



Here for our clients

ANNUAL REPORT 2011



TRANSPORT
ACCIDENT
COMMISSION



Our vision is a future where every journey is a safe one.

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

Contents

Our responsibilities	4
Highlights	5
Letter from the Chairman to the Minister	6
Our performance	7
Chairman & CEO's report	8
Board of Management	12
Executive Management	12
Here for our clients - TAC 2015	13
Who we are	14
What we do	15
How we do it	22
Appendix - Performance Graphs	34
Financial Report	36

Here for our clients

The TAC's role is to reduce trauma on Victoria's roads and support those involved in transport accidents.

Each year, thousands of Victorians need medical treatment after a transport accident to help them on the road to recovery and independence.

The TAC is focussed on improving client outcomes, enhancing client experience and ensuring the ongoing financial viability of the TAC for those injured now and into the future.

At the heart of these goals are our clients. While we are mandated to support our clients, our staff are driven by the purpose of helping people involved in transport accidents achieve recovery and independence.

We are proud to be here
for our clients.

Our responsibilities

The TAC is governed by the *Transport Accident Act 1986*. Its objectives 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; and
- Provide suitable systems for the effective rehabilitation of persons injured as a result of transport accidents.

Highlights

SERVICE DELIVERY

- \$937 million in support services and benefits provided to 43,794 people
- Performance from insurance operations of \$187 million
- 78.5% of clients satisfied with the service provided by the TAC
- Net profit after tax of \$279 million

ROAD SAFETY

- Lowest ever Victorian road toll at 288
- Invested \$84.3 million in road infrastructure improvements



Milly Parker

Hi. I'm Milly Parker. I had a car accident when I was 21 years old and was diagnosed with an acquired disability in the form of a brain injury.

I am a passionate advocate of people with disabilities and was a member of the TAC's former Disability Advisory Committee (DAC) for three years. I was really proud to be part of the DAC (Disability Advisory Committee) because it gave me the chance to contribute to the TAC.

I also started a dog biscuit business, Happy Yappers, after my accident and have won a couple of awards for the business. Happy Yappers has really provided me with a strong platform to speak about disability issues. In 2007, I was the BrainLink recipient for a Lifetime Contribution to Brain Injury and the Commonwealth Government's Victorian Ambassador for the UN's International Day for People with a Disability.

I think employment for people with a disability is a real issue in Australia and I would like to see employers' attitudes change. I speak to a lot of different organisations and politicians in Victoria about disability issues and believe we could make a real difference if there was a supportive environment out there for people with a disability.

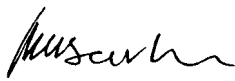
Letter from the Chairman to the Minister

29 August 2011

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

Dear Minister

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



Paul Barker
Chairman

Our performance

KEY PERFORMANCE INDICATORS

	08/09	09/10	10/11	Target 10/11
Client satisfaction	7.62/10	7.35/10	7.31/10	7.85/10
Actuarial release	(\$87 million)	\$40 million	\$42 million	\$80 million

SUPPORTING KEY PERFORMANCE INDICATORS

	08/09	09/10	10/11	Target 10/11
Performance from insurance operations	\$103 million	\$200 million	\$187 million	\$173 million
Proportion of common law claims resolved within the first 12 months of lodgement	55%	60%	55%	65%
Number of people hospitalised for more than one day	2,869	2,718	2,705	2,613

Chairman & CEO's report



Paul Barker
Chairman



Janet Dore
Chief Executive Officer

2010/11 has been a year of positive change for the TAC and has reaffirmed that the TAC is here for our clients. We are focussed on reducing road trauma and helping our 43,000 plus clients recover and gain independence after their transport accident.

November 2010's election resulted in a new State Government for Victoria led by Premier Ted Baillieu and a new Minister for the TAC, in the Honourable Gordon Rich-Phillips MLC.

We have been pleased to report to the new Minister significant progress in our long-term strategy, TAC 2015, with its three core goals of scheme viability, client experience and client outcomes. As part of our focus on looking after our clients, under TAC 2015 we have established two new claims management models: Recovery and Independence.

With a renewed focus on client outcomes, we are pleased to see a drop in new claims for people who have been hospitalised after a transport accident.

We also saw road fatalities drop to 288, the lowest number of road deaths in a year since records began and the third consecutive year of a record low being achieved.

The reduction in road trauma can be attributed in part to the work of the TAC in improving road safety. We have seen a drop in the severity of injuries resulting from transport accidents, testament to the success of our public education campaigns in improving driver behaviour and vehicle safety as well as our contribution to road infrastructure improvements.

As we work towards a future where every journey is a safe one, we will continue to pursue a reduction in the number of people killed and injured in transport accidents each year. In the meantime, we are focussed on supporting our clients, to ensure their experience leads to the best possible outcomes for their recovery and independence.

SERVICE DELIVERY

The TAC funded \$937 million in support services and benefits for our clients in 2010/11, compared to \$909.3 million in the previous year. We also received 19,205 new claims, 2% fewer than in 2009/10.

Overall 43,794 people received funded support from the TAC in 2010/11, up from 42,948 in 2009/10.

The TAC's client satisfaction score for 2010/11 was 7.31 out of 10. This score was lower than the previous financial year. It did not meet the annual target of 7.85, however the number of satisfied clients remains high, with 78.5% of clients satisfied with the service provided by the TAC.

We continue to work towards the best outcomes for our clients, surveying more regularly to allow greater insight into the client experience and inform strategies focused on providing services of the highest standard.

FINANCIAL RESULTS

The viability of the TAC scheme and our strong financial position is crucial to ensuring the long-term provision of care of our clients, especially those who will need lifetime care.

In 2010/11, our Performance From Insurance Operations was \$187 million compared to \$200 million in 2009/10. This performance was mainly due to continued strong claims management.

The total impact from external factors was a favourable \$204 million compared to an unfavourable \$320 million in 2009/10.

The TAC's funding ratio as at June 30 2011 was 85.6%, an improvement of 5.0% over the year.

Strong investment markets resulted in a positive return of 10.9% which is comparable to the 11.9% investment return in 2009/10.

IMPACTS ON PROFIT (\$M)

	06/07	07/08	08/09	09/10	10/11
Performance from insurance operations	380	398	103	200	187
Impact on profit from external factors:					
• Difference between actual investment returns and long-term expected returns	438	(1,046)	(1,305)	252	226
• Change in inflation assumptions and discount rates	152	(106)	(193)	(572)	(22)
Tax	(279)	237	424	39	(112)
NET PROFIT/(LOSS) AFTER TAX	691	(517)	(971)	(81)	279

OUR PEOPLE

The TAC's employees have been invigorated by the developments of the past year, with the new claims management models and other TAC 2015 initiatives providing opportunities for increased job satisfaction.

Pleasingly, staff morale is at 75%, up 2% compared to 2009/10. Employee engagement also continues to be strong at 85%, with 88% of staff taking part in the annual Employee Opinion Survey.

Survey participation and employee engagement continue to be well above national averages and are a testament to the drive and commitment of our employees.

During the year we farewelled two Executive Managers: Mikki Swindon from Human Resources and Philip Reed from Community Relations. Both have provided important leadership to the business, for which we thank them and we wish them well for the future.

ROAD SAFETY

Our vision for the future is that every journey is a safe one. We continue to work with our road safety partners on our long-term goals for safer drivers, safer roads and safer vehicles to reduce road trauma in Victoria.

In January, we supported the community of Speed's bid to change its name to SpeedKills for a month. Calling for Facebook support, the campaign attracted 10,000 supporters in just 24 hours and received international media attention.

We took another new approach to public road safety education for the Ripple Effect campaign, which explored the aftermath of a high speed crash in which 19 year old Luke Robinson died. The campaign showed how the crash affected more than 200 people, telling the stories of family, friends, colleagues, witnesses and emergency service workers. The campaign explored the far reaching impact of car crashes and is widely regarded as one of the TAC's most powerful campaigns ever produced.

Safer roads are an important element of our approach to reducing road trauma, and the TAC contributes to the Safer Roads Infrastructure Program targeting known high risk crash locations throughout Victoria. In 2010/11, the TAC contributed \$84.3 million to this program.

We also acknowledge the role of safer cars in lowering the severity of injuries in car crashes. In 2011, new State legislation came into effect, requiring Electronic Stability Control (ESC) in all new vehicles.



“My TAC Rehabilitation Coordinator, Sophie, has been a great support since the first time I spoke with her.”

HERE FOR OUR CLIENTS

In the past year we have made strong progress in implementing our long-term strategy TAC 2015 and we expect to see the benefits start to flow on to our clients.

Road trauma places a huge burden on our community and is completely preventable.

Until every journey is indeed a safe one, the TAC will focus on helping our clients reach their recovery and independence goals.

We are here for our clients and totally committed to our mission to reduce road trauma and support those it affects.

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

Board of Management

Paul Barker Appointed Chairman 2007 Director since 2002	Julie Caldecott Appointed 2004	Andrew Dyer Appointed 2009	Deborah Hallmark Appointed 2010	Geoff Hilton Appointed 2007
	Christine McLoughlin Appointed 2009	Prof. Bob Officer Appointed 2006	Sonia Petering Appointed 2007	Elana Rubin Appointed 2003

Executive Management

Collaboration				
Chief Executive Officer Janet Dore	Treatment Payments Paul Lange	IT Shared Solutions Andrew Saunders	Health Services Group Clare Amies	
Claims Tracey Slatter	Community Relations Philip Reed (Until June 2011) Joe Calafiore (Acting)	Human Resources Mikki Swindon (Until Nov 2010) Natalie McColl (Acting Nov 2010 - April 2011) Linda Barlow (From April 2011)	Financial & Corporate Services John Hall	Business Risk & Intelligence Andrew Fronsco
Recovery Independence Resolution Service Delivery Claims Model Transformation (for 2015) Business Improvement	Corporate Affairs Road Safety & Marketing Policy Service & Review	HR Operations Recruitment & Resourcing Organisation Development Change Management	Financial Operations Financial Management Capital Management Legal Services & Assurance Corporate Services Compliance	Business Intelligence Strategy & Planning Enterprise Risk & PMO

Here for our clients - TAC 2015

The TAC is working to a six year strategy that provides a clear, long-term vision of what we want to achieve.

TAC 2015 measures our success in terms of client outcomes, client experience and scheme viability. It puts the focus on our clients, ensuring their outcomes and experience are key measures of the TAC's success.

Our focus is on helping our clients recover after an accident, supporting them to reach their independence goals and ensuring they receive excellent service along the way. It's our responsibility to the Victorian community and a role we take pride in.

In the past year, TAC 2015 has seen a number of significant improvements to the way the TAC looks after clients.

The TAC's Claims division has established new claims management models to better target services to client needs: Independence and Recovery.

INDEPENDENCE REPORT CARD

- Independence staff are helping our seriously injured clients work towards greater independence and achieve their goals
- A team of Early Support Coordinators (ESCs) now provides clients with a single point of contact at the TAC
- ESCs dedicate time to meeting clients and their providers face to face in hospitals, at home and in the work place.

RECOVERY REPORT CARD

- Recovery teams are focussed on improving return to work rates for moderately injured clients and getting clients back to their normal lifestyle as soon as possible
- For the second year, we have posted a positive actuarial result for income payments after four years of negative results
- This positive result is attributed to more clients returning to work earlier and a reduction in the number of severe injuries from crashes.

Sophie Peedle

I started working with Greg about six months after his accident. Greg was enthusiastic and determined to make a recovery that exceeded his treating practitioner's expectations. I encouraged Greg to contact me anytime he needed, and almost every time I spoke with him, he had achieved or exceeded a new goal in his recovery.

I engaged a vocational provider to help Greg return to work after he told me that being at home was "driving him mad". Greg's knee was a big concern when he first returned to work. He felt it was weak and was afraid to move around too much in case he fell. We ordered him a knee brace but the wrong one arrived which didn't help matters. After speaking with his physiotherapist, I arranged for him to receive the right brace.

Having that brace helped Greg's confidence because his return to work hadn't gone as smoothly as he would have liked. But this was a breakthrough, allowing him to gradually build up his hours, do some volunteer work at a friend's health store and get back on his bike. He has returned to his pre-accident role and is gradually increasing his working hours. I've really enjoyed playing an active role in helping Greg get back to his regular routine.



Who we are

The TAC is a Victorian Government owned organisation set up in 1987 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, we have worked in collaboration with WorkSafe and the allied health sector to develop strategies that improve treatment outcomes for TAC clients and injured workers.

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
- Unity of Purpose
- Dignity and Respect
- Innovation
- Accountability and Responsibility

EMPLOYEE OPINION SURVEY

The TAC conducts an annual employee survey to measure employee engagement and staff morale.

88% of employees participated in the 2011 survey and overall employee engagement remains unchanged from 2010, at 85%. Staff morale increased by 2% (to 75%) on 2010 results.

HEALTH AND WELLBEING PROGRAM - FIT FOR WORK, HEALTHY FOR LIFE

We first established a health and wellbeing program in 2006 and have continued to tailor the service to meet the needs of employees and the organisation. Promoting mental and physical wellbeing improves the health of employees and the business.

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, we empower employees to manage their health and safety.

The OHS strategy focusses on the three priority areas of prevention, rehabilitation and compensation.

2010/11 INCIDENT REPORT

In the past financial year, there were four new WorkCover claims. A total of 550 days were lost due to injury and illness. Of these days lost, 95% of them were due to the exacerbation of two employees' pre-existing conditions.

What we do

The TAC is unique among personal injury insurers in promoting road safety and preventing road trauma. We are working towards a future where every journey is a safe one.

The TAC works with the Victorian community providing rehabilitation and support services for people injured in transport accidents.

We strive to reduce the cost and impact of transport accidents by focussing on:

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

What we do

MAKING EVERY JOURNEY A SAFE ONE - PREVENTING ROAD TRAUMA

The TAC is committed to reducing deaths and serious injuries on Victoria's roads, as part of the Act's objective to reduce the incidence of transport accidents.

We work towards this goal with our partners, Victoria Police, VicRoads and the Department of Justice, guided by the *Arrive Alive 2008-2017* strategy. Victoria's road toll is below the strategy forecast and is on track to surpass its 2017 target of 237.

The strategy focuses on a "safe system" approach, to have safer drivers in safer cars on safer roads.

ROAD TOLL

When the TAC was formed in 1987, the Victorian road toll was 705. Since then, the road toll has more than halved, despite an almost parallel increase in the number of road users. Our road safety campaigns and initiatives have been crucial in this reduction in road trauma.

