



# A JOURNEY



TRANSPORT  
ACCIDENT  
COMMISSION

**2009**  
ANNUAL REPORT

# CONTENTS

<b>OUR RESPONSIBILITIES</b>	<b>05</b>
<b>HIGHLIGHTS</b>	<b>06</b>
<b>OUR PERFORMANCE</b>	<b>07</b>
<b>LETTER TO MINISTER</b>	<b>11</b>
<b>CHAIRMAN AND CEO'S REPORT</b>	<b>12</b>
<b>BOARD OF MANAGEMENT</b>	<b>17</b>
<b>EXECUTIVE MANAGERS</b>	<b>18</b>
<b>WHAT WE DO</b>	<b>21</b>
<b>HOW WE DO IT</b>	<b>29</b>
<b>WHO WE ARE</b>	<b>35</b>
<b>APPENDIX - PERFORMANCE GRAPHS</b>	<b>41</b>
<b>FINANCIAL REPORT</b>	<b>43</b>



**RIGHT:** The Premier of Victoria, TAC Chairman and CEO with local MPs and Minister for the TAC at the Geelong office opening on 26 February 2009



# A journey

**2009 HERALDS A NEW ERA IN THE TAC'S JOURNEY AND AN IMPORTANT MILESTONE IN OUR HISTORY.**

**IT'S A TIME OF OPPORTUNITY, GROWTH AND NEW BEGINNINGS FOR THE ORGANISATION. WHAT REMAINS CONSTANT IS OUR COMMITMENT TO IMPROVING SERVICE TO OUR CLIENTS AND THE VICTORIAN COMMUNITY.**

**THE TAC HAS EVOLVED THROUGHOUT OUR 22 YEAR HISTORY BY BEING BOLD, INNOVATIVE AND VISIONARY.**

**OUR JOURNEY CONTINUES...**





MARIO'S JOURNEY





## MARIO D'CRUZ, 44, TAC CLIENT

**"The journey never ends," he says. "I've come a long way, but I'm nowhere near the finish."**

It's hard to imagine a more surreal scene for a doctor than waking up in a ward surrounded by patients that he admitted weeks earlier. For Mario D'Cruz, who was then a General Surgical Registrar at the Austin Hospital, that's exactly what happened following a serious car accident in 2001.

Driving to Bendigo on a weekend, Mario lost control of his 4WD when it clipped the road shoulder. The vehicle rolled and the roof caved in on Mario's side of the cabin. "I was conscious the whole time," he says. A doctor travelling in the next car pulled up to help and Mario knew from his medical training that he had broken his neck because he couldn't feel his legs.

He was flown to the Alfred and woke up after having surgery. "Up until then, I'd still been a doctor, but I woke up a patient." He was transferred to the Royal Talbot Rehabilitation Centre, where he spent nearly a year learning to adjust to life as a quadriplegic. "Rehab is a place of rebirth," he says.

The emotional journey was difficult. "Each morning, for an hour I'd sit outside on my own and cry. The sorrow was very deep. But your recovery is quicker and

easier if you try to accept rather than fight the situation." At rehab, he befriended other "quaddies", some of whom he had admitted while working as a doctor before the accident.

Now, Mario leads a full and fulfilling life. He used to teach undergraduates general surgery and now works part-time as an investigator with the Medical Practitioners Board. He also co-founded STRIP with Rebecca, one of his carers, which is an arts development project that showcases cartoonists' work on a billboard outside the Corner Hotel in Richmond. "Rebecca and I both lamented the fact that everywhere you look, you're bombarded with advertisements. This is about getting art on the wall that isn't commercially based."

Mario maintains the website, [www.stripbillboard.com](http://www.stripbillboard.com). "All the text on the site has been written by me using voice dictation, which the TAC funded." In addition, Mario is writing two books and continues to DJ at friends' weddings and parties using a trolley he designed.

"The journey never ends," he says. "I've come a long way, but I'm nowhere near the finish."

# Our responsibilities

**THE TAC IS GOVERNED BY THE  
TRANSPORT ACCIDENT ACT 1986.**

**THE OBJECTS OF THE ACT ARE TO:**

Reduce the cost to the Victorian community  
of compensation for transport accidents

Reduce the incidence of transport accidents

Provide in the most socially and economically  
appropriate manner, suitable and just  
compensation in respect of persons injured  
or who die as a result of transport accidents

Determine claims for compensation speedily  
and efficiently

Provide suitable systems for the effective  
rehabilitation of persons injured as a result  
of transport accidents





# HIGHLIGHTS

## SERVICE DELIVERY

\$836.9 million in support services and benefits for more than 40,000 people

Performance from insurance operations of \$103 million

Highest ever client engagement score of 7.62

Record number of common law resolutions at 912

## ROAD SAFETY

Lowest ever road toll at 303

Invested \$112 million in road safety improvements

## OUR PEOPLE

193 employees purchased property in the Barwon region

Record high staff morale of 75%



# Our Performance



## KEY PERFORMANCE INDICATORS

	Actual 06/07	Actual 07/08	Actual 08/09	Target 08/09
Client satisfaction	7.4/10	7.52/10	7.62/10	7.52/10
Actuarial release	\$118 million	\$88 million	(\$87 million)	\$65 million
Staff morale index	72%	73%	75%	76%

Please refer to Appendix for performance graphs





## SUPPORTING KEY PERFORMANCE INDICATORS

	Actual 06/07	Actual 07/08	Actual 08/09	Target 08/09
Performance from insurance operations	\$380 million	\$398 million	<b>\$103 million</b>	\$244 million
Proportion of first income payments made within 28 days of claim lodgement	84%	81%	<b>80%</b>	80%
Proportion of common law claims resolved within the first 12 months of lodgement	40%	48%	<b>55%</b>	50%
Number of people hospitalised for more than one day	2,880	2,957	<b>2,869</b>	2,910



## CANDACE FOO, 20, TAC CLIENT

**“I’m definitely more careful on the road now.”**

On a foggy morning, 18-year-old Candace Foo was driving to the Peninsula Hot Springs where she worked as a pool attendant. “I braked heavily as I came around a bend, slid up the road and hit an oncoming car,” she says.

She sustained a serious head injury and was flown to the Royal Melbourne Hospital where she was put in an induced coma for five days. From there, Candace was transferred to the St John of God Rehabilitation Centre where she spent the next month as an inpatient. “I’d do 30 minutes of physiotherapy every morning and then I was so exhausted that I’d sleep the rest of the day,” she says. Her head injury meant she needed to learn to walk and talk again and develop her balance and coordination. “At the end of the month in rehab, I was walking well and my balance was much better. I was seeing a speech therapist. At the start, it would take me 10 minutes to say simple sentences.” She also received psychological treatment while in rehab. “I had post-traumatic amnesia for 12 days and I was very confused mentally.”

Five months post accident, Candace began a return to work program organised by the TAC in collaboration with her employer. “In the early days, my energy levels were very low so I was only doing two to three hours a day.” In February 2009, she fulfilled a long-held dream of working as a volunteer teacher in India. “My energy levels were still down, but my doctor said I was good to go,” she says. “India was very good rehab for me. It’s hard work and it made me stronger.” She worked for four months and then travelled around India for two months.

Now back at home, she has just returned to full time work. “The support from the TAC has been great, particularly in helping me get back to work.” She has also returned to driving following an assessment necessary to get her licence back after her head injury. “I’m definitely more careful on the road now,” she says.





# CANDACE'S JOURNEY

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## LETTER FROM CHAIRMAN TO THE MINISTER

1 October 2009

The Honourable Tim Holding MP  
Minister for Finance, WorkCover and the TAC  
121 Exhibition Street  
Melbourne, 3000

Dear Minister,

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

A handwritten signature in black ink, appearing to read 'Paul Barker', with a stylized flourish at the end.

Paul Barker  
Chairman

# Chairman & CEO's Report

## New beginning

**2009 marks the beginning of a new chapter in the TAC's journey as we embark upon our foundation year in Geelong. It is the continuation of a journey that began 22 years ago – in 1987 – when the TAC first commenced operations.**

At the time of its establishment, the TAC scheme faced enormous challenges, including high levels of debt, unacceptable delays in getting compensation to injured clients, and an appallingly high road toll. Through a combination of astute financial and claims management and ground-breaking road safety campaigns, the TAC achieved a remarkable turnaround in the ensuing years.

This year, the road toll is the lowest since recording began in 1952. Our clients are more satisfied than ever with our service delivery. Staff morale is at an all-time high. These results are outstanding, and to achieve them in the context of the change program that accompanied our relocation to Geelong, is extraordinary.

The TAC has come a long way in 22 years. We've achieved what we have by refining our approach, daring to think differently and never accepting that we can't do things better - for our clients and our community.

As we embark on a new era from our headquarters in Geelong, this journey continues.

## Service delivery

This year, the TAC funded \$836.9 million in support services and benefits for 40,383 people. The number of new claims received was 19,162.

Our client satisfaction score was 7.62 out of 10. This is the highest score we have ever achieved. 83% of clients report they are satisfied with the TAC's service delivery, which is another record high. These outstanding results, are testament to the TAC's unfailing commitment to our clients.

The TAC worked with our legal stakeholders to introduce new legal cost payment arrangements that are designed to encourage earlier resolution.

We resolved 912 common law claims – another record high – and it is pleasing to report that 55% of these were resolved within 12 months. Delivering lump sum payments and resolving disputes earlier remains a priority.

The TAC also played an important role in helping with the statewide response to the devastating Victorian bushfires, by processing funeral payments on behalf of the Victorian Government.

## Geelong relocation

By any measure, our relocation to Geelong has been a success. The scale of the move – the largest by any Victorian Government body – was unprecedented. It is a great credit to all those involved that the building was delivered on time and on budget. Our people and IT systems were ready on day one.

More than 193 employees have purchased property in the Barwon region. A further 58 employees have taken up rental assistance and 53 people continue to commute as part of the trial year. The final phase of a staged redundancy program will be completed in September 2009. As at 30 June 2009, 363 employees have opted for a redundancy package and 41 former TAC employees have been successfully redeployed across the Victorian Public Sector.

We also take this opportunity to thank the Barwon community. We have been overwhelmed by the warm welcome from the local community, which has made the transition that much more enjoyable for all at the TAC.

The Government estimates the relocation of the TAC to Geelong is expected to generate about \$59 million each year in economic benefits to the local community.

**WE LOOK FORWARD TO THE JOURNEY AHEAD,  
AS WE REMAIN FOCUSSED ON SERVING THE  
VICTORIAN COMMUNITY FROM OUR NEW  
HOME IN GEELONG.**

## Financial results

The TAC strives to deliver services in the most socially and economically responsible manner to preserve the long-term viability of the scheme for all Victorians.

In 2008/09, our performance from insurance operations was \$103 million (compared to \$398 million in 2007/08). While an increase in attendant care fees impacted on this result, strong claims management ensured the scheme remained in a sound financial position.

The TAC's funding ratio was 81.3%. While this is outside the preferred range of 100 - 120%, a periodic drop outside of this range is expected from time to time.

The TAC trades off short-term funding ratio volatility for long-term higher returns from exposure to shares.

Like any organisation with significant funds invested, 2008/09 has been a difficult year. Continued weak investment markets resulted in a negative investment return of 12.2% compared to negative 6.6% in 2007/08.

## Our people

Throughout the TAC's history, our employees have been the organisation's most critical asset. As a result of the relocation, we have farewelled a number of committed employees who have helped build the organisation over the last 22 years. We have also welcomed many new faces, who bring with them the enthusiasm and capability to continue to improve what we do, and how we do it.

Our efforts to support staff during the transition have been well received. Employee engagement was 86% - a fantastic result at any time, but particularly given the additional challenges of some staff who relocated work, home and family during the period.

In June 2009, we welcomed Christine McLoughlin and Andrew Dyer to the TAC Board. Christine brings significant experience as a commercial lawyer in both international and Australian publicly listed companies, and strong insurance credentials, having held executive positions in large

multinational insurance companies. Andrew has a successful track record consulting to a range of commercial organisations, including more than 10 years experience in North America.

We thank Victor Perton, who resigned in April 2009, for his valued contribution to the TAC Board. During his time on the Board, Victor took a keen interest in our strong client focus and IT systems.

We also extend our sincere gratitude to James MacKenzie, who retired from the Board in May 2009. As a former Chairman and CEO of the TAC, James has been instrumental in creating the TAC that exists today. He has presided over some of the more challenging periods in the TAC's history and his wisdom, business acumen and tenacity were greatly valued.

## Impacts on Profit (\$ million)

	04/05	05/06	06/07	07/08	08/09
Performance from insurance operations	364	437	380	398	103
Impact on profit from external factors :					
• Difference between actual investment returns and long-term expected returns	373	428	438	(1,046)	(1,305)
• Change in inflation assumptions and discount rates	(108)	(34)	152	(106)	(193)
Tax	(164)	(227)	(279)	237	424
<b>Net profit/(loss) after tax</b>	<b>465</b>	<b>604</b>	<b>691</b>	<b>(517)</b>	<b>(971)</b>



# Chairman & CEO's Report

## Road safety

The TAC is committed to reducing the number of people who die and are seriously injured on our roads. There are enormous social benefits in doing so, as well as contributing to the long-term strength of the TAC scheme.

In 2008, the road toll was 303 – the lowest since recording began. While any reduction is pleasing, the TAC believes - as do our road safety partners - that every journey should be a safe one, and there is no tolerable level of road trauma.

That is why we continue to look for new ways to engage the public with our key messages. This year we developed a number of innovative campaigns that aimed to resonate with a new generation of drivers. For the first time, the TAC funded a reality-based TV series, Sudden Impact. The series highlighted the consequences of risk-taking behaviour on our roads and profiled a number of clients and their journey following an accident.

We continue to be a strong advocate for vehicle safety technology, educating consumers about the importance of features like Electronic Stability Control (ESC) and side-protection devices in reducing the risk of death and serious injury.

The TAC continued to contribute to improving Victoria's roads by investing \$112 million in road safety improvements.

## The journey ahead

While reflecting on the past year it is important to focus on the challenges ahead.

This year saw the development of TAC 2015, a six-year strategy that provides a clear, long-term vision of what we want to achieve and how we will measure our success. TAC 2015 is focussed on three key elements – improving client outcomes, enhancing client experience and ensuring the ongoing financial viability of the TAC.

We look forward to the journey ahead, as we remain focused on serving the Victorian community from our new home in Geelong.



A handwritten signature in black ink, appearing to read 'Paul Barker'.

Paul Barker  
Chairman



A handwritten signature in black ink, appearing to read 'Janet Dore'.

Janet Dore  
Chief Executive Officer

# GLYN'S JOURNEY

**GLYN SEAL,  
REVIEW OFFICER, TAC**

**“If you had asked me three years ago, did I see myself living and working in Geelong? I would have said unreservedly, no! But I really like the TAC as an employer and I enjoy my job. It’s been a very positive change for us.”**

Glyn Seal joined the TAC as a rehabilitation coordinator on a 12-month contract in 2006 following a career as an osteopath in private practice. “I knew the TAC was moving when I joined, but I saw the contract as a great opportunity to try something different, away from clinical practice,” he says.

Not long into his contract, Glyn was offered an ongoing role with the TAC, which meant choosing whether he wanted to stay with the organisation when it moved to Geelong. “Very early on I came to the conclusion that I really liked the TAC,” says Glyn. “It has a friendly, supportive culture, the work is interesting and there are enormous opportunities to learn and grow.”

Glyn and wife Fiona had been unsuccessfully looking to buy a home in Melbourne. The TAC’s move to Geelong helped the couple decide to look for a house in Geelong. Spending time looking at the different localities, they bought a home in Geelong West.

Glyn says the assistance provided by the TAC has been invaluable. “The Employee Transition Support team was excellent. They helped make what could have been a very stressful experience much easier. Everything just worked.”

Glyn and Fiona (a former teacher who now works in the TAC’s HR division) are enjoying discovering their new community. Glyn says the TAC’s “Get Connected” program along with the activities organised by the TAC Social Club, helped existing and new employees get to know each other and build networks in the region. “If you had asked me three years ago, did I see myself living and working in Geelong? I would have said unreservedly, no! But I really like the TAC as an employer and I enjoy my job,” says Glyn. “It’s been a very positive change for us.”





# Board of Management



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



**Julie Caldecott**  
Appointed 2004



**Andrew Dyer**  
Appointed 2009



**Geoff Hilton**  
Appointed 2007



**Christine McLoughlin**  
Appointed 2009



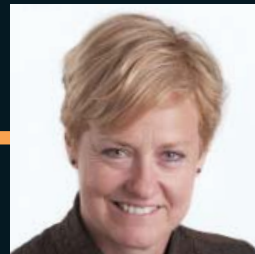
**Prof. Bob Officer**  
Appointed 2006



**Sonia Petering**  
Appointed 2007



**Elana Rubin**  
Appointed 2003



**Maria Wilton**  
Appointed 2004



# EXECUTIVE MANAGERS



**Janet Dore**  
Chief Executive Officer



**Andrew Boag**  
Executive Manager  
Service Support



**Tim Fitzmaurice**  
Executive Manager  
Finance



**Philip Reed**  
Executive Manager  
Community Relations



**Tracey Slatter**  
Executive Manager  
Claims



**Mikki Swindon**  
Executive Manager  
Human Resources

## TAC WORKSAFE COLLABORATION



**Clare Amies**  
Head  
Health Services Group



**Doug Kearsley**  
Executive Director,  
Capital Management



**Paul Lange**  
Program Director  
Treatment Payments  
and Connectivity



**Andrew Saunders**  
Chief Executive  
IT Shared Solutions



GABRIEL'S JOURNEY





## GABRIEL MORAITIS, 28, TAC CLIENT

**“When I see my friends wanting to drive after they’ve had a few drinks, I try to use myself as an example of what can happen when you take stupid risks.”**

In 2008, Gabriel Moraitis was speeding towards a roundabout on a motorbike he’d only ridden a few times before.

