



CTP Regulator

2017-18 Annual Report

CTP Regulator
Level 8, Wakefield House
30 Wakefield Street
Adelaide SA 5000

www.ctp.sa.gov.au

Contact phone number: 1300 303 558

Contact email: ctp@sa.gov.au

ABN: 44 509 445 953

Date Presented to Minister: 28 September 2018

To:

Hon. Rob Lucas MLC

Treasurer

This annual report is to 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:



Signature

28/09/2018

Date

Kim Birch

Chief Executive & CTP Regulator

Contents

Chief Executive's Report	4
Section A: Reporting required under the <i>Public Sector Act 2009, the Public Sector Regulations 2010</i> and the <i>Public Finance and Audit Act 1987</i>.....	5
About the Scheme	6
Purpose of the Regulator.....	7
The Regulator's Strategic Objectives 2017-18.....	8
The Regulator's Strategic Objectives and their relationship to SA Government Objectives	9
Legislation administered by the Regulator.....	9
Organisation of the Regulator.....	9
Stakeholder Relationships	10
Agency performance management and development systems	11
Work health, safety and return to work programs of the Regulator	11
Work health and safety and return to work performance.....	12
Fraud detected in the Regulator's office	12
Strategies implemented to control and prevent fraud	12
Whistle-blowers' disclosure	13
Executive employment at the Regulator	13
Consultants.....	13
Contractors	14
Financial performance of the agency	14
Other financial information	15
Other information requested by the Minister(s) or other significant issues affecting the Regulator or reporting pertaining to independent functions.....	15
Section B: Reporting required under any other Act or regulation.....	16
Reporting required under the <i>Compulsory Third Party Insurance Regulation Act 2016</i>	17
Section C: Reporting of public complaints as requested by the Ombudsman	28
Summary of complaints by subject.....	28
Complaint outcomes	28
Appendix A: CTP Insurers	29
Appendix B: Audited financial statements 2017-18	30

Chief Executive's Report

We have now completed our second year of operation as the Compulsory Third Party (CTP) Regulator (Regulator) for the South Australian CTP Scheme (Scheme). The Scheme has now entered its final year of a three year transition period, which commenced on 1 July 2016.

Our focus over this past year has been on monitoring the claims management performance of the CTP Insurers and building systems and resources to support injured claimants to access recovery services efficiently and effectively. We have also focused on designing the selection of CTP Insurer process for when the Scheme moves to a Competition Scheme for CTP policies effective from 1 July 2019.

The Competition Scheme model was finalised following widespread consultation with Scheme stakeholders. The model incorporates learnings obtained from research conducted in 2016-17 on interstate and overseas CTP Schemes. The key feature of the model is motor vehicle owners will be able to choose their CTP Insurer on the basis of price or service when they register their vehicle. Importantly, we have retained the efficient process of CTP insurance being paid in the one transaction with vehicle registration.

During the year we developed key aspects of the model including the premium setting process and the claimant surveys to measure claimant satisfaction with their own experience with the CTP Insurer managing their injury claim.

We implemented our Compliance Framework for Scheme regulation to monitor CTP Insurers' compliance with their contractual and legislative obligations. CTP Insurer claims reviews were conducted on the key stages of claims management, data integrity and data quality.

The Injury Recovery Framework was developed with the objective of improving injury recovery for claimants by establishing consistent processes, regardless of CTP Insurer. The Framework also provides guidance on the provision of reasonable and necessary treatment and services for claimants, providers and CTP Insurers.

Over the coming year we will be putting in place the final operational aspects for the Competition Scheme as well as commencing a comprehensive information and education campaign for motor vehicle owners to support the community to transition to actively selecting their preferred CTP Insurer.

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*

Section A: Reporting required under the *Public Sector Act 2009*, the *Public Sector Regulations 2010* and the *Public Finance and Audit Act 1987*

About the Scheme

The Government decided to transition to a market based model with four private insurers (CTP Insurers) approved by Government to provide CTP insurance over an initial three year transition period from 1 July 2016 to 30 June 2019. AAMI, Allianz, QBE and SGIC currently underwrite the Scheme and manage the claims against their policies of insurance.

During the transition years, registered vehicles are randomly allocated to one of the four CTP Insurers to provide CTP insurance, on the basis of the CTP Insurer's initial determined market share.

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)*.

It is compulsory for CTP insurance to be paid at the same time motorists pay their vehicle registration. By paying the CTP insurance premium, motorists are protected from potentially being liable for damages if they cause injury to other road users and pedestrians.

On 1 July 2019, the Scheme will become competitive. This means CTP Insurers will be able to compete for CTP insurance policies, setting their own premiums within premium ranges for all premium classes, to be determined by the Regulator. CTP insurance will remain linked to vehicle registration payment.

During the transitional period, the CTP Regulator is subject to the directions of the Treasurer for some of its functions. This includes determining the minimum terms and conditions of CTP insurance policies. The Policy of Insurance is the same regardless of the allocated CTP Insurer, and CTP Insurers cannot change the premium during the transition period. The Policy of Insurance is available on the Regulator's website at www.ctp.sa.gov.au.

In South Australia, people injured through motor vehicle trauma may be eligible for compensation where the owner or driver or a passenger of the vehicle is at fault. Claims for compensation under the Scheme are fault-based common law claims as modified by statute, principally the *Civil Liability Act 1936*.

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 motor vehicle trauma 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*.

The Regulator is an independent Statutory Authority established under the Act, and commenced operations on 1 July 2016 to regulate and monitor the Scheme.

Purpose of the Regulator

Our purpose is to deliver a high performing, competitive CTP Scheme that offers choice, ease and confidence to the South Australian community.

Regulator Functions

Under section 5 of 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 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 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.

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 Regulator also has administrative and financial responsibility of the Motor Accident Injury Assessment Scheme (MAIAS). The MAIAS was established by the designated Minister (the South Australian Attorney-General) under section 76 of the *Civil Liability Act 1936*.

The Regulator's Strategic Objectives 2017-18

Strategic Objective	Description
Deliver a financially sustainable Scheme that minimises cost.	We will closely monitor Scheme performance to ensure Scheme costs are affordable to motorists, keeping downward pressure on premiums.
Ensure appropriate benefits are paid to claimants.	We will deliver a Scheme that supports a claimant to access appropriate benefits within the legislative and Scheme frameworks, in the most efficient way, with payments that appropriately reflect their circumstances.
Promote an outcomes driven, recovery and service focused 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 the early resolution of claims.
Meet our 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.
Lead the ongoing development of an efficient, competitive and viable Scheme.	We establish key policies, systems and processes to support the Competition Scheme in 2019. Engagement with the South Australian community will inform our communication strategy and ensure motorists are active participants in the design of the Scheme.
Build the capability of our team and our infrastructure to deliver on our Vision and Mission.	As a team, we will continue to develop our culture, skills and knowledge to meet our obligations and to demonstrate our organisational values.