In 2010, 288 people died on Victoria's roads, the lowest since records began in 1952. However, for every person killed more than 20 are seriously injured. In 2010, 2,705 people lodged a TAC claim after spending more than a day in hospital.

There were 6.5 hospitalised claims per 10,000 vehicles for the year, compared to 6.7 the previous year.

This is the hidden road toll, people who spend days, months or years, recovering from or learning to live with injuries caused by a transport accident.

SAFER DRIVERS

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

Rename Speed

In January 2011, the community of Speed in Victoria's Mallee district issued a challenge that they would change the town's name to SpeedKills if there was enough support.

The campaign called on people to support their cause on Facebook and when 10,000 supporters were recorded, they would change their name to SpeedKills for one month.

The campaign attracted the attention of international media outlets. Major Victorian television news networks also covered the event. Overall, the campaign achieved 115 mainstream media mentions, more than 200 online mentions via blogs and internet media sources and was tweeted more than 5,000 times. Importantly, the campaign reached younger audiences through Facebook, with a quarter of all online supporters aged 13 to 34 and more than 800,000 impressions generated from the Rename Speed Facebook page.

Ripple Effect

On 11 July 2010, we launched a new road safety campaign, looking at the aftermath of a fatal car crash and its impact on the community. In this unique campaign, family, friends, colleagues, emergency services workers and witnesses shared their feelings about 19-year-old Luke Robinson's death in a high speed car accident. The campaign explored the impact that this one crash had on more than 200 people. It went behind the statistics and explored the profound hurt everyone feels following a tragic crash.

The Ripple Effect included a three minute montage which was screened across the commercial television stations simultaneously.

Luke's family have become passionate road safety campaigners since taking part in the campaign. The Ripple Effect received a Bronze Lion at the Cannes International Festival of Creativity in June 2011.

Seatbelts

In August 2010, we marked the 40 year anniversary of compulsory seatbelt legislation in Victoria, with a month-long campaign to remind people to wear their seatbelts. Each year about 50 people who die on our roads aren't wearing seatbelts and wearing a seatbelt can reduce the risk of serious injury by half.

The month-long campaign crossed football codes and regional boundaries as players in the AFL, VFL, TAC Cup and A-League wore specially-made seatbelt strips, for the inaugural Road Safety Round. It was the first time these clubs had made a significant change to their jumpers.

Essendon ruckman, David Hille, was the ambassador for the Road Safety Round, sharing his personal experience of being involved in a serious collision at age 18, in which three teenagers died. In conjunction with the public education campaign, Victoria Police ran Operation Pinball targetting seatbelt wearing and detected more than 1,800 people not wearing their seatbelts, including 1,522 drivers, 233 passengers and 65 children.

Decade of Action

We led the Victorian launch of the Decade of Action for Road Safety 2011- 2020 in May. This global initiative is led by the United Nations and aims to dramatically reduce the forecast level of injuries and deaths by 2020. The Decade of Action is particularly focussed on reducing road trauma in developing nations and encourages more advanced countries, such as Australia, to share their expertise with other agencies across the globe.

To symbolise Victoria's commitment to the Decade of Action, the TAC had significant input into programs aimed at building capacity for the future development of public education programs in Vietnam.

Enhanced Enforcement Program

The TAC works closely with Victoria Police on combined enforcement and education programs. Under the Enhanced Enforcement Program, we support police operations targetting three specific needs: holiday periods, known high risk areas and local issues. In this way we are targetting behavioural change at key times and locations.

In 2010/11, we contributed \$2.25 million towards the Enhanced Enforcement Program. We supported police operations and issued clear enforcement messages to drivers through Operation Aegis at Christmas 2010, Easter 2011 and long weekends. We also supported police enforcement efforts in nine priority Police Service Areas across the state (Melbourne, Casey, Geelong, Hume, Monash, Dandenong, Yarra Ranges, Mornington Peninsula and Brimbank). Additionally, \$684,698 was provided for 43 local level police operations addressing local road safety issues.

What we do

YOUTH

The TAC continues to address youth safety in both established and innovative programs, focussing on risk-taking and the importance of driving experience as a learner driver.

In 2010/11, we have increased our use of social media in road safety campaigns, engaging young drivers.

The TAC Cup partnership

The TAC has partnered with AFL Victoria for 20 years to support the TAC Cup Under 18s competition, under which the players are encouraged to practice their skills on the roads as well as on the football field. Our support of this competition includes the L120 Program, a suite of activities to build players' driving skills. Many of these players have their learners permit and through the partnership, are encouraged to log their driving practice hours on the team tally board, create a road safety commercial, hold a parent road safety briefing and undertake a group driving activity. Teams are rewarded for the best efforts in influencing road safety in their local communities.

Short film competition

A record 590 entries were received in the 2010 Make a Film Make a Difference competition, highlighting its growing popularity among young Victorians. In 2010, 24-year-old Laurie Walker of East Bentleigh and 25-year-old Chris Busuttill of St Kilda were the winners with their short films

based around the theme "party in the car". The films look at how passengers can be a potentially hazardous distraction for the driver and highlight the need for young drivers to look after their mates. These were screened in cinemas and at major youth festivals throughout the year as well as being available online via YouTube and Facebook.

SAFER CARS

The TAC supports the Australasian New Car Assessment program (ANCAP) and in partnership with VicRoads and the RACV, funds the Used Car Safety Ratings Guide developed by the Monash University Accident Research Centre (MUARC). By supporting these programs, we ensure that Victorians are given the best possible information to help them make the safest choice when buying a new or used vehicle. The TAC also supports other consumer programs such as Stars on Cars, promoting safer vehicles in car dealerships across Victoria, and the development of the First Car List promoting safer cars for young drivers.

The TAC is proud to have played a significant role in research into the benefits and promotion of Electronic Stability Control (ESC) in Victoria. This has culminated in Victoria becoming the first jurisdiction in Australia to legislate that all newly registered passenger vehicles must include ESC, as of January 1, 2011.

Through the website www.howsafeisyourcar.com.au, we encourage Victorians to buy the safest car they can afford. The TAC Crash Test Dummies promote the message and website at key events including the Formula 1 Australian Grand Prix, Australian International Motorshow, Moomba Festival and the Lorne Pier to Pub. We continue to trial and promote next generation technologies through the Safecar project.

SAFER ROADS

As part of the 'safe system' approach to road safety, the TAC invests in safety-based infrastructure improvements to Victoria's road network. We will contribute more than \$650 million towards road improvement projects, during the current Arrive Alive strategy period, 2008-2017. These projects are managed by VicRoads and focus on Victoria's highest risk locations for run-off road crashes in regional areas and improvements to high risk intersections. In 2010/11 we committed \$84.3 million to the Safer Roads Infrastructure Program.

COMMUNITY ROAD SAFETY GRANTS

The TAC's Community Road Safety Grants Program makes grants of up to \$20,000 available for community-based projects run by not-for-profit groups to address specific local road safety issues. In 2010/11, 39 new Community Road Safety Grants were approved. Since the grants program began in 2008, we have received 252 applications, approved 167 projects and committed grant funding totalling almost \$3 million.

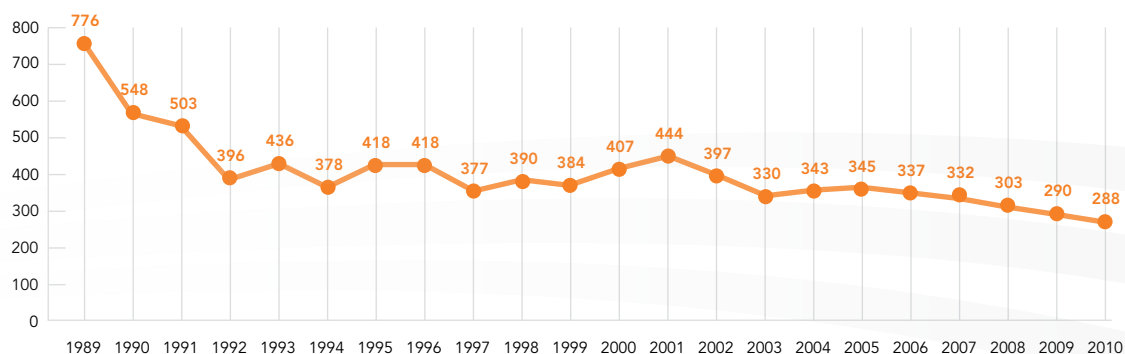
PARTNERSHIPS

The TAC continues to build strong community partnerships to ensure road safety messages reach a diverse audience at a grass-roots level. During 2010/11 we partnered with:

- Falls Festival
- AFL Victoria
- Melbourne Victory
- Australian Formula 1 Grand Prix
- MotoGP
- Country Racing Victoria Limited
- Geelong Football Club
- Give Where You Live (formerly United Way)
- Great Ocean Road Marathon
- BrainLink
- Independence Australia
- Epworth Foundation
- Barwon Health Foundation
- Amy Gillett Foundation

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

FATALITIES RECORDED IN VICTORIA FROM 1989 TO 2010



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 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 healthcare 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 and 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
- 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, recommended by a healthcare professional
- Lump sum and weekly payments for permanent impairment.

SUPPORT SERVICES FUNDED

In 2010/11, the TAC funded a total of \$937 million in support services and benefits (compared with \$909.3 million in 2009/10).

The number of new claims received was 19,205 (compared to 19,559 in 2009/10). 43,794 people received funded support from the TAC compared with 42,948 in 2009/10.

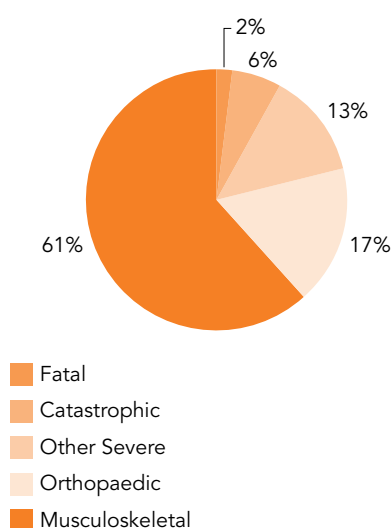
We paid \$91.4 million towards our lifetime care clients and \$90.7 million went to loss of earnings payments for people injured in transport accidents.

A total of \$228.9 million in treatment was funded, including hospital, paramedical, medical and ambulance payments.

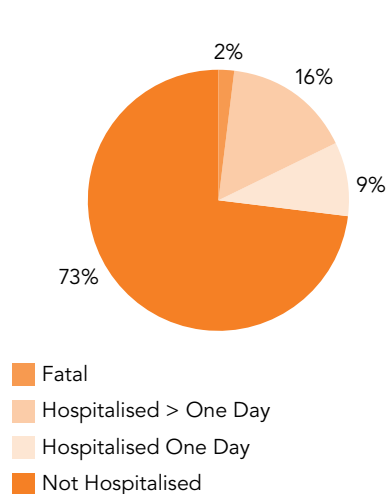
SERVICE DELIVERY

The TAC's enquiry centre answered 265,310 calls in 2010/11, with an average call time of 9.37 minutes. Approximately 65% of the calls were from TAC clients and 35% from providers/other stakeholders. The TAC made payments for 1.65 million services, with the majority of these being made to service providers and 15% to clients.

2010/11 ACCEPTED CLAIMS
ACCORDING TO INJURY TYPE



2010/11 ACCEPTED CLAIMS
ACCORDING TO SEVERITY



How we do it

TAC 2015 is a six year strategy providing a clear, long-term vision of what we want to achieve and how we will measure our success.

We work towards three core goals under TAC 2015 – client experience, client outcomes and scheme viability.

PREVENTION

Linked to the importance of our scheme's viability, we aim to prevent road trauma in Victoria. We do this alongside our road safety partners, Victoria Police, VicRoads and the Department of Justice. Guided by the Arrive Alive 2008-2017 strategy, we work on the safe system approach, to have safer drivers in safer cars on safer roads.

In 2010/11, the TAC contributed \$84.3 million to the Safer Roads Infrastructure Program, improving roads across Victoria. Additionally, we invested \$49 million in Road Safety and Marketing. This was focussed on accident prevention, including public education campaigns, research, programs, production and media expenditure.

CLIENT OUTCOMES

Helping our clients recover after an accident and supporting them to reach their goals are at the core of the TAC's business and we have taken significant steps towards long-term improvements in client outcomes.

In 2010/11, the TAC's Claims division established new claims management models to better target services to client needs: Recovery and Independence.

Recovery teams are focussed on improving return to work rates and getting clients back to their normal lifestyle as soon as possible. Independence staff help our seriously injured clients work towards greater independence and achieve their goals.

Independence:

- Renamed the Community Support branch to Independence in March 2011. All new clients with severe injuries are managed under the new Independence model
- Early Support Coordinators (ESCs) team established, combining the responsibilities of the support coordinator and case manager and providing new clients with a single point of contact at TAC
- New clients supported by their ESC to identify goals which will form part of their Independence Plan
- ESCs based at TAC offices at Bendigo, Dandenong, Melbourne and Geelong and spend a large amount of their time meeting with clients and providers in hospitals, client homes and workplaces
- Developed an Interim Discharge Support Service (IDSS) to streamline the approval of support services for clients being discharged from hospital
- Administering standardised outcome measures to help track client progress against goals and assess the effectiveness of services funded by the TAC

“After seeing two other friends from hospital regain their driver’s licences, I was determined I would too. And I did. ”



- Prior to establishing ESCs team, ran an Independence Coordinator (IC) pilot to test the concept of having a single point of contact and measure the impact on lifetime care costs and other early claims management liability measures
- Pilot tested the outcomes of 57 clients managed by an IC against a like cohort of clients managed via the old claim management model
- Positive results posted - 61% of clients were in hospital for less time than the historical like cohort, attendant care hours at discharge were reduced by 20% and clients requiring home modifications saw the process commence 50% earlier
- The single point of contact made claims management and relationship building easier and has improved hospital communication
- Evaluation shows the IC position gives greater role satisfaction to TAC staff due to greater control over the whole of the claim and improved relationships with clients and providers.

