



CTP Regulator

2018-19 Annual Report

CTP Regulator
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To:

Hon. Rob Lucas MLC

Treasurer

This annual report will be presented to Parliament to meet the statutory reporting requirements of *the Compulsory Third Party Insurance Regulation Act 2016*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the CTP Regulator by:

Kerry Leaver

Acting Chief Executive & Acting CTP Regulator

Date 26 / 9 / 2019

Signature 

From the Chief Executive

We have now completed our third year of operation as the Compulsory Third Party (CTP) Regulator (Regulator) for the South Australian CTP Scheme (scheme). On 30 June 2019 the scheme completed its final year of a three year transition period to a competitive scheme.

A regulatory review was conducted to support the competitive scheme including updates to insurer contracts with the State and supporting the Treasurer in making amendments to the *Motor Vehicles Act 1959*. Changes to the contracts incorporate learnings from the transition years, broader learnings from the Royal Commission into the Banking Superannuation and Financial Services Industry and a review of the Regulator Rules to improve CTP Insurer claims management to benefit injured claimants.

For the first time the Regulator determined premium bands to apply from 1 July 2019 in which CTP Insurers set their own insurer premiums resulting in a significant reduction in the cost of CTP insurance for most motor vehicle owners in South Australia.

A suite of information and education materials were implemented to assist policy holders to make a choice of CTP Insurer and understand changes to the scheme.

A key element of the competition model is the Claimant Service Rating that is used to assist motorists to choose an insurer and improve the service experience for claimants. The Claimant Service Rating is now displayed on the registration renewal notice and is available on the Regulator's website.

Establishing the competition scheme and supporting motorists through this change was only achievable through the collaboration and effort of our colleagues in the Department of Planning, Transport and Infrastructure (DPTI) and Service SA. Multi-agency teams collaborated to ensure the scheme and South Australian motorists were ready for the change to a competitive scheme on 1 July 2019.

The administration of the Motor Accident Injury Accreditation Scheme (MAIAS) was transferred to the CTP Regulator by the Attorney-General on 20 February 2019. Since this time we have updated the MAIAS scheme rules and managed the re-accreditation of doctors under the MAIAS.

Over the coming year we will continue to support the community in the transition to choosing their preferred CTP Insurer and monitor CTP claims management performance and compliance. Issues of policy development for focus in the next 12 months include automated vehicles. Operationally we will oversee the claims performance of CTP Insurers to support a customer centric focus.

Thank you to our team and all those that have collaborated with us over the past year for your support and contribution.



Kim Birch
Chief Executive and CTP Regulator

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Overview: about the CTP Regulator

About the CTP Scheme

From 1 July 2016, the South Australian CTP Scheme began a transition (ending 30 June 2019) to a market-based model for CTP with four Government approved insurers (CTP Insurers) to provide CTP insurance. AAMI, Allianz, QBE and SGIC now underwrite the scheme and manage the claims against their policies of insurance. The CTP Regulator was established to oversee the scheme and regulate CTP Insurers.

During the transition years, registered vehicles were randomly allocated to one of the four CTP Insurers, on the basis of the CTP Insurer's market share. From 1 July 2019 motorists choose from one of the four CTP Insurers based on a number of factors including brand, service, price, and approved incentives.

Fundamental aspects of the scheme are:

- the motor vehicle registration renewal and CTP premium are paid in one transaction;
- premiums may only be differentiated based on one or more of the following bases: vehicle type, purpose of use, garaging location and entitlement under the GST law to an input tax credit in respect to CTP insurance premiums; and
- the CTP policy of insurance is identical across the four CTP Insurers.

The CTP policy is attached to the vehicle, not an individual's driver's licence. This means everyone driving a registered vehicle is automatically covered if they injure someone while driving and a claim is made. The Policy of Insurance is available on the Regulator's website at www.ctp.sa.gov.au.

The Policy of Insurance protects the owner of a vehicle and other people who use the vehicle, with or without the owner's consent against the financial impact of causing injury or death to other road users through the use of the vehicle anywhere in Australia.

CTP insurance is governed by South Australian legislation in the following Acts of State Parliament: the *Motor Vehicles Act 1959* (MV Act), the *Civil Liability Act 1936* and the *Compulsory Third Party Insurance Regulation Act 2016* (the Act).

In South Australia, claims for compensation under the scheme are fault-based common law claims as modified by statute, principally the *Civil Liability Act 1936*. This means people injured through motor vehicle accidents may be eligible for injury recovery support, payment of reasonable and necessary treatment, and compensation when another party is at fault or partially at fault. Access to compensation requires the injured person to meet thresholds depending on the seriousness of the injury.

The Regulator is appointed as the Nominal Defendant under Part 4 of the MV Act. Nominal Defendant claims arise when the vehicle responsible for a motor vehicle accident in South Australia that results in injuries to other people, is either uninsured or unidentified. The Regulator assigns Nominal Defendant claims to the CTP Insurers in line with their contractual agreements with the State.

The scheme also provides reasonable and necessary treatment, care and support for children under the age of 16 years injured in an accident on South Australian roads, regardless of whether the child or a South Australian registered motor vehicle was at fault.

The scheme is complemented by the Lifetime Support Scheme (LSS) which provides care, treatment and support for people who have sustained very serious lifelong injuries as a result of a motor vehicle accident in South Australia. The LSS is administered by the Lifetime Support Authority in accordance with Part 2 of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013*.

Purpose of the Regulator

The purpose of the Regulator is to deliver a high-performing competitive CTP scheme that offers choice, ease and confidence to the South Australian community. The Regulator's purpose encompasses the statutory functions of the Regulator.

Regulator Functions

Under section 5(1) of the *Compulsory Third Party Insurance Regulation Act 2016* (the Act), the Regulator must:

- regulate CTP Insurers, and perform any other function relating to CTP Insurers conferred on the Regulator under the MV Act
- determine premium amounts payable for CTP insurance policies
- determine the minimum terms and conditions of CTP insurance policies
- monitor, audit and review the operations and efficiency of the CTP scheme
- provide information to consumers about the scheme and CTP Insurers
- make, monitor the operation of, and review rules and guidelines for CTP Insurers relating to:
 - premium determination
 - claims management
 - dispute resolution
 - providing information to consumers
 - any other relevant matter
- make recommendations to the Minister in relation to:
 - eligibility criteria for insurers seeking approval under part 4 of the MV Act
 - terms and conditions of any agreement or contract entered into between the Minister and the CTP Insurer
 - assessment of an application from an insurer for approval or withdrawal of an approval under Part 4 of the MV Act
- administer the Act and exercise any other function conferred on the Regulator under any other Act

The Regulator has administrative and financial responsibility for the Motor Accident Injury Accreditation Scheme (MAIAS) as the MAIAS Administrator. The MAIAS was established by the designated Minister (the South Australian Attorney-General) under section 76 of the *Civil Liability Act 1936* to accredit health professionals to undertake Injury Scale Value (ISV) medical assessments and reports. These reports assist the CTP Insurer in the determination of the ISV.

The ISV is used to assist in determining an injured person's entitlements to compensation for certain heads of damage such as future loss of earning capacity and pain and suffering caused by an injury, subject to certain thresholds. The ISV reflects the level of adverse impact of the injury on the injured claimant, and assigns a value between 0 and 100 for an injury, based on medical evidence.

As Administrator of MAIAS, the Regulator's responsibilities include but are not limited to:

- prescribing the processes and documentation of the MAIAS
- prescribing accreditation training courses and overseeing their implementation
- making recommendations to the Minister for approval of applicants who meet the accreditation criteria
- monitoring the performance of Accredited Medical Practitioners to ensure conformity with accreditation obligations
- conducting investigations into alleged breaches of these conditions
- maintaining and keeping an up to date register of all Accredited Medical Practitioners
- continuing oversight of the MAIAS.

Our Vision

Deliver a high performing competitive CTP scheme that offers choice, ease and confidence to the South Australian community.