“I was going too fast and I saw a parked car in front of me. I hit the brakes and the bike skidded so I jumped off it and landed on the road.” He wasn’t wearing a helmet. “I remember the whole thing, including the impact.”

His next clear memory was devastating. “The doctor told me I’d never walk again and that I was a quadriplegic.” After five weeks in the Austin Hospital he was transferred to the Royal Talbot Rehabilitation Centre. “That’s where you meet people who have injuries from a whole range of situations, not just accidents. Until then, I didn’t realise how lucky I was that I was covered by the TAC. I was shocked at how much support they give you.”

Gabriel has just completed his driving assessment with the occupational therapist. “They said I’ll be driving soon, so I’m very excited about that,” he says. He wants to study IT and once he has his licence and car, plans to drive around Tasmania. He continues to receive physiotherapy and attendant care funded

by the TAC. “Without my carer, there would be a huge burden on my family to support me,” he says.

Gabriel is participating in research funded by the Victorian Neurotrauma Initiative (VNI) to test live online rehabilitation using the ReJoyce workstation. It aims to give spinal cord injury patients the possibility of regaining movement of their hands. “So far, it’s been very good and I hope it will help other people who have my type of injury,” says Gabriel.

He plays indoor soccer every Saturday and has a strong network of friends who help keep him active socially. “They drag me out of the house every Wednesday and don’t take no for an answer.” Gabriel believes he’s more mature since his accident (“Although my Mum doesn’t agree!”). “When I see my friends wanting to drive after they’ve had a few drinks, I try to use myself as an example of what can happen when you take stupid risks.”

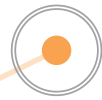




**THE TAC WORKS WITH THE VICTORIAN COMMUNITY TO REDUCE ROAD TRAUMA AND SUPPORT THOSE IT AFFECTS. TOGETHER, WE STRIVE TO REDUCE THE COST AND IMPACT OF TRANSPORT ACCIDENTS THROUGH:**

- **Accident prevention**  
working with our road safety partners to reduce the incidence and severity of road trauma
- **Rehabilitation and lifetime support**  
working with our claims and health partners to maximise the return to health, work and independence of those injured
- **Claims management**  
supporting our employees to make the right decision at the earliest time to deliver timely, effective and suitable compensation
- **Financial management**  
working with stakeholders and Government to ensure the scheme is viable and sustainable, and represents value for money
- **Scheme design**  
working with stakeholders to ensure compensation is suitable, just and in line with community expectations and effectively delivered





# What we do

## About the TAC scheme

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

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

## How we make decisions

The TAC is governed by the *Transport Accident Act 1986*, which sets out what can be funded and any conditions that apply. To support this, we have policies and guidelines that help with our decision-making. We also rely on information and recommendations obtained from health care professionals.

## What the TAC funds

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

The TAC funds the cost of reasonable treatment related to a person’s accident injuries. This may include:

- Ambulance services from the accident scene to hospital and, where required, from one hospital to another
- Hospital services
- Medical services, including surgery and visits to doctors or specialists
- Pharmaceutical items for prescribed medicines to treat accident-related injuries
- Therapy services, such as physiotherapy, chiropractic, podiatry, optometry, osteopathy and psychology
- Dental services
- Nursing services, such as home visits after discharge from hospital

Other support services the TAC may fund include:

- Income support for people whose injuries prevent them from performing normal job duties
- Rehabilitation and disability services
- Return to work programs
- Attendant care
- Travel costs for transport to and from medical appointments and treatment sessions
- Allowances for parents to visit dependent children in hospital
- Home services if clients cannot perform the household tasks they did before the accident because of their injuries
- Childcare if the client needs support to look after their children because of their injuries
- Equipment or aids, such as wheelchairs or crutches, which are recommended by a health care professional
- Lump sum and weekly payments for permanent impairment

# What we do

## Support services funded

In 2008/09, the TAC funded a total of \$836.9 million in support services and benefits.

The number of new claims received was 19,162. A total of 40,383 people received funded support from the TAC compared with 40,263 in 2007/08.

## Managing the scheme responsibly

It is important that the TAC manages its funds responsibly and makes decisions for the long term.

To ensure the TAC remains a long-term compensation scheme, funds are used fairly and responsibly. We maintain a prudent investment and financial risk management strategy to ensure we can meet the needs of seriously injured people who require lifetime care.

As our scheme matures, the number of severely injured clients receiving support from the TAC will continue to grow. We are engaged in a range of activities that:

- Assist with the identification and trial of new treatments that may help severely injured clients
- Help to improve client outcomes by working together with the health and paramedical profession

## Small grants program

The TAC also funds a range of activities delivered by community organisations to benefit people living with disabilities through a small grants program.

In 2008/09, the TAC funded \$90,000 in grants to a range of organisations including:

- Actions for Community Living
- Brain Injury Matters
- Summer Foundation
- Victorian Brain Injury Recovery Association
- Ashcare Inc, Karingal
- ABI Clubhouse (MCM)
- Assistance Dogs Australia
- Attendant Care Industry Association (ACiA)

As an example, the TAC's small grant program enabled Brain Injury Matters to develop a music appreciation and therapy group for people with an acquired brain injury (ABI) and to establish the first ABI clubhouse in Australia. This gives people with an ABI a place to go, an opportunity to make new friends, and link with their local community and develop skills that will help them return to the workforce or live more independently.

## Spinal cord injury program

The TAC and Department of Human Services (DHS) committed funding to develop a best practice service delivery model for Victorians with a spinal cord injury (SCI).

The new model of care includes the development of a Spinal Community Integration Program (SCIP) to help people living with a SCI transition from hospital to home, work and the community. The SCIP will incorporate medical, nursing, allied health, psychological, vocational, home modification and education services.

The TAC is working with the DHS, Austin Health and Alfred Health to establish a two-year pilot to refine the new service delivery model.

## Victorian Neurotrauma Initiative

The Victorian Neurotrauma Initiative (VNI) is a \$63 million health research fund supported by the TAC and the Department of Innovation, Industry and Regional Development. The VNI supports research into traumatic brain injury and spinal cord injury to improve the quality of life of individuals living with neurotrauma. The investment is expected to lead to breakthroughs that will positively impact the lives of TAC clients with a spinal cord or brain injury.

During 2008/09, the VNI approved \$19 million in funding for four large-scale multi-disciplinary research programs:

- Autonomic nervous system in spinal cord injury
- Spinal cord injury and physical activity
- Sleep health in quadriplegia
- Knowledge transfer and exchange in traumatic brain injury

These programs involve more than 30 universities and hospitals across Australia, New Zealand, Canada and the United Kingdom and were chosen following a highly competitive selection process.

The VNI continues to manage 36 projects and eight fellowships in brain and spinal cord injury research, with four funded projects being completed during the year:

- One study based at Monash University investigated the assessment of mild traumatic brain injury
- A project at the University of Melbourne assessed a panel of novel molecules in the lab for their potential in spinal cord injury treatment
- A study based at the Institute for Breathing and Sleep provided preliminary data on sleep health in quadriplegia
- A pilot study conducted at Bayside Health investigated the mechanisms underlying generation of new neurons following brain injury

Other activities during 2008/09 included:

- Awarding five new Neurotrauma Fellowships, to support capacity building of neurotrauma expertise in Victoria - a key strategic goal of the VNI and
- Further collaboration with the VNI's strategic partners in Australia and overseas, such as the Ontario Neurotrauma Foundation (ONF). In addition to research exchanges this year, the VNI and the ONF will be offering joint grants to promote Ontario-Victoria partnerships in 2009/10.

## Institute for Safety Compensation And Recovery Research (ISCRR)

In June 2009, the Institute for Safety Compensation and Recovery Research was launched. The Institute will conduct research into scheme design, claims management issues, injury prevention strategies and paramedical benefits.

The Institute is structured as an unincorporated joint venture between the TAC, WorkSafe Victoria and Monash University.



# What we do



**The TAC and its road safety partners are committed to a long term strategy to reduce trauma in Victoria.**

**Arrive Alive 2008-2017 focuses on a 'safe system' approach – safer road user behaviour, safer vehicles and safer roads.**

## **The road safety journey**

In 2008, 303 people died on Victoria's roads, the lowest since records began in 1952. The TAC's road safety campaigns and initiatives have contributed to this significant reduction in road trauma, in partnership with the efforts of Victoria's road safety agencies.

When the TAC was formed in 1987, the annual Victorian road toll was 705 deaths. Two years later, the TAC launched its first road safety public education campaign and since then, the road toll has more than halved, despite an almost parallel increase in the number of road users.

Emerging challenges in road safety include a growing Victorian population that is driving further each year. The number of registered vehicles is increasing by approximately 2% each year, with above average growth in motorcycles and trucks which represent a greater road safety risk.

While fatality and serious injury rates are declining overall, new challenges are emerging as the mix of vehicles on our roads change as a result of fuel pricing, increasing congestion and environmental concerns.

## **Road toll**

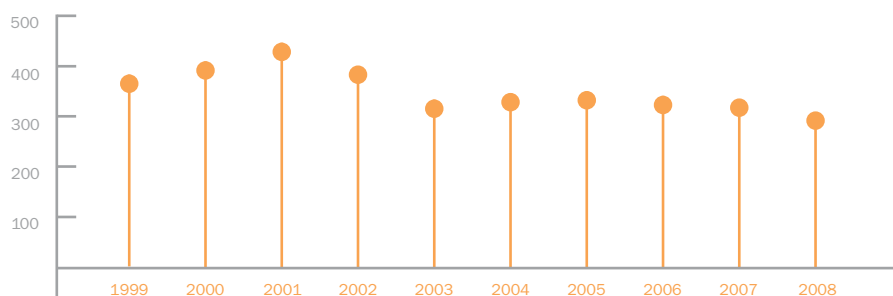
In 2008, 303 people died on Victoria's roads, compared to 332 in the previous year.

In addition a total number of 7,248 people were seriously injured in 2008 – a statistic commonly referred to as the "hidden road toll".

The hospitalised claim rate was 7.3 per 10,000 vehicles compared with 7.8 in the previous year. The TAC's accepted no-fault claim rate was 39.9 per 10,000 vehicles.

## **FATALITIES RECORDED IN VICTORIA FROM 1999 TO 2008**

Number of fatalities



## “A FUTURE WHERE EVERY JOURNEY IS A SAFE ONE”

### MAJOR ROAD SAFETY PROGRAMS

#### Safer drivers

The TAC continually looks for new ways to engage the community with road safety messages. A number of road safety campaigns were launched throughout 2008/09 including:

- Drug driving campaign with the message “If you drive on drugs, you’re out of your mind” was launched in August 2008
- Speed campaign with the message “We will catch you before someone gets hurt” was launched in October 2008 with further reinforcement leading up to Christmas
- A Car Crash Reality Check display was launched in October 2008 at Federation Square
- Spokes.com.au was launched in October, providing an interactive site for motorcyclists and scooter riders
- Channel Nine’s factual series Sudden Impact screened nationally in December and January
- A peer-to-peer youth communication tool [www.yellowcard.tv](http://www.yellowcard.tv) was developed and launched in January 2009

#### Safer roads

In 2008/09 the TAC committed \$112 million to continue road safety improvements including:

- Upgrading roundabouts
- Introducing more fully controlled right turns
- Providing flexible barrier systems on roadsides and tactile centre line markings to help prevent cross-over into other lanes
- Trialling new innovative treatments
- Research and evaluation

#### Safer cars

In May 2009, the TAC launched a public education campaign to encourage consumers to choose a car fitted with life-saving technologies. In addition, the TAC continues to educate the general and motoring public about vehicle safety through [howsafeisyourcar.com.au](http://howsafeisyourcar.com.au) and promoting vehicle safety at motoring and car shows throughout the year.

#### Community road safety grants

The TAC’s community road safety grants program makes grants of up to \$20,000 available for community-based projects conducted by not-for-profit groups that can demonstrate a specific local road safety issue and create a project to address it.

In 2008/09, 42 new Community Road Safety Grants were approved. Since the grants program began in 2008, the TAC has received 124 applications, approved 83 projects and committed grant funding totalling almost \$1.5 million.

#### Partnerships

The TAC continued to build strong community partnerships to ensure road safety messages reach a diverse audience at a grass-roots level. During 2008/09 the TAC partnered with a number of sporting, cultural and community groups to ensure our road safety message reached Victorians across a number of target markets.

# MICHAEL'S JOURNEY

**MICHAEL RASMUSSEN,  
LEADING HAND RIGGER,  
GEELONG FABRICATIONS**

**“It’s good to see the Government relocating large organisations into regional areas. It gives more employment opportunities for the local population with the influx of people relocating with the TAC from Melbourne.”**

Michael Rasmussen has worked with Geelong Fabrications for over 20 years. “In that time, most of our work has been in Melbourne with a splattering of jobs in the Geelong region,” he says. The company specialises in structural steel erection and has constructed a number of iconic Victorian steel designs, including the coloured pipes that formed the Federation Arch above St Kilda Road, the glass roofed footbridge across the Yarra River to the Exhibition Centre, the Web dock footbridge in Docklands and steel works in the new Parliament House in Canberra which includes the Great Veranda.

The firm was one of the sub-contractors involved in constructing the TAC’s new headquarters in Geelong. “We built the internal steelwork as well as the plant room structure which encompasses the skylight above the atrium,” says Michael. “We also constructed the ‘green lantern’ out the back, which is an architectural steel design and very much our niche.”

The steel work took around eight months to complete, with Michael working on-site for over three months. “It was fantastic to work on the project, because it was close to home and meant we could showcase our work in the local community,” he says.

Michael hopes the TAC’s new headquarters will set a new benchmark in commercial design in the Geelong region. “It’s good to see the Government relocating large organisations into regional areas. It gives more employment opportunities for the local population with the influx of people relocating with the TAC from Melbourne. These residents need to be entertained and housed which in turn creates ongoing opportunities for other local businesses.”

Along with his fellow workers, Michael is proud of his contribution towards creating the TAC’s new home and enjoys being able to reflect on something he helped to create in his own community. “The TAC’s relocation is a long term commitment that’s going to be great for the region.”





folkestone



TON PROPERTIES  
COLLINS STREET

Geelong Fabricatio



# How we do it

**The TAC delivers on community expectations by listening to client needs, resolving issues and providing support services in a fair, efficient and financially responsible way.**

## Service delivery

The TAC's enquiry centre received 270,000 calls in 2008/09, with an average duration of seven minutes. Approximately 50% of the calls were from TAC clients and 33% from providers. The TAC made payments for 1.6 million services, with the majority of these being made to service providers and 15% to clients.

## Client satisfaction

Since 2000, the TAC has conducted an annual survey of approximately 2,000 clients to measure their satisfaction with the organisation. Our client service model is founded on three principles, which form the basis of our measurement of client satisfaction:

- Resolve my issues
- Keep me up-to-date
- Treat me as an individual

Results over the last nine years demonstrate sustained improvement in all three areas. In 2008/09, the TAC's client satisfaction score was 7.62 out of 10. This score exceeded our annual target of 7.52, which was also our 2007/08 result. To achieve this in the context of our major change program reflects the unyielding commitment by TAC staff to improve the way we service our clients.

## Understanding our clients' journey

Over recent years, the TAC has developed new ways of helping our staff understand the emotional, as well as the physical journey, that our clients experience when they have an accident. Much of this work has involved inviting TAC clients to share their stories through our client newsletters, Client Voice and Empower (sent to our more severely injured clients) and the Client Zone. The Client Zone features a number of clients who share their perspectives about the TAC's service delivery and the role we play in their lives. These initiatives help staff develop a strong sense of empathy in the way we communicate and work with our clients.

## Client research

The TAC invests in research to identify how we can help achieve better results for clients. In 2008/09, our research focussed on health and return-to-work outcomes. The results will be used to:

- Assist with monitoring the health and well-being of our clients
- Provide a benchmark of TAC client outcomes against Australian population norms
- Identify areas that may positively influence client return-to-work outcomes

## Health strategy and partnerships

The Health Services Group (HSG) was established in 2007 and is a collaboration between the TAC and WorkSafe Victoria.

During 2008/09, the HSG implemented a number of initiatives including the extension of Network Provider Programs, which focus on the delivery of accessible, quality and cost effective services to improve outcomes for TAC clients and injured workers.

## New tools to capture trends in attendant care

The TAC is continually looking at ways we can improve our claims management. The needs of our clients are different and we examine each case individually. For some of our more seriously injured clients, attendant care services can help our clients manage their injuries and maximise their independence.

In April 2009, the TAC implemented a new system to better assess client needs for attendant care. Staff have also received training about the impacts of different decisions to help them match the right supports to the client's needs.



## Common law

If a person suffers a “serious injury” as defined by the *Transport Accident Act 1986* and another person was to blame for the accident, they may lodge a common law claim. Common law damages are payable for economic loss (up to a maximum of \$1,013,560) and for pain and suffering (up to a maximum of \$450,460). Economic loss can also be paid to the dependants of a person killed in a transport accident, up to a maximum of \$737,800.

During 2008/09, the TAC resolved 912 common law claims, the highest number in any one year achieved in the history of the scheme. More than half of the claims resolved at common law (55%) were achieved within twelve months from the date of application.

## IT collaboration with WorkSafe Victoria

Information Technology Shared Services (ITSS) is a collaborative venture between the TAC and WorkSafe Victoria, which aims to leverage each organisation’s knowledge and resources to improve efficiencies and develop shared expertise in critical systems.

