PROTECTION AND COMPENSATION FUND

Management Committee

Report on the Activities of the

Protection and Compensation Fund

for the Year 2011

Management Committee Meeting
Date 22 May 2012

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I. Background

This report is being drawn up pursuant to regulation 11(1) of the Protection and Compensation Fund Regulations, 2003, L.N. 435 of 2003 ("the Regulations") which requires the Protection and Compensation Fund Management Committee ("Management Committee") to submit to the Malta Financial Services Authority ("the Authority" or "MFSA") a report of the activities of the Protection and Compensation Fund ("the Fund" or "the PCF") during the year 2011.

Dual Purpose of the Fund

The Fund has been established to provide:

(1) for the payment of any claims against an insurer, remaining unpaid by reason of the insolvency of such insurer. Such claim must be in respect of *protected risks* (general business) situated in Malta and in respect of *protected commitments* (long term business) where Malta is the country of commitment.

(2) To compensate victims of road traffic accidents in certain specified circumstances (*protected liability*).

II. The Management Committee

In terms of article 51 of the Insurance Business Act ("the Act") and regulation 5 of the Regulations, the Authority has established the Protection and Compensation Fund Management Committee.

The Management Committee, appointed in 2010 for a period of three years, is composed of the following:

Chairman - Dr Joseph Borg Bartolo

Members - Dr Michelle Whitehead
Mr David G Curmi
Mr Benny Borg Bonello
Mr John P Bonett
Mr Joseph Naudi Montaldo
Mr Joseph Felice Pace

Secretary - Mr Geoffrey Bezzina

During 2011, the Management Committee held two meetings.

III. Activities

Collection of Contributions

Article 50 of the Act provides that the Fund shall consist of all contributions made to it under the Act and any regulations made thereunder. Contributions are made by insurance companies authorised under the Act carrying on risks situated in Malta or commitments where Malta is the country of commitment

For the purposes of Part III of the Regulations, under regulation 7 of the Regulations, every insurer carrying on general business or long term business in Malta, is to pay a pre-funded contribution of 0.125 per centum of gross premium income accounted for by the insurers for the year ending last before the beginning of that calendar year in respect of general business or long term business (in the latter case effected after 30 June 1986) to the Fund. These are to be utilised for the payment of claims which, by reason of the insolvency of an insurer, remain unpaid. Such funds shall be available to make payments of such claims made in respect of protected risks and protected commitments. Since regulation 8 of the Regulations also requires every insurer to furnish the Fund with a statement of gross premium income, two forms devised by the Management Committee, one in respect of general business and the other in respect of long term business were sent to all insurers required to contribute to the Fund.

Contributions were made by insurers carrying on general business amounting to €159,241 and insurers carrying on long term business amounting to €239,610. Therefore, the contributions for calendar year 2011 amounted to an aggregate amount of €398,851 (2010: €366,194).

For the purposes of Part IV of the Regulations, regulation 7 also lays down that every insurer carrying on business of motor insurance in Malta is required to pay a post-funded additional contribution whenever the need arises to be utilised for the payment of compensation relating to protected liabilities. In terms of regulation 6 of the Regulations, the Management Committee has delegated the function to compensate victims of road traffic accidents to the Motor Insurers' Bureau. Therefore, this additional contribution is collected by the Motor Insurers' Bureau on behalf of the Management Committee.

Approval of Accounts

The Annual Report and Financial Statements of the Fund for the year ended 31 December 2011 have been drawn up in accordance with regulation 14 of the Regulations. These were tabled at a Management Committee meeting of 21 May 2012 and approved by all the members present. As established by regulation 14(2), a copy of the profit and loss account, balance sheet and auditor's report were submitted to the MFSA.

Funds allocated to meet expenditure

As per regulation 7(6) of the Regulations, a sum not exceeding 5 per centum of the total amount of contributions payable to the Fund was kept at the disposal of the Management Committee to meet ordinary expenses incurred by the administration of the Fund. The

Committee determined that part of the interest generated from investments during the year could be allocated for this purpose and therefore regulation 7(6) would not be invoked.

