lodged at VCAT in 2014-15. In the previous year, 624 merit reviews were lodged. The number of merit reviews resolved during 2014-15 was 563, compared to 660 in 2013-14.

In September 2014, section s77(1A) of the *Transport Accident Act 1986* was amended to change the timeframe to lodge a merit review application with VCAT for applicants who have already sought review of a TAC decision under the Protocols. The legislation now allows an applicant, who has already sought and been notified of the conclusion of a review under the Protocols, three months to lodge an application for a merit review with VCAT. This three-month timeframe extends the usual merit review application time, which is 12 months

from the date of the TAC decision, for applicants who have completed the Protocols process. For applicants who have not participated in the dispute resolution process under the Protocols, a merit review application must be lodged within 12 months of the date of the TAC decision.

## 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 2014-15, 14 Model Litigant complaints were received compared to two the previous year and six during 2013-14. All complaints were investigated internally 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 the Victorian Ombudsman. In 2014-15, the TAC received 327 formal complaints, compared to 217 in 2013-14 and 206 in 2012-13.

## Freedom of Information

The TAC is committed to extending as far as possible the right of the community to access information held by the TAC. In 2014-15, the TAC received 1,202 Freedom of Information (FOI) applications, compared with 1,170 applications in 2013-14, and 1,213 applications in 2012-13.

In December 2012 the Victorian Freedom of Information Commissioner (FOIC) took office. The Commissioner's functions include reviews of access decisions, handling complaints, monitoring agencies' FOI compliance, reporting and providing advice, education and guidance. In 2014-15, the TAC has had 10 matters referred to the FOIC for review, and one complaint. To date, five of these matters, including the complaint, have been resolved.

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

# MANAGING THE SCHEME

The TAC's objective is to maintain scheme viability through sound capital management in the context of the Victorian Government's Prudential Insurance Standard.

## OPERATING RESULTS

The TAC recorded a total comprehensive result of \$175 million in 2014-15, compared to \$499 million in 2013-14. This positive result was driven by a better than expected performance from insurance operations and an above budget (and benchmark) investment return, partially offset by unfavourable external factors due to falling bond yields.

Buoyant investment markets contributed to the TAC achieving an investment return of 11.7 per cent, compared to 14.7 per cent in 2013-14.

Over the 10 year period to June 2015, the TAC investment fund returned 7.4 per cent per annum (after fees), compared to a benchmark return of 7.57 per cent per annum, relative to the estimated rolling 10-year investment objective return of 7.5 per cent (CPI plus 5 per cent).

## 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.

For 2014-15, the TAC's performance from insurance operations was \$413 million compared to \$325 million in 2013-14. The favourable result was achieved through continued strong claims management and effective marketing and road safety programs. The TAC recorded an actuarial release of \$93 million in 2014-15, compared to \$142 million in 2013-14.

## ASSETS AND LIABILITIES

The TAC's total assets as at June 2015 have increased to \$12.86 billion (\$11.63 billion as at June 2014) due to the strong investment return during the year of 11.7 per cent.

During the year, the Victorian Funds Management Corporation (VFMC) made significant structural changes to the TAC's investment portfolio, whereby investments in Australian and international equities and inflation-linked bonds were consolidated into VFMC trusts, enabling the VFMC to handle major portfolios more efficiently.

Total liabilities as at June 2015 increased to \$13.04 billion (\$11.74 billion as at 30 June 2014).

Notwithstanding the 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 financial position.

The TAC's funding ratio at 30 June 2015 was 92.3 per cent, compared to 91.1 per cent at 30 June 2014.

## 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 final dividend of \$162.5 million relating to the 2013-14 financial year and an interim dividend of \$90.65 million relating to the 2014-15 financial year were paid during 2014-15.

## TRANSPORT ACCIDENT CHARGE

Consistent with the *Transport Accident Act 1986*, transport accident charge levels for motorists increased in line with CPI (2.7 per cent) on 1 July 2014. 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 railways and tramways are set following a review of claims experience by independent actuaries.



# REDUCING FRAUD

In 2014-15, the TAC continued to focus on reducing fraud by intervening and delivering appropriate enforcement in a timely manner.

There were 15 prosecutions finalised through the Magistrates Court with a finding of guilty being recorded in each case. In 10 of these cases, a conviction was recorded and a total of \$437,899 in restitution was awarded to the TAC. In a further eight cases before the courts, the TAC is alleging fraud against the scheme totalling \$253,625. Consistent with a strategy of identifying and responding to potential fraud risk in a more timely manner, 55 warning letters for less significant breaches of the *Transport Accident Act 1986*, relating to fraud and providing false and misleading information, were sent to clients and service providers.

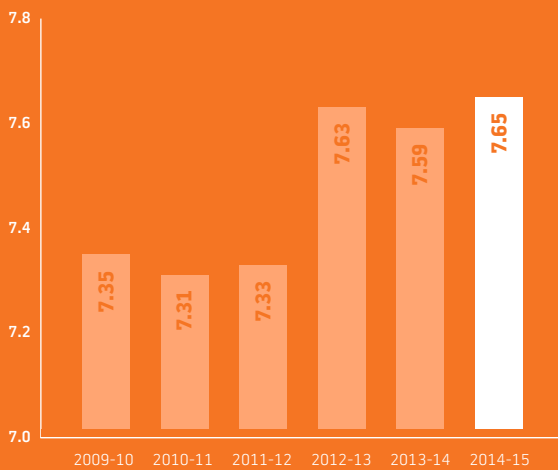
In partnership with VicRoads, the TAC continues to develop and improve the behaviour and awareness of Victorian vehicle owners, operators and dealers in relation to registration and TAC charges. These efforts in the past three years have resulted in the recovery of \$816,629 in underpaid premiums and an additional \$1,389,783 each year in revenue.

The TAC continues to refine and develop its analytics and intelligence capability with a particular focus on identifying outlier behaviour, potential fraud and claim anomalies. The ongoing development and refinement of this capability is designed to ensure the TAC has effective analytics programs to proactively identify, prevent and investigate potential fraud and other inappropriate payments in a timely manner.

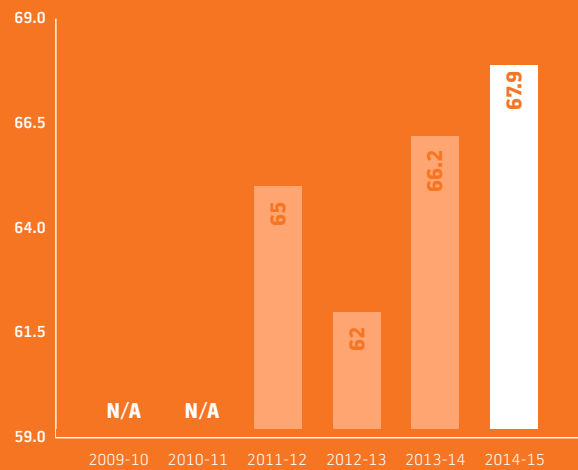
In 2014-15, there was also a continued focus on payments made to medical and allied health providers. This collaborative effort with WorkSafe undertakes periodic reviews aimed at identifying inappropriate provider billing behaviour to ensure that payments made to providers are appropriate and made in line with the relevant TAC policies and fee schedules. Reviews were completed on 5,464 payments that were made to 144 providers across 766 claims. The reviews identified a range of issues which were addressed with the individual providers and also assisted the TAC to make adjustments and improvements to its internal processes and policies. The TAC received reimbursements of about \$20,320 from providers for inappropriate billing, with the main focus for the TAC on continuing to influence and maintain a change in providers' behaviours.

# KEY PERFORMANCE MEASURES

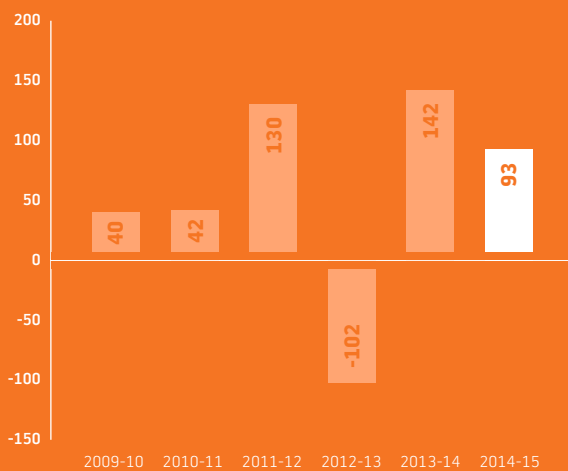
Client Experience - Client Feedback Survey  
(Score / 10)



Client Outcomes Index  
(Index Score)



Scheme Viability – Annual Actuarial Release  
(\$ million)











An aerial photograph of a river winding through a dense, dark forest. The river is visible in the lower-left corner, reflecting light. The surrounding trees are thick and cover the majority of the frame.

# FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

## COMPREHENSIVE INCOME STATEMENT

For the financial year ended 30 June 2015

	NOTE	2015 \$000	2014 \$000
Premium revenue		1,594,194	1,526,242
Reinsurance premium expense		(879)	(1,801)
<b>Net premium revenue</b>		<b>1,593,315</b>	<b>1,524,441</b>
Gross claims incurred	6	(2,205,672)	(1,818,051)
Claims recoveries revenue	6	21,396	14,686
<b>Net claims incurred</b>		<b>(2,184,276)</b>	<b>(1,803,365)</b>
Administration costs	4	(152,908)	(158,905)
Marketing and road safety expenditure		(58,176)	(59,418)
Safer road infrastructure expenditure		(97,637)	(77,181)
Trauma projects expenditure		(9,338)	(11,053)
Premium collection fees	10	(38,959)	(37,244)
<b>Underwriting expenses</b>		<b>(357,018)</b>	<b>(343,801)</b>
<b>Underwriting profit / (loss)</b>		<b>(947,979)</b>	<b>(622,725)</b>
Investment income	5	1,205,529	1,343,512
Investment expense	5	(35,395)	(28,944)
<b>Net Investment Income</b>		<b>1,170,134</b>	<b>1,314,568</b>
<b>Profit / (loss) before income tax</b>		<b>222,155</b>	<b>691,843</b>
Income tax benefit / (expense)	7(a)	(47,272)	(192,832)
<b>Net result for the year</b>		<b>174,883</b>	<b>499,011</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>174,883</b>	<b>499,011</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 2015

	NOTE	2015 \$000	2014 \$000
<b>Current assets</b>			
Cash and cash equivalents	22(a)	34,592	34,157
Receivables	8	82,073	76,630
Investments	9	1,689,788	2,275,514
Deferred acquisition costs	10	19,835	18,656
Other assets	11	2,495	3,252
<b>Total current assets</b>		<b>1,828,783</b>	<b>2,408,209</b>
<b>Non-current assets</b>			
Receivables	8	489,100	431,197
Investments	9	9,917,973	8,112,085
Controlled entity	24	22,000	16,000
Plant and equipment	12	13,790	15,280
Intangibles	13	45,003	57,148
Deferred tax assets	7(c)	541,923	589,195
<b>Total non-current assets</b>		<b>11,029,789</b>	<b>9,220,905</b>
<b>Total assets</b>		<b>12,858,572</b>	<b>11,629,114</b>
<b>Current liabilities</b>			
Outstanding claims	15	1,138,134	1,079,820
Unearned premiums	16	804,266	759,978
Derivative liabilities	9	85,191	19,951
Payables	14	98,276	83,899
Provisions	17	14,185	12,642
Lease liabilities	18(c)	840	841
<b>Total current liabilities</b>		<b>2,140,892</b>	<b>1,957,131</b>
<b>Non-current liabilities</b>			
Outstanding claims	15	10,895,650	9,768,584
Derivative liabilities	9	3,035	6,754
Provisions	17	4,326	3,687
Lease liabilities	18(c)	949	971
<b>Total non-current liabilities</b>		<b>10,903,960</b>	<b>9,779,996</b>
<b>Total liabilities</b>		<b>13,044,852</b>	<b>11,737,127</b>
<b>Net assets / (liabilities)</b>		<b>(186,280)</b>	<b>(108,013)</b>
<b>Equity</b>			
Reserves		18,589	13,194
Accumulated surplus / (deficit)		(204,869)	(121,207)
<b>Total equity</b>		<b>(186,280)</b>	<b>(108,013)</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 financial year ended 30 June 2015