In 2008/09, key activities of ITSS for TAC included:

- Successful implementation and ongoing development of the case and claims management system, Avanti, which replaced 19 legacy systems
- Extensive activity in assisting with IT support to successfully transition the organisation to Geelong

## Resolving disputes and complaints

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

- Informally reviewed by the TAC
- Reviewed under the No Fault Disputation Protocols
- Reviewed by the Victorian Civil and Administrative Tribunal (VCAT) – known as a ‘merit review’

In recent years, the number of clients seeking a review of a decision has declined. This reflects the focus we have had on ensuring that as far as possible, decisions are based on up-to-date and comprehensive information and communicated to clients in a way they understand.

## Informal reviews

In 2008/09, the TAC received 348 informal review requests, compared to 387 in 2007/08. Following the informal review process, 23 clients sought a further review at VCAT, down significantly from 62 in 2007/08.

## Dispute resolution protocols

In 2008/09, 858 applications for a review of a TAC decision were lodged under the protocols, compared to 821 in 2007/08. During the year, 695 applications were resolved, up slightly from 687 in the previous year.

## Merit reviews

A total of 661 merit review applications were lodged at the VCAT in 2008/09 and over half of these were issued concurrently with a dispute application under the protocols. In the previous year, 604 merit reviews were lodged.

The number of merit reviews resolved during the year was 439, compared to 487 in 2007/08.

## Model litigant

The TAC is committed to the Victorian Government’s Model Litigant Guidelines. The guidelines require the TAC to interact with clients in an honest, fair, open and reasonable manner.

By committing to the Model Litigant Guidelines, the TAC is accountable for ensuring we behave as a model litigant.

In 2008/09, seven formal complaints were received. All complaints were investigated with no breaches of the guidelines found.

## Complaints

The TAC takes service complaints very seriously. We have established a formal complaints office to manage these issues, including matters of enquiry from Ombudsman Victoria.

In 2008/09, the number of formal complaints increased from 155 in 2007/08 to 218 in 2008/09. The TAC responds to each complaint. We welcome feedback from clients and other stakeholders to help us improve our service.

# How we do it

## FINANCIAL AND CAPITAL MANAGEMENT

### Operating results

The TAC recorded an after-tax operating loss of \$971 million in 2008/09, compared with an after-tax operating loss of \$517 million in 2007/08.

Investment markets remained weak and resulted in a negative investment return of 12.2% compared to negative 6.6% in 2007/08.

This impacted on the TAC's rolling 10 year real investment return of 1.8% per annum above inflation, compared to the targeted real return of 5% per annum above inflation.

The TAC's investment portfolio is managed by the Victorian Funds Management Corporation (VFMC).

The TAC has developed a reporting framework where contributions to annual profit from internal and external factors (such as volatility in investment markets, claims discount rates and inflation) are identified and reported separately.

In 2008/09, performance from insurance operations was \$103 million. Changes to the fees paid in the attendant care sector impacted on the result. Our strong claims management ensured the scheme remained in a sound financial position.

The total impact from external factors was an unfavourable \$1,498 million predominantly due to the weak investment markets in 2008/09.

### Assets and liabilities

The TAC's total assets as at 30 June 2009 were \$7.1 billion while total liabilities were \$7.4 billion.

The TAC's funding ratio at 30 June 2009 was 81.3%. While this funding ratio is outside the preferred operating range of 100 - 120%, the strategy is to transition the ratio to within the preferred operating range over time.

### Dividends paid

Under the *Transport Accident Act 1986*, the TAC may pay an annual dividend to the Victorian Government. The dividend is determined each year by the Treasurer in consultation with the TAC Board, Chairman and the Minister, having regard to funding levels and other factors.

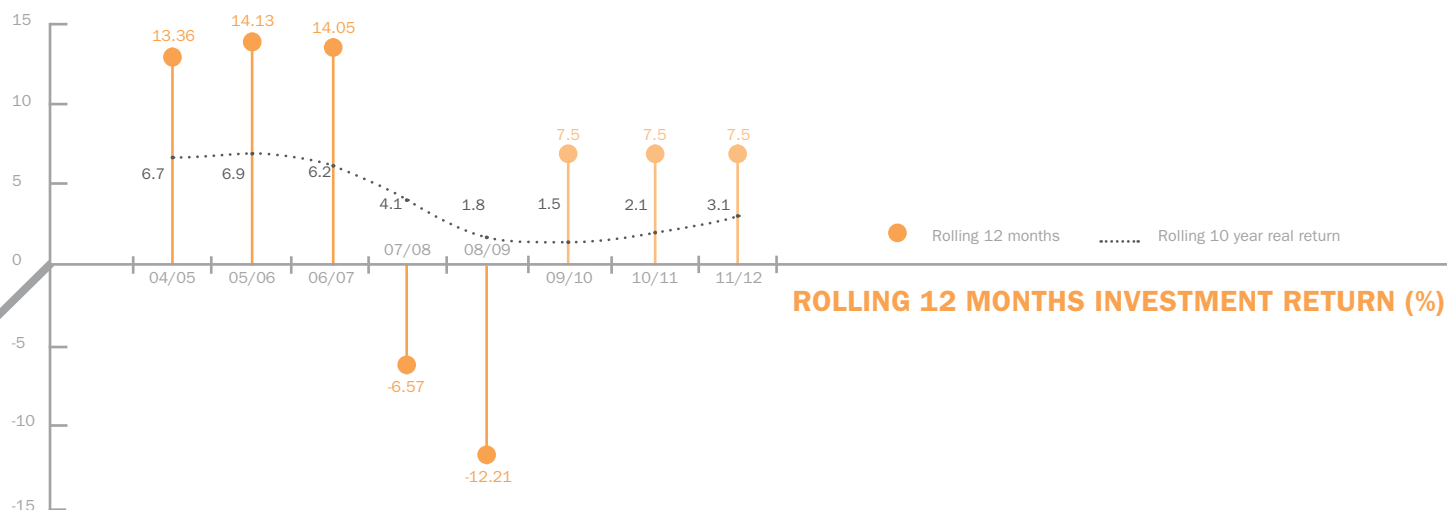
During 2008/09, the TAC paid a dividend of \$139.3 million relating to the 2007/08 results, based on the dividend policy of 35% of performance from insurance operations.

### Transport accident charge

Transport accident charge levels for motorists increased in line with CPI (3.26%) on 1 July 2008, consistent with the *Transport Accident Act 1986*.

The TAC also covers people injured in train and tram accidents with charges paid by the railway and tramway managers to fund these claims.

Transport accident charge levels for both motor vehicles and railways/tramways are set following a review of claims experience by independent actuaries.



## Reinsurance

A key component of the TAC's financial risk management strategy is to protect the scheme against the impact of a catastrophic accident. The TAC has an appropriate level of reinsurance cover.

The TAC has modelled exposure to catastrophic accidents and purchased reinsurance to protect against the financial impact.

## Prudential insurance policies

From February 2009, the Department of Treasury and Finance required Victorian Government insurance agencies to adopt the Prudential Insurance Standard for Victorian Government Insurance Agencies.

The TAC has revised its policies to be consistent with this standard. The first policies will take effect from 1 July 2009 with the first attestation of compliance in 2009/10.

## Reducing fraud

While the overwhelming majority of TAC clients and service providers are entitled to the benefits and payments they receive, a very small number seek to defraud the TAC and ultimately, the people of Victoria. The TAC has fraud and risk management controls in place and in cases where fraud is suspected, we exercise our strong legislative powers to investigate and prosecute.

During 2008/09, 17 prosecutions were finalised through the Magistrates Court. In each instance, a conviction was recorded and a total of \$520,111 in restitution was awarded to the TAC. Six letters of caution for breaches of the Act relating to fraud and false information were sent to clients and providers.

As a result of issues identified following the Bayside Health peer review and subsequent Ombudsman Victoria investigations, we have introduced more rigorous procedures for verifying invoices submitted by medical providers, following a review of the TAC's billing procedures.

Actions taken by the TAC to strengthen billing processes include:

- Scrutinising the bills provided by medical practitioners who treat trauma patients to ensure that all medical services are appropriate and necessary
- Requiring all invoices for surgical services to have an operation report submitted to verify that services were provided
- Implementing an improved payment workflow system that provides a more efficient basis for electronic payments and
- Ensuring TAC claims and account staff consider the appropriateness of medical services provided, especially in the trauma setting





DIANNE'S JOURNEY



## DIANNE ALSOP, 58, TAC CLIENT

**“Everyone at the school was very supportive and my case manager at the TAC helped to create a gradual return to work plan.”**

In October 2008, Dianne was walking to work when she was hit by a van coming out of a driveway. She had walked the same route for four years, on her way to St Francis Xavier School in Corio where she worked as an integration aide. She was taken to Geelong Hospital before being airlifted to the Alfred. “My next memory is being told I was going to be put in an induced coma.”

Dianne suffered a range of injuries, including a punctured lung, fractured left collarbone, fractured ribs, a back injury that required surgery to fuse her spine at L1-L2, and soft tissue injuries to her hip and knee. She spent nine days in the Alfred Hospital before being transferred to the Epworth Rehabilitation Centre and later, The McKellar Centre in Geelong.

“After an accident, you may get fixed up physically, but there’s still emotional and mental scars that you need to deal with,” she says. Before her accident, Dianne juggled work with other commitments, including volunteer and administration work with local sporting clubs. She was surprised to find herself struggling with basic tasks after her accident.

“I started to panic over little things,” she says. “The thought of walking the same route to school again filled me with anxiety.”

Dianne set a goal of returning to work by the start of the first term. “I did it – I managed to go back six hours a week at first.” She also accomplished her objective of walking to school, with the help of a psychologist.

She continues to receive physiotherapy, hydrotherapy and psychological treatment funded by the TAC and is now back to working her pre-accident hours at the school. “Everyone at the school was very supportive and my case manager at the TAC along with the Occupational Therapist, helped to create a gradual return to work plan,” says Dianne.

Dianne’s next goal is to walk to and from the gym, which is a bit further than her work. She has kept the cards written by her students while she was in hospital. “Kids just have this refreshing view of things. A grade one student said to me if you had died in the accident my Dad would have come to your funeral. I still laugh when I think about it.”



# Who we are



**THE TAC IS A VICTORIAN GOVERNMENT-OWNED ORGANISATION SET UP IN 1986 TO PAY FOR TREATMENT AND BENEFITS FOR PEOPLE INJURED IN TRANSPORT ACCIDENTS.**

Continuous improvement in our claims management, rehabilitation, lifetime support and financial management has seen significant improvements in client service and the long-term viability of the scheme.

Over recent years, the TAC has worked collaboratively with WorkSafe Victoria and the allied health sector to develop strategies that improve treatment outcomes for TAC clients and injured workers.

## **Our mission**

To reduce road trauma and its impact on the lives of accident victims in a caring, efficient and financially responsible manner.

## **Our vision**

To provide Victorians with the most equitable personal injury compensation scheme in the world and set international standards in its delivery.

## **Our values**

The TAC is an organisation that thrives on teamwork and the contribution of talented and committed people. Our five shared values reflect our culture and guide us in the way we work with our clients, providers and each other.

### **Integrity**

We will be open, honest and reliable in everything we do, achieving and maintaining the highest levels of professional service for our stakeholders and each other.

### **Unity of purpose**

We will work together to achieve our vision and mission. We will share experiences, knowledge and ideas to foster greater communication, interaction and cohesiveness within the organisation.

### **Dignity and respect**

We will treat all people, inside and outside the organisation, with dignity and respect.

### **Innovation**

We recognise the role innovation can play in achieving the organisation's vision and mission. We will foster a culture that encourages employees to maximise their potential.

### **Accountability and responsibility**

We will support and encourage employees to be responsible and accountable, and to make decisions within the scope of their role.

## **Organisational development - investing in our people**

The TAC is committed to ensuring our people possess the skills they need to excel. Our in-house leadership programs and the Personal Injury Education Foundation are practical, work-based assignments that give leaders an opportunity to explore and apply contemporary leadership practices within a real-time context.

The TAC is represented in the Leaders for Geelong Program and the Leadership Victoria Williamson Community Program.

The Leaders for Geelong Program helps nurture a dynamic network of people who are keen and able to provide voluntary leadership to support not-for-profit organisations and community groups in the region.

The ongoing legacy of the need to recruit and train large numbers of new employees is that the TAC now has comprehensive induction programs, robust evaluation processes and a learning and development structure that is focussed on building capability and aligning with the TAC's strategic and operational objectives.

## **Employee opinion survey**

The TAC conducts an annual survey to measure employee engagement and staff morale. In 2008/09, 86% of employees participated in the survey, which was conducted by Towers Perrin ISR.

Overall the TAC's employee engagement score in 2008/09 was 86% up from 81% the previous year. "Engagement" demonstrates employee alignment to the organisation's values, beliefs and goals and reflects a sense of pride and belonging to the TAC. Staff morale increased to 75% compared to 73% in 2007/08. These are both outstanding results in the context of a major change program affecting the entire organisation.

## **Employee Assistance Program (EAP)**

The TAC implemented a range of services as part of a new Employee Assistance Program (EAP) to support employees and their families following the Government's decision to relocate the TAC to Geelong.

The EAP is complemented by our existing Health Promotion Program, which includes the testing and treatment for improved employee health such as flu vaccinations, eyesight testing and a fitness program.





# Who we are

## Pro bono legal services

The TAC actively supports pro bono legal service programs. In 2008/09, the TAC continued to fund a position with the Public Interest Legal Clearing House (PILCH) - an independent, not-for-profit legal referral service committed to improving access to justice and protecting human rights.

A number of the TAC's in-house lawyers also volunteer at the Barwon Community Legal Service at night, which provides free legal advice to the Barwon Region.

## Volunteering

Many TAC staff undertake volunteering activities in their personal time to support the community. For example, staff have attended The Outpost in Geelong during their lunch breaks to provide meals and support to local community members in need.

Following the tragic Black Saturday bushfires, experienced TAC staff also attended crisis centres in the affected towns and liaised with hospitals, funeral director associations, other State and Federal government agencies, law institutes and the Red Cross to explain the TAC's role and services. To date, the TAC has processed funeral costs for 143 people who died in the bushfires.

We have also accepted and paid benefits on 26 transport accident related claims.

## Environmental approach

The TAC's new headquarters set new environmental standards for offices in Geelong, achieving a 5-star Green Star rating and a 4.5 star Australian Building Greenhouse Rating. The building utilises ecologically sustainable principles, including:

- "Low flow" water devices
- Black water treatment plant
- Solar shading devices
- Solar boosted hot water
- Under-floor air-conditioning systems

In 2008/09, the TAC confirmed its commitment to environmental sustainability through its participation in the Resource Smart Government Program for Change. The program provides a continual improvement framework to assist agencies to identify and address priority environmental impacts.

The Resource Smart strategy aims to make the best use of the facility and promotes improving our operational environmental performance.

In 2008/09, the Environmental Sustainability Committee was established to oversee our environmental strategy.





## Occupational Health and Safety (OHS)

The TAC actively promotes a safe work environment for all employees and visitors. Through an integrated Workplace Occupational Health and Safety program and a dedicated OHS Committee, the TAC empowers employees to manage their health and safety. In delivering the fit-out and planning for the GHQ, the TAC consulted with the OHS committee at every stage.

This meant that the majority of issues were identified and resolved before employees moved into the building.

The TAC's OHS strategy focuses on the following three priority areas:

- **Prevention**

This includes hazard and incident identification and reporting by employees, OHS reviews of equipment, work areas and workstations.

- **Rehabilitation**

The TAC provides early intervention and support to help employees manage occupational and non-work related conditions.

- **Compensation**

This includes a focus on helping employees at all points during the process and encouraging a return to work.

## 2008/09 incident report

In the past financial year, there were four WorkCover claims. A total of 15 days were lost due to workplace injury.







# BETTY'S JOURNEY

**BETTY MAY, HUMAN RESOURCES  
COORDINATOR, TAC**

**“It’s been sad to see many of the people I worked with for so long leave, but the TAC has prepared well for this move and given so much support to all the staff. I don’t think we could have asked for more.”**

Betty May works three days a week as the TAC’s HR Coordinator. She started her career with the organisation 19 years ago and has worked her way through a variety of administrative positions, while raising a young family of three with husband, David.

Betty was on maternity leave with her second child when the Government announced the TAC would be relocating to Geelong. “In a way, I didn’t feel that affected by the announcement,” says Betty. “We lived in Hoppers Crossing and my husband had worked in Geelong for over 10 years, so the commute didn’t seem that daunting.”

For Betty and her family, the decision came down to a choice between relocation and redundancy. “Originally, I thought I’d take the redundancy package because I’d just had Lily (now aged 4),” says Betty. “But deep down, I didn’t want to leave the TAC. I have a lot of respect for the organisation and it’s such a great place to work.”

