

A man with short, dark hair, wearing a dark blue polo shirt, is looking down at a smartphone held in his hands. The background is a plain, light-colored wall.

2017/18 Annual Report



*We're listening,
We're delivering...*



Transport
Accident
Commission



...with empowering new technologies to help our clients get their lives back on track sooner and give health care providers more freedom to treat.



"We'd have to scan all the receipts and forward all the documents via fax, but that wouldn't always work. Sometimes we'd have to call the TAC and ask 'have you got it?' And then if all else failed, send it in the mail. MyTAC just makes it a whole lot easier. You just get your receipt, you take the photo and you send it off through the app and it's done..."

TAC client, Luke

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Letter from the Chair to the Ministers



19 September 2018

The Honourable Luke Donnellan MP
Minister for Roads and Road Safety

Level 22, 1 Spring Street
MELBOURNE VIC 3000

The Honourable Robin Scott MP
Minister for Finance

Level 5, Macarthur Street
EAST MELBOURNE VIC 3002

Dear Ministers

I am pleased to submit the 32nd Annual Report of the Transport Accident Commission for presentation to Parliament pursuant to Part 7 of the *Financial Management Act 1994*.



Penny Armytage
Chair

Board and Executive Management



Board of Management

Chair

Penny Armytage

Appointed July 2017

Jane Brockington

Appointed October 2017

David Heath

Appointed February 2017

Louisa Hudson

Appointed August 2016

Dr Tien Kieu

Appointed September 2015

Julia Mason

Appointed August 2016

Colin Radford

Appointed September 2015

Dr Samantha Smith

Appointed February 2017

Recent departures

Paul Kirk

Appointed October 2014

End of term 28 October 2017

Sue O'Connor

Appointed October 2014

End of term 28 October 2017

Executive Leadership Team

Joe Calafiore

Chief Executive Officer

Jane Barker

People and Culture

Amanda Bavin

Community Relations

Liz Cairns

Independence

Bruce Crossett

Rapid Recovery

Tony Dudley

Chief Financial Officer

Business Enablement

David Gifford

Strategy and Risk

Damian Poel

Supported Recovery

Ashley West

Information Technology Shared Services

Highlights

2017/18 was a transformational year for the TAC, with significant change across all areas of our business leading to vast improvements in how we function and ensuring our organisation is best-placed to serve Victorians well into the future.

\$283m

spent on **life saving road infrastructure**, including more than 3,000 kilometres of flexible barriers, which have been proven to reduce the chances of head-on and run off road crashes by **85%**



4,266

clients returned to paid work – up from **3,382** in 2016/17

102

lives lost in the first half of 2017 the **lowest number** of fatalities in a **six month** period on record



8.03/10

our highest-
ever client
experience score

\$1.49b

paid to help injured
Victorians get their
lives back on track

10,025

clients registered and over
40,000 receipts processed
through the **myTAC app**
and web portal in its
first year of operation

30 

independent living units
completed or under
construction for our most
seriously injured clients, as part
of a **\$40 million** investment

16 days the waiting time for our
clients to access allied health care –
down from 43 days in 2016/17

82% staff engagement
– remains above
global standards

236,530 client
phone calls
answered

1,400 – our highest-ever number
of common law settlements,
achieved in record time and avoiding
the need for costly litigation

3,597 health care providers signed
up to LanternPay within its first year,
significantly reducing the time it takes
to have invoices lodged and processed

Chair and CEO's report



When looking back at the TAC's performance over the past 12 months, we are immensely proud of the significant modernisation of our business and enhanced services we have delivered to injured Victorians.

In launching our five-year TAC 2020 Strategy in 2016, we pledged fundamental organisational reform that would make the TAC more accessible and more effective in serving the needs of Victorians. In 2017/18 we set about delivering on those changes.

The modernisation of our organisation continues to be built upon the voices of our clients, longitudinal research and the passion of TAC staff.

In this past year we have committed record investment towards making our roads safer and ensuring the more than 51,000 people who turn to us for assistance are provided with efficient and empathetic support following an accident.

For our clients, we have removed barriers to quality care by streamlining our services, introducing enabling new technologies and implementing a more personal approach to ensure their voices are heard and recovery needs met.

The launch of our myTAC app has revolutionised how we interact with clients. After just one year 10,025 TAC clients are already using the digital platform and, as a result, benefiting from faster, seamless invoicing and payments. The ability to photograph and upload a receipt within minutes and to be reimbursed the following day is just one of the ways new technology is making the TAC easier to deal with.

Likewise, our digital point-of-sale tool, LanternPay is transforming how we work with health and disability providers. For the 3,597 who have signed up to the service since its September 2017 launch, frustrating delays and red tape have been replaced by a simple to use and faster billing and reimbursement process.

In addition, the removal of the medical excess after three decades, with bi-partisan support from the Victorian Parliament, is another way the TAC is making it easier for clients to focus more on recovery and less on managing their claim. We know this financial impost, which required patients to pay \$651 upfront before they could access

TAC services, prevented many injured Victorians from immediately receiving the care they required.

For the most severely injured TAC clients, restoring independence is a key to getting their lives back on track. We are particularly proud of the leading role we are playing in ensuring these people can move forward with their recovery in their very own safe space. Our \$40 million investment in the TAC Residential Independence Program (RIPL) is providing accessible housing, leading to enhanced community participation and better health outcomes.

Following an external review of attendant care fees in 2017/18, the TAC also decided to increase weekend penalty rates, ensuring clients would continue to have access to high quality support regardless of market capacity challenges associated with the National Disability Insurance Scheme roll out.

Our highest ever Client Experience (8.03) and Client Outcomes (7.25) scores tell us these and the many other reforms we have delivered in 2017/18 are making a difference where it counts most, to the lives of our clients. Our highly capable and engaged workforce is rising to the challenge of helping clients with their recovery.

Our Staff Engagement Score of 82 per cent continues to be above world standard.

In addition, the TAC thanks our stakeholders including the trauma sector, allied health and rehabilitation providers and plaintiff lawyers – all working to better support clients.

On the prevention side of the business, the TAC and our road safety partners have reached new milestones in the roll out of flexible barriers, designed and tested to withstand the force of being hit by vehicles travelling at high speed, including trucks. An unprecedented \$283 million was invested in 2017/18 in safer roads and more than 3,000 kilometres of the infrastructure is now safeguarding stretches of the state's most dangerous roads, as part of the Victorian Government's \$1.4 billion Towards Zero Road Safety Strategy and Action Plan.



Our ground-breaking *It's People Like Us* documentary triggered an Australia-wide discussion about the prevalence and very real danger of drivers using mobile phones. Other campaigns – *More drug tests, more places, more often* and *Drivers Give the Space to Ride Safe* – put a much-needed focus on illicit drug use and the safety of cyclists respectively.

In 2017, 259 lives were lost on Victorian roads – 31 fewer than the previous year – and the first half of this year delivered the lowest number of lives lost in a six month period (102) since records have been kept. This downward trend, despite significant population and traffic growth, is extremely positive, however road trauma, particularly in country Victoria, remains a concern. It is our unwavering conviction that one life lost is one too many and we will continue to strive to reduce road trauma in our state.

As a result of a record infrastructure investment, our decision to increase attendant care fees and an increase in paramedical costs, the TAC recorded a performance from insurance operations of negative \$424 million.

Strong returns in financial markets softened the liability impact from a decrease in Government bond rates, resulting in an overall loss of \$447 million for 2017/18.

During this financial year, external actuarial firm PwC was commissioned to conduct a Financial Sustainability Review. Despite important reforms within our business, significant change in the disability sector and volatile external economic factors, this assessment confirmed that the TAC remains in a strong financial position and is well placed to support clients.

Finally, last financial year we farewelled Ms Sue O'Connor and Mr Paul Kirk from the TAC Board. Ms O'Connor and Mr Kirk made significant contributions in both the development and delivery of the TAC 2020 Strategy and we thank them for their service.

Penny Armytage
Chair, TAC

Joe Calafiore
Chief Executive Officer, TAC

Impacts on Profit	14/15 \$M	15/16 \$M	16/17 \$M	17/18 \$M
Performance for insurance operations	413	542	142	(424)
Impact on profit from external factors:				
Difference between actual investment returns and long-term expected returns	395	(524)	516	363
Change in inflation assumptions and discount rates	(586)	(1,268)	1,289	(619)
Repayment of capital	0	(78)	(30)	0
Tax	(47)	395	(573)	233
Net profit/(loss) after tax	175	(933)	1,344	(447)
Accounting Funding Ratio	92.3%	81.3%	96.4%	92.6%
Economic Funding Ratio	156.4%	153.9%	164.0%	164.8%

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 and prevent deaths and injuries on our roads.

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 organisation is funded through payments made by Victorian motorists when they register their vehicles each year with VicRoads.

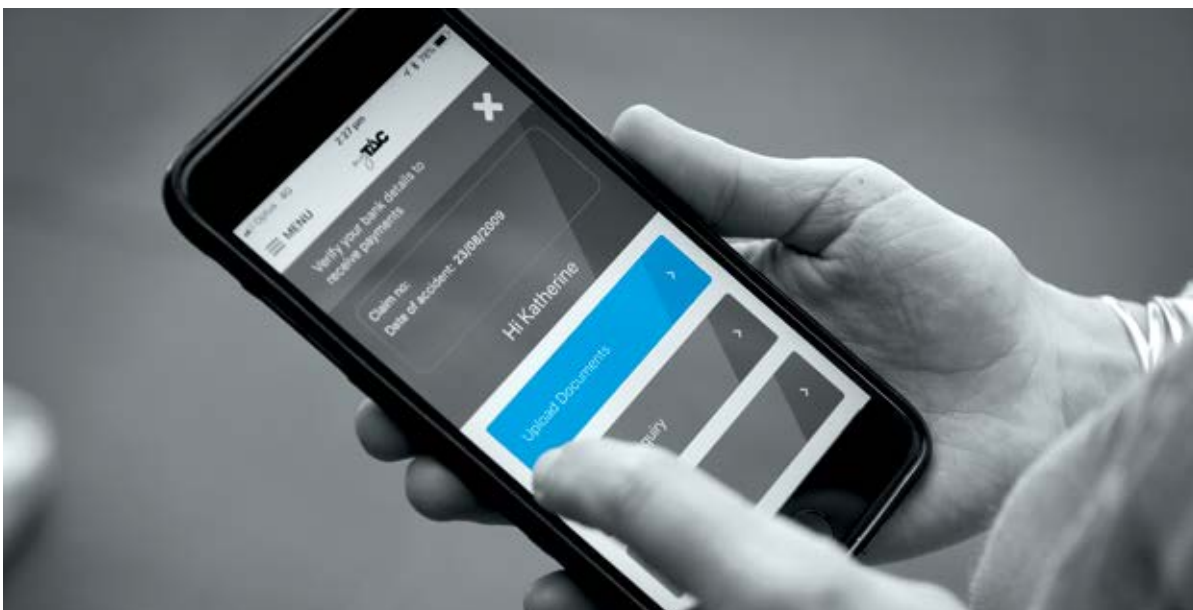
The TAC covers transport accidents directly caused by the driving of a car, motorcycle, bus, train or tram.

The 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 through no fault of their own, they may make a common law claim and receive a lump sum payment.

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 will continue for the rest of their lives.

It also pays for ambulance services, surgical, medical and nursing visits, and therapies. 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.

The launch of the myTAC app and other enabling new technologies have significantly changed for the better how the TAC interacts with its clients and providers. Since its launch in 2017, myTAC has allowed clients to submit over 40,000 receipts for processing.



Our Vision

Zero deaths and serious injuries on our roads.

Our vision is crystal clear — neither life nor health should be the price an individual pays for using our roads.

Our Mission

To be the world's leading social insurer.

Social insurers are responsible for prevention, compensation and rehabilitation. We are striving to be the best in the world.

Our Values

Created by TAC employees, our unique set of values are more than just words.

They guide our behaviour, our thinking and ultimately the treatment and care we provide to injured Victorians.

We value life.

We make every conversation count.

We will find a better way, today.

We make the complicated simple.

Prevention



More than 3,000 kilometres of flexible safety barriers are now ensuring accidents don't become tragedies on some of Victoria's most high-risk roads, as part of a record investment in life-saving infrastructure.

Record Investment in Road Safety – Flexible Barriers

In 2017/18 the TAC, with our Safe System Road Infrastructure Program (SSRIP) partners, invested an unprecedented \$283 million in safeguarding Victoria's road network.

We did this because while we know everyone makes mistakes, no one should die or suffer lasting injuries as a result.

Of the 155 fatalities on rural roads in 2017, 109 involved a vehicle leaving its lane. SSRIP initiatives, implemented under the State Government's \$1.4 billion Towards Zero Action Plan, provide a greater layer of protection in the event of an accident happening.

They include more than 3,000 kilometres of flexible safety barriers on highest-risk roads, which have been proven to reduce run-off-road and head-on crashes by as much as 85 per cent.

In 2017 safety barriers were hit more than 1,700 times – each incident representing a potential life saved.

As part of the package of measures, an estimated 4,150 kilometres of tactile line marking is also expected to be completed by mid 2019.

Getting Tough on Dangerous Drink and Drug Drivers

The strongest penalties for drink driving in Australia are part of a newly-introduced package of reforms, driven by the TAC and aimed at stamping out dangerous driver behaviour on Victorian roads.

Under the measures all drink drivers, including first time offenders, who record a blood alcohol reading of .05 or above automatically lose their licence for a minimum of three months.

Mandatory interlocks will also be fitted to their vehicles for a minimum of six months.

Licence suspensions for illicit substance users have increased from three to six months and, for repeat offenders, from six to 12 months. All drink and drug drivers will be required to complete a mandatory behaviour change program to address the underlying causes of their dangerous behaviour and may receive referral for professional support and assistance.

Research shows licence bans reduce repeat drink driving offences by 70 per cent, while fitting an alcohol interlock device cuts repeat offences by 63 per cent.

These changes are part of the Government's \$1.4 billion 'Towards Zero' strategy, to reduce the number of lives lost on our roads to fewer than 200 and serious injuries by 15 per cent by 2020.

New Alcohol and Drug Buses

The first of 10 new alcohol and drug buses rolled into action in 2017/18, in time for Victoria's busy Easter holiday period.

Built locally in Ballarat, the vehicles use state-of-the-art technology to deter impaired drivers.

Over the past five years, almost one in five drivers or riders killed on our roads was over .05. Since testing first began in 2004, one in 18 drivers has been caught with illicit drugs in their system.

The \$11.7 million new fleet incorporates six smaller units capable of accessing locations currently too difficult for larger buses to reach, allowing police to target more areas, more often to keep our roads safe. They will replace the existing fleet by March 2019.



Flexible barriers have been proven to reduce run-off crashes by as much as 85 per cent.

Enhanced Crash Investigation Study

While the number of lives lost on Victorian roads has reduced, far too many people still suffer death and serious injury as a result of motor vehicle accidents.

The Enhanced Crash Investigation Study is a world-first initiative to better understand the reasons for and, ultimately, reduce this hidden trauma.

The TAC has committed \$8 million to the Monash University Accident Research Centre-led study, as part of our TAC 2020 vision to reduce trauma.

More than 400 serious crashes and 5,000 pieces of individual information are being examined in minute detail to gain an understanding of their cause. In each case, survivors have been interviewed, crash scenarios painstakingly recreated and leading technology employed to extract data from the vehicles involved.

The much-anticipated findings, will underpin our efforts to better protect all road users.

Cyclists

More than 1.08 million people now ride a bike each week in Victoria both as a means of transport and for recreation. However cyclists are more vulnerable to crashes, chiefly at intersections, when leaving a path or driveway, or when a car door is opened into a rider's path.

Twelve cyclists lost their lives on Victorian roads in 2017. Many more were injured.

The TAC is spending \$100 million building infrastructure that will make our roads safer for cyclists and pedestrians. These include more separated paths and lanes, improved routes to train stations, city centres and schools, better signage and improved education.

The program goes hand-in-hand with our *Drivers Give the Space to Ride Safe* campaign, encouraging drivers to slow down and give riders at least a metre of space.

We have also strengthened partnerships with key advocacy groups and events, such as Cycling Victoria, the Cadel Evans Great Ocean Road Race and the Towards Zero Race Melbourne, as a way of building safety conversations.

Motorcyclists

Despite the fall in fatalities from 2016's record, riders continue to be over-represented in Victoria's road trauma statistics.

In October the TAC re-launched its successful *Driver think rider – Rider think driver* campaign to remind riders and drivers of their shared responsibility for keeping each other safe.

The campaign was timed to coincide with the Moto GP at Phillip Island, which attracts thousands of motorbike enthusiasts annually.

As part of our trackside presence, the TAC teamed up with Moto GP legends Gary McCoy, Randy Mamola and Franco Uncini to better educate riders about the benefits of protective clothing and safety technologies like ABS braking.

Drive Smart

Young people aged 18-25 years are about three times more likely to be killed in a car crash than older more experienced drivers – one way to change this is to provide relevant driver education.

For more than two decades the TAC Drive Smart program has been helping to prepare learner drivers to be safer drivers. The free online program is based on extensive research by the Monash University Accident Research Centre and is the perfect partner to getting hands-on experience in a car.

The training program is in the process of a significant and exciting transformation to ensure it remains up-to-date with current road safety practices, with contemporary driving scenarios and interactive activities.

Take a Break

Victorians love to get away for long weekends and holidays, but with more people on our roads these are also higher-risk times for accidents. Statistics show the risk of crashing increases for people as they travel longer distances to unfamiliar areas.

Our Driver Reviver Pit Stop program aims to ensure all drivers and their passengers arrive at their destination safe and well-rested.

Run in conjunction with the State Emergency Service and Lions Club, the stations are dotted along popular travel routes, providing upwards of 200,000 cups of coffee each year, family activities, educational information and an important chance to take a powernap.

Young Drivers

Victoria's new Road to Zero Road Safety Education Complex will play a pivotal part in creating safer drivers of the future, by building a greater awareness among school students of the science behind road safety.

The centre – a collaboration between the TAC and Museums Victoria – marries decades of research with exciting new-age technologies to create a world-first interactive and immersive learning experience.

Road to Zero comprises an exploratory gallery showcasing the latest in multi-sensory interactive technologies, and a curriculum-linked program in the purpose-built studio space.

Carefully prepared school outreach programs will also ensure students in remote areas are not excluded from the learning opportunities it provides.

Young people are sadly over-represented in fatality and trauma statistics. By building knowledge and awareness and linking the existing school curriculums, young people will be empowered to make better decisions.