The Regulator's Strategic Objectives and their relationship to SA Government Objectives

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

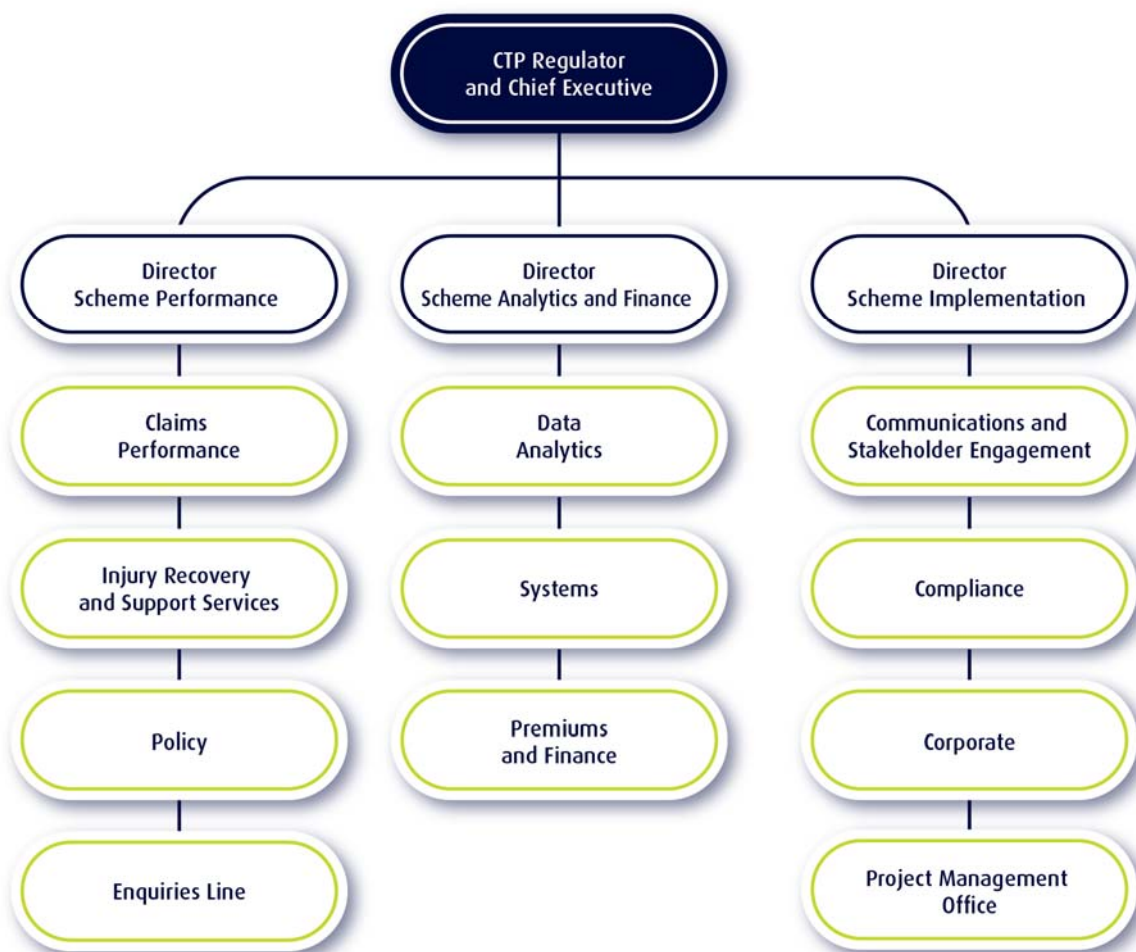
Legislation administered by the Regulator

- *Compulsory Third Party Insurance Regulation Act 2016*
- Part 4, *Motor Vehicles Act 1959*

Organisation of the Regulator

The Regulator's organisational structure is based on the delivery of its core functions as outlined in Figure 1 below.

Figure 1: Organisation of the Regulator



The **Scheme Performance Directorate** is responsible for the Scheme operations including the monitoring of CTP Insurers' claims management performance and injury recovery processes, and the provision of Scheme information to the community via the Enquiries Line.

The **Scheme Analytics and Finance Directorate** is responsible for the systems and processes required to enable Scheme monitoring, analysis and reporting. This Directorate is responsible for the process of determining premium ranges for all premium classes annually from 1 July 2019.

The **Scheme Implementation Directorate** is responsible for corporate functions including administration, communication and risk and compliance. The Directorate is responsible for the implementation of the Competition Scheme.

Regulator staff are employed by the Department of Treasury and Finance (DTF) and seconded to the Regulator's office.

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 which keep administration costs down and support the effective functioning of the Regulator's Office.

We monitor the activities of CTP Insurers to ensure they meet 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 (see Figure 2).

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 and streamline processes.
- The Australian Prudential Regulation Authority (APRA) regarding the financial stability and solvency of the CTP Insurers.

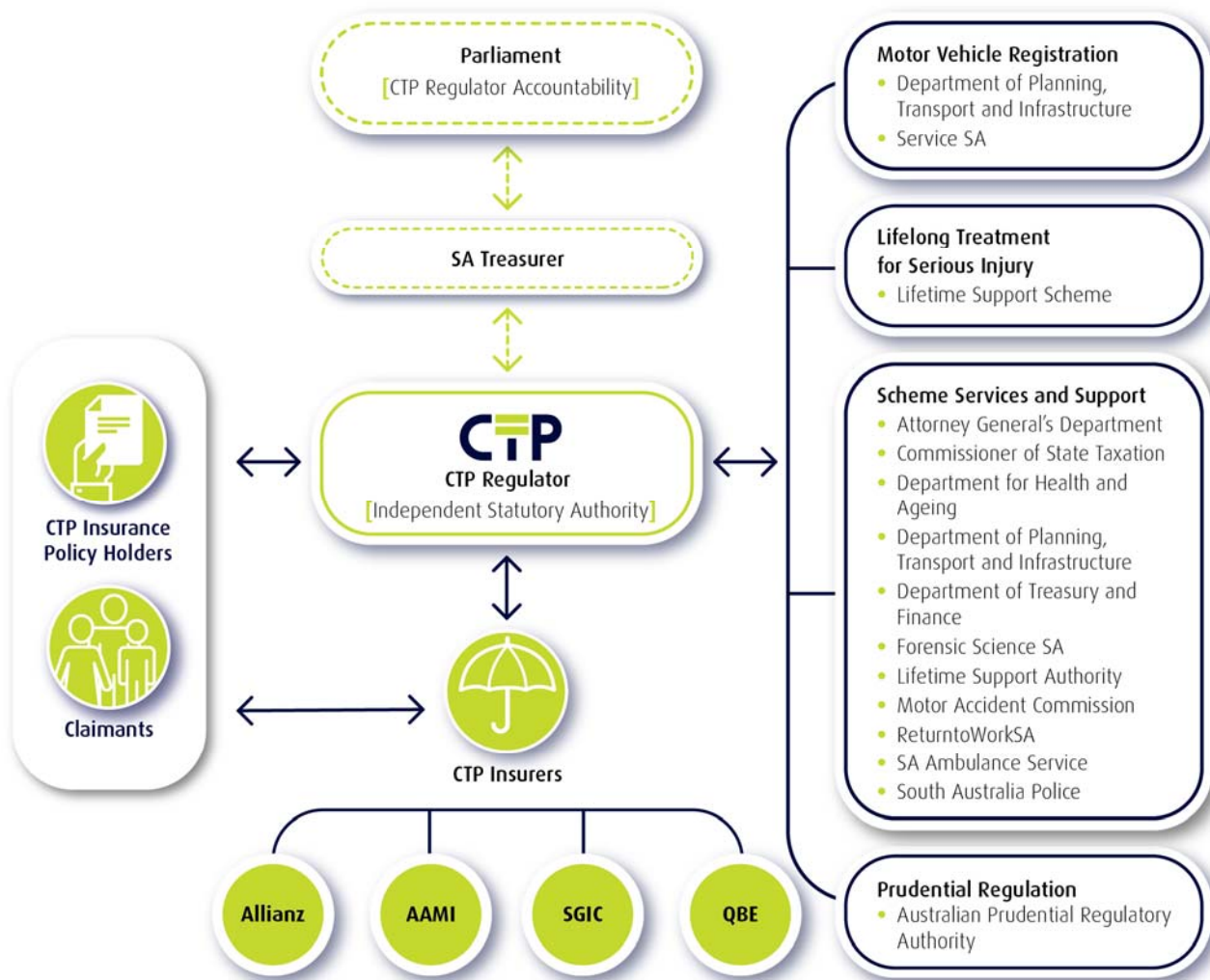
To assess the various Scheme models and to learn from the experience of other Schemes, we consulted widely with industry stakeholders both interstate and overseas in the development of the Competition Scheme model.

In the implementation of the SA CTP Scheme, we have:

- performed market research with motorists and claimants over the past two years to ensure their views inform the design of the Scheme
- worked closely with DPTI to identify the changes needed to the vehicle registration system to support the Competition Scheme

- collaborated with Service SA in the development of tools and information to support motorists when the Competition Scheme commences
- consulted with CTP Insurers through a series of workshops on all aspects of Scheme design.

