

# **ACT INSURANCE AUTHORITY**

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## **Objectives**

The objectives of the Authority are to: carry out the business of insurer of Territory risks; take out insurance of Territory risks with other entities; satisfy or settle claims in relation to Territory risks; take action for realising, enforcing, assigning or extinguishing rights against third parties arising out of or in relation to its business; develop and promote good practices for the management of Territory risks; give advice to the Treasurer about insurance and the management of Territory risks; and administer, under agreement with the Chief Minister's Department, the Default Insurance Fund, to be established on 1 July 2006.

## **2006-07 Priorities**

Strategic and operational issues to be pursued in 2006-07 include:

- working with selected agencies to reduce the total cost of risk to Government;
- assisting agencies in the analysis of their operations and assets to improve risk assessment and management;
- facilitating agency access to the claims reporting and data analysis system to provide an integrated claims management process;
- ensuring that accurate information is available for the Authority's management, its clients and its insurers;
- conducting regular reviews of existing claims to ensure that appropriate management is being applied, that realistic cost estimates are included in the accounts and that risk management measures are implemented to reduce the chance of similar claims occurring;
- conducting progressive reviews of arrangements between agencies and external bodies to ensure that the appropriate level of risk is transferred to contractors, as well as providing advice on new contracts; and
- developing and implementing systems and procedures to administer, under agreement with the Chief Minister's Department, the Default Insurance Fund.

## ACT Insurance Authority Operating Statement

2005-06 Budget \$'000		2005-06 Est.Outcome \$'000	2006-07 Budget \$'000	Var %	2007-08 Estimate \$'000	2008-09 Estimate \$'000	2009-10 Estimate \$'000
<b>Income</b>							
<b>Revenue</b>							
31,243	User Charges - ACT Government	31,549	42,038	33	43,089	44,166	45,270
7,096	Interest	7,096	8,371	18	8,320	8,708	9,100
2,112	Other Revenue	2,316	2,305	..	2,495	2,558	2,627
<b>40,451</b>	<b>Total Revenue</b>	<b>40,961</b>	<b>52,714</b>	<b>29</b>	<b>53,904</b>	<b>55,432</b>	<b>56,997</b>
<b>Gains</b>							
<b>0</b>	<b>Total Gains</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>40,451</b>	<b>Total Income</b>	<b>40,961</b>	<b>52,714</b>	<b>29</b>	<b>53,904</b>	<b>55,432</b>	<b>56,997</b>
<b>Expenses</b>							
976	Employee Expenses	959	982	2	1,027	1,067	1,109
143	Superannuation Expenses	142	233	64	243	253	264
1,037	Supplies and Services	937	1,155	23	1,154	1,179	1,204
40,901	Other Expenses	36,961	46,515	26	47,504	48,700	49,721
<b>43,057</b>	<b>Total Ordinary Expenses</b>	<b>38,999</b>	<b>48,885</b>	<b>25</b>	<b>49,928</b>	<b>51,199</b>	<b>52,298</b>
<b>-2,606</b>	<b>Operating Result</b>	<b>1,962</b>	<b>3,829</b>	<b>95</b>	<b>3,976</b>	<b>4,233</b>	<b>4,699</b>

