MACC

Annual Report 2019-20

Northern Territory Motor Accidents (Compensation) Commission

MACC

NT Motor Accidents (Compensation) Commission
Email: mac.commission@nt.gov.au
Postal: GPO Box 1974, Darwin NT 0801
ABN 72 532 995 678

28 October 2020

The Hon Michael Gunner MLA,
Chief Minister, Treasurer
GPO Box 3146
DARWIN NT 0801

Dear Treasurer

I have pleasure in submitting for your information and presentation to Parliament, the Motor Accidents (Compensation) Commission 2019-2020 Annual Report.

This report incorporates the audited financial statements for the Motor Accidents (Compensation) Commission for the year ended 30 June 2020, as required by section 22 of the Motor Accidents (Compensation) Commission Act 2014.

Yours sincerely

Jim Colvin
Motor Accidents (Compensation) Commissioner

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This Annual Report outlines Motor Accidents (Compensation) Commission (MACC) operations and financial statements for the 2019-20 financial year.

This Report is tabled in the Northern Territory Legislative Assembly to allow for public scrutiny of the MACC and its management of the MAC Scheme.

The Annual Report also includes information for those who have an interest in road safety in the Northern Territory.

About the Motor Accidents Compensation Commission

The Motor Accidents (Compensation) Commission (MACC) commenced operations on 1 January 2015. It is a government-owned entity with the Commissioner appointed by the Northern Territory Treasurer.

The key functions of MACC are to:

- administer, on behalf of the Northern Territory Government, the Motor Accidents Compensation scheme (MAC Scheme) in accordance with the *Motor Accidents (Compensation) Act*
- manage the Motor Accidents (Compensation) fund (MAC Fund)
- promote road safety.

Under the legislation, MACC entered into the MAC Management Agreement with Allianz Australia Insurance Limited. The agreement sets out the framework for the administration of the MAC Scheme and MAC Fund. Territory Insurance Office (TIO), a division of Allianz, provides claims and fund administration.

About the Commissioner and Associate Commissioner

The Northern Territory Treasurer appoints the MAC Commissioner for a period of three years. The Commissioner is responsible for administering the MAC Scheme in accordance with the *Motor Accidents (Compensation) Act*, managing the MAC Fund and promoting road safety.

Jim Colvin

The Treasurer reappointed Jim Colvin as MAC Commissioner from 1 July 2018 for a further three years. Jim has extensive experience in finance, governance and policy development. Prior to his appointment he was a senior economist with the Organisation for Economic Cooperation and Development in Paris. Jim has extensive experience in monopoly regulation, corporate governance for government-owned businesses and industry restructuring. He continues to consult to the World Bank and the International Monetary Fund on these matters. Jim worked for the Northern Territory Government in senior policy and financial advisory roles before starting his own consultancy.

William Oliver

The Treasurer appointed William Oliver as Associate Commissioner for two years from 23 April 2019. Will has extensive experience in personal injury compensation schemes including the MAC Scheme and has held executive level roles in operational business units inclusive of General Manager, Banking and Personal Injury Management, TIO. He practised law as a partner of a national law firm before moving in-house where he gained significant experience in corporate governance, enterprise wide risk management and prudential compliance frameworks. After a stint as general counsel at Jacana Energy following the sale of TIO, Will joined the Commission as Executive Director in April 2018.

Speeding – There's no future in it campaign

About the MAC Scheme

The MAC Scheme provides benefits to those injured in motor vehicle accidents in the Northern Territory. It provides a wide range of benefits including the necessary and reasonable costs of medical treatment, rehabilitation and any associated treatment and loss of earning capacity.

The MAC Scheme provides benefits on a no-fault basis to any person injured or the families of those killed in motor vehicle accidents occurring in the Northern Territory. *The Motor Accidents (Compensation) Act* defines the benefits available. The MAC Scheme also:

- covers the liability of drivers of Northern Territory registered vehicles in interstate accidents
- focuses on returning people injured in motor vehicle accidents to health and to work to the fullest extent possible and on improving health outcomes in urban, regional and remote communities
- allows for reductions in benefits in cases of irresponsible road user behaviour such as not wearing a seatbelt or helmet, driving an unregistered vehicle or driving under the influence of alcohol or drugs.

The MAC Scheme is funded through compulsory contributions paid when registering vehicles in the Northern Territory. The contribution is indexed to the Darwin consumer price index annually on 1 July. There is a legislated requirement for an independent review every three years, or more frequently at the discretion of the Treasurer. This ensures the Scheme remains financially viable, even where there are unanticipated claims costs.

In order to calculate the amount of reserves needed to be set aside to meet the future costs of existing claims, the actuary reviews the MAC Scheme and its claims liabilities twice yearly.

Commissioner's report

I am pleased to present the results of the Motor Accidents (Compensation) Commission (the Commission) for the year ended 30 June 2020.

The Commission is responsible for administering the MAC Scheme, which provides a range of benefits to people injured in motor vehicle accidents on Northern Territory roads and third party protection for Northern Territory registered vehicles being driven interstate. The MAC Scheme is a no fault scheme, meaning that all victims of accidents receive benefits, regardless of whether they were at fault. The benefits of a no fault scheme are that it covers all road users, avoids unnecessary litigation to prove fault and, in doing so, allows the Commission to quickly provide benefits to accident victims.

The MAC Scheme is a beneficial scheme, and the overriding objective of the Commission in managing the MAC Scheme is to ensure that those injured in motor vehicle accidents receive the compensation and treatment that they need to help them recover and get on with their lives. This includes providing medical and rehabilitation support; home and car modifications; benefits for lost income; compensation for non-economic loss; and financial support to the dependants of people killed on our roads.

Covid-19 Impact

Like everyone in our community, the Commission has been profoundly impacted by the Covid-19 pandemic. From our perspective our focus during this time has been maintaining continuity of support and continuity of service to our claimants. With our partner claims manager, the Territory Insurance Office (TIO), we have implemented business continuity arrangements to ensure that new claims can be processed and that existing claims can continue to receive support.

At the end of the financial year, 55 claims had reported some impact as a result of the pandemic, with the majority of those related to delayed access to medical service providers to provide injury assessments. To ensure continued proactive claims management, particularly where interstate travel restrictions prevented independent medical examinations, the Commission made the decision to accept claims and make claim payments in good faith, where this would usually be dependent upon a medical assessment.

Customer Satisfaction

Despite the challenging environment, the MAC Scheme continued to receive positive feedback on its service provision through the annual customer satisfaction survey. In order to maintain a high-performance culture and to maximise customer satisfaction, the Commission engages the Social Research Centre to conduct the annual customer experience survey. This study is in its ninth iteration and seeks to measure and understand the MAC Scheme customers' service experience and satisfaction with our services. Understanding experiences with services together with their level of satisfaction helps identify and prioritise areas for the Commission to focus on to improve customer experiences.

In 2020, the overall mean average satisfaction score for TIO (the MAC claims manager) was acceptable with a 7.51 out of 10 rating. This was a slight reduction compared to the previous year (7.68). Out of the nine performance attributes measured, satisfaction was highest for *'Treats you as an individual'*, with 61.9 per cent of customers rating this 9 or 10. The attribute *'Resolves your issues'* had the largest increase in satisfaction compared to 2019, increasing by 4.2 percentage points.

Compared to 2019, there were decreases in satisfaction amongst five out of the nine attributes measured, with the focus being on the quality and consistency of TIO's interactions and communications with claimants. While the overall service levels for each of the attributes was within the Commission's expectations, ensuring effective, timely and consistent communications with claimants will be a focus over the coming year.

Remote Strategy

One of the profound challenges that the Commission, and indeed the Northern Territory, faces is the high rate of involvement of Aboriginal Territorians in motor vehicle accidents. To give some context to the scale of the problem, during 2019–20, 68 per cent of fatal crashes occurred on roads in remote areas where Aboriginal Territorians made up 30 per cent of the population but experienced 57 per cent of fatalities.

As in previous years, one of our core mandates is to try to reduce the rate of accidents on remote roads through road safety initiatives. We have maintained our commitment to remote-specific advertising campaigns, particularly around driving to conditions, wearing seat-belts and drink driving. This includes using multiple channels to market specifically targeted messaging to remote communities and use of Aboriginal language materials.

We have also maintained our commitment to partnerships with Kidsafe and the Michael Long Learning and Leadership Centre (MLLLC) that seek to provide practical interventions focused on the safety of Aboriginal youth. However, our capacity to deliver on these programs, and expand on them, has been severely constrained by the restrictions that have been implemented to stop the spread of Covid-19.

Covid-19 has also impacted on our capacity to deliver services to Aboriginal claimants, although it has also provided some opportunities. Highlighting an opportunity, TIO has had to promote the use of telehealth, which is a service that has been provided within the Northern Territory for some time, particularly to service claimants and clinics in rural and remote clinics. The existing framework enabled GPs and treatment providers to transition many of their services to telehealth, which has played a significant role in ensuring that treatment continued to be provided to injured claimants.

The continued rollout of the National Disability Insurance Scheme (NDIS) in the Territory has created opportunities to provide better services to Aboriginal Territorians. The expanded provision of, and access to, NDIS-sponsored Supported Independent Living Accommodation options has meant that we have been able to successfully transition some long term claimants out of supported care and into independent living arrangements. Increased collaboration with NDIS has allowed for joint participation in both the MAC and NDIS schemes, and increased the capacity for some remote Aboriginal claimants to either return to community or have better access to their communities. These initiatives are in their early stages but provide significant opportunities to markedly improve the wellbeing of claimants from remote Aboriginal communities, particularly those with more severe, long-term injuries.

Finally, 2019-20 saw the implementation of a Quality and Safeguarding Framework. This is particularly critical to claimants in remote communities where access to professional accredited care is limited and claimants rely on community-based support. The Quality and Safeguarding Framework is designed to ensure that quality care is provided in a safe and appropriate way to all claimants receiving lifetime care.

Road Safety

A core commitment of the Commission is to fund road safety initiatives in the Northern Territory that are focussed primarily on changing community behaviours and attitudes toward safe road practices. We do this through three broad channels.

Firstly, we directly fund advertising campaigns focused around the core behaviours that impact on the frequency and severity of road trauma in the Northern Territory. During 2019-20 we continued with campaigns targeting speeding, seatbelt usage, drink driving and driving to conditions. Recognising the disproportionate incidence of motor vehicle accidents involving Aboriginal Territorians, many of our campaigns include targeted commercials and materials to remote communities through Aboriginal media channels and social media.

Commissioner's report (cont)

Secondly, the Commission partners with community organisations to deliver road safety programs. In 2019–20 our two major initiatives continued to be our partnership with Kidsafe for the delivery and fitment of car seats for kids in remote communities and the partnership with MLLLC, which enabled the provision of road safety classes to young remote-area students as an integral part of MLLLC's week-long football camps. Both the Kidsafe and MLLLC partnerships were challenged in the second half of the financial year by the travel restrictions associated with Covid-19, and the Commission is continuing to work with both organisations to adapt to the circumstances.

Finally, as a member of the Northern Territory's Road Safety Executive Group, the Commission works with other government agencies to deliver road safety initiatives under the Government's Toward Zero 2018–2022 Road Safety Action Plan. As part of this the Commission provided $3.1 million in 2019–2020 to the Department of Infrastructure, Planning and Logistics for their road safety promotion and prevention programs. Further detail on the programs delivered through this funding is provided in the Road Safety section of this report.

Operational Performance

From an operational perspective, 2019–20 saw a 20 per cent reduction in the number of claims received by the MAC Scheme. In part this was due to the reduced activity on Territory roads in the latter half of the year as a result of Covid-19 restrictions. However, the decrease was also partly evident earlier than that. While it is difficult to ascertain the causes of the decrease, it would appear that it is partly attributable to declining numbers of registered vehicles and also the reversion to more normal lodgement rates after two years of uncharacteristically high claims numbers.

With the reduction in the number of claims during the year, the actual number of outstanding claims at the end of the year also reduced quite significantly (1203 versus 1265 in the previous year). The reduction in outstanding claims numbers is a pleasing result and reflects a concerted effort by the Commission and TIO to focus on early intervention in claims with the aim of achieving more timely treatment and claims settlement.

During the year, the Commission has worked with TIO to improve the claims management framework through a number of discrete initiatives, including the following:

- Progress in the development of a provider management framework. TIO has commenced a process of more formal engagement of key providers through service level agreements and will include vendor integrity and cyber assessments. Engagement with key providers has commenced and this process will be completed through 2020–21.
- Work commenced on a new Complaints Management Tool which will allow TIO and the Commission to better track complaints, identify causes and monitor their resolution. The new processes will include website updates to facilitate complaint making. This work will be finalised in 2020–21.
- As noted above, a key development during the year was the implementation of a new quality and safeguarding framework to ensure that there is a robust system in place for monitoring and ensuring that care to claimants is provided in a safe and meaningful way for all claimants. The size of our scheme means that often this can be done at a very individualised level.