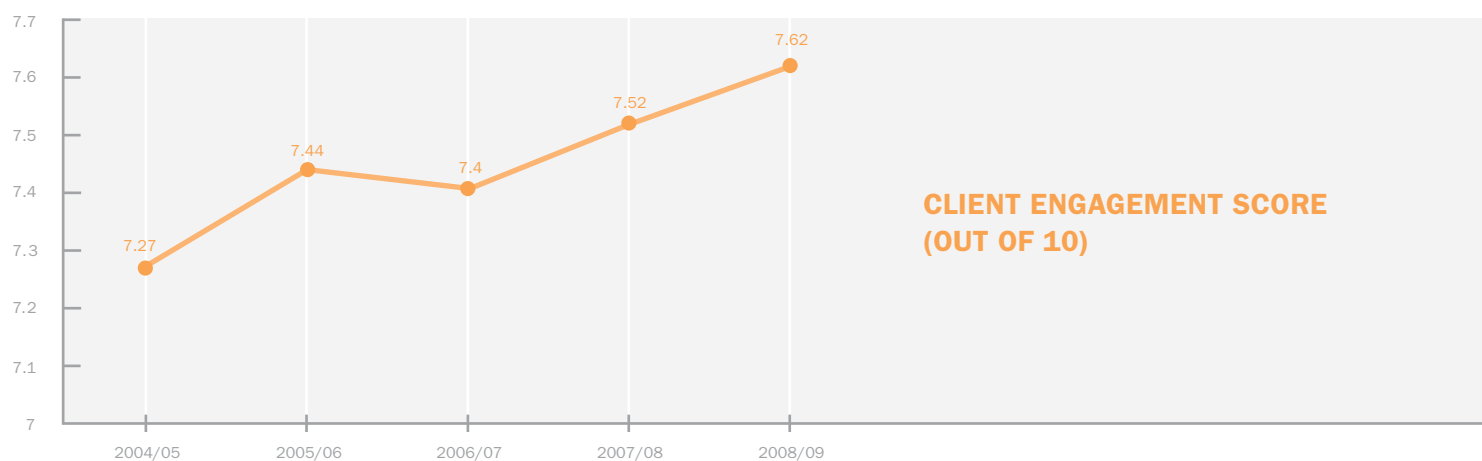
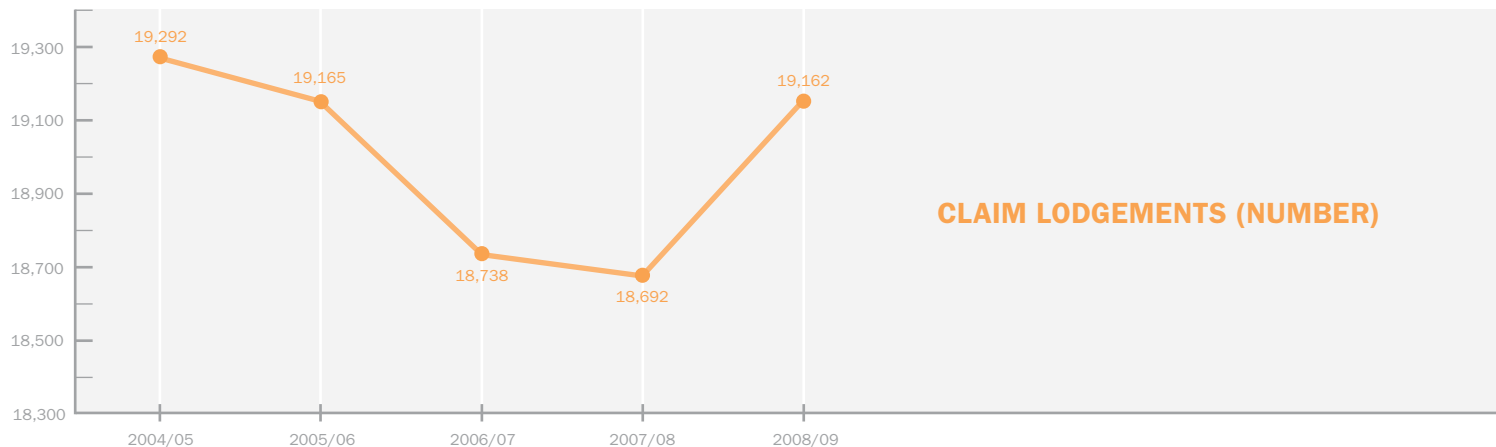
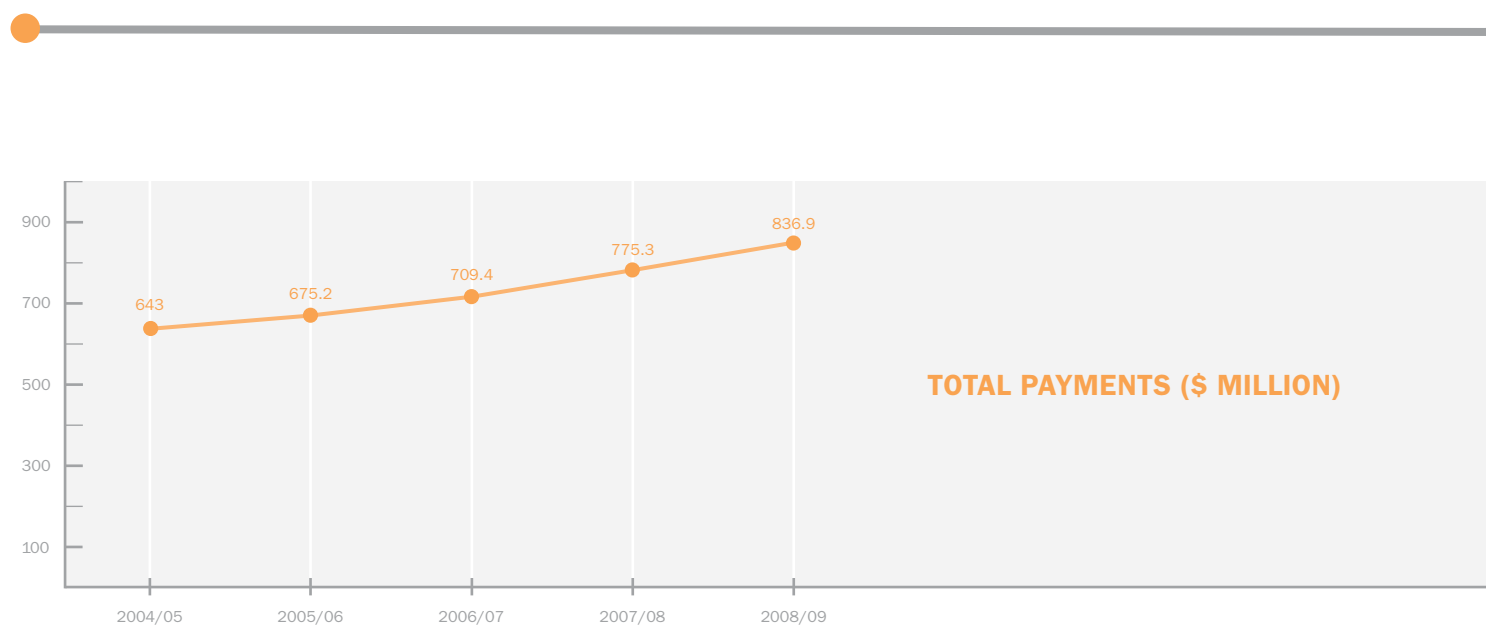
The couple remained undecided and spent two years looking for a suitable property before purchasing their home in Moriac in May 2009.

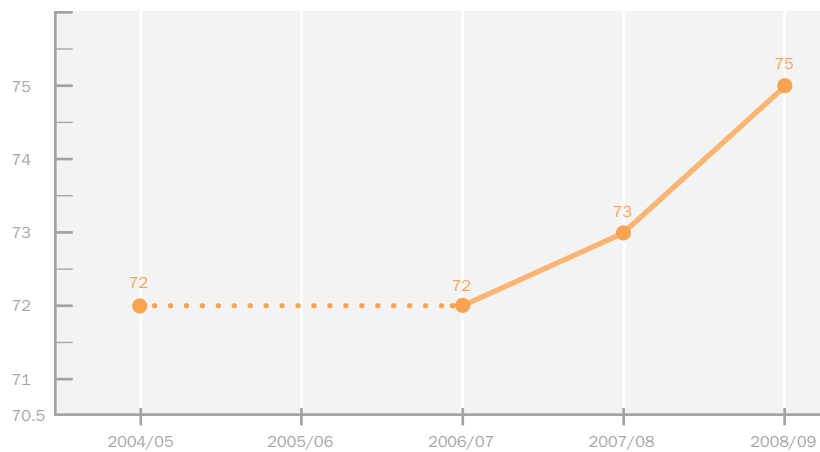
The family is now settling in to their local community, with Holly (aged 11) loving her new school and Lily and Flynn (aged 2) attending crèche and local kindergarten. “I’m glad I stayed with the TAC,” says Betty. “It’s been sad to see many of the people I worked with for so long leave, but the TAC has prepared well for this move and given so much support to all the staff. I don’t think we could have asked for more.”



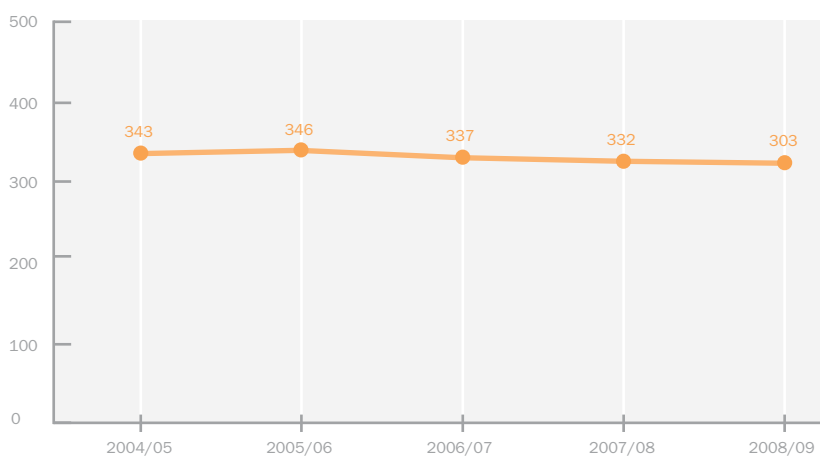
# APPENDIX

## Performance graphs

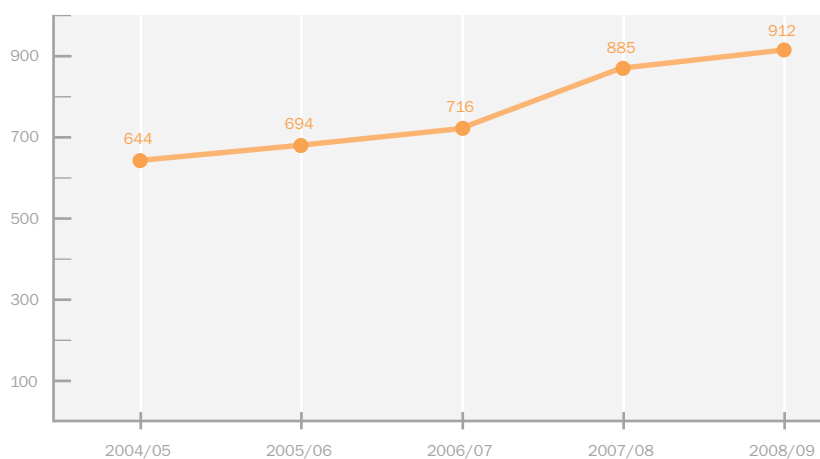




**STAFF MORALE INDEX (%)**



**ROAD TOLL (NUMBER OF DEATHS)**



**VICTORIAN COMMON LAW SETTLEMENTS**





# FINANCIAL REPORT



## TRANSPORT ACCIDENT COMMISSION

<b>Income Statement For the year ended 30 June 2009</b>		<b>2009 \$000</b>	<b>2008 \$000</b>
	<b>Note</b>		
Premium revenue		1,197,087	1,134,186
Reinsurance premium expense		(1,935)	(1,880)
<b>Net premium revenue</b>		<b>1,195,152</b>	<b>1,132,306</b>
Gross claims incurred	7	(1,442,565)	(1,119,432)
Claims recoveries revenue	7	7,870	16,127
<b>Net claims incurred</b>		<b>(1,434,695)</b>	<b>(1,103,305)</b>
Administration costs	5	(159,404)	(132,037)
Marketing and road safety expenditure		(43,524)	(36,816)
Safer road infrastructure expenditure		(112,432)	(91,635)
Trauma projects expenditure		(8,214)	(8,719)
Premium collection fees	11	(29,312)	(27,768)
<b>Underwriting expenses</b>		<b>(352,886)</b>	<b>(296,975)</b>
<b>Underwriting loss</b>		<b>(592,429)</b>	<b>(267,974)</b>
Investment loss	6	(787,907)	(463,760)
Investment expenses	6	(15,018)	(22,060)
<b>Loss before income tax</b>		<b>(1,395,354)</b>	<b>(753,794)</b>
Income tax benefit	8(a)	424,633	236,673
<b>Net loss</b>		<b>(970,721)</b>	<b>(517,121)</b>

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

<b>Balance Sheet As at 30 June 2009</b>		<b>2009 \$000</b>	<b>2008 \$000</b>
	<b>Note</b>		
<b>Current assets</b>			
Cash and cash equivalents	24	39,585	33,739
Receivables	9	61,129	59,043
Investments	10	1,029,153	1,094,603
Tax refund		-	45,840
Deferred acquisition costs	11	14,657	13,895
Other assets	12	3,721	3,594
<b>Total current assets</b>		<b>1,148,245</b>	<b>1,250,714</b>
<b>Non-current assets</b>			
Receivables	9	247,091	217,656
Investments	10	4,830,164	5,619,261
Plant and equipment	13	17,901	7,427
Intangibles	14	47,458	40,793
Deferred tax assets	8(c)	809,216	366,954
<b>Total non-current assets</b>		<b>5,951,830</b>	<b>6,252,091</b>
<b>Total assets</b>		<b>7,100,075</b>	<b>7,502,805</b>
<b>Current liabilities</b>			
Outstanding claims	16	858,069	796,178
Unearned premiums	17	596,942	567,613
Payables	15	90,912	88,054
Provisions	18	9,779	10,619
Lease liabilities	19(c)	1,284	1,138
<b>Total current liabilities</b>		<b>1,556,986</b>	<b>1,463,602</b>
<b>Non-current liabilities</b>			
Outstanding claims	16	5,878,877	5,262,890
Provisions	18	1,206	3,081
Lease liabilities	19(c)	879	1,084
<b>Total non-current liabilities</b>		<b>5,880,962</b>	<b>5,267,055</b>
<b>Total liabilities</b>		<b>7,437,948</b>	<b>6,730,657</b>
<b>Net assets / (liabilities)</b>		<b>(337,873)</b>	<b>772,148</b>
<b>Equity</b>			
Reserves	1(r)	7,637	8,326
Accumulated surplus/ (deficit)		(345,510)	763,822
<b>Total equity</b>		<b>(337,873)</b>	<b>772,148</b>

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

## TRANSPORT ACCIDENT COMMISSION

<b>Statement of Changes in Equity For the year ended 30 June 2009</b>	<b>Motorcycle Road Safety Reserve \$000</b>	<b>Accumulated surplus / (deficit) \$000</b>	<b>Total \$000</b>
<b>At 30 June 2007</b>	<b>9,526</b>	<b>1,412,743</b>	<b>1,422,269</b>
Net loss for the year	-	(517,121)	(517,121)
Total recognised income and expense for the year	9,526	895,622	905,148
Transfer to Motorcycle Road Safety Reserve	-	(4,856)	(4,856)
Transfer from Motorcycle Road Safety Reserve	-	6,056	6,056
Transfer to accumulated surplus	(6,056)	-	(6,056)
Transfer from accumulated surplus	4,856	-	4,856
Dividend paid for 2006/07 year	-	(133,000)	(133,000)
<b>At 30 June 2008</b>	<b>8,326</b>	<b>763,822</b>	<b>772,148</b>
Net loss for the year	-	(970,721)	(970,721)
Total recognised income and expense for the year	8,326	(206,899)	(198,573)
Transfer to Motorcycle Road Safety Reserve	-	(5,144)	(5,144)
Transfer from Motorcycle Road Safety Reserve	-	5,833	5,833
Transfer to accumulated surplus	(5,833)	-	(5,833)
Transfer from accumulated surplus	5,144	-	5,144
Dividend paid for 2007/08 year	-	(139,300)	(139,300)
<b>At 30 June 2009</b>	<b>7,637</b>	<b>(345,510)</b>	<b>(337,873)</b>

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



<b>Cash Flow Statement For the year ended 30 June 2009</b>	<b>Note</b>	<b>2009 \$000</b>	<b>2008 \$000</b>
<b>Cash flows from operating activities</b>			
Premiums received		1,349,951	1,280,645
Dividends received		133,797	203,147
Interest received		16,916	148,970
Claims paid		(843,699)	(999,115)
Claims recoveries received		6,791	9,010
Payments to suppliers and employees		(240,977)	(191,469)
Payments for marketing and road safety projects		(43,422)	(36,738)
Payments for trauma projects and safer road infrastructure expenditure		(108,284)	(99,621)
Goods and services tax paid		(42,187)	(32,245)
Income tax equivalent refund / (paid)		28,211	(308,364)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>24 (b)</b>	<b>257,097</b>	<b>(25,780)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(4,064,747)	(10,762,211)
Sale of investments		3,700,143	11,154,364
Purchase of plant and equipment		(14,540)	(6,124)
Sale of plant and equipment		569	-
Expenditure on intangibles		(13,827)	(21,372)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(392,402)</b>	<b>364,657</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(139,300)	(133,000)
Farrow Group liquidation expense		-	(2)
<b>Net cash outflow from financing activities</b>		<b>(139,300)</b>	<b>(133,002)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(274,605)</b>	<b>205,875</b>
Cash and cash equivalents at the beginning of the year		1,062,917	859,537
Effects of exchange rate changes on cash held in foreign currencies		(7,891)	(2,495)
<b>Cash and cash equivalents at end of the year</b>	<b>24 (a)</b>	<b>780,421</b>	<b>1,062,917</b>

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

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

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

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

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, Australian Accounting Standards and Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRSs).

The financial report was authorised for issue by the directors on 31 August 2009.

#### BASIS OF PREPARATION

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

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

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

Judgements made by management in the application of A-IFRS that have significant effects on the financial report and estimates with a significant risk of material adjustments in the next year are disclosed in the relevant notes in the financial report.