Recovery:

- Introduced the Recovery Model in October 2010, realigning the branch’s 150 staff into new roles and transferring 24,000 active claims across portfolios. This was achieved without any major impact on our clients or scheme performance
- The Recovery Model is designed to improve return to work and health outcomes for our clients through earlier identification of client needs and ensuring the right services are in place to support their recovery

- Introduced a new tool to enable conversations to take place with clients within three months of their accident to identify barriers to their recovery relating to return to work, mental health or persistent pain. Once clients with high needs are identified, appropriate treatment is then recommended via the treating GP
- Introduced a new measure for tracking successful client outcomes for return to work or return to health and exceeded the target in the first nine months of the Recovery Model
- For the second consecutive year, posted a positive actuarial result for income payments when compared to the previous four years of negative performance. This was mainly achieved through more clients returning to work earlier, combined with the success of our road safety work to improve vehicle safety and road infrastructure. There have been more clients in lower severity crashes, who did not need to take time off work and claim income replacement payments.

Resolution:

- Realigning Claims Legal and Lump Sum Compensation to form the Resolution branch, providing alternative dispute resolution benefits
- Collaboration across Recovery and Resolution to focus on early identification and intervention
- Strong investment in work practices and processes to improve decision-making capability and timelines.

How we do it

Improved processes:

- Enhanced the bimonthly risk update process resulting in increased efficiency, capability and accountability from risk officers
- Strengthened relationships between Claims and Information Technology Shared Solutions (ITSS), prioritising changes to our claims management software system (Avanti).
- Claims management processes were streamlined to improve efficiency in 2010/11. Claims branches used the saved time to implement TAC 2015 project changes while continuing their normal work.

Strengthened continuous improvement culture:

- Engaged employees in grassroots improvement initiatives, focussing on improving a process across more than one branch or division. This resulted in streamlined processes for requesting surveillance, arranging equipment for clients, handling account and remittance queries and arranging independent medical exams. The program introduced the concepts of continuous improvement in a practical way that inspired staff and led to collaborative innovation between employees
- Advocated frontline problem solving and supported Recovery and Lump Sum branches to develop accessible frameworks for employees to raise, discuss and resolve issues on a weekly basis. This has increased ownership for improvement.

Sam Richards

Hi. I'm Sam. When I was 18 years old, I was involved in a car accident which left me with an acquired brain injury. After the accident, I thought I would never drive again and really worried about being dependent on other people.

What really helped was my time at a Transitional Living Centre. When I was there I learned how to be independent again. It's something I really needed. I now walk my two dogs everyday and do my own washing and cleaning. After seeing two other friends from hospital regain their driver's licences, I was determined I would too. And I did. I have so much more freedom being able to drive again. I bought myself a new car and can drive myself to the gym, to shops and to appointments.

Life's great. I like trying different things. I've completed an acting and filming course, worked as an actor and appeared in musical productions. I've also completed a short story writing course. I'm now writing a book of short stories in my spare time.



CLIENT EXPERIENCE

Each year, the TAC surveys up to 4,000 clients to measure their satisfaction with the TAC claims experience. The Client Survey focuses on how well the TAC:

- Resolves client issues
- Keeps clients up-to-date
- Treats clients as individuals
- Shows empathy when assisting clients.

These service dimensions form the core of the TAC service model.

The TAC's client satisfaction score for 2010/11 was 7.31 out of 10. This score did not meet the annual target of 7.85 and was lower than the score obtained in June 2009/10 (7.35). However, the number of satisfied clients remains relatively high with 78.5% of clients satisfied with the service provided by the TAC.

The TAC is committed to focusing on our service model to increase our client satisfaction levels. In the past year, clients have been surveyed more regularly to allow greater insight into the client experience and inform strategies focused on providing services of the highest standard.

For the sixth year, we have instigated a Client Zone. The Client Zone involves a number of clients sharing their perspectives about the TAC's service delivery, providing insight into the role we play in their lives and identifying where service improvements may be made.

Client art exhibition

The TAC provides several opportunities for clients to share their experiences with others through the Your Voice program. This includes the Your Voice and Empower newsletters and the Client Zone web page, a forum to share experiences through different media.

As part of this program, an exhibition of inspiring artwork by clients was held for the second year in November 2010, at Federation Square in Melbourne and Geelong Gallery. The exhibition, Picture This, was an opportunity for the clients, their families and TAC staff to share their experience of road trauma through art. It included works from clients who were artists before their accidents, have taken up art since or have included art therapy in their rehabilitation.

Client Health Outcomes

While the Client Survey measures our clients' experience of the TAC, we are also measuring our clients' outcomes in relation to health, wellbeing, functionality, access to healthcare and support services and employment activity.

The Client Outcomes Survey investigates the relationships between these outcomes and issues such as accident-related pain, access to post-hospital medical care and satisfaction with the TAC.

Findings suggest that poorer health and return-to-work outcomes are associated with accident related pain, difficulties in accessing post-hospital medical treatment and psychological, emotional and financial problems.

The Client Outcomes Survey has given the TAC greater insight into its clients and the findings are being widely used to inform various strategies designed to improve return-to-work and health outcomes.

How we do it

HEALTH STRATEGY AND PARTNERSHIPS

The Health Services Group (HSG) is a collaboration between the TAC and WorkSafe.

Its aim is to simplify processes and implement initiatives that support healthcare providers to achieve better rehabilitation and return to work outcomes for injured Victorians. The group also focusses on preventative health and research and aims to build stronger relationships with healthcare providers.

CLINICAL PANEL

The TAC Clinical Panel is committed to ensuring that healthcare professionals are providing quality services that help our clients to achieve the best possible health and return to work outcomes. HSG continues to improve referral processes within the Clinical Panel. HSG is also looking to revise the clinical framework in which the Panel operates over the next 12 months.

COMMUNICATING WITH GPs

As part of its collaboration with WorkSafe, HSG recognises that GPs play a vital role in the delivery of treatment and information to injured workers and our clients. HSG has committed to developing a long-term GP engagement strategy to identify ways in which an effective working relationship can be fostered between the TAC, WorkSafe and GPs.

IMPROVING MENTAL HEALTH OUTCOMES

The HSG recognises the challenges faced by TAC and Worksafe clients with mental health injuries. A five-year strategy is being developed to improve outcomes for these clients.

Its aims include:

- Ensuring clients are offered and can access early support
- Improving responses to client surveys related to mental health needs
- Reducing the need for long-term psychology and psychiatry servicing.

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 \$1,063,160 and for pain and suffering up to a maximum of \$472,500. Economic loss can be paid to the dependents of a person killed in a transport accident up to a maximum of \$773,900.

The TAC resolved 943 common law claims during 2010/11. 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

Information Technology Shared Solutions (ITSS) supports the strategic objectives of the TAC and WorkSafe through the delivery of effective information technology solutions and expertise, economies of scale and a single approach to common projects.

Key achievements during 2010/11 included:

- Delivery of TAC 2015 initiatives with Independence Phase 1 and Recovery Phase 1 now in operation, as well as ongoing Avanti enhancements
- Further TAC 2015 initiatives for Recovery and Independence including the product upgrade of the Avanti claims management system nearing completion
- Transition to an in-house IT Service Desk to better support our internal users
- Implementation of new common sourcing approach with WorkSafe for facilities management and managed services
- Improved security through user access controls
- Update of the IT strategy and the ITSS plan to enable TAC's strategic goals.

NEW ELECTRONIC PAYMENT SYSTEM

Treatment Payments and Connectivity (TPC) is a program of work incorporating projects required to deliver provider connectivity and ensure appropriate, autonomous, exception-based invoice processing for both WorkSafe and the TAC.

The program has four key focus areas:

- Non-invoice lodgement and queries
- Electronic invoice lodgement
- Automated payment processing
- Analytics and targeted interventions.

Project planning activity is well underway for Release 1A (Medical Practitioners) with the delivery team now assembled and the engagement of key external providers.

TPC has taken over identity management and infrastructure development project from ITSS' foundation program. In the longer term, clients will have the ability to lodge reimbursement requests through a portal and check the status of their remittance online.

Maria Loukas

Hello. I'm Maria Loukas. In June 2010, I was involved in a head on collision on the Goulburn Valley Highway, just outside Seymour. My daughter was with me in the car. I really can't remember the accident. I was in The Alfred for more than three weeks and had seven operations in the first 10 days.

I'm in a wheelchair at the moment and, until recently, had been recovering at the North East Rehabilitation Centre. My days at rehab were filled with activities, including physiotherapy and hydrotherapy. Rehab really helped prepare me to go home. I didn't realise how hard it would be to get around a kitchen in a wheelchair. I had to learn how to shop, how to cook and how to move around the house all over again.

My progress is slow, but it really helps knowing that I will one day be able to walk again. Before the accident, my family and I had talked about moving to Rosebud. We still plan to do that in the future once all my therapies are finished. I'm really looking forward to it.

How we do it

BUSINESS RISK AND INTELLIGENCE

In its first full year of operation, the Business Risk and Intelligence Division has been providing information to help enhance TAC's enterprise risk management framework and strategic planning services.

Throughout 2010/11, the division implemented an automated triage system that allocates claims to specialised case officers and teams best equipped to service client needs. This was complemented by decision support tools to proactively identify clients at risk of poor outcomes, enabling targeted interventions and support. The division also contributed program management services supporting other key initiatives of TAC 2015.

Our enterprise risk management framework was enhanced by the development of tools to assess the organisation's risk culture.

The division continues to help the organisation respond to emerging challenges and opportunities.

This includes providing advice to the Victorian Government's response to the proposed National Disability and Injury Insurance Schemes. This work has included chairing a joint working party of the Heads of Australian Workers' Compensation and Compulsory Third Party Insurance schemes to improve inter-jurisdictional cooperation in data sharing, benchmarking and needs assessment tools aimed at improving the delivery of long-term care and support for severely injured people.

FREEDOM OF INFORMATION

The TAC has recorded an increase in Freedom of Information applications from the media and the general public in recent years. Applications have increased from 1,020 in 2009/10 to 1,253 applications in 2010/11.

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 Dispute Resolution Protocols
- Reviewed by the Victorian Civil and Administrative Tribunal (VCAT) – known as a 'merit review'.

INFORMAL REVIEWS

Disputes over TAC decisions have reduced this year with 392 requests for an informal review lodged compared to 429 in 2009/10. More than 90% of informal reviews are resolved within four months with around 65% of reviews maintaining TAC's original decision and 35% being compromised or overturned.

DISPUTE RESOLUTION PROTOCOLS

In 2005, protocols were implemented in collaboration with legal stakeholders to provide an alternative to the formal dispute process at VCAT and reduce the time and cost to resolve disputes.

In 2010/11, 982 applications for a review of a TAC decision were lodged under the protocols, compared to 871 in 2009/10.

During the year,
761 applications were
resolved, an increase
of 17% from the previous
year's 650 resolutions.

MERIT REVIEWS

A total of 657 merit review applications were lodged at the VCAT in 2010/11 and more than half of these were issued concurrently with a dispute application under the protocols. In the previous year, 639 merit reviews were lodged. The number of merit reviews resolved during the year was 473, compared to 464 in 2009/10.

MODEL LITIGANT

The TAC is committed to the Victorian Government's Model Litigant Guidelines. The guidelines require the TAC to act fairly and consistently, to avoid litigation, pay legitimate claims promptly and to minimise legal costs. The guidelines require fairness and the utmost propriety. During 2010/11, 13 formal complaints were received. All complaints were investigated and no breaches of the guidelines were found.

COMPLAINTS

The TAC takes service complaints very seriously and has a formal complaints office to manage these issues, including matters of inquiry from the Chief Executive Officer's office and Ombudsman Victoria. In 2010/11, the number of formal complaints dropped to 273, a reduction of 23% compared to 2009/10. This is at a time when there has been a growth in our claims to 43,794.

The TAC welcomes feedback from clients and other stakeholders to help us improve our service.

PRO BONO LEGAL SERVICES

In 2010/11, the TAC continued to fund a position with the Public Interest Law 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 their services at the Barwon Community Legal Service (night service), which provides free legal advice to the Barwon region.

How we do it

MANAGING THE SCHEME RESPONSIBLY

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 lifetime support from the TAC will continue to grow. We are engaged in activities that aid the identification and trial of new treatments that may help severely injured clients, as well as programs that potentially improve client outcomes by working with the health and paramedical profession.

SMALL GRANTS PROGRAM

Many community organisations are already working in innovative ways that maximise our clients' opportunities to participate in and contribute to their local community. The Small Grants Program encourages the development of projects to support community contributions from people with a disability.

In 2010/11, we funded \$63,125 in grants to enable community organisations to deliver projects to benefit people living with disabilities, such as:

- Integrating a trainer with a disability into the Independence Australia support worker induction program
- Disability Media Inc creating community television episodes looking at independent living, people with disabilities in rural areas and acquired disability
- Arthur Creative's development of an art workshop for 24 artists with a disability
- Melbourne Citymission's project to help Compass ABI members into public relations and ambassador roles
- Berwick Neighbourhood House workshops for people with a disability to tell their stories through art, photography and creative writing
- Able Australia's Peer to Peer training for deafblind people to train peers in Braille.

VICTORIAN SPINAL CORD INJURY PROGRAM PILOT

The Spinal Community Integration Service Pilot is ensuring clients receive the support and services they need to achieve their personal goals for independence and return to home, work and the community. In 2010/11 the program has recruited and provided services to 78 participants, 20 of which are TAC clients (and 9 WorkSafe).

The pilot was launched in 2009 and is based at the Royal Talbot Rehabilitation Centre. The pilot will cease in February 2012 and be followed by a full evaluation to support decision-making about its future.

THE RENEW CENTRE

A key focus of the TAC is to develop alternative services for our seriously injured clients. We have engaged with EW Tipping Foundation, Rehabilitation Australia Limited, the Brain Injury Rehabilitation Trust and the Disability Trust who have established The ReNew Centre, providing Neurobehavioural Rehabilitation services for Victorians who have an acquired brain injury and require rehabilitation for behavioural management.



“My friends have been a great support, visiting me in hospital and at home while I was recovering.”

VICTORIAN NEUROTRAUMA INITIATIVE (VNI)

Since 2005, the Victorian Neurotrauma Initiative (VNI) has supported research into traumatic brain injury and spinal cord injury, to improve the quality of life of people living with neurotrauma.

The VNI has funded 68 initiatives to a total of \$53.7 million, including:

- \$21.2 million allocated to 41 research projects into traumatic brain injury (TBI)
- \$21.3 million allocated to 20 spinal cord injury (SCI) projects
- \$6.5 million allocated to five combined TBI/SCI research projects
- \$4.7 million allocated to two capacity building initiatives.

In 2010/11, TAC introduced a more integrated approach to research for the benefit of our clients, ending the VNI contract in May 2011. The TAC now aligns its future neurotrauma research agenda with the key objectives of improving client outcomes, client experience and scheme viability.