	MOTORCYCLE ROAD SAFETY RESERVE \$000	ACCUMULATED SURPLUS / (DEFICIT) \$000	TOTAL \$000
<b>At 1 July 2013</b>	<b>10,693</b>	<b>(617,717)</b>	<b>(607,024)</b>
<b>Total comprehensive result</b>			
Net result for the year	-	499,011	499,011
Other comprehensive income	-	-	-
<b>Total comprehensive result for the year</b>	<b>-</b>	<b>499,011</b>	<b>499,011</b>
<b>Transactions with owners, recorded directly in equity</b>			
Transfer to Motorcycle Road Safety Reserve	-	(6,521)	(6,521)
Transfer from Motorcycle Road Safety Reserve	-	4,020	4,020
Transfer to accumulated surplus	(4,020)	-	(4,020)
Transfer from accumulated surplus	6,521	-	6,521
Final dividend paid for 2012-13 year	-	-	-
<b>Total transactions with owners</b>	<b>2,501</b>	<b>(2,501)</b>	<b>-</b>
<b>At 30 June 2014</b>	<b>13,194</b>	<b>(121,207)</b>	<b>(108,013)</b>
<b>Total comprehensive result</b>			
Net result for the year	-	174,883	174,883
Other comprehensive income	-	-	-
<b>Total comprehensive result for the year</b>	<b>-</b>	<b>174,883</b>	<b>174,883</b>
<b>Transactions with owners, recorded directly in equity</b>			
Transfer to Motorcycle Road Safety Reserve	-	(6,930)	(6,930)
Transfer from Motorcycle Road Safety Reserve	-	1,535	1,535
Transfer to accumulated surplus	(1,535)	-	(1,535)
Transfer from accumulated surplus	6,930	-	6,930
Final dividend paid for 2013-14 year	-	(162,500)	(162,500)
Interim dividend paid for 2014-15 year	-	(90,650)	(90,650)
<b>Total transactions with owners</b>	<b>5,395</b>	<b>(258,545)</b>	<b>(253,150)</b>
<b>At 30 June 2015</b>	<b>18,589</b>	<b>(204,869)</b>	<b>(186,280)</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 financial year ended 30 June 2015

	NOTE	2015 \$000	2014 \$000
<b>Cash flows from operating activities</b>			
Premiums received		1,803,841	1,710,530
Dividends received		305,139	332,279
Interest received		174,049	128,614
Claims paid		(1,144,064)	(1,111,472)
Claims recoveries received		16,059	10,962
Payments to suppliers and employees		(199,394)	(223,720)
Payments for marketing and road safety projects		(63,180)	(65,815)
Payments for trauma projects and safer road infrastructure expenditure		(122,837)	(92,753)
Goods and services tax paid		(65,232)	(51,811)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>22(b)</b>	<b>704,381</b>	<b>636,814</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(9,270,001)	(4,055,734)
Sale of investments		8,120,448	4,075,133
Funds provided to controlled entity		(6,000)	(5,000)
Purchase of plant and equipment		(1,717)	(1,810)
Proceeds from sale of plant and equipment		835	785
Funds received from VFMC		32,345	28,159
Expenditure on intangibles		(8,391)	(9,489)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(1,132,481)</b>	<b>32,044</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(253,150)	-
<b>Net cash outflow from financing activities</b>		<b>(253,150)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(681,250)</b>	<b>668,858</b>
Cash and cash equivalents at the beginning of the year		1,943,733	1,275,356
Effects of exchange rate changes on cash held in foreign currencies		15,798	(481)
<b>Cash and cash equivalents at end of the year</b>	<b>22(a)</b>	<b>1,278,281</b>	<b>1,943,733</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

Note 1.	Summary of significant accounting policies	33-40
Note 2.	Actuarial assumptions and methods	40-43
Note 3.	Insurance contracts – risk management policies and procedures	44
Note 4.	Administration costs	45
Note 5.	Net investment income	45
Note 6.	Net claims incurred	46
Note 7.	Income tax	47
Note 8.	Receivables	48
Note 9.	Investments	49-50
Note 10.	Deferred acquisition costs	50
Note 11.	Other assets	50
Note 12.	Plant and equipment	51-52
Note 13.	Intangibles	53
Note 14.	Payables	53
Note 15.	Outstanding claims	54-56
Note 16.	Unearned premiums	56
Note 17.	Provisions	57
Note 18.	Commitments	58
Note 19.	Employee superannuation	58-59
Note 20.	Responsible person related disclosures	59-60
Note 21.	Remuneration of executive officers and payments to other personnel	61-62
Note 22.	Notes to the cash flow statement	62
Note 23.	Financial instruments	63-74
Note 24.	Controlled entity	74
Note 25.	Events after reporting date	74



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies

#### Reporting entity

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.

Its principal address is:

Transport Accident Commission  
60 Brougham St  
Geelong VIC 3220

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*.

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 24) as the financial impact of consolidation is considered not material.

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other event is reported.

The Minister of Finance has determined that the TAC is a “for-profit” entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on 27th August 2015.

#### Basis of preparation

This financial report has been prepared on an accruals basis, and is based on historical costs, 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 Australian Accounting Standards, 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 Australian Accounting Standards 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, 7 and 23 in the financial report.

The TAC determines the policies and procedures for fair value measurements in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the purpose of fair value disclosures, the TAC has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, the TAC determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The TAC delivered strong operating results in the year of \$175 million (2014: profit \$499 million) and positive cash flows from operating activities of \$704 million (2014: \$637 million), while the net asset position remains negative \$186 million as at 30 June 2015 (2014: negative \$108 million). Based on the financial projections, which continue to show improvements in the overall financial position, the Directors have concluded that the going concern assumption of the TAC remains appropriate.

## New and amended standards adopted

AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* applies to annual reporting periods beginning on or after 1 January 2014 with retrospective application. The Standard makes amendments to AASB 132 *Financial Instruments: Presentation* by clarifying the offsetting rules and explaining when offsetting can be applied. In particular, it clarifies that the right of set-off must be available today (i.e. not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy.

Where there is a legally enforceable right to set off and the TAC has the right to receive or pay a single net amount and intends to do so, it has, in effect, only a single financial asset or financial liability. As a result, the financial asset and the financial liability are presented on the balance sheet on a net basis. Where the offset conditions are not satisfied, the financial asset and financial liability are presented separately from each other, consistently with their characteristics as the entity's resources or obligations.

As a result, the derivative liabilities have been disclosed separately from the overall investments within the TAC Balance Sheet as at 30 June 2015 and 2014 as well as notes 9 and 23 to provide additional disclosures in relation to the off-setting of financial assets and financial liabilities.

## 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 2015 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 2018
AASB 2014-1	Amendments to Australian Accounting Standards	1 January 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 2014-8	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018

**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 2015 (2014: 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 15) 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% (2014: 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 and 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 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 9). 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 or traded in an open market 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.

*Short Term employee benefit obligations*

Provisions made in respect of employee benefits expected to be settled wholly within 12 months after the end of the reporting period, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

*Other Long Term employee benefit obligations*

Liabilities arising which the entity does not expect the obligations to be wholly settled within 12 months from the end of the reporting period are classified as long term benefits.

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.

*Termination Benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The TAC recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

*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 and equipment**

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 and adjusted if appropriate.

Any gain or loss on disposal is recognised in the comprehensive income statement.

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% (2014: 5% - 15%)
- Computer equipment - 20% - 33% (2014: 20% - 33%)
- Motor vehicles under lease - 33% (2014: 33%)

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

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

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses.

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 (2014: 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 Minister 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) Events after reporting date**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the TAC and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.



**(w) Rounding**

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

**(x) 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 2015	30 JUNE 2014
Average claim frequency (claims per 1000 registered vehicles)	3.63	3.67
Average claim size	\$74,104	\$72,002
- Average attendant care	\$14,486	\$15,153
- Average common law size	\$23,312	\$21,760
- Average all other payment size	\$36,306	\$35,089
Expense rate	8.7%	9.0%
Weighted average discount rate (0 to 20 years) <sup>1</sup>	3.51%	4.11%
Long term discount rate (21+ years)	5.50%	5.50%
Weighted average AWE inflation rate (0 to 20 years)	3.50%	3.75%
Long term AWE inflation rate (21+ years)	3.75%	3.75%
Weighted average CPI inflation rate (0 to 20 years)	2.50%	2.50%
Long term CPI inflation rate (21+ years)	2.50%	2.50%
Average weighted term to settlement from balance date	15.3 years	15.0 years
Risk margin	10.0%	10.0%

<sup>1</sup> Since June 2014, the Commonwealth Government has issued additional and new bonds maturing in more than 15 years. As a result the discount rates used in the outstanding claims provision now use the observed market yields for 20 years, rather than 15, and adopt the long term discount rate assumption for projections more than 20 years after the balance date. Consequently, the sensitivities have been revised to reflect this change in how discount rates are selected.

## 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 is in respect of the current underwriting year and takes into account the expected payments for each payment type (e.g. attendant care, weekly, medical, impairment benefits, common law, other), as well as the proportion of total injured motorists which receive each benefit. The figures shown in the above table are in “current values” i.e. in dollars at the respective balance date before the impact of inflation to the time of payment and discounting the resultant payments back to the valuation date.

The average claim size is further broken down into two key components; the costs of attendant care and common law compensation (including legal costs) per no fault claim. This takes into account the number of injured motorists expected to access the particular compensation as well as the amount of compensation expected to be paid. For completeness, the average size of all other compensation is also shown.

### *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:

- 20.9% of benefits managed by Recovery (2014: 21.7%)
- 7.2 % of benefits managed by Independence (2014: 7.1%)
- 8.0 % of benefits managed by Lump Sum Compensation (2014: 8.8%)

#### *Discount rate*

Discount rates adopted are “risk-free” rates, set by reference to traded Commonwealth Government securities. For years 21 onwards there are few risk free securities on issue with term to maturity beyond this point. Therefore, the long term discount rates are set with reference to historic observed discount rates, as well as the real rate of return above inflation.

#### *Inflation*

Economic inflation assumptions are set by reference to current bank and other economic forecasters.

#### *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 and represents the average inflated and discounted term of payments in the outstanding liability from the balance date to payment.

#### *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. The risk margin applied at balance date was 10.0% (2014: 10.0%).

#### **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.

<b>VARIABLE</b>	<b>IMPACT OF MOVEMENT IN VARIABLE</b>
Average attendant care size	The average attendant care size per no fault claim will vary with the number of injured motorists receiving attendant care and the amount of that compensation. The amount depends not only on the amount of care paid per year but also on the age at which motorists are injured, as many will require care for the rest of their lives. Increases or decreases in any of these components will result in a corresponding impact on claims expense. The +/- x% movement shown in the impact table below represents a x% increase or decrease in all future estimated attendant care payments included in the outstanding claims liability.
Average common law size	The average common law size per no fault claim will vary with the number of injured motorists receiving common law compensation and the amount of that compensation (including legal costs). Increases or decreases in any of these components will result in a corresponding impact on claims expense. The +/- x% movement shown in the impact table below represents a x% increase or decrease in all future estimated common law payments included in the outstanding claims liability.
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.