IV. Issues considered by the Management Committee

Agreement between the Fund and Government on "exempt vehicles"

During the year, a number of meetings were held between the PCF, Motor Insurers' Bureau ("MIB" or "the Bureau") and Ministry of Finance, the Economy and Investments ("MFEI") regarding the implementation of the agreement between the PCF and the MFEI on the handling of claims involving Government-owned vehicles (see section V. below).

European Commission's White Paper on Insurance Guarantee Schemes

Despite a wide consultation process held by the European Commission on a future legislative proposal for an EU-wide statute on insurance guarantee schemes in 2010, it would seem that the Commission may delay publication of its proposal for an indefinite period of time.

Investment strategy

The Fund's sub-committee coordinated with Lombard Bank Malta plc, the Fund's Investment Manager, on matters relating to the Fund's investment services requirements.

During the year, the Fund revised and renewed its agreement with Lombard Bank.

In 2011, the Fund's cash was invested in Malta Government Stock, Treasury Bills and/or placed in term deposit accounts.

Council of Bureaux (CoB) – Reciprocity Agreement between Compensation Bodies and Guarantee Funds in the event of an Insolvency of an Insurance Undertaking providing Civil Liability Motor Insurance in the Single Market

The Management Committee was approached by the MIB enquiring whether the Fund would be prepared to become a signatory to the Agreement entitled "Insolvency of Motor Liability Insurer operating in the Single Market". In terms of this Agreement, where an insurance undertaking established in Member state becomes insolvent , the Guarantee Fund of the home Member State shall reimburse the Guarantee Fund of the Member states of the branch or of the provision of services for the costs incurred resulting from the insolvency of such undertakings.

The members were of the opinion that it is unlikely to be a commercially viable proposition for the Fund to agree to these additional contingent liabilities, if one were to decide on the basis of an assessment of the likely levels of exposure of Maltese insurers writing EU risks as opposed to EU insurers writing Maltese risks. Moreover, members were of the view that the Fund was actually not statutorily permitted to enter into such an obligation, because the

Legal Notice constituting the Fund restricts protection in respect of risks situated in Malta or commitments where Malta is the country of the commitment. Therefore, Members concluded that entering into this agreement (and the subsequent potential incurring of liability) would be ultra vires the powers and obligations granted to and imposed on the Fund by law.

Members recognised that there could well be arguments that would favour the Fund obliging itself in this manner, as well as arguments against signing the Convention. However, in any case, members were of the view that this is a matter for the policy maker to decide.

Payment of claims

In so far as Part III of the Regulations is concerned, no claims were paid by the Fund in or for the year 2011.

V. Motor Insurers' Bureau (MIB)

In so far as Part IV of the Regulations is concerned, the following is a general overview of the issues discussed and handled by the MIB in 2010.

Government insurance-exempt vehicles

The discussions underway between the Bureau and Government on this issue resulted in agreement being reached on the following operational aspects:

(a) A capping of €3,000 – which amount will increase annually by 5% (due to inflationary pressure on vehicle parts' costs) – will apply in respect of third party claims which MIB can settle "automatically" where it is of the view that the Government vehicle is entirely at fault.

(b) The deletion of the respective Claim Excess.

On its part, Government had manifested its preference to have the MIB as its sole reference point in respect of motor claims settlement; nevertheless, it reserved the right to consult its own legal counsel for a possible different viewpoint concerning Government's liability for a particular accident, whose settlement exceeded €3,000.

Government had also raised the possibility of MIB's handling of Government vehicles' own damage claims, inclusive of the respective recoveries, in cases where a Government vehicle is not at fault or is partially at fault.

In this regard, it is to be noted that Government owns around two thousand vehicles; it is envisaged that these would generate about three hundred claims annually.

The Bureau referred the matter to the MIA Council which directed MIB to integrate this type of claims-handling in its eventual operation but felt that there should be adequate legal support through the enactment of specific subsidiary legislation.

In this way, the relationship between Government and MIB as well as the third party claimant(s) would be regulated by legislation, thus ensuring greater transparency and accountability.

However, Government is of the view that the enactment of the required subsidiary legislation would necessarily entail a certain amount of time; therefore, in order to bring the issue to a satisfactory conclusion in the interim, it has proposed the signature of a specific Agreement between the parties.