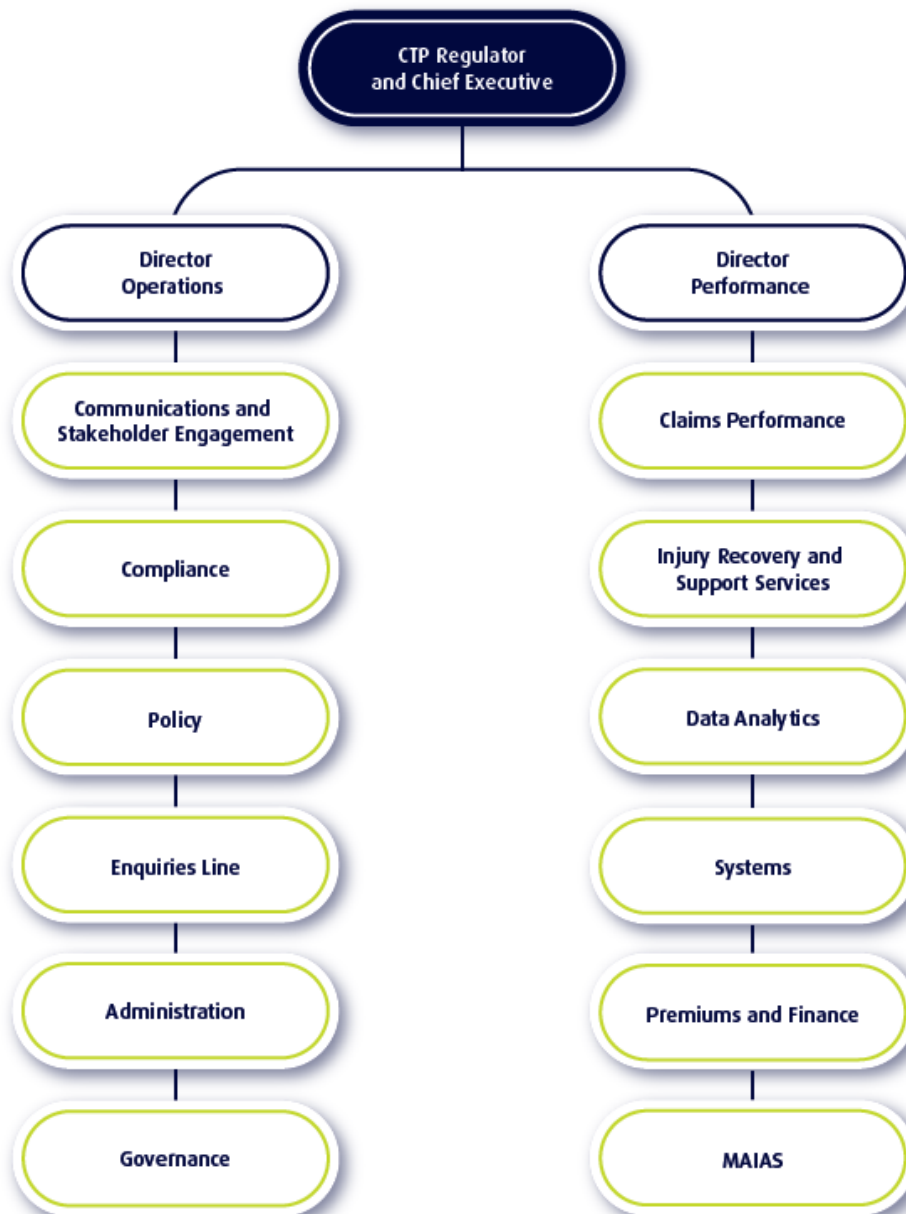
Our Values



Our Values	What this means for us
Outcomes Driven	<ul style="list-style-type: none"> • We look for practical solutions • We are decisive in our approach
Accountable	<ul style="list-style-type: none"> • We do what we say we will do • We act in the best interests of the scheme
Collaborative	<ul style="list-style-type: none"> • We listen to, and inform our community • We work together to bring positive change
Fair	<ul style="list-style-type: none"> • Our practices reflect and uphold our independence • We make evidence based decisions
Supportive	<ul style="list-style-type: none"> • We provide quality customer service • We respect the diversity of the people we serve

Our organisational structure

Figure 1: CTP Regulator Organisational Structure 2018-19



Changes to the agency

During 2018-19 the Attorney-General appointed the CTP Regulator as the Motor Accident Injury Accreditation Scheme (MAIAS) Administrator on 20 February 2019 with full responsibility for administration of MAIAS.

Our Executive team

Kim Birch is the **Chief Executive and the CTP Regulator** responsible for carrying out the functions of the CE and the CTP Regulator as determined by the *Compulsory Third Party Insurance Regulation Act 2016*.

Kerry Leaver is the **Director Operations** responsible for corporate functions including administration, communication, policy and risk and compliance. The Directorate is responsible for the implementation of the competition model.

Ivan Lebedev is the **Director Performance**, responsible for scheme performance operations, systems and processes required for scheme monitoring, corporate finance and the process of determining premium ranges for premium classes for policies from 1 July 2019.

Legislation administered by the agency

- *Compulsory Third Party Insurance Regulation Act 2016* (the Act)
- Part 4, *Motor Vehicles Act 1959* (MV Act)

Stakeholder Relationships

The Regulator is established as an independent statutory authority under the Act.

The Regulator has a Service Level Agreement with DTF for the provision of corporate services to keep administration costs down and support the effective functioning of the Regulator's Office.

We monitor the activities of CTP Insurers and their compliance with their legislative and contractual obligations, particularly in the performance of their claims management.

To manage the scheme operations, the Regulator has relationships with various Government agencies for services delivered as a result of motor vehicle accidents, and for scheme administration.

Our significant relationships to support scheme efficiency and administration are with:

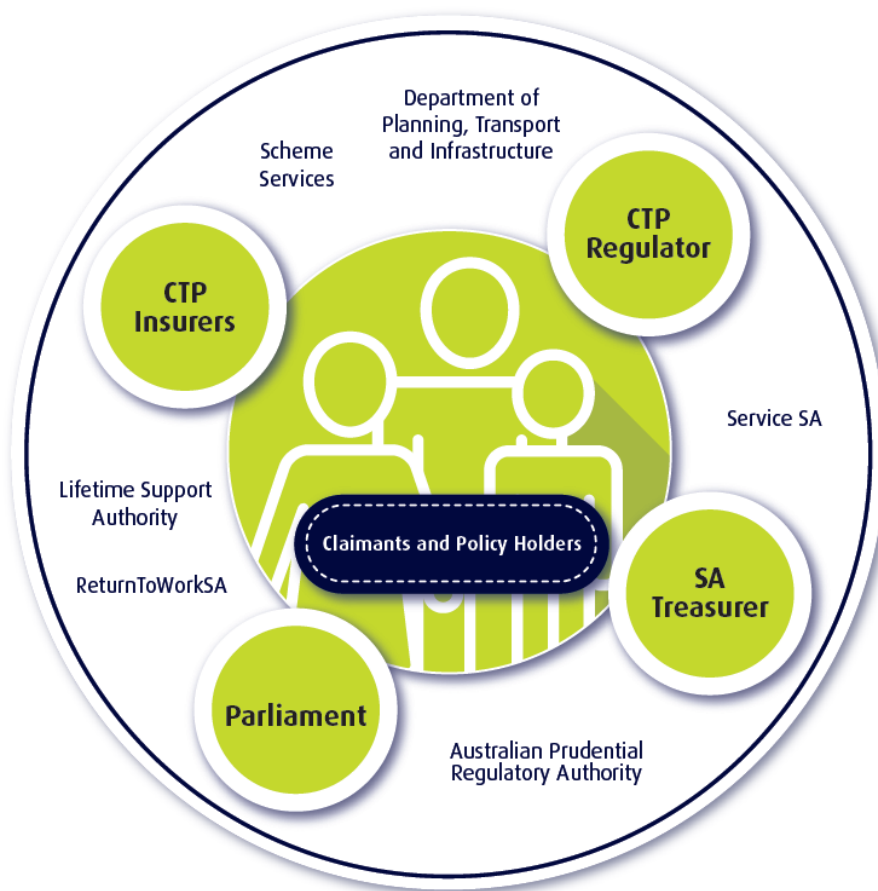
- Department of Planning, Transport and Infrastructure (DPTI) for the collection and disbursement of CTP premiums.
- Lifetime Support Scheme and ReturntoWorkSA to share information to support injured people during their claim, streamline processes and improve recovery outcomes for injured people.
- The Australian Prudential Regulation Authority (APRA) regarding the financial stability and solvency of the CTP Insurers.

In 2018-19 the Regulator had Memorandums of Administrative Arrangement (MoAA) with the following government agencies to provide services to the scheme:

- Department for Health and Wellbeing; Department of Planning, Transport and Infrastructure; Department of Treasury and Finance; Forensic Science SA (on behalf of Attorney-General's Department); Motor Accident Commission; SA Ambulance; South Australia Police; State Rescue Helicopter Service (on behalf of Attorney-General's Department).

These are paid for out of the administrative component of the CTP Premium and are collectively known as Scheme Services.

Figure 2: CTP Regulator Stakeholders 2018-19



The agency's performance

Performance at a glance

In 2018-19 the Regulator successfully implemented the competitive scheme for policies due from 1 July 2019. Key regulatory controls were implemented to ensure the competitive scheme delivered on the competition model including:

- Amendments to the *Motor Vehicles Act 1959*

The Regulator supported the Treasurer to achieve amendments to the MV Act to enable:

- the continued auto-allocation of new vehicle CTP policies with the ability for these policy holders to change their CTP Insurer up to three months after initial registration
- CTP Insurers to offer incentives of a type approved by the Minister
- operational issues associated with active choice to be addressed, for example enabling the Regulator to develop a scheme to allocate a CTP Insurer where a motorist returns a registration renewal form with payment but forgets to select an insurer.

The *Motor Vehicles (Compulsory Third Party Insurance) Amendment Act 2019* commenced on the 14 June 2019 with some elements suspended until 1 July 2019.

