

# ACT INSURANCE AUTHORITY

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## Objectives

The objectives of the ACT Insurance Authority (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, with the Treasurer's approval, 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; carry out the role of the Nominal Defendant of the ACT; and administer, on behalf of and under agreement with the Chief Minister's Department, the Default Insurance Fund.

## 2010-11 Priorities

Strategic and operational issues to be pursued in 2010-11 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; and
- 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.

## Estimated Employment Level

2008-09 Actual Outcome	2009-10 Budget	2009-10 Est. Outcome	2010-11 Budget
15 Staffing (FTE)	14	14	14

## Changes to Appropriation

### Changes to Appropriation

Capital Injections	2009-10 Est. Out. \$'000	2010-11 Budget \$'000	2011-12 Estimate \$'000	2012-13 Estimate \$'000	2013-14 Estimate \$'000
<b>2009-10 Budget</b>	<b>10,000</b>	<b>10,000</b>	-	-	-
<b>2010-11 Budget Technical Adjustment</b>					
Saving – Capital Injection – Return to Government	(5,000)	-	-	-	-
<b>2010-11 Budget</b>	<b>5,000</b>	<b>10,000</b>	-	-	-

**ACT Insurance Authority  
Operating Statement**

<b>2009-10 Budget \$'000</b>		<b>2009-10 Est.Outcome \$'000</b>	<b>2010-11 Budget \$'000</b>	<b>Var %</b>	<b>2011-12 Estimate \$'000</b>	<b>2012-13 Estimate \$'000</b>	<b>2013-14 Estimate \$'000</b>
<b>Income</b>							
<b>Revenue</b>							
48,124	User Charges - ACT Government	48,124	50,163	4	54,176	58,510	63,191
8,542	Interest	13,319	12,129	-9	13,195	14,250	15,300
2,442	Other Revenue	2,571	2,893	13	2,736	2,763	2,745
<b>59,108</b>	<b>Total Revenue</b>	<b>64,014</b>	<b>65,185</b>	<b>2</b>	<b>70,107</b>	<b>75,523</b>	<b>81,236</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>59,108</b>	<b>Total Income</b>	<b>64,014</b>	<b>65,185</b>	<b>2</b>	<b>70,107</b>	<b>75,523</b>	<b>81,236</b>
<b>Expenses</b>							
1,335	Employee Expenses	1,343	1,395	4	1,464	1,479	1,495
249	Superannuation Expenses	250	248	-1	233	234	236
1,460	Supplies and Services	1,232	1,454	18	1,485	1,320	1,349
61,961	Other Expenses	60,971	64,692	6	70,182	75,721	81,210
<b>65,005</b>	<b>Total Ordinary Expenses</b>	<b>63,796</b>	<b>67,789</b>	<b>6</b>	<b>73,364</b>	<b>78,754</b>	<b>84,290</b>
<b>-5,897</b>	<b>Operating Result</b>	<b>218</b>	<b>-2,604</b>	<b>#</b>	<b>-3,257</b>	<b>-3,231</b>	<b>-3,054</b>
<b>-5,897</b>	<b>Total Comprehensive Income</b>	<b>218</b>	<b>-2,604</b>	<b>#</b>	<b>-3,257</b>	<b>-3,231</b>	<b>-3,054</b>

**ACT Insurance Authority  
Balance Sheet**

<b>Budget as at 30/6/10 \$'000</b>		<b>Est.Outcome as at 30/6/10 \$'000</b>	<b>Planned as at 30/6/11 \$'000</b>	<b>Var %</b>	<b>Planned as at 30/6/12 \$'000</b>	<b>Planned as at 30/6/13 \$'000</b>	<b>Planned as at 30/6/14 \$'000</b>
<b>Current Assets</b>							
213,412	Cash and Cash Equivalents	211,929	252,054	19	282,363	313,045	344,011
2,221	Receivables	4,292	4,702	10	4,330	4,009	3,978
0	Other	86	86	-	86	86	86
<b>215,633</b>	<b>Total Current Assets</b>	<b>216,307</b>	<b>256,842</b>	<b>19</b>	<b>286,779</b>	<b>317,140</b>	<b>348,075</b>
<b>Non Current Assets</b>							
37,912	Receivables	137,789	137,236	..	137,160	136,762	135,857
50,449	Investments	55,801	53,294	-4	50,787	48,280	45,773
0	Other	140	140	-	140	140	140
<b>88,361</b>	<b>Total Non Current Assets</b>	<b>193,730</b>	<b>190,670</b>	<b>-2</b>	<b>188,087</b>	<b>185,182</b>	<b>181,770</b>
<b>303,994</b>	<b>TOTAL ASSETS</b>	<b>410,037</b>	<b>447,512</b>	<b>9</b>	<b>474,866</b>	<b>502,322</b>	<b>529,845</b>
<b>Current Liabilities</b>							
71,781	Payables	32,576	42,406	30	53,630	64,629	70,640
273	Employee Benefits	260	263	1	263	263	263
0	Other	87	87	-	87	87	87
<b>72,054</b>	<b>Total Current Liabilities</b>	<b>32,923</b>	<b>42,756</b>	<b>30</b>	<b>53,980</b>	<b>64,979</b>	<b>70,990</b>
<b>Non Current Liabilities</b>							
233,810	Payables	363,663	383,907	6	403,294	422,982	447,548
0	Employee Benefits	190	192	1	192	192	192
<b>233,810</b>	<b>Total Non Current Liabilities</b>	<b>363,853</b>	<b>384,099</b>	<b>6</b>	<b>403,486</b>	<b>423,174</b>	<b>447,740</b>
<b>305,864</b>	<b>TOTAL LIABILITIES</b>	<b>396,776</b>	<b>426,855</b>	<b>8</b>	<b>457,466</b>	<b>488,153</b>	<b>518,730</b>
<b>-1,870</b>	<b>NET ASSETS</b>	<b>13,261</b>	<b>20,657</b>	<b>56</b>	<b>17,400</b>	<b>14,169</b>	<b>11,115</b>
<b>REPRESENTED BY FUNDS EMPLOYED</b>							
-1,870	Accumulated Funds	13,261	20,657	56	17,400	14,169	11,115
<b>-1,870</b>	<b>TOTAL FUNDS EMPLOYED</b>	<b>13,261</b>	<b>20,657</b>	<b>56</b>	<b>17,400</b>	<b>14,169</b>	<b>11,115</b>