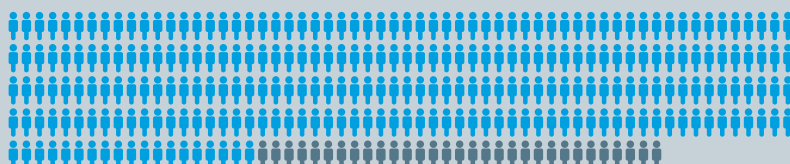
After opening its doors in August 2018, the Carlton Gardens complex is expected to attract upwards of 30,000 students per year.

The first of a fleet of 10 new TAC funded alcohol and drug buses have rolled into action. Incorporating vehicles of various sizes, they will make it easier for police to target more areas, more often.



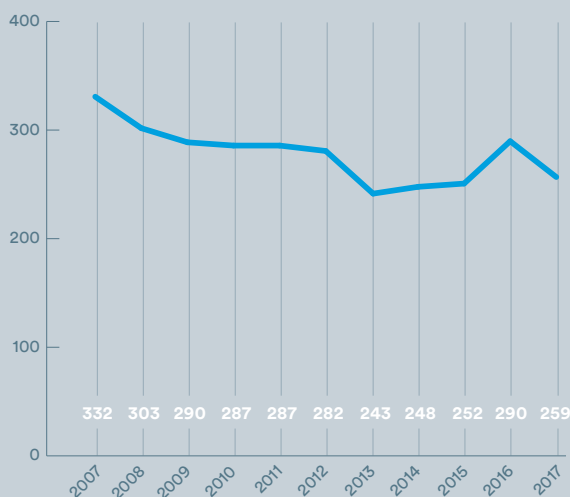
Road trauma statistics

Year ending December 2017

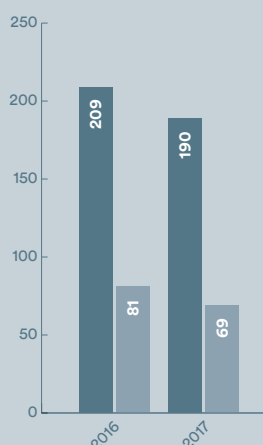
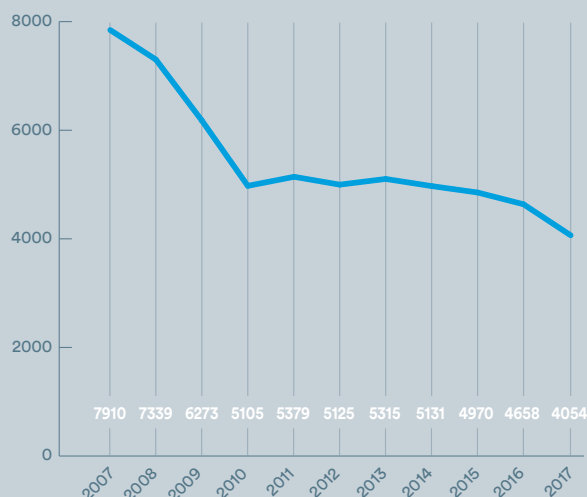


259 TOTAL LIVES
LOST IN VICTORIA
IN 2017 **DOWN**
FROM **290** IN 2016

Lives lost 2007 – 2017



Serious Injuries 2007 – 2017



190

MALE DEATHS,
DOWN FROM
209 IN 2016

69

FEMALE DEATHS,
DOWN FROM
81 IN 2016

31

PEDESTRIAN LIVES
LOST, COMPARED
WITH 40 IN 2016

12

CYCLIST DEATHS,
COMPARED WITH
8 IN 2016

38

MOTORCYCLIST
LIVES LOST, DOWN
FROM 56 IN 2016

Melbourne fatalities

103

DOWN FROM
140 IN 2016

Rural fatalities

156

UP FROM
150 IN 2016

Public education campaigns



Our 'It's People Like Us' documentary triggered a nationwide conversation about the prevalence and dangers of using mobile phones while driving.

It's People Like Us

Armed with the worrying knowledge that almost half of all Victorians aged under 30 have admitted to using their mobile phone while driving and many see it as socially acceptable, the TAC released our *It's People Like Us* documentary.

The confronting film, created with award-winning director Eva Orner, followed five young people from all walks of life over three weeks. Their phone usage, at the expense of common sense, was at times shocking.

Glancing at a phone for just two seconds while driving at 50 km/h is the equivalent to travelling blind for up to 28 metres

The documentary's aim was to start a broader community conversation about how we use our phones, particularly when behind the wheel, and to demonstrate the potentially deadly implications.

The TAC thanks those involved in the production for their courage in allowing us into their lives, and for their role in raising awareness of this important issue.

Drivers Give the Space to Ride Safe

The TAC's *Drivers Give the Space to Ride Safe* campaign is designed to help drivers of cars and heavy vehicles understand the risks of passing a bike rider too closely.

It depicts three scenarios where cyclists are being overtaken in different road environments and provides visual cues to show safe passing distances, of between one and 1.5 metres, depending on the speed the car is travelling.

Cyclists are 34 times more likely to be seriously injured than vehicle occupants, and 4.5 times more likely to be killed in a crash. Last year, eight cyclists died in crashes on Victorian roads while 421 riders were hospitalised with injuries.

The key message of the campaign for drivers is 'give the space to ride safe.'

Living Proof

In getting Towards Zero we need all Victorians to play a part in educating others about road safety.

Our *Living Proof* campaign uncovered the real cases of real people who have narrowly avoided death or serious injury.

Their stories demonstrated how lives are already being spared thanks to improved initiatives, such as safety barriers, safer speed limits, improved technology and better choices.

Safer Roads Save Lives/Safety Barriers Save Lives

Each time a flexible safety barrier is hit, people are saved from potential life changing injuries or death. They have been proven to reduce run-off and head-on crashes by as much as 85 per cent.

With this type of accident accounting for most fatalities on Victorian roads, two new TAC campaigns demonstrate their lifesaving capabilities. They do this by telling the real life stories of drivers who have survived accidents as a direct result of the barriers and other safety infrastructure.

The first of these, *Safer Roads Save Lives*, shares the true story of two men, Peter and Graham, who thank a centreline barrier on the Melba Highway for preventing a potential head on collision.

Planned in consultation with road traffic experts and researchers, the second campaign, *Safety Barriers Save Lives*, includes a carefully planned and controlled common fatigue crash scenario, with testimonials from two of the many Victorians who have walked away from similar accidents.

As part of the \$1.4 billion Towards Zero Strategy Action Plan, more than 3,000 kilometres of safety barriers are being installed on the state's most dangerous roads.

It's simple. The more safety barriers, the more lives saved.

Think of Us

The risk of being caught by police is one of the strongest motivators for behavioural change in road safety. Enforcement, coupled with public education, has a far stronger effect than enforcement on its own.

The *Think of Us* campaign applauds drivers who decide for themselves to avoid risky behaviour such as speeding, drink driving and checking text messages.

The campaign asks each of us to always consider Victoria Police officers who are on the roads, playing their role in keeping us all safe.

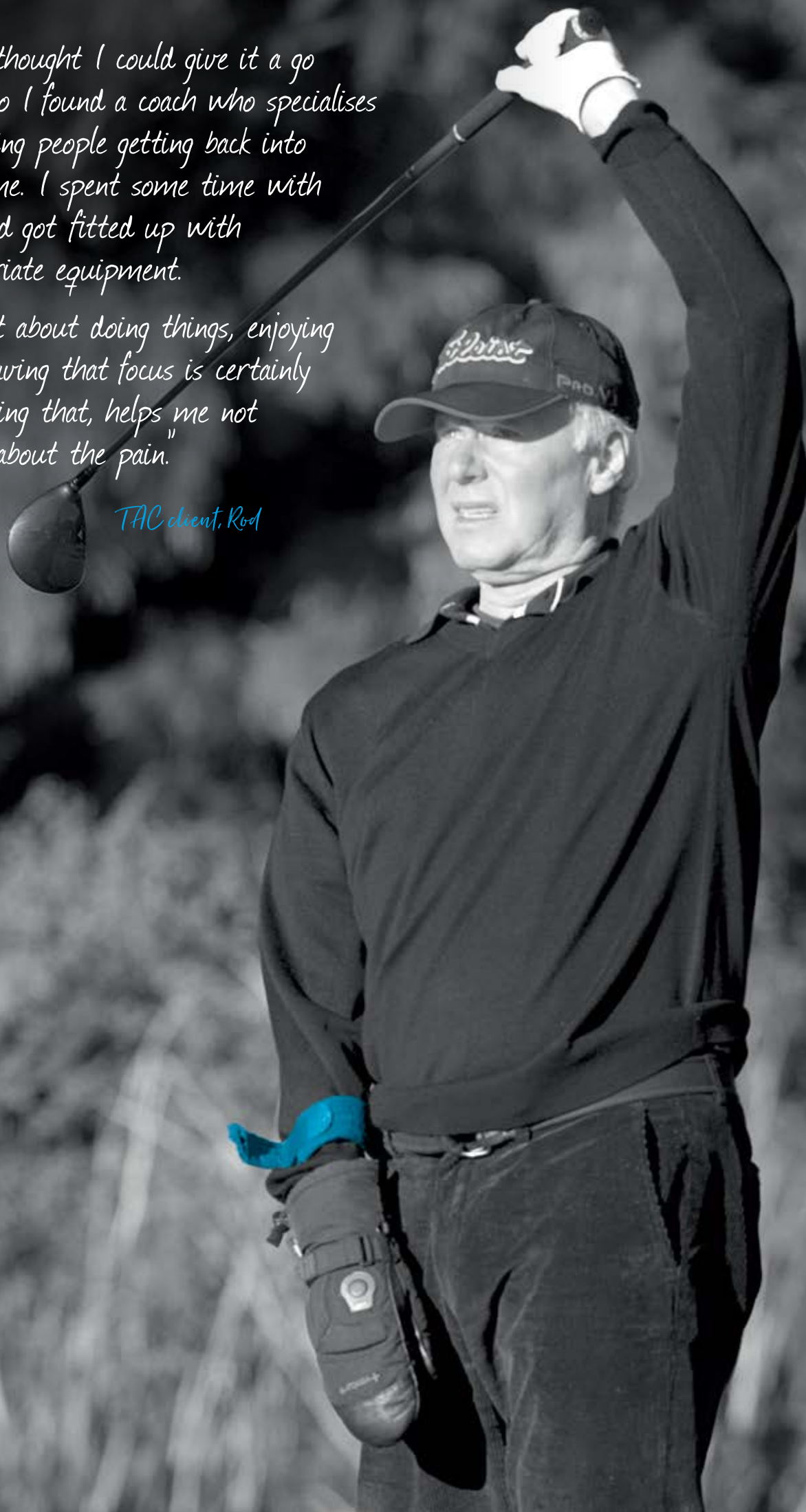
The TAC's 'Living Proof' campaign shows how measures like safety barriers, safer cars, and safer speeds really do save lives...



"I just thought I could give it a go again, so I found a coach who specialises in helping people getting back into the game. I spent some time with him and got fitted up with appropriate equipment."

"It's just about doing things, enjoying it ... Having that focus is certainly something that, helps me not worry about the pain."

TAC client, Rod



Partnerships



Our TAC partnerships are directed through four key themes.

Towards Zero

Lives Back on Track

Geelong Livability and Our People

Industry Leadership

The TAC's partnerships are about working collaboratively to deliver targeted activities that engage the Victorian community and help achieve the TAC's Towards Zero or Lives Back on Track goals.

At the foundation of every TAC partnership is a belief in shared responsibility, that is, we are all part of the solution of achieving zero deaths and serious injuries on Victoria's roads.

Partnerships are underpinned by a multi-faceted and enduring relationship, and go way beyond branding opportunities.

Towards Zero Partnerships

Every Towards Zero partnership helps to achieve the goal of reducing road deaths to fewer than 200 and reducing serious injuries by 15 per cent by 2020.

Within Towards Zero, there are four important areas of focus. These include:

Shared Responsibility – Towards Zero calls for every organisation, every business and every person to take responsibility for road safety.

Regional Victoria – Death rates on country roads are five times higher than on metropolitan roads and nearly half of all road fatalities happen on 100 and 110km/h rural roads.

Unprotected Road Users – Pedestrians, cyclists and motorcyclists are the most vulnerable road users. They suffer the most severe consequences in collisions because they cannot protect themselves against the speed and mass of vehicles.

Young People – A quarter of fatalities on Victoria's roads involve young drivers. Inexperience, lifestyle factors, risk-taking and the use of older cars with fewer safety features make under 25s far more vulnerable to crashes and injury.

Examples of our Towards Zero partnerships include:

	TOTAL
AFL Victoria	\$555,000
Melbourne Victory	\$360,000
Country Racing Victoria	\$300,000
Australian Grand Prix Corporation – Moto GP	\$210,000
Cricket Victoria	\$175,000
Golf Victoria	\$150,000
Melbourne Comedy Festival	\$150,000
Melbourne Renegades	\$100,000
Falls Festival	\$77,000
Cadel Evans Great Ocean Road Race	\$70,000
Cycling Australia	\$70,000
Towards Zero Race Melbourne	\$70,000
The Winemakers of Rutherglen	\$51,600
Amy Gillett Foundation	\$50,000
City of Melbourne	\$50,000
Pop Up Cinema	\$50,000
Cycling Victoria	\$40,000



The TAC's community and corporate partnerships are about working collaboratively to deliver targeted activities that engage the Victorian community and help achieve our Towards Zero and Lives Back on Track goals.

Geelong Liveability and Our People

Our People is one of the TAC 2020 Strategy pillars: *Support projects and activities that help our people feel enabled, capable and energised to deliver our strategy and vision.* The TAC is based in Geelong. Our people include our employees, and those who live in the Geelong and Barwon region.

The aim of the TAC Geelong Liveability and Our People projects and events is to enhance the Geelong region as a better place to live and work.

These partnerships support local hospitals and welfare providers, not-for-profit charities and events including:

	TOTAL
Give Where You Live	\$60,000
Barwon Sports Academy	\$35,000
Barwon Health Foundation	\$35,000
Cotton On Foundation	\$20,000
Back to Back Theatre	\$15,000
Karingal	\$15,000

Lives Back on Track

To ensure TAC clients can get their lives back on track as quickly as possible, and feel supported and empowered at every step, the TAC selects partnerships that maximise independence and improve the lives of people with road trauma injuries.

Examples of the TAC's Lives Back on Track partnerships include:

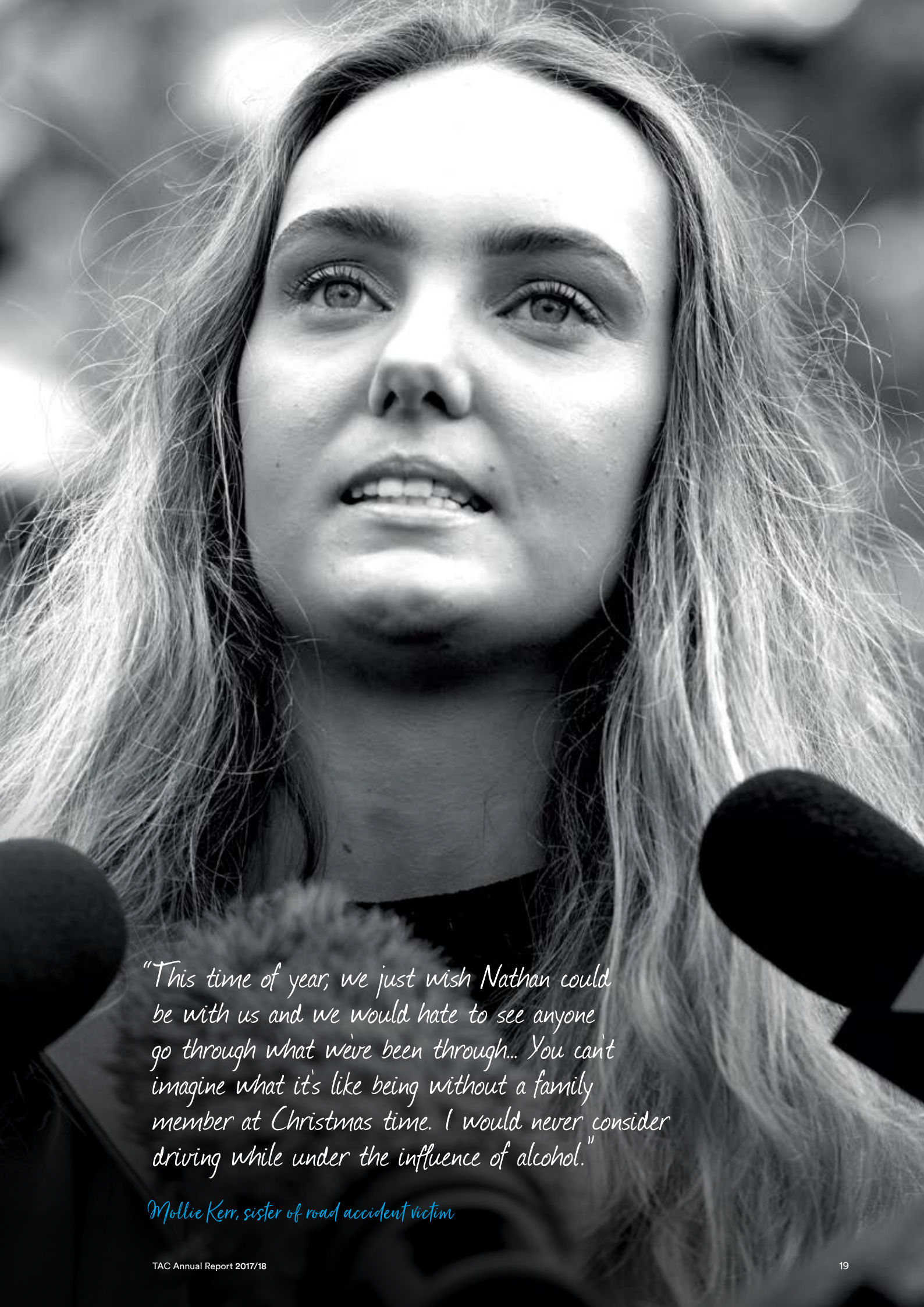
	TOTAL
Road Trauma Support Services Victoria	\$500,000
Independence Australia – Spin Chat	\$50,000

Industry Leadership

To enhance the TAC's position and capability as the world's leading social insurer, the TAC undertakes partnerships with key industry associations.

Examples of the TAC's Industry Leadership partnerships include:

	TOTAL
Institute of Public Administration Australia (Vic)	\$45,000

A black and white photograph of a young woman with long, light-colored hair, looking upwards and slightly to the left. She is speaking into two microphones positioned in front of her. The background is blurred, suggesting an outdoor setting with other people present.

"This time of year, we just wish Nathan could be with us and we would hate to see anyone go through what we've been through... You can't imagine what it's like being without a family member at Christmas time. I would never consider driving while under the influence of alcohol."

Mollie Kerr, sister of road accident victim

More choice More independence



The TAC supported more than 51,000 Victorians with their accident claims in 2017/18.