#### AUSTRALIAN ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The AASB has issued the following amendments to Australian Accounting Standards which are applicable to the TAC. These amendments are not effective for the annual reporting period ended 30 June 2009 and have not been applied in preparing the TAC's financial report.

The nature of the impact of the application of these standards is disclosure only. The TAC will apply these standards for the annual reporting periods beginning on or after the operative dates set out below.

	<b>Title</b>	<b>Operative Date</b>
2007-8	Amendments to Australian Accounting Standards arising from AASB 101 (revised standard)	1 January 2009
2007-10	Further amendments to Australian Accounting Standards arising from AASB 101 (revised standard)	1 January 2009
2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009
2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	1 January 2009
AASB 8	Operating segments	1 January 2009
AASB 101	Presentation of Financial Statements (revised standard)	1 January 2009
AASB 1048	Interpretation and Application of Standards	31 March 2009

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

**(A) PREMIUM REVENUE**

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

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

**(B) INVESTMENT INCOME**

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

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

**(C) UNEARNED PREMIUMS**

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

**(D) UNEXPIRED RISK LIABILITY**

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

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

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

The entire deficiency is recognised immediately in the income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

### **(E) OUTSTANDING CLAIMS LIABILITY**

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

A risk margin (refer note 16) 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% (2008: 75%) probability of sufficiency.

### **(F) CLAIM RECOVERY RECEIVABLES**

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

### **(G) DEFERRED ACQUISITION COSTS**

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

### **(H) ASSETS BACKING INSURANCE LIABILITIES**

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

The TAC has determined that all assets, except for plant and equipment and intangibles, are held to back insurance liabilities and are designated at fair value through the income statement. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised profits and losses recognised in the income statement.

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

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

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

- cash assets, deposits held at call with banks and investments in money market instruments are carried at face value which approximate to their fair value;
- investments in discounted money market instruments are valued at their quoted mid price at the balance sheet date, as with fine trading spreads in this market, there is an ability to transact at mid price.
- shares, fixed interest securities, options and units in trusts listed on stock exchanges are initially recognised at cost (which is equal to fair value) and the subsequent fair value is taken as the quoted bid price of the instruments at the balance sheet date;
- futures contracts listed on recognised exchanges are valued using the quoted settlement price, and
- units in unlisted trusts are recorded at fair value as determined by the fund manager. In determining fair value the manager uses 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.

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

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

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

### (I) FOREIGN CURRENCY TRANSLATION

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



## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### (J) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

### (K) EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of salaries, annual leave and long service leave. No provision is made for non-vesting sick leave as the TAC has no legal obligation to pay accumulated sick leave upon staff termination.

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

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

#### Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are expensed when incurred.

#### Defined benefit superannuation plans

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

### (L) PLANT, EQUIPMENT AND MOTOR VEHICLE

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

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

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

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

- Leasehold improvements, plant and equipment - 5.0% - 15% (2008: 10% - 15%)
- Motor vehicles under lease - 33% (2008: 33%)

**(M) INTANGIBLE ASSET**

Intangible asset represents identifiable non-monetary asset without physical substance.

Costs associated with the acquisition or development of computer software are capitalised and amortised on a straight line basis over the expected useful life of the computer software. The amortisation period for an intangible asset is reviewed annually.

**(N) IMPAIRMENT OF ASSETS**

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

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

**(O) LEASES**

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

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

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

**(P) DIVIDENDS**

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

An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the TAC, the Minister for Finance, WorkCover and the Transport Accident Commission and the Treasurer.

**(Q) INCOME TAX**

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

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

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

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

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

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

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

### **(R) MOTORCYCLE ROAD SAFETY RESERVE**

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

### **(S) GOODS AND SERVICES TAX**

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

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

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

### **(T) COMMITMENTS**

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

### **(U) ROUNDING**

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

### **(V) COMPARATIVE FIGURES**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### **(W) FUNCTIONAL AND PRESENTATION CURRENCY**

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

## 2. ACTUARIAL ASSUMPTIONS AND METHODS

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

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

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

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

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

- Payments per claim incurred (PPCI)
- Payments per active claim (PPAC)
- Payments per claim settled (PPCS)
- Annuity based individual claim models (ICM)
- Inflation adjusted chain ladder method (CLM)
- Payment per historical settlement (PPHS)

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 is 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.

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

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

	30 June 2009	30 June 2008
Average claim frequency (claims per 1000 registrations)	3.96	4.04
Average claim size	\$50,365	\$47,813*
Expense rate	13.57%	13.98%
Discount rate (5-year average)	5.32%	6.20%
Short-term inflation (AWE) (5-year average)	3.45%	4.25%
Short-term inflation (CPI) (5-year average)	2.35%	3.00%
Superimposed inflation	1.00%	1.00%
Long-term gap (Discount – AWE)	2.00%	2.00%
Long-term gap (Discount – CPI)	3.25%	3.50%
Average weighted term to settlement from injury date	13.5 years	13.1 years
Risk margin	7.5%	7.5%

\* amount restated to reflect methodology change adopted for 2008/09

### PROCESS USED TO DETERMINE ASSUMPTIONS

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

#### Average claim frequency

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

#### Average claims size

The average claim size takes into account the expected payments for each payment type (e.g. long term care, income, common law), as well as the proportion of total claims which receive each benefit.

#### Expense rate

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

- 22.8% of benefits managed by Benefit Delivery
- 12.1% of benefits managed by Community Support
- 11.4% of benefits managed by Lump Sum Compensation

#### Discount rate

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

#### Inflation

Short-term economic inflation assumptions are set by reference to current forecasts by bank and other economists. Long-term (beyond 5 years) economic inflation assumptions are set by assuming a fixed real return.



**Superimposed inflation**

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

**Average weighted term to settlement**

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

**Risk margin**

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

**SENSITIVITY ANALYSIS – INSURANCE CONTRACTS**

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

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

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### *Impact of changes in key variables*

Variable	Movement	Net (Loss) \$000	Equity \$000
<b>Recognised amounts per the financial statement</b>		<b>(970,721)</b>	<b>(337,873)</b>
Average claim frequency	+1%	(976,318)	(343,470)
	-1%	(965,124)	(332,276)
Expense rate	+1%	(1,012,645)	(379,797)
	-1%	(928,797)	(295,949)
Short-term discount rate	+0.5%	(890,862)	(258,014)
	-0.5%	(1,052,717)	(419,869)
Short-term inflation rates	+0.5%	(1,054,190)	(421,342)
	-0.5%	(888,677)	(255,829)
Average weighted term to settlement	+1 year	(869,253)	(236,405)
	-1 year	(1,072,190)	(439,342)

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

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

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

#### **(A) RISKS ARISING FROM INSURANCE OPERATION AND POLICIES FOR MITIGATING THOSE RISKS**

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

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

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

Key aspects of the processes established to mitigate risks include:

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

**(B) TERMS AND CONDITIONS**

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

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

**(C) CONCENTRATION OF INSURANCE RISK**

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

**(D) INTEREST RATE RISK**

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

**(E) CREDIT RISK**

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

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### 4. EXPLANATION OF VOLATILITY OF FINANCIAL RESULTS

This note provides additional analysis of the loss before income tax of \$1,395 million (2008: loss \$754 million).

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

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

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

	<b>2009</b>	<b>2008</b>
	<b>\$M</b>	<b>\$M</b>
Performance from insurance operations	103	398
Impact on profit from external factors:		
- Difference between actual investment returns and long term expected returns <sup>1</sup>	(1,305)	(1,046)
- Changes in inflation assumptions and discount rates (refer note 7)	(193)	(106)
<b>Loss before income tax</b>	<b>(1,395)</b>	<b>(754)</b>

<sup>1</sup> The TAC investment portfolio recorded a negative return of 12.2% (2008: negative 6.6%) compared to the long term expected return of 7.5%.

## 5. ADMINISTRATION COSTS

	2009	2008
	\$000	\$000
Staff and related	86,787	82,881
Information technology	19,549	15,771
Occupancy and utilities	9,252	7,285
Other operating costs	33,320	21,692
Depreciation and amortisation	10,496	4,408
<b>Total <sup>1</sup></b>	<b>159,404</b>	<b>132,037</b>
Total administration costs include the following:		
Doubtful debts written back (net)	(166)	(468)
Provision for employee entitlements	2,164	2,717
Operating lease rentals	5,766	5,062
Auditor General's fees <sup>2</sup>	241	191
Interest on finance lease	171	161
Finance costs <sup>3</sup>	486	928

<sup>1</sup> Includes costs of \$36.87million (2008: \$25.69 million) associated with the implementation of Geelong relocation program which is substantially completed with the relocation of the TAC to Geelong in January 2009.

<sup>2</sup> Fees are for audit of the financial report.

<sup>3</sup> Finance costs relate to the impact of changes in the discount rate on provision for employee benefits.

## 6. INVESTMENT LOSS

	2009	2008
	\$000	\$000
Dividends	132,723	178,164
Interest <sup>1</sup>	12,555	142,546
Changes in fair values of investments <sup>2</sup>		
- realised loss	(407,587)	(107,748)
- unrealised loss	(525,598)	(676,722)
Gross investment loss	(787,907)	(463,760)
Investment expenses <sup>3</sup>	(15,018)	(22,060)
<b>Net investment loss</b>	<b>(802,925)</b>	<b>(485,820)</b>

<sup>1</sup> Interest represents coupon interest earned and net settlements on swap contracts. Unfavourable net settlements were made on swap contracts during the year.

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

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

The TAC investment portfolio recorded a negative return of 12.2% for 2008/09, compared to negative 6.6% in the previous year, due principally to unfavourable conditions experienced in the financial markets as a result of the global financial crisis.



## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### 7. CLAIMS INCURRED

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

	2009			2008		
	Current year \$000	Prior years \$000	Total \$000	Current year \$000	Prior years \$000	Total \$000
Gross claims incurred						
- Undiscounted	2,086,060	(30,539)	2,055,521	2,264,690	(752,830)	1,511,860
- Discount movement	(1,105,213)	492,257	(612,956)	(1,381,420)	988,992	(392,428)
	980,847	461,718	1,442,565	883,270	236,162	1,119,432
Claims recoveries						
- Undiscounted	(10,486)	(12,460)	(22,946)	(11,596)	(16,251)	(27,847)
- Discount movement	3,562	11,514	15,076	4,306	7,414	11,720
	(6,924)	(946)	(7,870)	(7,290)	(8,837)	(16,127)
<b>Net claims incurred</b>	<b>973,923</b>	<b>460,772</b>	<b>1,434,695</b>	<b>875,980</b>	<b>227,325</b>	<b>1,103,305</b>

The net claims incurred of \$1,435 million (2008: \$1,103 million) is impacted by both internal and external factors as noted below:

	2009 \$M	2008 \$M
Claims incurred – internal <sup>1</sup>	1,242	997
Claims incurred – external <sup>2</sup>	193	106
<b>Total claims incurred</b>	<b>1,435</b>	<b>1,103</b>

<sup>1</sup> Claims incurred – internal for 2008/09 is \$1,242 million, which is higher than the claims incurred for the previous year. This difference results primarily from unfavourable claims experience relative to the previous year, in particular in relation to attendant care fee rates. Apart from this increase, in a maturing scheme like the TAC, claims incurred – internal would normally be expected to increase by 6% to 7% annually.

<sup>2</sup> Claims incurred – external reflects the financial impact on changes in inflation assumptions and discount rates. In 2008/09, the claims economic impact results in an unfavourable impact of \$193 million on claims liabilities principally due to lower bond yields (discount rates).

**8. INCOME TAX****(A) INCOME TAX RECOGNISED IN INCOME STATEMENT**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
<b>Income tax benefit comprises:</b>		
Current tax expense/ (benefit)	(330,773)	79,139
Deferred tax adjustment	(95,729)	(314,501)
Adjustment in respect of prior years	1,869	(1,311)
<b>Total tax benefit</b>	<b>(424,633)</b>	<b>(236,673)</b>
<b>Deferred tax adjustment comprises:</b>		
Increase in deferred tax assets	(97,003)	(163,627)
Increase / (decrease) in deferred tax liabilities	1,274	(150,874)
	<b>(95,729)</b>	<b>(314,501)</b>

**(B) RECONCILIATION BETWEEN NET LOSS BEFORE TAX AND INCOME TAX BENEFIT**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Net loss before tax	(1,395,354)	(753,794)
Tax at the statutory rate of 30% (2008 - 30%)	(418,606)	(226,138)
Imputation gross-up on dividends received	2,514	4,541
Franking credits and withholding tax on dividends received	(8,381)	(15,138)
Sundry items	(160)	62
<b>Income tax benefit</b>	<b>(424,633)</b>	<b>(236,673)</b>

**(C) DEFERRED TAX BALANCES**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
<b>Deferred tax assets comprise:</b>		
Carry forward tax losses	330,773	-
Claims handling expense included in outstanding claims	230,982	213,219
Unrealised loss on investments	244,386	148,493
Provisions and accrued employee entitlements not currently deductible	5,003	5,886
Accruals not currently deductible	33	43
	<b>811,177</b>	<b>367,641</b>
<b>Deferred tax liabilities comprise:</b>		
Difference in depreciation of plant and equipment and intangible assets for accounting and income tax purposes	1,961	687
	<b>1,961</b>	<b>687</b>
<b>Net deferred tax assets</b>	<b>809,216</b>	<b>366,954</b>

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### 9. RECEIVABLES

	2009 \$000	2008 \$000
<b>Current</b>		
Premiums receivable <sup>1</sup>	11,882	10,913
Claims GST receivable <sup>2</sup>	40,535	37,480
Claims recoveries and other debtors <sup>3</sup>	12,084	14,219
Less: Provision for impairment	(3,372)	(3,569)
	8,712	10,650
<b>Total current</b>	<b>61,129</b>	<b>59,043</b>
<b>Non-current</b>		
Claims GST receivable <sup>2</sup>	204,161	177,743
Claims recoveries <sup>3</sup>	43,083	40,035
Less: Provision for impairment	(153)	(122)
	42,930	39,913
<b>Total non-current</b>	<b>247,091</b>	<b>217,656</b>

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

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

<sup>3</sup> Included within the claims recoveries and other debtors balance is \$49.794 million (2008: \$48.227 million) of actuarially determined recoveries with the remaining \$5.373 million (2008: \$5.977 million) relating to actual receivables from known counterparties which are past due as at the reporting date. The TAC has provided for impairment of these on the basis of past experience. The TAC does not hold any collateral over these balances

### 10. INVESTMENTS

The TAC's investment activity is undertaken pursuant to the *Transport Accident Act 1986*, the *Borrowing and Investment Powers Act 1987* and the Treasurer's Prudential Statement.

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 meet the TAC's investment objectives. The investment strategy that is determined by VFMC is documented in a detailed Investment Risk Management Plan (IRMP) which is approved by the Treasurer.

The administration of the TAC's investment portfolio is managed by VFMC through a Client Funds Management Service Agreement, which includes VFMC's responsibilities and duties as defined in the Treasurer's Prudential Statement. Under this agreement all investments are managed by VFMC through internal management, 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 Department of Treasury and Finance (DTF) monitors structures in place to manage investment risk and undertakes the prudential supervision and monitoring of VFMC.

## FINANCIAL REPORT 2009

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

VFMC Board is required to certify to the DTF on a quarterly basis and on an annual basis to the TAC, that the TAC's investment portfolio has been managed in accordance with the accepted IRMP and with the TAC's investment objectives. In addition, VFMC provides monthly investment performance reports to the TAC to enable the TAC to review the actual investment performance against market benchmarks.

	2009	2008
	\$000	\$000
<b>Asset category</b>		
Cash and deposits	697,123	618,395
Debt securities	2,031,763	2,538,033
Australian listed equities	353,402	430,432
International listed equities	734,621	900,435
Unlisted equities	29,497	98,020
Listed trusts	52,221	57,223
Unlisted trusts	1,817,523	2,021,454
Financial derivatives <sup>1</sup> - receivables	56,509	16,715
Financial derivatives <sup>1</sup> - payables	(18,535)	(8,928)
Investment settlements outstanding	105,193	42,085
<b>Total</b>	<b>5,859,317</b>	<b>6,713,864</b>
Current	1,029,153	1,094,603
Non-current	4,830,164	5,619,261
<b>Total</b>	<b>5,859,317</b>	<b>6,713,864</b>

<sup>1</sup> Financial derivative instruments principally consist of foreign exchange contracts, futures, swaps and options. Derivatives are used to enable the TAC to protect the value of its assets against the financial risks inherent in the TAC's investment portfolio.