- New contracts executed by the State (through the Treasurer) and each CTP Insurer as an "undertaking and an agreement" for the purposes of section 101(4) of the MV Act on 28 June 2019. The new contracts reflect necessary changes in the transition to a competitive scheme, learnings from the first two years of scheme operations, learnings from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry; and the Regulator's statutory role in ensuring ongoing scheme efficiency and transparency.

To deliver on the competitive scheme, CTP premiums for 2019-20 were determined for the first time by the Regulator in May 2019, based on scheme experience and independent actuarial advice. There is more information on the premium regulation policy on page 22 of this report.

As the MAIAS Administrator, the Regulator oversaw the training and accreditation of medical practitioners to undertake Injury Scale Value medical assessments for the MAIAS. There is more information on the activities of the MAIAS on page 24 of this report.

Agency contribution to whole of Government objectives

The Regulator's strategic objectives align with the Government's priorities of delivering lower costs and better services.

Agency specific objectives and performance

The CTP Regulator's strategic objectives help the Regulator perform the statutory functions under section 5 of the Act, including: to regulate CTP Insurers; determine premium amounts; monitor, audit and review the operation and efficiency of the CTP scheme; to provide information to consumers about the CTP Scheme; and to make, monitor and review rules for CTP Insurers. The Regulator's operational performance is summarised in the "Corporate performance summary" section below.

Number	Strategic Objective Description
One	Deliver a financially sustainable, efficient and effective scheme We will closely monitor the scheme performance to ensure the scheme costs are affordable to motorists, keeping downward pressure on premiums. We will establish policies, systems and processes to support the Competition Scheme from 1 July 2019.
Two	Promote an outcomes driven, early recovery and service focussed approach to claims management Our Scheme Performance Framework supports our statutory obligation to monitor, audit and review the operation and efficiency of the CTP Insurance business, with an emphasis on the claimant's injury recovery and early intervention, and the early resolution of claims.
Three	Meet our regulatory and statutory obligations As an independent statutory authority, we ensure our legislative, contractual and regulatory obligations are met. This includes the regulation and monitoring of CTP Insurers.
Four	Enhance the capability of our team to lead the delivery of our vision & mission As a team, we will continue to develop our culture, skills and knowledge to meet our obligations and to demonstrate our organisational values.

Corporate performance summary

Further information about the Regulator's performance in the 2018-19 financial year is detailed below in the section "Reporting required under the *Compulsory Third Party Insurance Regulation Act 2016*".

Performance Indicator	Target Date	Outcome
Objective 1 Deliver a financially sustainable, efficient and effective scheme		
Premium bands set for each premium class	May 2019	✓ Achieved
Community education and information campaign implemented	May 2019	✓ Achieved
Internal and External staff training for the changes to the scheme completed	May 2019	✓ Achieved
Transport Regulation User Management Processing System (TRUMPS) modifications for competitive scheme implemented	May 2019	✓ Achieved
Face-to-Face MAIAS accreditation training delivered with ReturntoWorkSA	May 2019	✓ Achieved
Critical amendments to the <i>Motor Vehicles Act 1959</i> (SA)	April 2019	Achieved June 2019, in time for the competitive scheme on 1 July
New CTP Insurer contracts with the State for 1 July 2019 executed	February 2019	Achieved June 2019, in time for the competitive scheme on 1 July
Reset Memorandums of Administrative Arrangement for CTP scheme services with relevant government agencies	January 2019	Majority Achieved by June 2019, administrative delays have been experienced with no impact to services
Objective 2 Promote an outcomes driven, early recovery and service focussed approach to claims management		
Launch the Early Intervention and Injury Recovery Framework and brochure	February 2018	Achieved July 2018
Complete the MAIAS quality audit for 2018	September 2018	✓ Achieved

Performance Indicator	Target Date	Outcome
Introduce a voluntary medical certificate	April 2019	✓ Achieved
Implement an online version of the claim form	April 2019	✓ Achieved
Objective 3 Meet our regulatory and statutory obligations		
Evaluate the compliance framework to develop a new compliance framework for 2019-20	December 2018	✓ Achieved
Procure internal auditor	January 2019	✓ Achieved
Records management disposal schedule approved by State Records of South Australia	February 2019	✓ Achieved
Launch new website and updated website content	March 2019	✓ Achieved
Personal Injury Register Upgrade	March 2019	Achieved May 2019
Objective 4 Enhance the capability of our team to lead the delivery of our vision and mission		
Deliver claims management training for staff	December 2018	✓ Achieved
Implement organisation development strategy	December 2018	Achieved May 2019

Agency performance management and development systems

Regulator staff access Department of Treasury and Finance's (DTF's) performance management and development systems. All staff have performance plans in place that are reviewed every six months. The Regulator also provided tailored training courses for staff in 2018-19:

- All Regulator staff completed a tailored business writing course to improve quality and increase confidence and enjoyment in written work. This course included a component to assist managers in providing positive feedback to encourage staff and improve overall performance.
- Regulator staff completed claims management training to increase awareness and understanding of claims management across the team.
- All customer facing staff completed customer service training in preparation for increased customer enquiries as a result of the competitive CTP scheme changes.
- All Regulator staff were given the opportunity to complete Resilience Skills Training.

Work health, safety and return to work programs

Regulator staff access DTF's work health, safety and return to work programs.

Work health and safety and return to work performance

Regulator staff are employed by the Department of Treasury and Finance (DTF) and seconded to the Regulator. Nil work health and safety breaches, workplace injury claims, notifiable incidents or improvement and prohibition notices have been recorded by the Regulator in the last two years.

Executive employment in the agency

Executive classification	Number of Executives
SAES Level 1	2
SAES Level 2	1

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the CTP Regulator's Office excluding Administered Items. Full audited financial statements for 2018-19 are appended to this report.

Statement of Comprehensive Income	2018-19 Revised Budget \$000s	2018-19 Actual \$000s	2018-19 Variation \$000s	2017-18 Actual \$000s
Expenses	63 465	62 498	976	57 685
Revenues	(60 571)	(62 873)	2 302	(60 779)
Net cost of providing services	2 894	(375)	3 278	(3 094)
Net Revenue from SA Government	0	0	0	0
Net result	2 894	(375)	3 278	(3 094)
Total Comprehensive Result	2 894	(375)	3 278	(3 094)

Statement of Financial Position	2018-19 Revised Budget \$000s	2018-19 Actual \$000s	2018-19 Variation \$000s	2017-18 Actual \$000s
Current assets	13 978	13 920	49	12 053
Non-current assets	965	645	320	0
Total assets	14 943	14 565	369	12 053
Current liabilities	6 997	3 977	3 020	2 178
Non-current liabilities	0	338	(338)	0
Total liabilities	6 997	4 315	2 682	2 178
Net assets	7 946	10 250	(2 313)	9 875
Equity	7 946	10 250	(2 313)	9 875

Consultants disclosure

The following is a summary of external consultants that have been engaged by the CTP Regulator, the nature of work undertaken, and the actual payments made for the work undertaken during the financial year.

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
Taylor Fry Pty Ltd	Scheme Actuarial Services	\$ 474,037
PricewaterhouseCoopers	Compliance Framework Evaluation	\$ 96,739
Finity Consulting Pty Ltd	Actuarial Services	\$ 35,000
	Total	\$ 605,775

Contractors disclosure

The following is a summary of external contractors that have been engaged by the CTP Regulator, the nature of work undertaken, and the actual payments made for work undertaken during the financial year.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various - including ISV Report Reviews, Workshops and Injury Coding Audits	\$ 56,996

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
Wavemaker	Competition Model – Communication Services	\$ 198,876
Hybrid Agency Pty Ltd	Competition Model – Communication Services	\$ 172,102
Biz Hub Australia Pty Ltd	Personal Injury Register Technical Upgrade	\$ 132,151
Haymakr	Competition Model – Market Research	\$ 86,000
Haymakr	Claimant Service Rating Support	\$ 64,850
Return to Work SA	MAIAS 2019 Accreditation	\$ 61,838
Wendy Tims Consulting Pty Ltd	Organisational Development Services	\$ 41,804
Hybrid Agency Pty Ltd	Website Content Services	\$ 28,630
Jones Harley Toole	Organisational Development Services	\$ 15,000
Info-Osmosis	Records Management Services	\$ 11,000
	Total	\$ 812,251

Other information

Refer to *Reporting required under the Compulsory Third Party Insurance Regulation Act 2016* section of this report.

Risk management

Risk and audit at a glance

During 2018-19, the Regulator:

- Implemented a dedicated system to record and update risks, allowing a more systematic approach to risk management and reporting.
- Introduced an independent Internal Audit function to establish clear lines of defence against risk, allowing for the ongoing independent review of Regulator functions to ensure effectiveness and compliance with our statutory and contractual obligations.

Fraud detected in the agency

Category/nature of fraud	Number of instances
Actual, suspected or alleged fraud	Nil

Strategies implemented to control and prevent fraud

The Regulator has a robust suite of financial policies and procedures to identify key risks and controls to mitigate the risk of fraud. These controls include but are not limited to:

- segregation of duties, and delegations of authority
- an independent internal audit function
- a financial management compliance program
- staff training and education on policies and procedures
- the requirement of staff to adhere to the Public Sector Code of Conduct
- an annual Conflict of Interest Declaration process for all staff.