This is a record figure.

While most of this number experience accidents from which they are likely to fully recover, there are others who will carry physical and mental injuries that will alter their lives forever.

As part of our TAC 2020 Strategy and to ensure each and every one of our clients gets the support best suited to their needs, we created three broad divisions:

1% Independence Through best contemporary approaches to care, world-leading research and continued innovation we are determined to deliver the best possible outcomes for this small group of clients who are likely to be with the TAC for the remainder of their life journeys.

19% Supported Recovery Our approach to assisting this more complex group of clients through their post-accident journey will continue to evolve to ensure we listen more and give them more autonomy to make choices best-suited to getting their lives back on track.

80% Rapid Recovery New technologies, stronger health sector partnerships and the removal of barriers to care are making it easier for this largest group of clients to move on quickly from minor road accidents.

One of the best measures of how the TAC is performing in terms of service delivery comes directly from those who matter most – our clients.

Each year we survey clients to gauge opinions of their experience with our organisation and to measure the success of the support we provide.

In the 2017/18 financial year, some 3,000 clients provided feedback. The results have exceeded our own targets.

Our Client Experience Score was 8.03 out of a possible 10 points. This result was driven by significant improvements in service delivery. In their feedback our clients noted the TAC is making faster decisions, reducing paperwork and making it easier to source the rehabilitation help they need.

Our Client Outcomes Score was 7.25. This represents a 0.05 point increase compared on the 2016/17 result and is right on target. This result reflects the effort we have put into developing strong relationships with external partners – health and vocational – to get lives back on track.

Supporting injured Victorians



As part of TAC 2020 we are determined to put our clients at the centre of everything we do by reducing barriers to good care and opening new doors to better life outcomes.

Medical Excess

The last thing people want to worry about after an accident is out-of-pocket expenses.

More than 13,000 people injured in transport accidents each year were subject to a \$651 medical excess charge. This is the amount of money they were required to pay up-front before the TAC could assist with their medical expenses.

We know this impost was both confusing and a disincentive for many in seeking the care and support they needed.

In leading the charge for change, the TAC has been instrumental in removing an enormous impediment to good care. With the end of the medical excess comes the end of unnecessary delays for our clients. They will be able to manage their recovery and get the treatment they need immediately.

myTAC App and Web Portal

Our clients wanted and needed a better way of working with the TAC. We listened, and with the launch of myTAC in July 2017, we have delivered. The new app and web portal has significantly transformed how we communicate with our clients and how quickly we provide the support and care they need.

Instead of taking sometimes weeks, the user-friendly technology allows claims to be assessed and finalised within 24 hours. Clients can contact us and upload documents and receipts from anywhere, at any time. This in turn means less paperwork and more time spent getting our clients' lives back on track.

In its first 12 months, 10,025 clients registered with myTAC and 40,000 receipts were processed – more than we had anticipated.

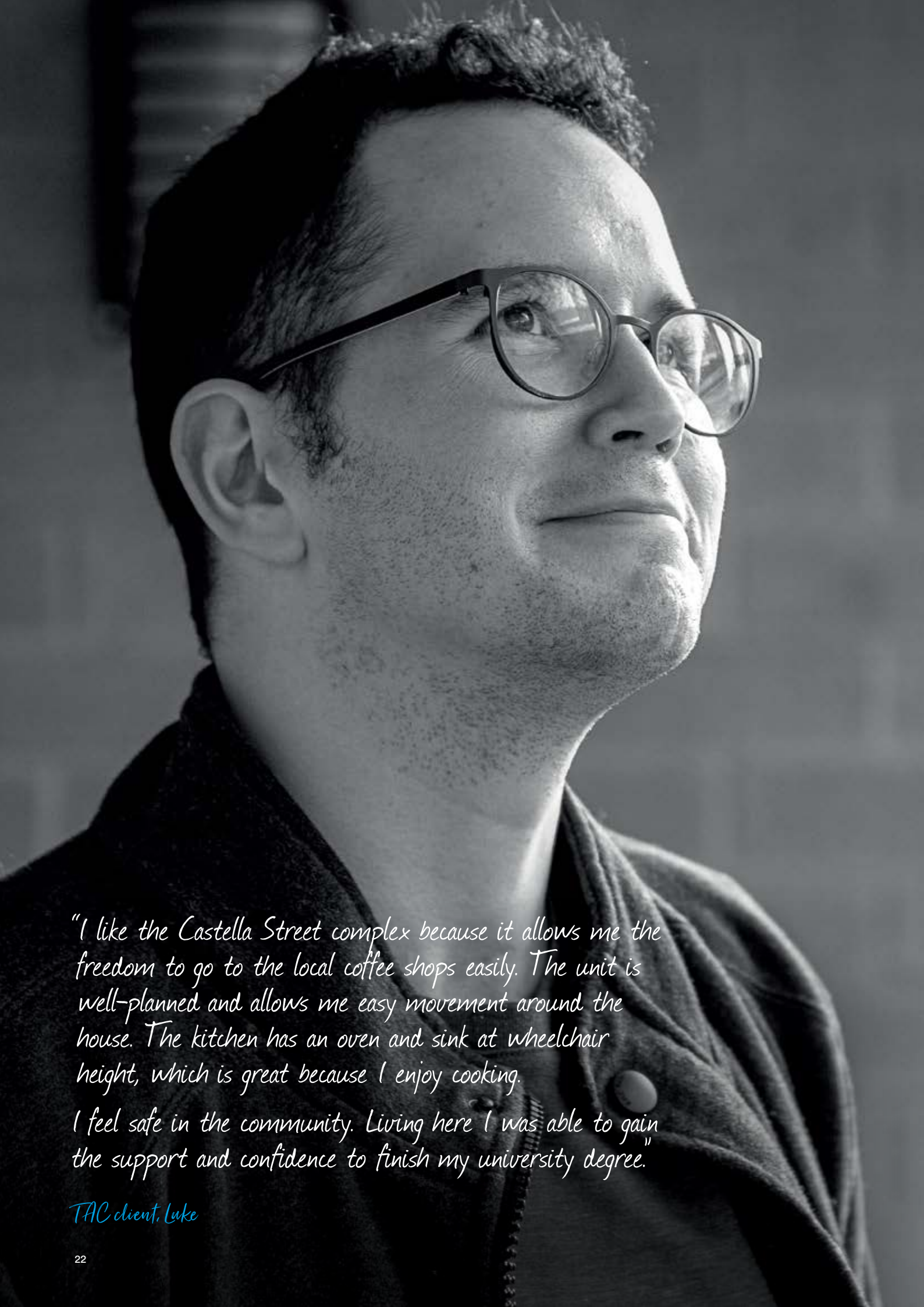
LanternPay - Giving Providers More Time to Treat

LanternPay has dramatically changed the way the TAC interacts with our health care providers.

The digital transaction service has replaced manual paper-based invoicing, saving countless hours and giving providers more time to treat.

Invoices can be submitted and approved claims viewed within minutes and payments are approved the following day.

In the short time since LanternPay's launch, more than 3,597 providers have registered to use the technology. The TAC serviced 41,980 unique claims and paid out more than \$24.5 million. The total number of invoices submitted through LanternPay was 139,505.



"I like the Castella Street complex because it allows me the freedom to go to the local coffee shops easily. The unit is well-planned and allows me easy movement around the house. The kitchen has an oven and sink at wheelchair height, which is great because I enjoy cooking.

I feel safe in the community. Living here I was able to gain the support and confidence to finish my university degree."

TAC client, Luke

RIPL – Giving the Gift of Independence

More than 5,000 Victorians are seriously injured in transport accidents each year. Around 150 of them sustain spinal cord or severe acquired brain injuries. Giving these people the ability to perform simple daily tasks, without dependence on others, is pivotal to helping them rebuild their lives.

In 2017/18, the TAC's \$40 million Residential Independence (RIPL) program continued from an identified shortage of purpose-built accommodation for those with significant injuries. It provides independence, while at the same time ensuring our clients have the support they need, when and where they need it.

A further \$55 million has been committed towards this important project over the next four years and construction recently commenced on three new one-bedroom units in Glenroy – taking to 30, the number of RIPL establishments completed or underway.

Clients Get Their Voice

TAC clients are best-positioned to tell us which of our services are working, which are not and highlight areas for improvement.

A new Client Voice Framework will ensure we include the voice and opinions of those with lived experience in any future decision-making.

Adopting the mantra "nothing about us, without us," a group of clients of all ages and walks of life is working closely with TAC staff from all divisions to discuss the many and varied issues and opportunities such a framework will deliver for getting lives back on track.

Care Packs

Nobody plans for accidents, they happen when you least expect them.

The TAC is trialling the introduction of care packs – a small box of essential items such as a toothbrush and paste, soap and other toiletries – for those unfortunate enough to find themselves in a hospital bed as a result of a vehicle accident.

The packs also include important information to help patients and their loved ones to quickly access TAC support.

The care packs, which are being distributed through Victoria's biggest trauma hospitals – the Royal Melbourne and Alfred – are the brainchild of one of our own TAC staff and have been realised with the support of Geelong-based disability support group GenU.

TAC Abuse and Neglect Report Line

The TAC takes a zero tolerance approach to the abuse and neglect of our clients.

In December 2017 we launched our new Abuse and Neglect Report line – a telephone and email service providing advice and referral to those concerned about treatment by TAC funded services.

In its first six months of operation the line received 38 reports, chiefly from clients, but also from family, friends, health professionals and caregivers and concerned TAC staff.

Reports ranged from physical, emotional and financial abuse by family, medical professionals and service providers, sexual assault during an in-patient stay and abuse by clients towards support workers.

While the number of reports and the breadth of concerns has been higher than anticipated, the fact that our clients and others are now empowered to speak up about the quality of care they are receiving is a positive outcome. Specialists with experience working with people with disabilities have and will continue to follow up each and every case.

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 230 requests for an informal review and 17 Notices of Intent (NOI) to dispute a TAC decision lodged by clients in 2017/18. This compares with 289 and 39 respectively the previous year. The median time to resolve informal reviews has improved from 56 days in 2015/16 to just 23 days this year, due to a deliberate prioritisation of these matters. Around 92 per cent of informal reviews were finalised within four months, with 48 per cent of these maintaining the TAC's original decision.

No Fault Dispute Resolution Protocols

No Fault Dispute Resolution Protocols (The Protocols) were implemented in 2005 in collaboration with legal stakeholders, to provide an alternative dispute resolution process to the formal disputation process at VCAT. This was done with a view to reducing the time and cost to resolve disputes about TAC decisions.

The TAC continues to work with the legal community to negotiate improvements in the dispute process and better outcomes for clients. In 2017/18 the total number of dispute applications lodged pursuant to The Protocols was 632, compared to 761 in 2016/17, 932 in 2015/16 and 1,066 in 2014/15.

The ongoing reduction in dispute applications can be largely attributed to the effectiveness of The Protocols in promoting improved understanding and dialogue with stakeholders.

The TAC 2020 Strategy has allowed us to shift to more outcomes focused decisions, which have contributed to an ongoing reduction in disputes.

Merit Reviews

A total of 207 merit review applications were lodged at VCAT in 2017/18, compared to 208 in the previous year.

In September 2014, section 77(1A) of the *Transport Accident Act 1986* was inserted. The legislation now allows an applicant three months from the conclusion of the No Fault Dispute Resolution Protocols (The Protocols) to lodge an application for merit review with VCAT. For applicants who have not participated in the dispute resolution protocols under The Protocols, a merit review application must be lodged within 12 months of the date of the TAC decision.

Model Litigant

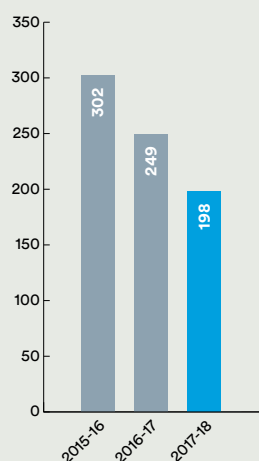
The TAC is committed to the Victorian Government's Model Litigant Guidelines. The Guidelines require the TAC to act fairly and consistently, to avoid litigation, pay legitimate claims promptly and to minimise legal costs.

The Guidelines require fairness and the utmost propriety. There were two Model Litigant complaints lodged in 2017/18, both from the same complainant. These were thoroughly investigated and no breach was 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 2017/18 the TAC received 198 formal complaints. This is in keeping with an ongoing reduction in complaints experienced over the previous three years, from 307 in 2014/15, to 302 in 2015/16, and 249 in 2016/17.

Complaints received by Financial Year



"I have trouble remembering important details and my iPad became my third arm to help me when I was out by myself. My carers and my therapists use the app that the TAC grant helped me create to leave notes for each other or to easily share information."

TAC client, Katherine



Managing the scheme



The TAC's objective is to ensure its activities contribute to the organisation remaining financially sustainable.

Funding Ratio

The TAC has recorded a funding ratio of 92.6 per cent at 30 June 2018 which remains strong, within the TAC's target range and only slightly lower than the previous result of 96.4 per cent at 30 June 2017.

Performance from Insurance Operations

Performance from insurance operations (PFIO) for the 2017/18 was negative \$424.4 million. This year's results were mainly impacted by an unprecedented level of road infrastructure investment and higher claims costs in regard to attendant care rates and paramedical services.

Investment Returns

The TAC achieved an overall investment return of 10.1 per cent in 2017/18, following on from another strong year of returns in 2016/17 (11.8 per cent). Over the 10 year period to June 2018, the TAC fund returned, on average, 7.9 per cent per annum. This average annual return is higher than benchmark and the rolling 10-year investment objective return of 7.5 per cent (CPI plus 5 per cent).

Operating Results

In 2017/18, the TAC recorded a total comprehensive loss of \$447.3 million. This result was driven by an unfavourable PFIO and a downward movement in discount rates, which lead to an unfavourable claims economics result. The loss was partially offset by a strong investment return for the year.

It is important to note that despite the assessed increase in incurred costs, the TAC remains in a financially sustainable position, as confirmed by independent advisor PwC during the year.

As a result of the strong investment performance, total assets increased to \$16.0 billion as at 30 June 2018 (2017: \$14.5 billion). Total liabilities also increased due to the recognition of higher claims costs and unfavourable movement in claims economics, increasing the outstanding claims liability. Total liabilities at 30 June 2018 were \$16.5 billion, compared to \$14.5 billion at 30 June 2017.

While the TAC has reported a negative net asset position at 30 June 2018 it has been determined that the going concern assumption remains appropriate as the TAC has generated positive cash flows for the year and will continue to do so over the foreseeable future.

Dividend

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian Government, a dividend as determined by the Treasurer. No such determination was made in 2017/18, therefore no dividends were paid to the Victorian Government.

Furthermore, the TAC made no capital repayments to the Victorian Government.

Transport Accident Charge

Consistent with the *Transport Accident Act 1986*, transport accident charge levels for motorists increased in line with CPI (1.5%) on 1 July 2017. Short-term registrations were introduced in January 2018, allowing motorists to register their vehicles on a three, six or 12 month basis. This change has not affected the premium revenue for 2017/18 or future years.

The TAC also covers people injured in train and tram accidents with charges paid by the railway and tramway managers, indexed in line with CPI.

Reducing fraud



The TAC continues to build its toolkit of analytical methods and intelligence reporting techniques to better identify potential fraud or claim anomalies.

External Fraud

The ongoing development and refinement of our capability to proactively identify, prevent and investigate potential fraud and other inappropriate payments in a timely manner is crucial to effective support of strategic business change.

In endeavouring to reduce fraud and improve the behaviour of clients and providers across the scheme, in 2017/18 the following enforcement actions were taken:

There were 13 prosecutions finalised through the Magistrates Court. In all cases the TAC client registered a guilty plea.

A total of \$216,000 in restitution was awarded to the TAC.

Seventeen matters, at various stages, are currently before the courts, where TAC is alleging fraud against the scheme totalling \$401,099.

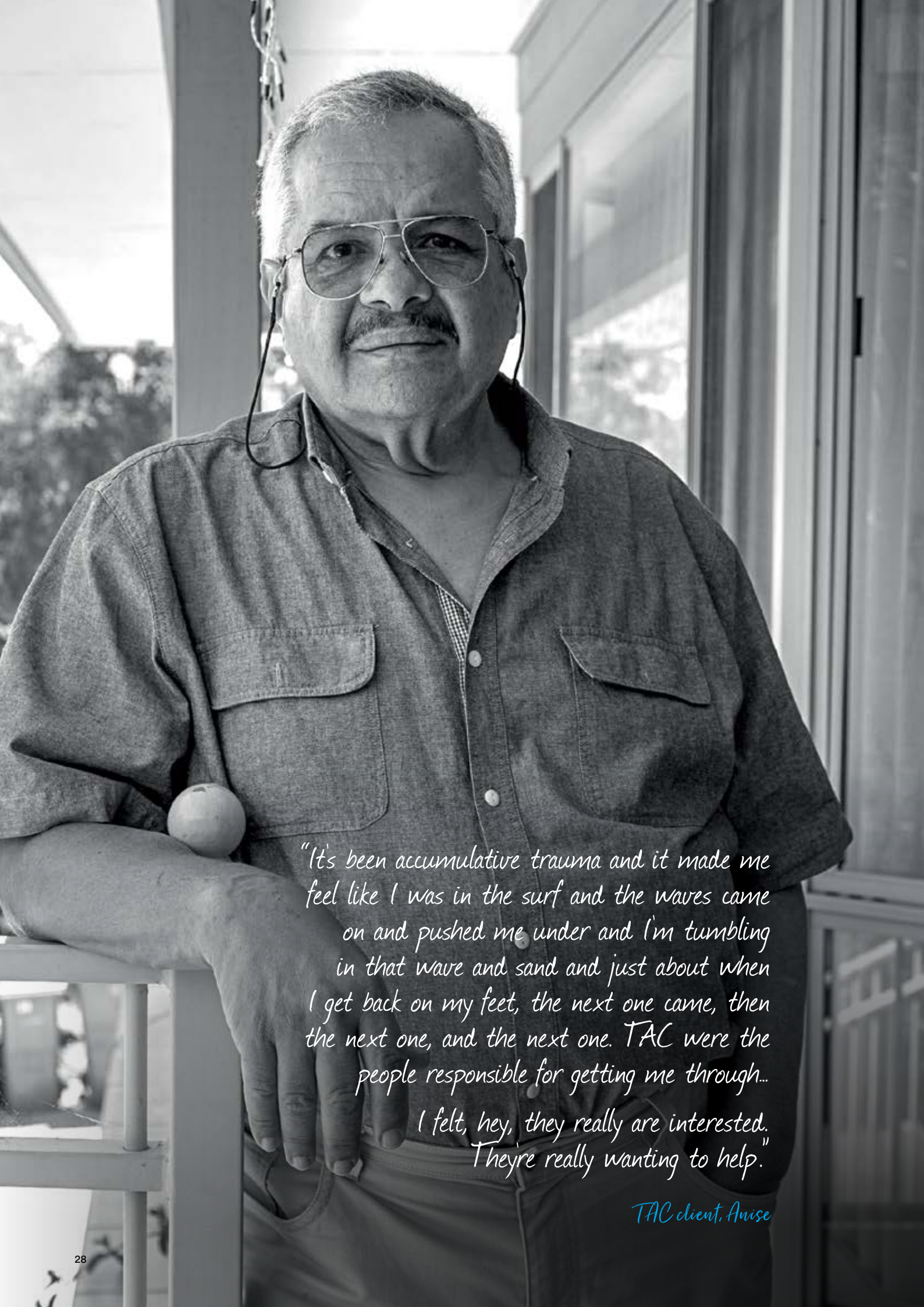
Where cases have not met the prosecution threshold, the TAC has issued 51 warning letters in an effort to achieve prompt voluntary compliance. These relate to breaches of the *Transport Accident Act 1986* relating to fraud and provision of false and misleading information by clients, medical and service providers.