### 11. DEFERRED ACQUISITION COSTS

	2009	2008
	\$000	\$000
Balance at 1 July	13,895	13,138
Acquisition costs incurred in the year	30,074	28,525
Amount expensed to income statement	(29,312)	(27,768)
<b>Balance at 30 June</b>	<b>14,657</b>	<b>13,895</b>

### 12. OTHER ASSETS

	2009	2008
	\$000	\$000
Prepayments and others	1,602	894
GST receivable	2,119	2,700
<b>Total</b>	<b>3,721</b>	<b>3,594</b>

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### 13. PLANT AND EQUIPMENT

	2009 \$000	2008 \$000
<b>Leasehold improvements</b>		
At cost	10,103	2,985
Accumulated depreciation	(232)	-
	9,871	2,985
<b>Plant and equipment</b>		
At cost	6,325	17,035
Accumulated depreciation	(467)	(14,805)
	5,858	2,230
<b>Motor vehicles under lease</b>		
At cost	3,066	2,959
Accumulated depreciation	(894)	(747)
	2,172	2,212
<b>Balance at 30 June</b>	<b>17,901</b>	<b>7,427</b>

Movements in carrying amounts	Leasehold improvements \$000	Plant & equipment \$000	Motor vehicles \$000	Total \$000
<b>Balance at 1 July 2007</b>	-	<b>2,825</b>	<b>2,254</b>	<b>5,079</b>
Additions	2,985	2,982	1,086	7,053
Disposals	-	-	(623)	(623)
Depreciation expense	-	(3,577)	(505)	(4,082)
<b>Balance at 30 June 2008</b>	<b>2,985</b>	<b>2,230</b>	<b>2,212</b>	<b>7,427</b>
Additions	7,118	6,229	1,194	14,541
Disposals	-	(69)	(664)	(733)
Depreciation expense	(232)	(2,532)	(570)	(3,334)
<b>Balance at 30 June 2009</b>	<b>9,871</b>	<b>5,858</b>	<b>2,172</b>	<b>17,901</b>

### 14. INTANGIBLES

	2009 \$000	2008 \$000
<b>Computer software</b>		
At cost	61,436	51,995
Less: Accumulated amortisation	(13,978)	(11,202)
	<b>47,458</b>	<b>40,793</b>
<b>Movements in carrying amounts</b>		
Balance at 1 July	40,793	19,746
Additions	13,827	21,372
Current year amortisation	(7,162)	(325)
<b>Balance at 30 June</b>	<b>47,458</b>	<b>40,793</b>



**15. PAYABLES**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Advance premiums <sup>1</sup>	24,575	20,488
Other creditors and accruals <sup>2</sup>	66,337	67,566
<b>Total</b>	<b>90,912</b>	<b>88,054</b>

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

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

**16. OUTSTANDING CLAIMS****(A) OUTSTANDING CLAIMS LIABILITY**

Outstanding claims liability as at 30 June 2009 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Ltd.

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Expected future claims payments (undiscounted)	17,806,563	17,249,848
Discount to present value	(12,235,315)	(12,256,267)
	5,571,248	4,993,581
Claims handling expenses	716,224	661,145
	6,287,472	5,654,726
Risk margin	449,474	404,342
<b>Outstanding claims liability</b>	<b>6,736,946</b>	<b>6,059,068</b>
Current	858,069	796,178
Non-current	5,878,877	5,262,890
<b>Outstanding claims liability</b>	<b>6,736,946</b>	<b>6,059,068</b>

**(B) RISK MARGIN**

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

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

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates. The risk margin applied at balance date was 7.50% (2008: 7.50%).

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### (C) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITY

	2009			2008		
	Gross \$000	Recoveries \$000	Net \$000	Gross \$000	Recoveries \$000	Net \$000
<b>Outstanding claims brought forward</b>	<b>6,059,068</b>	<b>(263,500)</b>	<b>5,795,568</b>	<b>5,874,090</b>	<b>(249,903)</b>	<b>5,624,187</b>
Effect of changes in economic assumptions	179,459	(324)	179,135	95,199	(1,250)	93,949
Effect of claims experience and modelling	90,692	(144)	90,548	(64,300)	(3,329)	(67,629)
Cost of prior year claims moving one year closer to payment (unwind of discount)	193,941	(2,835)	191,106	203,414	(2,425)	200,989
Increase in claims incurred/recoveries anticipated over the year	978,459	(4,552)	973,907	885,119	(9,123)	875,996
Incurred claims recognised in the income statement	1,442,551	(7,855)	1,434,696	1,119,432	(16,127)	1,103,305
Claims payments and recoveries during the year	(794,161)	6,353	(787,808)	(941,781)	9,857	(931,924)
Increase in provision for GST credits	29,488	(29,488)	-	7,327	(7,327)	-
<b>Outstanding claims carried forward</b>	<b>6,736,946</b>	<b>(294,490)</b>	<b>6,442,456</b>	<b>6,059,068</b>	<b>(263,500)</b>	<b>5,795,568</b>

### (D) CLAIMS DEVELOPMENT TABLE

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

Accident year	2002 \$000	2003 \$000	2004 \$000	2005 \$000	2006 \$000	2007 \$000	2008 \$000	2009 \$000	Total \$000
<b>Estimate of ultimate claims costs:</b>									
At end of accident year	1,314,412	1,249,826	1,443,864	1,330,042	1,715,906	1,924,878	2,103,279	1,902,683	
One year later	1,178,482	1,310,766	1,198,363	1,605,442	1,674,284	1,896,843	1,818,182	-	
Two years later	1,230,610	1,277,465	1,572,798	1,558,131	1,436,193	1,964,435	-	-	
Three years later	1,131,304	1,351,246	1,777,775	1,499,894	1,417,902	-	-	-	
Four years later	1,154,756	1,546,250	1,787,082	1,419,173	-	-	-	-	
Five years later	1,303,435	1,613,970	1,779,114	-	-	-	-	-	
Six years later	1,305,043	1,621,192	-	-	-	-	-	-	
Seven years later	1,323,058	-	-	-	-	-	-	-	
Current estimate of cumulative claims costs	1,323,058	1,621,192	1,779,114	1,419,173	1,417,902	1,964,435	1,818,182	1,902,683	13,245,739
Cumulative payments	(520,357)	(474,932)	(463,909)	(444,242)	(419,004)	(367,241)	(261,830)	(134,737)	(3,086,252)
<b>Outstanding claims - undiscounted</b>	<b>802,701</b>	<b>1,146,260</b>	<b>1,315,205</b>	<b>974,931</b>	<b>998,898</b>	<b>1,597,194</b>	<b>1,556,352</b>	<b>1,767,946</b>	<b>10,159,487</b>
Discount									(6,862,198)
2001 and prior claims									2,428,943
Claims handling expenses									716,224
Recoveries and GST credits									294,490
<b>Outstanding claims per balance sheet</b>									<b>6,736,946</b>

**17. UNEARNED PREMIUMS**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Balance at 1 July	567,613	535,824
Deferral of premium written in the year	596,942	567,613
Earning of premium written in previous year	(567,613)	(535,824)
<b>Balance at 30 June</b>	<b>596,942</b>	<b>567,613</b>

**18. PROVISIONS**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Employee benefits <sup>1</sup>	8,355	10,619
Leasehold restoration <sup>2</sup>	1,424	-
<b>Total current</b>	<b>9,779</b>	<b>10,619</b>
<b>Non-current</b>		
Employee benefits	1,206	1,328
Leasehold restoration <sup>2</sup>	-	1,753
<b>Total non-current</b>	<b>1,206</b>	<b>3,081</b>
<sup>1</sup> Annual leave and long service leave entitlements expected to be settled:		
- within 12 months of reporting date	4,293	7,520
- beyond 12 months of reporting date	4,062	3,099
<b>Total</b>	<b>8,355</b>	<b>10,619</b>

<sup>2</sup> The provision for restoration is for the dismantling, removal and restoration costs estimated to be paid upon vacation of leased premises. The obligation under the lease contract for the fit out to be returned to its original state existed at the time of acquisition.

<b>Movement in provisions</b>	<b>Employee benefits</b>	<b>Leasehold restoration</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance at 1 July 2007	11,576	1,800	13,376
Additional provision recognised	1,874	-	1,874
Reduction arising from payments	(2,431)	(47)	(2,478)
Unwind of discount and effect of changes in the discount rate	928	-	928
<b>Balance at 30 June 2008</b>	<b>11,947</b>	<b>1,753</b>	<b>13,700</b>
Additional provision recognised	1,678	-	1,678
Reduction arising from payments	(4,550)	(329)	(4,879)
Unwind of discount and effect of changes in the discount rate	486	-	486
<b>Balance at 30 June 2009</b>	<b>9,561</b>	<b>1,424</b>	<b>10,985</b>

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### 19. COMMITMENTS

	2009 \$000	2008 \$000
<b>(a) Administrative expenditure <sup>1</sup></b>		
Estimated administrative expenditure contracted at balance date, but not provided for:		
- not later than one year	121,947	114,772
- later than one year but not later than five years	299,969	292,419
- later than five years	132,700	303,500
	<b>554,616</b>	<b>710,691</b>
<b>(b) Operating leases <sup>2</sup></b>		
Minimum lease payments:		
- not later than one year	7,268	5,482
- later than one year but not later than five years	24,664	6,920
- later than five years	122,860	-
	<b>154,792</b>	<b>12,402</b>
<b>(c) Finance leases <sup>3</sup></b>		
- not later than one year	1,391	1,246
- later than one year but not later than five years	914	1,135
Total minimum lease payments	2,305	2,381
- future finance charges	(142)	(159)
Lease liability	2,163	2,222
- Current liability	1,284	1,138
- Non-current liability	879	1,084
	<b>2,163</b>	<b>2,222</b>

<sup>1</sup> Included in the administrative expenditure is a total amount of about \$515 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs in Victoria over 2008/09 to 2016/17. The programs are aimed at reducing the incidence of serious casualty crashes and road trauma and are expected to result in lower TAC claims costs.

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

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

### 20. CONTROLLED ENTITIES

The Victorian Neurotrauma Initiative Pty Ltd (VNI) is a controlled entity of the TAC which is wholly owned by the TAC. The VNI is incorporated in Victoria, Australia and its principal activity is to support and fund research into neurotrauma and its effects. The financial statements of VNI have not been consolidated in the preparation of the financial report of the TAC as the financial impact of consolidation is considered not material.

## 21. EMPLOYEE SUPERANNUATION

Superannuation is provided for employees via the following superannuation funds:

	2009 \$000	2008 \$000
Emergency Services Superannuation Scheme - Revised and New Scheme <sup>1</sup>	947	1,308
Victorian Superannuation Fund - VicSuper Scheme	4,421	4,393
Private sector complying funds	2,250	2,143
<b>Total</b>	<b>7,618</b>	<b>7,844</b>

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

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

The basis of superannuation contributions is based on the relevant rules of each plan. At 30 June 2009, contributions outstanding were \$0.13 million (2008: \$0.11 million).

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



## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### 22. KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of the directors and executive officers, being the key management personnel of the TAC, is set out below:

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	3,063	3,006
Post-employment benefits	145	152
Other long-term employee benefits	132	30
Termination benefits	111	157
<b>Total</b>	<b>3,451</b>	<b>3,345</b>

#### (A) REMUNERATION OF RESPONSIBLE PERSONS

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Total remuneration received or receivable by responsible persons	1,199	822
The number of responsible persons of the TAC whose remuneration falls within the following bands:	<b>No.</b>	<b>No.</b>
\$10,000 - \$19,999	2	-
\$30,000 - \$39,999	2	1
\$40,000 - \$49,999	6	7
\$80,000 - \$89,999	-	1
\$100,000 - \$109,999	1	-
\$270,000 - \$279,999	1	-
\$390,000 - \$399,999	-	1
\$480,000 - \$489,999	1	-

**(B) REMUNERATION OF EXECUTIVE OFFICERS**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Total remuneration received or receivable by all executive officers	2,252	2,522

The number of executive officers of the TAC, excluding the Chief Executive Officer, is shown in the table below. Base remuneration is exclusive of bonus, long service leave and redundancy payments. Executive numbers vary from year to year due to the timing of appointments, resignations, and the composition of the executive officers.

	<b>Base remuneration</b>		<b>Total remuneration</b>	
<b>Income band</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
less than \$100,000	1	1	1	-
\$110,000 - \$119,999	1	-	1	-
\$130,000 - \$139,999	-	1	-	1
\$180,000 - \$189,999	-	1	-	-
\$190,000 - \$199,999	1	2	-	-
\$210,000 - \$219,999	2	-	-	2
\$220,000 - \$229,999	-	2	-	-
\$230,000 - \$239,999	1	-	-	3
\$240,000 - \$249,999	-	-	1	1
\$250,000 - \$259,999	-	-	1	-
\$260,000 - \$269,999	-	1	2	-
\$270,000 - \$279,999	1	1	-	-
\$280,000 - \$289,999	2	-	-	-
\$290,000 - \$299,999	-	1	-	-
\$320,000 - \$329,999	-	-	-	1
\$330,000 - \$339,999	-	-	2	1
\$340,000 - \$349,999	-	-	1	-
\$350,000 - \$359,999	-	-	-	1

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### 23. RESPONSIBLE PERSON-RELATED DISCLOSURES

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the responsible persons who held office during the financial year were The Honourable Tim Holding MP, Minister for Finance, WorkCover and the Transport Accident Commission and the following responsible persons:

#### Directors:

Mr Paul Barker (Chairman)  
Dr Julie Caldecott  
Mr Andrew Dyer (appointed 24 June 2009)  
Mr Geoff Hilton  
Mr James MacKenzie (resigned 21 April 2009)  
Ms Christine McLoughlin (appointed 24 June 2009)  
Professor Robert Officer  
Mr Victor Perton (resigned 20 March 2009)  
Ms Sonia Petering  
Ms Elana Rubin  
Ms Maria Wilton

#### Chief Executive Officers:

Ms Janet Dore (appointed 1 October 2008)  
Mr Paul O'Connor (resigned 30 September 2008)

#### RELATED PARTY TRANSACTIONS

There are no transactions with responsible persons and responsible person-related parties requiring disclosure under the Directions of the Minister for Finance.

#### OTHER PAYMENTS

The following payments are also noted, although they are not considered to be responsible person related party transactions for the purpose of Ministerial Directions under the *Financial Management Act 1994*.

Dr Julie Caldecott is a director of the Royal Children's Hospital which received project funding from the TAC (on behalf of its controlled entity, the Victorian Neurotrauma Initiative) during the year on normal commercial terms and conditions. In addition, Dr Julie Caldecott is a partner of Boston Consulting Group which has provided services to the TAC during the year on normal commercial terms and conditions.

Professor Robert Officer is a director of the Personal Injury Education Foundation (PIEF), which has provided services to the TAC during the year on normal commercial terms and conditions. In addition, the TAC is a member of PIEF and has paid membership fees to PIEF during the year.

Mr Paul Barker, Mr Geoff Hilton, Ms Elana Rubin and Mr James MacKenzie (a former director of the TAC) are directors of the Victorian WorkCover Authority (WorkSafe), which is entitled to recover from the TAC under the *Accident Compensation Act 1985*, all compensation payable under the WorkCover scheme for injury in a transport accident during the course of work. In addition, the TAC has also made payments to WorkSafe as reimbursement for external services jointly acquired by the TAC and WorkSafe, and payments for the provision of services by WorkSafe to the TAC, on normal commercial terms and conditions.

#### 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.

**24. NOTES TO THE CASH FLOW STATEMENT****(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS**

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

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Cash at bank	39,585	33,739
Cash equivalents (investments)	740,836	1,029,178
<b>Total</b>	<b>780,421</b>	<b>1,062,917</b>

**(B) RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULTS**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Net loss after tax	(970,721)	(517,121)
Depreciation and amortisation	10,496	4,408
Realised loss on sale of investments	407,587	107,748
Unrealised loss on investments	525,598	676,722
Loss on sale of plant and equipment	163	95
<b>Changes in assets and liabilities</b>		
Increase in outstanding claims	677,878	195,179
Increase in unearned premium reserve	29,329	31,789
Decrease / (increase) in receivables and other assets	(27,556)	4,592
Increase in creditors and provisions	745	15,845
Increase in net deferred tax balances	(442,262)	(330,429)
Increase / (decrease) in income tax payable	45,840	(214,608)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>257,097</b>	<b>(25,780)</b>

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### 25. FINANCIAL INSTRUMENTS

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

#### MARKET RISK

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

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

For the sensitivity analysis of each type of market risk, the percentage change used for each of the variables has been determined by the TAC as at 30 June 2009 and 30 June 2008, in consultation with VFMC.

##### (a) Interest rate risk

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

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

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

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

##### Interest rate swaps

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

Contracts normally involve quarterly payment or receipt of the net amount of interest. The unrealised loss on the swaps in the portfolio at 30 June 2009 was \$18.5 million (2008: unrealised loss \$6.78 million).



## FINANCIAL REPORT 2009

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

### Interest rate options

VFMC may enter into interest rate options to hedge interest rate exposures. The option contracts have repricing terms up to 3 months. As at 30 June 2009, the outstanding option contracts were \$nil (2008: \$nil).

### Forward rate agreements

VFMC may enter into forward interest rate agreements with expiry terms out to 12 months to maximise anticipated investment returns. As at 30 June 2009, outstanding agreements were \$nil (2008: \$nil).