## Impact of changes in key variables

VARIABLE	MOVEMENT	2015 NET RESULT \$000	2014 NET RESULT \$000	2015 EQUITY \$000	2014 EQUITY \$000
Recognised amounts per the financial statements		174,883	499,011	(186,280)	(108,013)
Average attendant care size	+10%	(181,844)	181,772	(543,007)	(425,252)
	-10%	531,610	816,250	170,447	209,226
Average common law size	+10%	40,524	377,407	(320,639)	(229,617)
	-10%	309,242	620,615	(51,921)	13,591
Expense rate	+1%	97,542	429,451	(263,621)	(177,573)
	-1%	252,224	568,571	(108,939)	(38,453)
Weighted average discount rate (0-20 years) <sup>1</sup>	+0.5%	583,502	857,763	222,339	250,739
	-0.5%	(269,351)	109,402	(630,514)	(497,623)
Long term discount rate (21+ years) <sup>1</sup>	+0.5%	333,089	637,491	(28,074)	30,467
	-0.5%	(3,374)	342,903	(364,537)	(264,121)
Weighted average inflation rate - AWE and CPI (0-20 years) <sup>1</sup>	+0.5%	(269,458)	104,583	(630,621)	(502,441)
	-0.5%	587,699	865,650	226,536	258,626
Long term inflation rate - AWE and CPI (21+ years) <sup>1</sup>	+0.5%	(9,683)	337,706	(370,846)	(269,318)
	-0.5%	339,860	643,106	(21,303)	36,082

<sup>1</sup> Since June 2014, the Commonwealth Government has issued additional and new bonds maturing in more than 15 years. As a result the discount rates used in the outstanding claims provision now use the observed market yields for 20 years, rather than 15, and adopt the long term discount rate assumption for projections more than 20 years after the balance date. Consequently, the sensitivities have been revised to reflect this change in how discount rates are selected.



### 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.

The TAC has developed, implemented and maintained a sound and prudent risk management strategy that encompasses all aspects of the TAC's operations including any 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, if elected by the TAC's Board, protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the TAC's Board;
- where specific reinsurance coverage is elected, 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.

Where coverage is elected, 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

Assets or liabilities arising from insurance or, where applicable, reinsurance contracts entered into by the TAC are directly exposed to interest rate risk.

#### (e) Credit risk

The TAC has no significant concentrations of credit risk. Where applicable, 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. Administration costs

	2015 \$000	2014 \$000
Staff and related	94,595	104,811
Information technology	13,326	13,412
Occupancy and utilities	8,486	8,920
Other operating costs	14,716	16,178
Depreciation and amortisation	21,785	15,584
<b>Total</b>	<b>152,908</b>	<b>158,905</b>

Total administration costs include the following:

Impairment of plant, equipment and intangibles	1,294	701
Operating lease rentals	7,277	7,592
Auditor-General's fees <sup>1</sup>	219	213
Interest on finance lease	18	59
Finance costs <sup>2</sup>	282	47

<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.

#### 5. Net Investment income

	2015 \$000	2014 \$000
Dividends	300,321	331,688
Interest <sup>1</sup>	178,555	124,985
Changes in fair values of investments <sup>2</sup>		
- realised profit / (loss)	436,255	299,188
- unrealised profit / (loss)	290,398	587,651
Investment income	1,205,529	1,343,512
Investment expense <sup>3</sup>	(35,395)	(28,944)
<b>Net investment income</b>	<b>1,170,134</b>	<b>1,314,568</b>

<sup>1</sup> Interest earned includes 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 11.7 per cent for 2014-15, compared to 14.7 per cent for the previous year.

## 6. Net 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.

	2015			2014		
	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000
Gross claims incurred						
Undiscounted	2,855,697	(1,078,554)	1,777,143	3,028,175	1,728,899	4,757,074
Discount movement	(1,370,394)	1,798,923	428,529	(1,652,660)	(1,286,363)	(2,939,023)
	1,485,303	720,369	2,205,672	1,375,515	442,536	1,818,051
Claims recoveries						
Undiscounted	(13,205)	(5,592)	(18,797)	(12,326)	(2,283)	(14,609)
Discount movement	2,937	(5,536)	(2,599)	3,075	(3,152)	(77)
	(10,268)	(11,128)	(21,396)	(9,251)	(5,435)	(14,686)
<b>Net claims incurred</b>	<b>1,475,035</b>	<b>709,241</b>	<b>2,184,276</b>	<b>1,366,264</b>	<b>437,101</b>	<b>1,803,365</b>

The net claims incurred of \$2,184 million (2014: \$1,803 million) is impacted by both internal and external factors as noted below:

	2015 \$M	2014 \$M
Claims incurred – internal <sup>1</sup>	1,598	1,526
Claims incurred – external <sup>2</sup>	586	277
<b>Total claims incurred</b>	<b>2,184</b>	<b>1,803</b>

<sup>1</sup> Claims incurred – internal is \$1,598 million which is slightly higher than that for the previous year. In a maturing scheme like the TAC, claims incurred - internal would normally be expected to increase annually reflecting inflation. For 2014-15 claims experience has been favourable for long term care and treatment benefits, although common law experience has been unfavourable.

<sup>2</sup> Claims incurred – external reflects the financial impact on changes in inflation assumptions, discount rates and risk margins. In 2014-15, these external factors have had an unfavourable impact of \$586 million on claims liabilities, arising primarily from reductions to bond yields over the period.

## 7. Income tax

(a) Income tax recognised in comprehensive income statement	2015 \$000	2014 \$000
<b>Income tax expense / (benefit) comprises:</b>		
Current tax expense / (benefit)	196,351	20,480
Deferred tax adjustment	(142,921)	177,136
Adjustment in respect of prior years	(6,158)	(4,784)
<b>Total tax expense / (benefit)</b>	<b>47,272</b>	<b>192,832</b>
<b>Deferred tax adjustment comprises:</b>		
(Increase) / Decrease in deferred tax assets	23,730	16,683
Increase in deferred tax liabilities	(166,651)	160,453
	<b>(142,921)</b>	<b>177,136</b>
<b>(b) Reconciliation between net result before tax and income tax expense / (benefit)</b>		
Net profit / (loss) before tax	222,155	691,843
Tax at the statutory rate of 30% (2014 - 30%)	66,647	207,553
Imputation gross-up on dividends received	5,946	4,569
Franking credits and withholding tax on dividends received	(19,127)	(14,552)
Sundry items	(6,194)	(4,738)
<b>Income tax expense / (benefit)</b>	<b>47,272</b>	<b>192,832</b>
<b>(c) Deferred tax balances</b>		
<b>Deferred tax assets comprise:</b>		
Carry forward tax losses	322,956	560,365
Claims handling expense included in outstanding claims	289,955	267,694
Provisions and accrued employee entitlements not currently deductible	6,146	5,524
Prepayment	2,372	1,800
Accruals not currently deductible	70	39
	<b>621,499</b>	<b>835,422</b>
<b>Deferred tax liabilities comprise:</b>		
Unrealised gain on investments	77,527	241,886
Difference in depreciation/amortisation of plant and equipment and intangible assets for accounting and income tax purposes	2,049	4,341
	<b>79,576</b>	<b>246,227</b>
<b>Net deferred tax assets</b>	<b>541,923</b>	<b>589,195</b>



## 8. Receivables

	2015 \$000	2014 \$000
<b>Current</b>		
Premiums receivable <sup>1</sup>	16,103	14,755
Claims GST receivable <sup>2</sup>	54,219	50,812
Claims recoveries and other debtors <sup>3</sup>	11,926	11,316
Less: Provision for impairment	(175)	(253)
	11,751	11,063
<b>Total current</b>	<b>82,073</b>	<b>76,630</b>
<b>Non-current</b>		
Claims GST receivable <sup>2</sup>	432,359	378,726
Claims recoveries and other debtors <sup>3</sup>	56,754	52,490
Less: Provision for impairment	(13)	(19)
	56,741	52,471
<b>Total non-current</b>	<b>489,100</b>	<b>431,197</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 \$67.269 million (2014: \$61.933 million) of actuarially determined recoveries with the remaining \$1.223 million (2014: \$1.873 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	2015 \$000	2014 \$000
Balance at 1 July	(272)	(2,619)
Increase in allowance recognised in the net result	-	-
Decrease in allowance recognised in the net result	84	124
Reversal of unused provision recognised in the net result	-	2,223
<b>Balance at 30 June</b>	<b>(188)</b>	<b>(272)</b>

## 9. 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 an annual basis and on a semi-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. The Board's Financial and Investment Strategies Committee also convened during the year 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 and other assets that provide diversification benefits across the general portfolio.

	2015 \$000	2014 \$000
<b>Asset category</b>		
Cash investments	422,499	648,092
Australian equities	1,379,903	1,266,393
International equities	4,180,533	3,685,449
Private equity	337,266	308,342
Inflation linked bonds	1,438,932	1,368,513
Infrastructure	573,199	484,353
Property	793,670	591,133
Diversified fixed income	1,282,270	1,116,435
Insurance	195,868	167,580
Non traditional strategies	907,506	719,117
Overlays <sup>1</sup>	7,889	5,487
<b>Total</b>	<b>11,519,535</b>	<b>10,360,894</b>
Cash and cash equivalents	1,243,689	1,909,576
Investments	10,275,846	8,451,318
<b>Total</b>	<b>11,519,535</b>	<b>10,360,894</b>

<sup>1</sup> Overlays represent the gains or losses on various derivative and swap positions in interest rate, foreign currency and equity markets.

## 9. Investments (continued)

	2015 \$000	2014 \$000
Current		
Investments	1,689,788	2,275,514
Derivative Liabilities	(85,191)	(19,951)
Non-current		
Investments	9,917,973	8,112,085
Derivative Liabilities	(3,035)	(6,754)
<b>Total</b>	<b>11,519,535</b>	<b>10,360,894</b>

The TAC has uncalled capital commitments within its investments totalling \$681.7 million as at 30 June 2015 (2014: \$559.9 million), which have not been recognised on the balance sheet.

During the financial year, the VFMC undertook a significant structural change to TAC's investment portfolio whereby investments in Australian and international equities and inflation linked bonds were consolidated into VFMC trusts.

## 10. Deferred acquisition costs

	2015 \$000	2014 \$000
Balance at 1 July	18,656	17,872
Acquisition costs incurred in the year	40,138	38,028
Amount expensed to comprehensive income statement	(38,959)	(37,244)
<b>Balance at 30 June</b>	<b>19,835</b>	<b>18,656</b>

Deferred acquisition costs represent premium collections fees.

## 11. Other assets

	2015 \$000	2014 \$000
<b>Current</b>		
Prepayments and others	2,495	1,921
GST receivable	-	1,331
<b>Total Current</b>	<b>2,495</b>	<b>3,252</b>

## 12. Plant and equipment

	2015 \$000	2014 \$000
Leasehold improvements	11,552	11,552
Accumulated depreciation	(3,553)	(2,976)
	7,999	8,576
Plant and equipment	9,511	9,226
Accumulated depreciation	(5,487)	(4,315)
	4,024	4,911
Motor vehicles under lease	2,385	2,434
Accumulated depreciation	(618)	(641)
	1,767	1,793
<b>Balance at fair value at 30 June</b>	<b>13,790</b>	<b>15,280</b>

### (a) Reconciliation of carrying amount

MOVEMENTS IN CARRYING AMOUNTS	LEASEHOLD IMPROVEMENTS \$000	PLANT & EQUIPMENT \$000	MOTOR VEHICLES \$000	TOTAL \$000
<b>Balance at 1 July 2013</b>	<b>9,153</b>	<b>5,701</b>	<b>1,973</b>	<b>16,827</b>
Additions	-	464	1,346	1,810
Disposals	-	-	(885)	(885)
Impairment loss	-	-	-	-
Depreciation expense	(577)	(1,254)	(641)	(2,472)
<b>Balance at 30 June 2014</b>	<b>8,576</b>	<b>4,911</b>	<b>1,793</b>	<b>15,280</b>
Additions	-	512	1,205	1,717
Disposals	-	(9)	(655)	(664)
Impairment loss	-	-	-	-
Depreciation expense	(577)	(1,390)	(576)	(2,543)
<b>Balance at 30 June 2015</b>	<b>7,999</b>	<b>4,024</b>	<b>1,767</b>	<b>13,790</b>



**(b) Measurement of fair value**

*(i) Fair Value hierarchy*

Leasehold Improvements and plant and equipment are held at fair value using the depreciated replacement cost method. The inputs used in the valuation include cost of assets, accumulated depreciation and impairment in value in accordance with Note 1(l).