The TAC Forensics Group continues to be forward-thinking, employing industry-leading practices to combat and disrupt fraud and corruption. Significant effort has been made to strengthen ties through the Australian and New Zealand Interagency Fraud Association (ANZIFA). With a membership of various state and federal agencies from across Australia and New Zealand, the association aims to foster a proactive community, committed to minimising the impact of fraud, waste and abuse.

Provider Review

During 2017/18 the TAC Forensics Group continued its focus on ensuring payments made to medical and health practitioners and other service providers were appropriate and complied with the *Transport Accident Act* and relevant TAC policies and fee schedules.

A number of new analytical products and techniques were created and utilised to detect inappropriate payments throughout the year. Reviews were completed on over 5,610 payments made to 2,099 providers across a wide range of disciplines. Over \$459,000 was reimbursed to the TAC for payments received by providers that they were not entitled to.



"It's been accumulative trauma and it made me feel like I was in the surf and the waves came on and pushed me under and I'm tumbling in that wave and sand and just about when I get back on my feet, the next one came, then the next one, and the next one. TAC were the people responsible for getting me through...

I felt, hey, they really are interested. They're really wanting to help."

TAC client, Anise

Research and innovation



Good research and innovative new technologies are pivotal to ensuring the TAC is a world-leading social insurer.

Our decision-making – whether creating a new road safety campaign or initiating new approaches to client care – is underpinned by excellent science, bright minds and futuristic thinking.

The emphasis of our carefully-selected partnerships and significant research investments is on learning how to better protect Victorians from harm and restoring, as best as possible, the lives of those injured in road accidents.

Trauma System Partnerships

A new data-sharing channel with the Alfred Hospital and Ambulance Victoria is helping hospitalised TAC clients worry less about paperwork or whether their costs will be covered.

In its first year, the Trauma System Partnerships are already delivering tangible benefits. By answering five simple questions put to them by a hospital Patient Liaison Officer, a client can quickly lodge a claim and provide consent for accident information to be exchanged. They typically received an approved claim number in less than five minutes.

That same claim number can be used to quickly access treatment from a GP, physiotherapist, occupational therapist or other health provider.

Google Glass

High-tech glasses, capable of sending information about a patient's condition from the scene of an accident directly back to hospital trauma surgeons, are close to becoming a reality.

With TAC funding support, 'Google glasses' are currently being trialled in conjunction with Alfred Hospital trauma surgeons. They combine Google Glass technology with the existing management plan for treating trauma patients – the Trauma Reception and Resuscitation System (TR&R).

In the future, paramedics wearing the glasses will be able to connect directly with trauma professionals from anywhere and at any time.

In the future this technology has the potential to save thousands of lives worldwide.

Boasting a camera, voice activation and 4G connectivity, they will convey vital patient information including heart rate, oxygen and blood pressure, improving decision-making and saving vital minutes.

An Eye on the Future – Bosch Car Takes Its Next Step

A trial of the first Australian-developed autonomous vehicle is providing important insights into future viability and safety requirements.

A \$1.2 million partnership between the TAC, Victorian Government, VicRoads and Melbourne-based Bosch has allowed the company's engineers to design a vehicle capable of navigating roads with or without a driver, with technology to detect and avoid hazards such as pedestrians, cyclists and other vehicles.

With 90 per cent of crashes resulting from human error, automated vehicles are an important step to achieving our Towards Zero vision – a future free of deaths and serious injuries on the state's roads.

The trial has recently entered an exciting phase, with the first driverless test in live Melbourne traffic, to determine how the vehicle interacts with other cars and what changes need to be made to the road network to pave the way for driverless cars.



A trial of the Sofihub sensor and audio technology is a part of the TAC's commitment to continually look at innovative ways to increase the independence of Victorians who are seriously injured on our roads.

Sofihub

The TAC's trial of Sofihub is part of our commitment to continually looking at innovative ways to increase the independence of Victorians seriously injured on our roads.

This smart technology was developed by Deakin University's Applied Artificial Intelligence Institute, with the support of a \$60,000 TAC research grant.

Using sensors to build an understanding of a client's daily routine and help monitor behaviour, Sofihub can remind an individual to perform simple tasks like preparing meals, taking medication and keeping appointments. It can also identify when something goes wrong, and if required, send an alert to carers or medical professionals.

Currently being trialled within the homes of three TAC clients, Sofihub has the potential to significantly increase independence and quality of life.

Small Grants Program

The TAC Small Grants Program supports innovative projects that help our clients to achieve independence, quality of life, attain life goals and become active members of their communities.

The program specifically targets initiatives that address one or more of the National Disability Strategy priorities and will deliver benefits and promote choice and control for those living with a disability.

In 2017/18, the TAC approved the funding for six small grants, totalling \$273,473.

Bladder Management Change Practice Model

Bladder management is one of the greatest long-term challenges for Spinal cord injury (SCI) clients. While intermittent catheterisation reduces complications, a recent review revealed delays implementing and training clients on their use. The TAC has supported the development of a new model, aimed at reducing the time at which catheters are made available, with specific emphasis on early intervention, client engagement and long-term care. It incorporates better training, support and a new online learning tool.

Treatment in Post-Traumatic Amnesia

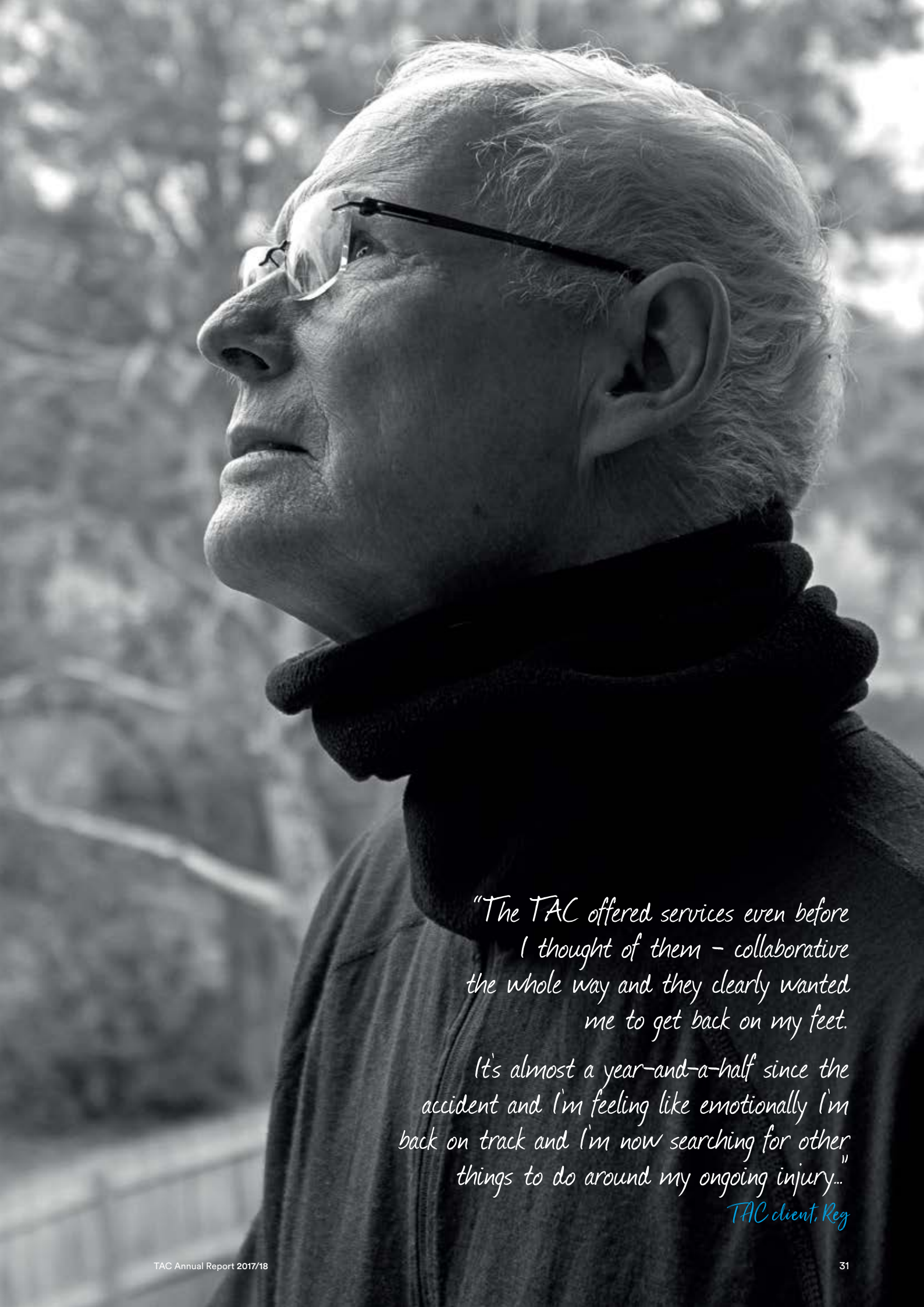
TAC research shows specialised rehabilitation can help traumatic brain injury (TBI) clients gain functional independence, if implemented during the recovery stage of post-traumatic amnesia.

Clients who receive early rehabilitation improve faster than those who don't. Two months after leaving hospital, however, the level of independence of both groups was similar.

The findings suggest TBI clients can learn and develop functional independence during the post-traumatic amnesia stage. Providing them with specialised rehabilitation early may help reach maximum functional independence earlier and reduce their length of hospital stay.

Person Centred Active Support

A \$985,000 research partnership between the TAC and La Trobe University has provided substantial evidence of better quality of life outcomes for people with intellectual disabilities, where support staff practice Person Centred Active Support. The study sought to explore the effectiveness of Active Support in supported accommodation services for people with neurotrauma. Interviews with staff, managers, clients and a family member showed strong support for the adoption of Active Support and a belief that it supports clients to do many more things for themselves.



*"The TAC offered services even before
I thought of them - collaborative
the whole way and they clearly wanted
me to get back on my feet.*

*It's almost a year-and-a-half since the
accident and I'm feeling like emotionally I'm
back on track and I'm now searching for other
things to do around my ongoing injury..."*

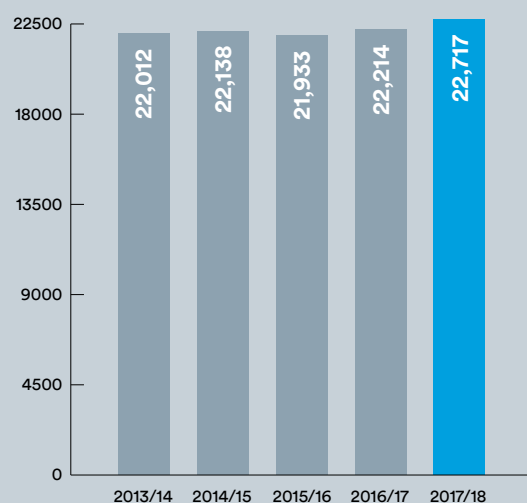
TAC client, Reg

Key performance measures

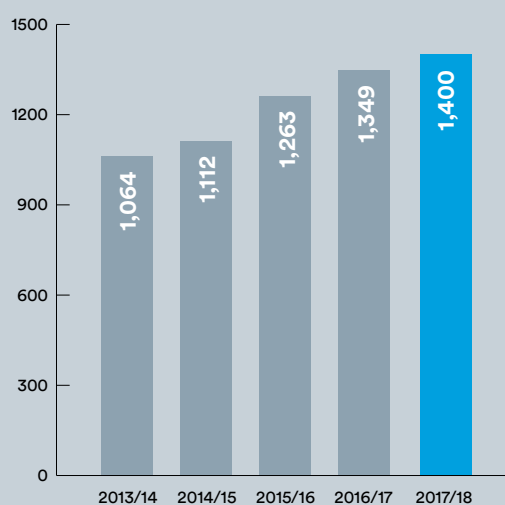


Supporting Injured Victorians

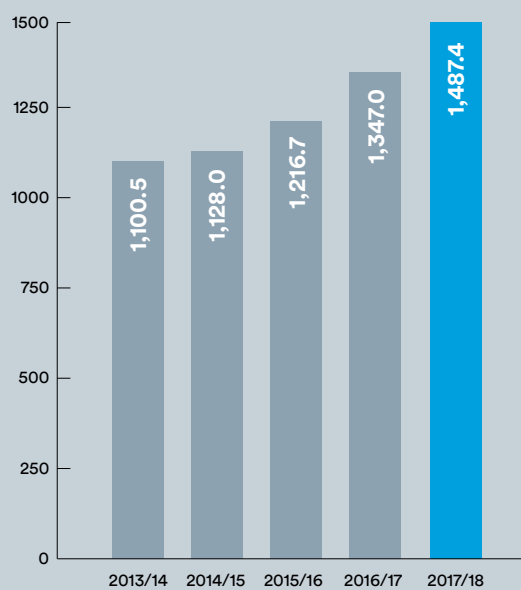
Total Claim Lodgements



Victorian Common Law Resolutions

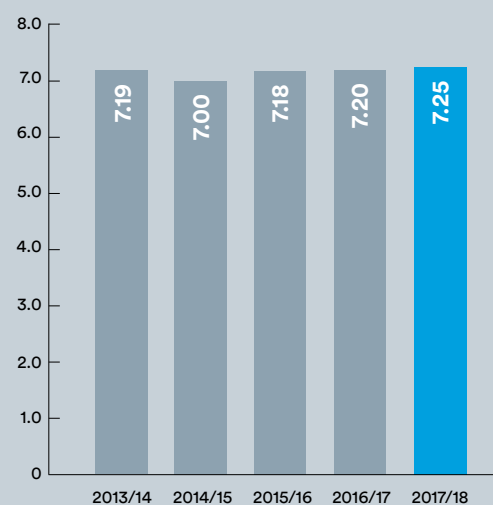


Total Benefits Paid (\$ million)



Client Engagement

Client Outcomes Score*



*Life back on track 1-10

2017/18 Financial Report



Statement by Chair, Chief Executive Officer and Chief Financial Officer



We certify that the financial report of the Transport Accident Commission has been prepared in accordance with Standing Direction 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating 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 2018 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.

We authorise the financial report for issue on 30 August 2018.

Penny Armytage
Chair

Joe Calafiore
Chief Executive Officer

Tony Dudley
Chief Financial Officer

Independent Auditor's Report

To the Board of the Transport Accident Commission

Opinion	<p>I have audited the financial report of the Transport Accident Commission (the Authority) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2018 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • Statement by the Chair, Chief Executive Officer and Chief Financial Officer. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Authority as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's responsibilities for the audit of the financial report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's
responsibilities
for the audit
of the financial
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

MELBOURNE
4 September 2018



Andrew Greaves
Auditor-General

How this report is structured

The Transport Accident Commission (TAC) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2018, providing users with the information about the TAC's stewardship of resources entrusted to it. It is presented in the following structure:

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Financial statements

Comprehensive Operating Statement for the financial year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Premium revenue		1,818,375	1,728,886
Premium collection fees		(44,563)	(42,306)
Net premium revenue	3.1	1,773,812	1,686,580
Unexpired risk liability	3.4	(72,527)	-
Gross claims incurred		(3,177,876)	(775,792)
Claims recoveries revenue		8,116	12
Net claims incurred	2.2.2	(3,169,760)	(775,780)
Administration costs	5.1	(178,008)	(164,967)
Marketing and road safety	2.1.1	(91,861)	(78,465)
Safer system road infrastructure	2.1.2	(283,253)	(118,891)
Health, compensation and disability research	2.2.1	(7,415)	(6,224)
Underwriting expenses		(560,537)	(368,547)
Underwriting profit / (loss)		(2,029,012)	542,253
Investment income		1,393,548	1,447,967
Investment expense		(44,796)	(43,479)
Net Investment Income	4.1	1,348,752	1,404,488
Repayment of capital	7.3	-	(29,500)
Profit / (loss) before income tax		(680,260)	1,917,241
Income tax benefit / (expense)	7.1	232,948	(572,918)
Net result for the year		(447,312)	1,344,323
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive result for the year		(447,312)	1,344,323

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

Financial statements

Balance Sheet as at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	4.3	44,988	34,447
Claims receivable	2.2.3	78,604	70,929
Premiums receivable		12,973	15,773
Other receivables		6,144	3,387
Investments	4.2	2,076,134	1,952,015
Deferred acquisition costs	3.2	-	21,511
Other assets		20,068	8,153
Total current assets		2,238,911	2,106,215
Non-current assets			
Claims receivable	2.2.3	628,528	545,394
Other receivables		18	21
Investments	4.2	12,467,338	11,381,490
Controlled entity	9.5	29,400	25,200
Plant and equipment		16,918	12,416
Intangibles	6.1	45,791	43,887
Deferred tax assets	7.2	596,838	363,890
Total non-current assets		13,784,831	12,372,298
Total assets		16,023,742	14,478,513
Current liabilities			
Outstanding claims	2.2.3	1,395,430	1,251,386
Unearned premiums	3.3	813,031	874,638
Unexpired risk	3.4	52,600	-
Advance premiums		30,843	33,864
Derivative liabilities	4.2	141,000	50,305
Payables		142,629	93,535
Employee provisions		24,140	21,143
Lease liabilities		967	921
Total current liabilities		2,600,640	2,325,792
Non-current liabilities			
Outstanding claims	2.2.3	13,852,004	12,133,969
Derivative liabilities	4.2	1	91
Employee provisions		2,790	3,304
Lease liabilities		1,416	1,154
Total non-current liabilities		13,856,211	12,138,518
Total liabilities		16,456,851	14,464,310
Net assets / (liabilities)		(433,109)	14,203
Equity			
Reserves		17,863	21,484
Accumulated surplus / (deficit)		(450,972)	(7,281)
Total equity		(433,109)	14,203