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

2009	Variable interest rate \$000	Fixed maturity dates				Non interest bearing \$000	Total value \$000
		3 months or less \$000	4 to 12 months \$000	1 to 5 years \$000	Over 5 years \$000		
<b>Financial assets</b>							
Cash and deposits	39,585	-	-	-	-	-	39,585
Investments:							
- interest rate swaps	(18,535)	-	-	-	-	-	(18,535)
- other investments	1,557,742	532,369	74,924	392,512	172,880	3,147,425	5,877,852
Other assets	-	-	-	-	-	5,373	5,373
	1,578,792	532,369	74,924	392,512	172,880	3,152,798	5,904,275
<b>Financial liabilities</b>							
Payables	-	-	-	-	-	66,337	66,337
Other liabilities	-	321	963	879	-	-	2,163
	-	321	963	879	-	66,337	68,500
<b>Net financial assets</b>	<b>1,578,792</b>	<b>532,048</b>	<b>73,961</b>	<b>391,633</b>	<b>172,880</b>	<b>3,086,461</b>	<b>5,835,775</b>

2008	Variable interest rate \$000	Fixed maturity dates				Non interest bearing \$000	Total value \$000
		3 months or less \$000	4 to 12 months \$000	1 to 5 years \$000	Over 5 years \$000		
<b>Financial assets</b>							
Cash and deposits	33,739	-	-	-	-	-	33,739
Investments:							
- interest rate swaps	(6,775)	-	-	-	-	-	(6,775)
- other investments	1,950,641	314,687	111,555	469,666	159,036	3,715,054	6,720,639
Other assets	-	-	-	-	-	5,977	5,977
	1,977,605	314,687	111,555	469,666	159,036	3,721,031	6,753,580
<b>Financial liabilities</b>							
Payables	-	-	-	-	-	67,560	67,560
Other liabilities	-	285	853	1,084	-	6	2,228
	-	285	853	1,084	-	67,566	69,788
<b>Net financial assets</b>	<b>1,977,605</b>	<b>314,402</b>	<b>110,702</b>	<b>468,582</b>	<b>159,036</b>	<b>3,653,465</b>	<b>6,683,792</b>

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

<b>Reconciliation of net financial assets to net assets</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Net financial assets as above	5,835,775	6,683,792
Non-financial assets and liabilities:		
- Provisions	(10,985)	32,139
- Net insurance liabilities	(7,333,888)	(6,626,681)
- Net non-financial assets	1,171,225	682,898
<b>Net assets / (liabilities) per balance sheet</b>	<b>(337,873)</b>	<b>772,148</b>

### Interest rate sensitivity

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

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

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Impact on profit and equity of a 0.5% increase in interest rates:		
- Before impact of interest rate derivatives	(34,402)	(44,482)
- Impact of interest rate derivatives	331	(9,040)
<b>- After impact of interest rate derivatives</b>	<b>(34,071)</b>	<b>(53,522)</b>
Impact on profit and equity of a 0.5% decrease in interest rates:		
- Before impact of interest rate derivatives	34,423	44,511
- Impact of interest rate derivatives	(332)	9,042
<b>- After impact of interest rate derivatives</b>	<b>34,091</b>	<b>53,553</b>

### (B) FOREIGN CURRENCY RISK

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

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

## FINANCIAL REPORT 2009

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

	Investment in foreign currency		Forward contract cover		Net exposure	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Australian Dollar	4,509,980	5,305,013	1,218,490	647,247	5,728,470	5,952,260
United States Dollar	827,768	868,201	(642,780)	(296,331)	184,988	571,870
British Pound	157,694	148,499	(167,286)	(127,929)	(9,592)	20,570
Euro Dollar	137,707	178,893	(161,588)	(81,632)	(23,881)	97,261
Japanese Yen	51,014	72,577	(87,643)	(70,013)	(36,629)	2,564
Other currencies	119,164	123,966	(103,203)	(54,627)	15,961	69,339
<b>Total investments</b>					<b>5,859,317</b>	<b>6,713,864</b>

### Foreign currency sensitivity

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

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

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

	2009 \$000	2008 \$000
Impact on profit and equity of a 10% increase in foreign exchange rates:		
- Before impact of foreign exchange derivatives	(82,560)	(88,591)
- Impact of foreign exchange derivatives	74,233	40,125
<b>- After impact of foreign exchange derivatives</b>	<b>(8,327)</b>	<b>(48,466)</b>
Impact on profit or equity of a 10% decrease in foreign exchange rates:		
- Before impact of foreign exchange derivatives	100,906	108,277
- Impact of foreign exchange derivatives	(90,729)	(49,041)
<b>- After impact of foreign exchange derivatives</b>	<b>10,177</b>	<b>59,236</b>

### (C) OTHER PRICE RISK

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

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

### Equity price sensitivity

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

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

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

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

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Impact on profit and equity of a 10% increase in equity prices:		
- listed equities	121,198	104,322
- unlisted equities - Australian	9,995	125,554
- unlisted equities - Overseas	82,163	22,721
	<b>213,356</b>	<b>252,597</b>
Impact on profit and equity of a 10% decrease in equity prices:		
- listed equities	(121,198)	(104,322)
- unlisted equities - Australian	(9,995)	(125,554)
- unlisted equities - Overseas	(82,163)	(22,721)
	<b>(213,356)</b>	<b>(252,597)</b>

### Credit risk

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

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

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

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

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

### Concentrations of credit risk

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

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

<b>2009</b>	<b>Investment grade<sup>1</sup></b>	<b>Non - Investment grade<sup>2</sup></b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial assets at fair value through P &amp; L</b>			
Bank and cash equivalents	39,585	-	39,585
Cash and deposits	697,123	-	697,123
Debt securities	1,586,165	445,598	2,031,763
Financial derivatives	-	56,509	56,509
Claims recoveries receivables	-	5,373	5,373
<b>Total</b>	<b>2,322,873</b>	<b>507,480</b>	<b>2,830,353</b>
<b>2008</b>			
<b>Financial assets at fair value through P &amp; L</b>			
Bank and cash equivalents	33,739	-	33,739
Cash and deposits	618,395	-	618,395
Debt securities	2,077,504	460,529	2,538,033
Financial derivatives	-	16,715	16,715
Claims recoveries receivables	-	5,977	5,977
<b>Total</b>	<b>2,729,638</b>	<b>483,221</b>	<b>3,212,859</b>

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

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

### Liquidity risk

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

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

## TRANSPORT ACCIDENT COMMISSION

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

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

<b>2009</b>	<b>Less than 3 months \$000</b>	<b>4-12 months \$000</b>	<b>1 - 5 years \$000</b>	<b>5 + years \$000</b>	<b>Total \$000</b>
<b>Financial liabilities</b>					
Other creditors and accruals	66,337	-	-	-	66,337
Finance lease liabilities	321	963	879	-	2,163
Financial derivatives (net settled)	-	(7,317)	24,149	1,704	18,536
<b>Total</b>	<b>66,658</b>	<b>(6,354)</b>	<b>25,028</b>	<b>1,704</b>	<b>87,036</b>
<b>2008</b>					
<b>Financial liabilities</b>					
Other creditors and accruals	67,560	-	-	-	67,560
Finance lease liabilities	285	853	1,084	-	2,222
Financial derivatives (net settled)	(853)	16,244	17,157	(23,620)	8,928
<b>Total</b>	<b>66,992</b>	<b>17,097</b>	<b>18,241</b>	<b>(23,620)</b>	<b>78,710</b>

The table above includes only the liquidity analysis in relation to contractual (as opposed to statutory) financial liabilities. While the liability for outstanding claims is the most significant liability for which payments will need to be made in the future, these do not meet the definition of a financial liability. The average term to settlement from injury date for claims liabilities is 13.5 years (2008: 13.1 years).

### Capital management strategy

Capital maintained by the TAC is an integral part of managing the uncertainties impacting on the value of outstanding claims liabilities and returns from its investment portfolio. Consistent with the outcome of the State Government review, the TAC has adopted a target funding level of 110%, being the midpoint of a target funding level range of 100-120%. It is expected that from time to time the TAC's actual funding ratio will be outside that target funding range. In such circumstances, corrective action may be recommended to transition the actual funding range to the target funding level over time.

The TAC will seek to continually aim towards the target funding ratio of 110% over rolling five-year periods. Where funding ratio fell below 100%, it is expected that dividend payments to Government would cease. Where funding ratio exceeded 120%, 'special' dividends may be payable in addition to the ordinary dividend, or other options such as increasing benefits or reducing premiums may be considered.

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

## 26. SEGMENT INFORMATION

The TAC operates the compulsory third party accident compensation scheme in Victoria.



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

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

We further state that, in our opinion, the information set out in the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, present fairly the financial transactions for the year ended 30 June 2009 and the financial position of the Transport Accident Commission as at that date.

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

Dated at Geelong 31st of August 2009.



**PAUL BARKER**  
Chairman



**JANET DORE**  
Chief Executive Officer



**TIM FITZMAURICE**  
Chief Finance and Accounting Officer



Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE BOARD, TRANSPORT ACCIDENT COMMISSION

#### The Financial Report

The accompanying financial report for the year ended 30 June 2009 of the Transport Accident Commission which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statement by chairman, chief executive officer and chief finance and accounting officer have been audited.

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

The members of the Board of the Transport Accident Commission are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (Including Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commissions internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial report.

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

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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Auditing in the Public Interest

# VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Transport Accident Commission for the year ended 30 June 2009. The members of the Board of the Transport Accident Commission are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Transport Accident Commission website.

### Independence

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

### Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Transport Accident Commission and the economic entity as at 30 June 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.



MELBOURNE

1 September 2009

**D.D.R. Pearson**

Auditor-General

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

Auditing in the Public Interest

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## SECTION 1 - 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

The Chairman and the members of the Board are nominated by the Minister and appointed by the Governor in Council. There are presently nine non-executive directors, including the Chairman.

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

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

### DIRECTOR'S ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

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

### CONFLICT OF INTEREST

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

### BOARD COMMITTEES

#### Remuneration Committee

Members at 30 June 2009: Elana Rubin (Chair), Paul Barker and Julie Caldecott.

Role:

- Remuneration Policy – establish and maintain a remuneration policy that meets the strategic goals of the TAC. The Committee will periodically review all policies covering fixed remuneration, incentive remuneration, benefits, terms and conditions.
- Oversee the application of the remuneration policy for senior executives, ensuring the policy is consistent with the Government Sector Executive Remuneration Panel (GSERP) guidelines and policies as established from time to time.
- Annual Remuneration Review – to approve remuneration increases budget and the incentive remuneration budget for the TAC.
- Remuneration Compliance – to ensure that all remuneration policies and practices comply with the law and with TAC and government policy.
- Disclosure – to ensure that appropriate and required disclosure is made of Director and Executive remuneration, in accordance with regulatory requirements and good governance practices.
- Recruitment – to recruit the TAC's Chief Executive Officer.

### **Audit and Risk Management Committee**

Members at 30 June 2009: Geoff Hilton (Chair), Paul Barker, Julie Caldecott and Maria Wilton all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

#### **Role:**

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

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

Members at June 30 2009: Elana Rubin (Chair) and Bob Officer.

#### **Role:**

- Make recommendations (at least annually) to the Board on investment objectives in the context of overall balance sheet risk management and consistent with the capital, pricing and reserving policy set by Government.
- Monitor and make recommendations to the Board regarding balance sheet management issues.
- Make recommendations to the Board regarding amendments to the stock voting policy, and review VFMC reports to ensure voting activities in accordance with policy.
- Review the performance of the VFMC and other service providers in the context of the investment objective, service level agreements and other appropriate measures.
- Monitor the success of the investment strategy by reviewing fund performance compared to objectives, long-term targets and peer group.

The FISCO will also advise the Board in relation to other matters relevant to the management and performance reporting of the TAC's investment fund and other financial strategies as appropriate.

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## SECTION 1 - CORPORATE GOVERNANCE (CONTINUED)

### Marketing and Roads Safety Committee

Members as at June 30 2009: Bob Officer (Chair) and Sonia Petering.

Role:

- Review the strategies of the marketing, sponsorship and communications programs, ensuring the strategies are supported by sound business principles.
- Make recommendations to the Board on proposals which are beyond the delegated authority of the Chief Executive Officer.
- Monitor the identification and management of critical reputation and performance risks.

### Health Issues Committee

Members at June 30 2009: Julie Caldecott (Chair) and Geoff Hilton.

Role:

- Review and challenge health care strategies and related business plans and monitor their progress as required.
- Monitor purchasing approaches, relationships and interactions with the health care sector to ensure strong relationships with the external health care environment and to establish appropriate formal agreements where required.
- Monitor developments and trends in the health care sector to ensure that viability and service delivery risks and opportunities are appropriately identified and that appropriate strategies are in place to mitigate risks.
- Ensure health care strategies and initiatives are directed toward achieving improved health, employment and social outcomes for clients and stakeholders.
- Review and make recommendation on health care related research guidelines and priorities to the agencies, ensuring that they meet the agencies' objectives.
- Monitor research strategies and ensure that these are addressing the Board's objectives and measures, including return on investment.
- Examine any other health related issues referred by the Board.

### PRUDENTIAL STATEMENT

The Board is required to submit an annual certification to the Victorian Treasurer that certifies:

- The appropriateness of the TAC's investment objectives
- The communication of the investment objectives to VFMC
- Compliance with the Prudential Statement – Victorian Public Sector Investments

To this end the Board obtains appropriate comfort statements from TAC management, and the VFMC Board.



## RISK MANAGEMENT

The TAC has in place a risk management framework to ensure that the appropriate procedures are in place for the effective identification, quantification and management of risks.

The risk management framework details the roles of the Board and its Committees, the internal auditor and management. The Board is responsible for setting the risk priorities which are the major focus of the internal plan. The Audit and Risk Management Committee oversees the risk management framework and is responsible for ensuring the effectiveness and implementation of control strategies and operational practices.

### Compliance with the Victorian Government Risk Management Framework

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

The Audit and Risk Management Committee of the Transport Accident Commission has considered the Statement by the Chief Executive Officer on compliance with the Victorian Government Risk Management Framework, the Executive Team internal attestation process and independent assessments from Internal Audit.

On this basis, I certify on behalf of the Board of the Transport Accident Commission that the Transport Accident Commission:

- has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard: AS/NZ 4360;
- has an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures; and
- the Audit and Risk Management Committee and the Executive Team have critically reviewed the risk profile during the period 1 July 2008 to 30 June 2009.



PAUL BARKER  
Chairman  
Transport Accident Commission  
31 August 2009

## SHARED VALUES AND GUIDING PRINCIPLES

### Integrity

We will be open, honest and reliable in everything that we do, achieving and maintaining the highest levels of professional service to our stakeholders and each other.

### Unity of purpose

We will work together to achieve our vision and mission. We will share experiences, knowledge and ideas to foster greater communication, interaction and cohesiveness within the organisation.

### Dignity and respect

We will treat all people, inside and outside the organisation, with dignity and respect.

### Innovation

We recognise the role innovation can play in the achieving the organisation's vision. We will foster a culture that encourages employees to maximise their potential.

### Accountability and responsibility

We will support and encourage employees to be responsible and accountable, and to make decisions within the scope of their role.

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## SECTION 2 – COMPLIANCE

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

### INCORPORATION AND MINISTERIAL RESPONSIBILITY

The TAC is a body corporate established under Section 10 of the *Transport Accident Act 1986* (the Act) (No. 111 of 1986, reprint No. 11 dated 17 April 2008). The Act sets out the objectives, functions and powers of the TAC.

The Minister for Finance, WorkCover and the TAC is the Minister administering the *Transport Accident Act 1986*.

### MINISTERIAL DIRECTIONS

The Minister for Finance, WorkCover and the TAC gave a ministerial direction on 30 January 2009 under section 14 of the *Transport Accident Act 1986*. The Minister directed that the TAC implement and comply with the requirements of the prudential insurance standard for Victorian Government Insurance Agencies.

The Minister for Finance, WorkCover and the TAC gave a ministerial direction on 26 February 2009 under section 14 of the *Transport Accident Act 1986*. The Minister directed that the TAC exercise all powers necessary to enable the TAC to receive and assess claims for payment for funeral benefits on behalf of the Victorian Government.

### THE TAC'S OBJECTIVES, FUNCTIONS, POWERS AND ACCOUNTABILITY

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

#### Objectives of the Commission (section 11)

- To manage the transport accident compensation scheme as effectively, efficiently and economically as possible
- To ensure that appropriate compensation is delivered in the most socially and economically appropriate manner and as expeditiously as possible
- To ensure that the transport accident scheme emphasises accident prevention and effective rehabilitation
- To develop internal management structures and procedures that will enable it to perform its functions and exercise its powers effectively, efficiently and economically
- To manage claims under the *Accident Compensation Act 1985* as an authorised agent of the Victorian WorkCover Authority as effectively, efficiently and economically as possible
- If appointed as an agent of a self-insurer under S.143A of the *Accident Compensation Act 1985*, to carry out the functions and powers of a self-insurer as effectively, efficiently and economically as possible

#### Functions of the Commission (section 12)

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

- To commercially exploit knowledge and expertise in compensation schemes and scheme administration
- To act as an authorised agent under section 23 of the *Accident Compensation Act 1985*
- If appointed, to act as an agent of a self-insurer under section 143A of the *Accident Compensation Act 1985*
- To carry out such other functions conferred on the Commission by this or any other Act
- To promote the prevention of transport accidents and safety in use of transport
- To promote, so far as possible, a program designed to secure the early and effective medical and vocational rehabilitation of people injured as a result of transport accidents to whom or on behalf of whom the Commission is or may become liable to make any payment under the Act.

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

- To do all things that are necessary or convenient to be done for, or in connection with, the performance of its functions and to enable it to achieve its objectives
- To enter into agreements or arrangements and settle or compromise differences or disputes with other persons
- To do all things necessary to be done in connection with the management of its interest in the assigned debt within the meaning of Part 2A of the Act, which deals with the assigned debts of the Pyramid Building Society, Countrywide Building Society and the Geelong Building Society
- To exercise other powers in relation to the assigned debt of the building societies on behalf of the Treasurer
- To apply for, obtain and hold intellectual property rights (including patents, copyrights, 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 23 of the *Accident Compensation Act 1985* and as an agent of a self-insurer under section 143A of that Act.

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

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

#### **LEGISLATION**

The following legislative changes have occurred in the period from 1 July 2008 to 30 June 2009.

#### **Compensation and Superannuation Legislation Amendment Act 2008 No.65/2008**

The *Compensation and Superannuation Legislation Amendment Act 2008 No.65/2008* came into operation on 19 November 2008. The Act made a number of amendments to the *Transport Accident Act 1986* (the Act) as follows:

- The Act made clear that a determination of the degree of impairment of a person injured as a result of a transport accident is only to be made if a claim for compensation has been made within the time period provided by the Act and accepted by the Act and accepted by the Transport Accident Commission;
- The Act made clear that only a natural person and not a corporation can bring a proceeding for damages in accordance with section 93 of the Act; and
- To exclude from consideration parts VB, VBA and X of the *Wrongs Act 1958* from the calculation of an amount which a third party is required to pay as an indemnity in respect of a recoveries action under section 104 of the Act.