Figure 2: CTP Regulator Stakeholders 2017-18



Agency performance management and development systems

Regulator staff access DTF's performance management and development systems. All staff have performance plans in place that are reviewed every 6 months.

Work health, safety and return to work programs of the Regulator

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

Work health and safety and return to work performance

Nil work health and safety breaches were reported in 2017-18.

Nil staff undertook a return to work program in 2017-18.

Fraud detected in the Regulator's office

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 audit function and fraud risk register
- 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
--	-----

Executive employment at the Regulator

Executive classification	Number of Executives
SAES Level 1	3
SAES Level 2	1

Consultants

A summary of external consultants and contractors engaged by the Regulator in 2017-18, and the nature and total cost of work undertaken is provided below:

Consultancies below \$10,000 each		
Enduring Change Pty Ltd	Competition Scheme Model Development	\$ 6,413
PriceWaterhouseCoopers	Premium Assessment	\$ 3,630
Consultancies above \$10,000 each		
Taylor Fry Pty Ltd	Scheme Actuarial Services	\$ 93,177
Total		\$ 103,220

Contractors

Contractor	Purpose	\$ Value
Alemba Pty Ltd	Customer Relationship Database Support	\$ 5,600
Dr Beta M Byok	Specialist Medical Report Reviews and Workshops	\$ 31,453
Dr Dwight Dowda	Specialist Medical Report Reviews and Workshops	\$ 13,975
Dr Peter T Jezukaitis	Specialist Medical Report Reviews and Workshops	\$ 31,118
Dr Nicholas Ford	Specialist Medical Report Reviews and Workshops	\$ 11,352
Dr Michael W N Epstein	Specialist Medical Report Reviews and Workshops	\$ 9,987
Resonate Consultants Pty Ltd	Office Fit-out Assessment	\$ 975
John Keough	Human Resources Advice	\$ 1,749
Data Drift	Business Intelligence Reporting and Structure	\$ 9,375
Info-Osmosis	Records Management Project	\$ 14,200
Chamonix IT Management	Project Management Site Enhancement	\$ 1,500
BIZ Hub Australia Pty Ltd	Scheme Database Technical Upgrade	\$ 1,636
Total		\$ 132,920

Financial performance of the agency

The Regulator reported a total comprehensive result of \$3.094 million in 2017-18. Total operating revenue of \$113.374 million was in excess of total operating expenditure of \$110.280 million in 2017-18.

Full audited financial statements for 2017-18 are provided in Appendix B: Audited financial statements.

Total operating revenue consisted of:

	\$' million
CTP Insurance Premium collections*	113.074
Interest earnings	0.237
Other minor	0.062
Total	113.374

**This amount includes funds collected for payments made by the Regulator to hospital and emergency service providers, road safety promotions, Stamp Duty, and other Administration costs associated with the CTP Scheme. This amount excludes the CTP Insurer premium component paid to CTP Insurers.*

Total operating expenditure consisted of:

	\$' million
Stamp Duty (on behalf of the CTP Insurers and the Regulator)	52.595
CTP Insurance related Government service providers	
Hospital & Emergency Services	27.439
Motor Accident Commission road safety promotions	13.931
Collection fees	11.500
Regulator functions	4.795
Other minor	0.020
Total	110.280

Other financial information

Nil to report

Other information requested by the Minister(s) or other significant issues affecting the Regulator or reporting pertaining to independent functions

Refer to Section B

Section B: Reporting required under any other Act or regulation

Reporting required under the *Compulsory Third Party Insurance Regulation Act 2016*

The following section provides information on our Scheme implementation activities and our operational activities.

Scheme Implementation activities include:

- development of the Competition Scheme
- implementation of claimant surveys.

Operational activities include:

- development of the Injury Recovery Framework
- completion of the 2018 MAIAS quality assurance program
- provision of information to Scheme stakeholders
- Scheme monitoring and performance and oversight of CTP Insurer claims management performance.

Scheme Implementation Activities

Competition Scheme Development

After extensive consultation with stakeholders including interstate and international Schemes, the Regulator finalised the design of a preferred Competition Scheme model. The Regulator focused on meeting the following Competition Scheme objectives:

- setting the conditions to promote price competition
- providing a level playing field for all competitors and facilitating the entry of new insurers into the South Australian CTP insurance market
- encouraging CTP Insurers to compete on service as well as price
- making the choice of CTP Insurer easy for motor vehicle owners.

We undertook the following activities in preparation for the Competition Scheme:

- developed an Engagement Strategy to ensure all stakeholders were identified and included in the engagement process
- appointed a Scheme Actuary to provide independent advice on Scheme performance and setting premium ranges for all premium classes
- collaborated with DPTI to identify changes to the vehicle registration system
- liaised with DPTI and Service SA to identify the changes required to vehicle registration forms and the Ezyreg online registration screens
- finalised the Communications Strategy to inform and prepare motorists of how to choose their CTP Insurer when the Scheme becomes competitive in mid-2019.

For CTP policies due on or after 1 July 2019:

- motorists will choose their CTP Insurer when they register their vehicle, based on price and claimant satisfaction scores
- CTP Insurers will offer their CTP insurance policies at premiums (prices) they set, within premium ranges for all premium classes
- the Regulator will set the premium ranges for all premium classes based on actuarial advice.

Claimant Survey Implementation

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

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

The claimant service scores will be published on registration renewal notices from mid May 2019. The score will be easy to interpret and helpful to allow motorists to make an informed purchasing decision. In addition, results from the survey will be published in the Annual Report from 2018-19.

Operational Activities

Injury Recovery Framework Development

The Regulator consulted with medical and allied health industry bodies, legal representatives, research organisations and CTP Insurers in the development of the Injury Recovery Framework (Framework).

The Framework outlines the roles and responsibilities of all parties in supporting injured claimants in their recovery. Injured claimants can use the Framework to understand how the Scheme works including how to access treatment, and how payments are made for reasonable and necessary interventions.

Allied Health Management Plans were developed for use by service providers such as physiotherapists, chiropractors and psychologists to standardise the information provided to CTP Insurers and ensure injured claimants receive timely access to funded services. The Framework and Plans can be found on the Regulator's website at www.ctp.sa.gov.au.

Motor Accident Injury Assessment Scheme Quality Assurance (QA) Program

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 claimant and the CTP Insurer in the determination of the Injury Scale Value (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 non-economic loss, 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.

The MAIAS Quality Assurance Program provides supportive, educational feedback to accredited health professionals, ensuring consistent, objective and reliable medical assessments.

Peer review experts conducted an independent review of over 800 medical assessment reports, with the findings presented in November 2017 to medical and industry professionals.

The review indicated that 85% of the ISV medical assessment reports contained clear and appropriate rationale for the accredited health professional's findings.

The MAIAS will continue to review medical reports to provide education and support to accredited health professionals, and promote continuous improvement in the standard of medical assessments.

Providing information to Scheme stakeholders

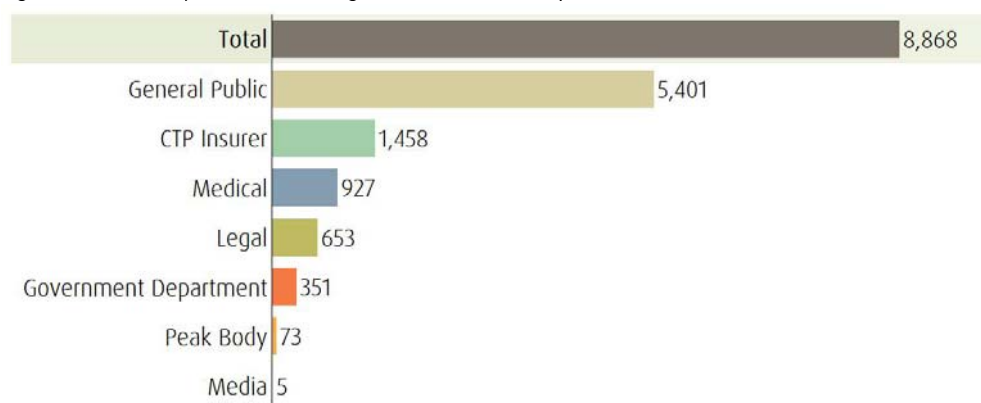
The Regulator is committed to providing quality and timely information and support to the community. Our communication channels include the Enquiries Line, our website at www.ctp.sa.gov.au, email to ctp@sa.gov.au and communication in writing or in person.