**ACT Insurance Authority**  
**Cash Flow Statement**

2009-10 Budget \$'000		2009-10 Est.Outcome \$'000	2010-11 Budget \$'000	Var %	2011-12 Estimate \$'000	2012-13 Estimate \$'000	2013-14 Estimate \$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
	<b>Receipts</b>						
48,124	User Charges	48,124	50,163	4	54,176	58,510	63,191
8,542	Interest Received	13,319	12,129	-9	13,195	14,250	15,300
46,670	Other Revenue	46,627	47,149	1	48,732	49,202	48,860
<b>103,336</b>	<b>Operating Receipts</b>	<b>108,070</b>	<b>109,441</b>	<b>1</b>	<b>116,103</b>	<b>121,962</b>	<b>127,351</b>
	<b>Payments</b>						
1,335	Related to Employees	1,338	1,390	4	1,464	1,479	1,495
249	Related to Superannuation	250	248	-1	233	234	236
1,452	Related to Supplies and Services	1,224	1,446	18	1,478	1,313	1,342
69,914	Other	68,237	72,277	6	78,664	84,299	89,357
<b>72,950</b>	<b>Operating Payments</b>	<b>71,049</b>	<b>75,361</b>	<b>6</b>	<b>81,839</b>	<b>87,325</b>	<b>92,430</b>
<b>30,386</b>	<b>NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>37,021</b>	<b>34,080</b>	<b>-8</b>	<b>34,264</b>	<b>34,637</b>	<b>34,921</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
	<b>Receipts</b>						
911	Proceeds from Sale/Maturities of Investments	911	911	-	911	911	911
<b>911</b>	<b>Investing Receipts</b>	<b>911</b>	<b>911</b>	<b>-</b>	<b>911</b>	<b>911</b>	<b>911</b>
	<b>Payments</b>						
4,749	Purchase of Investments	4,749	4,866	2	4,866	4,866	4,866
<b>4,749</b>	<b>Investing Payments</b>	<b>4,749</b>	<b>4,866</b>	<b>2</b>	<b>4,866</b>	<b>4,866</b>	<b>4,866</b>
<b>-3,838</b>	<b>NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-3,838</b>	<b>-3,955</b>	<b>-3</b>	<b>-3,955</b>	<b>-3,955</b>	<b>-3,955</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
	<b>Receipts</b>						
10,000	Capital Injection from Government	5,000	10,000	100	0	0	0
<b>10,000</b>	<b>Financing Receipts</b>	<b>5,000</b>	<b>10,000</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>10,000</b>	<b>NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>5,000</b>	<b>10,000</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>36,548</b>	<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>38,183</b>	<b>40,125</b>	<b>5</b>	<b>30,309</b>	<b>30,682</b>	<b>30,966</b>
<b>176,864</b>	<b>CASH AT BEGINNING OF REPORTING PERIOD</b>	<b>173,746</b>	<b>211,929</b>	<b>22</b>	<b>252,054</b>	<b>282,363</b>	<b>313,045</b>
<b>213,412</b>	<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>211,929</b>	<b>252,054</b>	<b>19</b>	<b>282,363</b>	<b>313,045</b>	<b>344,011</b>

