



Annual Report 2025–26

ACT Insurance Authority



The ACT Government acknowledges the Ngunnawal people as traditional custodians of the ACT and recognise any other people or families with connection to the lands of the ACT and region.

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We respect the Aboriginal and Torres Strait Islander people, particularly our Aboriginal staff, and their continuing culture and contributions they make to the Canberra region and the life of our city.

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<https://www.cmtedd.act.gov.au/functions/foi>

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ISBN: 978-0-642-61114-7

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Information about the directorate and an electronic version of this annual report can be found on the website: <https://www.treasury.act.gov.au/insurance-and-risk-management>



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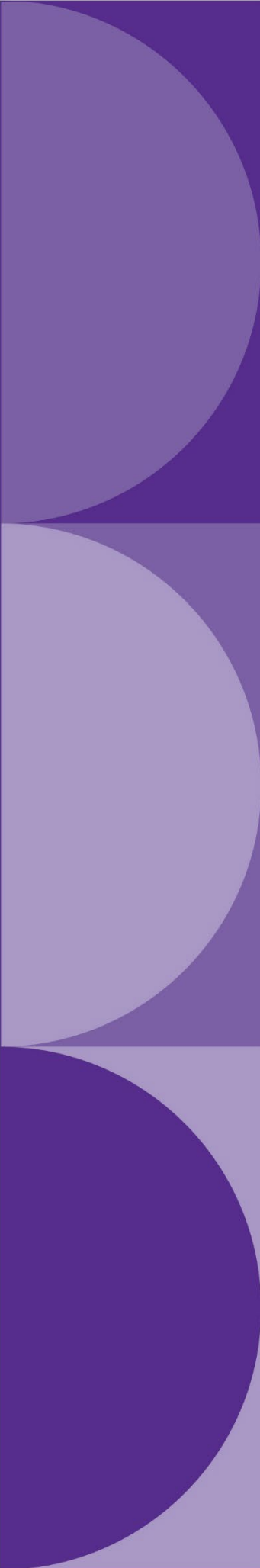
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Part A

Transmittal Certificate and Compliance Statement

A. Transmittal Certificate



Rachel Stephen-Smith MLA
Finance Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Minister

2025-26 ACT Insurance Authority Annual Report

This report has been prepared in accordance with section 7(2) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements under the *Annual Reports (Government Agencies) Directions 2026*.

It has been prepared in conformity with other legislation applicable to the preparation of the Annual Report by the ACT Insurance Authority (ACTIA).

I certify that information in the attached annual report, and information provided for whole of government reporting, is an honest and accurate account and that all material information on the operations of ACTIA has been included for the period 1 July 2025 to 30 June 2026.

I hereby certify that fraud prevention has been managed in accordance with the *Public Sector Management Standards 2006 (repealed)*, Part 2.3 (see section 113, Public Sector Management Standards 2016).

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you present the report to the Legislative Assembly within 15 weeks after the end of the reporting year.

Yours sincerely

Russ Campbell
Acting Head of Service and Director General
Chief Minister, Treasury and Economic Development Directorate
23 September 2026

Compliance Statement

The 2025-26 ACT Insurance Authority Annual Report must comply with the Annual Report Directions (the Directions) made under section 8 of the *Annual Reports Act* (the Act). The Directions are found at the ACT Legislation Register: www.legislation.act.gov.au

The Compliance Statement indicates the subsections, under Parts 1 to 5 of the Directions, that are applicable to the Authority and the location of information that satisfies these requirements.

PART 1 Directions Overview

The requirements under Part 1 of the Directions relate to the purpose, timing and distribution, and record keeping of annual reports. The 2025-26 ACT Insurance Authority Annual Report complies with all subsections of Part 1 under the Directions.

To meet Section 15, Feedback, Part 1 of the Directions, contact details for the Authority are provided within the 2025-26 ACT Insurance Authority Annual Report to provide readers with the opportunity to provide feedback.

PART 2 Reporting Entity Annual Report Requirements

The requirements within Part 2 of the Directions are mandatory for all reporting entities and the Authority complies with all subsections. The information that satisfies the requirements of Part 2 is found in the 2025-26 ACT Insurance Authority Annual Report as follows:

- Transmittal Certificate, see page 7;
- Organisational Overview and Performance, inclusive of all subsections, see pages 11-35; and
- Financial Management Reporting, inclusive of all subsections, see pages 36-105.