Financial Results

The MAC Scheme recorded a reported profit for the financial year ended 30 June 2020 of $99 million, which is a turnaround from the $41 million loss recorded in the prior year.

The profit benefited from a change in the way the Commission accounts for its outstanding claims liabilities, as we have now moved from applying a risk margin to using the central estimate of our liabilities, which we consider to be the best estimate of our exposure. Against that, the profit was negatively impacted by the dislocation in financial markets as a result of Covid-19, which caused both a reduction in the value of our investment portfolio and a decrease in government bond yields. Each year, the Commission has to revalue its liabilities using a yield curve that largely tracks the Commonwealth Government bond rate. When these bond rates decline, as happened this year, the Commission's reported liabilities increase, with the increase recorded as an expense against profit.

To get a better sense of the underlying performance of the MAC Scheme, each year we calculate our underlying profit which seeks to exclude the impact of movement in interest rates, which we consider to be temporal factors. Using this alternative measure, the Commission made an underlying profit of $81 million, compared to a profit of $39.3 million in 2018–19.

The other metric the Commission uses to measure its financial performance is the cash generated from operations, which shows greater stability than reported profit and is not influenced by annual valuation adjustments to our outstanding claims liabilities. In the 2019–20 financial year, the Commission generated operating cash flow of $73.7 million, substantially up on last year's cash flow of $41.8 million.

A substantial factor in the increase in cash flow during the year was amounts received from reinsurers for historic accident years. Each year, the Commission reinsures a proportion of its exposure to large events in order to provide greater certainty over its liabilities. During 2019–20, the Commission continued with a process of commuting its entitlements to reinsurance payments for accident years up to and including 2007–08. These commutations involve reinsurers paying lump sum amounts to the Commission and in return being released from their obligations to meet the future care needs of insured claimants. The Commission is of the view that these commutations are in the best interests of the MAC Scheme. Over the last two financial years, the Commission has commuted over $40 million in insurance receivables under the program.

In summary, the MAC Scheme continues to meet its financial objective of being financially stable and able to meet its statutory obligations to claimants and its commitments to road safety funding. Reflecting the stability of the MAC Scheme's financial performance, the MAC Scheme's solvency at 30 June 2020 was slightly up from the previous year at 139 per cent. This remains comfortably within the target range set by the Northern Territory Treasurer of 110–150 per cent.

Looking ahead to 2020–21, the Commission will continue to work to improve access to the MAC Scheme to ensure that benefits and supports to people injured in motor vehicle accidents are provided in a timely and appropriate manner, and to work with its stakeholder and partners in to reduce the incidence and impact of road trauma.

Jim Colvin
Motor Accidents (Compensation)
Commissioner

Territorian seatbelt attitudes and behaviours

Territory drivers and passengers killed in road accidents are twice as likely as other Australians to be not wearing a seatbelt, even though awareness is high.

Depending on the type of collision, seatbelts reduce the chance of injury or death by 10–80 per cent.

In 2018 MACC started a campaign to change the attitude of passenger and drivers to wearing seatbelts. A survey of 400 people was conducted to evaluate campaign effectiveness.

Although a clear majority agreed that seatbelts are important because they save lives, close to half had either driven a car without a seatbelt or had been a passenger without a seat belt at least once in their lifetime. Worryingly, 14 per cent had driven without a seatbelt in the past month. Driving a short distance was the most common reason for not wearing a seatbelt. Young males were the worst offenders.

"Always wear your seatbelt" Campaign recall

Around two-thirds of respondents were aware of recent communications or advertising about road safety in the Northern Territory, with 21 per cent spontaneously recalling the "Always wear your seatbelt" campaign. Prompted awareness at 87 per cent for this campaign was higher than the previous two campaigns tested.

Respondents saw the campaign as relevant and were supportive of the key intent of the campaign and understood the consequences of not wearing seatbelts.

Television (84 per cent), Facebook (26 per cent), cinema (20 per cent) were the key mediums recalled for the campaign. Younger respondents were more likely to recall online/social media while older ones were more likely to mention the newspaper.

After seeing the advertisement, 97 per cent recalled the campaign's hand gesture and associated it with wearing seatbelts. The hand gesture was considered relevant and relatable but only 20 per cent intended using it to remind others to wear a seatbelt.

Operational highlights

Claims under management

In 2019–20 there were 506 new No Fault claims received. This represents a decrease of 20 per cent on the previous year, as shown in Figure 1. No Fault claim numbers have been low for 2019–20, driven by reduced vehicle activity on Northern Territory roads following Covid-19 restrictions since March 2020 and the continuation of improvement in claims frequency since 2017–18. Of the new claims, 421 or 83 per cent relate to accidents that occurred this year. Included are 61 claimants eligible for Lifetime Care and Support benefits based on the injury severity and National Injury Insurance Scheme benchmarks.

There were 1203 open claims in the No Fault portfolio at year end, a decrease of 62 claims on the previous year.

Aboriginal claimants accounted for 31 per cent of all open claims. Men represented 59 per cent of the entire portfolio and claimants aged less than 18 years accounted for 11 per cent.

Figure 1: New claims (No Fault) received by financial year

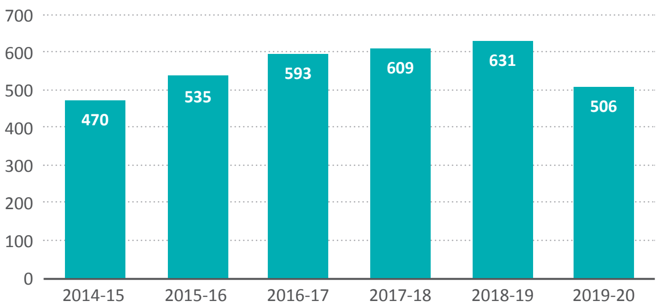
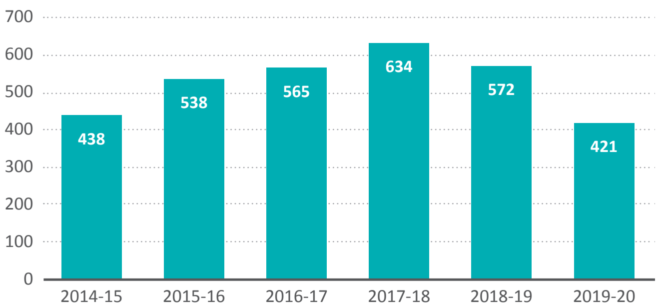


Figure 2: Claims (No Fault) by accident year at 30 June 2020

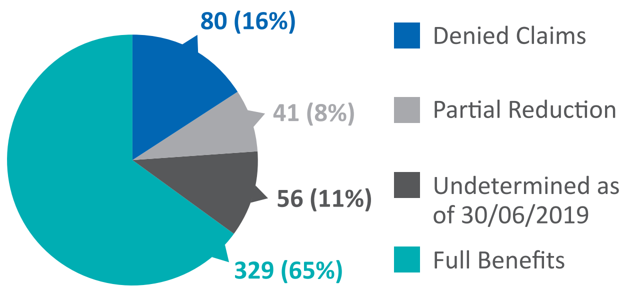


For the more recent accident years the claims experience is still developing and will not be the final number of claims received for these accident years.

Liability decisions

Upon registration of a new claim, the liability is determined based on eligibility under the Act. Full benefit exclusions or partial benefit exclusions apply under certain situations, such as if a person is driving under the influence of drugs or alcohol, recklessly ignoring risk, involved in criminal conduct, an unlicensed driver or driving an unregistered vehicle. As many claims have factual circumstances that need to be investigated prior to making a liability decision, it can take some time for liability to be assessed. However, MACC and TIO have established processes to seek to fast track decision making and have adopted an internal target that 70% of all claims receive an initial liability decision within 20 days of claims lodgement.

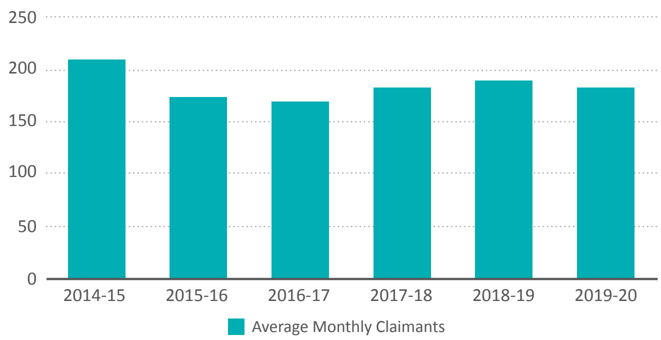
Figure 3: Effect of liability on the number of claims with benefits



Loss of earning capacity entitlements

Compensation for loss of earning capacity (LOEC) is available for claimants if their capacity to earn income is reduced as a result of a motor vehicle accident related injury. The average number of claimants receiving LOEC entitlements was 182 in 2019–20. The reduction on prior year in part reflects proactive return-to-work strategies.

Figure 4: Average monthly claimants receiving LOEC



Bart Perdjert, Wadeye

Bart Perdjert was seriously injured by a motor vehicle accident in 2004. Bart lives in Wadeye with his family who provide his daily care. Recently Imogen Lovatt, the TIO MAC Remote and Major Claims Team Manager visited the community with an Occupational Therapist to ensure Bart's daily care needs are being met, and to assess his ongoing mobility and if any further assistive technology could be of use in the community. Bart was supplied with a powered wheelchair in 2019 which increased his independence in the community.

Shane Weatherstone, Alice Springs

Shane has been looked after by TIO MAC since 2011 when he was seriously injured in a motor vehicle accident in Central Australia. He is a quadriplegic and requires 24/7 nursing care. Shane requires ongoing care, medical and rehabilitation treatment, house and vehicle modifications and assistive technology to help with his mobility. He lives in his family home as wants to live independently and watch his children grow. Shane enjoys the meetings with the TIO MAC, Remote and Major Claims Team Manager as this gives him the opportunity to discuss face-to-face how his care needs are being met, and if any further assistance can be provided.

Common law claims

One feature of the MAC Scheme is that we provide coverage to Territory motorists for interstate common law claims involving a Northern Territory registered vehicle. In 2019–20 there were 18 new common law claims received with 22 files closed. The continued proactive management of the Common Law claim portfolio has seen the number of outstanding claims reduce further this year to only 39 open claims.

Best practice strategies

Claims management

The 2019–20 key focus areas were:

- promoting early intervention strategies to ensure proactive communication and timely provision of supports to increase health and/or return to work outcomes for claimants
- delivering a disciplined approach to the management of claims with a strong focus on managing the Scheme liabilities
- increasing collaboration with existing and new providers and stakeholders to deliver strong claims management practices.

The 2020 claimant satisfaction survey result of 7.51 out of 10 was a positive outcome reflecting a strong customer focus.

Remote claims strategy

2019–20 saw a continued focus on improving claimant access to information following an accident as well as assisting claimants to overcome difficulties accessing appropriate medical and rehabilitation care in remote communities.

During 2019–20 we:

- increased collaboration with NDIS providers to promote innovative and appropriate needs-based outcomes for claimants returning to community
- were in regular contact with claimants including community visits to ensure an understanding of the MAC Scheme and entitlements to benefits, together with liaising with Health Clinics in remote communities
- worked closely with treatment providers and hospital medical teams to promote increased access to treatment and equipment to enable the transition to a safe return to community
- implemented a Quality and Safeguarding framework to ensure that quality care is provided in a safe and appropriate way to all claimants.

Appeals

Under the Motor Accidents (Compensation) Act, claimants have the right to request a review of decisions made about their claims, whether it be to change elements of a decision or have an adverse decision revoked.

Designated person review

The first avenue of appeal is a non-legislated internal review process, while the second avenue is via a Designated Person Review as defined under the Act. There were 54 new reviews by the Designated Person in 2019–20 and 8 carried over from the previous year, with a decision made on 28 claims.

Designated Person Review	2015–16	2016–17	2017–18	2018–19	2019–20
Total received	26	23	34	30	52
Decision upheld	17	18	13	19	25
Decision varied	6	9	8	14	7
Agreement reached	0	0	0	0	0
Ineligible for review or withdrawn	7	1	2	2	0
Open	7	2	13	8	28

MAC Tribunal

A litigation protocol is also in place to ensure that matters only continue to a Tribunal hearing in appropriate circumstances. The protocol is reflective of MACC’s commitment to follow model litigant principles and to resolve matters without undue delay or cost in the interests of both the claimant and the MAC Scheme.

Of the three claims that were referred to the Tribunal, two were carried over from the previous year. All three matters have resolved.

