

MOTOR ACCIDENT COMMISSION: CHARTER

PRELIMINARY

Charter

This Charter is prepared pursuant to Section 18 of the *Motor Accident Commission Act 1992* (MAC Act).

Interpretation

Expressions used in this Charter have the same meanings as in the MAC Act.

CHARTER

1. Nature and Scope of Activities which may be undertaken - Section 18(2)(a) MAC Act

The nature and scope of the activities which may be undertaken are as defined in the MAC Act, subject to the following additional conditions:-

1.1. Compulsory Third Party Insurance Market Reform Project (CIMR Project)

- (a) To conduct MAC's operations consistent with the Government's changes to the market for the provision of Compulsory Third Party (CTP) motor accident insurance in this State, including that from 1 July 2016, the MAC has ceased its role as the sole provider of CTP vehicle insurance in South Australia to open the way for provision of CTP insurance by the private sector.
- (b) To refer MAC Board papers, submissions and other matters that have a potential to impact on the ongoing execution of the CIMR Project to the CIMR Steering Committee for approval prior to going to the MAC Board until such time as the CIMR Steering Committee notifies MAC either that those papers are to be referred to a different part of the government bearing responsibility for the ongoing execution of the CIMR Project or that those papers no longer need be referred at all.
- (c) To conduct its activities on the basis that the balance of this Charter is subject to this clause 1.1 and all of MAC's operations are to be conducted in a manner consistent with this clause 1.1.

1.2. Residual Compulsory Third Party (CTP) Insurance

- (a) To conduct residual CTP insurance business arising from its operations as the sole approved insurer under Part 4 of the *Motor Vehicles Act 1959* in accordance with the provisions of the *Motor Vehicles Act 1959* and in accordance with the Government's long term financial objectives as advised by the Minister from time to time.
- (b) To contract the management of claims to a manager or managers or agent or agents approved by the Minister.
- (c) To provide support for anti-fraud campaigns and community and other similar programs as, and to the extent that, this support is consistent with the objectives in section 14 and 25 of the MAC Act.

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- (d) Consistent with Section 14(1)(d) of the MAC Act, to provide funding from a separately maintained MAC account that is not the MAC Fund for, and to manage, the Government Road Safety Marketing and Communications program, complying with Government advertising guidelines and protocols and with the approval of the Minister for Road Safety as appropriate.

1.3. Investment Policies - Section 18(2)(a)(i) MAC Act

- (a) To adopt a prudent investment strategy with the funds comprising the MAC Fund and to manage those investments against the strategic asset allocation benchmarks adopted by the Commission and approved by the Minister. The strategy should be framed consistent with the outcomes of the CIMR Project, which required MAC to transition to a strategic asset allocation consisting of a higher weight of defensive assets and lower earning rate of return whilst achieving a portfolio of investments with characteristics which allow the Commission to meet identifiable claims as and when they become due for settlement from 1 July 2016. Funds SA will manage an investment portfolio transferred to it by MAC in line with MAC's strategic asset allocation benchmarks and provide MAC with a suitable level of reporting in a timely manner that will provide assurance to MAC that its investment strategy objectives are being achieved.
- (b) To divest MAC's investments in property assets in accordance with the Direct Property Portfolio Sale process being managed as part of the CIMR Project and to acquire no new property assets.

1.4. Activities Outside the State - Section 18(2)(a)(ii) MAC Act

In pursuing the objectives specified in section 14 of the Act, the Commission may undertake activities or transactions outside the State consisting of:

- (a) Activities and transactions necessary to avoid exposure to excessive levels of insurance risk by reinsuring its risks.
- (b) Any activities and transactions relating to the conduct of any part of the run-off of the Commission's insurance business.
- (c) Any activities and transactions relating to the conduct of the investment policies of the Commission as adopted pursuant to clause 1.3 of this Charter.

1.5. Subsidiaries, Unincorporated Joint Ventures, Partnerships, or Undertakings - Section 18(2)(a)(iii) MAC Act

- (a) The Commission must not undertake in partnership, or under any arrangement for the sharing of profits, co-operation or joint venture with another person, or allow subsidiaries of the Commission, or other companies or entities related to the Commission to undertake, any activities or transactions, unless approved by the Minister.
- (b) The remaining Inwards Reinsurance undertaking from the former SGIC (California Re) to continue until a resolution is reached as required under existing contractual arrangements and subject to clause 1.4 (a).

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2. Information to be provided to the Minister for Finance - Section 18(2)(b)(i) MAC Act

- 2.1. The Minister for Finance requires the Commission to provide a range of appropriate reports including the following:-
- (a) Regular financial information as presented to the Board;
 - (b) Budgets and projections as presented to the Board;
 - (c) Regular analysis of investment performance compared to asset allocation benchmarks including any change in the basis of valuation of investments; and
 - (d) Any other information which, in the opinion of the Board, should be provided or is requested by the Minister for Finance, the Treasurer or his nominee.
- 2.2. To notify the Minister for Finance and the Treasurer whenever the Commission enters into any arrangements which give rise to a material contingent liability, and whenever a material event occurs.

3. Accounting Policies and Financial Statements - Section 18(2)(b)(ii) and (iii) MAC Act

- 3.1. To comply with appropriate Australian Accounting Standards, generally accepted accounting principles and practices and all relevant Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*. Preparation of financial statements by MAC will be in accordance with Government reporting standards for statutory authorities.
- 3.2. To maintain separate accounts and records for the MAC Fund established under the MAC Act and for the Road Safety Fund.
- 3.3. To develop and adopt performance indicators relating to the MAC Funds as approved by the Minister and to include in any reports on those Funds assessment of those Funds' performance judged against such indicators.

4. Other Matters - Section 18(3)(b) MAC Act

- 4.1. The Treasurer's Representative, in accordance with Treasurer's Instruction 7, is authorised to attend meetings of the Board and access its papers and all other Board communications, materials and information.
- 4.2. Every delegation made by the Board or a delegate of the Board under section 13 of the MAC Act which will or could give rise to a liability or contingent liability must contain a limitation which requires that the delegate must not incur a liability that exceeds the monetary amount specified in the instrument of delegation.
- 4.3. The strategic planning process undertaken by the Board must be linked to South Australia's Strategic Plan with a focus on relevant Priorities from the Government's Seven Strategic Priorities. Annual Performance reports of the Board (eg Annual Report or suitable alternative) must include reference to achievement of MAC Actions/Targets linked to the SASP.

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- 4.4. The Government will comply with the SA Strategic Plan targets on gender balance (Women in Leadership) when appointing MAC Board Directors. Relevant expertise required for appointment to the Board will take into account business and commercial experience, financial and legal skills and knowledge of personal injury insurance and road safety matters.
- 4.5. In addition to the Government, MAC has a number of critical relationships to manage. It is expected that the MAC Board will ensure that these key stakeholders and relationships will be managed appropriately for the benefit of the CTP Scheme and the government's Road Safety Marketing and Communications program.

5. Commencement Date - Section 18(6) MAC Act

- 5.1. This Charter comes into effect on 1 July 2016.