On average the useful life is 20 years for leasehold improvements and 3 - 7 years for plant and equipment with the majority of the assets located in Geelong. The assets are in optimum working condition.

There were no changes in valuation techniques during the year.

FAIR VALUE MEASUREMENT AT END OF REPORTING PERIOD USING				
30 JUNE 2015	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
Leasehold improvements	-	-	7,999	7,999
Plant and equipment	-	-	4,024	4,024
<b>Total at fair value</b>	<b>-</b>	<b>-</b>	<b>12,023</b>	<b>12,023</b>
<b>30 JUNE 2014</b>				
Leasehold improvements	-	-	8,576	8,576
Plant and equipment	-	-	4,911	4,911
<b>Total at fair value</b>	<b>-</b>	<b>-</b>	<b>13,487</b>	<b>13,487</b>

The significant unobservable input to Level 3 valuations is the useful life of the leasehold improvements and plant and equipment. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

*(ii) Level 3 fair values*

The following table shows the reconciliation from the opening balances to the closing balances for Level 3 fair values.

	TOTAL LEVEL 3 \$000
Balance at beginning of the year	13,487
Profit recognised in the comprehensive income statement	
Depreciation	(1,967)
Sales	(9)
Purchases	512
<b>Closing Balance</b>	<b>12,023</b>
Unrealised gains/(losses) for assets held at the end of the period	-

### 13. Intangibles

	2015 \$000	2014 \$000
<b>Computer software</b>		
At cost	129,328	122,231
Less: Accumulated amortisation	(84,325)	(65,083)
<b>Balance at 30 June</b>	<b>45,003</b>	<b>57,148</b>
<b>Movements in carrying amounts</b>		
Balance at 1 July	57,148	61,472
Additions	8,391	9,489
Write down of intangibles	(1,294)	(701)
Current year amortisation	(19,242)	(13,112)
<b>Balance at 30 June</b>	<b>45,003</b>	<b>57,148</b>

### 14. Payables

	2015 \$000	2014 \$000
<b>Current</b>		
Advance premiums <sup>1</sup>	32,038	27,404
GST Payable	668	-
Other creditors and accruals <sup>2</sup>	65,570	56,495
<b>Total Current</b>	<b>98,276</b>	<b>83,899</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.

## 15. Outstanding claims

### (a) Outstanding claims liability

Outstanding claims liability as at 30 June 2015 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Pty Ltd.

	2015 \$000	2014 \$000
Expected future claims payments (undiscounted)	27,212,965	26,584,023
Discount to present value	(17,101,464)	(17,488,355)
	10,111,501	9,095,668
Claims handling expenses	878,652	811,196
	10,990,153	9,906,864
Risk margin	1,043,631	941,540
<b>Outstanding claims liability</b>	<b>12,033,784</b>	<b>10,848,404</b>
Current	1,138,134	1,079,820
Non-current	10,895,650	9,768,584
<b>Outstanding claims liability</b>	<b>12,033,784</b>	<b>10,848,404</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 risk margin applied at balance date was 10.0% (2014: 10.0%).

(c) Reconciliation of movement in discounted outstanding claims liability

	2015			2014		
	GROSS \$000	RECOVERIES \$000	NET \$000	GROSS \$000	RECOVERIES \$000	NET \$000
<b>Outstanding claims brought forward</b>	<b>10,848,404</b>	<b>(491,471)</b>	<b>10,356,933</b>	<b>10,030,338</b>	<b>(451,883)</b>	<b>9,578,455</b>
Effect of changes in economic assumptions	583,914	(2,227)	581,687	245,953	(806)	245,147
Effect of past inflation rate different to assumptions	(35,231)	791	(34,440)	13,255	(100)	13,155
Effect of changes in other assumptions	(62,945)	(7,519)	(70,464)	(28,002)	(2,387)	(30,389)
Increase in claims incurred/recoveries in current accident year	1,485,303	(10,266)	1,475,037	1,375,515	(9,251)	1,366,264
Release of risk margin and claims handling expenses	(197,033)	-	(197,033)	(195,110)	-	(195,110)
Cost of prior year claims moving one year closer to payment	431,664	(2,175)	429,489	406,440	(2,142)	404,298
Incurring claims recognised in the comprehensive income statement	2,205,672	(21,396)	2,184,276	1,818,051	(14,686)	1,803,365
Claims payments and recoveries during the year	(1,077,331)	16,059	(1,061,272)	(1,035,849)	10,962	(1,024,887)
Increase in provision for GST credits	57,039	(57,039)	-	35,864	(35,864)	-
<b>Outstanding claims carried forward</b>	<b>12,033,784</b>	<b>(553,847)</b>	<b>11,479,937</b>	<b>10,848,404</b>	<b>(491,471)</b>	<b>10,356,933</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	2006 \$000	2007 \$000	2008 \$000	2009 \$000	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	TOTAL \$000
<b>Estimate of ultimate claims costs:</b>											
At end of accident year	1,715,906	1,924,878	2,103,279	1,902,683	1,868,977	2,095,677	2,190,740	2,375,635	2,770,542	2,582,261	
One year later	1,674,284	1,896,843	1,818,182	1,870,243	1,822,545	2,122,859	2,089,306	2,643,268	2,368,520		
Two years later	1,436,193	1,964,435	1,787,095	1,980,985	2,048,727	2,179,206	1,973,791	2,410,547			
Three years later	1,417,902	1,925,678	1,789,816	2,091,361	1,972,760	2,280,844	2,046,791				
Four years later	1,335,871	1,925,684	1,761,781	1,917,496	2,196,216	2,281,185					
Five years later	1,361,137	1,820,379	1,821,568	2,106,249	2,402,436						
Six years later	1,419,764	1,952,761	1,902,933	2,077,367							
Seven years later	1,394,534	2,000,101	1,909,672								
Eight years later	1,472,569	1,942,290									
Nine years later	1,457,223										
Current estimate of cumulative claims costs	1,457,223	1,942,290	1,909,672	2,077,367	2,402,436	2,281,185	2,046,791	2,410,547	2,368,520	2,582,261	21,478,292
Cumulative payments	(663,340)	(745,725)	(700,793)	(724,438)	(643,434)	(618,243)	(573,206)	(435,885)	(296,428)	(167,089)	(5,568,581)
<b>Outstanding claims - undiscounted</b>	<b>793,883</b>	<b>1,196,565</b>	<b>1,208,879</b>	<b>1,352,929</b>	<b>1,759,002</b>	<b>1,662,942</b>	<b>1,473,585</b>	<b>1,974,662</b>	<b>2,072,092</b>	<b>2,415,172</b>	<b>15,909,711</b>
Discount											(9,837,441)
2005 and prior claims											4,529,015
Claims handling expenses											878,652
Recoveries and GST credits											553,847
<b>Outstanding claims per balance sheet</b>											<b>12,033,784</b>

**16. Unearned premiums**

	2015 \$000	2014 \$000
Balance at 1 July	759,978	728,841
Deferral of premium written in the year	804,266	759,978
Earning of premium written in previous year	(759,978)	(728,841)
<b>Balance at 30 June</b>	<b>804,266</b>	<b>759,978</b>

## 17. Provisions

	2015 \$000	2014 \$000
<b>Current</b>		
Employee benefits <sup>1</sup>	14,185	12,642
<b>Total current</b>	<b>14,185</b>	<b>12,642</b>
<b>Non-current</b>		
Employee benefits	4,326	3,687
<b>Total non-current</b>	<b>4,326</b>	<b>3,687</b>
 <sup>1</sup> Annual leave and long service leave entitlements expected to be settled:		
- within 12 months of reporting date	6,984	7,000
- beyond 12 months of reporting date	7,201	5,642
<b>Total</b>	<b>14,185</b>	<b>12,642</b>

### (a) Movement in provision

	EMPLOYEE BENEFITS <sup>1</sup> \$000	TOTAL \$000
Balance at the beginning of the year	16,329	16,329
Additional provision recognised	10,657	10,657
Reduction arising from payments	(8,757)	(8,757)
Unwind of discount and effect of changes in the discount rate	282	282
<b>Balance at 30 June 2015</b>	<b>18,511</b>	<b>18,511</b>

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

## 18. Commitments

	2015 \$000	2014 \$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	132,712	145,224
- later than one year but not later than five years	568,637	549,870
- later than five years	280,907	368,500
	<b>982,256</b>	<b>1,063,594</b>
<b>(b) Operating leases <sup>2</sup></b>		
Minimum lease payments:		
- not later than one year	7,576	7,793
- later than one year but not later than five years	33,033	33,528
- later than five years	87,224	95,913
	<b>127,833</b>	<b>137,234</b>
<b>(c) Finance leases</b>		
- not later than one year	905	913
- later than one year but not later than five years	978	1,008
Total minimum lease payments	1,883	1,921
- future finance charges	(94)	(109)
Lease liability <sup>3</sup>	1,789	1,812
- current liability	840	841
- non-current liability	949	971
	<b>1,789</b>	<b>1,812</b>

<sup>1</sup> Included in the administrative expenditure is a total amount of approximately \$908 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs (SSRIP) in Victoria (2014: \$1,014 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.

<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.

## 19. Employee superannuation

Superannuation is provided for employees via the following superannuation funds:

	2015 \$000	2014 \$000
Emergency Services Superannuation Scheme - Revised and New Scheme <sup>1</sup>	367	363
Victorian Superannuation Fund - VicSuper Scheme	4,675	4,766
Private sector complying funds	2,321	2,250
<b>Total</b>	<b>7,363</b>	<b>7,379</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 2015, contributions outstanding were \$nil (2014: \$nil).

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

## 20. 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 were:

### Responsible Ministers:

Honourable Robin Scott MP, Minister for Finance (from 4 December 2014)

Honourable Luke Donnellan MP, Minister for Roads and Road Safety (from 4 December 2014)

Honourable Gordon Rich-Phillips MLC, Assistant Treasurer (up to 3 December 2014)

### Directors:

Mr John Walter (Chair)

Mr Andrew Dyer (end of term 23 June 2015)

Ms Deborah Hallmark

Mr Paul Kirk (appointed 10 October 2014 )

Mr David Krasnostein (resigned 6 March 2015)

Dr Rob Nethercote

Ms Sue O'Connor (appointed 10 October 2014 )

Ms Sonia Petering

### Chief Executive Officer:

Ms Janet Dore<sup>1</sup>

<sup>1</sup> Ms Janet Dore ended her term as Chief Executive Officer on 2 August 2015 and Mr Joe Calafiore was appointed as the new Chief Executive Officer effective 3 August 2015

**(a) Remuneration of responsible persons**

	2015 \$000	2014 \$000
Total remuneration received or receivable by responsible persons <sup>1</sup>	933	820

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

Income Band	2015	2014
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	3	1
\$50,000 - \$59,999	4	3
\$60,000 - \$69,999	-	1
\$80,000 - \$89,999	-	1
\$120,000 - \$129,999	1	-
\$460,000 - \$469,999	-	1
\$470,000 - \$479,999	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, Mr Paul Kirk and Mr John Walter 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:

	2015 \$000	2014 \$000
Claim compensation paid	(79,340)	(73,700)
Annual Workplace Injury Insurance premium paid	(578)	(554)
Cost reimbursement receivable	5,558	6,097
Cost reimbursement payable	(7,386)	(11,796)
Management of catastrophic claims received	1,767	1,528

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.