PART 3 Reporting by Exception

The Authority has nil information to report by exception under Part 3 of the Directions for the 2025-26 reporting year.

PART 4 Specific Reporting Entities Annual Report Requirements

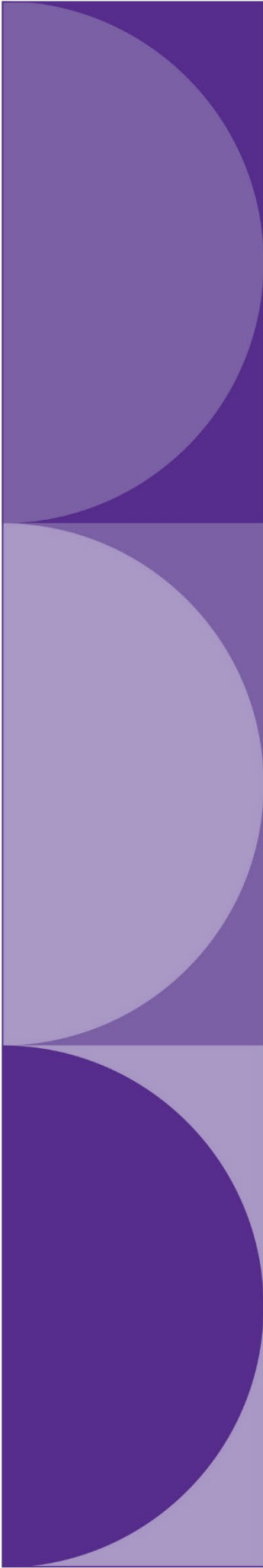
Part 4 of the 2025-26 Directions is not applicable to the Authority.

PART 5 Whole-of-Government Annual Reporting

All subsections of Part 5 of the Directions apply to the Authority. Consistent with the Directions, the information satisfying these requirements is reported in the one place for all ACT Public Service directorates, as follows:

- Bushfire Risk Management, see the Annual Report of the Justice and Community Safety Directorate;
- Human Rights, see the Annual Report of the Justice and Community Safety Directorate;
- Legal Services Directions, see the Annual Report of the Justice and Community Safety Directorate;
- Public Sector Standards and Workforce Profile, see the annual State of the Service Report; and
- Territory Records, see the Annual Report of the Chief Minister, Treasury and Economic Development Directorate.

ACT Public Service directorate and other annual reports are found at the following web address: <https://www.act.gov.au/open/annual-reports>



Part B

Organisational Overview and Performance

B. Organisational Overview and Performance

B.1 Organisational Overview

B.1.1 Who We Are

The ACT Insurance Authority (the Authority) is established under the *ACT Insurance Authority Act 2005* (the Act).

The Authority works to protect the assets and services of the Territory by providing risk management support and insurance services to all ACT Government directorates and statutory authorities. The Authority operates as the ACT Government's captive insurer of Territory risks. The captive insurance model protects the ACT Government budget from a range of catastrophic and accumulated risk exposures through its insurance arrangements and the accumulation of a fund reserve to meet the cost of asset losses and legal liabilities that occur as a result of the activities of Government.

The Authority meets the insurable claims and losses of the ACT Government through its self-insurance and reinsurance arrangements and operates on a cost-recovery basis by collecting premiums from directorates and statutory authorities to meet the anticipated costs of claims.

In 2025-26, the Authority insured Territory assets to the value of \$38.95 billion, collected \$99.7 million in annual premium revenue, held \$398.5 million in investments, held \$152.4 million in other assets, with total liabilities of \$512.3 million.

The Authority reports to the Minister for Finance through the Executive Group Manager, Strategic Policy and Finance, and the Under Treasurer, Chief Minister, Treasury and Economic Development Directorate (CMTEDD).

B.1.2 What We Do

The Authority provides insurance, claims, and risk management services to ACT Government directorates and statutory authorities. The Authority's functions are to:

- carry on the business of insurer of Territory risks;
- take out insurance of Territory risks with other entities;
- manage and settle claims in relation to Territory risks;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Minister about insurance and the management of Territory risks.