**ACT Insurance Authority**  
**Statement of Changes in Equity**

Budget as at 30/6/10 \$'000		Est.Outcome as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Var %	Planned as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Planned as at 30/6/14 \$'000
	<b>Opening Equity</b>						
-5,973	Opening Accumulated Funds	8,043	13,261	65	20,657	17,400	14,169
<b>-5,973</b>	<b>Balance at the Start of the Reporting Period</b>	<b>8,043</b>	<b>13,261</b>	<b>65</b>	<b>20,657</b>	<b>17,400</b>	<b>14,169</b>
	<b>Comprehensive Income</b>						
-5,897	Operating Result for the Period	218	-2,604	#	-3,257	-3,231	-3,054
<b>-5,897</b>	<b>Total Comprehensive Income</b>	<b>218</b>	<b>-2,604</b>	<b>#</b>	<b>-3,257</b>	<b>-3,231</b>	<b>-3,054</b>
<b>0</b>	<b>Total Movement in Reserves</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Transactions Involving Owners Affecting Accumulated Funds</b>						
10,000	Capital Injections	5,000	10,000	100	0	0	0
<b>10,000</b>	<b>Total Transactions Involving Owners Affecting Accumulated Funds</b>	<b>5,000</b>	<b>10,000</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Closing Equity</b>						
-1,870	Closing Accumulated Funds	13,261	20,657	56	17,400	14,169	11,115
<b>-1,870</b>	<b>Balance at the End of the Reporting Period</b>	<b>13,261</b>	<b>20,657</b>	<b>56</b>	<b>17,400</b>	<b>14,169</b>	<b>11,115</b>

## Notes to the Budget Statements

Significant variations are as follows:

### *Operating Statement*

- user charges - ACT Government: the increase of \$2.039 million in the 2010-11 Budget from the 2009-10 estimated outcome is due to an increase in the annual insurance premiums charged to agencies. The premiums recognise a slight increase in the net expected cost of future claims, predominantly in public liability and property classes.
- interest: the increase of \$4.777 million in the 2009-10 estimated outcome from the original budget and the decrease of \$1.190 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects changes in interest rates, as well as the size of investment deposits.
- other revenue: the increase of \$0.129 million in the 2009-10 estimated outcome from the original budget and the increase of \$0.322 million in the 2010-11 Budget from the 2009-10 estimated outcome is due primarily to increases in expected reinsurance recoveries.

- supplies and services: the decrease of \$0.228 million in the 2009-10 estimated outcome from the original budget and the increase of \$0.222 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects decreases in the cost of contractors and consultants due to the next stage of the Risk Management Framework commencing later than anticipated.
- other expenses:
  - the decrease of \$0.990 million in the 2009-10 estimated outcome from the original budget mainly reflects lower than anticipated reinsurance costs; and
  - the increase of \$3.721 million in the 2010-11 Budget from the 2009-10 estimated outcome recognises an increase in the net expected cost of future claims, especially those arising from property and public liability policies.

### *Balance Sheet*

- cash and cash equivalents:
  - the decrease of \$1.483 million in the 2009-10 estimated outcome from the original budget is due primarily to a decrease in capital injection (\$5 million) and lower than anticipated payments at 30 June 2009 (\$1.260 million) offset by increased interest receipts (\$4.777 million); and
  - the increase of \$40.125 million in the 2010-11 Budget from the 2009-10 estimated outcome is primarily due to the continued building of investment assets in order to meet future claims.
- receivables current: the increase of \$2.071 million in the 2009-10 estimated outcome from the original budget and the increase of \$0.410 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects increases in reinsurance recoveries.
- other current and non current assets: the increase of \$0.226 million in the 2009-10 estimated outcome from the original budget is due to prepayment of contract works insurance.
- receivables non current: the increase of \$99.877 million in the 2009-10 estimated outcome from the original budget and the decrease of \$0.553 million in the 2010-11 Budget from the 2009-10 estimated outcome recognises movement in the provision for reinsurance recoveries associated with changes in both bushfire and ordinary claims liabilities.
- investments non current: the increase of \$5.352 million in the 2009-10 estimated outcome from the original budget and the decrease of \$2.507 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects the movement of funds between short term and longer term investment structures.
- payables current:
  - the decrease of \$39.205 million in the 2009-10 estimated outcome from the original budget reflects the movement of claims from current to non current due to lengthening claim settlement times; and
  - the increase of \$9.830 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects higher than anticipated claims liabilities due to growth in large claims.

- other current liabilities: the increase of \$0.087 million in the 2009-10 estimated outcome from the original budget is due to premiums received in advance for contract works insurance.
- payables non current:
  - the increase of \$129.853 million in the 2009-10 estimated outcome from the original budget reflects movement in the provision for claims liability associated with changes in bushfire reserves (\$102.732 million) and higher than expected ordinary claims liabilities as a result of growth in expected future claims (\$27.121 million); and
  - the increase of \$20.244 million in the 2010-11 Budget from the 2009-10 estimated outcome reflects the anticipated growth in the cost of future claims.
- employee benefits non current: the increase of \$0.190 million in the 2009-10 estimated outcome from the original budget is due to the movement of long service leave from current to non current liabilities, as well as a change in the methodology to determine leave liabilities.

#### *Cash Flow Statement*

- capital injection from government: the decrease of \$5 million in the 2009-10 estimated outcome from the original budget and the increase of \$5 million in the 2010-11 Budget from the 2009-10 estimated outcome is due to additional funds not being required in 2009-10 as a result of an improved cash position.

#### *Statement of Changes in Equity*

Variations in the statement are explained in the notes above.