The TAC Board has acknowledged the legacy of VNI in establishing a reputation for significant neurotrauma research and has committed to building on the significant contributions made by VNI, by providing \$20 million for future neurotrauma research over the next five years.

INSTITUTE FOR SAFETY COMPENSATION AND RECOVERY RESEARCH (ISCRR)

The Institute for Safety Compensation and Recovery Research is a joint initiative of WorkSafe, the TAC and Monash University. It undertakes research in compensation practice, health, workplace health and safety and vocational rehabilitation. After extensive consultation with the safety, compensation and recovery sector, the ISCRR has finalised its five-year research strategy.

Current research projects include the evaluation of the TAC 2015 new claims model, establishment of a compensation research database and evidence reviews of mental health interventions. The outcomes of these and other research projects will benefit other workers' compensation and Compulsory Third Party transport accident schemes in Australia and internationally.

RESIDENTIAL INDEPENDENCE FOR OUR CLIENTS

The TAC has established Residential Independence Trust to address the long-term accommodation needs of severely injured clients. The TAC Chairman Paul Barker has been appointed Chairman of Residential Independence Pty Ltd, the trustee and the directors are TAC Chief Executive Officer Janet Dore, Ray Harvey and Keran Howe. Ray Harvey has thirty years experience in property development, investment projects and corporate real estate. Keran Howe has more than twenty years experience in health and human services, including supporting people with disabilities. RIPL is now commencing an acquisition and development program for several dwellings specifically designed for TAC clients to utilise shared support services. The aim is to provide 10 sites for approximately 60 TAC clients.

How we do it

FINANCIAL AND CAPITAL MANAGEMENT

Operating results

The TAC recorded an after-tax operating profit of \$279 million in 2010/11, compared with an after-tax operating loss of \$81 million in 2009/10.

The TAC's investment return was 10.9% compared to 11.9% in the previous year.

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 2010/11, Performance From Insurance Operations was \$187 million (compared to \$200 million in 2009/10). This performance was mainly due to continued strong claims management.

The total impact from external factors was a favourable \$204 million (compared to an unfavourable \$320 million in 2009/10).

ASSETS AND LIABILITIES

The TAC's total assets as at June 2011 were \$8.7 billion while total liabilities were \$8.9 million.

The TAC's funding ratio at 30 June 2011 was 85.6%.

This funding ratio is inside the TAC's preferred operating range of 80% to 120%.

DIVIDEND

Under the *Transport Accident Act 1986*, the TAC may pay an annual dividend to the Victorian Government. The dividend is determined each year by the Treasurer in consultation with the TAC Board, Chairman and the Minister, having regard to funding levels and other factors. A dividend of \$100 million was paid in 2010/11, relating to 2009/10.

TRANSPORT ACCIDENT CHARGE

Consistent with the *Transport Accident Act 1986*, transport accident charge levels for motorists increased in line with the CPI (1.77%) on 1 July 2010.

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

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

REINSURANCE

As part of the TAC's financial risk management strategies – to protect the scheme against the impact of a catastrophic accident – the TAC has reinsurance cover for \$175 million on \$100 million retention.

REDUCING FRAUD

During 2010/11, eight prosecutions were finalised through the Magistrates' Court.

Seven of the cases resulted in a conviction being recorded and a total amount of \$294,301 in restitution was awarded to the TAC.

Nine letters of caution for breaches of the Transport Accident Act relating to fraud and providing false information to the TAC were sent to clients and a provider incorporating requests for reimbursement of \$16,054 and a further eight clients received letters of advice, warning of potential breaches of the Act.

In addition four providers were referred to the Australian Health Practitioner Regulatory Authority as a result of concerns over the services provided to TAC clients.

There has been one outcome to date, resulting in a provider being suspended from treating patients for a three month period and subject to a further two year supervision period. The TAC continued to focus on ensuring payments made to service providers were accurate with reviews of 372 claims completed, involving 7,796 payments/services in allied health disciplines and medical practitioner disciplines resulting in the reimbursement of \$202,396.

Sakith Gamaethige

Eight-year-old Sakith had his accident only five months after moving to Melbourne from Sri Lanka.

After the crash, his medical condition deteriorated in the ambulance and there were some concerns he could have a head injury. Sakith fractured his leg and was in a wheelchair for two months.

Sakith returned to school two months after his crash, using a walking frame. He had physiotherapy on his leg and was back using his scooter to ride to school four months after the crash.

Sakith said his friends had been a great support, visiting him in hospital and at home while he was recovering.

"At school, they helped me when I was having trouble walking or playing."

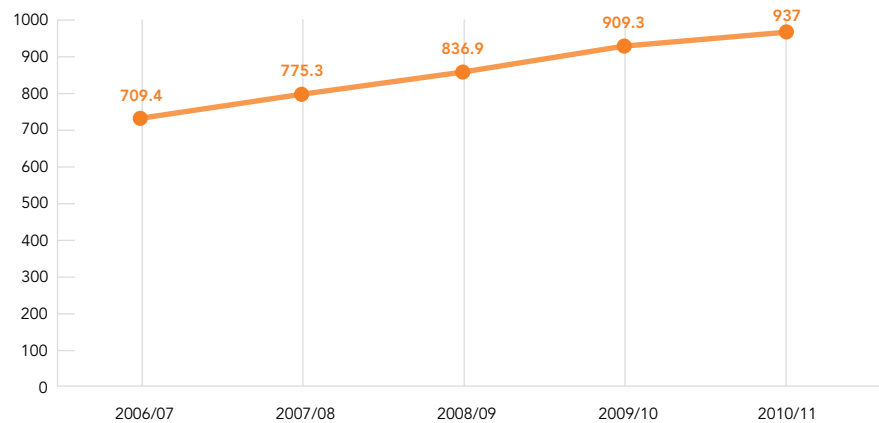
Now Sakith is back to full health, progressing well at school.

Sakith's dad Chaminda said the family really appreciated the TAC's support in helping his son recover after only five months.

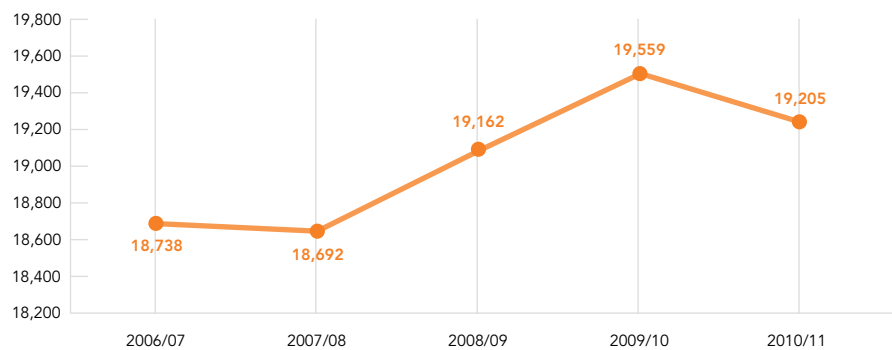
Appendix

- Performance Graphs

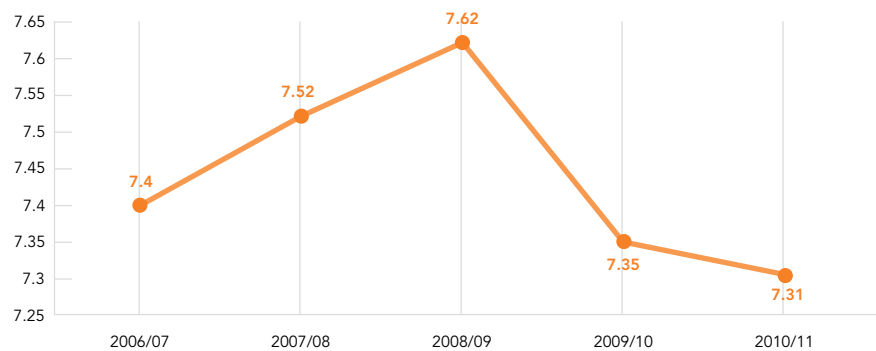
TOTAL PAYMENTS (\$ MILLION)



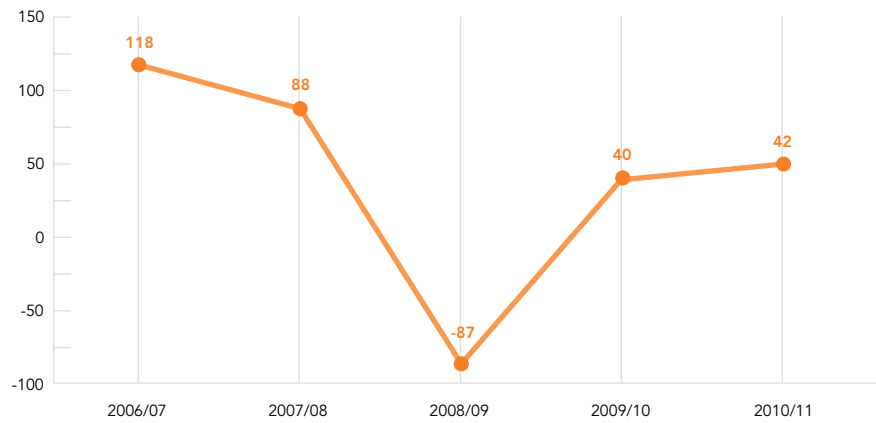
CLAIM LODGEMENTS (NUMBER)



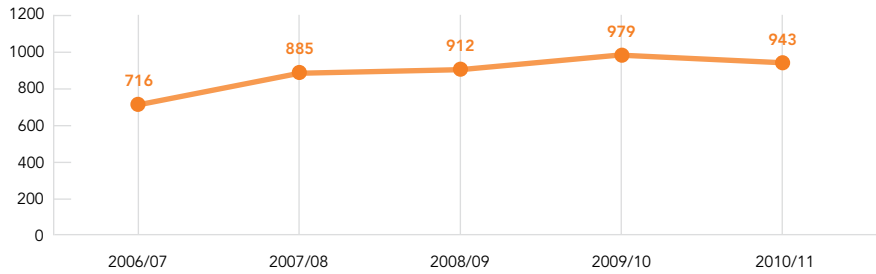
CLIENT SATISFACTION SCORE



ACTUARIAL RELEASE (\$ MILLION)



VICTORIAN COMMON LAW SETTLEMENTS (NUMBER)



FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

Comprehensive Income Statement For the year ended 30 June 2011

	Note	2011 \$000	2010 \$000
Premium revenue		1,326,064	1,258,819
Reinsurance premium expense		(2,006)	(2,007)
Net premium revenue		1,324,058	1,256,812
Gross claims incurred	7	(1,338,959)	(1,754,822)
Claims recoveries revenue	7	8,339	8,664
Net claims incurred		(1,330,620)	(1,746,158)
Administration costs	5	(140,578)	(136,797)
Marketing and road safety expenditure		(49,020)	(50,458)
Safer road infrastructure expenditure		(96,464)	(98,516)
Trauma projects expenditure		(10,594)	(10,870)
Premium collection fees	11	(32,461)	(30,784)
Underwriting expenses		(329,117)	(327,425)
Underwriting profit/(loss)		(335,679)	(816,771)
Investment income/(loss)	6	748,717	714,333
Investment expenses	6	(22,062)	(17,917)
Other income		-	-
Profit/(Loss) before income tax		390,976	(120,355)
Income tax benefit /(expense)	8(a)	(111,520)	39,322
Net result for the year		279,456	(81,033)
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive result for the year		279,456	(81,033)

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

Balance Sheet			
As at 30 June 2011			
	Note	2011 \$000	2010 \$000
Current assets			
Cash and cash equivalents	24	54,776	20,772
Receivables	9	69,774	72,504
Investments	10	1,401,766	1,294,749
Deferred acquisition costs	11	16,240	15,576
Other assets	12	4,523	1,812
Total current assets		1,547,079	1,405,413
Non-current assets			
Receivables	9	309,719	285,419
Investments	10	6,003,142	5,383,346
Plant and equipment	13	16,990	17,108
Intangibles	14	47,008	47,069
Deferred tax assets	8(c)	737,018	848,538
Total non-current assets		7,113,877	6,581,480
Total assets		8,660,956	7,986,893
Current liabilities			
Outstanding claims	16	963,113	958,799
Unearned premiums	17	660,961	633,343
Payables	15	82,811	89,501
Provisions	18	9,860	8,214
Lease liabilities	19(c)	1,055	1,279
Total current liabilities		1,717,800	1,691,136
Non-current liabilities			
Outstanding claims	16	7,179,449	6,712,339
Provisions	18	1,844	1,442
Lease liabilities	19(c)	1,313	882
Total non-current liabilities		7,182,606	6,714,663
Total liabilities		8,900,406	8,405,799
Net assets / (liabilities)		(239,450)	(418,906)
Equity			
Reserves	1(r)	5,332	6,113
Accumulated surplus / (deficit)		(244,782)	(425,019)
Total equity		(239,450)	(418,906)

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

Statement of Changes in Equity For the year ended 30 June 2011	Motorcycle Road Safety Reserve \$000	Accumulated surplus / (deficit) \$000	Total \$000
At 30 June 2009	7,637	(345,510)	(337,873)
Net comprehensive result for the year	-	(81,033)	(81,033)
Transfer to Motorcycle Road Safety Reserve	-	(5,477)	(5,477)
Transfer from Motorcycle Road Safety Reserve	-	7,001	7,001
Transfer to accumulated surplus	(7,001)	-	(7,001)
Transfer from accumulated surplus	5,477	-	5,477
Dividend paid for 2008/09 year	-	-	-
At 30 June 2010	6,113	(425,019)	(418,906)
Net comprehensive result for the year	-	279,456	279,456
Transfer to Motorcycle Road Safety Reserve	-	(5,687)	(5,687)
Transfer from Motorcycle Road Safety Reserve	-	6,468	6,468
Transfer to accumulated surplus	(6,468)	-	(6,468)
Transfer from accumulated surplus	5,687	-	5,687
Dividend paid for 2009/10 year	-	(100,000)	(100,000)
At 30 June 2011	5,332	(244,782)	(239,450)

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

Cash Flow Statement			
For the year ended 30 June 2011			
	Note	2011	2010
		\$000	\$000
Cash flows from operating activities			
Premiums received		1,492,843	1,417,605
Dividends received		161,814	133,184
Interest received		175,691	204,441
Claims paid		(944,824)	(917,983)
Claims recoveries received		7,046	8,733
Payments to suppliers and employees		(220,611)	(199,186)
Payments for marketing and road safety projects		(49,485)	(46,564)
Payments for trauma projects and safer road infrastructure expenditure		(106,339)	(119,595)
Goods and services tax paid		(54,818)	(47,494)
Income tax equivalent refund / (paid)		-	-
Net cash inflow/ (outflow) from operating activities	24(b)	461,317	433,141
Cash flows from investing activities			
Purchase of investments		(5,637,512)	(4,584,711)
Sale of investments		5,427,236	4,554,499
Purchase of plant and equipment		(2,497)	(1,543)
Sale of plant and equipment		839	531
Expenditure on intangibles		(9,995)	(8,812)
Net cash inflow / (outflow) from investing activities		(221,929)	(40,036)
Cash flows from financing activities			
Dividend paid		(100,000)	-
Net cash outflow from financing activities		(100,000)	-
Net increase / (decrease) in cash and cash equivalents		139,388	393,105
Cash and cash equivalents at the beginning of the year		1,164,902	780,421
Effects of exchange rate changes on cash held in foreign currencies		(9,900)	(8,624)
Cash and cash equivalents at end of the year	24(a)	1,294,390	1,164,902

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The financial report was authorised for issue by the directors on 25th August 2011.