MAC tribunal	2015–16	2016–17	2017–18	2018–19	2019–20
Total received	4	6	4	4	1
Decision upheld	0	0	0	0	0
Decision varied	0	1	0	1	1
Agreement reached	3	2	5	2	1
Ineligible for review or withdrawn	0	0	0	2	1
Open	1	4	3	2	0

MAC Scheme operational results

No fault claim portfolio results	2015-16	2016-17	2017-18	2018-19	2019-20
Number of vehicles insured	199,012	200,707	200,948	198,580	198,036
Premium normal private vehicle	$ 544.15	$ 546.85	$ 547.95	$ 552.30	$ 561.10
New claims received	535	593	609	631	506
Claims received per 1,000 vehicles	2.69	2.97	3.01	3.19	2.56
Number of finalised claims	507	565	583	678	604
Number of active claims at end of period	1,113	1,185	1,253	1,265	1,203
Gross No Fault claim payments (millions)	$35.4	$35.4	$47.5	$47.6	$43.4
Net No Fault claim payments (millions)	$33.5	$32.4	$45.3	$45.4	$39.2
Number of pedestrian claims received	47	63	72	74	43

No fault payments by major heads of benefits ($millions)	2015-16	2016-17	2017-18	2018-19	2019-20
Attendant care benefits	3.9	2.3	2.7	3.2	3.6
Hospital costs	6.7	7.9	9.5	11.7	6.5
Weekly benefits (Exc. Settlements)	8.5	7.8	8.9	8.8	9.4
Vocational rehabilitation benefits	1.2	1.6	1.9	1.7	1.2
Rehabilitation benefits	1.6	1.4	1.6	1.4	1.4
Medical benefits	4.2	3.6	3.9	3.8	3.9
Death and dependency benefits	2.9	3.1	4.4	3.4	4.3

Fund performance

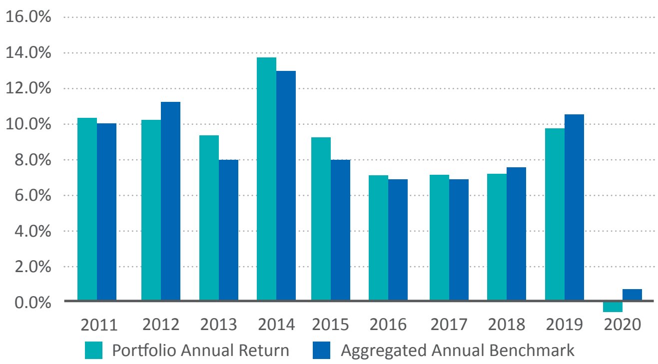
MACC fund performance

Over 2019–20 the total investment assets decreased by $12 million (2019: $794 million, 2020: $782 million). The performance of the Fund was impacted by a substantial decline in Australian and global share markets, predominantly during March 2020 and April 2020, largely relating to the impact of the Covid-19 Pandemic.

The total Fund return of 0.7 per cent slightly lagged the aggregate benchmark, primarily due to underperformance from the Fund's equity investments. Investment income of $5 million was $47 million below budget as a result of the weakness in Australian and global investment markets early in 2020. The Fund has a bias toward investing in growth assets, as they provide superior returns in the longer term, but exhibit greater short term volatility. Because of this, we are willing to accept that we may have a negative return in individual years, but have structured the portfolio such that the frequency of negative returns would not exceed, on average, once every four years.

In the context of the Covid-19 pandemic, the Commission took a conservative approach to its investment activities during the year, including holding significant cash above our target levels. The Commission targets a return on its funds equal to Average Weekly Earnings plus 2 per cent. Notwithstanding the negative return in 2019/2020 MACC has continued to meet this objective on a rolling 3 year basis.

Annual performance

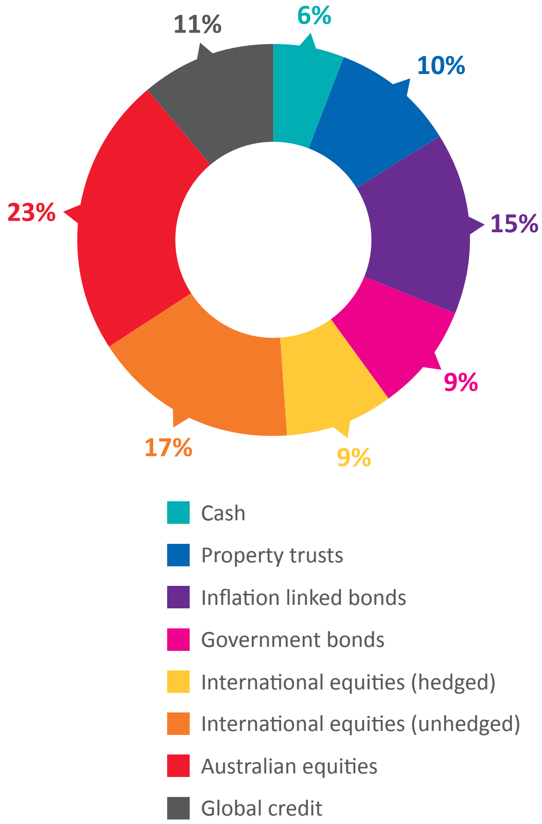


Sensitivity of operating result

Due to the long term nature of the MAC Scheme, volatility can impact the Fund significantly as shown below. The Fund is particularly sensitive to changes in interest rates, wage inflation assumptions and local and global equity markets.

Sensitivity to external factors	2019-2020
1% decrease in interest rates	$102.6 million
1% decrease in wage inflation (AWE) assumptions	$39.4 million
20% decrease in equity markets	$66.8 million

MAC asset allocation



During the year the Strategic Asset Allocation position of the Fund remained tilted more towards growth assets, such as Australian equities and international equities. This was undertaken largely as a result of the substantial decline in fixed income yields in recent years and the Fund's objective to generate a positive real return over wage inflation over the longer term.


Always wear your seatbelt campaign

Road Safety

Road safety in the Northern Territory

The Northern Territory remains the most dangerous place in Australia to be on the road. In the 2019 calendar year there were 35 fatalities, down from 50 in 2018. The number of serious injuries (405) was 80 fewer than in 2019. It is important to note that relatively small populations like the Northern Territory exhibit statistical volatility, so large fluctuations can be expected over time. Nonetheless, the reduction in serious injuries is unequivocally good news and suggests that the actions of all stakeholders involved in road safety may be gaining some traction.

A total of 68 per cent of fatal crashes occurred on regional and remote roads. Speed was the most frequent contributing factor, followed by alcohol and not wearing a seatbelt. Males made up 77 per cent of fatalities which is above the 10-year average of 70 per cent. Aboriginal Territorians remained proportionately over-represented, making up 57 per cent of fatalities. This figure was higher than the 10-year average of 50.

In 2019, 405 people were seriously injured, with 55 per cent of injuries occurring on regional and remote roads. The top three contributing factors were alcohol, speed and fatigue. Seventeen of those seriously injured were not wearing a seatbelt.

Across the Northern Territory from 1 January to 30 June 2020, there were 11 fatalities, compared with 14 for the same period in 2019. A total of 81 per cent occurred in regional and remote areas.

MACC road safety

MACC's targeted campaigns and programs to reduce the incidence of road trauma continued to influence road user attitudes and behaviours. Campaigns were prioritised around the key contributors to road trauma, namely drink driving, speeding, not using seatbelts and not driving to the conditions. Each campaign was evidence-based and designed for specific audiences. Materials were produced in up to six Aboriginal languages.

In addition to traditional media channels, road safety messaging was also delivered through digital and social media, in line with emerging trends for social media use among Aboriginal people. Two core partnerships and programs focused on Aboriginal road safety education and the installation and use of proper child restraints.

Speed campaign – Territory wide

The *Speeding – there's no future in it* campaign continued during the reporting period. The campaign is designed to appeal to young males' common sense, presenting them with the choice of the dangerous consequences of speeding or the prospective joy of their future lives.

Speeding or travelling too fast for the conditions remained a major contributing factor in fatalities and serious injuries. In early 2019 MACC undertook a benchmark study of the attitudes and behaviours of Territorians towards speeding following a 15-year absence of anti-speeding campaigns. A new speed campaign commenced in February 2019 and has been run since that time. The effectiveness of the campaign will be evaluated in the second half of 2020 with results compared to the 2019 benchmark study.

Drive to the conditions campaign – regional and remote areas

The *Drive to the conditions* campaign targeted Aboriginal people living and driving in regional and remote areas. Most road crashes resulting in fatalities and serious injuries occur on regional and remote roads. A major contributing factor is not driving at speeds suitable for unsealed roads.

The campaign features the Djuki Mala dancers delivering serious messages in a lighthearted way about driving at the right speed for unsealed roads and in other conditions. The campaign was predominantly delivered in four languages through Aboriginal media channels and social media.

Drink driving campaigns – Territory wide

The *Enough's Enough* campaign targeted the urban audience and the Sorry Business Stories campaign targeted Aboriginal audiences in regional and remote areas. We broadcast campaign materials in English and in six Aboriginal languages through Aboriginal media, and digital and social media channels.

Seatbelt campaigns – Territory wide

Two seatbelt campaigns continued throughout the year, with materials for urban and remote community audiences. The *Always Wear Your Seatbelt* campaign for regional and remote audiences addressed the dangers of overcrowded vehicles, riding in the back of utilities and unrestrained children. Broadcasting was in English and in six Aboriginal languages through Aboriginal media and social media. The seatbelt campaign was evaluated this year and the evaluation report is discussed on page 6.

Michael Long Learning and Leadership Centre (MLLLC) partnership

The partnership delivered road safety education and messaging into remote communities until it was suspended due Covid-19 access restrictions.

Targeted road safety classes delivered by Northern Territory Government road safety educators formed an integral part of MLLLC's week-long football camps to maintain road safety awareness when students returned to their communities. The partnership delivered safety education sessions to 248 students from 12 remote communities. Regional development managers from the AFLNT served as on-site road safety ambassadors supporting the program in communities.

Car Seats for Kids – Aboriginal remote program

The *Car Seats for Kids* program aims to reduce the risk of death or serious injury to children aged seven and under by using properly fitted child restraints. The program supplies and fits child car seats and boosters into Aboriginal-owned vehicles in remote communities.

Car Seats for Kids has run for the past four years with Kidsafe NT our contracted delivery partner.

Since inception 1896 restraints have been fitted in 30 communities, with 82 Aboriginal people trained as fitters. Due to restricted access to remote communities, the community visitation program was suspended in April 2020.

Darwin Cup Carnival car park security

Our sponsorship of the Darwin Cup Carnival car park security provided overnight safe car parking at the Darwin Turf Club during the Darwin Cup Carnival. The sponsorship followed research showing people risked driving home after drinking due to concerns about their vehicle being vandalised if left overnight.

MACC funded Northern Territory Government programs

MACC contributed $3.1 million to the Northern Territory Government's Department of Infrastructure, Planning and Logistics (DIPL) to support DriveSafe NT and the road safety team to deliver education and awareness initiatives.

Towards Zero Road Safety Action Plan 2018–22

The *Towards Zero Road Safety Action Plan* 2018–22 aims to improve road safety in the Northern Territory through 49 priority actions. The plan's vision is that of a road system with no deaths or serious injuries.

Of the 13 priority actions completed, seven were introduced in 2019–20:

- lane filtering for motorcyclists
- increased penalties for mobile phone use
- a blood alcohol concentration limit for supervising drivers
- a targeted all-terrain vehicles safety awareness campaign
- the '1 metre rule', a minimum overtaking distance law for passing cyclists
- safe driving guidelines for workplaces
- promotional materials for safe cycling.

An additional eight projects are expected to be completed by early 2021, including:

- review of the *Drink and Drug Driver Education* program
- review of the *DriveSafe NT Remote* program
- motorcycle safety awareness and protective clothing campaigns
- new multilingual driver safety information for tourists.

For more information visit **towardszero.nt.gov.au**

DriveSafe NT program

DriveSafe NT is the umbrella service delivering supervising driver training in remote communities. This is a mentor type in-car driving experience for those who do not have access to any other driver training.

DriveSafe NT engaged over 30 third-party service providers to deliver the program in urban areas. Participation in the program was severely limited by Covid-19 restrictions.

DriveSafe NT administered the Back on Track drink/drug driver education program. Third-party service providers delivered the associated behavioural change program for people who have been court ordered to attend or who just want to learn the impacts that drink or drug driving has on them.

Another program delivered by DriveSafe NT is commercial passenger vehicle H Endorsement training for people in remote communities who want to have a hire and reward endorsement on their licence for use in

remote communities only. DriveSafe NT provided basic MVR transactions in remote communities where MVR services were not available.

The DriveSafe NT team visited 57 regional and remote communities and issued 840 Learner Licences and 215 Provisional Licences. A total of 1087 people enrolled in the urban program. During 2019–20, 780 Learner Licences and 313 Provisional Licences were issued.