## SECTION 2 – COMPLIANCE (CONTINUED)

### SUBORDINATE LEGISLATION

#### Regulations

The following regulations were made under the *Transport Accident Act 1986* in the period from 1 July 2008 to 30 June 2009.

- Subordinate Legislation (Transport Accident) (Impairment) Regulations 1999 – (Extension of Operation) Regulations 2009 SR 58/2009. These Regulations came into operation on 1 June 2009. The purpose of the Regulations was to extend the operation of the Transport Accident (impairment) Regulations 1999 until 1 June 2010.

#### Orders in Council

The orders in Council made in the period from 1 July 2009 to 30 June 2010 were as follows:

- The Transport Accident Charges Order (No.1) 2009 (Gazette 28 May 2009 page 1326). This order fixed the transport accident charges to apply during the 2009/10 financial year. The order increased the transport accident charges for vehicles in all classes by the CPI.
- Declaration that the TAC Medical Excess not be indexed in the financial year commencing 1 July 2009 (Gazette 11 June 2009 page 1498). This order provided that the TAC medical excess not be indexed on 1 July 2009 as provided by the *Transport Accident Act 1986*.

### NATIONAL COMPETITION POLICY

#### Review of Legislative Restrictions

In accordance with its National Competition Policy commitments, the Government commissioned a review of Victoria's transport accident compensation legislation in September 2000. The review identified three main restrictions on competition: the compulsory nature of scheme; the TAC as a legislated monopoly; and centralised premium setting. To address centralised premium setting, the Minister for Finance, WorkCover and the TAC now has discretion to request the Essential Services Commission to provide an independent review of the TAC's proposed premium each year.

#### Competitive Neutrality

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

### VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

During 2008/09, the TAC commenced two contracts in regional Victoria to which the *Victorian Industry Participation Act 2003* applied. Of the two contracts, one contract was completed during the year. The contracts have a total estimated value of \$6.4 million. The commitments by the contractors under VIPP included:

- an overall level of local content of 100% of the total value of the contracts
- 14 full time equivalent jobs
- benefits to the Victorian economy in terms of skills and technology transfer are expected to result from the use of best practice in strategy development and planning and updated risk management and audit practices.

### CONSULTANTS

During 2008/09, there were two consultants engaged where the cost of each individual engagement was in excess of \$100,000.

Consultancies (>\$100,000)	Description of work	Total approved project fee \$000	2008/09 expenditure \$000	Future expenditure \$000
Booz & Company	Review of TAC internal governance model	240	240	0
Boston Consulting Group	Strategy development for TAC 2015	2,028	2,028	0

In addition, a further six consultancies where the total fees payable to the consultants were less than \$100,000 were engaged during the financial year at a total cost of \$0.09 million. Total approved project fees and expenditure for 2008/09 exclude GST.

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## **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.

## **WHISTLEBLOWERS PROTECTION ACT 2001**

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.

During 2008/09 there were no disclosures or investigations of improper conduct or detrimental actions made to the TAC by staff or any referred to the TAC by the Ombudsman or other persons.

## **ENVIRONMENTAL PERFORMANCE**

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

During the year the TAC continued a number of environmentally sustainable initiatives, supported by an environmental committee, to reduce waste and improve resource efficiency. Initiatives include:

- Working towards achieving a 4.5 star energy efficiency rated headquarters in Geelong
- Purchasing 25% green power for headquarters effective September 2009
- Development of an environmental sustainability reporting system consistent with the Department of Sustainability and Environment and government policy through Resource Smart
- Established an environmental steering committee to implement 'green initiatives' across the organisation
- Recycling – continued emphasis on separation of kitchen waste and office paper recycling
- Paper – recycled office paper in use across the entire organisation

## **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.

## **SCHEME NOTES**

### **Service of documents**

Section 130 of the *Transport Accident Act 1986* sets out the method of service of documents on the TAC, namely, 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, Ground Floor, 60 Brougham Street, Geelong 3220, 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:

Executive Manager Claims  
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.

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## SECTION 2 – COMPLIANCE (CONTINUED)

### ACCESS TO INFORMATION

#### Freedom of Information

The TAC officers responsible for receipt and initial action on requests made under the *Freedom of Information Act 1982* are Fiona Chomley, Amy Lu and Emily Russell.

The TAC possesses paper-based, microfiche and electronic documents with respect to claims administration, and general administrative, financial and investment functions.

During 2008/09:

- The TAC received 824 Freedom of Information (FOI) requests for access to documents, compared with 668 during 2007/08, an increase of 23%. Most requests related to anticipated or current common law proceedings.
- There were no requests for amendment to personal records and
- There were no notices received specifying that a document was not included in a published statement of documents available from or in the possession of the TAC.

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

Should a formal FOI request be required, a request must be submitted in writing detailing the documents sought, as well as enclosing the statutory \$23.40 application fee, preferably in the form of a cheque payable to “Transport Accident Commission”.

The statutory application fee of \$23.40 is applicable for the period 1 July 2009 to 30 June 2010 in accordance with the *Monetary Units Act 2004*.

The fee will be waived for applicants seeking personal information who provide a copy of their current valid health care card or pensioner concession card.

There is no application fee for a request for amendment to personal records.

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

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

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

Freedom of Information Officer  
Transport Accident Commission  
PO Box 742  
GEELONG VIC 3220  
Phone: (03) 5225 6527  
Fax: (03) 9656 9360  
Email: [foi@tac.vic.gov.au](mailto:foi@tac.vic.gov.au)

#### Medical reports for common law purposes

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

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

#### Subpoenas

All subpoenas should be addressed to ‘The Authorised Person’ and must be personally served on an authorised officer at the TAC’s Customer Service Centre, 60 Brougham Street, Geelong, Vic, 3220. The TAC prefers to have a minimum of 14 days notice prior to the return date of the subpoena.



## PUBLICATIONS

The TAC produces and makes available the following publications:

Description	Mode of access
About the TAC	Copy/Internet
A career at the TAC	Copy/Internet
Annual Transport Accident charges including GST and duty	Copy/Internet
At home with the family	Copy/Internet
Checklist of services available as part of vocational programs (information sheet)	Copy/Internet
Choosing an Attendant Care Agency (information sheet)	Copy/Internet
Choosing a residential care service (information sheet)	Copy/Internet
Clinical framework for the delivery of health services	Copy/Internet
Clinical justification flow chart	Copy/Internet
Community Group Programs (information sheet)	Copy/Internet
Community services for families (information sheet)	Copy/Internet
Community services (information sheet)	Copy/Internet
Completing the TAC's medical excess declaration form (information sheet)	Copy/Internet
Course of employment transport accident notes	Copy/Internet
Daily Support (information sheet)	Copy/Internet
Drive Smart 2 (brochure)	Copy/Internet
Drive Smart 2 CD-ROM (available to learner drivers)	CD
Empower	Copy/Internet
GST compliance	Copy/Internet
HELP pack	Copy/Internet
If you need further treatment (information sheet)	Copy/Internet
Information for people with Major Injuries (Booklets 1 – 4)	Copy/Internet
Information on TAC medical examinations (information sheet)	Copy/Internet
Integration support billing information	Copy/Internet
Invoicing guidelines for medical practitioners (information sheet)	Copy/Internet
Loss of earnings capacity (information sheet)	Copy/Internet
Make sure you're right to drive: how to reduce the risk for yourself and others on the road	Copy/Internet
Muck Up Day Video and Curriculum advice booklet	Copy
Occupational physicians - helping you get back to work	Copy/Internet
Occupational physiotherapists - helping you recover and get back to work Internet	Copy/Internet
Occupational physiotherapists list - region	Copy/Internet
Pharmacy expenses (information sheet)	Copy/Internet
Physiotherapy (information sheet)	Copy/Internet
Post-hospital support (information sheet)	Copy/Internet

## SECTION 2 – COMPLIANCE (CONTINUED)

### PUBLICATIONS

The TAC produces and makes available the following publications:

Description	Mode of access
Preparing to go home - hospital discharge checklist	Copy/Internet
Prosthetic and orthotics (fees)	Copy/Internet
Public Key Infrastructure Hospital staff	Copy/Internet
Returning to work - information for employers (information sheet)	Copy/Internet
Returning to work - information for GP's (information sheet)	Copy/Internet
Returning to work (information sheet)	Copy/Internet
Residential care (information sheet)	Copy/Internet
Ride Smart CD-ROM (available to learner motorcyclists)	Copy
Road Safety Reports (monthly summary)	Internet
Safe Driving Policy	Copy/Internet
Save your skin. Don't hit the road without full protective gear	Copy/Internet
Self-purchasing your TAC services (information sheet)	Copy/Internet
TAC Annual Reports	Copy/Internet
TAC allied health billing standards (information sheet)	Copy
TAC benefits for self-employed people	Copy
TAC billing requirements (information sheet)	Copy
TAC billing requirements for home, domestic and housekeeping services	Copy
TAC Business Plan (2006–2009)	Copy
TAC Dependency Benefits – a guide for funeral directors	Copy
TAC domestic services (information sheet)	Copy
TAC equipment suppliers billing standards (information sheet)	Copy
TAC Enterprise Agreement 2005–2008	Copy
TAC home modifications (information sheet)	Copy
TAC home services (information sheet)	Copy
TAC hospital services billing standards (information sheet)	Copy
TAC housekeeping (information sheet)	Copy
TAC income support	Copy
TAC information for employers (information sheet)	Copy
TAC information for people with soft tissue injuries	Copy
TAC impairment benefits	Copy
TAC impairment examination (information sheet)	Copy
TAC post-acute support services	Copy
TAC prosthetics and orthotics billing standards	Copy
TAC Research Charter	Copy
TAC Statement of Corporate Intent (2006–2009)	Copy/Internet
TAC support when a person dies	Copy

## SECTION 2 – COMPLIANCE (CONTINUED)

Description	Mode of access
TAC vehicle modifications (information sheet)	Copy/Internet
The TAC's complaints process	Copy/Internet
The Transport Accident Commission – the benefits of the TAC model for proposed injury insurance Copy	Copy/Internet
Therapy Support (information sheet)	Copy/Internet
Using modified vehicles – cost exemptions (information sheet)	Copy/Internet
VCE Legal Studies Resources Kit	Copy/Internet
VCE Media Resource Kit	Copy/Internet
Victorian Trauma Foundation (information kit)	Copy/Internet
Working Together	Copy/Internet
Your Feedback	Copy/Internet
Your Mental Health	Copy/Internet
Your Privacy and the TAC	Copy/Internet
Your TAC case manager	Copy/Internet
Your Voice newsletter	Copy/Internet
120 hours. Make it your goal	Copy/Internet
4th Edition Impairment Examinations Information Manual	Copy/Internet

### Research information

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

The request must be in writing, setting out:

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

### Access to information on the internet

The TAC's corporate website ([www.tac.vic.gov.au](http://www.tac.vic.gov.au),) includes information about the TAC, its claim policies, fees and benefit entitlement information for the public, clients, providers and key stakeholder groups. Information about road safety initiatives, statistics, promotions, and advice for drivers is available on the TAC's road safety website ([www.tacsafety.com.au](http://www.tacsafety.com.au)). The TAC also offers drivers information about vehicle crash test results on the How Safe Is Your Car website ([www.howsafeisyourcar.com.au](http://www.howsafeisyourcar.com.au)).

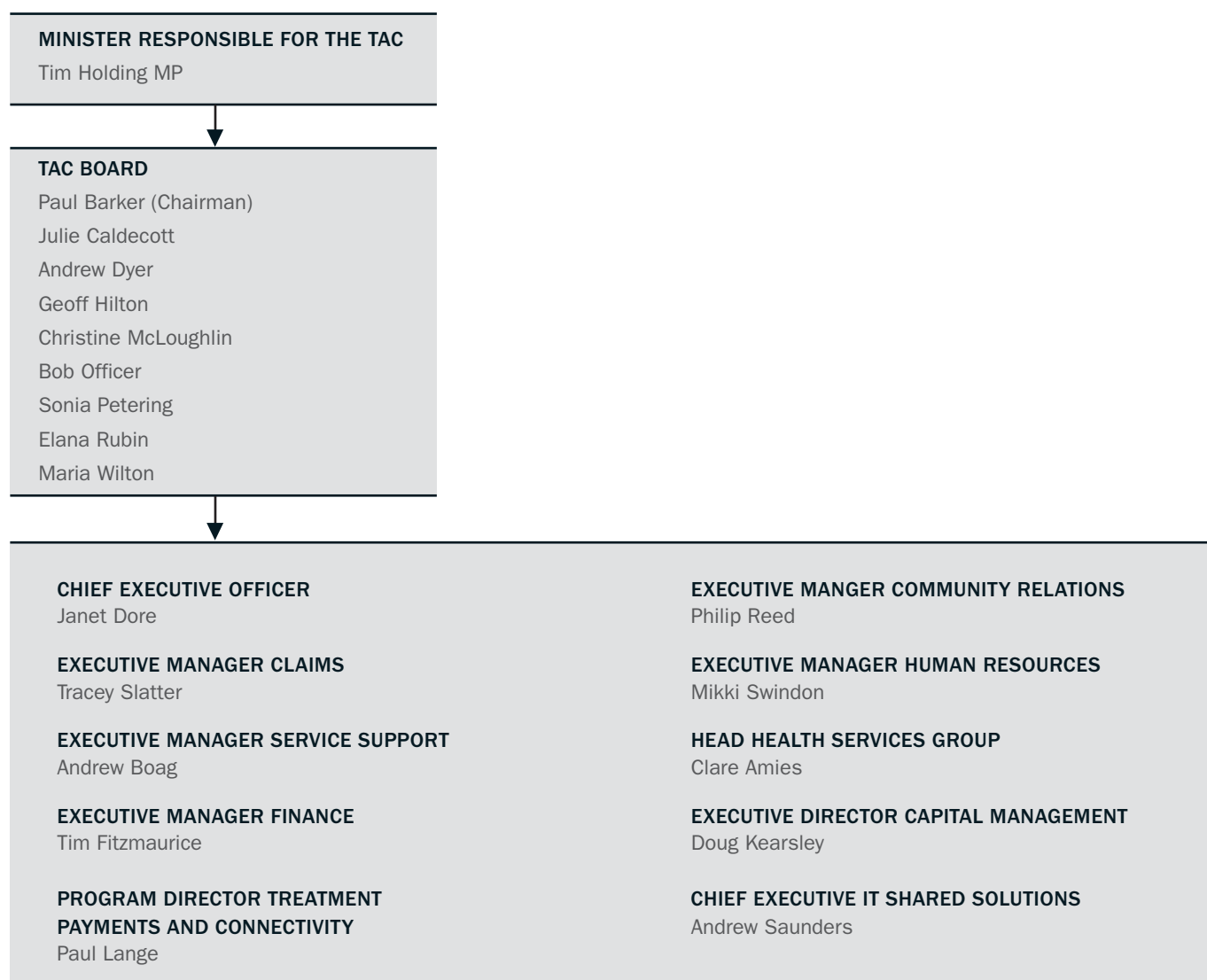
## APPLICATION OF MERIT AND WORKPLACE EQUITY PRINCIPLES

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

### Workforce data

	2009	2008
TAC	763	794
Average age	37	37

## TAC ORGANISATIONAL STRUCTURE (AS AT PUBLICATION DATE)



## COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS 2008/09

### DISCLOSURE INDEX

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

Ministerial Directions Legislation	Requirement	Page reference
<b>REPORT OF OPERATIONS</b>		
<b>Charter and purpose</b>		
FRD 22B	Manner of establishment and the relevant Minister	91
FRD 22B	Objectives, functions, powers and duties	91-92
FRD 22B	Nature and range of services provided	22-26
<b>Management and structure</b>		
FRD 22B	Organisational structure	99
<b>Financial and other information</b>		
FRD 22B	Statement of workforce data and merit and equity	99
FRD 22B	Summary of the financial results for the year	13
FRD 22B	Significant changes in financial position during the year	46
FRD 22B	Operational and budgetary objectives and performance against objectives	*
FRD 22B	Major changes or factors affecting performance	*
FRD 22B	Subsequent events	N/A
FRD 22B	Details of consultancy expenditure	93
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	95
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	94
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	94
FRD 22B	Statement on National Competition Policy	93
FRD 22B	Statement of availability of other information	96-98
FRD 22B	Occupational health and safety	38
FRD 22B	Employment and conduct principles	99
FRD 10	Disclosure index	100-101
FRD 25	Victorian Industry Participation Policy disclosures	93
SD 4.2(g)	General information requirements	*
SD 4.2(j)	Sign off requirements	11
SD 4.5.5	Risk management compliance attestation	90

\* Throughout

## COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS 2008/09 (CONTINUED)

Ministerial Directions Legislation	Requirement	Page reference
<b>FINANCIAL STATEMENTS</b>		
<b>Financial statements required under Part 7 of the FMA</b>		
SD 4.2(a)	Statement of changes in Equity	47
SD 4.2(b)	Income Statement	45
SD 4.2(b)	Balance Sheet	46
SD 4.2(b)	Cash flow statement	48
SD 4.2(b)	Notes to the financial statements	49-83
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	49
SD 4.2(c)	Compliance with Ministerial Directions	49
SD 4.2(c)	Accountable officer's declaration	84
SD 4.2(d)	Rounding of amounts	55
<b>Other disclosures in notes to the financial statements</b>		
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 21A	Responsible person and executive officer disclosures	73-75
FRD 112B	Defined Benefit Superannuation obligations	72
<b>LEGISLATION</b>		
<i>Freedom of Information Act 1982</i>		95
<i>Building Act 1983</i>		94
<i>Whistleblowers Protection Act 2001</i>		94
<i>Victorian Industry Participation Policy Act 2003</i>		93
<i>Financial Management Act 1994</i>		49
<i>Audit Act 1994</i>		85

\* Throughout







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