

Georgakopoulos, Theodoros (DTF)

From: Malinauskas, Robert (DTF)
Sent: Friday, 1 August 2014 6:01 PM
To: Georgakopoulos, Theodoros (DTF)
Subject: FW: Correspondence from MAC to Minister for Finance
Attachments: Reform of SA Boards and Committees.pdf

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Please index and then to Will

From: Teisseire, Ann (MAC)
Sent: Friday, 1 August 2014 10:06 AM
To: Malinauskas, Robert (DTF); Colegate, Rachael (DTF)
Subject: Correspondence from MAC to Minister for Finance

Dear Rob and Rachael

Please find attached correspondence from Roger Cook, Chairman, Motor Accident Commission (MAC) Board in response to the proposed Board and Committees Reform announced by the Premier.

Regards

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Motor Accident Commission

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MINUTES forming ENCLOSURE to

Doc Ref: MAC14D0388
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TO: Minister for Finance

REFORM OF SOUTH AUSTRALIAN BOARDS AND COMMITTEES

Proposal

To provide advice to the Minister for Finance on the need for retaining the Motor Accident Commission (MAC) Board and its sub-committees, in response to the proposed Boards and Committees Reform announced by the Premier.

Background

On 8 July 2014 the Premier wrote to all Government Boards and Committees regarding his decision to reform South Australian Government Boards and Committees. In this correspondence, the Premier invited input from Boards and Committees through the responsible Minister.

In relation to MAC, the Premier states that for Statutory Boards he will take a Bill to Parliament to remove from legislation the requirement for Boards and Committees that are no longer considered necessary and Ministers will be responsible for recommending which Boards and Committees should be exempt from being abolished.

The MAC Board is established under the *Motor Accident Commission Act 1992* (MAC Act) and comprises:

- Motor Accident Commission Board
- Motor Accident Commission Board - Claims Management Committee
- Motor Accident Commission Board - Finance and Audit Committee
- Motor Accident Commission Board - Investment Committee
- Motor Accident Commission Board - Road Safety and Sponsorship Committee.

The Premier has written separately to the Presiding Member of the Third Party Premiums Committee. The Third Party Premiums Committee is established under the *Motor Vehicles Act 1959* as an independent body that receives submissions from Compulsory Third Party insurers, makes inquiries and determines what premiums are fair and reasonable.

Discussion

MAC is a statutory authority, responsible for specific functions and objectives pursuant to MAC Act. MAC employees are not Public Service employees. Pursuant to the MAC Act, the MAC Board is the body responsible for the delivery of MAC's functions and governance over the organisation and its staff.

It is acknowledged that the Government has announced proposed changes in market arrangements for Compulsory Third Party (CTP) insurance in the 2014-15 State Budget. Notwithstanding any proposed reform to CTP market arrangements, until such time that the Government has had the opportunity to fully scope these proposed changes and determine

the optimal model for delivering CTP insurance in South Australia, the MAC Board will be required to oversee the operations of MAC. This approach is consistent with the Commonwealth review of the corporate governance of statutory authorities which recognised that major activities of a commercial nature will generally be better suited to operate under a board.

It is also considered important to maintain the MAC Board to ensure that the Government receives appropriate information and suitable support to implement any future reform to maximise the value of the CTP insurance function to the State.

To assist the Government in assessing and implementing any proposed reform to the CTP insurance market by 30 June 2016, it is considered that an independent, skills based Board, with a deep understanding of the MAC business and CTP Scheme, has an essential role to play.

During any transition period, the MAC Board would also have a critical role to ensure the Scheme is appropriately managed during that period by providing guidance to and oversight of the CTP insurance investment fund and outsourced claims management function. This role could extend to the management of the tail of CTP claims lodged prior to 1 July 2016, a process which could take a further six years to complete.

As part of the Government's announcement of proposed reform to the CTP insurance market, it indicated that MAC would continue as the road safety authority. Given MAC's impressive performance since taking over the road safety communication marketing function in 2007, it is considered essential that the MAC Board continue to be responsible for the road safety function as outlined by the Government.