The spouse of Mr John Walter is a Board member of the Victorian Funds Management Corporation (VFMC). It is the Victorian Government's policy that all the investment assets of the TAC be managed by the VFMC to which TAC agrees to pay a base and performance fee. During 2014-15, the total investment fees incurred to VFMC amounted to \$35.4 million (2014: \$28.9 million).

**(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.



## 21. 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.

	2015 \$000	2014 \$000
Short-term employee benefits	1,589	1,392
Post-employment benefits	109	89
Other long-term employee benefits	-	-
Termination benefits	91	-
<b>Total</b>	<b>1,789</b>	<b>1,481</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	
	2015 NO.	2014 NO.	2015 NO.	2014 NO.
less than \$100,000	4	4	4	4
\$150,000 - \$159,999	1	-	1	-
\$160,000 - \$169,999	1	-	-	-
\$180,000 - \$189,999	-	1	-	1
\$200,000 - \$209,999	1	1	-	-
\$220,000 - \$229,999	-	-	1	1
\$250,000 - \$259,999	-	1	1	-
\$270,000 - \$279,999	-	-	-	1
\$280,000 - \$289,999	1	2	-	-
\$290,000 - \$299,999	1	-	-	2
\$300,000 - \$309,999	1	-	-	-
\$330,000 - \$339,999	-	-	2	-
\$340,000 - \$349,999	-	-	1	-
<b>Total number</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>9</b>
<b>Total annualised employee equivalent<sup>1</sup></b>	<b>5.0</b>	<b>6.5</b>	<b>5.0</b>	<b>6.5</b>
<b>Total amount (\$000)</b>	<b>1,525</b>	<b>1,390</b>	<b>1,789</b>	<b>1,481</b>

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

<sup>2</sup> Executives within the collaborative initiatives of the TAC and Victorian WorkCover Authority are shared between the two organisations. The TAC's share of executives employed by Victorian WorkCover Authority in the collaborative initiatives is included within Note 21(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	2015 NO.	2014 NO.
less than \$100,000	1	2
\$110,000 - \$119,999	-	1
\$420,000 - \$429,999	-	1
<b>Total number</b>	<b>1</b>	<b>4</b>
<b>Total expenses exclusive of GST (\$000)</b>	<b>8</b>	<b>556</b>

**22. 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:

	2015 \$000	2014 \$000
Cash and cash equivalents (bank)	34,592	34,157
Cash equivalents (investments)	1,243,689	1,909,576
<b>Total</b>	<b>1,278,281</b>	<b>1,943,733</b>

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

	2015 \$000	2014 \$000
Net result for the year	174,883	499,011
Depreciation and amortisation	21,785	15,584
Impairment of plant, equipment and intangibles	1,294	701
Finance costs	282	47
Realised profit on sale of investments	(436,255)	(299,188)
Unrealised loss / (profit) on investments	(290,398)	(587,651)
Loss / (profit) on sale of plant and equipment	(171)	100
<b>Changes in assets and liabilities</b>		
Increase / (decrease) in outstanding claims	1,185,380	818,066
Increase / (decrease) in unearned premiums	44,288	31,137
Decrease / (increase) in receivables and other assets	(60,233)	(34,416)
Increase / (decrease) in creditors and provisions	16,254	591
Decrease / (increase) in net deferred tax balances	47,272	192,832
<b>Net cash inflow / (outflow) from operating activities</b>	<b>704,381</b>	<b>636,814</b>

## 23. 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 2015 and 30 June 2014, 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.

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

2015	VARIABLE INTEREST RATE \$000	FIXED MATURITY DATES				NON INTEREST BEARING \$000	TOTAL VALUE \$000
		3 MONTHS OR LESS \$000	4 TO 12 MONTHS \$000	1 TO 5 YEARS \$000	OVER 5 YEARS \$000		
Financial assets							
Cash and cash equivalents	34,592	-	-	-	-	-	34,592
Investments:							
- derivative assets	99,700	-	-	-	-	25,712	125,412
- other investments	336,503	1,105,470	36,610	330,070	304,395	9,369,301	11,482,349
Other assets	-	-	-	-	-	1,411	1,411
	470,795	1,105,470	36,610	330,070	304,395	9,396,424	11,643,764
Financial liabilities							
Payables	-	-	-	-	-	65,570	65,570
Derivative liabilities	33,377	-	-	-	-	54,849	88,226
Other liabilities	-	210	630	949	-	-	1,789
	33,377	210	630	949	-	120,419	155,585
Net financial assets	437,418	1,105,260	35,980	329,121	304,395	9,276,005	11,488,179
2014	VARIABLE INTEREST RATE \$000	FIXED MATURITY DATES				NON INTEREST BEARING \$000	TOTAL VALUE \$000
		3 MONTHS OR LESS \$000	4 TO 12 MONTHS \$000	1 TO 5 YEARS \$000	OVER 5 YEARS \$000		
Financial assets							
Cash and cash equivalents	34,157	-	-	-	-	-	34,157
Investments:							
- derivative assets	42,855	-	-	-	-	38,960	81,815
- other investments	1,595,636	1,623,555	89,601	317,493	306,464	6,373,035	10,305,784
Other assets	-	-	-	-	-	1,873	1,873
	1,672,648	1,623,555	89,601	317,493	306,464	6,413,868	10,423,629
Financial liabilities							
Payables	-	-	-	-	-	56,495	56,495
Derivative liabilities	6,950	-	-	-	-	19,755	26,705
Other liabilities	-	210	631	971	-	-	1,812
	6,950	210	631	971	-	76,250	85,012
Net financial assets	1,665,698	1,623,345	88,970	316,522	306,464	6,337,618	10,338,617

## Reconciliation of net financial assets to net assets

	2015 \$000	2014 \$000
Net financial assets as above	11,488,179	10,338,617
Non-financial assets and liabilities:		
- Other Receivable	569,762	505,954
- Deferred acquisition costs	19,835	18,656
- Other assets	2,495	3,252
- Controlled Entity	22,000	16,000
- Plant and equipment	13,790	15,280
- Intangibles	45,003	57,148
- Deferred tax assets	541,923	589,195
- Outstanding claims	(12,033,784)	(10,848,404)
- Unearned premiums	(804,266)	(759,978)
- Other Payables	(32,706)	(27,404)
- Provisions	(18,511)	(16,329)
<b>Net assets per balance sheet</b>	<b>(186,280)</b>	<b>(108,013)</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):

	2015 \$000	2014 \$000
Impact on profit and equity of a 0.5% increase in interest rates:		
- Before impact of interest rate derivatives	(11,818)	(50,180)
- Impact of interest rate derivatives	6,532	(574)
<b>- After impact of interest rate derivatives</b>	<b>(5,286)</b>	<b>(50,754)</b>
Impact on profit and equity of a 0.5% decrease in interest rates:		
- Before impact of interest rate derivatives	11,826	50,211
- Impact of interest rate derivatives	2,861	574
<b>- After impact of interest rate derivatives</b>	<b>14,687</b>	<b>50,785</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. The proportion of foreign exchange risk which is hedged is reviewed regularly to ensure that the net exposure is maintained at a level which is consistent with the overall investment objectives.

The foreign exchange risk disclosures have been prepared on the basis of the TAC's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the TAC where the unit trust has significant investments in other trusts which also have exposure to the currency markets.

The table below summarises the TAC's exposure to foreign exchange risk:

	INVESTMENT IN FOREIGN CURRENCY		FORWARD CONTRACT COVER		NET EXPOSURE	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
- Australian Dollar	10,147,710	7,822,823	2,527,818	1,948,296	12,675,528	9,771,119
- United States Dollar	1,360,881	1,944,508	(1,629,556)	(947,043)	(268,675)	997,465
- British Pound	(247)	112,811	(156,489)	(244,767)	(156,736)	(131,956)
- Euro Dollar	25,639	234,707	(342,916)	(354,010)	(317,277)	(119,303)
- Japanese Yen	720	63,872	(173,639)	(138,983)	(172,919)	(75,111)
- Other currencies	11,871	168,843	(252,257)	(250,163)	(240,386)	(81,320)
<b>Total investments</b>					<b>11,519,535</b>	<b>10,360,894</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 the value of the Australian dollar relative to foreign currency.

	2015 \$000	2014 \$000
Impact on profit and equity of a 10% increase in foreign exchange rates:		
- Before impact of foreign exchange derivatives	(89,019)	(165,135)
- Impact of foreign exchange derivatives	162,582	130,284
<b>- After impact of foreign exchange derivatives</b>	<b>73,563</b>	<b>(34,851)</b>
Impact on profit or equity of a 10% decrease in foreign exchange rates:		
- Before impact of foreign exchange derivatives	108,801	201,832
- Impact of foreign exchange derivatives	(198,711)	(159,236)
<b>- After impact of foreign exchange derivatives</b>	<b>(89,910)</b>	<b>42,596</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 9). 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:

	2015 \$000	2014 \$000
Impact on profit and equity of a 10% increase in equity prices:		
- listed equities	10,459	153,404
- unlisted equities - Australian	573,287	238,704
- unlisted equities - overseas	58,000	62,683
	<b>641,746</b>	<b>454,791</b>
Impact on profit and equity of a 10% decrease in equity prices:		
- listed equities	(10,459)	(153,404)
- unlisted equities - Australian	(573,287)	(238,704)
- unlisted equities - overseas	(58,000)	(62,683)
	<b>(641,746)</b>	<b>(454,791)</b>

## Credit risk

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

VFMC manages counterparty 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 counter party 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*

VFMC manages credit risk by diversifying the exposure amount with particular issuers and counterparties. 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:

2015	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	34,592	-	34,592
Cash equivalents (investments)	1,243,689	-	1,243,689
Debt securities	793,708	72,660	866,368
Derivative assets	-	125,412	125,412
Other assets	-	1,411	1,411
<b>Total</b>	<b>2,071,989</b>	<b>199,483</b>	<b>2,271,472</b>

2014	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	34,157	-	34,157
Cash equivalents (investments)	1,909,576	-	1,909,576
Debt securities	2,020,201	84,922	2,105,123
Derivative assets	-	81,815	81,815
Other assets	-	1,873	1,873
<b>Total</b>	<b>3,963,934</b>	<b>168,610</b>	<b>4,132,544</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.

2015	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	65,570	-	-	-	65,570
Finance lease liabilities	210	630	949	-	1,789
Derivative liabilities	70,466	14,725	2,964	71	88,226
<b>Total</b>	<b>136,246</b>	<b>15,355</b>	<b>3,913</b>	<b>71</b>	<b>155,585</b>

2014	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	56,495	-	-	-	56,495
Finance lease liabilities	210	631	971	-	1,812
Derivative liabilities	19,374	577	3,656	3,098	26,705
<b>Total</b>	<b>76,079</b>	<b>1,208</b>	<b>4,627</b>	<b>3,098</b>	<b>85,012</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 15.3 years (2014: 15.0 years).

## Offsetting financial assets and financial liabilities

The following table identifies financial assets and liabilities which have been offset in the balance sheet in accordance with *AASB 132 Financial Instruments: Presentation* and those which have not been offset in the balance sheet but are subject to enforceable master netting agreements (or similar arrangements) with trading counterparties.

Financial assets and financial liabilities subject of offsetting arrangements:

2015	GROSS AND NET AMOUNT INCLUDED IN BALANCE SHEET \$000	RELATED AMOUNT NOT SET OFF IN BALANCE SHEET \$000	NET AMOUNT \$000
Derivative assets	125,412	(40,328)	85,084
Derivative liabilities	(88,226)	40,328	(47,898)
<b>Total</b>	<b>37,186</b>	<b>-</b>	<b>37,186</b>
<b>2014</b>			
Derivative assets	81,815	(21,636)	60,179
Derivative liabilities	(26,705)	21,636	(5,069)
<b>Total</b>	<b>55,110</b>	<b>-</b>	<b>55,110</b>

## Fair Value

The TAC uses various methods in estimating the fair value of a financial instrument. The fair value of the financial assets and liabilities reflects the amount at which the instrument could be exchanged in an orderly transaction between market participants at the measurement date.