A review of the program was commenced this year and when finalised, recommendations will contribute to the development of revised education material and improved business processes.

Road Safety NT

DIPL's Road Safety NT team delivered school and community road safety education and awareness programs.

Under the school education program:

- community engagement officers visited 69 schools and delivered 167 sessions to over 6000 students. Participation in these sessions was severely affected by Covid-19 restrictions. A particular focus was engaging middle and senior school students and visiting remote and regional schools.
- senior students attended Choices Pre-Learner and Learner Driver educational workshops delivered in partnership with Police Fire and Emergency Services and St John Ambulance.

Community Engagement Officers delivered 89 educational presentations and workshops to community groups and workplaces where:

- 11 road safety education sessions were delivered to over 170 visiting Aboriginal children at MLLLC.
- Hector the Road Safety Cat shows were presented to over 300 children at 12 childcare centres.
- sessions were delivered at the MLLLC to the 98 Transition Support Unit participants.
- training to be road safety ambassadors was provided to new AFL community development managers.

Presentations were delivered to Charles Darwin University international students and various youth diversion programs run by YWCA, Anglicare, Saltbush and other providers. Seventeen grants totalling $72 027 were provided through the *Towards Zero Road Safety Community Grants Program* to not-for-profit organisations.

An updated *Who's Your Sober Bob* campaign commenced. Road safety was promoted at key community events including the Barunga Festival, Defence expos, Children's Week and the show circuit.

The team ran the *Towards Zero* road safety website and social media platforms and the Vehicle Accident Crash database. A total of 18 bike education sessions were delivered to over 278 students at the Parap and Newland Park Road safety centres where students were shown how to be safer bike riders.

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Motor Accidents (Compensation) Commission

2019-20 Financial Statements

Motor Accidents (Compensation) Commissioners' Statement

The Motor Accidents (Compensation) Commissioner is of the opinion that to the best of his belief:

The Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements of the Motor Accidents (Compensation) Commission are drawn up so as to present fairly Motor Accidents (Compensation) Commission's financial position as at 30 June 2020 and its performance for the year ended on that date.

The financial statements are drawn up in accordance with Australian Accounting Standards and Interpretations, International Financial Reporting Standards, other mandatory professional reporting requirements, and the *Motor Accidents (Compensation) Commission Act,* as amended.

James Colvin
Commissioner

6 October 2020

Statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	Notes	2020	2019 Restated
		$'000	$'000
Profit and Loss			
Revenue	5, 26	74,970	176,531
Insurance expense	6	(1,805)	(5,034)
Claims incurred/(expense)	13 (c)	47,180	(185,405)
Grants provided to fund road safety programs		(4,171)	(4,657)
Finance costs	12	(1)	-
Depreciation and amortisation expense	12	(53)	-
Management fees	7	(13,741)	(17,686)
Other expenses		(2,966)	(5,390)
Profit/(Loss) before tax		**99,413**	**(41,641)**
Income tax expense	2.3	-	-
Profit/(Loss) for the period		**99,413**	**(41,641)**
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments entered into for cash flow hedge		-	-
Total items that may be reclassified subsequently to profit or loss		**-**	**-**
Other comprehensive income/(loss) for the period		**-**	**-**
Total comprehensive income/(loss) for the period		**99,413**	**(41,641)**

The total comprehensive income for the period is attributable to the owner.

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of financial position as at 30 June 2020

	Notes	2020	2019 Restated
		$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	8	79,208	98,177
Trade and other receivables	9	2,337	2,233
Other financial assets	10	749,438	695,664
Insurance and other recoveries receivable	11	9,767	19,282
Lease Assets	12	52	-
Total Current Assets		**840,802**	**815,356**
NON-CURRENT ASSETS			
Insurance and other recoveries receivable	11	89,380	119,893
Total Non-Current Assets		**89,380**	**119,893**
Total Assets		**930,182**	**935,249**
CURRENT LIABILITIES			
Outstanding claims provision	13	47,291	62,644
Unearned CTP contributions	14	29,434	31,308
Trade and other payables	15	6,702	8,012
Provisions	21	37	15
Lease Liabilities	12	49	-
Total Current Liabilities		**83,513**	**101,979**
NON-CURRENT LIABILITIES			
Outstanding claims provision	13	594,246	680,260
Total Non-Current Liabilities		**594,246**	**680,260**
Total Liabilities		**677,759**	**782,239**
Net Assets		**252,423**	**153,010**
EQUITY			
Retained earnings		252,423	153,010
Total Equity		**252,423**	**153,010**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 June 2020

	Retained Earnings	Total
	$'000	$'000
Balance as at 30 June 2018, restated	**194,651**	**194,651**
(Loss)/Profit for the period, restated	(41,641)	(41,641)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period, restated	**(41,641)**	**(41,641)**
Transactions with owners in their capacity as owners		
Dividend paid	-	-
	-	-
Balance as at 30 June 2019, restated	**153,010**	**153,010**
Profit/(Loss) for the period	99,413	99,413
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	**99,413**	**99,413**
Transactions with owners in their capacity as owners		
Dividend paid	-	-
	-	-
Balance as at 30 June 2020	**252,423**	**252,423**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 June 2020

	Notes	2020	2019
		$'000	$'000
Cash flows from operating activities			
Cash receipts from customers and service providers		159,530	137,856
Cash paid to suppliers and claimants		(85,864)	(96,066)
Cash generated from operations		73,666	41,790
Interest paid	12	(1)	-
Net cash flow from operating activities	**19**	**73,665**	**41,790**
Cash flows from investing activities			
Receipts for investments		173,583	384,891
Payments for investments		(266,159)	(439,166)
Proceeds from sale of investment property		-	49,437
Net cash flow from/(used in) investing activities		**(92,576)**	**(4,838)**
Cash flows from financing activities			
Repayment of lease liabilities	12	(56)	-
Net cash flow from/(used in) financing activities		**(56)**	**-**
Net increase/(decrease) in cash and cash equivalents		**(18,967)**	**36,952**
Cash and cash equivalents at the beginning of the period		98,175	61,225
Cash and cash equivalents at the end of the period	**8**	**79,208**	**98,177**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Motor Accidents (Compensation) Commission Principal Place of Business
24 Mitchell Street
DARWIN NT 0800

2. Summary of significant accounting policies

2.1 Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the *Financial Management Act, Treasurer's Directions, Motor Accidents (Compensation) Commission Act 2014*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The principal accounting policies adopted are consistent with those of the previous year, except where otherwise stated. The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These general purpose financial statements were authorised by the MAC Commissioner on 6 October 2020.

The financial statements have been prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies set below at Note 2.3. Motor Accidents (Compensation) Commission is a for profit entity for financial reporting purposes. MACC is not subject to income tax as per Income Tax Assessment Act 1936 Part III Division 1AB section 24AK.

2.2 New and revised accounting standards

Standards and Interpretations affecting amounts, presentation and disclosure reported in the current period

MACC has applied AASB 16 *Leases* for the reporting period 30 June 2020. New standards also effective for the reporting period 30 June 2020 were identified but do not have a material effect on MACC's financial statements and therefore will not be adopted.

MACC applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. The comparative information presented for the reporting period 30 June 2019 is not restated and has been presented as previously reported under AASB 117 and related interpretations. Additionally, the disclosure requirements in AASB 16 have not been applied to comparative information. The details of the changes in accounting policies are described below.

AASB 16 *Leases*

Definition of a lease

Previously, MACC determined at contract inception whether a contract contained a lease under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a lease*. This was on an assessment of whether the arrangement conveyed a right to use the asset. MACC now assesses whether a contract is or contains a lease based on the right to control the use of an identifiable asset which is important in determining whether an arrangement contains a lease or is a contract for service.

MACC applied AASB 16 to contracts entered into or changed after 1 July 2019 that satisfied the definition of a lease under AASB 16.

As a lessee

a) Classification and measurement of lease liabilities and right-of-use assets

MACC previously classified leases as operating or finance leases under AASB 117 *Leases,* based on the economic substance of the agreement that reflected the risks and benefits incidental to ownership. Under AASB 16, MACC recognises right-of-use assets and lease liabilities for all leases on the statement of financial position with the exception the underlying asset is short term or of low value which will be recognized as an expense over the lease term.

On transition, MACC's lease liabilities are measured at the present value of the remaining lease payments, discounted at MACC's incremental borrowing rate. The right-of-use assets are measured at the amount of initial measurement of the lease liability.

2.2 New and revised accounting standards continued…

b) Impact on financial statements

When measuring lease liabilities for leases that were classified as operating leases, MACC discounted lease payments using its incremental borrowing rate at 1 July 2019. The discount rate applied is 1.26%.

The following table shows the operating lease commitments disclosed in applying AASB 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

	2019 $'000
Operating lease commitments at 30 June 2019 as recognised under AASB 117	115
Shot-term leases and leases of low-value assets	(9)
Effects of discounting using the incremental borrowing rate at 1 July 2019	(1)
Finance lease liabilities recognised as at 30 June 2019	-
Present value of the variable lease payments that depend on a rate or index	-
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	-
Lease liabilities recognitions at 1 July 2019	**105**

Standards and Interpretations in issue not yet adopted

There are no new or revised Standards and Interpretations that have recently been issued or amended but are not yet effective that apply to MACC.

2.3 Significant accounting policies

MACC's primary operation is to administer the MACC Scheme pursuant to the MACC Act. All accounting policies are consistent with the previous year unless otherwise stated.

a) Revenue recognition

The following specific recognition criteria are used before revenue is recognised:

Compulsory Third Party contributions ("CTP contributions or contributions")

CTP contributions relate to amounts charged to owners of motor vehicles registered in the Northern Territory that relate to the funding of the MACC Scheme. The earned portion of CTP contributions collected and receivable are recognised as revenue. CTP contributions are treated as earned from the date of attachment of risk.

The pattern of recognition of income over the contribution is in accordance with the pattern of the incidence of risk to which the contribution relates or over its expected life. Unearned CTP contribution liability, which is the proportion of contribution collected or receivable not earned in the Statement of Profit or Loss and Other Comprehensive Income, is determined by apportioning the CTP contribution in the year over the periods of indemnity from the attachment of risk, and is treated as a liability on the Statement of Financial Position at the reporting date.

Insurance and other recoveries receivable

Insurance and other recoveries receivable on paid claims expenses, reported claims not yet paid, claims incurred but not reported are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims provision. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims. The details of discount and inflation rates applied are included in note 3.

Interest

Interest income is recognised on an accrual basis.

Rental revenue

Rental revenue is recognised as income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

b) Insurance expense

Insurance expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income from the attachment date over the period of indemnity of the contributions received in accordance with the pattern of insurance protection received. Where appropriate, an unearned portion of insurance expense is treated at the reporting date as an asset.

2.3 Significant accounting policies continued…

c) Income taxes

MACC is not subject to income tax as per Income Tax Assessment Act 1936 Part III Division 1AB Section 24AK and accordingly MACC is not subject to the National Tax Equivalents Regime and has no tax related balances or transactions recorded.

d) Receivables

Receivables comprise CTP contributions receivable, interest receivables, other debtors and insurance and other recoveries on claims paid. These amounts are initially recognised at fair value. Trade receivables that do not contain a significant financing component are measured at the transaction price.

CTP contribution receivable and insurance recoveries on claims paid, which include amounts due from insurers and intermediaries, are subsequently measured at amortised cost. MACC holds trade receivables and other debtors with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

For trade receivables MACC applies a simplified approach in calculating ECL’s. MACC recognises a loss allowance based on lifetime ECL’s at each reporting date. MACC has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable. The resulting impairment charge is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

e) Goods and services tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

f) Dividend

Pursuant to Section 20 of the *Motor Accidents (Compensation) Commission Act*, the Minister may direct that any amount of funds held by MACC which, in the Minister’s opinion, is in excess of that required as adequate provision for actual and contingent liabilities or for the reasonable operating and other expenses of MACC shall be paid by MACC to the Central Holding Authority of the Territory.

2.3 Significant accounting policies continued…

g) Financial instruments

Financial assets and financial liabilities are recognised on MACC's Statement of Financial Position when MACC becomes a party to the contractual provisions of the instrument.

Financial assets

Cash and cash equivalents, interest receivables and investment assets.

<u>Cash and cash equivalents</u>

Cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

<u>Receivables</u>

Refer to note 2.3(d)

<u>Investments</u>

MACC actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from outstanding claim provisions.

Government bonds and units in trust funds are classified "at fair value through profit and loss" because the business model test is neither to collect contractual cash flows, nor to collect contractual cash flows and sell the assets. Hence these investments are mandatorily required to be measured at fair value through profit and loss.

(i) Classification

MACC classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit and loss, and
- those measured at amortised cost

The classification depends on MACC's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit and loss.

MACC reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention ('regular way' transactions) are recognised on the date of settlement, being the date the asset is delivered to or by MACC.