Should the CTP insurance market be opened to private insurers, the Government has also indicated that MAC may assume the role of the regulator for CTP insurance in the privatised environment and in that situation, to ensure a suitable level of separation from Government, it would be appropriate for an independent Board to be responsible for the regulation function.

The MAC Board sub-committees listed above are comprised of MAC Board Directors and operate as working committees in the key governance areas identified. MAC Executive Management also attend sub-committees to support governance and decision making in these key priority areas. As such it is essential that these committees continue to operate to support MAC in managing the CTP Scheme and through any potential reform process.

In support of retaining the MAC Board and its sub-committees, I also provide a summary of significant achievements over the past few years (attached).

Recommendation

It is recommended that Government retain the MAC Board and sub-committees listed in this minute.

It is noted that the Premier has written separately to the Third Party Premiums Committee and that separate advice will be provided by the Presiding Member of that Committee.



ROGER COOK AM
Chairman
Motor Accident Commission Board

1 August 2014

Attachment:

Motor Accident Commission Board

Significant Achievements

Road Safety

- ✓ Since taking over the Government's road safety communications program, MAC has helped contribute to SA's annual road toll reducing from 124 in 2007 to 98 last year. This represents a drop in SA fatalities per 100,000 of population from 7.89 to 5.87 – an average reduction of 5.1% per annum.
- ✓ Developed and implemented an award winning road safety communications program to raise awareness, change attitudes/behaviour of road users and reduce the incidence of road trauma.
- ✓ Provided a \$100 million contribution to the State Government in 2014 to establish a Road Safety Initiatives Fund and Road Safety Advisory Group. This contribution provided critical funding for key road safety infrastructure investment in SA.
- ✓ Developed close relationships with key road safety stakeholders – including SAPOL, RAA, SAMFS and CFS – to facilitate a more coordinated approach to road safety initiatives in SA.
- ✓ Established and maintained a number of sponsorships and community partnerships to raise road safety awareness and influence road user behaviour.

Financial

- ✓ Provided sound financial and investment management of the CTP Fund, resulting in a net asset position of \$1.24 billion and funding ratio of 154.9%.
- ✓ Achieved a record operating result of \$371 million in 2012-13, which will be superseded in 2013-14 (estimated forecast of \$481.3 million).
- ✓ Achieved investment returns of 11.2% in 2013-14 (highest since 1997), with outperformance to benchmark of 1.9% (highest since inception in 1996) and average investment returns since 1996 of 7.6%.
- ✓ Contained investment return exposure to -0.5% in the peak Global Financial Crisis in the 2008-09 financial year.
- ✓ Significant actuarial releases from the expected actuarial value of claims, illustrating a significant improvement in the Scheme's performance compared to Actuarial expectations.

Motor Accident Commission Board

Significant Achievements

Compulsory Third Party (CTP) Insurance

- ✓ Initiated and provided strategic advice, and supported the State Government in the introduction of CTP Scheme Reforms, including the implementation of legislative changes.
- ✓ Implemented significant changes to claims management policies and practices to implement Scheme reforms and improve claimant experience.
- ✓ Increased the focus on optimal recovery for people injured in motor vehicle crashes.
- ✓ Achieved improvements in claims management and Scheme performance.
- ✓ Managed the performance of outsourced service providers, including the claims manager, legal providers and investigation services to improve Scheme performance.
- ✓ Maintained CTP Scheme viability.

Strategic Business Outcomes

- ✓ Improved social and health outcomes for SA road users through the effective management of the CTP Scheme.
- ✓ Mitigated risk to the State Government through fiscally responsible management of the CTP Scheme, ensuring the Government was not exposed to unfunded liabilities and is in a position to access a significant surplus likely to be in excess of \$1 billion.
- ✓ Provided significant benefits to the SA economy through the procurement of outsourced services and investment in South Australian assets.
- ✓ Returned value to Government and contributed to the investment in road safety infrastructure, made possible through the efficient and effective oversight and management of the CTP Scheme.
- ✓ Improved the internal capabilities of MAC through the recruitment of key Management personnel.
- ✓ Supported accident and emergency response through the provision of funding and sponsorship of the State Rescue Helicopter, Hospitals and SA Ambulance service.