The insurance coverage is provided to directorates and statutory authorities by statements of insurance. The Authority's insurance program is broad form cover that includes:

- Public Liability;
- Medical Negligence;
- Professional Indemnity;
- Property Damage;
- Directors' and Officers' Liability; and
- Financial Crime.

The Authority arranges external insurance policies on behalf of the ACT Government to cover Contract Works, Travel, Art and Galleries, Aviation, and Personal Accident cover for both aero retrieval and volunteer workers. The Authority bears no risk on these policies.

The Territory renewed the indemnity agreement with QBE Insurance (Australia) Ltd (QBE) on 1 July 2025 for a further three-year term, to continue providing Residential Builders Warranty Insurance (BWI) to ACT builders, with the Territory indemnifying QBE in respect of any claim losses.

Commencing 1 April 2023, the Authority established a scheme to indemnify Physical and Sexual Abuse liability (PSA) for out-of-home care service providers in the ACT in coordination with the Community Services Directorate. Following the ACT's Machinery of Government changes that took effect on 1 July 2025, the Community Services Directorate merged with the ACT Health Directorate to form the Health and Community Services Directorate (HCSD).

The Authority also administers the Office of the Nominal Defendant of the ACT, for default claims under the ACT Motor Accident Injuries Scheme as well as the Default Insurance Fund, for default claims under the ACT Private Workers' Compensation Scheme. The activities of these entities are reported separately and appear in reports annexed to the 2025-26 CMTEDD Annual Report.

B.1.3 Our Approach

Throughout most of 2025-26, the Authority was a part of the Economic, Revenue, and Insurance (ERI) Division within CMTEDD. From April 2026, the Authority has been part of the Strategic Policy and Finance Division within CMTEDD.

ACTIA Mission: We engage to provide high quality enabling services and solutions in collaboration with our directorate partners. We strive to ensure:

- our understanding of directorate needs;
- cost effectiveness;
- timeliness;
- governance and integrity; and
- assurance.

Values: In all that we do, we hold ourselves accountable for demonstrating our values:

- Integrity
- Respect
- Collaboration
- Innovation

B.1.4 Organisational Structure

Under the *Financial Management Act 1996* the Authority is responsible to the Minister for Finance through the Chief Executive Officer, for the efficient and effective financial management of resources. The delegate for the Chief Executive Officer is the Under Treasurer and the Authority operates under CMTEDD.