## ACT Insurance Authority Balance Sheet

Budget as at 30/6/06 \$'000		Est.Outcome as at 30/6/06 \$'000	Planned as at 30/6/07 \$'000	Var %	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000
<b>Current Assets</b>							
1,650	Receivables	5,111	4,516	-12	4,516	4,516	4,516
55,425	Investments	69,804	81,952	17	107,614	118,608	129,985
<b>57,075</b>	<b>Total Current Assets</b>	<b>74,915</b>	<b>86,468</b>	<b>15</b>	<b>112,130</b>	<b>123,124</b>	<b>134,501</b>
<b>Non Current Assets</b>							
8,503	Receivables	15,813	15,741	..	15,741	15,741	15,741
81,858	Investments	67,659	68,507	1	43,996	41,289	38,665
<b>90,361</b>	<b>Total Non Current Assets</b>	<b>83,472</b>	<b>84,248</b>	<b>1</b>	<b>59,737</b>	<b>57,030</b>	<b>54,406</b>
<b>147,436</b>	<b>TOTAL ASSETS</b>	<b>158,387</b>	<b>170,716</b>	<b>8</b>	<b>171,867</b>	<b>180,154</b>	<b>188,907</b>
<b>Current Liabilities</b>							
37,625	Payables	28,628	31,773	11	43,487	44,500	45,513
146	Employee Benefits	125	141	13	141	141	141
<b>37,771</b>	<b>Total Current Liabilities</b>	<b>28,753</b>	<b>31,914</b>	<b>11</b>	<b>43,628</b>	<b>44,641</b>	<b>45,654</b>
<b>Non Current Liabilities</b>							
109,511	Payables	144,431	149,765	4	135,226	138,267	141,308
133	Employee Benefits	155	160	3	160	160	160
<b>109,644</b>	<b>Total Non Current Liabilities</b>	<b>144,586</b>	<b>149,925</b>	<b>4</b>	<b>135,386</b>	<b>138,427</b>	<b>141,468</b>
<b>147,415</b>	<b>TOTAL LIABILITIES</b>	<b>173,339</b>	<b>181,839</b>	<b>5</b>	<b>179,014</b>	<b>183,068</b>	<b>187,122</b>
<b>21</b>	<b>NET ASSETS</b>	<b>-14,952</b>	<b>-11,123</b>	<b>26</b>	<b>-7,147</b>	<b>-2,914</b>	<b>1,785</b>
<b>REPRESENTED BY FUNDS EMPLOYED</b>							
21	Accumulated Funds	-14,952	-11,123	26	-7,147	-2,914	1,785
<b>21</b>	<b>TOTAL FUNDS EMPLOYED</b>	<b>-14,952</b>	<b>-11,123</b>	<b>26</b>	<b>-7,147</b>	<b>-2,914</b>	<b>1,785</b>

**ACT Insurance Authority  
Cash Flow Statement**

2005-06 Budget \$'000		2005-06 Est.Outcome \$'000	2006-07 Budget \$'000	Var %	2007-08 Estimate \$'000	2008-09 Estimate \$'000	2009-10 Estimate \$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
	<b>Receipts</b>						
31,906	User Charges	31,549	42,702	35	43,089	44,115	45,219
7,096	Interest Received	7,096	8,371	18	8,320	8,708	9,100
43,768	Other Revenue	44,092	44,014	..	45,209	45,414	45,640
<b>82,770</b>	<b>Operating Receipts</b>	<b>82,737</b>	<b>95,087</b>	<b>15</b>	<b>96,618</b>	<b>98,237</b>	<b>99,959</b>
	<b>Payments</b>						
1,098	Related to Employees	1,080	1,194	11	1,270	1,320	1,373
1,035	Related to Supplies and Services	935	1,153	23	1,041	1,170	1,196
72,831	Other	81,091	79,741	-2	79,940	80,998	82,175
<b>74,964</b>	<b>Operating Payments</b>	<b>83,106</b>	<b>82,088</b>	<b>-1</b>	<b>82,251</b>	<b>83,488</b>	<b>84,744</b>
<b>7,806</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>-369</b>	<b>12,999</b>	<b>#</b>	<b>14,367</b>	<b>14,749</b>	<b>15,215</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
	<b>Receipts</b>						
911	Proceeds from Sale/Maturities of Investments	911	911	-	13,934	911	911
<b>911</b>	<b>Investing Receipts</b>	<b>911</b>	<b>911</b>	<b>-</b>	<b>13,934</b>	<b>911</b>	<b>911</b>
	<b>Payments</b>						
19,315	Purchase of Investments	10,944	1,762	-84	2,639	4,666	4,749
<b>19,315</b>	<b>Investing Payments</b>	<b>10,944</b>	<b>1,762</b>	<b>-84</b>	<b>2,639</b>	<b>4,666</b>	<b>4,749</b>
<b>-18,404</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-10,033</b>	<b>-851</b>	<b>92</b>	<b>11,295</b>	<b>-3,755</b>	<b>-3,838</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
	<b>Receipts</b>						
23,000	Capital Injection from Government	23,000	0	-100	0	0	0
<b>23,000</b>	<b>Financing Receipts</b>	<b>23,000</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>23,000</b>	<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>23,000</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>12,402</b>	<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>12,598</b>	<b>12,148</b>	<b>-4</b>	<b>25,662</b>	<b>10,994</b>	<b>11,377</b>
<b>43,023</b>	<b>CASH AT BEGINNING OF REPORTING PERIOD</b>	<b>57,206</b>	<b>69,804</b>	<b>22</b>	<b>81,952</b>	<b>107,614</b>	<b>118,608</b>
<b>55,425</b>	<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>69,804</b>	<b>81,952</b>	<b>17</b>	<b>107,614</b>	<b>118,608</b>	<b>129,985</b>