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 2018

	Motorcycle road safety reserve \$000	Accumulated surplus / (deficit) \$000	Total \$000
At 1 July 2016	22,999	(1,273,619)	(1,250,620)
Total comprehensive result			
Net result for the year	-	1,344,323	1,344,323
Other comprehensive income	-	-	-
Total comprehensive result for the year	-	1,344,323	1,344,323
Transactions with owners, recorded directly in equity			
Transfer from accumulated surplus to motorcycle road safety reserve	7,522	(7,522)	-
Transfer from motorcycle road safety reserve to accumulated surplus	(9,037)	9,037	-
Dividend paid during the year	-	(79,500)	(79,500)
Total transactions with owners	(1,515)	(77,985)	(79,500)
At 30 June 2017	21,484	(7,281)	14,203
Total comprehensive result			
Net result for the year	-	(447,312)	(447,312)
Other comprehensive income	-	-	-
Total comprehensive result for the year	-	(447,312)	(447,312)
Transactions with owners, recorded directly in equity			
Transfer from accumulated surplus to motorcycle road safety reserve	6,810	(6,810)	-
Transfer from motorcycle road safety reserve to accumulated surplus	(10,431)	10,431	-
Dividend paid during the year	-	-	-
Total transactions with owners	(3,621)	3,621	-
At 30 June 2018	17,863	(450,972)	(433,109)

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

Financial statements

Cash Flow Statement

for the financial year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Cash flows from operating activities			
Premiums received		1,933,775	1,951,925
Dividends received		523,649	364,891
Interest received		29,156	50,115
Claims paid		(1,495,750)	(1,363,864)
Claims recoveries received		8,372	16,814
Payments to suppliers and employees		(283,805)	(245,393)
Payments for marketing and road safety projects		(99,735)	(84,735)
Payments for trauma projects and safer road infrastructure expenditure		(263,526)	(114,975)
Goods and services tax paid		(37,348)	(65,736)
Net cash inflow from operating activities	4.3(b)	314,788	509,042
Cash flows from investing activities			
Purchase of investments		(4,068,328)	(3,923,777)
Sale of investments		3,702,608	3,603,872
Funds provided to controlled entity		(4,200)	-
Purchase of plant and equipment		(7,388)	(1,971)
Proceeds from sale of plant and equipment		678	646
Expenditure on intangibles		(14,717)	(17,459)
Net cash outflow from investing activities		(391,347)	(338,689)
Cash flows from financing activities			
Dividend paid	7.4	-	(79,500)
Repayment of capital	7.3	-	(29,500)
Net cash outflow from financing activities		-	(109,000)
Net increase in cash and cash equivalents		(76,559)	61,353
Cash and cash equivalents at the beginning of the year		1,520,994	1,482,009
Effects of exchange rate changes on cash held in foreign currencies		3,860	(22,368)
Cash and cash equivalents at end of the year	4.3	1,448,295	1,520,994

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

Notes to the financial statements

1. About this report

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

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, policy refers to the cover provided under the *Transport Accident Act 1986*.

The financial report has been prepared on a going concern basis. While the TAC recorded an operating loss for the year of \$447 million (2017: \$1,344 million profit), it delivered positive cash flows from operating activities of \$315 million (2017: \$509 million). Based on the cash flow projections being positive twelve months to the signing of the financial statements, the Directors have concluded that the going concern assumption of the TAC remains appropriate.

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 reported at present value) and investments and plant and equipment (which are reported at fair value). Cost is based on the fair values of the consideration given in exchange for assets.

The functional and presentation currency of the TAC is the Australian dollar. Amounts have been rounded to the nearest thousand dollars unless otherwise stated.

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 2.2.3, 2.2.4, 7.2 and 8.3 in the financial report.

Compliance information

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 selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Minister for 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 30 August 2018.

Notes to the financial statements

2. Towards Zero and Clients' Lives Back on Track

Introduction to this section	This section contains the disclosures:
<p>The TAC has two strategic outcomes: <i>Towards Zero</i> and <i>Clients' Lives Back on Track</i>.</p> <p>The TAC is dedicated to eliminating road deaths and serious injuries. The fundamental principle of <i>Towards Zero</i> is that people's lives are paramount. The TAC is building a system where Victorians are protected from death or serious injury if a mistake is made on the road.</p> <p>The TAC is dedicated to assisting Victorians to recover and rehabilitate from road accidents, paying for treatment and support services for people injured in transport accidents.</p> <p>This section provides details of the expenditure incurred by TAC in these important initiatives.</p>	<p>2.1 Towards Zero</p> <p>2.1.1 Marketing and road safety</p> <p>2.1.2 Safe system road infrastructure</p> <p>2.2 Clients' Lives Back on Track</p> <p>2.2.1 Health, compensation and disability research</p> <p>2.2.2 Net claims incurred</p> <p>2.2.3 Claims</p> <p>2.2.4 Actuarial assumptions and methods</p> <p>2.2.5 Insurance contracts – risk management policies and procedures</p>

2.1 Towards Zero

This strategy aims to achieve the most ambitious reduction in road trauma in Victoria's history to reduce road deaths by 20% and serious injuries by 15% by 2020. It is the TAC's vision to have zero deaths and serious injuries on Victorian roads. The expenditure incurred on this important strategy is outlined below.

2.1.1 Marketing and road safety

	2018 \$000	2017 \$000
Marketing and road safety	91,861	78,465

To achieve its goals and vision the TAC incurs costs throughout the financial year on various public education campaigns, community engagement and road safety initiatives to educate road users on key elements of the *Towards Zero* and the safe system approach. The safe system approach encompasses safe roads and roadsides, safe speeds, safe vehicles, and safe road use by all people using the road. Road safety is a shared responsibility and everyone has a role in keeping themselves and others safe.

2.1.2 Safe system road infrastructure

	2018 \$000	2017 \$000
Safe system road infrastructure	283,253	118,891

The TAC continues to invest in road safety infrastructure, incurring expenditure towards safety infrastructure improvements on the road network across metropolitan, rural and regional roads, improving cycling and pedestrian infrastructure and supporting safer intersections and traffic calming treatments.

2.2 Clients' Lives Back on Track

The TAC is dedicated to assist Victorians to recover and rehabilitate from road accidents and get their lives back on track as quickly as possible. The TAC covers transport accidents directly caused by the driving of a car, motorcycle, bus, train or tram, funding medical treatment for transport accident-related injuries for as long as it is necessary. The claims expenditure incurred in connection with helping Victorians to get their 'lives back on track', as well as expenditure incurred on trauma projects is set out below.

2.2.1 Health, compensation and disability research

	2018 \$000	2017 \$000
Health, compensation and disability research	7,415	6,224

The TAC incurs costs throughout the financial year on various projects which focus on facilitating research and best practices in the areas of injury prevention, rehabilitation and compensation practice and improving outcomes in those areas.

2.2.2 Net claims incurred

	2018			2017		
	Current year \$000	Prior years \$000	Total \$000	Current year \$000	Prior years \$000	Total \$000
Gross claims incurred						
Undiscounted	3,391,704	161,225	3,552,929	3,165,310	(3,853,995)	(688,685)
Discount movement	(1,384,702)	1,009,649	(375,053)	(1,381,440)	2,845,917	1,464,477
	2,007,002	1,170,874	3,177,876	1,783,870	(1,008,078)	775,792
Claims recoveries						
Undiscounted	(13,894)	6,165	(7,729)	(13,976)	30,228	16,252
Discount movement	2,827	(3,214)	(387)	2,842	(19,106)	(16,264)
	(11,067)	2,951	(8,116)	(11,134)	11,122	(12)
Net claims incurred	1,995,935	1,173,825	3,169,760	1,772,736	(996,956)	775,780

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. Recoveries on claims paid and outstanding claims are recognised as revenue.

The net claims incurred of \$3,170 million (2017: \$776 million) is impacted by both internal and external (financial impact on changes in inflation assumptions, discount rates and risk margins) factors as noted below:

	2018 \$M	2017 \$M
Claims incurred – internal	2,551	2,065
Claims incurred – external	619	(1,289)
Net claims incurred	3,170	776

Refer to section 2.2.4 for discussion around the actuarial assumptions and methods.

Notes to the financial statements

2.2.3 Claims

Claims Receivable

	2018 \$000	2017 \$000
Current		
Claims GST receivable	67,812	60,370
Claims recoveries	10,792	10,559
Total current	78,604	70,929
Non-current		
Claims GST receivable	582,046	498,422
Claims recoveries	46,482	46,972
Total non-current	628,528	545,394
Total claims receivable	707,132	616,323

Claims GST receivable amounts represent the GST credits which the TAC is entitled to claim on future claims payments. Claims recoveries receivable are assessed in a manner similar to the measurement of outstanding claims liability. A provision for impairment is recognised when there is objective evidence that the claims receivable is not recoverable.

Outstanding claims liability

	2018 \$000	2017 \$000
Expected future claims payments (undiscounted)	28,134,052	26,097,140
Discount to present value	(15,252,040)	(14,827,745)
	12,882,012	11,269,395
Claims handling expenses	1,043,576	955,139
	13,925,588	12,224,534
Risk margin	1,321,846	1,160,821
Outstanding claims liability	15,247,434	13,385,355
Current	1,395,430	1,251,386
Non-current	13,852,004	12,133,969
Outstanding claims liability	15,247,434	13,385,355

Outstanding claims liability as at 30 June 2018 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Consulting (Australia) Pty Ltd.

Reconciliation of movement in discounted outstanding claims liability

	2018			2017		
	Gross \$000	Recoveries \$000	Net \$000	Gross \$000	Recoveries \$000	Net \$000
Outstanding claims brought forward	13,385,355	(616,323)	12,769,032	13,901,215	(640,046)	13,261,169
Effect of changes in economic assumptions	595,583	(143)	595,440	(1,217,762)	2,283	(1,215,479)
Effect of past inflation rate different to assumptions	505	(109)	396	15,529	(362)	15,167
Effect of changes in other assumptions	367,052	4,573	371,625	(33,749)	10,884	(22,865)
Increase in claims incurred/recoveries in current accident year	2,007,003	(11,067)	1,995,936	1,783,870	(11,134)	1,772,736
Release of risk margin and claims handling expenses	(220,452)	-	(220,452)	(209,921)	-	(209,921)
Cost of prior year claims moving one year closer to payment	428,185	(1,370)	426,815	437,825	(1,683)	436,142
Incurred claims recognised in the comprehensive operating statement	3,177,876	(8,116)	3,169,760	775,792	(12)	775,780
Claims payments and recoveries during the year	(1,406,862)	8,372	(1,398,490)	(1,284,731)	16,814	(1,267,917)
Increase in provision for GST credits	91,065	(91,065)	-	(6,921)	6,921	-
Outstanding claims carried forward	15,247,434	(707,132)	14,540,302	13,385,355	(616,323)	12,769,032

Notes to the financial statements

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	2009 \$000	2010 \$000	2011 \$000	2012 \$000
Estimate of ultimate claims costs:				
At end of accident year	1,902,683	1,868,977	2,095,677	2,190,740
One year later	1,870,243	1,822,545	2,122,859	2,089,306
Two years later	1,980,985	2,048,727	2,179,206	1,973,791
Three years later	2,091,361	1,972,760	2,280,844	2,046,791
Four years later	1,917,496	2,196,216	2,281,185	1,996,622
Five years later	2,106,249	2,402,436	2,234,721	1,842,027
Six years later	2,077,367	2,229,752	2,072,408	1,871,541
Seven years later	2,026,409	1,976,489	2,089,175	-
Eight years later	1,862,648	1,948,743	-	-
Nine years later	1,863,732	-	-	-
Current estimate of cumulative claims costs	1,863,732	1,948,743	2,089,175	1,871,541
Cumulative payments	(812,665)	(760,436)	(811,786)	(815,341)
Outstanding claims - undiscounted	1,051,067	1,188,307	1,277,389	1,056,200
Discount				
2008 and prior claims				
Claims handling expenses				
Recoveries and GST credits				
Outstanding claims per balance sheet				

	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	Total \$000
	2,375,635	2,770,542	2,582,261	2,725,521	2,889,012	3,103,172	
	2,643,268	2,368,520	2,577,731	2,522,724	2,955,282	-	
	2,410,547	2,245,457	2,385,833	2,711,350	-	-	
	2,314,780	2,069,435	2,443,654	-	-	-	
	2,075,528	2,098,022	-	-	-	-	
	2,041,609	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	2,041,609	2,098,022	2,443,654	2,711,350	2,955,282	3,103,172	23,126,280
	(771,777)	(691,547)	(637,571)	(549,940)	(399,522)	(255,301)	(6,505,886)
	1,269,832	1,406,475	1,806,083	2,161,410	2,555,760	2,847,871	16,620,394
							(9,060,733)
							5,937,065
							1,043,576
							707,132
							15,247,434

Notes to the financial statements

2.2.4 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. The key areas of significant estimates and judgements and the methodologies used to determine key assumptions related to claims are set out below.

Outstanding claims liability

The outstanding claims liability is measured on the basis of actuarially estimated costs of future claims payments, which include goods and services tax (GST), the anticipated effects of inflation and other factors. 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 at balance date using a risk free rate.

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 for to a 75% (2017: 75%) probability of sufficiency.

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 2018	30 June 2017
Average claim frequency (claims per 1000 registered vehicles)	3.88	3.70
Average claim size	\$86,485	\$86,395
- Average attendant care	\$13,938	\$16,560
- Average common law size	\$27,968	\$26,926
- Average all other payment size	\$44,578	\$42,909
Expense rate	8.1%	8.5%
Weighted average discount rate (0 to 20 years)	2.56%	3.12%
Weighted average discount rate (21+ years)	3.43%	4.71%
Weighted average AWE inflation rate (0 to 20 years)	3.06%	3.38%
Weighted average AWE inflation rate (21+ years)	3.31%	3.36%
Weighted average CPI inflation rate (0 to 20 years)	2.12%	2.09%
Weighted average CPI inflation rate (21+ years)	2.08%	2.12%
Average weighted term to settlement from balance date	16.3 years	15.4 years
Risk Margin	10.0%	10.0%

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	<p>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 nominal values excluding the impact of inflation.</p> <p>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.</p>
Expense rate	Claims handling expenses have been estimated by reference to past and projected claims handling costs across a number of different claims types. The overall allowance represents 8.1% (2017: 8.5%).
Discount rate	Discount rates adopted are "risk-free" rates, set by reference to traded Commonwealth Government securities. For years 31 onwards there are no 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% (2017: 10.0%).

Notes to the financial statements

Sensitivity analysis – insurance contracts

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

Variable	Inflation of movement in variable
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	An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Inflation and superimposed inflation rates	Economic inflation assumptions in the short term are set by reference to current economic forecasts. Inflation assumptions for the medium and longer term are set by blending from the short term assumptions to an assumed long term assumption, with blending based on the shape of the discount rates.

Impact of changes in key variables

Variable	Movement	2018 Net result \$000	2017 Net result \$000	2018 Equity \$000	2017 Equity \$000
Recognised amounts per the financial statements		(447,312)	1,344,323	(433,109)	14,203
Average attendant care size	+10%	(888,920)	964,270	(874,717)	(365,850)
	-10%	(5,704)	1,724,376	8,499	394,256
Average common law size	+10%	(618,640)	1,183,603	(604,437)	(146,517)
	-10%	(275,984)	1,505,043	(261,781)	174,923
Expense rate	+1%	(546,062)	1,257,991	(531,859)	(72,129)
	-1%	(348,562)	1,430,655	(334,359)	100,535
Weighted average discount rate (0-20 years)	+0.5%	89,562	1,798,454	103,765	468,334
	-0.5%	(1,032,066)	850,494	(1,017,863)	(479,626)
Weighted average discount rate (21+ years)	+0.5%	(215,847)	1,525,181	(201,644)	195,061
	-0.5%	(708,915)	1,140,270	(694,712)	(189,850)
Weighted average inflation rate - AWE and CPI (0-20 years)	+0.5%	(1,033,249)	847,419	(1,019,046)	(482,701)
	-0.5%	96,174	1,805,814	110,377	475,694
Weighted average inflation rate - AWE and CPI (21+ years)	+0.5%	(715,368)	1,133,916	(701,165)	(196,204)
	-0.5%	(208,282)	1,532,204	(194,079)	202,084

2.2.5 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, financial risk and operational risk.

The TAC's policies and procedures in respect of managing insurance risks are set out below.

Risks arising from insurance operation and policies for mitigating those risks

The TAC's performance from insurance operations is affected by the inherent nature of insurance risks and market factors external to the TAC.

The TAC's risk management strategy covers all aspects of the TAC's operations including any reinsurance risk retention limits. It also includes 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 incorporating past experience, statistical methods and information derived from the management information systems to monitor claims patterns;
- 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; and
- the investment allocation strategy, established by the Victorian Funds Management Corporation (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.

The TAC Board has elected to retain the risk from catastrophic accidents and therefore have not entered into any reinsurance contracts.

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*. During the year the TAC introduced three and six month insurance terms. 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.

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.

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.

Credit risk

The TAC has no significant concentrations of credit risk.

Notes to the financial statements

3. Collection of premium revenue

Introduction to this section

The funds the TAC needs to perform its key strategy are attained from payments made by Victorian motorists when they register their vehicles with VicRoads. The expenditure incurred by the TAC in the implementation of these strategies is disclosed and the funds that enable the delivery of the initiatives are outlined below.

This section is structured as follows:

- 3.1 Net premium revenue
- 3.2 Deferred acquisition costs
- 3.3 Unearned premiums
- 3.4 Unexpired risk liability

3.1 Net premium revenue

	2018 \$000	2017 \$000
Premium revenue	1,818,375	1,728,886
Premium collection fees	(44,563)	(42,306)
Net premium revenue	1,773,812	1,686,580

Premium revenue refers to the transport accident charge for motor vehicles and premium charge for trains and trams, and is recognised 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 with the pattern of risks underwritten. Premium revenue is net of refunds and excludes stamp duty and GST.

3.2 Deferred acquisition costs

	2018 \$000	2017 \$000
Balance at 1 July	21,511	20,354
Acquisition costs incurred in the year	42,979	43,463
Amount expensed to comprehensive operating statement	(44,563)	(42,306)
Write down due to premium deficiency	(19,927)	-
Deferred acquisition costs	-	21,511

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.

3.3 Unearned premiums

	2018 \$000	2017 \$000
Balance at 1 July	874,638	828,888
Deferral of premium written in the year	813,031	874,638
Earning of premium written in previous year	(874,638)	(828,888)
Unearned premiums	813,031	874,638

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

3.4 Unexpired risk liability

	2018 \$000	2017 \$000
Unexpired risk liability at beginning of year	-	-
Increase/(decrease) in unexpired risk liability	52,600	-
Unexpired risk liability at end of year	52,600	-
Movements in carrying amounts		
Amount expensed to comprehensive operating statement	72,527	-
Deferred acquisition costs written down	(19,927)	-
Net premium deficiency	52,600	-

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.