Basis of preparation

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

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

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

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

The financial statements do not consolidate the controlled entities of the TAC, the Residential Independence Pty Ltd (RIPL) as trustee for Residential Independence Trust (RIT) and The Victorian Neurotrauma Initiative Pty Ltd (VNI) (note 20) as the financial impact of consolidation is considered not material.

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 2011 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.

	Title	Operative Date
AASB 124	Related party disclosures (Dec 2009)	1 January 2011
AASB 9	Financial Instruments	1 January 2013
2009-11	Amendments to Australian Accounting Standards arising from AASB9	1 January 2013
2010-7	Amendments to Australian Accounting Standards arising from AASB9	1 January 2013

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

(a) Premium revenue

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

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

(b) Investment income

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

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

(c) Unearned premiums

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

(d) Unexpired risk liability

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

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

The entire deficiency is recognised immediately in the comprehensive income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability. No deficiency resulted in 2010/11 (2010: no deficiency).

(e) Outstanding claims liability

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

A risk margin (refer note 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% (2010: 75%) probability of sufficiency.

(f) Claim recovery receivables

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

(g) Deferred acquisition costs

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

(h) Assets backing insurance liabilities

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

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

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

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

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

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

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

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

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

(i) Foreign currency translation

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

(j) Derivative financial instruments

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

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

(k) Employee benefits

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

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

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

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

Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit superannuation plans

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

(l) Plant, equipment and motor vehicles

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

Depreciation of plant and equipment is calculated on 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% - 15% (2010: 5% - 15%)
- Motor vehicles under lease - 33% (2010: 33%)

(m) Intangible assets

Intangible assets 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 useful lives range from 3 to 10 years (2010: 3 to 7 years). The amortisation period for an intangible asset is reviewed annually.

(n) Impairment of assets

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

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

(o) Leases

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

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

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

(p) Dividends

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

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

(q) Income tax

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

The income tax expense 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.

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 inclusive of GST.

(u) Contingent Assets and Contingent Liabilities

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

(v) Rounding

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

(w) Functional and presentation currency

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

2. ACTUARIAL ASSUMPTIONS AND METHODS

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

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

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

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

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

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

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.

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

	30 June 2011	30 June 2010
Average claim frequency (claims per 1000 registrations)	3.73	3.90
Average claim size	\$60,244	\$57,032
Expense rate	10.39%	10.48%
Discount rate (5-year average)	4.94%	4.82%
Short-term inflation (AWE) (5-year average)	3.85%	3.85%
Short-term inflation (CPI) (5-year average)	2.70%	2.70%
Superimposed inflation	1.00%	1.00%
Long-term gap (Discount – AWE)	2.00%	2.00%
Long-term gap (Discount – CPI)	3.25%	3.25%
Average weighted term to settlement from injury date	13.1 years	13.4 years
Risk margin	10.5%	10.5%

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. The figures shown in the above table take into account both inflation to the time of payment and discounting the resultant payments back to the valuation date.

Expense rate

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

- 26.3% of benefits managed by Recovery (2010: 30.1%)
- 8.3 % of benefits managed by Independence (2010: 8.2%)
- 8.1% of benefits managed by Lump Sum Compensation (2010: 7.7%)

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.

Impact of changes in key variables

		2011	2010	2011	2010
Variable	Movement		Net result		Equity
		\$000	\$000	\$000	\$000
Recognised amounts per the financial statement		279,456	(81,033)	(239,450)	(418,906)
Average claim frequency	+1%	272,619	(87,518)	(245,935)	(425,391)
	-1%	286,293	(74,548)	(232,965)	(412,421)
Expense rate	+1%	230,126	(130,110)	(288,527)	(467,983)
	-1%	328,786	(31,956)	(190,373)	(369,829)
Short-term discount rate	+0.5%	377,156	10,308	(148,109)	(327,565)
	-0.5%	179,130	(174,829)	(333,246)	(512,702)
Short-term inflation rates	+0.5%	176,873	(177,448)	(335,865)	(515,321)
	-0.5%	380,300	13,740	(144,677)	(324,133)
Average weighted term to settlement	+1 year	399,285	34,452	(123,965)	(303,421)
	-1 year	156,931	(196,518)	(354,935)	(534,391)

3. INSURANCE CONTRACTS

- RISK MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

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

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

Key aspects of the processes established to mitigate risks include:

- the maintenance and use of sophisticated management information systems, which provide reliable and up to date data on the risks to which the business is exposed at any point in time;
- actuarial models, using information derived from the management information systems are used to monitor claims patterns. Past experience and statistical methods are used as part of the process;

- catastrophic accidents are modelled and the TAC's exposures are protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the TAC's Board;
- only reinsurers with credit ratings equal to, or in excess of, a minimum level determined by management are accepted as participants in the TAC's reinsurance treaties; and
- the investment allocation strategy, established by VFMC in consultation with the TAC, is derived by the matching of assets to the underlying claims liabilities to optimise the returns within the risk management parameters.

(b) Terms and conditions

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

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

(c) Concentration of insurance risk

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

(d) Interest rate risk

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

(e) Credit risk

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

4. EXPLANATION OF VOLATILITY OF FINANCIAL RESULTS

This note provides additional analysis of the profit before income tax of \$391 million (2010: loss \$120 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.

	2011 (\$M)	2010 (\$M)
Performance from insurance operations	187	200
Impact on profit from external factors:		
- Difference between actual investment returns and long-term expected returns ¹	226	252
- Changes in inflation assumptions and discount rates (refer note 7)	(22)	(572)
Profit / (loss) before income tax	391	(120)

¹ The TAC investment portfolio recorded a positive return of 10.9% (2010: positive 11.9%) compared to the long-term expected return of 7.5%.

5. ADMINISTRATION COSTS

	2011 \$000	2010 \$000
Staff and related	82,835	79,166
Information technology	20,735	18,211
Occupancy and utilities	8,376	9,168
Other operating costs	16,823	19,265
Depreciation and amortisation	11,809	10,987
Total¹	140,578	136,797
Total administration costs include the following:		
Doubtful debts written back (net)	(32)	26
Provision for employee entitlements	2,074	2,686
Operating lease rentals	6,815	7,536
Auditor-General's fees ²	247	239
Interest on finance lease	96	149
Finance costs ³	69	(38)

¹ Includes costs of \$2.1 million (2010: \$15.9 million) associated with the implementation of Geelong relocation program which is now completed.

² Fees are for audit of the financial report.

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

6. INVESTMENT INCOME

	2011 \$000	2010 \$000
Dividends	173,497	130,987
Interest ¹	177,277	209,801
Changes in fair values of investments ²		
- realised profit/(loss)	378,991	302,968
- unrealised profit/(loss)	18,952	70,577
Gross investment profit/(loss)	748,717	714,333
Investment expenses ³	(22,062)	(17,917)
Net investment profit/(loss)	726,655	696,416

¹ Interest represents coupon interest earned and net settlements on swap contracts.

² 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).

³ 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 positive return of 10.9% for 2010/11, compared to positive 11.9% in the previous year, due principally to favourable conditions experienced in the financial markets.

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.

	2011			2010		
	Current year	Prior years	Total	Current year	Prior years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Gross claims incurred						
Undiscounted	2,372,370	(188,576)	2,183,794	2,106,220	(23,582)	2,082,638
Discount movement	(1,203,919)	359,084	(844,835)	(998,504)	670,688	(327,816)
	1,168,451	170,508	1,338,959	1,107,716	647,106	1,754,822
Claims recoveries						
Undiscounted	(12,253)	6,174	(6,079)	(12,589)	(2,603)	(15,192)
Discount movement	4,036	(6,296)	(2,260)	4,188	2,340	6,528
	(8,217)	(122)	(8,339)	(8,401)	(263)	(8,664)
Net claims incurred	1,160,234	170,386	1,330,620	1,099,315	646,843	1,746,158

The net claims incurred of \$1,331 million (2010: \$1,746 million) is impacted by both internal and external factors as noted below:

	2011	2010
	\$M	\$M
Claims incurred – internal ¹	1,309	1,174
Claims incurred – external ²	22	572
Total claims incurred	1,331	1,746

¹ Claims incurred – internal for 2010/11 is \$1,309 million, which is higher than the claims incurred for the previous year.

This difference is largely due to the impact of higher discount rates as at the start of the period, leading to higher contribution to incurred cost from the unwinding of the discount. In addition, in a maturing scheme like the TAC, claims incurred – internal would normally be expected to increase by 6% to 7% annually.

² Claims incurred – external reflects the financial impact on changes in inflation assumptions and discount rates.

In 2010/11, the claims economic impact results in an unfavourable impact of \$22 million on claims liabilities, arising primarily from the higher than expected inflation over the past year

8. INCOME TAX

(a) Income tax recognised in comprehensive income statement	2011	2010
	\$000	\$000
Income tax expense / (benefit) comprises:		
Current tax expense / (benefit)	19,585	(172,835)
Deferred tax adjustment	92,033	130,515
Adjustment in respect of prior years	(98)	2,998
Total tax expense / (benefit)	111,520	(39,322)
Deferred tax adjustment comprises:		
Decrease in deferred tax assets	90,576	129,317
Increase in deferred tax liabilities	1,457	1,198
	92,033	130,515
(b) Reconciliation between net result before tax and income tax expense / (benefit)	2011	2010
	\$000	\$000
Net profit / (loss) before tax	390,976	(120,355)
Tax at the statutory rate of 30% (2010 - 30%)	117,293	(36,107)
Imputation gross-up on dividends received	2,575	2,243
Franking credits and withholding tax on dividends received	(8,233)	(6,259)
Sundry items	(115)	801
Income tax expense / (benefit)	111,520	(39,322)
(c) Deferred tax balances	2011	2010
	\$000	\$000
Deferred tax assets comprise:		
Carry forward tax losses	441,131	477,002
Claims handling expense included in outstanding claims	219,687	208,715
Unrealised loss on investments	75,501	161,294
Provisions and accrued employee entitlements not currently deductible	5,277	4,611
Accruals not currently deductible	38	75
	741,634	851,697
Deferred tax liabilities comprise:		
Difference in depreciation/amortisation of plant and equipment and intangible assets for accounting and income tax purposes	4,616	3,159
	4,616	3,159
Net deferred tax assets	737,018	848,538

9. RECEIVABLES

	2011 \$000	2010 \$000
Current		
Premiums receivable ¹	13,363	17,339
Claims GST receivable ²	44,948	44,954
Claims recoveries and other debtors ³	14,784	13,565
Less: Provision for impairment	(3,321)	(3,354)
	11,463	10,211
Total current	69,774	72,504
Non-current		
Claims GST receivable ²	264,321	240,063
Claims recoveries and other debtors ³	45,596	45,553
Less: Provision for impairment	(198)	(197)
	45,398	45,356
Total non-current	309,719	285,419

¹ 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.

² 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.

³ Included within the claims recoveries and other debtors balance is \$53.922 million (2010: \$53.788 million) of actuarially determined recoveries with the remaining \$6.458 million (2010: \$5.530 million) relating to actual receivables from known counterparties which are past due as at the reporting date. The TAC has provided for impairment of these on the basis of past experience. The average age of those receivables that are past due but not impaired is less than 60-90 days. The TAC does not hold any collateral over these balances.

(a) Movement in provision for impairment

	2011 \$000	2010 \$000
Balance at 1 July	(3,551)	(3,525)
Increase in allowance recognised in the net result	-	(26)
Decrease in allowance recognised in the net result	32	-
Balance at 30 June	(3,519)	(3,551)

10. INVESTMENTS

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

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

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

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

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

	2011 \$000	2010 \$000
Asset category		
Cash and deposits	1,231,935	1,106,347
Debt securities	2,045,750	2,101,664
Australian listed equities	432,484	413,697
International listed equities	789,075	765,886
Unlisted equities	220,634	72,125
Listed trusts	60,230	50,379
Unlisted trusts	2,551,320	2,161,231
Financial derivatives ¹ - receivables	39,271	-
Financial derivatives ¹ - payables	-	(109,618)
Investment settlements outstanding	34,209	116,384
Total	7,404,908	6,678,095
Current	1,401,766	1,294,749
Non-current	6,003,142	5,383,346
Total	7,404,908	6,678,095

¹ 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.

TAC has uncalled capital commitments within its investments totalling \$180.3 million as at 30 June 2011 (2010 \$179.4 million).