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).

30 June 2015	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING			
	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
Cash and cash equivalents	34,592	-	-	34,592
Investments				
Cash investments	326,138	96,361	-	422,499
Australian equities	41,706	1,338,180	17	1,379,903
International equities	677,716	3,502,817	-	4,180,533
Private equity	72,264	198,792	66,210	337,266
Inflation linked bonds	35,682	1,403,250	-	1,438,932
Infrastructure	-	27,838	545,361	573,199
Property	7,104	(633)	787,199	793,670
Diversified fixed income	12,213	1,207,341	62,716	1,282,270
Insurance	2	(1,933)	197,799	195,868
Non traditional strategies	402,414	123,085	382,007	907,506
Overlays	4,565	3,324	-	7,889
Other assets	1,411	-	-	1,411
Payables	(65,570)	-	-	(65,570)
Other liabilities	(1,789)	-	-	(1,789)
<b>Net financial assets</b>	<b>1,548,448</b>	<b>7,898,422</b>	<b>2,041,309</b>	<b>11,488,179</b>



30 June 2014	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING			
	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
Cash and cash equivalents	34,157	-	-	34,157
Investments				
Cash investments	590,283	57,809	-	648,092
Australian equities	595,168	671,186	39	1,266,393
International equities	2,159,015	1,526,434	-	3,685,449
Private equity	3,637	2,956	301,749	308,342
Inflation linked bonds	61,161	1,307,352	-	1,368,513
Infrastructure	1,869	34,498	447,986	484,353
Property	4,807	550	585,776	591,133
Diversified fixed income	71,153	1,045,282	-	1,116,435
Insurance	-	1,251	166,329	167,580
Non traditional strategies	279,514	123,144	316,459	719,117
Overlays	-	5,487	-	5,487
Other assets	1,873	-	-	1,873
Payables	(56,495)	-	-	(56,495)
Other liabilities	(1,812)	-	-	(1,812)
<b>Net financial assets</b>	<b>3,744,330</b>	<b>4,775,949</b>	<b>1,818,338</b>	<b>10,338,617</b>

#### Transfers between categories

An amount of \$nil was transferred from Level 1 to Level 3 during the year ended 30 June 2015 (2014: \$0.2 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 2015.

	<b>TOTAL LEVEL 3 \$000</b>
Balance at beginning of the year	1,818,338
Loss recognised in the comprehensive income statement	(38,309)
Sales	(231,364)
Purchases	492,644
Transfer in to Level 3	-
Transfer out of Level 3	-
<b>Closing Balance</b>	<b>2,041,309</b>
Total gains for the period included in profit or loss for assets held at the end of the period	166,882

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:

<b>Investment Classes</b>	<b>2015 \$000</b>	<b>2014 \$000</b>
Infrastructure	545,361	447,986
Private Equity	66,210	301,749
Property	787,199	585,776
Insurance	197,799	166,329
Diversified Fixed Income	62,716	-
Non Traditional Strategies	382,007	316,459
	<b>2,041,292</b>	<b>1,818,299</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 majority of these investments are held via third party pooled investment vehicles, and as such the TAC is not privy to the detailed assumptions or valuation techniques used to value the underlying investment assets. The TAC is reliant on third parties for these valuations and the quantitative information regarding significant unobservable inputs used in the fair value measurement cannot be assessed.

#### *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 based primarily on the discounted cash flow methodology. Key inputs and assumptions which are subject to estimation uncertainty include the choice of risk free discount rates, risk premium, asset utilisation rates, capital expenditure and operating cost forecasts 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 level forecasts, expected foreign taxation rates, long term retail price indices, counter party risks and group taxation 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% (2014: 16.4%), life expectancy estimates obtained from qualified providers and expected premium payments based on "back solving" premiums' optimisation method.

An increase in the weighted average discount rate would decrease the value of the insurance investments. Reductions would result in an increase to the fair value.

An increase in the life expectancy estimates would decrease the value of the insurance investments. Reductions would result in an increase to the fair value.

#### *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.

## 24. Controlled entity

	2015 \$000	2014 \$000
<b>Non current</b>		
Controlled entity	22,000	16,000
<b>Balance at 30 June</b>	<b>22,000</b>	<b>16,000</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 21 December 2010 and its principal activity is to establish a portfolio of residential property configured so that the accommodation is suitable for TAC's seriously injured 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 2015 by the TAC, which are 22,000,000 ordinary units issued at \$1 each, fully paid.

The assets and liabilities as at 30 June 2015 and 30 June 2014 of the RIT for which RIPL acts in the capacity of trustee are:

	2015 \$000	2014 \$000
Total assets	21,255	15,390
Total liabilities	513	268
<b>Net assets</b>	<b>20,742</b>	<b>15,122</b>

The total comprehensive result for the financial year ended 30 June 2015 and 30 June 2014 of the RIT for which RIPL acts in the capacity of trustee are:

	2015 \$000	2014 \$000
Income	313	165
Expenses	(693)	(522)
<b>Total comprehensive result</b>	<b>(380)</b>	<b>(357)</b>

## 25. Events after reporting date

Subsequent to the reporting date, a number of global events have led to significant uncertainties in both the Australian and international financial markets and adversely impacted on the valuation of the TAC's investment portfolio and outstanding claims liabilities.

Based on the latest estimates provided by the VFMC and the independent actuaries, the unfavourable market conditions prevailing between the reporting date and the date of signing the financial statements have reduced the value of the TAC's investments by approximately \$275 million and increased the TAC's outstanding claims liability by approximately \$430 million.

The effects of the above post reporting date events have not been recognised in the financial statements for the year ended 30 June 2015.

## STATEMENT BY CHAIR, 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 2015 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 Melbourne this 27th day of August 2015.



**John Walter**  
Chair



**Joe Calafiore**  
Chief Executive Officer



**Tony Dudley**  
Chief Finance and Accounting Officer



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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Transport Accident Commission

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2015 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 the 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.

*Auditing in the Public Interest*



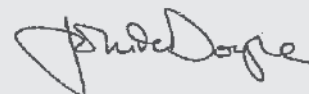
## **Independent Auditor's Report (continued)**

### *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 2015 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*.



MELBOURNE  
3 September 2015

John Doyle  
Auditor-General





# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE

This statement covers the main corporate governance practices that ensure the TAC is managed to achieve its mission, meet commitments to stakeholders and operate commercially.

### Board of Management

**John Walter**

Appointed Chair 2014  
Director since 2013

**Deborah Hallmark**

Appointed 2010

**Andrew Dyer**

Appointed 2009  
End of term 23 June 2015

**Sonia Petering**

Appointed 2007

**Sue O'Connor**

Appointed 2014

**David Krasnostein**

Appointed 2012  
Resigned 6 March 2015

**Rob Nethercote**

Appointed 2013

**Paul Kirk**

Appointed 2014

The Chair and the Board are nominated by the Minister and appointed by the Governor in Council. There were six non-executive directors, including the Chair, as at 30 June 2015.

The Board has established clearly defined accountabilities and delegations for the Chief Executive Officer. Policies and procedures cover all aspects of the TAC's activities and are reviewed regularly to ensure the TAC achieves its objectives regarding:

- Compliance with applicable laws and regulations
- Reliability of financial reporting
- Safeguarding of assets
- Effectiveness and efficiency of operations

### Directors' access to independent professional advice

Directors are entitled to seek independent professional advice in connection with their duties at the TAC's expense, unless determined otherwise by the Board.

## CONFLICT OF INTEREST

If a Director has a direct or indirect pecuniary interest in a matter being considered by the Board, the Director must disclose the nature of the interest. Unless otherwise determined by the Minister or the Board, the Director must not be present during any deliberation of the Board in relation to the matter and must not take part in any decision of the Board in relation to the matter.

## BOARD COMMITTEES

### TAC Committees

#### Audit and Risk Management Committee

Membership: John Walter, Andrew Dyer (until 23 June 2015), David Krasnostein (Chair from 1 July 2014 to 6 March 2015, member until 6 March 2015) and Paul Kirk (Chair from 13 March 2015, member from 10 October 2014), all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

Role:

- Oversee an appropriate risk management framework and consider the effectiveness of the TAC's risk management and internal controls;
- Provide oversight for the issues that potentially impact the TAC's financial reporting process of proposed regulatory, accounting or reporting initiatives;
- Consider the reliability, integrity and completeness of financial information and the financial reporting practices of the TAC presented by management;
- 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 Standard;

- Advise the Financial 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 protected disclosure) for preventing and detecting fraud; and
- Annually recommend to the Board an attestation to government that the TAC complies with the Victorian Government Risk Management Framework.

At its meeting on 30 April 2015, the TAC Board endorsed replacing the Audit and Risk Management Committee with a separate Audit Committee and a Risk Committee to comply with the revised Prudential Insurance Standard which came into effect on 1 July 2015.

### **Board Workshop Advisory Committee**

Membership: John Walter, David Krasnostein (until 6 March 2015), Deb Hallmark, Sonia Petering, Rob Nethercote, Andrew Dyer (until 23 June 2015), Sue O'Connor (member from 10 October 2014) and Paul Kirk (member from 10 October 2014).

Role:

- This forum provides Directors with the opportunity to interact and engage with the relevant stakeholders and provide background information to assist Directors in the discharge of their responsibilities.

## **Joint TAC and WorkSafe Victoria Advisory Committees**

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

Membership: John Walter, Sonia Petering, Andrew Dyer (until 23 June 2015) and David Krasnostein (Chair 1 July 2014 to 6 March 2015, member until 6 March 2015) and Paul Kirk (member from 10 October 2014).

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 Environmental, Social and Corporate governance obligations, and monitor compliance with the Prudential Investment Standard;
- Monitor the success of the VFMC investment strategy by reviewing fund performances compared to objectives, long-term targets and peer benchmarks; and
- Monitor the ongoing health of the agencies' balance sheets and the long term financial sustainability of the schemes.

The Financial and Investment Strategies Committee also advises the Boards in relation to other matters relevant to the management of the agencies' balance sheets, investment funds and other financial strategies as appropriate.

From 1 July 2015, the roles of the Financial and Investment Strategies Committee were absorbed into the Risk Committee and the Board as appropriate to comply with the revised Prudential Insurance Standard.

## Talent Committee

Membership: John Walter and Rob Nethercote.

Role:

- Review and monitor the planning for succession to the positions of the Chief Executive and other executive roles;
- Review and monitor the long-term and continuing program for effective senior leadership development and succession;
- Review the effectiveness of the plans in place for emergency contingencies such as the departure, death, illness, or disability of the Chief Executives or other senior executive officers;
- Ensure that both agencies adopt, monitor and apply appropriate remuneration policies and procedures for all staff and that reporting disclosures related to remuneration meet the Boards' disclosure objectives and all relevant legal, regulatory and (where appropriate) harmonisation requirements; and
- Consider matters referred to the Committee by the Boards.

The Talent Committee was dissolved by the TAC Board at its meeting on 30 April 2015. Talent management strategies are now embedded in the TAC Board's forward plan.

## Business Information Systems Committee

Membership: Andrew Dyer (Chair and member until 23 June 2015).

The Business Information Systems Committee provided stewardship and governance of the combined business systems applications and information technology infrastructure portfolios for TAC and WorkSafe.

The Business Information Systems Committee was dissolved by the TAC Board at its meeting on 25 June 2015. The Board will retain oversight of information technology governance by the incorporation of key milestone and outcomes delivery into the TAC Board's forward plan.