The unearned premium liability is deemed to be deficient when the expected future cash claims plus the additional risk margin (refer to 2.2.4) exceeds the unearned premium liability less related intangible assets and deferred acquisition costs.

The entire deficiency is recognised immediately in the comprehensive operating 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. A deficiency of \$72.5 million was recorded at 30 June 2018 (2017: No deficiency).

Notes to the financial statements

4. Investment portfolio

Introduction to this section	This section contains the disclosures:
This section includes the investments that are held by the TAC that are used to supplement the premiums earned to fund its functions.	<p>4.1 Net investment income</p> <p>4.2 Investments (including derivative liabilities)</p> <p>4.3 Cash and cash equivalents</p>

4.1 Net investment income

	2018 \$000	2017 \$000
Dividends	525,732	363,512
Interest	29,227	43,270
Changes in fair values of investments through the comprehensive operating statement	838,589	1,041,185
Investment income	1,393,548	1,447,967
Investment expense	(44,796)	(43,479)
Net investment income	1,348,752	1,404,488

Dividend income is recognised when the TAC's right to receive payment has been established. Dividend income through trust distributions is recognised when the market prices are quoted ex-distribution for listed trusts, while unlisted trust distributions are recognised when the trustee declares a distribution. Interest income is recognised on an accrual basis.

Changes in fair values of investments is the difference between the fair value of the investments at 30 June 2017 or the cost of acquisition (for investments purchased during the year), and sales proceeds or their fair value at 30 June 2018.

Investment expenses are fees paid to the VFMC 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 net return on the investment portfolio for the year was 10.14% (2017: 11.82%).

4.2 Investments (including derivative liabilities)

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 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 prudential supervision responsibility of the investments rests with the Department of Treasury and Finance (DTF). 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 the VFMC its investment performance against its investment objectives.

The investment portfolio consists of a range of assets to match TAC's liability characteristics and equities to provide for long term growth and other assets that provide diversification benefits across the general portfolio.

	2018 \$000	2017 \$000
Asset category		
Cash investments	333,761	176,688
Australian equities	1,927,091	1,792,810
International equities	5,277,615	5,043,943
Private equity	60,984	68,890
Inflation linked bonds	1,607,294	1,596,437
Infrastructure	977,135	845,052
Property	1,065,024	1,018,704
Diversified fixed income	1,581,352	1,374,188
Non traditional strategies	1,572,215	1,366,397
Total	14,402,471	13,283,109
Cash and cash equivalents	1,403,307	1,486,547
Other investments	12,999,164	11,796,562
Total	14,402,471	13,283,109

TAC has uncalled capital commitments within its investments totalling \$1,125 million as at 30 June 2018 (2017: \$1,131 million), which have not been recognised on the balance sheet.

	2018 \$000	2017 \$000
Current		
Investments	2,076,134	1,952,015
Derivative liabilities	(141,000)	(50,305)
Non-current		
Investments	12,467,338	11,381,490
Derivative liabilities	(1)	(91)
Total	14,402,471	13,283,109

Assets backing insurance liabilities

The TAC's investment portfolio is managed by the VFMC through internal management and external 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 operating 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. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant changes in fair value recognised in the comprehensive operating statement.

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.

Refer to note 8.3 for discussion on valuation judgements in relation to the fair value of investments.

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 held at balance sheet 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 operating statement in the period in which they arise. 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 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.

Derivative financial instruments

The 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 operating 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.

4.3 Cash and cash equivalents

(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:

	2018 \$000	2017 \$000
Cash and cash equivalents (bank)	44,988	34,447
Cash equivalents (investments)	1,403,307	1,486,547
Total	1,448,295	1,520,994

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

	2018 \$000	2017 \$000
Net result for the year	(447,312)	1,344,323
Depreciation and amortisation	15,074	17,023
Finance costs	(17)	(281)
Changes in fair values of investments through the comprehensive operating statement	(838,589)	(1,041,185)
Loss / (profit) on sale of plant and equipment	(53)	16
Repayment of capital	-	29,500
Changes in assets and liabilities		
Increase / (decrease) in outstanding claims	1,862,079	(515,860)
Increase / (decrease) in unearned premiums	(61,607)	45,750
Decrease / (increase) in receivables and other assets	(83,320)	24,639
Increase / (decrease) in creditors and provisions	101,481	32,199
Decrease / (increase) in net deferred tax balances	(232,948)	572,918
Net cash inflow / (outflow) from operating activities	314,788	509,042

Notes to the financial statements

5. Cost of operations

Introduction to this section	This section contains the following disclosures:
This section provides details of costs incurred by TAC to support its day-to-day operating activities.	5.1 Administration costs 5.2 Superannuation

5.1 Administration costs

	2018 \$000	2017 \$000
Staff and related	117,529	107,594
Information technology	16,858	14,871
Occupancy and utilities	10,126	9,013
Other operating	18,421	16,466
Depreciation and amortisation	15,074	17,023
Total	178,008	164,967
Total administration costs include the following:		
Operating lease rentals	8,450	7,436
Auditor-General's fees	226	216
Interest on finance lease	26	28
Unwind of discount on employee provision	(17)	(281)

5.2 Superannuation

Superannuation is provided for employees via the following superannuation funds:

	2018 \$000	2017 \$000
Emergency Services Superannuation Scheme		
- Revised and New Scheme	279	287
Victorian Superannuation Fund - VicSuper Scheme	5,156	4,952
Private sector complying funds	3,735	3,277
Total	9,170	8,516

The Emergency Services Superannuation Scheme is a defined benefit superannuation plan.

Superannuation amounts include employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

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

Employees have the option of contributing exclusively to private sector complying funds or contributing to the Victorian Superannuation Fund or both. The basis of superannuation contributions is based on the relevant rules of each plan. At 30 June 2018, contributions outstanding totalled one thousand dollars (2017: \$nil).

6. Other assets and liabilities

Introduction to this section

This section includes other assets and liabilities that are employed by TAC to support its day-to-day operating activities.

This section contains the following disclosures:

- 6.1 Intangibles
- 6.2 Commitments and contingencies

6.1 Intangibles

	2018 \$000	2017 \$000
Computer software		
At cost	172,486	158,094
Less: Accumulated amortisation	(126,695)	(114,207)
Balance at 30 June	45,791	43,887
Movements in carrying amounts		
Balance at 1 July	43,887	41,359
Additions	14,717	17,459
Current year amortisation	(12,813)	(14,931)
Balance at fair value at 30 June	45,791	43,887

Intangible assets represent identifiable non-monetary assets without physical substance which include both purchased intangible assets and internally generated intangible assets.

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

Costs associated with the acquisition or development of intangible assets are capitalised and amortised on a straight line basis over the expected useful life of the intangible asset. The amortisation period and the amortisation method for intangible assets are reviewed annually. An assessment is also made annually to determine whether there are indicators that the intangible assets concerned are impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Depreciation and amortisation begins when the asset is available for use. The useful lives range from 3 to 10 years (2017: 3 to 10 years).

Notes to the financial statements

6.2 Commitments and contingencies

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

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed if quantifiable and are measured at nominal value inclusive of GST. There are no material contingencies in the year ended 30 June 2018 (2017: nil).

Administrative Expenditure

	2018 \$000	2017 \$000
Estimated administrative expenditure contracted at balance date, but not provided for:		
- not later than one year	336,145	355,536
- later than one year but not later than five years	614,130	824,058
- later than five years	12,358	76,682
	962,633	1,256,276

Included in the administrative expenditure is a total amount of approximately \$876 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs in Victoria (2017: \$1,159 million (nominal)). The programs are a significant part of Victoria's Road Safety Strategy and Action Plan and are aimed at reducing the incidence of serious casualty crashes and road trauma and are expected to result in lower TAC claims costs.

As part of the Victoria's Road Safety Strategy & Action Plan, the State Government announced that the TAC would invest a further \$229 million in road infrastructure projects in regional areas. This has not been recognised as a commitment at this time and will be reported in due course once funding agreements are finalised.

Operating Leases

	2018 \$000	2017 \$000
Minimum lease payments:		
- not later than one year	9,044	8,111
- later than one year but not later than five years	39,533	35,386
- later than five years	62,047	68,923
	110,624	112,420

Operating leases relate to TAC premises. The TAC does not have an option to purchase the leased asset at the expiry of the lease period.

Operating lease payments are charged as an expense in the comprehensive operating statement on a straight-line basis over the lease term except where another systematic basis is more representative of time pattern in which economic benefits from the leased assets are consumed.

7. Taxation and shareholder transactions

Introduction to this section

The TAC is required to pay income tax equivalent under the National Tax Equivalent Regime.

This section contains the following disclosures:

- 7.1 Income tax
- 7.2 Deferred tax
- 7.3 Repayment of capital
- 7.4 Dividends paid through equity

7.1 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 comprises current and deferred tax.

Income tax recognised in comprehensive operating statement	2018 \$000	2017 \$000
Income tax expense / (benefit) comprises:		
Current tax expense / (benefit)	(252,836)	394,342
Deferred tax adjustment	32,769	175,110
Adjustment in respect of prior years	(12,881)	3,466
Total tax expense / (benefit)	(232,948)	572,918
Deferred tax adjustment comprises:		
(Increase) / Decrease in deferred tax assets	(33,615)	15,127
Increase in deferred tax liabilities	66,384	159,983
	32,769	175,110
Reconciliation between net result before tax and income tax expense / (benefit)		
Net profit / (loss) before tax	(680,260)	1,917,241
Tax at the statutory rate of 30% (2017 - 30%)	(204,078)	575,172
Imputation gross-up on dividends received	9,805	9,121
Franking credits and withholding tax on dividends received	(32,683)	(30,404)
Sundry items	(5,992)	19,029
Income tax expense / (benefit)	(232,948)	572,918

Notes to the financial statements

7.2 Deferred tax

Deferred tax balances	2018 \$000	2017 \$000
Deferred tax assets comprise:		
Carry forward tax losses	517,809	247,589
Claims handling expense included in outstanding claims	344,380	315,196
Sundry items	9,839	9,911
	872,028	572,696
Deferred tax liabilities comprise:		
Unrealised gain on investments	274,799	208,317
Sundry items	391	489
	275,190	208,806
Net deferred tax assets	596,838	363,890

Deferred tax is recognised for all taxable temporary differences and is calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 only 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.

7.3 Repayment of capital

The TAC made no capital repayments to the Victorian State Government during 2017/18 (2017: \$29.5 million).

7.4 Dividends paid through equity

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.

The TAC did not pay a dividend to the Victorian State Government during 2017/18 (2017: \$79.5 million).

8. Financial instruments

Introduction to this section

This section provides information on the sources of finance utilised by the TAC during its operations, including disclosures of balances that are financial instruments and discussion on valuation judgements.

This section contains the following disclosures:

- 8.1 Financial risk management
- 8.2 Offsetting financial assets and financial liabilities
- 8.3 Fair value – Financial assets and liabilities

8.1 Financial risk management

The TAC's financial assets and liabilities are exposed to a variety of financial risks including market risk (consisting of interest rate, foreign currency and equity price risk), credit risk and liquidity 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. The 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.

Interest rate risk

Interest rate risk is the risk that the TAC is impacted by significant changes in interest rates. The 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, no gain or loss is recognised. The 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 mitigate interest rate risks.

A summary of the TAC's interest-bearing financial instruments is as follows:

	Variable rate 2018 \$000	Fixed rate 2018 \$000	Total 2018 \$000	Variable rate 2017 \$000	Fixed rate 2017 \$000	Total 2017 \$000
Financial assets						
Cash and cash equivalents	44,988	-	44,988	34,447	-	34,447
Investments:						
- derivative assets	-	242	242	-	-	-
- other investments	1,378,912	217,550	1,596,462	1,260,263	174,219	1,434,482
	1,423,900	217,792	1,641,692	1,294,710	174,219	1,468,929
Financial liabilities						
Derivative liabilities	-	601	601	-	675	675
Other liabilities	-	2,383	2,383	-	2,075	2,075
	-	2,984	2,984	-	2,750	2,750
Total	1,423,900	214,808	1,638,708	1,294,710	171,469	1,466,179

Notes to the financial statements

Interest rate sensitivity

A 0.5% movement 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. A sensitivity table is not disclosed, as the impact of a 0.5% movement in interest rates with all other variables held constant on the TAC's net profit and equity is not material.

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.

The 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 TAC's exposure is mainly via the major currencies such as United States dollar, Japanese yen, the Euro and British pound.

Foreign currency sensitivity

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

	2018 \$000	2017 \$000
Impact on profit and equity of a 10% increase in foreign exchange rates:		
- Before impact of foreign exchange derivatives	(100,128)	(107,808)
- Impact of foreign exchange derivatives	223,486	199,532
- After impact of foreign exchange derivatives	123,358	91,724
Impact on profit or equity of a 10% decrease in foreign exchange rates:		
- Before impact of foreign exchange derivatives	122,378	131,765
- Impact of foreign exchange derivatives	(273,149)	(243,873)
- After impact of foreign exchange derivatives	(150,771)	(112,108)

Equity price risk

The TAC is exposed to equity price risk arising from equity investments (both within Australian markets and overseas, refer to note 4.2). Equity investments are held for strategic rather than trading purposes. The VFMC limits price risk through diversification of the equity investment portfolio.

Equity price sensitivity

At reporting date, if listed/unlisted equity prices had been 10% higher or lower and all other variables were held constant, the TAC's net profit and equity would increase or decrease by \$848.9 million (2017: \$780.1 million).

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. The 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 counterparty credit and liquidity.

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

The establishment of appropriate policies and multi-tiered limits ensures that TAC maintains a diversified portfolio without any significant concentration of credit risk on an industry, regional or country basis. The TAC's maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk

The 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 the VFMC's credit ratings of counterparties.

2018	Investment grade \$000	Non-Investment grade \$000	Total \$000
Financial assets at fair value through comprehensive operating statement			
Cash and cash equivalents	44,988	-	44,988
Cash equivalents (investments)	1,403,307	-	1,403,307
Debt securities	301,831	-	301,831
Derivative assets	-	175,278	175,278
Other assets	-	5,159	5,159
Total	1,750,126	180,437	1,930,563

2017			
Financial assets at fair value through comprehensive operating statement			
Cash and cash equivalents	34,447	-	34,447
Cash equivalents (investments)	1,486,547	-	1,486,547
Debt securities	174,219	-	174,219
Derivative assets	-	318,475	318,475
Other assets	-	3,408	3,408
Total	1,695,213	321,883	2,017,096

The VFMC classifies all assets with Standard and Poor's credit ratings of AAA to BBB as investment grade.

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.

Notes to the financial statements

Liquidity risk

Liquidity risk arises from the TAC being unable to meet financial obligations as they fall due. The 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 normally 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 table is based on the undiscounted cash flows of financial liabilities and on the earliest date on which the TAC can be required to pay.

2018	Less than 3 months \$000	4-12 months \$000	1 - 5 years \$000	5 + years \$000	Total \$000
Financial liabilities					
Payables	142,629	-	-	-	142,629
Finance lease liabilities	290	677	1,416	-	2,383
Derivative liabilities	128,293	12,707	1	-	141,001
Total	271,212	13,384	1,417	-	286,013

2017					
Financial liabilities					
Payables	93,535	-	-	-	93,535
Finance lease liabilities	276	645	1,154	-	2,075
Derivative liabilities	45,677	4,627	92	-	50,396
Total	139,488	5,272	1,246	-	146,006

Creditors and accruals are normally settled within 30 days and are carried at nominal value which approximates fair value.

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.

8.2 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 to offsetting arrangements:

2018	Gross and net amount included in Balance Sheet \$000	Related amount not set off in Balance Sheet		
		Related amount subject to master netting agreements \$000	Collateralised obligation \$000	Net Amount \$000
Derivative assets	175,278	(50,419)	(122,115)	2,744
Derivative liabilities	(141,001)	50,419	17,476	(73,106)
Total	34,277	-	(104,639)	(70,362)

2017				
Derivative assets	318,475	(43,320)	(220,218)	54,937
Derivative liabilities	(50,396)	43,320	839	(6,237)
Total	268,079	-	(219,379)	48,700

8.3 Fair value – Financial assets and liabilities

The TAC determines the policies and procedures for fair value measurements in accordance with the requirements of AASB 13 *Fair Value Measurement* 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 following tables illustrate the level in the fair value hierarchy in which fair value measurements are categorised for financial assets.

30 June 2018	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	44,988	-	-	44,988
Investments				
Cash investments	169,043	164,718	-	333,761
Australian equities	69,278	1,857,813	-	1,927,091
International equities	977,237	4,300,378	-	5,277,615
Private equity	9,007	(1,132)	53,109	60,984
Inflation linked bonds	(13,526)	1,620,820	-	1,607,294
Infrastructure	-	(18,145)	995,280	977,135
Property	7,377	40	1,057,607	1,065,024
Diversified fixed income	(70,596)	1,529,750	122,198	1,581,352
Non traditional strategies	735,591	113,321	723,303	1,572,215
Other receivables	6,162	-	-	6,162
Payables	(142,629)	-	-	(142,629)
Other liabilities	(2,383)	-	-	(2,383)
Net financial assets	1,789,549	9,567,563	2,951,497	14,308,609

Notes to the financial statements

30 June 2017	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	34,447	-	-	34,447
Investments				
Cash investments	112,267	64,421	-	176,688
Australian equities	33,908	1,758,902	-	1,792,810
International equities	1,079,354	3,964,589	-	5,043,943
Private equity	279	644	67,967	68,890
Inflation linked bonds	-	1,596,437	-	1,596,437
Infrastructure	-	6,309	838,743	845,052
Property	30,157	237	988,310	1,018,704
Diversified fixed income	(30,795)	1,301,824	103,159	1,374,188
Non traditional strategies	552,199	191,271	622,927	1,366,397
Other receivables	3,408	-	-	3,408
Payables	(93,535)	-	-	(93,535)
Other liabilities	(2,075)	-	-	(2,075)
Net financial assets	1,719,614	8,884,634	2,621,106	13,225,354

Transfers between categories

No transfers between levels were made during the year ended 30 June 2018 (2017: \$0.4 million and \$7.1 million were transferred from level 3 to level 2 and level 2 to level 1 respectively).

Reconciliation of Level 3 fair value measurements of financial assets:

	Total Level 3 \$000
Balance at beginning of the year	2,621,106
Gain/(loss) recognised in the comprehensive operating statement	125,922
Sales	(147,306)
Purchases	351,775
Transfer in to Level 3	-
Transfer out of Level 3	-
Closing Balance	2,951,497
Total gains for the period included in profit or loss for assets held at the end of the period	10,143

Fair value determination

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Key Assumptions and inputs to estimation uncertainty

The disclosures below provide details of the inputs and assumptions used in the current valuation models.