2.3 Significant accounting policies continued…

In cases where the period between trade and settlement exceeds this time frame, the transaction is also recognised at settlement date. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and MACC has transferred substantially all the risks and rewards of ownership or control of the asset.

Finance revenue, comprising trust distributions and interest, is brought to account on an accruals basis. Revenue on investments in unlisted trust funds is deemed to accrue on the date the distributions are declared.

(iii) Measurement
At initial recognition, MACC measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs or financial assets carried at FVPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on MACC's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which MACC classifies its debt instruments:

- Amortised costs: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments
MACC subsequently measures all equity investments at fair value. Changes in fair value of financial assets at FVPL are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(iv) Impairment
MACC assesses on a forward looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortised cost. MACC uses a provision matrix to calculate the ECL for trade receivables and uses a probability of default approach for insurance recoveries on claims paid and term deposits.

2.3 Significant accounting policies continued…

h) Fair value measurement

A number of MACC's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

MACC has overall responsibility for overseeing all significant fair value measurements. MACC regularly review significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then MACC assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the MAC Commissioner.

When measuring the fair value of an asset or a liability, MACC uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

MACC recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

i) Management Fee

The management of the MAC Fund and Scheme fell under the provision of the management agreement between NT Government and Allianz, effective 1 January 2015. In return, MACC pays a management fee in accordance with the provision of the management agreement.

2.3 Significant accounting policies continued…

The management agreement is a 10 year contract beginning 1 January 2015 for the provision of the following services:

- Manage all claims in respect of the MAC Scheme, pay benefits and settle claims for Benefits
- Undertake all duties and perform all roles of MACC under the MAC Act except to the extent that the power of function has been expressly reserved to MACC under the contract or by written notice by MACC
- Enter into any MAC Scheme Contracts (including in relation to management of the MAC Fund, MAC Agency Contracts) which it is required to enter into or it considers appropriate or desirable for the purposes of managing the MAC Scheme and / or MAC Fund to which it is not expressly prohibited from entering
- Administer and manage the investment of the MAC Fund in accordance with the MAC Act and Prudential Documents
- Perform such other functions as the parties agree in writing from time to time.

The management fee payable for the provision of management services is comprised of the following:

(a) Base remuneration which is adjusted for each period in accordance with:

(i) the Service Level Bonus/Malus; and
(ii) the Liability Management Bonus/Malus; and

(b) the Funds Under Management fee is calculated using a percentage applied to the level of Funds Under Management over the relevant period.

The Base remuneration and amounts used in the calculation of the Service Level and the Liability Management Bonus/Malus are adjusted on each CPI adjustment date by the applicable CPI.

j) Funding for road safety programs
MACC provides the Northern Territory Government with funds to meet certain costs in relation to the operation of the road safety programs.

k) Leases
MACC recognises assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. MACC assesses whether a contract is, or contains a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

2.3 Significant accounting policies continued…

MACC is a lessee in respect of operating leases that have been entered into, on or after 1 July 2019. Following the application of AASB 16, operating leases are measured at the commencement date similarly to finance leases through the recognition of a right-of-use asset representing its right to use the underlying asset, and a lease liability representing MACC's obligations to make lease payments in the statement of financial position.
The right-of-use asset is initially measured at cost which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by MACC; and
- an estimate of costs incurred in dismantling, restoring and removing the underlying asset

MACC uses a cost model to measure the right-of-use asset subsequently to the initial measurement. To apply the cost model MACC measures the right-of-use asset at cost:

- less any accumulated depreciation and any accumulated impairment loss; and
- adjusted for any measurement of the lease liability

The asset is depreciated using the straight line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, MACC shall use the incremental borrowing rate. MACC uses the incremental borrowing rate as the discount rate. MACC determines its incremental borrowing rate using the Northern Territory government discount rates based on the term of the lease and type of asset lease.
Lease payments included in the measurement of the lease liability comprise the following payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lease is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

2.3 Significant accounting policies continued…

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest or payments that vary to reflect changes in market rental rates.

MACC's future lease payments will change due to the consumer price index updated annually at 28 June 2020.

MACC subsequently measures the lease liability by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liability is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the incremental borrowing rate.

Policy applicable before 1 July 2019
For contracts entered into before 1 July 2019, MACC classified leases at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Leased assets classified as operating leases were not recognised in MACC's statements of financial position and payments made under operating leases were recognised as an expense in profit or loss on a straight line basis over the term of the lease.

l) Claims provision
The MAC Fund does not fall within the scope of Australian Accounting Standard AASB 1023: *General Insurance Contracts* as its operations are not underpinned by contracts of insurance with its members. Accordingly, the provision for estimated future claim costs is based on AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*.

The outstanding claims provision is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date, with no addition of an explicit risk margin.

Claims include statutory benefits and compensation claimed by eligible persons as defined under the Motor Accidents (Compensation) Act 1979 ("MAC Act").

2.3 Significant accounting policies continued…

Claims expense and the outstanding claims provision are recognised in respect of MACC Scheme. The provision covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends. Valuation of outstanding claims is subject to independent actuarial assessment.

The outstanding claims provision is measured as the present value of expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation. The expected future payments are discounted to present value at the Statement of Financial Position date using a risk free rate. The details of rates applied are included in note 3.

m) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. The benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their undiscounted amounts based on remuneration rates which are expected to be paid when the liability is settled.

All other employee benefit liabilities are recognised, and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes to the financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable, a provision is recognised.

Contingent assets are not recognised in the Statement of Financial Position but are disclosed in the notes to the financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised. The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

2.3 Significant accounting policies continued…

n) Commitments

Commitments are not recorded on the Statement of Financial Position but are disclosed in the financial statements at their face value.

o) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

p) Rounding of amounts

Amounts in the financial statements are presented in Australian dollars and have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2.4 Critical accounting judgments and estimates

MACC makes estimates, judgments and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below and relate to outstanding claims provision and insurance recoveries assets.

a) The ultimate liability arising from Compulsory Third Party

Provision is made at the year-end for the estimated cost of claims incurred but not yet settled at the Statement of Financial Position date, including the cost of claims incurred but not yet reported to MACC. The estimated cost of claims provision include direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries.

MACC takes all reasonable steps to ensure that it has appropriate information regarding its outstanding claims provision exposures. However, given the uncertainty in establishing claims provision, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to MACC, where more information about the claim event is generally available. IBNR claims may often not be apparent to MACC until many years after the events giving rise to the claims have happened. There is also typically a greater variation between initial estimates and final outcomes due to the uncertainty in estimating the ultimate cost of claims reported.

In calculating the estimated cost of unpaid claims MACC uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in MACC processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods
- Changes in the legal environment
- The effects of inflation
- The impact of large losses
- Movements in industry benchmarks
- Medical and technological developments.

2.4 Critical accounting judgments and estimates continued…

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these claims MACC has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims 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.

Where possible, MACC adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Claims provisions are calculated gross of any insurance and other recoveries. A separate estimate is made of the amounts that will be recoverable from insurers and third parties based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims provisions at year end are detailed in note 3.

b) Assets arising from insurance and other recoveries

Assets arising from insurance and other recoveries are also computed using the above methods. The recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that MACC may not receive amounts due to it and these amounts can be reliably measured.

3. Actuarial assumptions and methods

Provisions of claims estimates for MACC are derived from analysis of the results of several different actuarial models including claims incurred, payment per active claims, claims estimates, loss ratio and annuity. Payment reporting patterns and payment experience are analysed to develop a weighting to each method that the actuary expects to best represent likely future payments at the valuation date.

Claims inflation is incorporated into the resulting projected payments, to allow for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience.

Projected payments are discounted to allow for the time value of money. The long tail classes of business are also subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the Statement of Financial Position date.

Actuarial assumptions

The following assumptions were made in determining the outstanding claims provisions.

	2020	2019
Average weighted term to settlement (years)	15.47	15.86
Average claim frequency (latest accident year)	0.24%	0.31%
Average claim size ($)	148,372	123,621
Expense rate *	10%	9%
Discount rate	0.2% - 2.8%	0.9% - 3.8%
Inflation	2.25%	2.75%

*16% (2019: 16%) is used for the period applicable to the MACC management agreement. A rate of 7.7% (2019: 6%) has been applied for the period after 1 January 2025.

3. Actuarial assumptions and methods continued…

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

Average weighted term to settlement
The average weighted term to settlement is calculated separately by class of business based on historical payment patterns.

Average claim frequency
Claim frequency is estimated by projecting the number of claims incurred based on past patterns and dividing this by the number of policies in force.

Average claim size
Ultimate cost divided by the ultimate number of claims.

Expense rate
Claims handling expenses were calculated through the application of the claims handling expense (CHE) rate to central estimate of gross outstanding claims liability. The rate is derived with reference to 60% of the budgeted base contract fee as a proportion of expected claim payments.

Discount rate
Discount rates derived from market yields on Commonwealth Government securities as at the reporting date have been adopted.

Inflation
Economic inflation assumptions are set by reference to current economic indicators.

Sensitivity analysis
i) Summary
MACC 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 MACC. The tables below describe how a change in each assumption will affect the outstanding claims provision and show an analysis of the sensitivity of the profit/(loss) and equity to changes in these assumptions both gross and net of insurance.

3. Actuarial assumptions and methods continued…

Variable	Impact of movement in variable
Average weighted term to settlement	A decrease in the average term to settlement in the long tail classes would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims provision. An increase or decrease in the average weighted term would have a corresponding increase or decrease on claims expenses respectively.
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 for the internal costs of handling claims is included in the outstanding claims provision. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims provision 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	Expected future payments are inflated to take account of inflationary increases. Such rates of inflation are specific to the model adopted. An increase or decrease in the assumed levels of inflation would have a corresponding impact on claims expense, with particular reference to longer tail business.
Average claim size	Average amount paid per claim. An increase or decrease in the average claim size would have a corresponding impact on claims expense.

ii) Impact of changes in key variables

		Effect on Profit/(loss) before tax		
		Gross of insurance $'000	Net of insurance $'000	Equity $'000
MACC				
Weighted term to settlement	+10%	4,279	4,099	4,099
	-10%	(4,309)	(4,130)	(4,130)
Average claim frequency – latest accident year	+10%	(7,212)	(7,212)	(7,212)
	-10%	7,212	7,212	7,212
Average claim size	+10%	(61,078)	(54,534)	(54,034)
	-10%	61,078	54,534	54,534
Expense rate	+1%	(5,565)	(5,565)	(5,565)
	-1%	5,565	5,565	5,565
Discount rate	+1%	79,121	75,333	75,333
	-1%	(103,895)	(99,786)	(99,786)
Inflation	+1%	(101,779)	(101,779)	(101,779)
	-1%	79,068	79,068	79,068

4. Risk management policies and procedures

a) Objectives in managing risks arising from CTP contribution scheme and policies for mitigating those risks

MACC has an objective to control CTP contributions risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of risks attached to CTP contributions, which can lead to significant variability in the loss experience, profits from the scheme are affected by market factors. Short-term variability is, to some extent, a feature of CTP contribution schemes.

The MAC Commissioner, through the management agreement with Allianz, has developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and Reinsurance Management Strategy (ReMS). ReMS relates to insurance transactions with MACC.

The RMS and ReMS identify MACC's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by MACC.

The RMS and ReMS have been approved by the MAC Commissioner. Key aspects of these processes established in both the RMS and ReMS to mitigate risks include:

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Multiple claim events are more challenging to manage. MACC monitors exposure to such risks through special modelling techniques involving the collation of data on historical claim events which support decisions on limiting exposure.
- Insurance is used to limit MACC’s exposure to large single and multiple claim events. When selecting an insurer MACC only considers those companies that provide high security. In order to assess this, MACC use rating information from the public domain or gathered through internal investigations.
- In order to limit concentrations of credit risk, in purchasing insurance MACC has regard to existing insurance assets and seeks to limit excess exposure to any single reinsurer or group of related insurers.
- The mix of assets in which MACC invests is driven by the nature and term of the Schemes liabilities.

b) Terms and conditions of the MAC Act

The terms and conditions of the MAC Act attaching to each CTP contribution affect the level of risk accepted by MACC. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements. All CTP contributions registered in the Northern Territory are subject to substantially the same terms and conditions.

4. Risk management policies and procedures continued…

c) Interest rate and credit risk

Refer note 20.

d) Insurance counterparty risk

MACC insures a portion of risks to control exposure to losses, reduce volatility and protect capital. MACC's strategy in respect of the selection, approval and monitoring of insurance arrangements is addressed by the following protocols, which are overseen by the MAC Commissioner:

- Treaty or facultative insurance is placed in accordance with the requirements of MACC's insurance management strategy.
- Insurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on Realistic Disaster Scenarios and MACC's Maximum Event Retention.
- Exposure to insurance counterparties and the credit quality of those counterparties is actively monitored.
- Insurance contracts are expected to be commuted 10 years following the inception of the contract. Commutation recoveries are assessed based on the commutation agreement for each insurance arrangement. Commutation agreements provide for the valuation, payment, and complete discharge of all obligations between the parties under a particular insurance contract. Commutation settlements are due and payable to MACC immediately upon agreement of the commutation, unless otherwise stated.