11. DEFERRED ACQUISITION COSTS

	2011 \$000	2010 \$000
Balance at 1 July	15,576	14,657
Acquisition costs incurred in the year	33,125	31,703
Amount expensed to comprehensive income statement	(32,461)	(30,784)
Balance at 30 June	16,240	15,576

12. OTHER ASSETS

	2011 \$000	2010 \$000
Current		
Prepayments and others	4,523	1,765
GST receivable	-	47
Total current	4,523	1,812

13. PLANT AND EQUIPMENT

	2011 \$000	2010 \$000
Leasehold improvements	10,997	10,360
Accumulated depreciation	(1,298)	(751)
	9,699	9,609
Plant and equipment	6,568	6,394
Accumulated depreciation	(1,672)	(1,112)
	4,896	5,282
Motor vehicles under lease	3,303	3,288
Accumulated depreciation	(908)	(1,071)
	2,395	2,217
Balance at fair value at 30 June	16,990	17,108

Movements in carrying amounts	Leasehold improvements	Plant & equipment	Motor vehicles	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2009	9,871	5,858	2,172	17,901
Additions	256	69	1,218	1,543
Disposals	-	-	(550)	(550)
Depreciation expense	(518)	(645)	(623)	(1,786)
Balance at 30 June 2010	9,609	5,282	2,217	17,108
Additions	637	174	1,687	2,498
Disposals	-	-	(863)	(863)
Depreciation expense	(547)	(560)	(646)	(1,753)
Balance at 30 June 2011	9,699	4,896	2,395	16,990

14. INTANGIBLES

	2011	2010
	\$000	\$000
Computer software		
At cost	80,243	70,248
Less: Accumulated amortisation	(33,235)	(23,179)
Balance at 30 June	47,008	47,069
Movements in carrying amounts		
Balance at 1 July	47,069	47,458
Additions	9,995	8,812
Current year amortisation	(10,056)	(9,201)
Balance at 30 June 2011	47,008	47,069

15. PAYABLES

	2011	2010
	\$000	\$000
Current		
Advance premiums ¹	27,080	25,301
GST Payable	46	-
Other creditors and accruals ²	55,685	64,200
Total current	82,811	89,501

¹ Advance premiums represent premiums received for policies commencing after balance date.

² 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 2011 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Ltd.

	2011 \$000	2010 \$000
Expected future claims payments (undiscounted)	19,932,592	18,877,736
Discount to present value	(13,191,952)	(12,532,944)
	6,740,640	6,344,792
Claims handling expenses	662,706	629,608
	7,403,346	6,974,400
Risk margin	739,216	696,738
Outstanding claims liability	8,142,562	7,671,138
Current	963,113	958,799
Non-current	7,179,449	6,712,339
Outstanding claims liability	8,142,562	7,671,138

(b) Risk margin

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

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

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates. The risk margin applied at balance date was 10.5% (2010: 10.5%).

(c) Reconciliation of movement in discounted outstanding claims liability

	2011			2010		
	Gross \$000	Recoveries \$000	Net \$000	Gross \$000	Recoveries \$000	Net \$000
Outstanding claims brought forward	7,671,138	(338,805)	7,332,333	6,736,946	(294,490)	6,442,456
Effect of changes in economic assumptions	18,113	(251)	17,862	473,420	(3,619)	469,801
Effect of claims experience and modelling	(31,390)	2,092	(29,298)	118,695	2,561	121,256
Cost of prior year claims moving one year closer to payment (unwind of discount)	184,344	(2,522)	181,822	57,577	(1,628)	55,949
Increase in claims incurred/recoveries anticipated over the year	1,167,892	(7,658)	1,160,234	1,109,129	(9,977)	1,099,152
Included claims recognised in the comprehensive income statement	1,338,959	(8,339)	1,330,620	1,758,821	(12,663)	1,746,158
Claims payments and recoveries during the year	(891,788)	8,206	(883,582)	(864,950)	8,669	(856,281)
Increase in provision for GST credits	24,253	(24,253)	-	40,321	(40,321)	-
Outstanding claims carried forward	8,142,562	(363,191)	7,779,371	7,671,138	(338,805)	7,332,333

(d) Claims development table

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

Accident year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Estimate of ultimate claims costs:											
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	1,868,977	2,108,489	
One year later	1,178,482	1,310,766	1,198,363	1,605,442	1,674,284	1,896,843	1,818,182	1,870,243	1,834,454		
Two years later	1,230,610	1,277,465	1,572,798	1,558,131	1,436,193	1,964,435	1,787,095	1,992,410			
Three years later	1,131,304	1,351,246	1,777,775	1,499,894	1,417,902	1,925,678	1,799,205				
Four years later	1,154,756	1,546,250	1,787,082	1,419,173	1,335,871	1,936,344					
Five years later	1,303,435	1,613,970	1,779,114	1,359,116	1,370,844						
Six years later	1,305,043	1,621,192	1,745,532	1,414,395							
Seven years later	1,323,058	1,458,581	1,765,629								
Eight years later	1,272,265	1,464,029									
Nine years later	1,270,872										
Current estimate of cumulative claims costs	1,270,872	1,464,029	1,765,629	1,414,395	1,370,844	1,936,344	1,799,205	1,992,410	1,834,454	2,108,489	16,956,671
Cumulative payments	(562,396)	(518,740)	(516,155)	(516,122)	(553,331)	(564,666)	(481,299)	(396,486)	(261,421)	(133,342)	(4,503,958)
Outstanding claims - undiscounted	708,476	945,289	1,249,474	898,273	817,513	1,371,678	1,317,906	1,595,924	1,573,033	1,975,147	12,452,713
Discount											(7,978,625)
2001 and prior claims											2,642,577
Claims handling expenses											662,706
Recoveries and GST credits											363,191
Outstanding claims per balance sheet											8,142,562

17. UNEARNED PREMIUMS

	2011 \$000	2010 \$000
Balance at 1 July	633,343	596,942
Deferral of premium written in the year	660,961	633,343
Earning of premium written in previous year	(633,343)	(596,942)
Balance at 30 June	660,961	633,343

18. PROVISIONS

	2011 \$000	2010 \$000
Current		
Employee benefits ¹	9,860	8,214
Total current	9,860	8,214
Non-current		
Employee benefits	1,844	1,442
Total non-current	1,844	1,442
¹ Annual leave and long service leave entitlements expected to be settled:		
- within 12 months of reporting date	5,398	4,441
- beyond 12 months of reporting date	4,462	3,773
Total	9,860	8,214

Movement in provisions	Employee benefits \$000	Leasehold restoration \$000	Total \$000
Balance at 1 July 2009	9,561	1,424	10,985
Additional provision recognised	2,733	-	2,733
Reduction arising from payments	(2,600)	(1,424)	(4,024)
Unwind of discount and effect of changes in the discount rate	(38)	-	(38)
Balance at 1 July 2010	9,656	-	9,656
Additional provision recognised	2,784	-	2,784
Reduction arising from payments	(804)	-	(804)
Unwind of discount and effect of changes in the discount rate	69	-	69
Balance at 30 June 2011	11,705	-	11,705

19. COMMITMENTS

	2011 \$000	2010 \$000
(a) Administrative expenditure¹		
Estimated administrative expenditure contracted at balance date, but not provided for:		
- not later than one year	125,965	140,359
- later than one year but not later than five years	369,451	348,369
- later than five years	-	117,040
	495,416	605,768
(b) Operating leases²		
Minimum lease payments:		
- not later than one year	7,066	6,878
- later than one year but not later than five years	29,651	27,825
- later than five years	120,257	127,830
	156,974	162,533
(c) Finance leases		
- not later than one year	1,168	1,365
- later than one year but not later than five years	1,398	921
Total minimum lease payments	2,566	2,286
- future finance charges	(198)	(125)
Lease liability ³	2,368	2,161
- current liability	1,055	1,279
- non-current liability	1,313	882
	2,368	2,161

¹ Included in the administrative expenditure is a total amount of about \$396 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs in Victoria. 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.

² 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.

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

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 VNI has ceased operations and its research activities transferred to the TAC with effect from the 30th of May 2011. 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.

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

21. EMPLOYEE SUPERANNUATION

Superannuation is provided for employees via the following superannuation funds:

	2011 \$000	2010 \$000
Emergency Services Superannuation Scheme - Revised and New Scheme ¹	534	637
Victorian Superannuation Fund - VicSuper Scheme	4,329	4,116
Private sector complying funds	2,166	2,477
Total	7,029	7,230

¹ 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 2011, contributions outstanding were \$nil (2010: \$0.16 million).

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

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:

	2011 \$000	2010 \$000
Short-term employee benefits	2,586	2,723
Post-employment benefits	162	173
Other long-term employee benefits	17	283
Termination benefits	-	144
Total	2,765	3,323

(a) Remuneration of responsible persons

	2011 \$000	2010 \$000
Total remuneration received or receivable by responsible persons	938	924
The number of responsible persons of the TAC whose remuneration falls within the following bands:	No.	No.
\$40,000 - \$49,999	1	8
\$50,000 - \$59,999	7	-
\$100,000 - \$109,999	-	1
\$110,000 - \$119,999	1	-
\$420,000 - \$429,999	1	1

Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet.

(b) Remuneration of executive officers

	2011	2010
	\$000	\$000
Total remuneration received or receivable by all executive officers	1,827	2,399

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.

	Base remuneration		Total remuneration	
Income band	2011	2010	2011	2010
	No.	No.	No.	No.
less than \$100,000	2	2	1	2
\$100,000 - \$109,999	-	1	-	-
\$140,000 - \$149,999	-	-	1	-
\$200,000 - \$209,999	-	1	-	-
\$210,000 - \$219,999	1	1	-	-
\$220,000 - \$229,999	1	1	-	-
\$230,000 - \$239,999	1	1	1	1
\$240,000 - \$249,999	1	-	2	2
\$260,000 - \$269,999	-	1	1	1
\$270,000 - \$279,999	1	-	-	1
\$280,000 - \$289,999	1	1	-	-
\$310,000 - \$319,999	-	-	1	-
\$320,000 - \$329,999	-	-	1	-
\$350,000 - \$359,999	-	-	-	1
\$600,000 - \$609,999	-	-	-	1

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 Gordon Rich-Phillips MLC, Assistant Treasurer from 2 December 2010, the Hon Tim Holding MP, Minister for Finance, WorkCover and the Transport Accident Commission up to 2 December 2010 and the following responsible persons:

Directors:

Mr Paul Barker (Chairman)
 Dr Julie Caldecott
 Mr Andrew Dyer
 Mr Geoff Hilton
 Ms Christine McLoughlin
 Professor Bob Officer
 Ms Sonia Petering
 Ms Elana Rubin
 Ms Deborah Hallmark (appointed 1 July 2010)

Chief Executive Officer:

Ms Janet Dore

Related party transactions

Mr Paul Barker, Mr Geoff Hilton and Ms Elana Rubin 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. TAC also makes payments for the annual Workplace Injury Insurance premium to WorkSafe.

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

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

	2011	2010
	\$000	\$000
Claim compensation paid	(61,530)	(47,300)
Annual Workplace Injury Insurance premium paid	(425)	(363)
Cost reimbursement receivable	5,756	5,313
Cost reimbursement payable	(11,987)	(8,029)
Management of catastrophic claims received	1,106	846

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

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:

	2011	2010
	\$000	\$000
Cash at bank	54,776	20,772
Cash equivalents (investments)	1,239,614	1,144,130
Total	1,294,390	1,164,902

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

	2011	2010
	\$000	\$000
Net result for the year	279,456	(81,033)
Depreciation and amortisation	11,809	10,987
Realised profit/ (loss) on sale of investments	(378,991)	(302,968)
Unrealised profit/ (loss) on investments	(18,952)	(70,577)
Profit/ (loss) on sale of plant and equipment	23	20
Changes in assets and liabilities		
Increase/ (decrease) in outstanding claims	471,424	930,198
Increase/ (decrease) in unearned premium	27,618	36,401
Decrease/ (increase) in receivables and other assets	(38,155)	(49,954)
Increase/ (decrease) in creditors and provisions	(4,435)	(611)
Decrease/ (increase) in net deferred tax balances	111,520	(39,322)
Increase/ (decrease) in income tax payable	-	-
Net cash inflow / (outflow) from operating activities	461,317	433,141

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 2011 and 30 June 2010, 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 2011 was \$5.3 million (2010: unrealised loss \$54.9 million).

Interest rate options

VFMC may enter into interest rate options to hedge interest rate exposures. The option contracts have repricing terms up to 3 months. As at 30 June 2011, the outstanding option contracts were \$nil (2010: \$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 2011, the outstanding agreements were \$nil (2010 \$nil).

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

2011	Variable interest rate \$000	Fixed maturity dates				Non interest bearing \$000	Total value \$000
		3 months or less	4 to 12 months	1 to 5 years	Over 5 years		
		\$000	\$000	\$000	\$000		
Financial assets							
Cash and deposits	54,776	-	-	-	-	-	54,776
Investments:							
- interest rate swaps	5,973	-	-	-	-	-	5,973
- other investments	1,667,207	941,118	31,881	345,394	292,249	4,121,086	7,398,935
Other assets	-	-	-	-	-	6,458	6,458
	1,727,956	941,118	31,881	345,394	292,249	4,127,544	7,466,142
Financial liabilities							
Payables	-	-	-	-	-	55,685	55,685
Other liabilities	-	264	791	1,313	-	-	2,368
	-	264	791	1,313	-	55,685	58,053
Net financial assets	1,727,956	940,854	31,090	344,081	292,249	4,071,859	7,408,089

2010	Variable interest rate \$000	Fixed maturity dates				Non interest bearing \$000	Total value \$000
		3 months or less	4 to 12 months	1 to 5 years	Over 5 years		
		\$000	\$000	\$000	\$000		
Financial assets							
Cash and deposits	20,772	-	-	-	-	-	20,772
Investments:							
- interest rate swaps	(54,886)	-	-	-	-	-	(54,886)
- other investments	1,574,482	897,554	38,681	417,057	280,331	3,524,876	6,732,981
Other assets	-	-	-	-	-	5,330	5,330
	1,540,368	897,554	38,681	417,057	280,331	3,530,206	6,704,197
Financial liabilities							
Payables	-	-	-	-	-	64,200	64,200
Other liabilities	-	320	959	882	-	-	2,161
	-	320	959	882	-	64,200	66,361
Net financial assets	1,540,368	897,234	37,722	416,175	280,331	3,466,006	6,637,836

Reconciliation of net financial assets to net assets

	2011 \$000	2010 \$000
Net financial assets as above	7,408,089	6,637,836
Non-financial assets and liabilities:		
- Provisions	(11,704)	(9,656)
- Net insurance liabilities	(8,803,523)	(8,304,481)
- Net non-financial assets	1,167,688	1,257,395
Net assets per balance sheet	(239,450)	(418,906)

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):

	2011 \$000	2010 \$000
Impact on profit and equity of a 0.5% increase in interest rates:		
- Before impact of interest rate derivatives	(42,857)	(36,005)
- Impact of interest rate derivatives	2,049	(3,550)
- After impact of interest rate derivatives	(40,808)	(39,555)
Impact on profit and equity of a 0.5% decrease in interest rates:		
- Before impact of interest rate derivatives	42,883	36,028
- Impact of interest rate derivatives	(2,049)	3,550
- After impact of interest rate derivatives	40,834	39,578

(b) Foreign currency risk

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

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

	Investment in foreign currency		Forward contract cover		Net exposure	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000
- Australian Dollar	5,851,621	5,333,665	1,419,331	1,342,516	7,270,952	6,676,181
- United States Dollar	1,078,494	1,018,882	(755,882)	(782,061)	322,612	236,821
- British Pound	75,707	52,772	(243,439)	(157,553)	(167,732)	(104,781)
- Euro Dollar	179,591	128,763	(201,165)	(195,550)	(21,574)	(66,787)
- Japanese Yen	53,572	47,435	(102,225)	(108,559)	(48,653)	(61,124)
- Other currencies	145,050	133,279	(95,747)	(135,494)	49,303	(2,215)
Total investments (note 10)					7,404,908	6,678,095

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.