A majority of the investments with estimation uncertainty 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.

An example of the key inputs and assumptions typically considered is shown below.

Investment asset	Valuation technique	Key inputs and assumptions
<i>Infrastructure Investments</i>	Discounted cash flows	<ul style="list-style-type: none"> • risk free discount rates • risk premium • asset utilisation rates • capital expenditure and operating cost forecasts • other estimated future cash flows dependent on the longer term general economic forecasts • forecast performance of applicable underlying assets
<i>Private Equity Investments</i>	Multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies	<ul style="list-style-type: none"> • identification of appropriate comparables • estimated future profits • risk free rate, risk premium
<i>Property Investments</i>	Discounted cash flow, capitalisation and direct comparison methodologies	<ul style="list-style-type: none"> • estimated future cash flows • future economic and regulatory conditions
<i>Diversified Fixed Income Investments and Non-Traditional Strategies Investments</i>	<p>Diversified fixed income investments - third party pricing servicers, which source prices from brokers and market makers</p> <p>Non-traditional strategies investments - prices quoted on an exchange or traded in a dealer market</p> <p>Less liquid securities - discounted cash flow, amortised cost, direct comparison and others</p>	<ul style="list-style-type: none"> • appropriate credit spread and other risk premium • future risk free rate • estimated future cash flows • identification of appropriate comparable assets • life expectancy estimates and mortality probabilities • future economic and regulatory conditions

Notes to the financial statements

9. Other disclosures

Introduction to this section	This section contains the following disclosures:
This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.	<ul style="list-style-type: none">9.1 Responsible persons9.2 Remuneration of executive officers9.3 Related parties9.4 Motorcycle road safety reserve9.5 Controlled entity9.6 Events after reporting date9.7 Application of standards not yet effective

9.1 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The responsible persons who held office during the financial year are as follows:

Responsible Ministers:

Honourable Robin Scott MP, Minister for Finance

Honourable Luke Donnellan MP, Minister for Roads and Road Safety

Directors:

Ms Penny Armytage (appointed 1 July 2017, Chair)

Ms Jane Brockington (appointed 31 October 2017)

Mr David Heath

Ms Louisa Hudson

Dr Tien Kieu

Mr Paul Kirk (end of term 28 October 2017)

Ms Julia Mason

Ms Sue O'Connor (end of term 28 October 2017)

Mr Colin Radford

Dr Samantha Smith

Chief Executive Officer:

Mr Joe Calafiore

Remuneration

	2018 \$000	2017 \$000
Total remuneration received or receivable by responsible persons ¹	1,050	963

¹ The compensation detailed above excludes the salaries and benefits of the Portfolio Ministers. The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the Department of Parliamentary Services' Financial Report.

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

Income Band	2018 \$000	2017 \$000
\$0 - \$9,999	-	3
\$10,000 - \$19,999	2	1
\$20,000 - \$29,999	-	2
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	5	4
\$70,000 - \$79,999	-	1
\$90,000 - \$99,999	-	1
\$130,000 - \$139,999	1	-
\$500,000 - \$509,999	-	1
\$530,000 - \$539,999	1	-

9.2 Remuneration of executive officers

Remuneration of executives

The number of executive officers, excluding the Chief Executive Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

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

The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (note 9.3).

The remuneration of executives is as follows:

	2018 \$000	2017 \$000
Short-term employee benefits	2,407	1,987
Post-employment benefits	152	128
Other long-term employee benefits	50	42
Termination benefits	-	-
Total remuneration	2,609	2,157
Total number of executives	8.0	8.0
Total annualised employee equivalent ¹	7.5	7.5

¹ Annualised employee equivalent is based on the time fraction worked over the reporting period.

Notes to the financial statements

9.3 Related parties

The TAC is a wholly owned and controlled entity of the State of Victoria.

Key management personnel of TAC are those listed as responsible persons and members of the executive leadership team.

Related parties of the TAC include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

The remuneration of key management personnel is as follows:

	2018 \$000	2017 \$000
Short-term employee benefits	3,365	2,893
Post-employment benefits	217	188
Other long-term employee benefits	61	53
Termination benefits	-	-
Total remuneration	3,643	3,134

Significant transactions with government related entities

Dr Samantha Smith and Ms Jane Brockington were Directors of the Victorian WorkCover Authority (WorkSafe) during the financial year. Additionally, Mr Ashley West was a member of the Executive Leadership Team of both the TAC and WorkSafe. WorkSafe 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 the TAC and WorkSafe. 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:

	2018 \$000	2017 \$000
Claim compensation paid	(87,100)	(79,500)
Cost reimbursement received and receivable	3,649	5,357
Cost reimbursement paid and payable	(6,109)	(7,538)
Management of catastrophic claims	1,947	1,861

Ms Jane Brockington was also the Chair of the VicRoads and Victoria Police Audit and Risk Committees during 2017/18. The TAC, in consultation with Victoria Police and VicRoads, develops strategies to target the main causes of crashes that result in trauma, and encourage positive road-user attitudes and behaviour. The Safe System Road Infrastructure Program (SSRIP) is a partnership between the TAC and VicRoads to deliver safe road infrastructure throughout Victoria. Additionally, the TAC pays VicRoads a fee for the collection of premium revenue through motor vehicle registrations. From the date of Ms Brockington's appointment as director, the total amount paid to VicRoads and Victoria Police (excluding GST) amounted to \$199.9 million and \$10.2 million respectively.

Mr Colin Radford is the Chief Executive Officer of the Victorian Managed Insurance Authority (VMIA). He does not receive remuneration from the TAC. VMIA provides insurance (including Directors and Officers Liability) and risk services to the TAC on normal commercial terms and conditions. During 2017/18, the total amount paid to the VMIA (excluding GST) amounted to \$121 thousand (2017: \$142 thousand).

Mr Bruce Crossett was a Director of the Institute for Safety, Compensation and Recovery Research (ISCRR) until 18 June 2018. ISCRR facilitates research and best practice in the areas of injury prevention, rehabilitation and compensation practice. During 2017/18, the total amount paid to the ISCRR (excluding GST) amounted to \$4.5 million (2017: \$5.0 million).

Conflicts of interest are overcome where warranted, by Directors declaring their interests and abstaining from voting at the TAC's Board meetings.

Significant transactions with key management personnel and other related parties

Transactions between key management personnel and other related parties have been considered, and there are no matters to report.

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.

9.4 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.

9.5 Controlled entity

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 result of RIT is not consolidated in the financial statements as the impact of consolidation is not considered as material. The valuation included in the financial statements is the cost of the units held as at 30 June 2018 by the TAC which are 29,400,000 ordinary units issued at \$1 each, fully paid.

At 30 June 2018, the total assets of the RIT for which RIPL acts in the capacity of the trustee are \$28.538 million (2017: \$24.978 million) and total liabilities are \$0.077 million (2017: \$0.062 million).

The total result of the RIT for which RIPL acts in the capacity of the trustee for the financial year ended 30 June 2018, is a total comprehensive loss for the year of \$0.655 million (2017: profit of \$1.919 million) which comprises of income of \$0.525 million (2017: \$0.532 million), other comprehensive income of nil (2017: \$2.440 million) and total expenses of \$1.180 million (2017: \$1.053 million).

9.6 Events after reporting date

There has not been any matter or circumstance occurring subsequent to balance sheet date that has significantly affected, or may significantly affect, the operations of the TAC, the results of those operations or the state of affairs of the TAC.

Notes to the financial statements

9.7 Application of standards 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 2018 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 15	Revenue from Contracts with Customers	1 January 2018
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2018
AASB 16	Leases	1 January 2019
AASB 17	Insurance Contracts	1 January 2021

The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. Management is currently assessing the impact of AASB 16.

2017/18 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

Chair: Penny Armytage

Appointed July 2017

Jane Brockington

Appointed October 2017

David Heath

Appointed February 2017

Louisa Hudson

Appointed August 2016

Dr Tien Kieu

Appointed September 2015

Julia Mason

Appointed August 2016

Colin Radford

Appointed September 2015

Dr Samantha Smith

Appointed February 2017

Recent Departures

Paul Kirk

Appointed October 2014 –
End of term 28 October 2017

Sue O'Connor

Appointed October 2014 –
End of term 28 October 2017

The Chair and the Board are nominated by the Minister for Finance and the Minister for Roads and Road Safety and appointed by the Governor in Council. There are presently eight non-executive directors, including the Chair.

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 that 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 interest in a matter being considered by the Board and the interest could conflict with the proper performance of the director's duties in relation to the consideration of the matter, the director, as soon as practicable after the relevant facts come to the director's knowledge, must disclose the nature of the interest at a meeting of the Board. If the Board considers the conflict to be material, the director will leave the meeting for the duration of the relevant agenda item and consequently will not participate in the discussion or resolution of the matter. The director's absence from the meeting for the relevant agenda item is recorded in the minutes of the meeting.

Board Committees

Risk Committee

Members at 30 June 2018: Louisa Hudson (Chair), Penny Armytage, Jane Brockington, Colin Radford and Dr Samantha Smith all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

The purpose of the Risk Committee is to assist the Board to fulfil its oversight responsibilities relating to:

- the implementation, operation and adequacy of the risk management and internal control framework that the TAC uses to identify and manage key business, financial, fraud and regulatory risks
- the TAC's compliance with relevant laws, regulations, standards and codes including the Victorian Government Risk Management Framework.

Audit Committee

Members at 30 June 2018: David Heath (Chair), Jane Brockington, Dr Tien Kieu and Julia Mason all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

The purpose of the Audit Committee is to assist the Board to fulfil its oversight responsibilities relating to:

- the integrity, effectiveness and quality of the TAC's financial reporting and disclosures
- the effectiveness of the TAC's risk management framework
- the independence, work plan and effectiveness of the TAC's External Auditor
- the External Auditor's annual audit of the TAC's financial statements
- the qualifications, engagement, fees, scope of work and effectiveness of the TAC's Internal Audit function
- the TAC's compliance with relevant laws, regulations, standards and codes including the Prudential Insurance Standard for Victorian Government Insurance Agencies, the Prudential Standard: VFMC and the Centralised Investment Model, the *Financial Management Act 1994* (Vic) and the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

Remuneration Committee

Members at 30 June 2018: Penny Armytage (Chair), Jane Brockington, David Heath, Louisa Hudson, Dr Tien Kieu, Julia Mason, Colin Radford and Dr Samantha Smith all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

The Remuneration Committee's primary roles and responsibilities are:

- to establish and maintain a Remuneration Policy which meets the strategic goals of the TAC and make recommendations to the TAC Board on the Remuneration Policy
- to oversee the application of the Remuneration Policy for senior executives, ensuring that it is consistent with the Government Sector Executive Remuneration Panel guidelines and policies
- to approve the remuneration increase budget and the incentive remuneration budget for the TAC
- to make annual recommendations to the TAC Board on the remuneration of the Chief Executive Officer, direct reports of the Chief Executive Officer and other employees whose activities may, in the Remuneration Committee's opinion, affect the financial soundness of the TAC
- to make annual recommendations to the TAC Board on the remuneration of the categories of employees covered by the Remuneration Policy, other than those employees for whom recommendations are provided pursuant to the previous requirement above
- to ensure that the Remuneration Committee complies with the requirements of 'Prudential Standard CPS 510 Governance' and any other relevant laws, regulations, standards and codes
- to ensure that appropriate and required disclosure is made of director and executive remuneration in accordance with regulatory requirements and good governance practices.

Board Workshop Advisory Committee

Members at 30 June 2018: Penny Armytage, Jane Brockington, David Heath, Louisa Hudson, Dr Tien Kieu, Julia Mason, Colin Radford and Dr Samantha Smith all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

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

Prudential Standards

The Board is required to submit annual confirmations or attestations of compliance with the Prudential Insurance Standards for Victorian Government Insurance Agencies and the Prudential Standard: Victorian Funds Management Corporation and the Centralised Investment Model.

These standards impose obligations regarding governance, strategic planning, liability reserving, capital management, pricing, reinsurance, actuarial review, breach reporting, risk management, outsourcing, fit and proper requirements and the setting of appropriate investment objectives for TAC funds.

Certifications or attestations have been issued by the Board for the year ending 30 June 2018.

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 Risk 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 (Vic) 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 TAC Risk Committee has considered the Statement by the Chief Executive Officer on compliance with the Victorian Government Risk Management Framework, the Executive Leadership Team internal attestation process and independent assessments from Internal Audit.

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



Penny Armytage
Chair

Transport Accident Commission
August 30 2018

Compliance



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

Incorporation and Ministerial Responsibility

The TAC is a body corporate established under section 10 of the Act (No. 111 of 1986, Version no. 143 incorporating amendments as at 14 February 2018). The Act sets out the objectives, functions and powers of the TAC.

As set out under the *Administration of Acts General Order* dated 16 October 2017, the Minister for Finance is responsible for administering the Act, except:

- Sections 11-14 (in so far as they relate to road safety)
- Sections 15, 18, 25 and 29.

As set out under the *Administration of Acts General Order* dated 16 October 2017, the Minister for Roads and Road Safety is responsible for administering sections 15-18, 25 and 29 of the Act.

Ministerial Directions

There were no Ministerial Directions given by the Minister for Finance in the period from 1 July 2017 to 30 June 2018.

The TAC's Objectives, Functions, Powers and Accountability

Sections 11, 12, 13 and 14 of the Act 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 329 of the *Workplace Injury Rehabilitation and Compensation Act 2013*, 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 Rehabilitation and Compensation 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 2017 to 30 June 2018:

On 19 December 2017, the *Transport, Legislation Amendment (Road Safety, Rail and Other Matters) Act 2017* (Transport Act) (No. 68 of 2017) received Royal Assent.

The Transport Act made an amendment to section 109(4) of the *Transport Accident Act 1986* to apply the 28 day grace period for payment of the transport accident charge to registration periods of at least three months.

The charge is an insurance fee that is paid by a person which ensures that the person's vehicle is insured by the TAC if it is involved in a transport accident. Prior to this amendment, the 28 day grace period to pay the transport accident charge was only applicable to registration periods of 6 months or more.

Extending the grace period to 3 month registration ensures that there is consistency in TAC insurance cover with what was already available for 6 and 12 month registration, and will ensure that Victorians who opt to register their vehicles from 1 January 2018 on a quarterly basis will not be at a disadvantage.

This amendment applies to all transport accidents regardless of when the accident occurred.

On 13 February 2018, the *Compensation Legislation Amendment Act 2018* (No. 1/2018) (the Compensation Amendment Act) received Royal Assent.

The Compensation Amendment Act made changes to the *Transport Accident Act 1986* to remove the medical excess payable by a person who is injured as a result of a transport accident.

As a result of this amendment, a person who is injured in a transport accident will not be required to pay the first \$651 (or other applicable amount) of their medical expenses before the TAC covers their medical costs.

This amendment applies to all transport accidents that occur on or after the date of Royal Assent of the Amendment Act, being 13 February 2018.

Subordinate Legislation

Regulations

The Regulations made in the period from 1 July 2017 to 30 June 2018 were:

The *Transport Accident (Administration of Charges) Amendment Regulations 2017* were published in the Government Gazette on 22 November 2017 (No. S 397) and came into operation on 1 January 2018.

The purpose of these Regulations was to amend the *Transport Accident (Administration of Charges) Regulations 2011* to provide for 3 and 6 month prescribed periods to pay the transport accident charge for conditionally registered recreation motor cycles.

Orders in Council

The Orders in Council made in the period from 1 July 2017 to 30 June 2018 were:

The *Transport Accident Charges Order (No. 2) 2017* was published in the Government Gazette No. G 47 on 23 November 2017.

The purpose of this Order was to make a number of amendments to give effect to the introduction of 3 and 6 month periods of registration to owners of light motor vehicles in Victoria from 1 January 2018.

The *Transport Accident Charges Order (No. 1) 2018* was published in the Government Gazette No. S 266 on 7 June 2018.

The purpose of this Order was to fix the transport accident charges to apply during the 2018/19 financial year. The Order increased the transport accident charge for vehicles in all classes in line with Consumer Price Index (CPI) increases, from 1 July 2018.

The *Transport Accident Charges Order (No. 2) 2018* was published in the Government Gazette No. G 26 on 28 June 2018.

The purpose of this Order was to make minor amendments to the *Transport Accident Charges Order (No. 1) 2018*, so that the 50 per cent discount in the transport accident charge that was previously available to 'declared apprentices' is now available for all eligible apprentices within the meaning of Item 19 of Schedule 3 of the *Road Safety (Vehicle) Regulations 2009* from 1 July 2018.

Ministerial Orders

There were no Ministerial Orders in the period from 1 July 2017 to 30 June 2018.

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.

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 Finance Minister 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

Local jobs first Victorian Industry Participation Policy (VIPP)

During 2017/18, the TAC commenced four panels with a total of 165 contracts. The average local content of these contracts was estimated at 98 per cent. Four contracts, with an estimated 91 per cent local content, did not require Victorian Industry Participation Policy (VIPP) Plans or Local Industry Development Plans (LIDP).

The TAC commenced one contract with an estimated value of \$21.5 million, for which a LIDP was required. An estimated 20 new local jobs were created and the estimated local content was 49.8 per cent.

Consultants

Consultancies (>\$10,000)	Description of work	Total approved project fee \$000	2017/18 expenditure \$000	Future expenditure \$000
Marsden Jacob Associates	TAC Accommodation Strategy Review	113	113	-
KPMG	Towards Zero Strategy Review - Governance & Process	128	128	-

During 2017/18, there were two consultants engaged where the cost of each individual engagement was in excess of \$10,000.

In accordance with Financial Reporting Disclosure 22H, 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 2017/18 exclude GST.

Information and Communication Technology (ICT) Expenditure

Details of Information and Communication Technology (ICT) expenditure

For the 2017/18 reporting period, TAC had a total ICT expenditure of:

(\$ Million)			
BAU ICT Expenditure Total	Non-BAU ICT Expenditure Total = A+B	Operational Expenditure A	Capital Expenditure B
38.1	11.3	4.2	7.1

ICT expenditure refers to the TAC's costs in providing business-enabling ICT services. It comprises of Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the TAC's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure (including depreciation and amortisation) which primarily relates to ongoing activities to operate and maintain the current ICT capability.

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.

Environmental Performance

The TAC continues operating under a Green Office policy, which focusses on protecting the environment and supporting sustainable outcomes. In 2017/18 we remained committed to introducing environmentally-sustainable initiatives aimed at reducing 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* and the Charter.

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

Transparency in advertising and communications guidelines introduced in July 2012 make it mandatory for State Government organisations to disclose expenditure for campaigns with a total media buy of more than \$100,000.