Strict controls are maintained over insurance counterparty exposures. Insurance is placed with counterparties that have a strong credit rating and concentration of risk is managed by adherence to counterparty limits. Counterparty limits are reviewed by management on a regular basis. Credit risk exposures are calculated regularly and compared with authorised credit limits.

5. Revenue

	2020	2019 Restated
	$'000	$'000
CTP contributions revenue		
CTP contributions received (note 6)	86,339	86,428
Total CTP contributions revenue	**86,339**	**86,428**
Insurance and other recoveries	**(7,750)**	**12,992**
Finance revenue		
Interest revenue	2,905	5,822
	2,905	**5,822**
Financial assets at fair value through profit and loss:		
Trust distributions	31,366	20,059
Change in the fair value of investments	(38,492)	39,654
Net gain on the disposal of investments	(310)	2,061
Total finance revenue	**(4,531)**	**67,596**
Revenue from properties		
Rental revenue	9	4,956
Profit on sale of investment property	-	3,937
Total property revenue	**9**	**8,893**
Other revenue		
Other miscellaneous revenue	903	622
Total other revenue	**903**	**622**
Total revenue	**74,970**	**176,531**

6. Net CTP contributions revenue

	2020	2019
	$'000	$'000
CTP contributions received	84,466	85,142
Movement in unearned CTP contributions	1,873	1,286
CTP contributions revenue	**86,339**	**86,428**
Insurance expense	(1,805)	(5,034)
Net CTP contributions revenue	**84,534**	**81,394**

7. Management fees

	2020	2019
	$'000	$'000
Scheme management fees	12,408	16,591
Investment management fees	1,333	1,095
Management fees	**13,741**	**17,686**

8. Cash and cash equivalents

	2020	2019
	$'000	$'000
Cash at bank and on hand	79,208	98,177
Total cash at bank and on hand	**79,208**	**98,177**

9. Trade and other receivables

	2020	2019
	$'000	$'000
CTP contributions receivable	1,872	1,620
Less: allowance for impairment loss	-	-
	1,872	**1,620**
Interest receivable	465	479
Others	-	135
Total trade and other receivables	**2,337**	**2,233**

10. Other financial assets

Other Financial Assets	2020	2019
	$'000	$'000
At amortised cost:		
Short term securities	15,000	-
At fair value through profit and loss:		
Securities	734,438	695,664
Total other financial assets	**749,438**	**695,664**
Current financial assets		
Short term deposits	15,000	-
Bonds	74,420	79,739
Units in unlisted trust funds	660,018	615,925
Total current financial assets	**749,438**	**695,664**

The financial assets included above represent investments in unlisted trust funds, bonds and floating rate notes, which offer MACC the opportunity for return through interest income, trust distributions and fair value gains.

11. Insurance and other recoveries receivable

	2020	2019 restated
	$'000	$'000
Undiscounted on claims paid	**2,954**	**752**
Expected future recoveries undiscounted on outstanding claims provisions	112,496	165,887
Discount to present value	(16,303)	(27,464)
Discounted expected future recoveries on outstanding claims provisions (Note 13 (c))	**96,193**	**138,423**
Allowance for impairment loss – insurance recoveries	-	-
Total allowance for impairment loss	-	-
Insurance and other recoveries receivable	**99,147**	**139,175**
Current	9,767	19,282
Non-current	89,380	119,893
Insurance and other recoveries receivable	**99,147**	**139,175**

Average inflation rates (normal) and discount rates that were used in the measurement of insurance and other recoveries receivable were the same as for outstanding claims provision as per note 3.

12. Leases

Leases as a lessee

MACC leases an office premises and a carpark at 24 Mitchell St Darwin, NT 0800. The lease was entered in at 28 June 2019 and was classified as an operating lease under AASB 117. The lease term is for a period of two years, with option to renew the lease after that date. Lease payments are adjusted every year for increases in CPI.

The car park lease is a low value item and MACC has elected to apply the 'low value assets' recognition exemption. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Information about leases for which MACC is a lessee is presented below:

a) Right-of-use assets

	Office premises	Total
30 June 2020	**$'000**	**$'000**
Balance at 1 July 2019	105	105
Depreciation charge for the year	(53)	(53)
Addition to right-of-use assets	-	-
De recognition of right-of-use assets	-	-
Balance at 30 June 2020	**52**	**52**

b) Amounts recognised in profit or loss

	Total
30 June 2020 – Leases under AASB 16	**$'000**
Income from sub-leasing right of use assets presented in 'other revenue'	-
Depreciation expense on right-of-use assets	53
Interest expense on lease liabilities	1
Expenses relating to short term leases	-
Expenses relating to leases of low-value assets	3
Expenses relating to variable lease payments not included in the measurement of the lease liability	1
30 June 2019 – Operating leases under AASB 117	
Lease expense	115
Contingent rent expense	-
Sub-lease income presented in 'other revenue'	-

At 30 June 2020, MACC is committed to $3k for low value leases.

Variable lease payments not recognised in the related lease liability are expensed as incurred and include usage payments such as after hour air-conditioning services on the office premises.

12. Leases continued…

c) Amounts recognised in statement of cash flows

	Total
	$'000
Total cash outflow for leases	**(60)**

At 30 June 2020, the total cash outflow for leases amount to $60k.

d) Maturity analysis

A maturity analysis of lease liabilities based on gross cash flows is reported in the table below:

30 June 2020 - Leases	Total $'000
Less than one year	49
One to two years	-
Two to three years	-
Three to four years	-
Four to five years	-
More than five years	-
Total lease liabilities	**49**

MACC does not face a significant liquidity risk with regard to its lease liabilities.

13. Outstanding claims provision

a) Outstanding claims provision

	2020	2019 Restated
	$'000	$'000
Central estimate undiscounted	776,561	878,567
Claims handling costs undiscounted	71,554	74,612
Risk margin undiscounted	-	153,047
Gross claims incurred undiscounted	**848,115**	**1,106,226**
Discount to present value	(206,578)	(363,322)
Gross outstanding claims provision	**641,537**	**742,904**
Central estimate discounted	587,157	589,869
Current	47,291	62,644
Non-current	594,246	680,260
Gross outstanding claims provision	**641,537**	**742,904**

13. Outstanding claims provision continued….

b) Change in accounting estimate

At 30 June 2020, as a result of work undertaken as part of the 5 year Scheme review, MACC has reassessed the requirement of a risk margin and has determined that the central estimate represents MACC's best estimate of the expected future obligations associated with the outstanding claims provision as required under *AASB 137: Provisions, Contingent Liabilities and Contingent Assets*.

The analysis of claims development patterns over a ten year period showed the actuarial central estimate, which is designed to be the probability-weighted average of likely future outcomes was in fact sufficient to meet the financial obligations associated with the outstanding claims provision. The removal of the risk margin has had the effect of decreasing the net outstanding claims provision by $88m.

The liability represents the best estimate and is based on standard actuarial assessment methodologies. Uncertainty exists due to the long-term nature of liabilities and volatility around the number of Scheme participants and their severity.

Based on the minimum level required by Treasurers Determination 1/2017, a risk margin of a 75% probability of adequacy if applied would result in the net outstanding claims liability increasing by $88m to $644m.

c) Reconciliation of movement in discounted outstanding claims provision

	2020			2019 Restated		
	Gross $'000	Insurance $'000	Net $'000	Gross $'000	Insurance $'000	Net $'000
Brought forward	**742,904**	**(138,424)**	**604,480**	**615,153**	**(139,856)**	**475,297**
Effect of changes in assumptions	(141,083)	13,814	(127,269)	70,529	(8,783)	61,746
Increase in claims incurred/recoveries anticipated over the year	93,903	(6,064)	87,839	114,876	(4,209)	110,667
Incurred claims recognised in the Statement of Profit or Loss and Other Comprehensive Income	**(47,180)**	**7,750**	**(39,430)**	**185,405**	**(12,992)**	**172,413**
Net claim payments	(54,187)	34,480	(19,707)	(57,654)	14,424	(43,230)
At 30 June	**641,537**	**(96,194)**	**545,343**	**742,904**	**(138,424)**	**604,480**

13. Outstanding claims provision continued….

d) The maturity profile of MACC's discounted net outstanding claims provision is analysed below.

30 June 2020	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MACC	40,620	115,901	388,822	545,343
Total discounted net outstanding claims provision	**40,620**	**115,901**	**382,822**	**545,343**

30 June 2019, restated	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MACC	41,807	127,800	434,873	604,480
Total discounted net outstanding claims provision	**41,807**	**127,800**	**434,873**	**604,480**

e) Summary of the inflated and discounted net central estimate of outstanding claims liabilities combining each of the segments is shown below.

	2020			2019 Restated		
	General claims $'000	Lifetime care claims $'000	Total $'000	General claims $'000	Lifetime care claims $'000	Total $'000
Gross central estimate	**204,407**	**382,750**	**587,157**	**211,686**	**378,183**	**589,869**
Non- insurance recoveries	(4,453)	(26,301)	(30,754)	(4,684)	(24,002)	(28,686)
Insurance recoveries	-	(65,439)	(65,439)	-	(90,586)	(90,586)
Net central estimate	**199,954**	**291,010**	**490,964**	**207,002**	**263,595**	**470,597**

Lifetime care claims

Are claims eligible for lifetime attendant care services. The lifetime care claims are drawn from two groups:

- Claims with an injury prior to 1/7/2014 require a whole person impairment score of 60% or greater to qualify for lifetime attendant care.
- Claims with an injury on and after 1/7/2014 must meet the National Injury Insurance Scheme (NIIS) definition of serious injury as specified in the regulation with *lifetime acceptance* status.

Lifetime care claims are individually valued only when the claims are at least three development years old, because until that time the consequences of the injury are unclear. At 30 June 2020 the net central estimate includes 99 individually priced claims (2019: 90) and the estimated costs for 28.5 lifetime care claims, which is 9.5 claims for 3 development years (2019: 28.5).

13. Outstanding claims provision continued....

General claims

The remaining claims are referred to as “general claims” even though some have long term entitlements for medical or LOEC and are valued using aggregate methods. The general claims valuation includes payments made during the first three development years for claims that will ultimately be classified as lifetime.

14. Unearned CTP contributions

	2020	2019
	$’000	$’000
Unearned CTP contributions as at 1 July	**31,307**	**32,595**
Deferral of contributions received in the period	29,434	31,307
Earning of contributions received in previous periods	(31,307)	(32,595)
Unearned CTP contributions as at 30 June	**29,434**	**31,307**

15. Trade and other payables

	2020	2019
	$’000	$’000
Trade payables	6,290	7,624
Insurance payables	412	306
Other	-	82
Total trade and other payables	**6,702**	**8,012**

16. Equity and reserves

Dividends

No dividends were declared this financial year.

17. Remuneration of auditors

The auditor of MACC is the Auditor-General for the Northern Territory.

	2020	2019
	$	$
Amounts paid, or due and payable to the NT Government for services provided by the Northern Territory Auditor-General for:		
° Audit of MACC financial statements	311,534	296,851
	311,534	**296,851**

18. Related party disclosure

a) Related Parties

The Northern Territory Government is the ultimate parent entity of MACC. Companies and/or agencies that have the Northern Territory Government as a common parent are considered related parties to MACC.

The related parties of MACC include:

- the MAC Commissioner, the Associate Commissioner as MACC's key management personnel (KMP) for having authority and responsibility for planning, directing and controlling the activities of MACC directly; and
- spouses, children and dependants who are close family members of the MAC Commissioner and the Associate Commissioner; and
- all public sector entities that are controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled by the MAC Commissioner, Associate Commissioner or controlled or jointly controlled by their close family members.

b) Remuneration of Key Management Personnel

Compensation of key management personnel	2020	2019
	$	$
Short term benefits	508,645	519,885
Other long term benefits	37	15
Termination benefits	-	-
	508,682	**519,900**

18. Related party disclosure continued….

c) Other related party disclosures:

The following is a list of transactions that MACC enters into with related parties at market price and on normal commercial terms.

Cash collected

Related Party	**Details**
Motor Vehicle Registry	CTP Contributions collected on behalf of MACC from motor vehicle registrations to fund the MACC Scheme

Expenses

Related Party	**Details**
Jacana Energy	Electricity transactions
Receiver of Territory Monies	METAL funding, Road safety funding and DTAL reimbursement

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

For the year ended 30 June 2020, MACC has not made any allowance for doubtful debts relating to amounts owed by related parties as the payment history does not warrant an allowance (2019: $nil).