This year, the Regulator created and launched a new website to provide information to motorists, claimants, the general public and the CTP insurance industry.

All enquiries received are recorded and monitored, and this information is used to better inform stakeholders about the Scheme.

Figure 3 below outlines the source and number of all enquiries received by the Regulator during the 2017-18 financial year. In total, 8,868 enquiries were received, with more than half of all enquiries from the general public (5,401).

Figure 3: Total Enquiries to the Regulator in 2017-18, by Source and Number



Scheme Monitoring and Performance

The Regulator uses a suite of tools to oversee Scheme performance and to identify areas of concern 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 with respect to key claims management activities such as claims acceptance/denial, claims closure and re-opening and settlements. Benchmarking reports are provided to the CTP Insurers and help them to assess their performance against the industry.

Reports are also a key tool for the Regulator to closely monitor data quality. Data quality issues are identified, recorded and raised formally with the CTP Insurers. Issues are managed to resolution against agreed acceptance criteria and timeframes. Issues that are not resolved within the agreed time are escalated to the Compliance Framework and may lead to compliance breaches.

These activities have led to a significant improvement in the quality of claims data, particularly in the accurate coding of injuries and their severity, and recording the dominant injury. The accuracy of these items will inform and assist the Regulator in setting premium ranges for all premium classes when the market becomes competitive.

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 required for the Scheme.

The Regulator uses a number of compliance activities, including:

- claims management reviews
- monthly meetings with CTP Insurers' senior claims management personnel
- annual management declarations and submission of business plans by CTP Insurers about their operations.

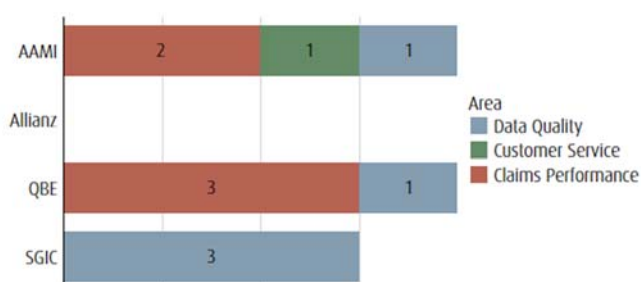
Five significant claims management reviews were undertaken during 2017-18 to ensure injured claimants are supported in the claims process, focusing on:

- customer service levels for claimants
- claimant injury recovery and early intervention
- claims liability determination, management of children's claims, and nominal defendant claims
- offers of claim settlement
- ISV medical examinations and reports arranged for claimants.

Where the reviews identify areas for improvements, the CTP Insurers are required to submit Corrective Action Plans to address these findings.

Any areas considered non-compliant can result in CTP Insurers being issued with breach notices. Eleven minor breaches were issued in 2017-18, of which three are currently outstanding and are being monitored by the Regulator.

Figure 4: CTP Insurer Breaches 2017-18



Scheme Insights 2017-18

Class 1 (private passenger vehicle, District 1) CTP insurance premiums as a percentage of average weekly earnings is an industry measure commonly used to assess affordability of premiums. Table 1 below shows that premiums during the first two transition years have remained stable at 28.1% in 2017-18 of one week's average full time weekly earnings in South Australia, compared with 27.9% in 2016-17.

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

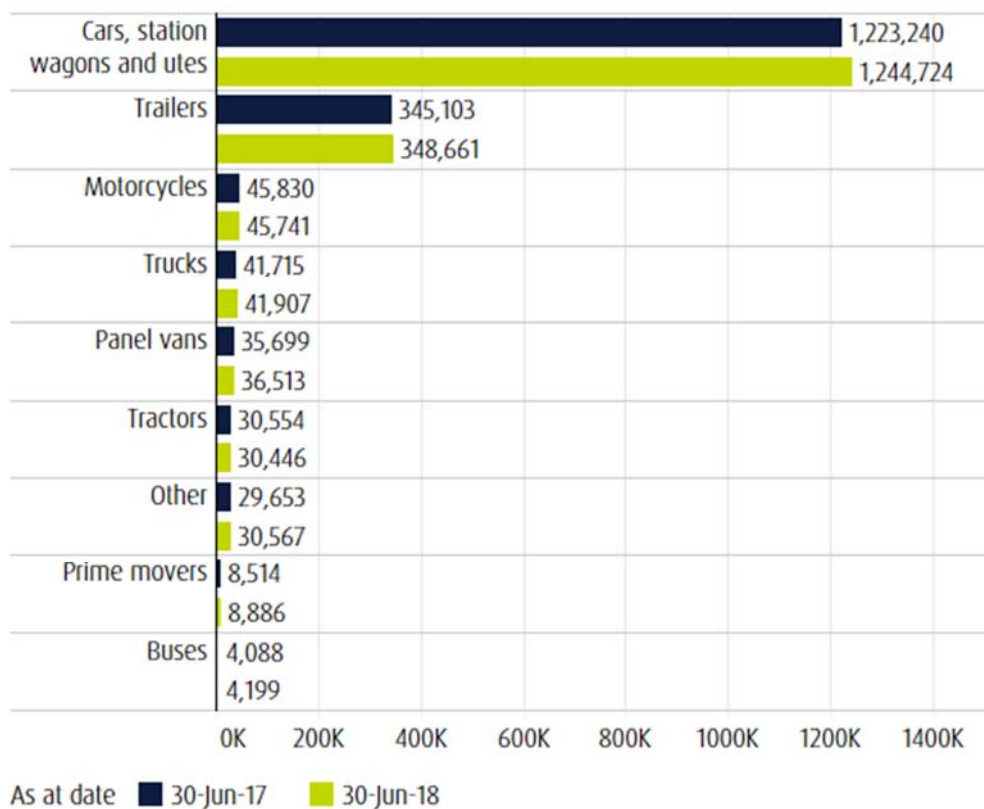
	Annual Premium (\$)	Calculated AWE⁽¹⁾⁽²⁾ (\$)	Ratio %	Prescribed Limit ⁽¹⁾ %
2017-18	400.75	1,424.79	28.1%	31.0%
2016-17	389.00	1,395.48	27.9%	31.0%

⁽¹⁾ Refer Motor Vehicles (Third Party Insurance) Regulation 2013, section 8.

⁽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.

The breakdown of registered vehicles is depicted in Figure 5. Note that trailers are exempt from paying CTP insurance premiums however they are covered by CTP insurance.

Figure 5: Number of registered vehicles in South Australia.*

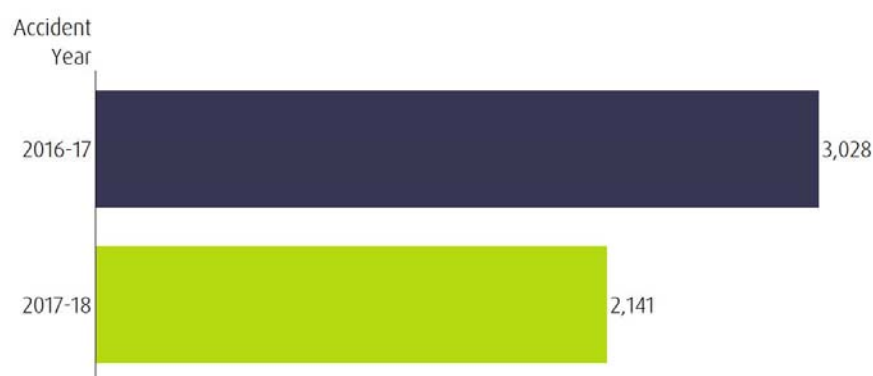


*Source: www.data.sa.gov.au

Under the MV Act, persons injured in motor vehicle accidents have up to three years from the date of the accident to lodge a claim. Scheme data shows that the average number of days from the date of the accident to the date of lodgement is approximately 60, with some claims taking significantly longer to be reported. In interpreting claim numbers by accident year, an allowance must be made for claims that will be lodged in the future. These claims are called Incurred But Not Reported (IBNR).