MIB / Malta Green Card Bureau / Protection and Compensation Fund Merger

The purposely set up MIB Strategic Committee held a number of regular meetings in order to progress and conclude this issue.

The initial intention was for the "new" MIB to absorb and integrate the Green Card Bureau (MGCB) as well as the Guarantee Fund (the present Protection and Compensation Fund), together with the Motor Insurance Pool legacy.

This was to be reflected in a revised Statute, which would necessarily have to be redrafted, so as to ensure absolute clarity and certainty of the circumstances when the Bureau would be liable to settle claims and to eliminate any grey areas in this regard.

However, as the discussion with the Strategic Committee developed, a prevailing school of thought came to the fore whereby the MIB and the MGCB will no longer be merged but will remain as separate entities.

Claims handled by MIB

1) Number of new claims submitted to MIB during 2011 (01-01-2011 - 31-12-2011) in respect of :
   a) uninsured vehicles: 29 (plus an additional 7 claims in respect of Government vehicles).
   b) hit & run cases: 1 claim.

2) Amount paid during 2011 in connection with the new claims submitted during 2011 (item 1 above):
   a) uninsured vehicles: €7,961 (plus another €997 in respect of Government vehicles claims).
   b) hit & run cases: NIL

3) Total amount outstanding in connection with the new claims submitted during 2011 (item 1 above):
   a) uninsured vehicles: €40,636 (plus another €8,910 in respect of Government vehicles claims).
   b) hit & run cases: €2000.

4) Total amount paid in 2011 in connection with claims submitted before 2011:

a) uninsured vehicles: €34,707 (plus another €889 in respect of Government vehicles claims).
b) hit & run cases: NIL.

VI. List of contributors in relation to Part III of the Regulations (2011)

General Business

- American Home Assurance Company *
- Argus Insurance Company (Europe) Ltd
- Atlas Insurance PCC Limited
- AXA PPP Healthcare Ltd
- BUPA Insurance Ltd
- Citadel Insurance plc
- Elmo Insurance Ltd
- GasanMamo Insurance Limited
- International Diving Assurance Limited
- Lloyd's Malta Limited
- Middlesea Insurance plc
- Multi Risk Benefits Limited
- Multi Risk Indemnity Company Ltd
- QIC International LLC
- Schwarzmeer und Ostsee Versicherungs-Aktiengesellschaft (SOVAG)

** As of 1 December 2011, American Home Assurance Company transferred its portfolio to Chartis Europe Limited.*

Long Term Business

- American Life Insurance Co Limited
- Citadel Insurance plc
- GlobalCapital Life Insurance Limited
- HSBC Life Assurance (Malta) Limited
- Middlesea Insurance plc
- MSV Life p.l.c
- Zurich Assurance Ltd (formerly known as Eagle Star Life)

Dr Joe Borg Bartolo
Chairman – Protection and Compensation Fund

Attachment: Audited Financial Statements of the Protection and Compensation Fund as at 31 December 2011

PROTECTION AND COMPENSATION FUND

Annual Report and Financial Statements
31 December 2011

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Committee members' report

The members present their report and the audited financial statements of the Fund for the year ended 31 December 2011.

Principal activity

The income and expenditure account for the year is set out on page 4.

The principal activities of the Fund are to make payments in respect of claims against locally licensed insurance companies which remained unpaid by reason of the insolvency of such companies, and to compensate victims of road traffic accidents in circumstances as specified by the Protection and Compensation Fund Regulations, 2003, enacted by LN 435 of 2003 under the Insurance Business Act, 1998 (previously the Insurance Business Security Fund Regulations, 1986).

Committee members

The members of the Management Committee during the year were as follows:

Joseph Borg Bartolo – Chairman
Benny Borg Bonello
David G. Curmi
Joseph Felice Pace
Joseph Naudi Montaldo
Michelle Whitehead
John P. Bonett

Every member of the Committee shall hold office for such period and upon such terms and conditions as may be determined by the Malta Financial Services Authority and as indicated in the letter of appointment, such term of office being not less than one year and not more than three years. Every member of the Committee shall be eligible for re-appointment.