The following table provides quantitative information about related party transactions entered into during the year with all other Northern Territory Government controlled entities.

	2020				2019			
	Revenue from related parties $'000	Payments to related parties $'000	Amounts owed from related parties $'000	Amounts owed to related parties $'000	Revenue from related parties $'000	Payments to related parties $'000	Amounts owed from related parties $'000	Amounts owed to related parties $'000
All NTG Government departments	-	2,763	-	782	-	3,543	-	120

19. Reconciliation of net profit to net cash inflow from operating activities

	2020	2019 Restated
	$'000	$'000
Net Profit/(Loss)	99,412	(41,641)
Depreciation and amortisation expense	53	-
Changes in net market value of investments	38,492	(39,654)
Profit on Sale of Investment Securities	310	(2,061)
Profit on Sale of Investment Properties	-	(3,937)
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	(105)	2,065
(Increase)/Decrease in insurance and other recoveries receivable	40,029	(2,091)
Increase/(Decrease) in outstanding claims provisions	(101,367)	127,751
Increase/(Decrease) in unearned CTP contributions	(1,873)	(1,286)
Increase/(Decrease) in payables	(1,404)	2,762
Increase/(Decrease) in employee benefits and other liabilities	13	15
Increase/(Decrease) in GST payable	106	(133)
Net cash inflow from operating activities	**73,666**	**41,790**

20. Risk management and financial instruments information

Classes of Financial Instruments

	2020	2019
	$'000	$'000
Financial Assets		
Cash at bank and on hand	79,208	98,177
Interest receivables and others	465	614
CTP contributions receivable	1,872	1,620
Insurance recoveries on claims paid	2,924	752
Short term securities	15,000	-
Bonds	74,420	79,739
Units in unlisted trust funds	660,018	615,925
Financial Liabilities		
Trade creditors and accruals	6,290	7,706
Insurance creditors and accruals	412	306

20. Risk management and financial instruments information continued…

Financial Risk Management objectives
MACC has exposure to the following key financial risks through the use of financial instruments:
- Market risk (interest rate risk and price risk)
- Credit risk
- Liquidity risk

Exposure to these financial risks is managed in accordance with the Risk Management Strategy (RMS) and Treasury Policy (TP). The principal objective of MACC's TP is to establish a robust structure for the investment of and measuring, monitoring and reporting of financial investments and financial risks.

MACC seeks to manage financial risks to:
- Ensure there is sufficient cash flow available to meet contractual obligations.
- Outperform an asset allocation strategy benchmark set by the Board based on the expected growth in the liability portfolio.

The MAC Commissioner has overall responsibility for the establishment and oversight of the risk management strategy. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MACC's activities.

Financial Risk Management structure
The MAC Commissioner has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively.

a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market factors. Market risk at MACC comprises interest rate risk due to fluctuations in market interest rates, and price risk due to fluctuations in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

(i) Interest rate risk
MACC's exposure to interest rate risk arises predominantly when a change in the value of the liabilities due to a change in interest rates, does not lead to an exactly offsetting change in the value of the assets.

20. Risk management and financial instruments information continued…

Interest rate risk tables

The following table sets out MACC's exposure to interest rate risk showing the carrying value of financial instruments and the weighted average effective interest rates, when applicable. The banding is based upon the earlier of the contractual repricing or maturity dates.

The interest rate risk table does not disclose financial assets and financial liabilities that are non-interest bearing.

	Fixed or floating	1 year or less	> 1 year and <2 years	>2 years and <3 years	>3 years and <4 years	>4 years and <5 years	More than 5 years	Total	Weighted average effective interest rate
30 June 2020		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**%**
Financial assets									
Cash at bank and on hand	Floating	79,208	-	-	-	-	-	**79,208**	0.10%
Short term securities	Fixed	15,000	-	-	-	-	-	**15,000**	1.05%
Bonds	Fixed	-	-	-	-	-	74,419	**74,419**	3.46%
Total		**94,208**	**-**	**-**	**-**	**-**	**74,419**	**168,627**	

	Fixed or floating	1 year or less	> 1 year and <2 years	>2 years and <3 years	>3 years and <4 years	>4 years and <5 years	More than 5 years	Total	Weighted average effective interest rate
30 June 2019		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**%**
Financial assets									
Cash at bank and on hand	Floating	98,177	-	-	-	-	-	**98,177**	1.25%
Short term securities									
Bonds	Fixed	-	-	-	-	-	79,739	**79,739**	7.02%
Total		**98,177**	**-**	**-**	**-**	**-**	**79,739**	**177,916**	

20. Risk management and financial instruments information continued...

Interest Rate Risk Sensitivity Analysis

The following table demonstrates MACC's sensitivity to movement in interest rates in relation to the value of interest bearing financial assets and liabilities.

	Change in interest rate	2020		2019	
		Impact on profit after tax $'000	Impact on Equity $'000	Impact on profit after tax $'000	Impact on Equity $'000
Interest bearing financial assets and liabilities	+100 basis points	64,941	64,941	90,698	90,698
Interest bearing financial assets and liabilities	-100 basis points	(88,150)	(88,150)	(122,558)	(122,558)

The effect of interest rate movements on MACC's provision for outstanding claims is included in note 3.

(ii) Currency Risk
MACC does not have any exposure to currency risk, as there are no sales, purchases, liabilities or assets denominated in a currency other than the Australian dollar.

(ii) Price Risk
MACC is exposed to price risk through the holding of units in unlisted trust funds. Price risk arises due to the changes in the market value of the units as advised by the respective fund managers.

Price risk is managed through the use of strictly monitored allocation limits for units held in each class of managed fund. MACC invests in a diverse range of managed funds thereby limiting the impact of any one underlying variable affecting unit prices.

Returns achieved by appointed fund managers are continuously assessed by the MAC Commissioner in relation to its stated objectives and are compared to returns earned by a suitable peer group of other professional fund managers.

Price Risk Sensitivity Analysis

The analysis below demonstrates the impact of a movement in the prices of units held in unlisted trust funds. It is assumed that any relevant price change occurs as at the reporting date.

20. Risk management and financial instruments information continued…

MACC	Change in unit price	2020 Impact on profit after tax $'000	2020 Impact on Equity $'000	2019 Impact on profit after tax $'000	2019 Impact on Equity $'000
Upside					
Australian equities	+20%	36,115	36,115	38,644	38,644
International equities	+20%	40,107	40,107	39,394	39,394
Australian listed properties	+20%	16,003	16,003	14,875	14,875
Australian inflation linked	+2%	2,321	2,321	2,265	2,265
Global credit	+2%	1,657	1,657	762	762
Total		**96,203**	**96,203**	**95,940**	**95,940**
Downside					
Australian equities	-20%	(36,115)	(36,115)	(38,644)	(38,644)
International equities	-20%	(40,107)	(40,107)	(39,394)	(39,394)
Australian listed properties	-20%	(16,003)	(16,003)	(14,875)	(14,875)
Australian inflation linked	-2%	(2,321)	(2,321)	(2,265)	(2,265)
Global credit	-2%	(1,657)	(1,657)	(762)	(762)
Total		**(96,203)**	**(96,203)**	**(95,940)**	**(95,940)**

b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Trade and other receivables

MACC applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. MACC has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that are there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

20. Risk management and financial instruments information continued…

There was no loss allowance for trade debtors as at 30 June 2020 was $0 (2019: $788).

Insurance recoveries on claims paid and other financial assets, held at amortised cost

Expected credit loss on other financial assets is calculated by adopting the simplified approach, which uses a lifetime expected loss allowance.

To measure the expected credit losses, other financial assets have been grouped based on shared credit risk characteristics.

The expected loss rates are based on the following:

- probability of default (PD), which is the likelihood of a default over a particular time horizon
- loss given default (LGD) which is the share of an asset lost if a default occurs
- Maturity factor which is the holding period of the asset

The loss allowance for insurance recoveries on claims paid and other financial assets as at 30 June 2020 was determined to be $279 (2019: $294).

20. Risk management and financial instruments information continued…

Interest bearing Investments

The credit risk associated with interest bearing investments is managed by MACC as follows:

- The setting and review of credit limits as they relate to recognised external credit assessment institution's ratings.
- The setting and review of credit limits as they relate to exposures to individual entities.
- The monitoring of limit usage for both the credit ratings and the individual entities.

MACC has a maximum exposure equal to the carrying amount of each financial asset, including derivatives, on the Statement of Financial Position.

Units held in unlisted trust funds

Fund managers are selected pursuant to a strategic asset allocation approved by the MAC Commissioner. Fund managers manage applicable credit risk in accordance with their product disclosure statements. Their approach to credit risk is one of the factors in the selection process and their compliance with their product disclosure statements is confirmed annually.

The following table provides information regarding the aggregate credit risk exposure of MACC as at 30 June 2020 in respect of the major classes of financial assets, excluding unlisted trust funds and loans and receivables. The analysis classifies the assets according to recognised counterparty credit ratings.

	Credit Ratings				
	AAA or A1+	AA or A1	A or A2	Unrated	Total
	$'000	$'000	$'000	$'000	$'000
30 June 2020					
Cash at bank and on hand		79,208	-	-	**79,208**
Insurance recoveries on claims paid	-	1,704	1,224	26	**2,954**
Short term securities	-	15,000	-	-	**15,000**
Bonds	55,646	18,774	-	-	**74,420**
Total	**55,646**	**114,686**	**1,224**	**26**	**171,582**
30 June 2019					
Cash at bank and on hand	98,177	-	-	-	**98,177**
Insurance recoveries on claims paid	-	310	338	104	**752**
Bonds	61,692	18,047	-	-	**79,739**
Total	**159,869**	**18,357**	**338**	**104**	**178,668**

20. Risk management and financial instruments information continued...

The following table provides further information regarding the carrying balance of MACC's financial assets that have been impaired and the ageing of those that are past due but not impaired, and neither past due nor impaired at the reporting date.

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		0 to 3 months	3 to 6 months	Greater than 6 months		
30 June 2020	$'000	$'000	$'000	$'000	$'000	$'000
CTP contributions receivable	-	1,872	-	-	-	**1,872**
Other receivables	-	-	-	-	-	**-**
Insurance recoveries on claims paid	2,765	189	-	-	-	**2,954**
Investment receivables	465	-	-	-	-	**465**
Total	**3,230**	**2,061**	**-**	**-**	**-**	**5,291**
30 June 2019						
CTP contributions receivable	-	1,619	-	-	-	**1,619**
Other receivables	85	17	7	27	(1)	**135**
Insurance recoveries on claims paid	-	547	-	205	-	**752**
Investment receivables	479	-	-	-	-	**479**
Total	**564**	**2,183**	**7**	**232**	**(1)**	**2,985**

c) Liquidity risk

Liquidity is the ability to access funds at short notice via internal or external sources to the organisation. Liquidity risk is the risk that MACC will be unable to meet its obligations in an orderly manner as and when they fall due. This includes the risk that MACC may not be able to borrow funds when required, or at an acceptable cost.

Liquidity risk arises due to unanticipated obligations arising. This may occur when anticipated receipts do not eventuate, or when short term sources of funds are withdrawn, or where MACC is exposed to one particular market sector.

The three main elements of managing liquidity risk are:

Day-to-day cash management: Involves the use of working cash and investment balances. The key tool used to manage cash balances involves the use of cash flow forecasts.

20. Risk management and financial instruments information continued…

Short Term Liquidity management: Involves the use of both internal and external tools and facilities. MACC utilises tools including cash flow forecasts and investment maturity profiles to ensure liquidity does not fall below prudential limits. The external facilities include committed and uncommitted stand-by lines for planned and emergency funding requirements.

Long Term Liquidity management: Involves the use of budgets and business plans to protect against a liquidity problem in the future.

The following table summarises the maturity profile of MACC's liabilities. This is based on contractual undiscounted repayment obligations, which includes estimated interest repayments. The maturity profiles of outstanding claims provisions are determined on the basis of discounted estimated timing of net cash outflows and are disclosed in note 13 (d). Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profiles of undiscounted financial liabilities.

	1 year or less	> 1 year and < 5 years	> 5 years	No term	Total
	$'000	$'000	$'000	$'000	$'000
30 June 2020					
Trade and other payables	6,290	-	-	-	**6,290**
Total undiscounted financial liabilities	**6,290**	**-**	**-**	**-**	**6,290**
30 June 2019					
Trade and other payables	7,705	-	-	-	**7,705**
Total undiscounted financial liabilities	**7,705**	**-**	**-**	**-**	**7,705**

20. Risk management and financial instruments information continued…

d) Capital Management

MACC manages its capital requirements by assessing capital levels on a regular basis. The capital policy has been designed to:

- Ensure compliance with the Motor Accidents (Compensation) Commission Act, and prudential standards of the regulator (Northern Territory Government).
- Provide policies that will be consistent with an APRA regulated organisation.