## 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 2015.

## RISK MANAGEMENT

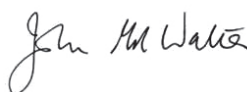
The TAC has in place a risk management framework to ensure effective identification, assessment and management of risks. That framework details the roles of the Board and its committees, management and the internal auditor. The Board is responsible for setting the risk priorities on which the framework 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 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 Risk 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 Executive Team internal attestation process and independent assessments from Internal Audit.

On this basis, I certify that the Transport Accident Commission has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Transport Accident Commission Risk Committee has verified this.



**John Walter**  
Chair  
Transport Accident Commission  
27 August 2015



# COMPLIANCE





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. 13 dated 1 January 2014). The Act sets out the objectives, functions and powers of the TAC.

The Minister for Finance and the Minister for Roads and Road Safety administer the *Transport Accident Act 1986*.

## MINISTERIAL DIRECTIONS

There were no Ministerial Directions given by the Minister for Finance and the Minister for Roads and Road Safety or the former Assistant Treasurer in the period 1 July 2014 to 30 June 2015.

## 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 such 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* or the *Workplace Injury Rehabilitation and Compensation Act 2013* 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 143A 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 referred to in subsection (3) 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 501 of the *Workplace Injury Rehabilitation and Compensation Act 2013*
- If appointed, to act as an agent of a self-insurer under section 392(2) of the *Workplace Injury Rehabilitation and Compensation Act 2013*
- 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 design and 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 apply for, obtain and hold intellectual property rights (including patents, copyrights, trade marks 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 501 of the *Workplace Injury Act 2013* and as an agent of a self-insurer under section 392(2) 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.

If the Commission is given a written direction, the Commission may cause the direction to be published in the Government Gazette and must publish the direction in its next annual report.

## LEGISLATION

The following legislative changes have occurred in the period from 1 July 2014 to 30 June 2015:

On 9 September 2014, the *Courts Legislation Miscellaneous Amendments Act 2014* amended section 77 of the Act to provide that an application for review of a Transport Accident Commission decision may be lodged with the Victorian Civil and Administrative Tribunal within 3 months after negotiations have concluded under the No Fault Dispute Resolution Protocols (agreed between the Commission, the Law Institute of Victoria and the Australian Lawyers Alliance on 1 March 2005) or within 12 months after the applicant becomes aware of the decision, whichever is the latter.

On 23 September 2014 the *Inquiries Act 2014* repealed section 131(2)(e) of the Act. The *Inquiries Act 2014* provides for a new legislative framework for the establishment and conduct of inquiries in Victoria.

## SUBORDINATE LEGISLATION

### Regulations

There were no Regulations made during 2014-15.

### Orders in Council

One Order in Council was made during 2014-15:

- The Transport Accident Charges Order (No.1) 2014 was made on 5 June 2014 (Special Gazette No. S 173 on 5 June 2014). This order fixed the transport accident charges to apply during the 2014-15 financial year. The order increased the transport accident charges for vehicles in all classes by the 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 Minister for Finance 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 2014-15, the TAC commenced one contract totalling \$3.49 million to which a Victorian Industry Participation Policy plan was required under the *Victorian Industry Participation Policy Act 2003*. The commitments by the contractor under VIPP included an overall level of local content of 78.8% of the total value of the contract and eight new full time equivalent jobs to be created. No contracts were completed to which the VIPP applied.

## CONSULTANTS

CONSULTANCIES (>\$10,000)	DESCRIPTION OF WORK	TOTAL APPROVED PROJECT FEE \$000	2014-15 EXPENDITURE \$000	FUTURE EXPENDITURE \$000
Deloitte Access Economics	Evaluation of the TAC Road Safety Public Education Program	152	152	-
Stratica International Pty Ltd	Independent review of EDR (Enterprise Database Rationalisation) project	38	38	-
Egon Zehnder International Pty Ltd	Executive professional development and executive succession services	371	371	-

During 2014-15, 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 2014-15 exclude GST.

## 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.

## THE PROTECTED DISCLOSURE ACT 2012

The TAC encourages the reporting of known or suspected incidences of improper conduct or detrimental actions. Procedures have been established to facilitate disclosures of improper conduct by the TAC and its employees and to ensure that any matters disclosed are properly investigated and dealt with. The procedures provide for the protection from reprisals of persons making disclosures. Included in the procedures are the disclosure mechanisms, confidentiality provisions and the roles and responsibilities of the designated protected disclosure coordinator, the protected disclosure officers, investigators and welfare managers.

Since the *Protected Disclosure Act 2012* came into operation, there have been no known disclosures made to the Independent Broad-based Anti-corruption Commission under section 21(2) of that Act.

## ENVIRONMENTAL PERFORMANCE

The TAC has a Green Office policy focussed on protecting the environment and supporting sustainable outcomes. During 2014-15, the TAC continued a number of environmentally sustainable initiatives, supported by the building owners, their representatives and external sustainability companies to reduce waste and improve resource efficiency.

## CHARTER OF HUMAN RIGHTS AND RESPONSIBILITIES COMPLIANCE

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

## 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 road users is available on the TAC's website ([www.tac.vic.gov.au](http://www.tac.vic.gov.au)).

The TAC offers the community 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:

### Spokes website

([www.spokes.com.au](http://www.spokes.com.au)) (motorcyclists)

### How Safe is Your First Car website

([www.howsafeisyourfirstcar.com.au](http://www.howsafeisyourfirstcar.com.au))

### Safer P Platers website

([www.saferpplaters.com.au](http://www.saferpplaters.com.au))

### Pictures of You website

([www.picturesofyou.com.au](http://www.picturesofyou.com.au))

### Everybody Hurts website

([www.everybodyhurts.com.au](http://www.everybodyhurts.com.au)) (speed campaigns)

### TAC on youtube

([www.youtube.com.au/tac](http://www.youtube.com.au/tac))

### TAC on Twitter

([www.twitter.com/tacvictoria](http://www.twitter.com/tacvictoria))

### TAC on Facebook

([www.facebook.com/transportaccidentcommission](http://www.facebook.com/transportaccidentcommission))

### I Like Vanessa on Facebook

([www.facebook.com/ilikevanessa](http://www.facebook.com/ilikevanessa))

### Vanessa Bus website

([www.vanessabus.com.au](http://www.vanessabus.com.au))

### Drive Smart website

([www.drivesmart.vic.gov.au](http://www.drivesmart.vic.gov.au))

## 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](mailto: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.

## 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.

Working closely with its road safety partners – Victoria Police, the Department of Justice and VicRoads – the TAC develops public education campaigns that increase awareness of specific road safety issues, to change behaviour and ultimately reduce the incidence of road trauma.

Significant research and planning goes into the development of the campaigns, ensuring they are evidence-based, relevant and are able to be used over many years.

## TRANSPORT ACCIDENT COMMISSION

Details of government advertising expenditure (campaign with a media spend of \$150,000 or greater)

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START/ END DATE	ADVERTISING (MEDIA) EXPENDITURE 2014-15 (EX. GST)	CREATIVE AND CAMPAIGN DEVELOPMENT EXPENDITURE 2014-15 (EX. GST)	RESEARCH AND EVALUATION EXPENDITURE 2014-15 (EX. GST)
Vehicle Safety "AEB"	A launch campaign demonstrating the "Auto Emergency Braking" vehicle technology and highlighting the potential to reduce collision/trauma outcomes. The campaign directs consumers to the HISYC website for more information and encourages them to choose this technology when purchasing their next new vehicle.	26/06/14 – 20/07/14	\$1,422,480.80	\$1,115,810.00	\$79,384.00
Motorcycles "Vice Versa"	A campaign dually addressing drivers and motorcyclists about shared responsibility on the road for the safety of all road users through shared experienced and greater respect for all road users.	21/07/14 – 14/08/14	\$935,376.83	\$55,557.00	\$20,070.00
Drug Driving "Double Bus"	A campaign reminding road users that booze buses are also drugs buses. The original version was edited for this burst of the campaign to place more emphasis on methamphetamine testing to tackle the growing issue of 'ice' use.	14/08/14 – 31/08/14	\$838,401.15	\$74,788.95	\$20,070.00
Drink Driving "Levels"	A campaign targeting low-level drink drivers and educating road users about the difficulty of judging how much alcohol it takes to put them over the limit.	01/09/14 – 28/09/14	\$1,675,595.30	\$90,946.20	\$20,070.00
Drink Driving "Interlocks"	A launch campaign announcing legislation changes for drink driving offences. From the 1st of October 2014 anyone who loses their licence for drink driving will have an alcohol interlock fitted to their vehicle.	20/09/14 – 05/10/15	\$773,725.04	\$589,456.45	\$86,450.00
Motorcycles "Perfect Ride"	A campaign during the Australian Moto GP targeting returned / recreational riders addressing the risks associated with motorcycling and unexpected dangers on the road. It highlights the need to ride safely within personal limits, directing riders to the Spokes website to undertake a range of tutorials designed to refresh road safety skills and apply strategies to mitigate risk. Campaign aired during all televised MotoGP events.	02/10/14 – 26/10/14	\$400,337.16	\$87,596.85	\$20,070.00
Parental Influence, P Drivers "Red Line"	A campaign addressing the risk factor of newly licenced drivers, and aimed at parents of these drivers encouraging them to continue to play a role in the safety and decision making of their young drivers through continued mentoring and role modelling.	31/10/14 – 16/11/14	\$401,714.23	\$97,810.63	\$20,070.00
Police Enforcement "Party's Over"	A multifaceted campaign to support increased on-road Police enforcement activity, specifically targeting drink driving, speeding, drug driving, unlicensed drivers and unregistered vehicles.	03/12/14 – 05/01/15	\$661,492.69	\$243,198.05	\$20,070.00
Distractions "Blind"	A campaign addressing the issue of distractions whilst using the road network. The campaign speaks to drivers and riders, as well as other vulnerable road users such as pedestrians and cyclists, and addresses distractions such as mobile phones and other devices, demonstrating the potential traumatic consequences.	12/01/15 – 31/01/15	\$304,173.28	\$420,933.32	\$20,070.00
Vehicle Safety "AEB"	A campaign demonstrating the "Auto Emergency Braking" vehicle technology and highlighting the potential to reduce collision/trauma outcomes. The campaign directs consumers to the HISYC website for more information and encourages them to choose this technology when purchasing their next new vehicle.	02/02/15 – 28/02/15	\$682,427.40	\$109,187.25	\$20,070.00