The number of claims relating to accidents in 2016-17 and 2017-18 is shown in Figure 6 below. The count of claims for 2017-18 is significantly lower than for 2016-17 primarily because of IBNR claims. Our modelling indicates that with the IBNR claims included, there may be a small reduction in the ultimate number of claims incurred from 2016-17 to 2017-18.

*Figure 6: Number of claims notified, broken down by accident year**



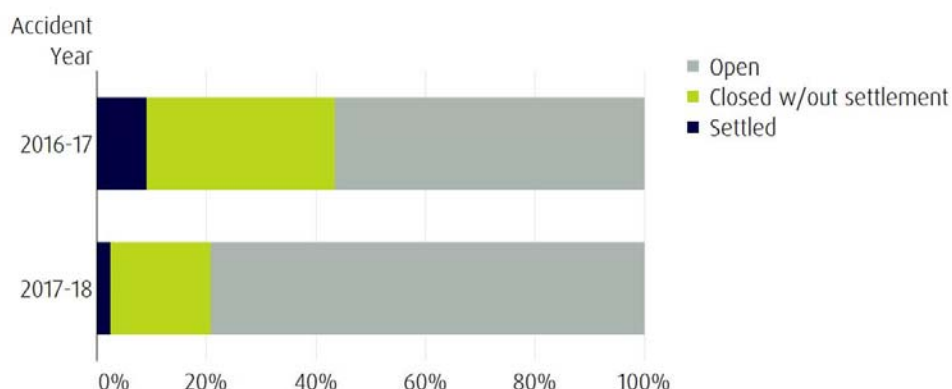
**IBNR (Incurred But Not Reported) claims are not included*

CTP claims take several years to be resolved. The proportion of claims that are resolved indicates how far a given accident year has progressed towards being fully paid.

Resolved claims can be either settled or closed without a settlement. A claim is settled once the settlement / discharge agreement is signed by the claimant. Claims closed without settlement include claims with treatment costs, claims denied by the CTP Insurer and claims withdrawn by the claimant.

Figure 7 below shows the proportion of claims lodged from accident years 2016-17 and 2017-18 that have been settled, closed without settlement and remain open. As expected, in both accident years the proportion of settled claims is quite low. The new privately underwritten Scheme is still very immature and it will take several more years for accident years to be fully paid out.

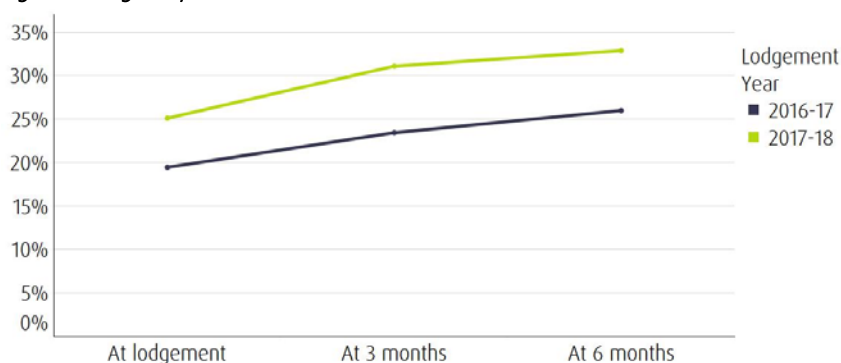
*Figure 7: Distribution of claims incurred by claim status**



*A claim is considered settled once the settlement/discharge agreement is signed by the claimant.

The proportion of claimants who are legally represented at claim lodgment and at 3 and 6 months past lodgment is shown in Figure 8 below. The rate of legal representation has increased from 2016-17 to 2017-18, however, the majority of claimants are not legally represented.

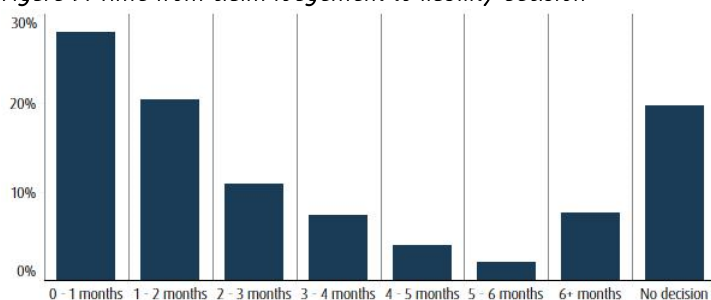
*Figure 8: Legal representation of claimants**



*Proportion of legally represented claims where the claimant engaged a lawyer at or prior to claim lodgement, at 3 months after lodgement and at 6 months after lodgement. For financial year 2017-18, the data samples for claims with legal representation at 3 (6) months from lodgement exclude claims notified in the last 3 (6) months of that year.

Figure 9 shows the distribution of time from claim lodgment to liability decision by CTP Insurers. Timely liability decisions are important for applying early intervention and injury recovery strategies. The Regulator monitors CTP Insurers to ensure that liability decisions are not unnecessarily delayed.

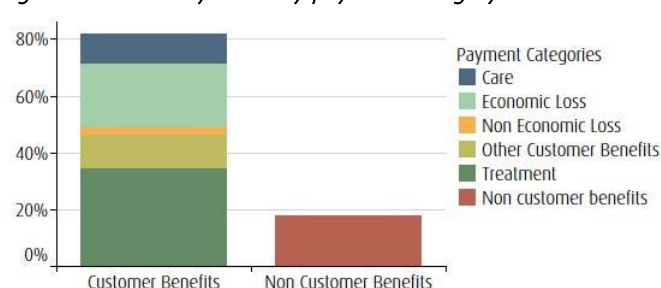
Figure 9: Time from claim lodgement to liability decision*



*Distribution of claims by time from claim lodgement to liability decision. The results are based on claims lodged from 1 July 2016 to 30 June 2018.

The breakdown of claim payments by payment category is given in Figure 10. The diagram is based on claims with accident dates from 1 July 2016 to 30 June 2018 that were closed in 2017-18. Non-customer benefits represent 18% of the total payments.

Figure 10: Claim Payments by payment category*



*Breakdown of claim payments by payment category. Based on claims with accidents from 1 July 2016 to 30 June 2018 that were closed in 2017-18.

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

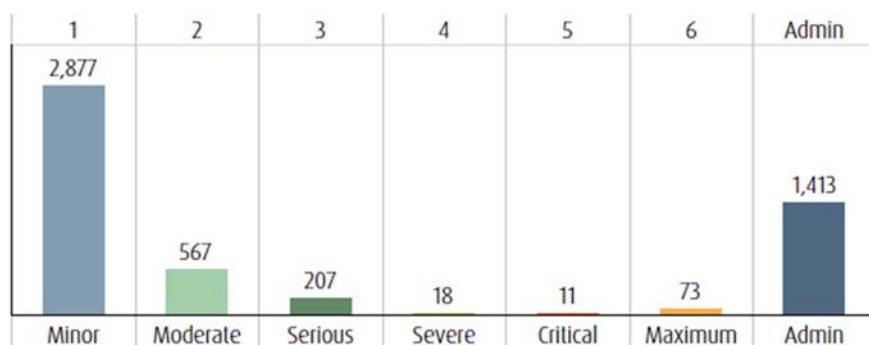
"Other Customer Benefits" category includes payments to surviving spouse and/or children for the loss of family member, reasonable funeral costs, payments to partners of injured persons for the loss of companionship, rehabilitation costs and claimant travel expenses.

"Treatment" category includes payments for past and future medical, allied health and hospital services, excluding public hospital services bulk 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.

Most claims relate to injuries of a minor nature, as depicted in Figure 11 below.