Whistle-blowers disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the Whistle-blowers' Protection Act 1993.	Nil
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Reporting required under the *Compulsory Third Party Insurance Regulation Act 2016* (the Act)

The following section provides further information on the competition scheme implementation and operational activities performed to meet the Regulator's functions under the Act.

The Agency's Performance section of this report (page 13) provides information on the implementation of the competitive scheme, and a high level summary of operational activities as linked to the strategic objectives.

Scheme Implementation Activities

We collaborated with external stakeholders to prepare for the implementation of the competitive CTP scheme including:

- worked with the scheme actuary to provide independent advice on scheme performance and to set premium ranges for all premium classes
- collaborated with DPTI to implement changes to the vehicle registration system
- worked with DPTI and Service SA to implement the changes required to vehicle registration forms and the registration renewal distribution channels
- consulted with CTP Insurers through regular meetings and communications
- tested the new registration renewal forms with motorists.

Premium Regulation Policy

The premium regulation policy outlines the CTP Regulator's approach to determining premiums in accordance with the Act. The policy objectives ensure:

- differential premiums are not fixed except on the basis of one or more of the following: vehicle type; vehicle use; garaging location; and entitlement under the GST law to an input tax credit
- premiums are fair and reasonable for both motor vehicle owners and CTP Insurers for each premium class
- the determined premium bands and overall regulation of the scheme provides the conditions for competitive premium rate filings by CTP Insurers.

CTP premiums include administration fees collected to fund services to support the CTP scheme. The Regulator re-set the Memorandums of Administrative Arrangement with South Australian government agencies that provide services to the scheme including ambulance services, blood sample testing, CTP scheme regulation and administration services, customer support and transaction services, hospital services, rescue and retrieval helicopter services, and road safety services.

The Regulator used the premium regulation policy to set upper and lower premium limits for each premium class based on the scheme experience and independent actuarial advice.

For policies due from 1 July 2019 the scheme experienced price competition across all premium classes.

Claimant Service Rating Implementation

The Regulator implemented ongoing independent surveys of injured claimants to assess their overall level of satisfaction with the service provided by CTP Insurers.

All people who have made a claim for an injury as a result of a motor vehicle accident are asked to participate in a survey. Those surveyed are asked to give a rating from 0 to 100 on the overall experience they had with the insurer handling their claim (0 being a negative experience, 100 being a positive experience).

The claimants are also surveyed on the CTP Insurers' performance in areas of responsiveness, provision of information, staff professionalism and communication. These results are reported to the CTP Insurers to support improvements in their service to claimants.

The claimant service scores were published on registration renewal notices and the Regulator's website from mid May 2019. The score is easy to interpret and helpful to allow motorists to make an informed purchasing decision.

See the average Claimant Service Rating below, based on data from 1 November 2018 to 30 June 2019.

AAMI	Allianz	QBE	SGIC
69	70	71	72

Operational Activities

Claims administration operational activities

The Regulator functions include monitoring and review of the CTP scheme to improve performance and the provision of information to policy holders and claimants. Key activities completed in 2018-19 include the development and implementation of:

- an online version of the injury claim form and fatality claim form to increase ease of use and accessibility of the forms for claimants.
- a voluntary medical certificate designed to standardise reports and support people injured in motor vehicle accidents to receive early treatment for their injuries.
- the Injury Recovery Framework which outlines the roles and responsibilities of all parties in supporting injured claimants in their recovery.
- an early intervention brochure for claimants to supplement the injury recovery and early intervention framework. Claimants can use the brochure to understand how the scheme works including what they should expect from CTP Insurers, what is meant by 'reasonable and necessary' treatment and their rights and responsibilities.

- the Personal Injury Register (PIR) upgrade to enable better reporting and data analysis of the scheme. The Personal Injury Register contains information on all claims received and payments made under the CTP Scheme since 1 July 2016. This information is used to help regulate the industry, analyse the performance of the CTP Scheme, investigate fraud and assist in the calculation of CTP Insurance premiums.
- a joint provider forum on whiplash and pain management with ReturntoWorkSA for allied health professionals.

Motor Accident Injury Accreditation Scheme (MAIAS)

The objective of MAIAS is to create an independent system that provides consistent, objective and reliable Injury Scale Value (ISV) medical assessments. It accredits health professionals to undertake ISV medical assessments and allocate an injury item number based on the assessment of injuries sustained in motor vehicle accidents which occurred on or after 1 July 2013.

Accreditation

In 2018-19 MAIAS undertook re-accreditation of medical practitioners for the first time since the introduction of MAIAS in 2015 and underwent some changes to its administration. MAIAS collaborated with the Return to Work Impairment Assessor Accreditation Scheme, administered by ReturntoWorkSA to develop a joint process for applications, training and competency assessments, creating efficiencies.

The MAIAS Training Manual was updated as Edition Three and gives guidance to Accredited Medical Practitioners on key features of the tools required to undertake an ISV Medical Assessment. The accreditation included competency based assessments and a combination of face-to-face and online training for the first time.

Rules

The Attorney-General approved the 2019 MAIAS Rules and the 2019 ISV Medical Assessment Report templates. The MAIAS Rules prescribe the regulatory and service standards required for medical practitioners to achieve and maintain accreditation under the MAIAS.

Quality Assurance Review

MAIAS completed a review of Injury Scale Value (ISV) reports from 2018. The purpose of the review was to monitor the compliance of Accredited Medical Practitioners (AMPs) with their obligations contained in the *Civil Liability Regulations 2013* and the MAIAS Training Manual (Second Edition).

Independent expert assessors reviewed physical injury and GEPIC reports prepared by AMPs. The results show the compliance threshold of 80% or above was met for 13 of the 21 review criteria.

The key issues identified in the QA review were: AMPs either not using or modifying the ISV Medical Assessment templates; inaccurate calculation of the Whole Person Impairment; and

not applying the appropriate Item Number for each injury assessed. These quality compliance issues were addressed as part of the training modules for the 2019 accreditation of medical practitioners.

Policy development

Automated vehicles

The National Transport Commission (NTC) is an Australian Government statutory agency that reports to a Council comprising Commonwealth, State and Territory ministers responsible for transport and infrastructure throughout Australia. NTC leads the work to develop and put in place end-to-end regulation to support the commercial deployment and operation of automated vehicles in Australia from 2020.

The NTC initiated a project to identify elements of CTP Insurance and national injury insurance schemes that may act as barriers to accessing compensation by persons who experience personal injury caused by an automated driving system (ADS).

The Regulator, with other CTP Schemes and representatives of the NTC contributed to a NTC Discussion Paper entitled, "Motor Accident Injury Insurance and Automated Vehicles" published by NTC in December 2018.

CTP Schemes have generally supported the NTC option of expanding existing motor accident injury insurance schemes to cover injury caused by an ADS. This aligns with the overarching principle that no person should be worse off, or better off, financially or procedurally, in the relevant jurisdiction, if they are injured by a vehicle whose ADS was engaged, than if they were injured by a vehicle controlled by a human driver.

The Regulator continues to work with the NTC and CTP Schemes in developing this option, focusing on the insurer's options (both Government and privately underwritten Schemes) for rights of recovery against manufacturers of automated vehicles in the event of failure of an ADS causing or contributing to a motor vehicle accident.

At the State level, the Regulator is also represented on an inter-agency working group, led by the Department of Planning, Transport and Infrastructure (DPTI) concerning Automated Vehicles and Future Transport Mobility Reform Across Government.

The Regulator will continue to work collaboratively in the development of a national approach, including identifying key legislative policy elements of the SA CTP Scheme to ensure certainty to the public; equity of treatment; and efficient use of existing scheme processes, claims management models and support for injured people.

Premium classes, taxis and rideshare

The Regulator reviewed the premium class structure for the 2019-20 premium year and halved the number of premium classes to apply for renewals and new registrations from 1 July 2019. Separate premium classes for vehicles with and without Input Tax Credit (ITC) entitlement have been removed. This simplifies the premium class structure and means that the premium class for a vehicle does not change if the ITC entitlement changes.

At the same time, a new premium class for rideshare vehicles in South Australia was introduced to enable the Regulator to closely monitor the claims experience of rideshare vehicles.

The Regulator reviewed the premium class determinations to ensure the scheme remains fair and reasonable.

The Regulator determined amendments to the definitions of metropolitan and country taxi premium classes for the 2018-19 and 2019-20 CTP Premium Schedule. The change makes it clear that taxi operators licensed to operate in Metropolitan Adelaide can be garaged outside District 1 (metropolitan Adelaide) but must continue to pay the Taxi Metropolitan premium.

The amendments to the definition of taxi premium classes retains the historic distinction between metropolitan and country taxis and clarifies that the premium paid must reflect the number and cost of claims arising from the vehicle. The changes to taxi premium definitions reflect community rating and retain fairness in the premiums.

This change now allows country taxi operators to garage their vehicles in metropolitan Adelaide. Country taxi operators have welcomed this change.