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START/ END DATE	ADVERTISING (MEDIA) EXPENDITURE 2014-15 (EX. GST)	CREATIVE AND CAMPAIGN DEVELOPMENT EXPENDITURE 2014-15 (EX. GST)	RESEARCH AND EVALUATION EXPENDITURE 2014-15 (EX. GST)
<b>Drowsy Driving "Pillow"</b>	A campaign speaking to all drivers and riders about the issues of 'drowsy driving' and educating the community about the science of sleep and ultimately the body's inability to fight it, highlighting the potential traumatic outcomes of falling asleep at the wheel.	09/03/15 – 06/04/15	\$277,595.38	\$86,105.04	\$20,070.00
<b>Police Enforcement "Party's Over"</b>	A multifaceted campaign to support increased on-road Police enforcement activity, specifically targeting drink driving, speeding, drug driving, unlicensed drivers and unregistered vehicles.	01/04/15 – 06/04/15	\$401,714.23	\$97,810.63	\$20,070.00
<b>Fatigue - SES "Driver Reviver"</b>	A tactical campaign to the support the SES Driver Reviver campaign, encouraging all holiday makers to use the stops and take a 15 minute powernap over the Easter period.	01/04/15 – 06/04/15	\$207,474.80	\$15,750.00	N/A
<b>Parental Role Modelling, "Strings"</b>	A launch campaign focussing on positive parental role modelling and the potential this has to influence their child's future driving behaviour. The long term goal is to contribute to a reduction in road trauma for young drivers in their first months of solo driving and beyond, by instilling safe driving behaviours and attitudes from a young age.	08/04/15 – 04/05/15	\$1,758,588.25	\$795,388.39	\$94,065.00
<b>Vehicle Safety "Auto Emergency Braking"</b>	A campaign demonstrating the "Auto Emergency Braking" vehicle technology and highlighting the potential to reduce collision/trauma outcomes. The campaign directs consumers to the HISYC website for more information and encourages them to choose this technology when purchasing their next new vehicle.	05/05/15 – 22/05/15	\$425,931.40	\$53,605.42	NA
<b>Child Safety "Thingle Toodle"</b>	A year long campaign using five existing executions as part of the Victorian "Starting Out Safely" program addressing early childhood education and parental influence around issues such as seatbelts, helmet wearing and crossing the road.	01/08/14 – 30/06/15	\$242,204.00	N/A	N/A
<b>Youth "TAC Cup Future Stars"</b>	Naming rights and content partnership for the TAC Cup Future Stars program addressing a number of road safety issues including learner driving, education surrounding speed and safety, as well as parental influence into the early days of solo driving.	July – Sept 2014 & May – June 2015	\$450,000.00	\$8,255.00	N/A
<b>Drink Drive "Country Racing"</b>	A campaign addressing drink driving issues and specifically highlighting the increased police breath-testing activity in the lead up to 60 key regional country racing events throughout regional Victoria. The campaign encourages race goers to plan ahead to avoid drink driving and enforcement detection.	Sept 2014 – June 2015	\$120,000.00	\$2,985.00	N/A
<b>Melbourne Victory "Towards Zero"</b>	A campaign as part of the Melbourne Victory partnership and aired during A-League programming, addressing issue of low level speeding and demonstrating the benefits of slowing down.	October 2014 – March 2015	\$27,898.45	\$286,175.00	N/A



## 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 Geelong 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, Victoria Cammorota, Felicity Wright, Tahlee Byars and Emily Holland.

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 2014-15 financial year, the TAC received 1202 Freedom of Information (FOI) requests for access to documents, compared with 1170 requests in 2013-14, and 1213 requests during 2012-13. 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.

If a formal FOI request is required, it must be submitted in writing, detailing the documents sought, as well as enclosing the statutory application fee of \$27.20, preferably in the form of a cheque payable to "Transport Accident Commission". The statutory application fee of \$27.20 is applicable for the period 1 July 2015 to 30 June 2016 in accordance with the *Monetary Units Act 2004*.

The application fee and access charges will be waived for applicants demonstrating hardship (irrespective of the kind of information sought). 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 *Privacy & Data Protection Act 2014* or 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
<i>About the TAC</i>	Internet
<i>Supporting you after a transport accident</i>	Copy/Internet
<i>Working for the TAC</i>	Internet
<i>After Your Transport Accident</i>	DVD
<i>Annual Transport Accident charges including GST and duty</i>	Internet
<i>At home with the family</i>	Copy/Internet
<i>Choosing an Attendant Care Agency</i>	Internet
<i>Choosing a supported accommodation service (information sheet)</i>	Copy/Internet
<i>Support leisure options (information sheet)</i>	Copy/Internet
<i>Community Road Safety Grants newsletter</i>	Internet
<i>Community services (information sheet)</i>	Copy/Internet
<i>Connecting the Dots secondary school resource</i>	Copy/Internet
<i>Daily support (information sheet)</i>	Copy/Internet
<i>Drive Smart 2 CD-ROM (available to learner drivers)</i>	Internet
<i>Empower</i>	Copy/Internet
<i>GST compliance (information sheet)</i>	Copy/Internet
<i>Treatment and Support Services</i>	Internet
<i>Independence – an overview for providers</i>	Copy/Internet
<i>Information for people with major injuries (Booklets 1 – 4)</i>	Copy/Internet
<i>Information on TAC medical examinations (information sheet)</i>	Copy/Internet
<i>Integration support billing information (information sheet)</i>	Copy/Internet
<i>Kids on the Move primary school resource</i>	Internet
<i>Loss of earnings capacity (information sheet)</i>	Copy/Internet
<i>Occupational physicians - helping you get back to work for clients with spinal cord injuries</i>	Copy/Internet
<i>Pharmacy expenses (information sheet)</i>	Copy/Internet
<i>Post-hospital support (information sheet)</i>	Copy/Internet
<i>Preparing to go home - hospital discharge checklist</i>	Copy/Internet
<i>RAW DVD secondary school resource</i>	Copy/Internet
<i>Returning to work - information for employers</i>	Copy/Internet
<i>Returning to work - information for new employers</i>	Copy/Internet
<i>Returning to work</i>	Copy/Internet
<i>Ride Smart</i>	Internet
<i>Road Safety Statistical Summary</i>	Internet

DESCRIPTION	MODE OF ACCESS
<i>Safe driving policy</i>	Internet
<i>Get Your Gear On</i>	Copy
<i>TAC Annual Reports</i>	Copy/Internet
<i>TAC loss of earnings benefits for self-employed people</i>	Copy/Internet
<i>How to invoice the TAC</i>	Internet
<i>TAC client service charter</i>	Copy/Internet
<i>TAC dependency benefits – a guide for funeral directors</i>	Copy/Internet
<i>TAC equipment suppliers billing standards</i>	Internet
<i>TAC Enterprise Agreement 2011-2014</i>	Copy
<i>TAC fee schedules</i>	Internet
<i>TAC home modifications (information sheet)</i>	Copy/Internet
<i>TAC home services</i>	Copy/Internet
<i>TAC hospital charter</i>	Copy/Internet
<i>TAC hospital services billing guidelines</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>Invoice guidelines for medical practitioners</i>	Internet
<i>TAC post-acute support services</i>	Internet
<i>TAC prosthetics and orthotics billing standards (information sheet)</i>	Copy/Internet
<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>Freedom of Information</i>	Internet
<i>The TAC's complaints process</i>	Copy/Internet
<i>Therapy Support (information sheet)</i>	Copy/Internet
<i>Traffic Safety Essentials</i>	Internet
<i>Using modified vehicles – cost exemptions</i>	Copy/Internet
<i>Your Feedback</i>	Copy
<i>Mental Health (general)</i>	Copy/Internet
<i>E-therapy client information sheet</i>	Copy/Internet
<i>Peer support services client information sheet</i>	Copy/Internet
<i>Your Privacy and the TAC</i>	Copy/Internet
<i>Your Voice newsletter</i>	Copy/Internet
<i>4th Edition Impairment Examinations Information Manual</i>	Copy

## 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.

## CARER'S RECOGNITION ACT 2012

The TAC has promoted the care relationship principles and definition of a carer under the *Carer's Recognition Act 2012* through the intranet.

WORKFORCE DATA	2015	2014	2013	2012
TAC (FTE)	768	781	884	824
Average age	40	40	38	38

## OCCUPATIONAL HEALTH AND SAFETY

The TAC actively promotes a safe work environment, through an integrated Workplace Occupational Health and Safety Program and a dedicated OHS Committee.

In the past financial year, there were no new WorkCover claims. Of the four employee claims that were current throughout 2014-15, a total of 489.4 days were lost due to injury or illness. Three employees have returned to work at full capacity with the fourth person making a recent graduated return.

## EMPLOYEE OPINION SURVEY

Each year the TAC conducts an employee survey to measure employee engagement and staff morale. This is a point in time survey, measuring employees' perceptions and feeling at the time the survey is conducted. A total of 84% of all employees responded to the 2015 survey, up 1% on the previous year. The overall engagement score was 91, up one point on the previous year and nine points higher than the Australian National Norm. The score for sustainable engagement was 78, up one point on 2014 and five points higher than the Australian National Norm.

## TAC Organisational Structure (As at Publication Date)

Minister for Roads and Road Safety Luke Donnellan MP		Minister for Finance Robin Scott MP	
<b>TAC Board</b> John Walter (Chair) Sonia Petering Deborah Hallmark Rob Nethercote Sue O'Conner Paul Kirk Tien Kieu Colin Radford	<b>Chief Executive Officer</b> Joe Calafiore		<b>Head of Strategy &amp; Performance</b> Jane Barker (Acting)
	<b>Head of Claims</b> Bruce Crossett		<b>Shared Services with WorkSafe Victoria</b>
	<b>Head of Financial &amp; Corporate Services</b> Tony Dudley		<b>Executive Leader of IT Shared Solutions</b> Doug Main
	<b>Head of Community Relations</b> Amanda Bavin (Acting)		<b>Executive Leader of Health &amp; Disability Strategy Group</b> Marion Nagle
	<b>Head of Human Resources</b> Jane Barker		

## 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.

MINISTERIAL DIRECTIONS LEGISLATION	REQUIREMENT	PAGE REFERENCE
<b>Report of operations</b>		
<i>Charter and purpose</i>		
FRD 22F	Manner of establishment and the relevant Minister	84
FRD 22F	Objectives, functions, powers and duties	84-85
FRD 22F	Nature and range of services provided	8-21
<i>Management and structure</i>		
FRD 22F	Organisational structure	93
<i>Financial and other information</i>		
FRD 22F	Statement of workforce data and merit and equity	93
FRD 22F	Summary of the financial results for the year	7
FRD 22F	Operational and budgetary objectives and performance against objectives	*
FRD 22F	Major changes or factors affecting performance	*
FRD 22F	Subsequent events	74
FRD 22F	Details of consultancy expenditure	86
FRD 22F	Application and operation of Freedom of Information Act 1982	90
FRD 22F	Compliance with building and maintenance provisions of Building Act 1993	86
FRD 22F	Application and operation of the Protected Disclosure Act 2012	86
FRD 22F	Statement of environmental performance	86
FRD 22F	Application of the Carers Recognition Act 2012	93
FRD 22F	Statement of National Competition Policy	85
FRD 22F	Statement of availability of other information	91-92
FRD 22F	Occupational health and safety	93
FRD 22F	Employment and conduct principles	93
FRD 22F	Advertising and communications disclosure	88-89
FRD 10	Disclosure index	94-95
FRD 25B	Victorian Industry Participation Policy disclosures	85
SD 4.5.5	Risk management compliance attestation	82
SD 4.2 (g)	General information requirements	*
SD 4.2 (j)	Sign-off requirements	2

MINISTERIAL DIRECTIONS LEGISLATION	REQUIREMENT	PAGE REFERENCE
<b>Financial Statements</b>		
<i>Financial statements required under Part 7 of the FMA</i>		
SD 4.2 (a)	Statement of changes in equity	30
SD 4.2 (b)	Income statement	28
SD 4.2 (b)	Balance sheet	29
SD 4.2 (b)	Cash flow statement	31
SD 4.2 (b)	Notes to the financial statements	32-74
SD 4.2 (c)	Compliance with Australian accounting standards and other authoritative pronouncements	33
SD 4.2 (c)	Compliance with ministerial directions	84
SD 4.2 (c)	Accountable officer's declaration	75
SD 4.2 (c)	Rounding of amounts	40
<i>Other disclosures in notes to the financial statements</i>		
FRD 03A	Accounting for Dividends	38
FRD 11A	Disclosure of ex-gratia payments	N/A
FRD 17B	Wage inflation and discount notes for employee benefits	37
FRD 21B	Responsible person, executive officer and other personnel disclosures	59-62
FRD 103F	Non-current physical assets	38
FRD 104	Foreign currency	37
FRD 106	Impairment of assets	38
FRD 109	Intangible assets	38
FRD 110	Cash flow statement	31
FRD 112D	Defined benefit superannuation obligations	58-59
FRD 116	Financial instruments - public financial corporations	63-74
FRD 120I	Accounting and reporting pronouncements applicable to the reporting period	34
<b>Legislation</b>		
Freedom of Information Act 1982		90
Building Act 1993		86
Protected Disclosures Act 2012		86
Victorian Industry Participation Policy Act 2003		85
Audit Act 1994		76-77
Carers Recognition Act 2012		93

\* Throughout