Figure 11: Injury severity*



**Breakdown of claims by Injury Severity. Includes claims with accidents from 1 July 2016 to 30 June 2018. Injury Severity is based on Abbreviated Injury Scale 2005 (AIS 2005) injury coding.*

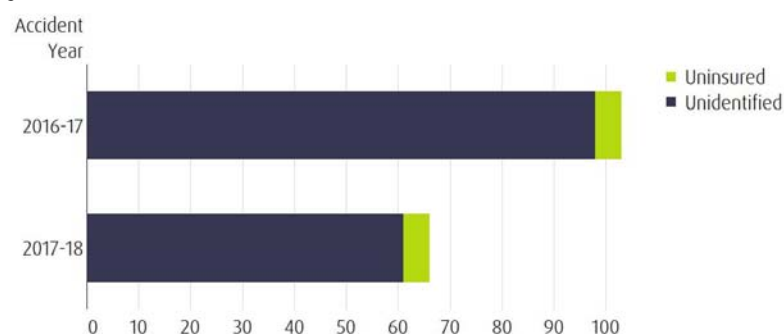
"Maximum" injury severity usually indicates a fatality.

"Admin" means 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").

The Regulator assigns Nominal Defendant claims to CTP Insurers to manage. These are claims where the at-fault vehicle is either unknown or uninsured. The number of claims over the past two financial years are outlined in Figure 12 below.

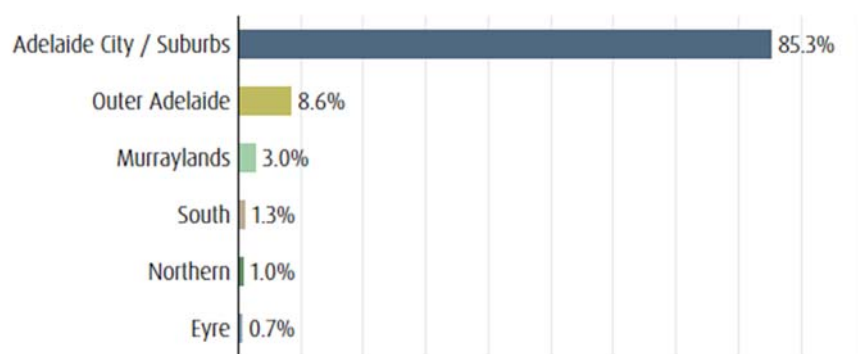
Figure 12: Nominal Defendant claims*



**Nominal defendant claims by accident year.*

Accident location data is also monitored by the Regulator. Figure 13 below shows that the majority of accidents resulting in claims occurred within the metropolitan Adelaide area (85.3%) with outer Adelaide accounting for 8.6% of these accidents.

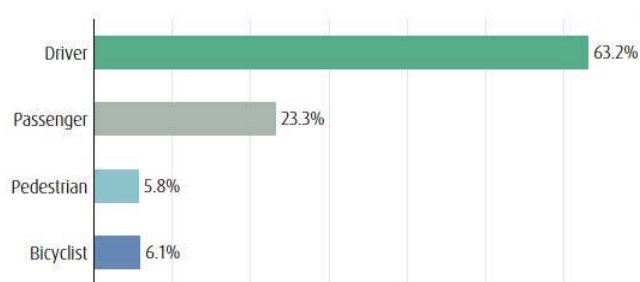
Figure 13: Accident locations*



* Based on claims for accidents from 1 July 2016 to 30 June 2018. Accidents that did not give rise to claims are not included.

Figure 14 below shows 2017-18 data where 63.2% of claimants were vehicle drivers, 23.3% passengers, 5.8% pedestrians and 6.1% bicyclists.

Figure 14: Claimant role in Accident*



*Based on claims for accidents from 1 July 2016 to 30 June 2018. Motorcyclists are included as drivers. Excludes claimants with role listed as "Other".

Section C: Reporting of public complaints as requested by the Ombudsman

Summary of complaints by subject

Public complaints received by the Regulator	
Category of complaints by subject	Number of instances
Complaints against the Scheme	1
Complaints against the Regulator	0
Complaints against CTP Insurers	19

Complaint outcomes

The Regulator endeavors to respond to all complaints within ten working days.

All complaints were resolved and reported to the Regulator's Governance Committee. The Regulator requires CTP Insurers to take corrective action where necessary.

Appendix A: CTP Insurers

<p>AAMI*</p> <p>General Enquiries: 13 22 44</p> <p>SA CTP Claims Enquiries: 1300 084 851</p> <p>Facsimile: 8205 5399</p> <p>Email: sactpclaims@aami.com.au</p> <p>Website: www.aami.com.au/ctp-insurance/sa</p> <p>Mail: GPO Box 471, Adelaide, SA 5001</p> <p>Local SA Office: 45 Grenfell Street, Adelaide SA 5000</p> <p>Head Office: Suncorp, Level 28, 266 George Street, Brisbane, Qld, 4000</p> <p><small>* AAI Limited (trading as AAMI) is a brand of Suncorp Group.</small></p>	<p>Allianz</p> <p>SA CTP Claims Enquiries: 1300 686 725</p> <p>Facsimile: 1300 686 018</p> <p>Email: claimssactp@allianz.com.au</p> <p>Website: www.allianz.com.au/ctp-insurance/sa</p> <p>Mail: PO Box 10063 Adelaide BC SA 5000</p> <p>Local SA Office: 55 Currie Street, Adelaide SA 5000</p> <p>Head Office: 2 Market Street, Sydney, NSW 2000</p>
<p>QBE</p> <p>General Enquiries: 13 37 23</p> <p>SA CTP Claims Enquiries: 1300 429 528</p> <p>Facsimile: 1300 059 688</p> <p>Email: myctpclaims@qbe.com</p> <p>Website: www.qbe.com.au/green-slip-insurance/ctp-sa</p> <p>Mail: GPO Box 7037 Sydney NSW 2001</p> <p>Local SA office: Level 9, 400 King William Street, Adelaide SA 5000</p> <p>Head Office: Level 27, Chifley Square, Sydney, NSW, 2000</p>	<p>SGIC**</p> <p>SA CTP Claims Enquiries: 1800 633 176</p> <p>Facsimile: 1300 317 420</p> <p>Email: piclaims@iag.com.au</p> <p>Website: www.sgic.com.au/claims/ctp-insurance</p> <p>Local SA Office: Level 5, 80 Flinders Street, Adelaide SA 5000</p> <p>Head Office: IAG Limited, 388 George Street, Sydney NSW 2000</p> <p><small>** SGIC is part of the Insurance Australia Group.</small></p>

Appendix B: Audited financial statements 2017-18

Compulsory Third Party Regulator

Financial Statements

For the year ended 30 June 2018

CTP Regulator
Statement of Comprehensive Income
for the year ended 30 June 2018

		2018	2017
	Note	\$'000	\$'000
Expenses			
Administration premium component distributions	3	57 106	56 535
Other expenses	4	579	5 163
Total expenses		57 685	61 698
Income			
Administration premium component collections	5	60 479	58 073
Interest revenue	6	237	228
Other revenues	7	63	10 178
Total income		60 779	68 479
Net cost of providing services		3 094	6 781
Total comprehensive result		3 094	6 781

The net result and total comprehensive result are attributable to the SA Government as owner.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CTP Regulator
Statement of Financial Position
as at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	8	11 384	9 282
Receivables	9	669	1 127
Total current assets		12 053	10 409
Total assets		12 053	10 409
Current liabilities			
Payables	10	2 178	3 628
Total current liabilities		2 178	3 628
Total liabilities		2 178	3 628
Net assets		9 875	6 781
Equity			
Retained earnings		9 875	6 781
Total equity		9 875	6 781

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	11
Contingent assets and liabilities	12

The above statement should be read in conjunction with the accompanying notes.

CTP Regulator
Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2016		-	-
Net result for 2016-17		6 781	6 781
Total comprehensive result for 2016-17		<u>6 781</u>	<u>6 781</u>
Balance at 30 June 2017		<u>6 781</u>	<u>6 781</u>
Net result for 2017-18		3 094	3 094
Total comprehensive result for 2017-18		<u>3 094</u>	<u>3 094</u>
Balance at 30 June 2018		<u><u>9 875</u></u>	<u><u>9 875</u></u>

All changes in equity are attributable to the SA Government as owner.