The Regulator supports the taxi industry to continue to reduce the number and severity of injuries from taxi crashes that result in CTP claims to decrease the cost of the CTP premium paid by the taxi industry.

Providing information to Scheme stakeholders

The Regulator is committed to providing quality and timely information and support to the community. Our communication channels include the Enquiries Line, our website at www.ctp.sa.gov.au, email to ctp@sa.gov.au and communication in writing or in person.

The education and information materials for the introduction of the competitive CTP scheme inform the community about the changes to the scheme. The purpose of the communications is to ensure motor vehicle owners are able to actively participate in the scheme and are aware of changes to purchasing CTP insurance.

The communications have been provided through metropolitan and regional newspapers, information via metropolitan and regional radio and website content.

All motor vehicle registration renewal notices are accompanied by a leaflet explaining the changes and how to choose an insurer. All registration payment methods have been optimised to support customers with choosing their CTP insurer. Service SA customer service centre staff, Australia Post and Service SA Agents were trained in the changes to CTP.



This year, the Regulator launched a new website to provide information to motorists, claimants, the general public and the CTP insurance industry. Since launching, the Regulator's website has been continually reviewed and amended to ensure content is current and informative.

All enquiries received are recorded and monitored, and this information is used to improve our tools to better inform motorists, injured people and other stakeholders about the scheme.

The tables below outline the source and number of all enquiries received by the Regulator during the 2018-19 financial year and the categories of enquiry received from the general public. In total 7,697 enquiries were received.

Total enquiries to the Regulator in 2018-19 by enquirer type

Enquirer Type	Number of Enquiries
General Public	5,160
CTP Insurer	1,222
Medical	684
Government Department	360
Legal	217
Consultants / Contractors	16
Interstate Regulators	16
Peak Body	13
Media	9
Total	7,697

Enquiries from the general public in 2018-19 by enquiry category

Enquiry Category	Number of Enquiries
Claims	3,436
Non-CTP Queries	983
Competition Scheme	377
CTP Scheme	188
Operations	113
Complaints	57
MAIAS	6
Total	5,160

Notes: Non-CTP Queries includes calls about comprehensive insurance, vehicle registration and subjects outside the purview of the CTP Regulator. The number for "Complaints" does not match the number of complaints listed in the public complaints section of this annual report because each complaint can involve a number of enquiries and this category also includes questions about the complaints process that do not result in a complaint being lodged with the Regulator.

Scheme Monitoring

The Regulator uses a suite of tools to oversee scheme performance and to identify areas for further investigation in scheme trends, CTP Insurer performance and data quality.

Scheme monitoring reports are designed to review scheme-wide measures such as the number of claims, the number of settlements, the severity of injuries and claim payments.

Benchmarking reports have an operational focus and compare individual insurer performance with their CTP Insurer peers on key claims management activities such as claims acceptance or denial, claims closure, re-opening and settlements.

Benchmarking reports are provided to the CTP Insurers and help them to assess their performance against the rest of the industry. These reports are also a key tool for the Regulator to closely monitor data quality. The accuracy of the data is important in monitoring the scheme experience and premium setting.

In addition, the Regulator monitors the compliance of CTP Insurers with contractual and legislative obligations using the Compliance Framework. The Framework is risk based, targeting areas of highest priority for the scheme.

The framework prescribes compliance activities, including:

- claims management reviews
- reviews of CTP Insurer key documentation including business plans, and policies
- data analytics.

The 2018-19 Compliance Program audited the following aspects of CTP Insurer operations

- claims communication
- complaints and incident management
- payments and settlements
- management and protection of personal and confidential information
- marketing and communications
- injury coding and data quality

Where the reviews identified areas for improvements, CTP Insurers were required to submit remediation plans to address findings.

Any areas considered non-compliant can result in CTP Insurers being issued with breach notices. 14 breaches were issued in 2018-19 as shown in the table below, of which four are outstanding as at 30 June 2019 and are being monitored by the Regulator.

CTP Insurer Breaches issued in 2018-19

CTP Insurer	Number of Breaches
AAMI	0
Allianz	0
QBE	4
SGIC	10

In response to CTP Insurer Breaches CTP Insurers paid two sanctions to the total value of \$50,000 to the State Government.

Scheme Statistics

Insured vehicles by type

(Registrations as at 30 June 2019)

Type of vehicle	Vehicles	%
Private passenger	1,050,585	57.93%
Public passenger: no fare	527	0.03%
Taxis: metropolitan	1,136	0.06%
Taxis: country	273	0.02%
Hire cars	6,576	0.36%
Public passenger: small	4,713	0.26%
Public passenger: medium	1,165	0.06%
Public passenger: heavy	746	0.04%
Public passenger: omnibus	1,073	0.06%
Goods carrying: light	200,843	11.07%
Goods carrying: medium	15,322	0.84%
Goods carrying: heavy	9,836	0.54%
Goods carrying: primary producers	29,795	1.64%
Motorcycles: ultra light	3,057	0.17%
Motorcycles: light	8,492	0.47%
Motorcycles: medium	11,792	0.65%
Motorcycles: heavy	18,517	1.02%
Tractors	53,091	2.93%
Historic and left hand drive vehicles	28,014	1.54%
Special purpose vehicles	14,795	0.82%
Car carriers: light	1	0.00%
Car carriers: medium	22	0.00%
Car carrier trailers	118	0.01%
Trailers	353,087	19.47%
Total	1,813,576	100.00%

Source: DPTI policy data

Ratio of Class 1 CTP Premiums to SA Average Weekly Earnings⁽¹⁾⁽²⁾⁽³⁾

	Annual Premium ⁽³⁾	Calculated AWE ⁽¹⁾⁽²⁾	Ratio
2019-20	\$364.75	\$1,486.79	24.5%
2018-19	\$411.25	\$1,455.23	28.3%
2017-18	\$400.75	\$1,424.79	28.1%
2016-17	\$389.00	\$1,395.48	27.9%

⁽¹⁾ AWE value at June of the year preceding the premium year.

⁽²⁾ Source: Australian Bureau of Statistics, 6345.0 Wages Prices Index, Table 2b, Total Hourly Rates of Pay Excluding Bonuses: All Sectors South Australia; Original (Quarterly Index Numbers); Series Id A2610259A.

⁽³⁾ 19-20 Premiums is the premium band ceiling (upper limit)

Number of accidents by region

(Accidents from 1 July 2018 to 30 June 2019)

Region	Accidents	%
Adelaide City / Suburbs	1433	85.0%
Outer Adelaide	134	8.0%
Murraylands	33	2.0%
South	30	1.8%
Northern	14	0.8%
Eyre	22	1.3%
Interstate	19	1.1%
Total	1685	100.0%

Note: The recent accident years' data is immature due to accidents where a claim is yet to be reported.

Premium levy and fee collection

(1 July 2018 to 30 June 2019)

Description	\$'000
Insurers' premiums*	427,157
Stamp Duty	53,647
Road Safety	14,342
Emergency transport, hospital and forensic services	28,149
Customer support and transaction processing	11,509
CTP scheme regulation and administration	6,558
Total insurance premiums collected	541,362

Note: *Includes GST.

Age group of claimants by gender

(All claims for accidents from 1 July 2016 to 30 June 2019 where the relevant data is available)

Age group	Male	Female	Total	%
0-5	50	33	83	1.1%
6-15	111	126	237	3.1%
16-25	466	681	1,147	15.1%
26-35	646	815	1,461	19.3%
36-45	577	738	1,315	17.3%
46-55	649	755	1,404	18.5%
56-65	473	561	1,034	13.6%
66+	388	518	906	11.9%
Total	3,360	4,227	7,587	100.0%

Claim severity

(Closed claims for accidents from 1 July 2016 to 30 June 2019)

AIS severity	Claims	%
Minor	1,905	55.8%
Moderate	275	8.0%
Serious	96	2.8%
Severe	6	0.2%
Critical	2	0.1%
Maximum	75	2.2%
Admin Only	1,058	31.0%
Total	3,417	100.0%

Notes:

Injury severity based on injuries coded under the Abbreviated Injury Scale 2005 (AIS 2005).

"Maximum" injury severity usually indicates a fatality.

"Admin" means there were no physical injuries caused by the accident or there was no medical evidence available for injury coding.

"Minor" category includes claims where a region-specific injury code was reported with a severity of 9 ("not further specified").

Rates of legal representation

(Accidents from 1 July 2016 to 30 June 2019)

Accident date	Claims	% Closed	% Legal rep
2018-19	1,931	22.9%	19.3%
2017-18	2,589	45.2%	31.2%
2016-17	3,066	58.8%	35.1%

Note: The recent accident years' data is immature due to the long tail nature of CTP claims.

Claim duration by CTP insurer

(Closed claims for accidents from 1 July 2016 to 30 June 2019 where relevant data is available)*

Timeframes	AAMI	Allianz	QBE	SGIC	Average
Notification date to compliance date	0.9	1.3	0.6	1.1	0.9
Compliance date to liability decision date	1.9	0.4	2.6	1.3	1.9
Liability decision date to closure date	7.7	6.1	5.1	5.1	6.0

Note: Timeframe is average month(s).