Statement of committee members' responsibilities

The committee members are required by the Protection and Compensation Fund Regulations, 2003 to prepare financial statements that give a true and fair view of the state of affairs of the Fund as at the end of each financial period and of the income and expenditure for that period.

In preparing the financial statements, the committee members are responsible for:

- ensuring that the financial statements have been drawn up in accordance with the Protection and Compensation Fund Regulations, 2003;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Fund will continue in business as a going concern.

The committee members are also responsible for designing, implementing and maintaining internal control as the committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Protection and Compensation Fund Regulations, 2003. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Committee members' report - continued

Statement of committee members' responsibilities - continued

Auditors

PricewaterhouseCoopers, have expressed their willingness to continue in office and a resolution proposing their reappointment will be put before the members at the next annual general meeting.

By order of the committee

Joseph Borg Bartolo
Chairman

David G. Curmi
Committee member

Malta Financial Services Authority
Notabile Road
Mriehel

22 May 2012

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Independent auditor's report

To the Members of the Protection and Compensation Fund

Report on the Financial Statements for the year ended 31 December 2011

We have audited the financial statements of the Protection and Compensation Fund on pages 4 to 16 which comprise the balance sheet as at 31 December 2011, the income and expenditure account, statements of changes in funds and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Members' responsibility for the financial statements
As explained more comprehensively in the Statement of committee members' responsibilities on page 1, the members of the Management Committee are responsible for the preparation of financial statements that give a true and fair view in accordance with the Protection and Compensation Fund Regulations, 2003, and for such internal control as the committee members determine is necessary to enable the preparation of financial statements that are free from material mistatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Management Committee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements of the Protection and Compensation Fund for the year ended 31 December 2011 are prepared, in all material respects, in accordance with the accounting policies described in pages 9 to 11 of the financial statements.

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Independent auditor's report - continued

Basis of accounting and restriction on distribution and use
Without modifying our opinion, we draw attention to the accounting policies on pages 9 to 11 of the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the Protection and Compensation Fund to comply with the financial reporting provisions of the Protection and Compensation Fund Regulations, 2003. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of the Protection and Compensation Fund and should not be distributed to or be used by parties other than the members of the Protection and Compensation Fund.

PricewaterhouseCoopers

167 Merchants Street
Valletta
Malta

Lucienne Pace Ross
Partner

22 May 2012

Income and expenditure account

	Notes	Year ended 31 December 2011 €	2010 €
Income	2	**94,558**	79,320
Expenditure	3	**(18,935)**	(19,189)
Surplus for the year		**75,623**	60,131

Balance sheet

	Notes	As at 31 December 2011 €	2010 €
ASSETS			
Fixed assets			
Financial assets			
Investments – available-for-sale	4	**1,548,451**	1,334,769
Total non-current assets		**1,548,451**	1,334,769
Current assets			
Trade and other debtors	5	**321,890**	298,747
Motor Accident Fund			
- Security Fund	6	**441,988**	820,875
- Protection and Compensation Funds	6	**1,634,704**	1,755,134
Cash at bank and in hand	11	**1,234,572**	972,363
Total current assets		**3,633,154**	3,847,119
Total assets		**5,181,605**	5,181,888
LIABILITIES			
Funds and reserves			
Protection and Compensation Funds - Insolvency Fund			
- General Business Fund	8	**1,145,194**	985,953
- Life Business Fund	8	**1,390,260**	1,150,650
		2,535,454	2,136,603
Accumulated Fund		**248,435**	172,812
Revaluation reserve	9	**14,110**	4,500
Total funds and reserves		**2,797,999**	2,313,915
Creditors: amounts falling due within one year			
Trade and other creditors	7	**2,383,606**	2,867,973
Total liabilities		**5,181,605**	5,181,888

The financial statements on pages 5 to 16 were authorised for issue by the members of the Management Committee on 22 May 2012 and were signed on its behalf by:

Joseph Borg Bartolo
Chairman

David G. Curmi
Committee member

Statement of changes in funds

	Notes	Protection and compensation funds	Accumulated fund	Revaluation reserve	Total
		€	€	€	€
Balance at 1 January 2010		1,770,409	112,681	8,327	1,891,417
Net contributions levied during the year	8	366,194	-	-	366,194
Fair value movements					
- available-for-sale investments	9	-	-	(3,827)	(3,827)
Net income recognised directly in funds		366,194	-	(3,827)	362,367
Surplus for the financial year		-	60,131	-	60,131
Balance at 31 December 2010		**2,136,603**	**172,812**	**4,500**	**2,313,915**
Balance at 1 January 2011		2,136,603	172,812	4,500	2,313,915
Net contributions levied during the year	8	398,851	-	-	398,851
Fair value movements					
- available-for-sale investments	9	-	-	9,610	9,610
Net income recognised directly in funds		398,851	-	9,610	408,461
Surplus for the financial year		-	75,623	-	75,623
Balance at 31 December 2011		**2,535,454**	**248,435**	**14,110**	**2,797,999**

Cash flow statement

	Notes	Year ended 31 December 2011 €	2010 €
Operating activities			
Cash generated from operations	10	**67,430**	46,351
Financing activities			
Disposal of investments	4	**-**	355,952
Purchase of investments	4	**(204,072)**	(1,203,318)
Levies collected	8	**398,851**	366,194
Net cash generated from/(used in) financing activities		**194,779**	(481,172)
Movement in cash and cash equivalents		**262,209**	(434,821)
Cash and cash equivalents at beginning of year		**972,363**	1,407,184
Cash and cash equivalents at end of year	11	**1,234,572**	972,363

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1. Basis of preparation

The financial statements are prepared under the historical cost convention and have been prepared in accordance with the Protection and Compensation Fund Regulations, 2003.

2. Protection and Compensation Fund / Security Fund

Article 49 of the Insurance Business Act provides for the establishment of the Protection and Compensation Fund to be utilised to make payments in respect of claims which remain unpaid by reason of the insolvency of the insurer ("General Insurance Fund" and "Life Insurance Fund" shown on the balance sheet), and to compensate victims of specified road traffic accidents ("Motor Accident Fund" shown on the balance sheet). The Protection and Compensation Fund/Security Fund shown on the balance sheet comprise levies collected from members, less claims paid and provisions for outstanding/potential claims.

The 'Security Fund' shown in the balance sheet represents the Fund set up under the Insurance Business Security Fund Regulations, 1986 (which have now been repealed by the Protection and Compensation Fund Regulations, 2003). The deficit as at 31 December represents contributions collected short of outstanding provisions. The cost of the eventual settlement of these claims is recoverable from members in accordance with the Regulations.

The 'Protection and Compensation Fund' shown in the balance sheet represents the fund set up under the Protection and Compensation Fund Regulations, 2003. Under these Regulations, contributions in respect of claims which remain unpaid by reason of insolvency of the insurer are required to be pre-funded to the Protection and Compensation Fund for the purposes of the "General Insurance Fund" and the "Life Insurance Fund" at a rate of 0.125 per cent of the gross premium income of the protected risks by the insurer for the year ending last before the beginning of that calendar year. A sum not exceeding 5% of the total amount of contributions payable to the Fund (as may be determined by the Management Committee) shall be at the disposal of the Committee to meet expenses incurred by the administration of the Fund. A further post-funded contribution will be required by every insurer carrying on business of motor insurance to be utilised exclusively for the payment of compensation of motor accidents in a similar way to contributions collected for the "Security Fund".

In accordance with Article 31(4) of Protection and Compensation Regulations, 2003, all assets and liabilities of the Security Fund transferred to the Protection and Compensation Fund in virtue of the Act shall, be kept separate from other assets and liabilities of the Protection and Compensation Fund and the administration of the assets and liabilities which are to be kept separate in virtue of those regulations shall continue to be governed by regulation 10 of the 1986 Regulations until all obligations of the Protection and Compensation Fund under the 1986 Regulations are discharged in full.

Any assets of the Security Fund which are kept separate from the other assets of the Fund remaining in hand after the discharge of all obligations under the 1986 Regulations shall be aggregated to the other assets of the Fund and be assets of the Fund and continue to be used exclusively for the same purpose which they were used under the 1986 Regulations.

3. Provision for imminent and potential claims

Provision is made for the full estimated cost of claims notified but not yet settled by the year end. The amounts provided for are charged to the Funds (see Note 6 and 8) and credited to the Motor Insurers' Bureau (Note 7), which carries out its administrative function, including the payment of claims.