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

CTP Regulator
Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash outflows			
Payments for administration fees		(58 438)	(53 040)
Payments for other expenses		(697)	(5 030)
Cash used in operations		(59 135)	(58 070)
Cash inflows			
Receipts from administration fees		60 335	57 574
Other receipts		665	9 567
Interest received		237	211
Cash generated from operations		61 237	67 352
Net cash provided by / (used in) operating activities		2 102	9 282
Net increase / (decrease) in cash and cash equivalents		2 102	9 282
Cash and cash equivalents at the beginning of the reporting period		9 282	-
Cash and cash equivalents at the end of the reporting period	8	11 384	9 282

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

CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

1 Basis of financial statements

a) Reporting entity

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 17. 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. 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 MOAA with the Commissioner of State Taxation, the Regulator, on behalf of the CTP Insurers, collects and remits all Stamp Duty payable on premiums.

b) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987* (PFAA). The financial statements are general purpose financial statements.

The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Regulator has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Regulator is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2018.

c) Basis of preparation

The financial statements have been prepared based on a 12 month 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 on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

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.

Significant accounting policies are set out in the Notes.

d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or Accounting Policy Statements have required a change.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1 Basis of financial statements (continued)

e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or Accounting Policy Statements have required a change.

f) Taxation

The Regulator is not liable for Payroll Tax, Fringe Benefits Tax (FBT), Income Tax or Goods and Services Tax (GST).

The Department of Treasury and Finance (DTF) prepares the Business Activity Statements on behalf of the Regulator under the grouping provision of GST legislation. Under these provisions, the net amount of GST recoverable from, or payable to the Australian Taxation Office (ATO) is included in DTF Financial Statements as DTF is liable for the payments and entitled to the recovery of GST.

The Regulator is liable for the payment of stamp duties levied under the *Stamp Duties Act 1923*. Stamp Duties are levied on the CTP insurance premium component collected by the Regulator on behalf of the four CTP insurers. The Regulator is required to pay the stamp duties to the Commissioner of State Taxation pursuant to a MOAA.

2 Objectives and activities

Objectives

The Compulsory Third Party Regulator (the Regulator) is established as an independent statutory authority under the *Compulsory Third Party Insurance Regulation Act 2016* (CTPIR Act).

The Regulator is responsible for leading the ongoing 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 role includes ensuring that a fair and affordable CTP Insurance Scheme (Scheme) is maintained, continuing to improve Scheme outcomes for injured persons, and having oversight of the CTP insurance premium setting process.

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

During 2017-18, the Regulator has progressed operational implementation to ensure the model is market ready for CTP insurance policies effective 1 July 2019 onwards.

The total scheduled CTP Insurance Premium is made up of:

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

All Premiums are collected by the Department of Planning, Transport and Infrastructure (DPTI), through the 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 vehicles through various methods.

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

CTP Regulator

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

2 Objectives and activities (continued)

The components of the CTP managed by CTP Regulators are:

- the full stamp duty payable on the CTP Insurance Premium, 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*;
- a health care component which funds disbursements by the CTP Regulator to SA Public Hospitals and other relevant SA Government health care providers. This includes Bulk Hospital, Bulk Ambulance and the State Rescue Helicopter;
- a road safety component which funds disbursement by the Regulator to the Motor Accident Commission for the State's Road Safety Program
- a collection fee (DPTI) which funds disbursement by the Regulator to DPTI for management of the collection of premiums, maintenance of policy records and provision of access to information regarding policy records; and
- a Regulator fee component to be retained by the Regulator to fund its operations.

These arrangements, with the exception of the Regulator fee, are detailed in Memorandum of Administrative Arrangements (MoAAs) between the Regulator and the individual government agencies.

Activities

The *Compulsory Third Party Insurance Regulation Act 2016* specifies a general set of functions for the Regulator.

During the year ended 30 June 2018, the principle regulation activities of the Regulator were:

- regulation of the CTP Insurers
- determination of the premium amounts payable in respect of the CTP Insurance policies in 2018-19
- determination of the minimum terms and conditions of CTP Insurance policies
- monitoring, auditing and review of the operation and efficiency of the CTP insurance business
- provision of information to consumers about the CTP insurance business and CTP Insurers
- establishment, monitoring and review of rules that the CTP Insurers must comply with.

Nominal Defendant

The Regulator has performed the nominal defendant function since 1 January 2017.

The nominal defendant acts as an insurer and bears the liabilities of meeting claims in cases where:

- injuries are caused to a claimant by a motor vehicle that is not identified
- injuries are caused to a claimant by a motor vehicle for which there is no in force policy.

The Nominal Defendant claims costs are reflected in the accounts of the CTP Insurer.

The Motor Accident Injury Assessment Scheme (MAIAS)

During the year ended 30 June 2018, the Regulator performed the secretariat function for the Accreditation Panel and the Motor Accident Injury Assessment Scheme (MAIAS).

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 are to assist the claimant and the CTP Insurer in the determination of the ISV. The ISV is used to assist in determining an injured person's entitlements to compensation, subject to certain thresholds, under the CTP Insurance Scheme.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

3 Administration premium component distributions

	2018	2017
	\$'000	\$'000
Hospital and emergency fees	27 305	26 688
Road safety fees	13 931	13 525
CTPI premium collection fees - paid to DPTI for admin	11 500	11 500
Regulator fees - paid to DTF for admin	4 370	4 822
Total administration fees	57 106	56 535

Audit fees paid/payable to the Auditor-General's Department (AGD) relating to work performed under the PFAA and included in Regulator fees above were \$25,200 (2017: \$31,000).

Administration premium component distributions

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 administration, including health services for injuries sustained during a motor vehicle accident and road safety initiatives.

The Regulator has entered into a MoAA with DTF for the 2017-18 financial year. Under the MoAA, DTF provides the Regulator with staff and infrastructure required to meet its functions under a cost recovery relationship. Based on the Regulator fees - paid to DTF for admin (as per note 3) and the CTPI Scheme improvement projects (as per note 4), the total amount payable to DTF under the cost recovery relationship was \$4.795 million in the 2017-18 financial year.

4 Other expenses

	2018	2017
	\$'000	\$'000
CTPI Scheme improvement projects	425	2 601
Medical practitioner payments	134	123
Insurer premium payments	-	553
Compensable patient refunds	3	328
Refunds for novated policy cancellations	17	1 555
Other	-	3
Total other expenses	579	5 163

***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 Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

5 Administration premium component collections

	2018	2017
	\$'000	\$'000
Hospital and emergency fees	28 067	26 664
Road safety fees	14 232	13 634
DPTI premium collection fees	11 713	11 596
Regulator operations	6 467	6 179
Total administration fees collected	60 479	58 073

Administration premium component collections

Premiums are collected from motorists by the Department of Planning, Transport and Infrastructure. The Stamp Duty and administration components of the CTP insurance premiums collected by DPTI are paid to the Regulator. These are recognised as earned on the date of receipt in the DPTI TRUMPS.

6 Interest revenue

	2018	2017
	\$'000	\$'000
Deposit account interest receipts	237	228
Total Interest revenue	237	228

7 Other revenues

	2018	2017
	\$'000	\$'000
Regulator's share of advance renewal premiums*	-	1 296
Recoveries for novated policy cancellations**	25	1 294
Compensable patient recoveries	3	328
Regulator's share of unearned premium on novated policies***	-	6 534
Premium recoveries	-	704
Other	35	22
Total other revenues	63	10 178

***Regulator's Share of Advance Renewal Premiums**

This reflects the Regulator's share of premiums on policies renewed in advance of the policy commencement date that was transferred from DTF Administered Items transitional funds on 1 July 2016. This is a one-off transaction.

****Recoveries for Novated Policy Cancellations.**

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.

*****Regulator's Share of Unearned Premiums on Novated Policies**

This reflects the Regulator's share of the administrative component of the unearned premiums on novated policies transferred from the Motor Accident Commission on 4 August 2016. This is a one-off transaction.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

8 Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Deposits with the Treasurer	11 384	9 282
Total cash and cash equivalents	11 384	9 282

Cash and cash equivalents in the Statement of Financial Position includes cash at bank held in a deposit account with the Treasurer.

Cash is measured at nominal value.