*Not all closed claims have a liability decision

Heads of damage breakdown

(Closed claims from 1 July 2018 to 30 June 2019 for accidents from 1 July 2016 to 30 June 2019)

Heads of damage	Closed claims	% Closed Payments
Care	277	16.1%
Economic Loss	278	30.7%
Non Customer Benefits	1097	16.3%
Non Economic Loss	71	4.9%
Other Customer Benefits	385	6.3%
Treatment	1358	25.9%
Total	1566	100.0%

Notes:

"Care" category includes payments for past and future care and home services, care-related travel and voluntary services.

"Other Customer Benefits" category includes payments to surviving spouse and/or children for the loss of family member, reasonable funeral costs, payments to partners of injured persons for the loss of companionship, rehabilitation costs and claimant travel expenses.

"Treatment" category includes payments for past and future medical, allied health and hospital services, excluding public hospital services funded from the administrative fee component of CTP premiums.

"Non customer benefits" category includes investigation costs, the costs of medical reports from treating medical providers and ISV medical assessors, and plaintiff and defendant legal costs.

Nil claims (zero payments) have been excluded from the data.

Nominal defendant claims received by accident year

(Accidents from 1 July 2016 to 30 June 2019)

Year of Accident	Unidentified Vehicle	Unregistered Vehicle	Total
2018-19	35	11	46
2017-18	71	14	85
2016-17	95	9	104

Note: The recent accident years' data is immature due to accidents where a claim is yet to be reported.

Public complaints

Public complaints received by the Regulator

Category of complaints by subject	Number of instances
Complaints about the Scheme	3
Complaints about the Regulator	0
Complaints about CTP Insurers	9
Complaints about the Motor Accident Injury Accreditation Scheme	0

Service improvements for period

Service improvements that responded to customer complaints or feedback

The Regulator engages with CTP Insurers on their complaints management processes. The review of the Regulator Rules incorporated updates to the Complaints and Internal Dispute Resolution process the CTP Insurers must adhere to.

In response to a complaint we strengthened the requirement of CTP Insurers to provide claims management service standards to claimants and perform to those standards. The CTP Insurers are now required to report their performance against these standards to the Regulator.

Enquiries can result in improvement in website and other communications materials so information is accurate, clear and accessible.

Any changes to information materials are communicated to relevant scheme stakeholders including CTP Insurers, DPTI, and Service SA.

Appendix: Audited financial statements 2018-19



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INDEPENDENT AUDITOR'S REPORT

To Acting Chief Executive CTP Regulator

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the CTP Regulator for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the CTP Regulator as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Acting Chief Executive and Regulator and the Director, Performance.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and 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 CTP Regulator. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

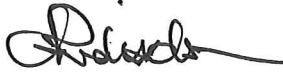
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 this financial report.

As part of an audit in accordance with 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 CTP Regulator's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive about, 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 the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

24 September 2019

Compulsory Third Party Insurance Regulator

Financial Statements

For the year ended 30 June 2019

CTP Regulator
Statement of Certification
for the year ended 30 June 2019


We certify that the attached general purpose financial statements for the Compulsory Third Party Insurance Regulator:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Compulsory Third Party Insurance Regulator; and
- present a true and fair view of the financial position of the Compulsory Third Party Insurance Regulator as at 30 June 2019 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Regulator for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Kerry Leaver
Acting Chief Executive & Regulator
23 September 2019



Ivan Lebedev
Director, Performance
23 September 2019

CTP Regulator
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<u>Expenses</u>			
Employee benefits expenses	2.2	3 896	-
Supplies and services	3.1	2 064	-
Depreciation and amortisation	3.2	320	-
Administration premium component distributions	3.3	53 790	57 106
Other expenses	3.4	2 428	579
Total expenses		62 498	57 685
<u>Income</u>			
Administration premium component collections	4.1	61 342	60 479
Interest	4.2	407	237
Other income	4.3	1 124	63
Total income		62 873	60 779
Net cost of providing services		375	3 094
Net result		375	3 094
Total comprehensive result		375	3 094

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

CTP Regulator
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<u>Current assets</u>			
Cash and cash equivalents	6.1	12 832	11 384
Receivables	6.2	1 088	669
Total current assets		13 920	12 053
<u>Non-current assets</u>			
Property, plant and equipment	5.1	89	-
Intangible assets	5.2	556	-
Total non-current assets		645	-
Total assets		14 565	12 053
<u>Current liabilities</u>			
Payables	7.1	3 662	2 178
Employee benefits	2.3	311	-
Provisions	7.2	4	-
Total current liabilities		3 977	2 178
<u>Non-current liabilities</u>			
Payables	7.1	28	-
Employee benefits	2.3	305	-
Provisions	7.2	5	-
Total non-current liabilities		338	-
Total liabilities		4 315	2 178
Net assets		10 250	9 875
<u>Equity</u>			
Retained earnings		10 250	9 875
Total equity		10 250	9 875

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

CTP Regulator
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings	Total equity
	\$'000	\$'000
Balance at 30 June 2017	6 781	6 781
Net result for 2017-18	3 094	3 094
Total comprehensive result for 2017-18	3 094	3 094
Balance at 30 June 2018	9 875	9 875
Net result for 2018-19	375	375
Total comprehensive result for 2018-19	375	375
Balance at 30 June 2019	10 250	10 250

CTP Regulator
Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
<u>Cash outflows</u>			
Employee benefit payments		(3 428)	-
Payments to suppliers and services		(2 903)	-
Payments for administration fees		(53 193)	(58 438)
Other payments		(1 483)	(697)
Cash used in operations		(61 007)	(59 135)
<u>Cash inflows</u>			
Receipts from administration fees		61 201	60 335
Interest received		227	237
Other receipts		1 027	665
Cash generated from operations		62 455	61 237
Net cash provided by / (used in) operating activities		1 448	2 102
Net increase / (decrease) in cash and cash equivalents		1 448	2 102
Cash and cash equivalents at the beginning of the reporting period		11 384	9 282
Cash and cash equivalents at the end of the reporting period	6.1	12 832	11 384

The accompanying notes form part of these financial statements.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

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CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

1. About the Compulsory Third Party Insurance Regulator

The Compulsory Third Party Insurance Regulator (the Regulator) is an instrumentality of the Crown and a not-for-profit statutory authority of the South Australian government.

The financial statements and accompanying notes include all the controlled activities of the Regulator. Transactions and balances relating to administered resources are not recognised as Regulator income, expenses, assets or liabilities.

Administered items are disclosed in the schedule of administered items in Note 10.4. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for Regulator items. The administered activities include the receipt and on-passing of stamp duty on CTP insurance premiums (Premiums). Stamp Duty is payable under a specific arrangement between the Regulator and the Commissioner of State Taxation pursuant to the *Taxation Administration Act 1996*. Under its Memorandum of Administrative Arrangement (MoAA) with the Commissioner of State Taxation, the Regulator collects and remits all Stamp Duty payable on Premiums.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the 2018-19 financial statements the Regulator adopted AASB 9 – *Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

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

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Regulator has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

1.2. Objectives

Objectives

The Regulator is an independent Statutory Authority established under the *Compulsory Third Party Insurance Regulation Act 2016*.

The Regulator has been responsible for leading the development of an efficient, competitive, and viable CTP insurance industry in South Australia, and the oversight, monitoring and reporting of CTP Insurer activities.

The Regulator's functions include overseeing a fair and affordable CTP Insurance Scheme (CTP Scheme) and continuing to improve CTP Scheme outcomes for injured persons, and having oversight of the Premium setting process.

Four private CTP Insurers (AAMI, Allianz, QBE, and SGIC) were approved to write the Insurer Premium component in South Australia from 1 July 2016. Each CTP Insurer was allocated an initial share of the CTP market during the transition period which ended on 30 June 2019. From 1 July 2019 under the competitive model, motorists will actively choose their CTP Insurer.

During 2018-19, the Regulator completed operational implementation to ensure the competitive model was market ready for CTP insurance policies effective 1 July 2019 onwards.

The total scheduled Premium is made up of:

- the Insurer Premium component;
- the Administration Premium component; and
- GST and Stamp Duty.

The full stamp duty payable on the Premium is disbursed by the Regulator to RevenueSA. This occurs under a specific arrangement with the *Commissioner of State Taxation under section 35 of the Taxation Administration Act 1996* that is detailed in a MoAA between the Regulator and Commissioner of State Taxation.

All Premiums are collected by the Department of Planning, Transport and Infrastructure (DPTI), through the motor vehicle registration process using the Transport Regulation User Management Processing System (TRUMPS). TRUMPS has integrated front end processes within DPTI and Service SA to allow motorists to register their motor vehicles and pay their Premiums through various channels.

DPTI disburses the Insurer Premium component and the associated GST to the CTP Insurers and the Stamp Duty and Administration Premium component to the Regulator.