	2011 \$000	2010 \$000
Impact on profit and equity of a 10% increase in foreign exchange rates:		
- Before impact of foreign exchange derivatives	(97,517)	(87,890)
- Impact of foreign exchange derivatives	88,993	87,768
After impact of foreign exchange derivatives	(8,524)	(122)
Impact on profit or equity of a 10% decrease in foreign exchange rates:		
- Before impact of foreign exchange derivatives	119,188	107,421
- Impact of foreign exchange derivatives	(108,769)	(107,272)
After impact of foreign exchange derivatives	10,419	149

(c) Other price risk

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

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

Equity price sensitivity

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

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

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

	2011	2010
	\$000	\$000
Impact on profit and equity of a 10% increase in equity prices:		
- listed equities	115,935	107,659
- unlisted equities - Australian	162,714	147,839
- unlisted equities - overseas	31,323	8,027
	309,972	263,525
Impact on profit and equity of a 10% decrease in equity prices:		
- listed equities	(115,935)	(107,659)
- unlisted equities - Australian	(162,714)	(147,839)
- unlisted equities - overseas	(31,323)	(8,027)
	(309,972)	(263,525)

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:

2011	Investment grade¹	Non - Investment grade²	Total
	\$000	\$000	\$000
Financial assets at fair value through comprehensive income statement			
Bank and cash equivalents	54,776	-	54,776
Cash and deposits	1,231,935	-	1,231,935
Debt securities	2,004,211	41,539	2,045,750
Financial derivatives	-	39,271	39,271
Other assets	-	6,458	6,458
Total	3,290,922	87,268	3,378,190

2010

Financial assets at fair value through comprehensive income statement			
Bank and cash equivalents	20,772	-	20,772
Cash and deposits	1,106,347	-	1,106,347
Debt securities	2,050,504	51,161	2,101,665
Financial derivatives	-	-	-
Other assets	-	5,330	5,330
Total	3,177,623	56,491	3,234,114

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

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

Liquidity risk

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

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

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

2011	Less than 3 months \$000	4-12 months \$000	1 - 5 years \$000	5 + years \$000	Total \$000
Financial liabilities					
Other creditors and accruals	55,685	-	-	-	55,685
Finance lease liabilities	264	791	1,313	-	2,368
Financial derivatives (net settled)	-	-	-	-	-
Total	55,949	791	1,313	-	58,053

2010	Less than 3 months \$000	4-12 months \$000	1 - 5 years \$000	5 + years \$000	Total \$000
Financial liabilities					
Other creditors and accruals	64,200	-	-	-	64,200
Finance lease liabilities	320	959	882	-	2,161
Financial derivatives (net settled)	54,419	55,095	-	104	109,618
Total	118,939	56,054	882	104	175,979

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 13.1 years (2010: 13.4 years).

Fair Value

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observables for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are based on observable market data (unobservable inputs).

30 June 2011	Fair value measurement at end of the reporting period using			
	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Financial assets				
Cash and deposits	54,776	-	-	54,776
Investments	2,560,252	4,690,397	154,259	7,404,908
Other assets	6,458	-	-	6,458
	2,621,486	4,690,397	154,259	7,466,142
Financial liabilities				
Payables	55,685	-	-	55,685
Other liabilities	2,368	-	-	2,368
	58,053	-	-	58,053
Net financial assets	2,563,433	4,690,397	154,259	7,408,089

30 June 2010	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Financial assets				
Cash and deposits	20,772	-	-	20,772
Investments	2,470,386	4,202,022	5,687	6,678,095
Other assets	5,330	-	-	5,330
	2,496,488	4,202,022	5,687	6,704,197
Financial liabilities				
Payables	64,200	-	-	64,200
Other liabilities	2,161	-	-	2,161
	66,361	-	-	66,361
Net financial assets	2,430,127	4,202,022	5,687	6,637,836

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

Where valuation techniques including discounted cash flows, multiples based analysis, comparison with similar transactions and other techniques considered appropriate in the circumstances have been employed in pricing or valuing investments, the valuations are inherently subject to estimation uncertainty. Given this inherent subjectivity, the underlying inputs and assumptions are reviewed on an ongoing basis to ensure the valuations reflect the best estimates of the economic conditions at reporting date. The value of such investments at 30 June 2011 was \$1.3 billion (2010: \$1.3 billion).

A significant majority of these investments are held via third party pooled investment vehicles, and as such TAC is not privy to the detailed assumptions used to value the underlying investment assets. The assumptions and inputs used in the valuation techniques adopted include:

- **Infrastructure Investments:** The valuations of unlisted infrastructure investments are primarily based on a discounted cash flow methodology. Key inputs which are subject to estimation uncertainty include the choice of risk free rate, risk premium, asset utilisation rates, capital expenditure forecasts and other estimated future cash flows dependent on the longer term general economic forecasts.
- **Private Equity Investments:** The valuation of unlisted private equity investments are primarily based on multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies. Key inputs which are subject to estimation uncertainty would include the identification of appropriate comparables, estimated future profits, the choice of risk free rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

- **Property Investments:** The valuation of unlisted property investments are primarily based on discounted cash flow, capitalisation and direct comparison methodologies. Key inputs which are subject to estimation uncertainty would include the identification of appropriate comparables, estimated future profits, choice of risk free rate, risk premium, estimated future cash flows and future economic and regulatory conditions.
- **Insurance Investments:** The valuation of insurance investments is primarily based on a discounted cash flow methodology. Key inputs which are subject to estimation uncertainty would include estimates on life expectancy, forecast cash flows, expected future premiums to be paid, investment specific discount rate and future economic conditions.

Transfers between categories

An amount of \$35.6 million was transferred from Level 1 to Level 2 during the year ended 30 June 2011 (2010: \$nil) based on a reassessment on the classification of the fair value hierarchies.

An amount of \$0.5 million was transferred from Level 2 to Level 1 during the year ended 30 June 2011 (2010: \$35.6 million).

An amount of \$310.9 million (2010: \$nil) was transferred from Level 2 to Level 3 during the year based on a reassessment on the classification of the fair value hierarchies, as independent valuations of these assets use non-observable market data.

Reconciliation of Level 3 fair value movements

The following table presents the changes in Level 3 instruments (financial assets) for the year ended 30 June 2011.

	Total Level 3 \$'000
Balance at beginning of the year	5,687
Loss recognised in the comprehensive income statement	(78,931)
Sales	(250,769)
Purchases	167,363
Transfer in to Level 3	310,909
Transfer out of Level 3	-
Closing Balance	154,259

Capital management strategy

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

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

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

26. SEGMENT INFORMATION

The TAC operates the transport accident compensation scheme in Victoria.

27. EVENTS AFTER REPORTING DATE

As disclosed in Note 4, TAC's investments and outstanding claims are impacted by external market and economic factors which result in short-term volatility in TAC's comprehensive income result and financial position.

Subsequent to the reporting date, a number of global events have led to significant uncertainties in both the Australian and international financial markets and adversely impacted on the valuation of TAC's investment portfolio as well as on the outstanding claims liabilities. Based on the latest valuation reports and data provided by the VFMC and the external actuaries, the unfavourable market conditions prevailing between the reporting date and the date of signing the financial statements have reduced the value of TAC's investments as at 30 June 2011 by approximately \$272 million and increased the TAC's outstanding claims liabilities as at 30 June 2011 by approximately \$495 million.

The effect of the above post reporting date events has not been recognised in the financial statements for the year ended 30 June 2011.

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

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

We further state that, in our opinion, the information set out in the comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, present fairly the financial transactions for the year ended 30 June 2011 and the financial position of the Transport Accident Commission as at that date.

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

Dated at Geelong this 25th day of August 2011.



Paul Barker
Chairman



Janet Dore
Chief Executive Officer



John Hall
Chief Finance and Accounting Officer

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Transport Accident Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of the Transport Accident Commission which comprises the comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by chairman, chief executive officer and chief finance and accounting officer, has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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.

Independent Auditor's Report (continued)

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Transport Accident Commission as at 30 June 2011 and of its financial performance and its 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*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Transport Accident Commission for the year ended 30 June 2011 included both in the Transport Accident Commission's annual report and on the website. The Board Members of the Transport Accident Commission are responsible for the integrity of the Transport Accident Commission's website. I have not been engaged to report on the integrity of the Transport Accident Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.



MELBOURNE
26 August 2011

D D R Pearson
Auditor-General

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 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 2011: Elana Rubin (Chair), Paul Barker and Christine McLoughlin.

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 2011: Geoff Hilton, Paul Barker, Julie Caldecott (Chair), Sonia Petering and Christine McLoughlin 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 2011: 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.

Marketing and Road Safety Committee

Members as at June 30 2011: Bob Officer (Chair), Andrew Dyer, Sonia Petering and Deborah Hallmark.

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 2011: Julie Caldecott (Chair) and Geoff Hilton.

Role:

- Review and challenge health care strategies and related business plans and monitor their progress as required.
- Oversee the potential impact on the agencies' financial positions of proposed health care initiatives, including fee setting and initiatives to influence service usage.
- 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.
- Monitor health care performance measures ensuring reasonableness of cost of care and quality of service delivery and outcomes.
- Monitor the performance of the agencies' clinical panels and any other similar panels established to assess the efficiency and value of clinical services provided by the agencies to clients, injured workers 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.

IT Shared Solutions Committee

Members at June 30 2011: Andrew Dyer (Chair), Janet Dore, Greg Tweedly and Andrew Saunders.

Role:

There are four core areas of focus for ITSSCo's governance of ITSS – People, Process, Technology and Projects. The primary roles of the ITSS Committee within these focus areas are to:

- Ensure the Participants continue to work together to achieve the ITSS Agreement Objectives and application of the Principles;
- Oversee ITSS's delivery of its strategy in meeting the requirements of TAC and WorkSafe.
- Receive reports and presentations on major advances in information technology that may benefit the TAC and WorkSafe.
- Review the TAC and WorkSafe IT Strategy presented by management on a regular basis and ensure it is consistent with the ITSS Agreement Objectives and Core Principles and make relevant recommendations to the Boards of the Participants.
- Review the ITSS operational plan presented by management on a regular basis, including ITSS delivery, resourcing, budget and achievement of TAC/WorkSafe service levels, and make relevant recommendations to the Boards of the Participants.
- Make recommendations to the Boards of the Participants on ITSS sponsored proposals that are beyond the delegated authority limits of the ITSS CE and the WorkSafe CE and TAC CEO.

- When requested by the Boards of the Participants, review the IT components of business sponsored proposals and make recommendations to the Boards.
- Monitor ITSS sponsored projects that are greater than \$500,000 in expected expenditure or other ITSS projects as either referred to or as agreed by the Committee.
- Provide an escalation and review forum for IT business support services issues, audit action items involving ITSS, ITSS workforce management issues, significant variations to IT Strategy & Architecture and significant non delivery of the ITSS plan.
- Review critical commercial and performance risks that may cause a significant deviation to the ITSS plan or the TAC/Work-Safe IT strategy, and when necessary make recommendations to the Boards of the Participants.
- Undertake an annual review of active projects and endorsement of proposed projects to ensure that the works program is capturing technology synergies between both TAC and WorkSafe and leveraging existing platforms.
- Undertake other roles allocated to it under the Agreement or as requested by the Boards of the Participants.

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

Compliance with the Victorian Government Risk Management Framework

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

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

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



Paul Barker
Chairman
Transport Accident Commission
25 August 2011

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

Ministerial directions

There were no Ministerial directions given by the Assistant Treasurer or the former Minister for Finance in the period 1 July 2010 to 30 June 2011.

The TAC's objectives, functions, powers and accountability

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

Objectives of the Commission (section 11)

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

Functions of the Commission (section 12)

- To administer the Transport Accident Fund
- To receive and assess, and accept or reject, claims for compensation
- To defend proceedings relating to claims for compensation
- To pay compensation to persons entitled to compensation
- To determine transport accident charges
- To collect and recover transport accident charges
- To provide advice in relation to the transport accident scheme
- To provide funds for the program designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents and for other rehabilitation programs for persons injured in transport accidents
- To collect and assess data and statistics in relation to transport accidents
- To provide advice to the Minister in relation to matters specifically referred to the Commission by the Minister and generally in relation to the administration of this Act and the compensation scheme under this Act
- To commercially exploit knowledge and expertise in compensation schemes and scheme administration
- To act as an authorised agent under section 23 of the *Accident Compensation Act 1985*
- If appointed, to act as an agent of a self-insurer under section 147A of the *Accident Compensation Act 1985*
- To carry out such other functions conferred on the Commission by this or any other Act
- To promote the prevention of transport accidents and safety in use of transport
- To promote, so far as possible, a program designed to secure the early and effective medical and vocational rehabilitation of people injured as a result of transport accidents to whom or on behalf of whom the Commission is or may become liable to make any payment under the Act.

Powers of the Commission (section 13)

- To do all things that are necessary or convenient to be done for, or in connection with, the performance of its functions and to enable it to achieve its objectives
- To enter into agreements or arrangements and settle or compromise differences or disputes with other persons
- To do all things necessary to be done in connection with the management of its interest in the assigned debt within the meaning of Part 2A of the Act, which deals with the assigned debts of the Pyramid Building Society, Countrywide Building Society and the Geelong Building Society
- To exercise other powers in relation to the assigned debt of the building societies on behalf of the Treasurer
- To apply for, obtain and hold intellectual property rights (including patents, copyrights, 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 147A of that Act.