4. Financial assets – Investments

The Fund classifies its investments into the available-for-sale category. The classification is dependent on the purpose for which the investments were acquired. The committee members determine the appropriate classification of investments at the time of purchase and re-evaluate such designation at every reporting date.

Available-for-sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity or (c) financial assets at fair value through profit or loss. They include inter alia, listed securities.

All purchases and sales of investments are recognised on the trade date, which is the date that the Fund commits to purchase or sell the assets. All investments are initially recognised at fair value plus, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Fund has also transferred substantially all risks and rewards of ownership.

Available-for sale investments are subsequently re-measured at fair value. A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in funds, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit and loss.

The fair value of quoted securities and units in unit trusts is based on quoted market prices at the balance sheet date.

In the case of securities classified as available-for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the income and expenditure account – is removed from equity and recognised in the income and expenditure account. Impairment losses recognised in the income and expenditure account on equity instruments are not subsequently reversed.

5. Debtors

Debtors are carried at anticipated realisable value. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

6. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

7. Trade creditors

Trade creditors are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

8. Revenue recognition

Interest income is recognised in the profit and loss account as it accrues, unless collectibility is in doubt.

The fund is also entitled under Reg. 7(6) of the Protection and Compensation Fund Regulations, 2003 to an administration levy not exceeding 5% of total contributions payable to meet ordinary expenses incurred by the Fund. This levy is recognised as it accrues and is included within 'income' in the income and expenditure account.

Notes to the financial statements

1. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the committee members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical.

2. Income

Income includes administration interest receivable and any profit on disposal of investments.

No administration levies were charged during 2011 and 2010.

3. Expenses by nature

	2011	2010
	€	€
Committee members' fees	**10,482**	10,482
Motor Insurers' Bureau administration fee	**4,384**	4,301
Auditors' remuneration	**1,534**	1,534
Other expenses	**2,535**	2,872
Total expenditure	**18,935**	19,189

4. Financial assets – available-for-sale investments

Year ended 31 December 2010	
Opening net book amount:	479,355
Additions	1,203,318
Disposals	(344,077)
Net fair value losses (note 9)	841
Net fair value gains released from equity on disposal (note 9)	(4,668)
Closing net book amount	**1,334,769**

Year ended 31 December 2011	
Opening net book amount:	1,334,769
Additions	204,072
Net fair value gains (note 9)	9,610
Closing net book amount	**1,548,451**

4. Financial assets – available-for-sale - continued

Available-for-sale investments include the following:

	2011 €	2010 €
Debt securities – listed fixed interest rate	**1,548,451**	1,334,769

The maturity of the fixed income debt securities is detailed below:

	2011 €	2010 €
After more than 5 years	**1,548,451**	1,334,769
	1,548,451	1,334,769

5. Trade and other debtors

	2011 €	2010 €
Amounts due from Motor Insurers' Bureau	**304,649**	289,929
Accrued income	**17,241**	8,818
	321,890	298,747

The Protection and Compensation Fund Committee has, under Section 6(2) of the Protection and Compensation Fund Regulations 2003, delegated part of its administrative function to the Motor Insurers' Bureau. Amounts due by Motor Insurers' Bureau represent levies collected from members less claims paid (see also note 6).

6. Motor Accident Fund

	Levies collected €	Claims paid €	Provision for outstanding claims €	Amounts recoverable from members €
(a) Security Fund				
Balance at 1 January 2010	818,233	(533,991)	(1,114,433)	(830,191)
Levies collected	9,898	-	-	9,898
Claims paid	-	(6,009)	6,009	-
Increase in provision	-	-	(582)	(582)
Balance at 31 December 2010	**828,131**	**(540,000)**	**(1,109,006)**	**(820,875)**
Balance at 1 January 2011	828,131	(540,000)	(1,109,006)	(820,875)
Levies collected	5,580	-	-	5,580
Claims paid	-	(2,438)	2,438	-
Decrease in provision	-	-	373,307	373,307
Balance at 31 December 2011	**833,711**	**(542,438)**	**(733,261)**	**(441,988)**