The Administrative Premium component of the Premium is managed by the Regulator and funds payments to various government agencies for:

- health and emergency services provided by SA Public Hospitals, SA Ambulance, and the Attorney-General's Department (State Rescue Helicopter and Forensic Science services) as a result of motor vehicle trauma;
- road safety services provided by the Motor Accident Commission designed to reduce the incidence or impact of road accidents and injuries;
- customer support and transaction services provided by the DPTI associated with the collection, recording and processing of Premiums; and
- CTP Scheme regulation and administration services provided by the Regulator, including the operations of the Motor Accident Injury Accreditation Scheme.

These arrangements, with the exception of the services provided by the Regulator, are detailed in MoAAs between the Regulator and the individual government agencies.

CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

1.2. Objectives (continued)

The *Compulsory Third Party Insurance Regulation Act 2016* specifies the functions of the Regulator which are to:

- make, monitor and enforce the Regulator Rules to ensure CTP Insurers meet their legislative and contractual obligations (such as meeting claims management and dispute resolution standards);
- determine Premium amounts for CTP insurance policies;
- determine the minimum terms and conditions of CTP insurance policies;
- provide information to consumers about the CTP Scheme and CTP Insurers; and
- make recommendations to the Minister about:
 - eligibility criteria and assessment of applications for insurers to become a Government approved CTP Insurer (or withdrawal of an approval) under Part 4 of the *Motor Vehicles Act 1959*;
 - terms and conditions for any agreements or contracts entered into between the Minister and CTP Insurers.

Nominal Defendant

Nominal Defendant claims arise where the at-fault vehicle is either uninsured or unidentified, as described in Part 4 of the *Motor Vehicles Act 1959*.

From 1 July 2016, the Regulator took over the role of Nominal Defendant (from the Motor Accident Commission) and began allocating Nominal Defendant claims to CTP insurers, assuming full responsibility for these claims as of 1 January 2017.

The Motor Accident Injury Assessment Scheme (MAIAS)

The South Australian MAIAS was established by the Attorney-General under section 76 of the *Civil Liability Act 1936* to accredit health professionals to undertake Injury Scale Value (ISV) medical assessments.

The ISV is used to assist in determining an injured person's eligibility for compensation under the CTP Scheme.

During the year ended 30 June 2019, the Regulator performed the secretariat function for the Accreditation Panel and then was appointed by the Attorney-General as administrator for the MAIAS on 20 February 2019.

1.3. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In 2018-2019, these transactions are comprised of:

- the Regulator's Administered Payments to SA Government agencies; and
- payments to DPTI for TRUMPS enhancements totalling \$1.149 million.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the Regulator include the Minister, the Chief Executive and the three members of the Executive team who have responsibility for the strategic direction and management of the Statutory Authority.

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via Department of Treasury and Finance (DTF)) under section 6 of the *Parliamentary Remuneration Act 1990*.

	2019	2018
<u>Compensation</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries and other short term employee benefits	713	843
Post-employment benefits	68	76
Total	781	919

Transactions with Key Management Personnel and other related parties

No significant transactions were identified between Key Management Personnel and other related parties.

2.2. Employee benefits expense

	2019	2018*
	<u>\$'000</u>	<u>\$'000</u>
Salaries and wages	2 536	-
Employment on-costs - superannuation	302	-
Employment on-costs - payroll tax	182	-
Long service leave	431	-
Annual leave	418	-
Skills and experience retention leave	5	-
Other employee related expenses	22	-
Total employee benefits expenses	3 896	-

*In 2017-18, the CTP Regulator's operating expenses were managed within DTF and recovered from the Regulator under a Service Level Agreement arrangement. From 1 July 2018, the Regulator managed these expenses.

Employment on-costs – superannuation

The superannuation employment on-cost charge represents the Regulator's contributions to superannuation plans in respect of current services of current employees.

Executive remuneration

	2019	2018*
	<u>Number of employees</u>	<u>Number of employees</u>
The number of employees whose remuneration received or receivable falls within the following bands:		
\$171 001 - \$191 000	1	-
\$191 001 - \$211 000	1	-
\$351 001 - \$371 000	1	-
Total	3	-

*In 2017-18, the CTP Regulator's executive remuneration was reported in DTF's Financial Statements.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

2.2 Employee benefits expense (continued)

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by these employees for the year was \$781 000 (2018: \$919 000)

Targeted voluntary separation packages

No employees received a targeted voluntary separation package during the reporting period.

2.3. Employee benefits liability

	2019 \$'000	2018* \$'000
<u>Current</u>		
Accrued salaries and wages	49	-
Annual leave	190	-
Long service leave	63	-
Skills and experience retention leave	9	-
Total current employee benefits	311	-
<u>Non-current</u>		
Long service leave	305	-
Total non-current employee benefits	305	-
Total employee benefits	616	-

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

*In 2017-18, the CTP Regulator's employee benefits liability was reported in DTF's Financial Statements.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

3. Expenses

Employee benefit expenses are disclosed in note 2.2.

3.1. Supplies and services

	2019 \$'000	2018* \$'000
Contractors and other outsourced services	550	-
Consultants	609	-
Legal costs	54	-
Accommodation and telecommunication	281	-
Service level agreement fees	239	-
Information technology expenses	197	-
General administration and consumables	52	-
Training and development	35	-
Minor works maintenance and equipment	9	-
Other	38	-
Total supplies and services	2 064	-

Consultants

The number of consultancies and the dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	2019 Number	2018* Number	2019 \$'000	2018* \$'000
\$10 000 or above	3	-	609	-
Total paid or payable to consultants engaged	3	-	609	-

*In 2017-18, the CTP Regulator's operating expenses were managed within DTF and recovered from the Regulator under a Service Level Agreement arrangement. From 1 July 2018, the Regulator managed these expenses.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

3.2. Depreciation and amortisation

	2019	2018*
	\$'000	\$'000
Intangible assets	278	-
IT equipment	42	-
Total amortisation expense	320	-

*In 2017-18, the CTP Regulator's operating expenses were managed within DTF and recovered from the Regulator under a Service Level Agreement arrangement. From 1 July 2018, the Regulator managed these expenses.

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as plant and equipment.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. No adjustments were made during the reporting period.

Useful life

Depreciation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Office equipment – IT	5
Intangible assets	5

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

3.3. Administration premium component distributions

	2019	2018
	\$'000	\$'000
Hospital and emergency services	27 941	27 305
Road safety services	14 349	13 931
Customer support and transaction services	11 500	11 500
Service level agreement - DTF*	-	4 370
Total administration fees	53 790	57 106

* In 2017-18, the CTP Regulator's operating expenses were managed within DTF and recovered from the Regulator under a Service Level Agreement arrangement. From 1 July 2018, the Regulator managed these expenses.

The Administration Premium component distributions are recognised on an accrual basis and cover the costs of a range of government services associated with CTP insurance policy.

3.4. Other expenses

	2019	2018
	\$'000	\$'000
CTP Scheme improvement projects**	2 298	425
Medical practitioner payments	121	134
Refunds for novated policy cancellations*	9	17
Compensable patient refunds	-	3
Total other expenses	2 428	579

*** Refunds for Novated Policy Cancellations.**

These payments only apply to policies that were novated as at 1 July 2016, which in most cases had a policy term of 12 months or less, that were subsequently cancelled by motorists.

**** CTP Scheme Improvement Projects (one-off)**

The total expense for 2019 relates to CTP Scheme improvement projects (excluding employee expenses of \$358 000 which are shown elsewhere in the Financial Statements) and includes costs associated with the TRUMPS Premium collection system technical upgrades, market research, communications and customer support activities in Services SA centres.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

4. Income

4.1. Administration premium component collections

	2019	2018
	\$'000	\$'000
Hospital and emergency fees	28 524	28 067
Road safety fees	14 520	14 232
Customer support and transaction fees	11 646	11 713
CTP Scheme regulation and administration fees	6 652	6 467
Total administration fees collected	61 342	60 479

Premiums are collected from motorists by DPTI. The Stamp Duty and Administration Premium component of the Premiums are collected by DPTI are paid to the Regulator. These are recognised as earned on the date of receipt in the TRUMPS. The Stamp Duty component is shown under note 10.4 Administered Items.

4.2. Interest

	2019	2018
	\$'000	\$'000
Deposit account interest receipts	407	237
Total Interest revenue	407	237

4.3. Other income

	2019	2018
	\$'000	\$'000
Recoveries for novated policy cancellations*	9	25
Compensable patient recoveries	-	3
Recoveries from DTF**	117	-
Asset received free of charge	965	-
Other	33	35
Total other revenues	1 124	63

*These recoveries only apply to policies that were novated as at 1 July 2016, which in most cases had a policy term of 12 months or less.

** These recoveries relate to actuarial services associated with the Social Development Committee's Review of the Operation of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* of \$97 000 and regional media communications associated with the CTP Scheme improvement projects of \$20 000.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

5. Non-Financial assets

5.1. Property plant and equipment

	2019 \$'000	2018 \$'000
<u>Plant and equipment</u>		
IT equipment	209	-
Accumulated depreciation	(120)	-
Total IT equipment	89	-
Total property, plant and equipment	89	-

The book value of Regulator's IT assets at 30 June 2018 were transferred from DTF to the Regulator effective 1 July 2018.