Accountability of the Commission (section 14)

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

Legislation

The following legislative changes have occurred in the period from 1 July 2010 to 30 June 2011:

On 20 October 2010 the *Transport Accident and Accident Compensation Legislation Amendment Act 2010*, No. 80/2010:

- amended section 39(3)(b) to insert section 319(1) of the *Crimes Act 1958* which allows the Commission not to pay compensation other than medical and like services to the driver of a motor vehicle who is convicted of dangerous driving causing death at the time of the transport accident
- amended section 40(2)(b) to insert sections 49(1)(ba), (ca) and (ea) of the *Road Safety Act 1986*, which allows the Commission not to pay compensation for loss of earnings, impairment benefits and loss of earning capacity to the driver of a motor vehicle convicted of certain offences involving the use of drugs
- inserted section 40(4A) and 40(5A) which reduces a persons loss of earnings benefit by one-third if a person is convicted of an offence under sections 49(1)(bb), (h) or (i) of the *Road Safety Act 1986* involving exceeding the prescribed concentration of drugs while driving
- inserted section 46A(1A) to clarify time limits for the making of an impairment determination under the Act;
- inserted section 60(2AB) to allow domestic partners of pregnant women who are injured as a result of a transport accident to have the same equivalent entitlement to child care assistance as their injured partner would have;
- inserted section 68(3) to allow a child who is injured as a result of a transport accident who did not make a claim or have a claim made on their behalf within the required time frames have three years from attaining the age of 18 to make a claim;
- inserted sections 93(1B) and section 93A to only allow a natural person who has a serious injury or dies as a result of a transport accident to claim damages under the TAC scheme. This clause confirms the abolition of per quod servitium amisit actions
- inserted section 126B to allow a document or information acquired under or in accordance with the Act to be used for the purposes of any other proceeding or claim for compensation under the Act
- inserted section 132D to intended section 93A of the Act to alter or vary section 85 of the *Constitution Act 1975*
- inserted Division 6 in Part 11 of the Act.

On 1 July 2011 the *Transport Accident and Accident Compensation Legislation Amendment Act 2010*, No. 80/2010:

- inserted section 56A to allow for clients who are entitled to compensation as a result of accidents before 16 December 2004 to have an option to buy-out their weekly annuity entitlements
- amended section 67(1)(a) to allow the form of a claim to be approved by the Commission instead of a regulated form.

SUBORDINATE LEGISLATION

Regulations

The Regulations made during 2010/11 were:

The Transport Accident (Administration of Charges) Regulations 2011 (SR29/2011) commenced on 24 May 2011. These Regulations prescribe the periods and times or intervals for the payment of transport accident charges in relation to motor vehicles of specified classes.

Orders in Council

The Orders in Council made during 2010/11 were:

- The Transport Accident Charges Order (No.1) 2011 (Gazette 26 May 2011 pp1184). This order fixed the transport accident charges to apply during the 2011/12 financial year and additional changes to prescribe new charges for the VicRoads club permit scheme, reflecting the changes to the Road Safety (Vehicles) Regulations 2009. The order increased the transport accident charges for vehicles in all classes by the CPI.
- Declaration that the TAC Medical Excess (Gazette 23 June 2011 pp1441) not be indexed in the financial year starting 1 July 2011. This order provided that the TAC medical excess not be indexed on 1 July 2011 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 Assistant Treasurer now has discretion to request the Essential Services Commission to provide an independent review of the TAC's proposed premium each year.

Competitive Neutrality

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

Victorian Industry Participation Policy (VIPPP)

During 2010/11, the TAC awarded two contracts to which the *Victorian Industry Participation Policy Act 2003* applied.

Consultants

During 2010/11, there was one consultant engaged where the cost of each individual engagement was in excess of \$100,000.

In addition, a further five 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 \$0.18 million. Total approved project fees and expenditure for 2010/11 exclude GST.

Consultancies (>\$100,000)	Description of work	Total approved project fee \$000	2010/11 Expenditure \$000	Future expenditure \$000
M21 Pty Ltd	Commercial Advice for Housing & Accommodation Project	116	104	12

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 2010/11 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 2010/11, the TAC continued a number of environmentally sustainable initiatives, supported by an environmental committee, to reduce waste and improve resource efficiency. Initiatives include:

- Achieving a 4.5 star energy efficiency rated headquarters in Geelong
- Operating an environmental sustainability reporting system consistent with the Department of Sustainability and Environment and government policy through Resource Smart
- Operating an environmental steering committee to implement 'green initiatives' across the organisation
- Using carbon neutral paper for all on-site copying and printing and recycled paper for off-site printing
- Procurement of 25% green electricity
- Daylight harvesting
- Automated blinds to reduce heat into building
- Implemented programs to recycle florescent tubes, batteries and mobile phones
- Actively managed office supplies to increase the recycled and sustainable content
- Inclusion of environmental considerations in procurement activities.

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 Melbourne office. People wishing to effect service should attend the TAC's Customer Service Centre, 60 Brougham Street, Geelong, and ask for an authorised officer to accept service.

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

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

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

ACCESS TO INFORMATION

Freedom of Information

The TAC officers responsible for receipt and initial action on requests made under the *Freedom of Information Act 1982* are Ms Justine Adams, Ms Emily Smyth and Ms Ellen Jennings. Additional staff who contributed their services during the year were Debbie Finch, Jasmina Chandra and Lisa Lah.

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

During 2010/11:

- The TAC received 1258 Freedom of Information (FOI) requests for access to documents, compared with 1020 during 2009/2010
- Most requests related to personal documentation
- There were no requests for amendment to personal records.

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

Should a formal FOI request be required, a request must be submitted in writing detailing the documents sought, as well as enclosing the statutory \$23.90 application fee, preferably in the form of a cheque payable to "Transport Accident Commission".

The statutory application fee of \$23.90 is applicable for the period 1 July 2010 to 30 June 2011 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 and the Victorian Government's FOI Online website 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 3001
Phone: 1300 654 329
Fax: (03) 9656 9360
Email: foi@tac.vic.gov.au

Medical reports for common law purposes

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

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

Subpoenas

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

PUBLICATIONS

The TAC produces and makes available the following publications:

Description	Mode of access
A better approach to lifetime support	Copy
About lifetime support	Copy
About the TAC	Copy/Internet
A career at the TAC	Copy
Annual Transport Accident charges including GST and duty	Copy
At home with the family	Copy
Checklist of services available as part of vocational programs	Copy
Choosing an Attendant Care Agency (information sheet)	Copy
Choosing a residential care service	Copy
Clinical framework for the delivery of health services	Copy
Clinical justification flow chart	Copy
Community Group Programs (information sheet)	Copy
Community services for families (information sheet)	Copy
Community services (information sheet)	Copy
Course of employment transport accident notes	Copy
Daily support (information sheet)	Copy
Drive Smart 2 (brochure)	Copy
Drive Smart 2 CD-ROM (available to learner drivers)	CD
Empower	Copy/Internet
GST compliance	Copy
HELP pack	Copy
If you need further treatment (information sheet)	Copy
Information for people with major injuries (Booklets 1 – 4)	Copy
Information on TAC medical examinations (information sheet)	Copy
Integration support billing information	Copy
Loss of earnings capacity (information sheet)	Copy
Make sure you're right to drive: how to reduce the risk for yourself and others on the road	Copy
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	Copy/Internet

Description	Mode of access
Returning to work (information sheet)	Copy
Residential care (information sheet)	Copy
Ride Smart CD-ROM (available to learner motorcyclists)	Copy
Road Safety Statistical Summary	Internet
Safe driving policy	Copy
Get Your Gear On	Copy
Self-purchasing your TAC services (information sheet)	Copy
TAC Annual Reports	Copy/Internet
TAC allied health billing standards	Copy
TAC benefits for self-employed people	Copy
TAC billing requirements	Copy
TAC billing requirements for home, domestic and housekeeping services	Copy
TAC client service charter	Copy
TAC dependency benefits – a guide for funeral directors	Copy
TAC domestic services	Copy
TAC equipment suppliers billing standards	Copy
TAC Enterprise Agreement 2008-2011	Copy
TAC fee schedules	Internet
TAC home modifications information pack	Copy
TAC home services	Copy
TAC hospital charter	Copy
TAC hospital services billing standards	Copy
TAC income support	Copy
TAC information for people with soft tissue injuries	Copy
TAC impairment benefits	Copy
TAC impairment examination (information sheet)	Copy
TAC medical billing standards	Copy
TAC post-acute support services	Copy
TAC prosthetics and orthotics billing standards	Copy
TAC research charter	Copy
TAC support when a person dies	Copy
TAC vehicle modifications	Copy
The Good Gear Guide	Copy
The TAC's complaints process	Copy
The Transport Accident Commission – the benefits of the TAC model for proposed injury insurance	Copy
Therapy Support (information sheet)	Copy
Traffic Safety Essentials	Copy
Using modified vehicles – cost exemptions	Copy
VCE Legal Studies Resources Kit (DVD)	Copy/Internet
Victorian Trauma Foundation (information kit)	Copy/Internet
Your Feedback	Copy
Your Mental Health	Copy
Your Privacy and the TAC	Copy
Your Voice newsletter	Copy
4th Edition Impairment Examinations Information Manual	Copy

Research information

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

The request must be in writing, setting out:

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

Access to information on the internet

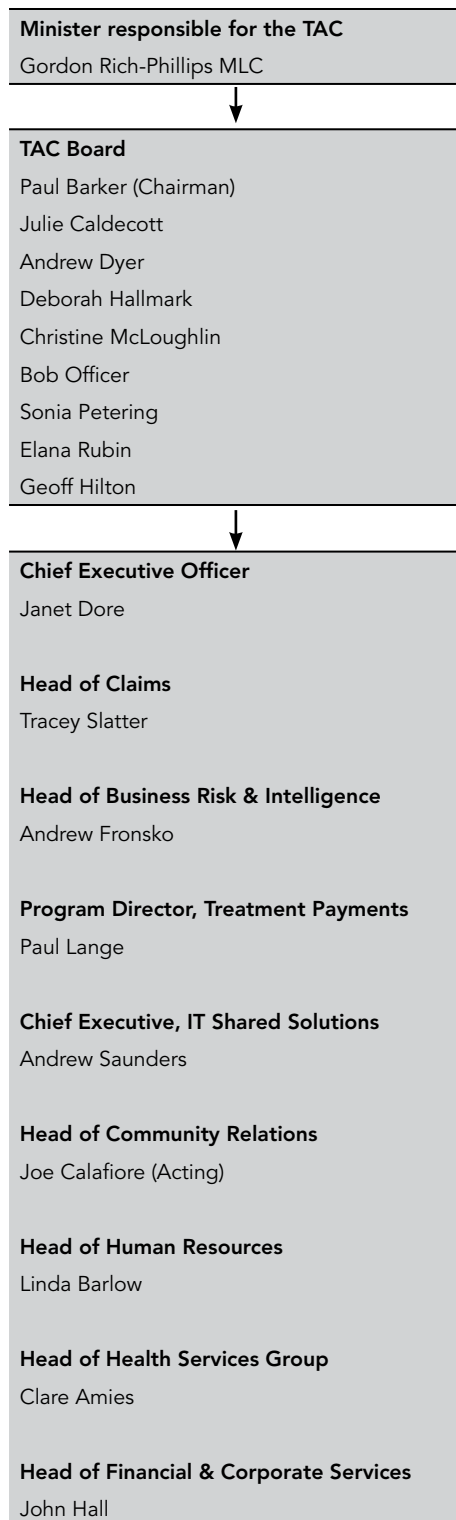
The TAC's corporate website (www.tac.vic.gov.au) includes information about the TAC, its claim policies, fees and benefit entitlement information for the public, clients, providers and key stakeholder groups. Information about road safety initiatives, statistics, promotions, and advice for drivers is available on the TAC's road safety website (www.tacsafety.com.au). The TAC also offers drivers information about vehicle crash test results on the How Safe Is Your Car website (www.howsafeisyourcar.com.au). Access to information for specific campaigns and target audiences can be found at www.spokes.com.au (motorcyclists), www.mafmad.com.au (young filmmakers) competition), www.everybodyhurts.com.au (speed campaign), www.youtube.com.au/tac, www.twitter.com/tacvictoria, www.facebook.com/mybloodoath and www.facebook.com/ilikevanessa.

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	2011	2010
TAC (FTE)	808	784
Average age	37	37

TAC ORGANISATIONAL STRUCTURE (AS AT PUBLICATION DATE)



COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS 2010/11

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
REPORT OF OPERATIONS		
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Minister	85
FRD 22B	Objectives, functions, powers and duties	85-87
FRD 22B	Nature and range of services provided	15-21
Management and structure		
FRD 22B	Organisational structure	93
Financial and other information		
FRD 22B	Statement of workforce data and merit and equity	92
FRD 22B	Summary of the financial results for the year	9
FRD 22B	Significant changes in financial position during the year	37
FRD 22B	Operational and budgetary objectives and performance against objectives	*
FRD 22B	Major changes or factors affecting performance	*
FRD 22B	Subsequent events	77
FRD 22B	Details of consultancy expenditure	87
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	89
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	87
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	88
FRD 22B	Statement on National Competition Policy	87
FRD 22B	Statement of availability of other information	90-91
FRD 22B	Occupational health and safety	14
FRD 22B	Employment and conduct principles	92
FRD 10	Disclosure index	94-95
FRD 25	Victorian Industry Participation Policy disclosures	87
SD 4.5.5	Risk management compliance attestation	84
SD 4.2 (g)	General information requirements	*
SD 4.2 (j)	Sign-off requirements	6

Ministerial Directions Legislation	Requirement	Page
FINANCIAL STATEMENTS		
Financial statements required under Part 7 of the FMA		
SD 4.2(a)	Statement of changes in Equity	38
SD 4.2(b)	Income Statement	36
SD 4.2(b)	Balance Sheet	37
SD 4.2(b)	Cash flow statement	39
SD 4.2(b)	Notes to the financial statements	40-78
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	40
SD 4.2(c)	Compliance with Ministerial Directions	85
SD 4.2(c)	Accountable officer's declaration	78
SD 4.2(d)	Rounding of amounts	46
Other disclosures in notes to the financial statements		
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 21A	Responsible person and executive officer disclosures	65-67
FRD 109	Intangibles	59
FRD 110	Cash flow	68
FRD 112A	Defined Benefit Superannuation obligations	64
Legislation		
<i>Freedom of Information Act 1982</i>		89
<i>Building Act 1983</i>		87
<i>Whistleblowers Protection Act 2001</i>		88
<i>Victorian Industry Participation Policy Act 2003</i>		87
<i>Financial Management Act 1994</i>		40
<i>Audit Act 1994</i>		79

* Throughout

Transport Accident Commission

60 Brougham Street

Geelong VIC 3220

PO Box 742

Geelong VIC 3220

Telephone 1300 654 329

www.tac.vic.gov.au