	Levies collected €	Claims paid €	Provision for outstanding claims €	Amounts recoverable from members €
(b) Protection and Compensation Funds				
Balance at 1 January 2010	29,483	(76,524)	(1,480,130)	(1,527,171)
Levies collected	79,231	-	-	79,231
Claims paid	-	(30,392)	30,392	-
Increase in provision	-	-	(307,194)	(307,194)
Balance at 31 December 2010	**108,714**	**(106,916)**	**(1,756,932)**	**(1,755,134)**
Balance at 1 January 2011	108,714	(106,916)	(1,756,932)	(1,755,134)
Levies collected	31,288	-	-	31,288
Claims paid	-	(19,710)	19,710	-
Decrease in provision	-	-	89,142	89,142
Balance at 31 December 2011	**140,002**	**(126,626)**	**(1,648,080)**	**(1,634,704)**

The year-end balances represent contributions collected from members short of outstanding reported claims provisions. The cost of the eventual settlement of these claims is recoverable from members in accordance with the Regulations.

7. Trade and other creditors

	2011 €	2010 €
Amounts falling due within one year		
Provision for claims outstanding	**2,381,341**	2,865,938
Other creditors and accruals	**2,265**	2,035
	2,383,606	2,867,973

8. Protection and Compensation Funds

	General Insurance Fund €	Life Insurance Fund €	Total €
Balance at 1 January 2010	831,545	938,864	1,770,409
Contributions received	154,408	211,786	366,194
Balance at 31 December 2010	**985,953**	**1,150,650**	**2,136,603**
Balance at 1 January 2011	985,953	1,150,650	2,136,603
Contributions received	159,241	239,610	398,851
Balance at 31 December 2011	**1,145,194**	**1,390,260**	**2,535,454**

9. Revaluation reserve

	2011 €	2010 €
Balance at 1 January	**4,500**	8,327
Movement in fair value (note 4)	**9,610**	(3,827)
Balance at 31 December	**14,110**	4,500

The revaluation reserve is non-distributable.

10. Cash generated from operations

Reconciliation of operating surplus to cash generated from operations:

	2011 €	2010 €
Surplus for the year	**75,623**	60,131
Adjustment for:		
Profit on disposal of financial assets (note 4)	**-**	(11,875)
Movement in provision for outstanding claims	**(484,597)**	271,362
Movements in working capital:		
- creditors	**230**	7
- debtors	**476,174**	(273,274)
Cash generated from operations	**67,430**	46,351

11. Cash and cash equivalents

	2011 €	2010 €
Cash at bank	**1,234,572**	972,363

Deposits held with banks earn interest as follows:

	2011 €	2010 €
At fixed rates	**1,100,000**	250,000
At floating rates	**134,572**	722,363
	1,234,572	972,363

12. Financial instruments

Credit risk

Financial assets which potentially subject the Fund to concentrations of credit risk consist principally of investments and cash at bank. The Fund's cash is placed with quality financial institutions. Concentration of the Fund's credit risk in respect of investments is considered by the members of the Management Committee to be relatively insignificant in view of the nature of the assets held and the credit standing of the issuer/counterparty.

Interest rate risk

The Fund's incoming and operating cash flows are substantially independent of changes in market interest rates. Notes 4 and 11 incorporate interest rate and maturity information with respect to the Fund's assets. Up to the balance sheet date, the Fund did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the members.

Fair values

At 31 December 2011 and 2010, the carrying value of the Fund's other assets and liabilities approximated their fair values.

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Income and expenditure account

	2011 €	2010 €
Income		
Administration levy under Reg 7(6)	**-**	-
Interest receivable from Motor Insurers' Bureau	**4,384**	4,301
Interest receivable from investments	**90,174**	63,144
Profit on disposal of investments	**-**	11,875
	94,558	79,320
Expenditure		
Publication costs	**866**	-
Audit and professional fees	**2,920**	2,699
Bank charges and interest	**130**	29
Committee members' fees	**10,482**	10,482
Motor Insurers' Bureau administration fee	**4,384**	4,301
Miscellaneous expenses	**153**	1,678
	18,935	19,189
Surplus for the year	**75,623**	60,131