The TAC works closely with its road safety partners – Victoria Police, VicRoads and the Department of Justice and regulation, Department of Health and Human Services and Transport for Victoria – to develop public education campaigns to increase awareness of specific road safety issues, to improve behaviour and ultimately to reduce the incidence of road trauma.

Significant research and planning underpins the development of these campaigns to ensure they are evidence-based and relevant.

Financial Management Compliance Attestation Statement

I, Joe Calafiore, on behalf of the Responsible Body, certify that the Transport Accident Commission has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



Joe Calafiore
Chief Executive Officer, TAC

Details of government advertising expenditure (campaign with a media spend of \$100,000 or greater)

Name of Campaign	Campaign summary
Towards Zero "Living Proof" and "Man on the Street"	The stories of crash survivors demonstrate that a systemic approach to safety is now in place (eg. safer cars and slower speeds). Eight stories from everyday Victorians shared the living proof that the choices we make on the roads can save our lives. New radio, digital, social media, outdoor and press advertisements ran alongside the existing 'Man on the Street' TV commercial.
Drink Driving "Drinking, Driving. They're better apart."	This campaign continues to encourage males aged 18 - 39 years not to drive at all after drinking. A new suite of social media films challenged us to rethink having a drink before driving, given we would not accept this behaviour of a pilot before a flight or a vet before pet surgery.
Vehicle Safety, "How safe is your first car?"	This entertaining digital and social media campaign commenced soon after the RACV's annual announcement of Used Car Safety Ratings. The campaign's key message across the set of videos targeting young drivers is that cars with safety features are available for less than \$5,000.
Motorcyclist Safety "Driver think rider. Rider think driver."	This campaign speaks to drivers about how to help keep riders safe on our roads. Motorcycles don't have the protection that cars offer and so riders must take extra precautions on the road - by wearing protective gear, making themselves visible and riding within their limits. New creative was introduced to provide specific instructions to drivers and riders.
Cycling, "Drivers, give the space to ride safe"	TAC developed public education in conjunction with VicRoads on the safe overtaking of bicycles by motorists, as noted in the Victorian Government's response to a Parliamentary Inquiry into safe overtaking of cyclists.
Enforcement "Think of Us"	This new campaign aims to deter risky behaviour by encouraging people to consider the presence of Victoria Police on the roads each time they drive. Police are portrayed as personal guardians who help us make better decisions about our driving in three difference television commercials dealing with speeding, drink driving and text driving.
Infrastructure "Safer Roads Save Lives"	Advertisements featuring newly installed safety barriers, rumble strips and roundabouts ran in regional press, across digital channels, radio and outdoor billboards to demonstrate how safety features of roads are getting us towards zero. A television and cinema commercial shared the true story of two men whose lives were saved by flexible centre barriers on the Melba Highway.
Drug Driving "More drug tests, more places, more often."	This campaign continues to advise the community that Police are continually increasing the number of drugs tests conducted each year to detect drivers and riders with amphetamines and cannabis in their system. New social media films highlighted the unpredictable nature of police enforcement.
Drowsy Driving "You can't fight sleep."	Over the Easter break, drivers and riders were reminded of the body's inability to fight the need for rest. This campaign drove traffic to the SES and Driver Reviver sites that offered free refreshments to incentivise drivers to break their journey and take a 15 minute powernap. New social media films, radio and press advertisements refreshed this campaign.
Child Safety - 'Thingle Toodle'	A long running campaign of advertisements shown in cinemas as part of the Victorian "Starting Out Safely" program, providing early childhood education on seatbelts, helmet wearing and crossing the road.
Drink Driving "Blow .05 and lose your licence"	This informational campaign alerted the community to new drink driving and drug driving penalties. Channels included outdoor billboards, radio, digital petrol pumps, tram sides, social media and regional press.
Infrastructure "Safety barriers save lives"	Community interest in seeing a vehicle crash into safety barriers is high, and this new campaign responds by showing a vehicle crashing into a safety barrier and explaining how safety barriers work. Launched in late June, this campaign will continue into the new financial year across TV, cinema, radio, press, digital and social media.
Large Format Outdoor Billboards	The TAC's extensive outdoor network provides important 'point of sale' messaging to regional and metropolitan road users at the time it is most relevant to them. Increasingly, new sites with digital capability are being added to TAC's portfolio to enable more efficient changeover of messaging.
Regional Media - Press and Radio	With over half of the lives lost on our roads occurring on regional and rural roads, it is important that local communities are engaged through local radio and newspapers on the road safety issues that affect them.

Start date	End date	Advertising (Media) Expenditure 2017-18 (ex. GST)	Creative and campaign development Expenditure 2017-18 (ex. GST)	Research and evaluation Expenditure 2017-18 (ex. GST)
7/8/17	3/9/17	\$599,316	\$198,142	\$54,176
20/8/17	31/10/17	\$795,695	\$476,218	\$79,076
1/10/17	30/6/18	\$76,939	\$181,731	\$54,176
8/10/17	4/11/17	\$1,195,317	\$231,625	\$54,176
5/11/17	30/6/16	\$799,389	\$378,028	\$166,495
10/12/17	30/6/18	\$3,592,111	\$1,063,746	\$55,260
26/12/17	27/6/18	\$1,889,149	\$198,677	\$93,176
4/2/18	3/3/18	\$1,163,225	\$368,231	\$54,176
18/3/18	17/4/18	\$1,197,054	\$295,706	\$54,176
25/3/18	17/6/18	\$198,208	\$0	\$0
29/4/18	30/6/18	\$599,735	\$53,576	\$102,679
28/6/18	Will continue into 2018-2019	Costs incurred in 2018/19	\$1,162,729	\$41,580
July	June	\$3,161,870	Costs included in campaign production spend	\$0
July	June		Costs included in campaign spend	\$0
		\$15,268,008	\$4,608,409	\$917,498

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
Transport Accident Commission
PO Box 742
GEELONG VIC 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

Privacy

The TAC is committed to protecting the privacy of clients and employees. Any personal information collected, handled, stored or disclosed is managed in accordance with the *Transport Accident Act 1986*, *Privacy and Data Protection Act 2014* and the *Health Records Act 2001*.

The TAC has a nominated Privacy Officer and a team of Information & Privacy Officers dedicated to maintaining and promoting the TAC Privacy Policy. We deliver regular training and awareness campaigns, and maintain a central privacy incident and complaints register. Expert advice is also provided to staff regarding privacy obligations, including the execution of Privacy Impact Assessments to inform system and process development.

In the 2017/18 financial year, the TAC recorded two formal privacy complaints. Both matters were fully investigated, and no breach was found.

Freedom of Information

The TAC is an agency subject to the *Freedom of Information Act 1982* and is therefore not subject to the direct access provisions in the *Privacy & Data Protection Act 2014* or the *Health Records Act 2001*.

Documents that are created and maintained for claims administration and for general administrative, financial and investment functions are primarily electronic. A small minority of documents are stored using paper, or for aged TAC claims, on microfiche.

In the 2017/18 financial year, the TAC received 1,591 Freedom of Information (FOI) requests for access to documents. This is an increase compared with 1,220 received in 2016/17; 1,281 received in 2015/16; and 1,202 received in 2014/15. All but eight requests related to clients and their representatives seeking personal documents from their TAC claim file. There were no requests for amendment of personal records.

On 1 September 2017, changes to section 21 of the FOI Act meant that Victorian government agencies would only have 30 days to process an FOI request, rather than 45. Of the access decisions made by the TAC in 2017/18, 1,002 were made within the requirements of section 21, with 502 overdue decisions being made within 45 days after the due date.

Further information about FOI is available from the Victorian Government FOI Commissioner's website (www.foicommissionervic.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

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>Supporting you after a transport accident</i>	Copy/Internet
<i>Annual Transport Accident charges including GST and duty</i>	Internet
<i>At home with the family</i>	Internet
<i>Choosing an Attendant Care Agency</i>	Internet
<i>Choosing a supported accommodation service (information sheet)</i>	Internet
<i>Support leisure options (information sheet)</i>	Internet
<i>Community Road Safety Grants newsletter</i>	Internet
<i>Community services (information sheet)</i>	Internet
<i>Daily support (information sheet)</i>	Internet
<i>Drive Smart Online Program (available to learner drivers)</i>	Internet
<i>Empower</i>	Internet
<i>GST compliance (information sheet)</i>	Copy/Internet
<i>Treatment and Support Services</i>	Internet
<i>The Independence Plan – an overview for providers</i>	Internet
<i>Information for people with major injuries (Booklets 1 – 4)</i>	Internet
<i>Information on TAC medical examinations (information sheet)</i>	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>	Internet
<i>Pharmacy expenses (information sheet)</i>	Internet
<i>Post-hospital support (information sheet)</i>	Internet
<i>Preparing to go home - hospital discharge checklist</i>	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
<i>Safe travel policy</i>	Internet
<i>TAC Annual Reports</i>	Copy/Internet

Description	Mode of Access
<i>TAC loss of earnings benefits for self-employed people</i>	<i>Copy/Internet</i>
<i>How to invoice the TAC</i>	<i>Internet</i>
<i>TAC client service charter</i>	<i>Internet</i>
<i>TAC equipment suppliers billing standards</i>	<i>Internet</i>
<i>TAC Enterprise Agreement 2017-2021</i>	<i>Copy</i>
<i>TAC fee schedules</i>	<i>Internet</i>
<i>TAC home modifications (information sheet)</i>	<i>Internet</i>
<i>TAC home services</i>	<i>Internet</i>
<i>TAC information for people with soft tissue injuries</i>	<i>Internet</i>
<i>TAC impairment benefits</i>	<i>Internet</i>
<i>TAC impairment examination (information sheet)</i>	<i>Internet</i>
<i>TAC loss of earnings</i>	<i>Copy/Internet</i>
<i>Invoice guidelines for medical practitioners</i>	<i>Internet</i>
<i>TAC post-acute support services</i>	<i>Internet</i>
<i>TAC research charter</i>	<i>Internet</i>
<i>TAC support when a person dies</i>	<i>Internet</i>
<i>TAC vehicle modifications</i>	<i>Copy/Internet</i>
<i>Freedom of Information</i>	<i>Internet</i>
<i>The TAC's complaints process</i>	<i>Internet</i>
<i>Therapy Support (information sheet)</i>	<i>Internet</i>
<i>Using modified vehicles – cost exemptions</i>	<i>Internet</i>
<i>Your Feedback</i>	<i>Copy</i>
<i>Peer support services client information sheet</i>	<i>Internet</i>
<i>Your Privacy and the TAC</i>	<i>Internet</i>
<i>Your Voice newsletter</i>	<i>Internet</i>
<i>4th Edition Impairment Examinations Information Manual</i>	<i>Copy</i>

Research Information

Requests for information for research purposes should be directed in the first instance to the Research Branch inbox (research@tac.vic.gov.au).

The request must be in writing, setting out:

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

Access to Information on the Internet

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

The TAC offers the community information about Towards Zero on the Towards Zero website which is managed in partnership with Vic Roads, Department of Justice and Victoria Police.

Access to information for specific campaigns and target audiences can be found at:

Towards Zero website

(www.towardszero.com.au)

Spokes website

(www.spokes.com.au)

Meet Graham

(www.meetgraham.com.au)

How Safe is Your Car website

(www.howsafeisyourcar.com.au)

How Safe is Your First Car website

(www.howsafeisyourfirstcar.com.au)

Safer P Platers website

(www.saferpplaters.com.au)

TAC on YouTube

(www.youtube.com.au/tac)

TAC on Twitter

(www.twitter.com/tacvictoria)

TAC on Facebook

(www.facebook.com/transportaccidentcommission)

I Like Vanessa on Facebook

(www.facebook.com/ilikevanessa)

It's People Like Us

(www.itspeoplelikeus.com.au)

Road Safety Education Website

(www.roadsafetyeducation.vic.gov.au)

Drive Smart website

(www.drivesmart.vic.gov.au)

Ride Smart website

(www.ridesmartonline.com.au)

Green man grants

(www.greenmangrants.com.au)

Carer's Recognition Act

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

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.

Health, Safety and Wellbeing

Over the last twelve months the TAC has redeveloped and re-invigorated our health, safety and wellbeing management system, to better align with updated business policies, procedures and processes. Specific initiatives include a new staff health and wellbeing program, focussed on healthy mind, body and living. The program has been designed to support employees' knowledge and understanding of mental health and wellbeing and incorporates team wellbeing sessions, health checks, a wellbeing seminar series and an online reference portal.

Digital technology has been upgraded to improve all aspects of injury and incident reporting, injury management, auditing and assurance, risk assessment and control.

The TAC Health, Safety and Wellbeing system acknowledges the importance of a health workforce in delivering optimum workplace results. It aims to deliver:

- an environment that effectively protects employees from risk of serious injury or death.
- provides all employees awareness of their legislative obligations in HSW.
- gives all employees a high quality and effortless wellbeing experience. An environment that supports, values and encourages self-directed health, safety and wellbeing.
- a HSW Management System that is embedded in practice and is understood and adhered to by all; and
- recognition of the TAC as an employer of choice in HSW.

Workforce Data

	2018	2017	2016	2015	2014
TAC (FTE)	947.0	903.5	836	768	781
Average age	40.6	40.2	39	40	40

Employee Opinion Survey

Each year the TAC conducts an Employee Opinion Survey (EOS) to measure employee engagement and staff morale.

This year our sustainable engagement score of 82 per cent maintains the excellent 2016 result and demonstrates an energised and enthusiastic workforce with a passion to implement initiatives that deliver on our TAC 2020 Strategy. The result exceeds the average of similar workplaces nationally and globally.

In addition, our traditional engagement score was 95 per cent. This is 13 points above the Australian National Norm and 6 points above the Global High Performing Norm.

TAC Board of Management

Minister for Roads and Road Safety
Luke Donnellan MP

Minister for Finance
Robin Scott MP

Board of Management

Chair

Penny Armytage

Appointed July 2017

Jane Brockington

Appointed October 2017

David Heath

Appointed February 2017

Louisa Hudson

Appointed August 2016

Dr Tien Kieu

Appointed September 2015

Julia Mason

Appointed August 2016

Colin Radford

Appointed September 2015

Dr Samantha Smith

Appointed February 2017

Recent departures

Paul Kirk

Appointed October 2014

End of term 28 October 2017

Sue O'Connor

Appointed October 2014

End of term 28 October 2017

Executive Leadership Team

Joe Calafiore

Chief Executive Officer

Jane Barker

People and Culture

Amanda Bavin

Community Relations

Liz Cairns

Independence

Bruce Crossett

Rapid Recovery

Tony Dudley

Chief Financial Officer

Business Enablement

David Gifford

Strategy and Risk

Damian Poel

Supported Recovery

Ashley West

Information Technology Shared Services

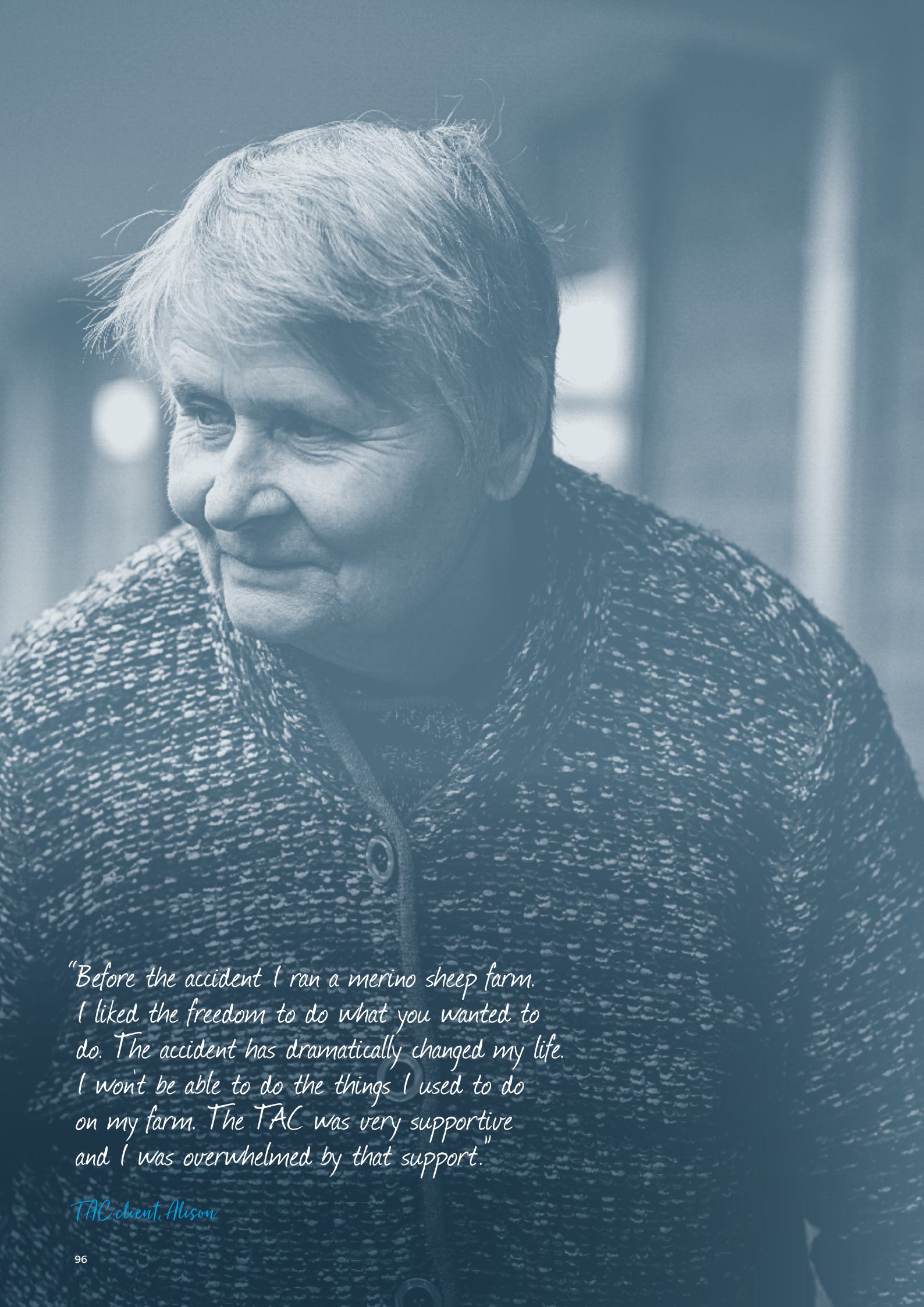
Disclosure Index

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

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* Throughout.



"Before the accident I ran a merino sheep farm. I liked the freedom to do what you wanted to do. The accident has dramatically changed my life. I won't be able to do the things I used to do on my farm. The TAC was very supportive and I was overwhelmed by that support."

TAC client, Alison