## ACT Insurance Authority Statement of Changes in Equity

Budget as at 30/6/06 \$'000		Est.Outcome as at 30/6/06 \$'000	Planned as at 30/6/07 \$'000	Var %	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000
-20,373	<b>Opening Balance</b>	-31,612	-14,952	53	-11,123	-7,147	-2,914
	<b>Accumulated Funds</b>						
0	Net Effect of Change in Accounting Policy	-8,302	0	100	0	0	0
-2,606	Operating Result for the Period	1,962	3,829	95	3,976	4,233	4,699
	<b>Reserves</b>						
-2,606	<b>Total Income And Expense For The Period</b>	-6,340	3,829	160	3,976	4,233	4,699
	<b>Transactions Involving Equity Holders Affecting Accumulated Funds</b>						
23,000	Capital Injections	23,000	0	-100	0	0	0
21	<b>Closing Balance</b>	-14,952	-11,123	26	-7,147	-2,914	1,785

### Notes to the Budget Statements

Significant variations are as follows:

#### *Operating Statement*

- user charges – ACT Government:
  - the increase of \$0.306 million in the 2005-06 estimated outcome from the original budget reflects the additional insurance cover required by agencies; and
  - the increase of \$10.489 million in the 2006-07 Budget from the 2005-06 estimated outcome is due to an increase in the annual insurance premiums charged to agencies. The increase in premiums recognises an increase in the net expected cost of future claims arising from significant growth in award settlements and the growing number of medical malpractice and public liability claims.
- interest: the increase of \$1.275 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the accumulation of investments in order to meet future claims;
- other revenue: the increase of \$0.204 million in the 2005-06 estimated outcome from the original budget reflects an increase in insurance recoveries and an unrealised gain on investments. This is slightly offset by a decrease in construction industry policy premiums for Government capital works programs;
- superannuation expenses: the increase of \$0.091 million in the 2006-07 Budget from the 2005-06 estimated outcome is largely due to increased notional superannuation contribution rates;

- supplies and services: the increase of \$0.218 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the anticipated increases in the cost of insurance brokers and other consultants;
- other expenses:
  - the decrease of \$3.940 million in the 2005-06 estimated outcome from the original budget recognises a decrease in the cost of reinsurance; and
  - the increase of \$9.554 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects increases in medical malpractice and public liability claims and an increase in the anticipated cost of reinsurance.

#### *Balance Sheet*

- current receivables:
  - the increase of \$3.461 million in the 2005-06 estimated outcome from the original budget recognises an increase in reinsurance recoveries and interest receivable;
  - the decrease of \$0.595 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the reinsurance recoveries received;
- current investments:
  - the increase of \$14.379 million in the 2005-06 estimated outcome from the original budget reflects the movement of investment from noncurrent to current;
  - the increase of \$12.148 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the accumulation of investments in order to meet future claims;
- non-current receivables:
  - the increase of \$7.310 million in the 2005-06 estimated outcome from the original budget recognises the movement in the provision for reinsurance recoveries;
- non-current investments:
  - the decrease of \$14.199 million in the 2005-06 estimated outcome from the original budget reflects the movement of funds to short term investment;
  - the increase of \$0.848 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the accumulation of investments in order to meet future claims;
- current payables:
  - the decrease of \$8.997 million in the 2005-06 estimated outcome from the original budget is a recognition of more claims as noncurrent payables;
  - the increase of \$3.145 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects anticipated growth in the cost of future claims;
- non-current payables:
  - the increase of \$34.920 million in the 2005-06 estimated outcome from the original budget reflects the increase in cost and number of medical malpractice and public liability claims and more claims being recognised as non-current; and
  - the increase of \$5.334 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the anticipated growth in the cost of future claims.