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property, plant and equipment is recorded at fair value.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

Reconciliation 2018-19

	IT equipment \$'000	Total \$'000
Carrying amount at 1 July 2018	-	-
Additions	131	131
Depreciation	(42)	(42)
Carrying amount at 30 June 2019	89	89

5.2. Intangible assets

	2019 \$'000	2018 \$'000
<u>Computer software</u>		
Externally purchased software	1 390	-
Accumulated amortisation	(834)	-
Total computer software	556	-
Total	556	-

The book value of Regulator's IT assets at 30 June 2018 were transferred from DTF to the Regulator effective 1 July 2018.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

5.2. Intangible assets (continued)

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

Reconciliation 2018-19

	Externally purchased software \$'000	Total \$'000
Carrying amount at 1 July 2018	-	-
Additions	834	834
Amortisation	(278)	(278)
Carrying amount at 30 June 2019	<u>556</u>	<u>556</u>

6. Financial assets

6.1. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Deposits with the Treasurer	12 832	11 384
Total cash and cash equivalents	<u>12 832</u>	<u>11 384</u>

Deposits with the Treasurer

The Regulator has a deposit account with the Treasurer. The Regulator's physical cash balance is held within the DTF's Operating Bank Account.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

6.2. Receivables

	2019 \$'000	2018 \$'000
<u>Current</u>		
Trade receivables	2	-
Other receivables	96	-
Prepayments	1	-
Accrued revenue	792	652
Accrued interest revenue	197	17
Total current receivables	1 088	669
 Total current receivables	 1 088	 669

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.2 for further information on risk management.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.3.

7.1. Payables

	2019 \$'000	2018 \$'000
<u>Current</u>		
Creditors and accrued expenses	3 618	2 178
Employment on-costs	44	-
Total current payables	3 662	2 178
 <u>Non-current</u>		
Employment on-costs	28	-
Total non-current payables	28	-
 Total payables	 3 690	 2 178

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

7.1. Payables (continued)

Employment on-costs

Employment on-costs include payroll tax, and superannuation contributions and are settled when the respective employee benefits that they relate are discharged.

The Regulator makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the superannuation schemes.

As a result of an actuarial assessment performed by DTF, the proportion of long service leave taken as leave remained at 41% for both 2018 and 2019 and the average factor for the calculation of employer superannuation cost on-costs has also changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

7.2. Provisions

	2019 \$'000	2018 \$'000
<u>Current</u>		
Provision for workers compensation	4	-
Total current provisions	<u>4</u>	<u>-</u>
<u>Non-current</u>		
Provision for workers compensation	5	-
Total non-current provisions	<u>5</u>	<u>-</u>
Total provisions	<u><u>9</u></u>	<u><u>-</u></u>

A provision has been reported in 2018-19 to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector Employment for a similar SA Government entity. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Regulator is responsible for the payment of workers compensation claims.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

8. Other disclosures

8.1. Cash flow

Cash flow reconciliation

	2019 \$'000	2018 \$'000
<u>Reconciliation of cash and cash equivalents at the end of the reporting period</u>		
Cash and cash equivalents disclosed in the Statement of Financial Position	12 832	11 384
Balance as per the Statement of Cash Flows	12 832	11 384
<u>Reconciliation of net cash provided by / (used in) operating activities to net result</u>		
Net cash provided by/(used in) operating activities	1 448	2 102
<u>Add / (less) non-cash Items</u>		
Depreciation and amortisation expense	(320)	-
Assets transferred in	965	-
<u>Movement in assets and liabilities</u>		
Increase/(decrease) in receivables	419	(458)
(Increase)/decrease in payables	(1 512)	1 450
(Increase)/decrease in employee benefits	(616)	-
(Increase)/decrease in provisions	(9)	-
Net cost of providing services	375	3 094

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government;
- removal of the additional requirement to report a statement of equity for administered items; and
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

9.2. AASB 9 Financial Instrument

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Regulator adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows.

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior year, this information was presented as part of other expenses.
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities and there is no impact on the Regulator's retained earnings as at 1 July 2018.

9.2. AASB 9 Financial Instrument (continued)

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of the Regulator are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of services.

This model generally results in earlier recognition of credit losses than the previous one.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Regulator has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This did not result in an increase or decrease of the loss allowance on 1 July 2018 for trade receivables external to Government.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the Government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

10. Outlook

10.1. Unrecognised contractual commitments

Commitments include expenditure commitments arising from contractual sources and are disclosed at their nominal value.

As at 30 June 2019, the Regulator has contractual commitments for the provision of CTP Scheme actuarial services and internal audit functions as reported.

	2019 \$'000	2018 \$'000
No later than one year	412	-
Later than one year but not later than five years	81	-
Total commitments	493	-

10.2. Contingent assets and liabilities

Ministerial Direction

In accordance with the Ministerial Direction on Unearned Premium Payments by the Minister of Finance, dated 27 July 2016, the Motor Accident Commission (MAC) was requested to make payment of the administrative component of the Unearned Premium to the DTF Operating Account. The payment was to be made at dates and amounts directed by the Chief Executive of DTF to a total of \$21.623 million.

The Chief Executive of DTF requested MAC make a payment of \$6.534 million on 4 August 2016. The balance remaining at 30 June 2019 is \$15.089 million. The payment of the remaining balance is subject to the direction of the Chief Executive of DTF.

CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

10.3. Impact of standards and statements not yet implemented

The Regulator has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective. The adoption of the new and changed AASB standards has had no impact on the Regulator's financial statements.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities

The Regulator will adopt AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – Revenue from Contracts replaces AASB 111 – Construction Contracts and AASB 118 – Revenue.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – Contributions.

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is expected to have no impact on the timing of recognition of revenue by the Regulator.

Related accounting policies

The Treasurer's Instructions (Accounting Policy Statements) 2019 sets out key requirements that the Regulator must adopt for the transition to AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities. These requirements include that the Regulator will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated;
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient; and
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

The Treasurer's Instructions (Accounting Policy Statements) 2019 also sets out requirements for on-going application. These requirements include that the Regulator will:

- apply, where permitted, the short-term licences recognition exemption;
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences; and
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

AASB 16 – Leases

AASB 16 is expected to have no impact on the Statement of Financial Position as the Regulator has no lease agreements as at 30 June 2019.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

10.4. Administered items

	2019	2018
	\$'000	\$'000
Administered expenses		
Stamp Duty expenses	54 242	52 595
Total administered expenses	54 242	52 595
Administered income		
Stamp Duty collected	54 242	52 595
Total administered income	54 242	52 595
Net result	-	-
	2019	2018
	\$'000	\$'000
Administered assets		
Receivables	596	568
Cash and cash equivalents	4 099	4 251
Total administered assets	4 695	4 819
Administered liabilities		
Payables	4 695	4 819
Total administered liabilities	4 695	4 819
Net administered assets	-	-
	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Taxation receipts	54 214	52 510
Cash generated from operating activities	54 214	52 510
Cash outflows		
Taxation payments	(54 366)	(53 017)
Cash used in operations	(54 366)	(53 017)
Net cash provided by / (used in) operating activities	(152)	(507)
Net increase / (decrease) in cash and cash equivalents	(152)	(507)
Cash and cash equivalents at the beginning of the reporting period	4 251	4 758
Cash and cash equivalents at the end of the reporting period	4 099	4 251

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

10.5. Events after the reporting period

No circumstance has arisen that has affected or may significantly affect the Regulator's operations since 30 June 2019.

11. Measurement and risk

11.1. Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by DTF has provided a basis for the measurement of long service leave liability and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departure and periods of service.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2018 (2.5%) to 2019 (1.25%).

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$41 000 and employee benefits expense of \$41 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at a left a 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

11.2. Financial risk management/ financial instruments

Financial risk management

The Regulator's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Regulator's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The Regulator is funded from the Administrative Fee component of the CTP Premiums. The Regulator works with the DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to notes 7.1 and 7.2 for further information.

Credit risk

The Regulator has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by the Regulator.

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11.2. Financial risk management/ financial instruments (continued)

Impairment of financial assets

The Regulator has not written off any receivables.

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Regulator uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Regulator considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Regulator's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Regulator is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Regulator's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Regulator and a failure to make contractual payments for a period of greater than 90 days past due.

The Regulator considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of the Regulator's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

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11.2. Financial risk management/ financial instruments (continued)

Market risk

The Regulator does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The Regulator does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in *TI 23 Management of Foreign Currency Exposures*.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

The following table discloses categorisation and the maturity analysis of financial assets and financial liabilities.

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2019 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	6.1	12 832	12 832	12 832	-	-
Receivables ⁽¹⁾⁽²⁾	6.2	2	2	2	-	-
Total financial assets		12 834	12 834	12 834	-	-
Financial liabilities						
Payables ⁽¹⁾	7.1	19	19	19	-	-
Total financial liabilities		19	19	19	-	-

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2018 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	6.1	11 384	11 384	11 384	-	-
Total financial assets		11 384	11 384	11 384	-	-

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Excludes prepayments which do not meet the definition of a financial asset as per AASB 132 *Financial Instruments: Presentation*.