Treasurers Determination 1/2017 stipulates that the target minimum solvency, unless specified differently by the Treasurer of the Northern Territory Government, is to be 110%. This target minimum is derived from the target range stipulated in the Treasurers Determination which is 110% – 150%.

The adequacy of the MAC Fund's capital is defined in Treasurers Determination 1/2017 as an adjusted ratio of Capital over Liabilities plus 100%.

The following table provides information about MACC's capital resources:

	2020	2019 Restated
	$'000	$'000
Retained earnings	252,423	153,010
Total capital resources	**252,423**	**153,010**

20. Risk management and financial instruments information continued…

e) Fair values

The fair values of financial assets listed at fair value through profit and loss have been determined using market values.

The carrying amount of receivables, cash at bank, insurance recoveries on claims paid and creditors approximate their fair value due to their short term nature. The carrying amount of term deposits is not materially different from their fair values.
The following table provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data. `

20. Risk management and financial instruments information continued...

MACC

30 June 2020	Carrying Amount			Fair Value			
	Fair value through P&L	Held at amortised cost	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Short term deposits	-	15,000	**15,000**	-	-	-	**-**
Bonds	74,420	-	**74,420**	74,420	-	-	**74,420**
Units in unlisted trust funds	660,018	-	**660,018**	-	660,018	-	**660,018**
Total	**734,438**	**15,000**	**749,438**	74,420	**660,018**	**-**	**734,438**

MACC

30 June 2019	Carrying Amount			Fair Value			
	Fair value through P&L	Held at amortised cost	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Short term deposits	-	-	**-**	-	-	-	**-**
Bonds	79,739	-	**79,739**	79,739	-	-	**79,739**
Units in unlisted trust funds	615,925	-	**615,925**	-	615,925	-	**615,925**
Total	**695,664**	**-**	**695,664**	**79,739**	**615,925**	**-**	**695,664**

20. Risk management and financial instruments information continued…

The fair value disclosure in 2020 represents MACC's financial assets and liabilities.

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices (includes, floating rate notes, bonds and units in unlisted trust funds).
- The fair values of other financial assets and liabilities are determined using prices from observable current market data and other relevant models used by market participants (includes short term deposits and other floating rate investments).
- Financial instruments that do not have an active market are based on valuation techniques using market data that is not observable.

21. Provisions

	2020	2019
	$'000	$'000
(a) Current		
Employee benefits	16	12
(b) Non-current		
Employee benefits	21	3
Total provisions	**37**	**15**

22. Commitments

	2020	2019
	$'000	$'000
(a) Management Agreement		
Future minimum base line fee payments for outsourcing arrangement:		
Within one year	13,665	13,665
Later than one year but not later than five years	47,829	54,661
Later than five years	-	6,833
	61,494	**75,159**

Management Agreement refer Note 2.3 (i).

23. Impact of alternative net outstanding claims measurement

In accordance with a directive from the Treasurer of the Northern Territory Government, the net outstanding claims provision was restated using an alternative measurement basis. This basis has not been accounted for in the financial statements, the impact of this request is for illustrative purposes only.

The alternative method for the outstanding claims provision is measured as the present value of expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and "superimposed" inflation. The expected future payments are discounted to present value at the Statement of Financial Position date using a flat discount rate of 2% above inflation (2020: 4.25% 2019: 4.75%). Claims handling expense rate of 16% is used for the period applicable for MACC management agreement, a rate of 7.7% has been applied for the period after 1 January 2025. The impact of using the alternative measurement basis is reflected as follows:

23. Impact of alternative net outstanding claims measurement continued…

	Notes	30 June 2020	Alternative Measure	Change
Statement of Profit or Loss and Other Comprehensive Income		$'000	$'000	$'000
Revenue	5	74,970	78,742	3,772
Insurance expense		(1,805)	(1,805)	-
Claims expenses	13	47,180	25,059	(22,121)
Grants provided to fund road safety programs		(4,171)	(4,171)	-
Finance costs	12	(1)	(1)	-
Depreciation and amortisation expense	12	(53)	(53)	-
Other expenses		(16,707)	(16,707)	-
Profit for the period/(loss)		**99,413**	**81,064**	**(18,349)**

	Notes	30 June 2020	Alternative Measure	Change
Statement of Financial Position		$'000	$'000	$'000
Assets				
Cash and cash equivalents	8	79,208	79,208	-
Trade and other receivables	9	2,337	2,337	-
Other financial assets	10	749,438	749,438	-
Insurance and other recoveries receivable	11	99,147	77,439	(21,708)
Lease Assets	12	52	52	-
Total Assets		**930,182**	**908,474**	**(21,708)**
Liabilities				
Outstanding claims provision	13	641,537	447,145	194,392
Trade and other payables	15	6,702	6,702	-
Unearned CTP contributions	14	29,434	29,434	-
Provisions		37	37	-
Lease Liabilities	12	49	49	-
Total Liabilities		**677,759**	**483,367**	**194,392**
Net Assets		**252,423**	**425,107**	**(172,684)**
Equity				
Opening Retained Earnings, restated		153,010	344,043	191,033
(Loss)/Profit for the period		99,413	81,064	(18,349)
Total Equity		**252,423**	**425,107**	**172,684**

24. Events subsequent to balance date

There are no events subsequent to balance date.

25. Contingent liabilities and contingent assets

a) Contingent liabilities

MACC has legal matters in progress which arise in the normal course of business. MACC defends such matters; however the outcome and quantum of any liabilities are contingent upon the Courts' decisions.

b) Contingent assets

MACC has no contingent assets.

26. Prior period error

a) Correction of error in insurance and recoveries receivable

During the financial year it was discovered that in 2017 a data migration error occurred where a commuted insurance counterparty was incorrectly migrated as an active counterparty. The counterparty was noted as active for three claims for the following treaty years and layers:

- 1981 75% of layer 2
- 1983 75% of layer 3
- 1986 85% of layer 1

This information was subsequently reported to the appointed actuary who recorded an insurance recovery against this counterparty. As a consequence, insurance assets were overstated by $3.2 million in 2018 and $0.6 million in 2019.

b) Correction of error in classification of current insurance and other recoveries receivable

During the financial year it was discovered the amount classified as current insurance and other recoveries receivable, was incorrect. Current insurance and other recoveries receivable was incorrectly reported as the value of the insurance and other recoveries receivable for the current accident year, however this should have been reported as the amount that is due to be settled within twelve months after the reporting date. As a consequence current insurance and other recoveries receivable was understated by $17 million.

c) Correction of error in insurance and other recoveries receivable

During the financial year it was discovered that as part of the grossing up exercise required to report the value of other recoveries from third parties separately from the claims provision was incorrect. The methodology used to calculate the inflated and discounted value of other recoveries from third parties was not appropriate. As a consequence other recoveries from third parties inflated and discounted were overstated by $6 million in 2019 and outstanding claims were overstated, there was no impact to net assets.

26. Prior period error continued…..

The errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

	Original	Restated	Change
30 June 2018	**$'000**	**$'000**	**$'000**
Statement of Profit and Loss			
Revenue	156,462	153,285	(3,177)
Profit/(loss) before tax	2,594	(583)	(3,177)
Profit/(loss) for the period	2,594	(583)	(3,177)
Total comprehensive income (loss) for the period	**2,594**	**(583)**	**(3,177)**
Statement of Financial Position			
Insurance and other recoveries receivable	3,921	3,921	-
Total current assets	**3,921**	**3,921**	**-**
Insurance and other recoveries receivable	136,341	133,164	(3,177)
Total non-current assets	**136,341**	**133,164**	**(3,177)**
Total Assets	**140,262**	**137,085**	**(3,177)**
Net Assets			
Retained Earnings	197,828	194,651	(3,177)
Total Equity	**197,828**	**194,651**	**(3,177)**
Statement of Changes in Equity (Total)			
Balance as at 30 June 2017	195,234	195,234	-
Profit/(loss) for the period (2018)	2,594	(583)	(3,177)
Total comprehensive income for the period (2018)	2,594	(583)	(3,177)
Balance as at 30 June 2018	**197,828**	**194,651**	**(3,177)**

26. Prior period error continued…

	Original	Restated	Change
30 June 2019	**$'000**	**$'000**	**$'000**
Statement of Profit and Loss			
Revenue	183,514	176,531	(6,983)
Claims expense	(191,736)	(185,405)	6,331
(Loss)/profit before tax	(40,989)	(41,641)	(652)
Profit/(loss) for the period	(40,989)	(41,641)	(652)
Total comprehensive income (loss) for the period	**(40,989)**	**(41,641)**	**(652)**
Statement of Financial Position			
Insurance and other recoveries receivable	2,706	19,282	16,576
Total current assets	**2,706**	**19,282**	**16,576**
Insurance and other recoveries receivable	146,629	119,893	(26,736)
Total non-current assets	**146,629**	**119,893**	**(26,736)**
Total Assets	**149,335**	**139,175**	**(10,160)**
Outstanding claims provision	63,387	62,644	(743)
Total current assets	**63,387**	**62,644**	**(743)**
Outstanding claims provision	685,848	680,260	(5,588)
Total non-current liabilities	**685,848**	**680,260**	**(5,588)**
Total Liabilities	**749,235**	**742,904**	**(6,331)**
Net Assets			
Retained Earnings	156,839	153,010	(3,829)
Total Equity	**156,839**	**153,010**	**(3,829)**
Statement of Changes in Equity (Total)			
Balance as at 30 June 2018	197,828	194,651	(3,177)
Profit/(loss) for the period (2019)	(40,989)	(41,641)	(652)
Total comprehensive income for the period (2019)	(40,989)	(41,641)	(652)
Balance as at 30 June 2019	**156,839**	**153,010**	**(3,829)**

Appendix 1 of the Annual Report

Regulatory Capital

Under the Motor Accidents (Compensation) Commission Act, MACC is regulated for prudential purposes by the Northern Territory Government through Treasurer's Determinations that state the MAC Fund must separately comply with all APRA prudential standards unless any standard is specifically exempted.

MACC

MACC is exempt from the APRA prudential standards GPS110 to GPS 116.

The solvency of the MACC is measured as an adjusted ratio of Capital over Liabilities plus 100%, as defined in Treasurer Determination 1/2017.

As at 30 June 2020, the solvency ratio was 139%.

Auditor-General

Independent Auditor's Report to the Treasurer
Motor Accidents (Compensation) Commission

Opinion

I have audited the accompanying financial report of the Motor Accidents (Compensation) Commission, which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the statement by the Motor Accidents (Compensation) Commissioner.

In my opinion the accompanying financial report of the Motor Accidents (Compensation) Commission, is in accordance with the *Motor Accidents (Compensation) Commission Act 2014*, including:

- giving a true and fair view of the Commission's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the Motor Accidents (Compensation) Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matters	Audit scope response to the Key Audit Matter
Valuation of Outstanding Claims Provision and Insurance and Other Recoveries Receivable	
The determination of the value of the Outstanding Claims Provision and associated value of Insurance and Other Recoveries Receivable involve significant assumptions and judgements by management and complex actuarial calculations.	My procedures included but were not limited to: ▪ obtaining the independent Third Party Valuation of Claims Liability and Recoveries Report (the valuation report) for the financial year ended 30 June 2020 and: o assessing the valuation report for appropriateness, including evaluating the work of the expert;

Auditor-General

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Key Audit Matters	Audit scope response to the Key Audit Matter
	○ confirming the final valuation within the valuation report agrees to the balances reported within the financial statements as at 30 June 2020; and ○ agreeing total claims paid as documented within the valuation report to the total claims recorded in the general ledger. ▪ evaluating estimation uncertainty of the accounting estimates by: ○ assessing management's consideration of alternative assumptions or outcomes and the basis upon which assumptions have been determined; ○ determining whether the significant assumptions used by management appear reasonable; and ○ when relevant to the reasonableness of the significant assumptions used by management or the appropriate application of the applicable financial reporting framework, assessing management's intent and ability to carry out specific courses of action.

Responsibilities of the Motor Accidents (Compensation) Commissioner for the Financial Report

The Motor Accidents (Compensation) Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Motor Accidents (Compensation) Commission Act 2014*, and for such internal control as the Motor Accidents (Compensation) Commissioner determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Motor Accidents (Compensation) Commissioner is responsible for assessing the ability of the Motor Accidents (Compensation) Commission to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commissioner either intends to liquidate the Motor Accidents (Compensation) Commission or to cease operations, or has no realistic alternative but to do so.

The Motor Accidents (Compensation) Commissioner is responsible for the overseeing the financial reporting process of the Motor Accidents (Compensation) Commission.

Auditor's Responsibilities for the Audit of the Financial Report

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

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

Auditor-General

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

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

6 October 2020

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

MACC

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