The Regulator's physical cash balance is held within the Department of Treasury and Finance Operating Bank Account.

9 Receivables

	2018	2017
	\$'000	\$'000
Current		
Receivables	652	1 110
Accrued interest revenue	17	17
Total current receivables	669	1 127
Total receivables	669	1 127

Receivables include amounts receivable from services provided, transactions performed by the Regulator to facilitate functions of the Regulator scheme and other accruals.

The collectability of receivables is reviewed on an ongoing basis. An allowance for impairment loss (doubtful debt) is raised when there is objective evidence that the Regulator will not be able to collect the debt. Bad debts are written off when identified.

Other classes of assets, including non-current assets and intangible assets are held by DTF through the Memorandum of Administrative Arrangements.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

10 Payables

	2018 \$'000	2017 \$'000
Current		
Creditors and accrued expenses	2 178	3 628
Total current payables	2 178	3 628
 Total payables	 2 178	 3 628

Payables include creditors and accrued expenses.

Creditors represent the amount owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices and payment requests received relating to the normal operations of the Regulator.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

11 Unrecognised contractual commitments

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

These primarily relate to expenditure expected to be incurred under MoAAs between the Regulator and other South Australian government agencies.

The Regulator has entered into MoAAs that cover the costs of a range of government services connected with CTP insurance policy administration, including health services for injuries sustained during a motor vehicle accident and road safety initiatives.

	2018 \$'000	2017 \$'000
No later than one year	53 789	52 736
Later than one year but not later than five years	-	53 789
Total commitments	53 789	106 525

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

12 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 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 2018 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 2018

13 Related party transactions

The Regulator is a statutory authority and is wholly owned and controlled by the Crown. Related parties of the Regulator include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between the Regulator and other SA Government entities is disclosed at Note 16.

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 agency. The compensation detailed below 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 the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

	2018	2017
	\$'000	\$'000
Salaries and other short term employee benefits	843	632
Post-employment benefits	76	62
Total related parties transactions	919	694

Transactions with Key Management Personnel and other related parties

There were not any significant transactions identified between Key Management Personnel and other related parties.

14 Cash flow reconciliation

	2018	2017
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	11 384	9 282
Balance as per the Statement of Cash Flows	11 384	9 282
Reconciliation of net cash provided by / (used in) operating activities to net result		
Net cash provided by/(used in) operating activities	2 102	9 282
Movement in assets and liabilities		
Increase/(decrease) in receivables	(458)	1 127
(Increase)/decrease in payables	1 450	(3 628)
Net result	3 094	6 781

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

15 Impact of standards and statements not yet implemented

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Regulator for the period ending 30 June 2018. The Regulator has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies of the financial statements of the Regulator, except below.

AASB 16 *Leases* will apply for the first time to reporting periods beginning on or after 1 January 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases.

The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost and amortisation will be recognised as an expense.

The Regulator has not yet quantified the exact impact of applying AASB 16 *Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income or the Statement of Financial Position and the Commitments disclosure in the Notes to the financial statements. The exact impact will not be known until the year of transition.

It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The Regulator has no current lease commitment, however the Regulator may enter leases in 2018-19 for office accommodation.

AASB 15 replaces AASB 118 and AASB 111, and introduces a five-step process for revenue recognition. The core principle of the new standard is to recognise revenue "when control of a good or service transfer to a customer". This is effectively when performance obligations have been met, rather than the current model of "where the risk and rewards of ownership reside". AASB 1058 specifies income recognition requirements that apply to not-for-profit (NFP) entities in conjunction with AASB 15.

AASB 1058 and AASB 15 will supersede much of income recognition requirements relating to public sector NFP entities previously specified in AASB 1004. The timing of income recognition will depend on whether a transaction gives rise to a liability or other performance obligation such as a promise to transfer goods and services, or a contribution by owners related to an asset received by the CTP Regulator. Where no liability is recognised under another standard or the liability is less than the fair value of the asset received then income will be recognised. AASB 15 and AASB 1058 applies to reporting periods commencing after 1 January 2019. The application date for the CTP Regulator is 1 July 2019. CTP Regulator will assess the full impact of applying AASB15 and AASB 1059 during the 2018/19 financial year.

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

16 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

		SA Government		Non-SA Government		Total	
		2018	2017	2018	2017	2018	2017
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Administration premium							
Component distributions	3	56 409	56 535	697	-	57 106	56 535
Other expenses	4	445	4 487	134	676	579	5 163
Total expenses		56 854	61 022	831	676	57 685	61 698
Income							
Administration premium							
Component collections	5	60 479	58 073	-	-	60 479	58 073
Interest revenue	6	237	228	-	-	237	228
Other revenues	7	-	9 041	63	1 137	63	10 178
Total income		60 716	67 342	63	1 137	60 779	68 479
Financial assets							
Cash and cash equivalents	8	11 384	9 282	-	-	11 384	9 282
Receivables	9	660	582	9	545	669	1 127
Total financial assets		12 044	9 864	9	545	12 053	10 409
Financial liabilities							
Payables	10	2 163	3 607	15	21	2 178	3 628
Total financial liabilities		2 163	3 607	15	21	2 178	3 628
Administered expenses							
Stamp duty expenses	17	52 595	51 398	-	-	52 595	51 398
Total administered expenses		52 595	51 398	-	-	52 595	51 398
Administered income							
Stamp duty collected	17	52 595	51 398	-	-	52 595	51 398
Total administered income		52 595	51 398	-	-	52 595	51 398
Administered financial assets							
Cash and cash equivalents	17	4 251	4 758	-	-	4 251	4 758
Administered receivables	17	568	483	-	-	568	483
Total administered assets		4 819	5 241	-	-	4 819	5 241
Administered financial liabilities							
Administered payables	17	4 819	5 241	-	-	4 819	5 241
Total administered liabilities		4 819	5 241	-	-	4 819	5 241

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

17 Administered items

	2018	2017
	\$'000	\$'000
Administered expenses		
Stamp Duty expenses	52 595	51 398
Total administered expenses	52 595	51 398
Administered income		
Stamp Duty collected	52 595	51 398
Total administered income	52 595	51 398
Net result	-	-
	2018	2017
	\$'000	\$'000
Administered assets		
Receivables	568	483
Cash and cash equivalents	4 251	4 758
Total administered assets	4 819	5 241
Administered liabilities		
Payables	4 819	5 241
Total administered liabilities	4 819	5 241
Net administered assets	-	-
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Taxation receipts	52 510	50 915
Cash generated from operating activities	52 510	50 915
Cash outflows		
Taxation payments	(53 017)	(46 157)
Cash used in operations	(53 017)	(46 157)
Net cash provided by / (used in) operating activities	(507)	4 758
Net increase / (decrease) in cash and cash equivalents	(507)	4 758
Cash and cash equivalents at the beginning of the reporting period	4 758	-
Cash and cash equivalents at the end of the reporting period	4 251	4 758

CTP Regulator
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

18 Events after the reporting period

No circumstance has arisen that has affected or may significantly affect the Regulator's operations since 30 June 2018.

CTP Regulator
Statement of Certification
for the year ended 30 June 2018

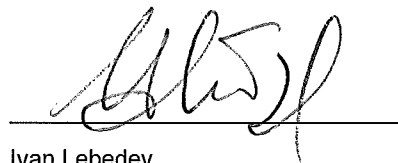
We certify that the financial statements of the Compulsory Third Party Regulator (the Regulator):

- are in accordance with the accounts and records of the Regulator
- comply with relevant Treasurer's Instructions
- comply with relevant accounting standards
- present a true and fair view of the financial position of the Regulator at the end of the financial year and the results of its operations 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.



Kim Birch
Chief Executive
20 September 2018



Ivan Lebedev
Director, Scheme Analytics and Finance
20 September 2018



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**To the 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 CTP Regulator for the financial year ended 30 June 2018.

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 2018, 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 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Director, Scheme Analytics and Finance.

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

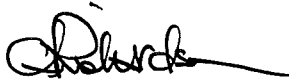
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

Andrew Richardson

Auditor-General

21 September 2018