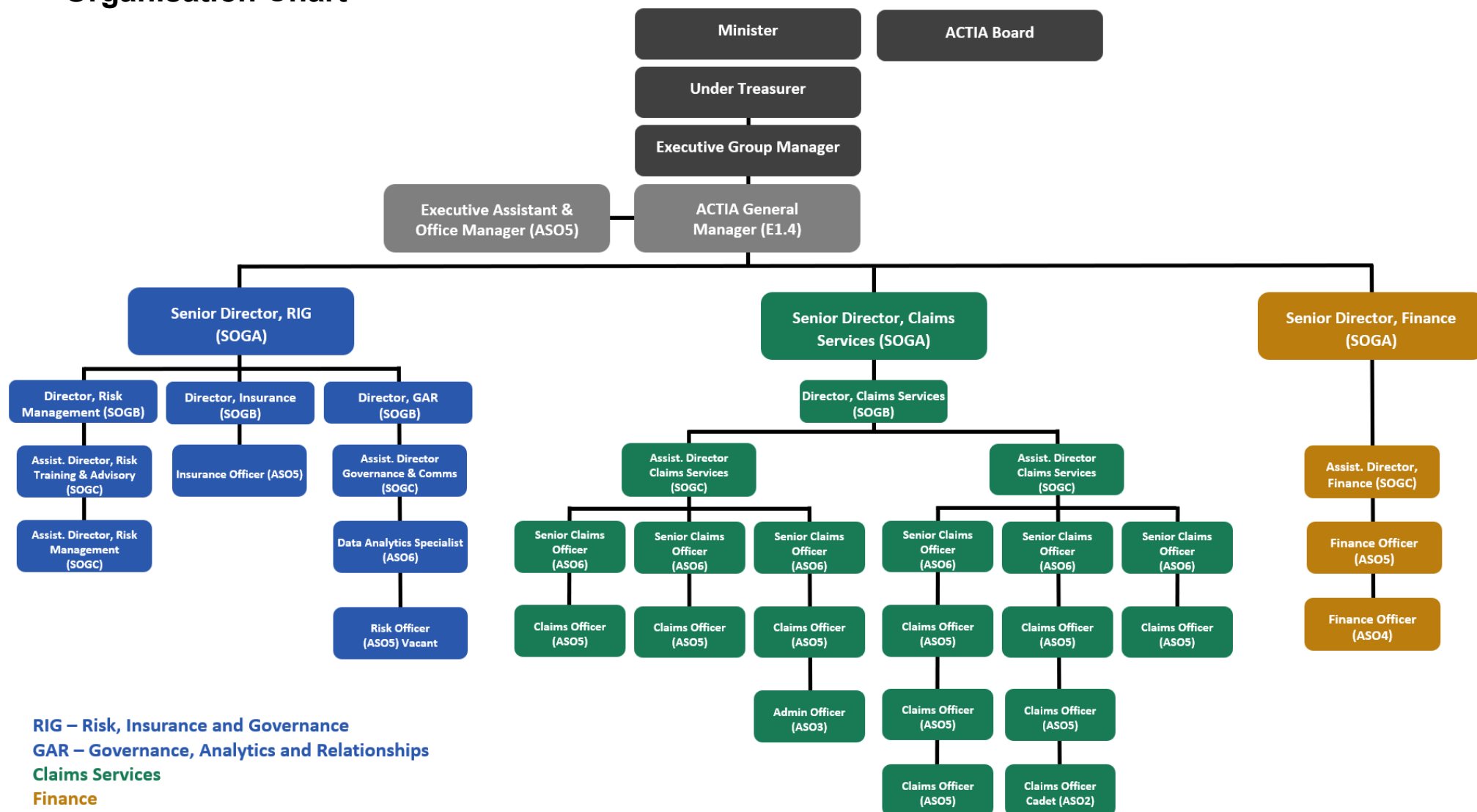
The Authority is supported by an Insurance Advisory Board (the Board) appointed under the Authority's enabling legislation. The external Board members during 2025-26 were Mr Ian Faragher, Ms Robyn Bateup, and Mr Jonathan Seth. At the conclusion of Mr Faragher's second term on 5 March 2026, Ms Bateup was appointed Board Chair and Mr Jonathan Seth was appointed as a member.

The Board provides valuable support to the Authority, particularly in relation to its reinsurance program, the identification of emerging risks, and improvements to risk and claims management services. Details of the Board members' qualifications and experience appear in section B.1.7 Internal Accountability under the subheading 'Insurance Advisory Board'.

The Authority delivers services through the following streams:

- Risk, Insurance and Governance;
- Claims Services; and
- Financial Services.

Organisation Chart



B.1.5 Year in Review

The Authority's key achievements during the 2025-26 year were:

Risk Management Support

The Authority's Risk Management Team comprises three full-time roles. The team pursued five core priorities in 2025-26, which will continue into 2026-27:

- Policy Development and Review;
- Risk Training Delivery;
- Advisory Services and Workshops;
- Community of Practice (CoP) Engagement; and
- Risk Reporting and Insights.

Policy Development and Review

A comprehensive review of the Whole-of-Government Risk Policy (last updated in 2022) has been conducted. The aim is to elevate risk maturity across ACT Government agencies through key enhancements, including increased risk training, incorporation of risk into the planning and review cycle, capture of emerging and shared risks, and stronger control assurance requirements. Throughout 2025-26 the Risk Team led multiple rounds of cross-government consultation. The ACT Government Risk Policy and Framework 2026 is in the final stages of review and will be released in the 2026-27 financial year.

Risk Management Training

Training delivery reached 1,607 completions in 2025-26, reflecting continued strong demand and quality execution. The Authority's three-tiered training framework for Introductory, Practitioner, and Executive is supported through e-learning, face-to-face sessions and CoP education events. There was a particular focus on risk practitioner training in 2025-26, with 386 attendances at CoP events, adding a monthly hybrid education format to the existing 6 monthly half-day forum. The Authority also supports risk practitioners across the Territory to gain external risk qualifications, through an umbrella subscription to the Risk Management Institute of Australasia (RMIA), with 15 members across Territory entities.

Recognising the increasing impact of climate-related events on the Territory's claims profile, a strategic partnership with the Climate Adaptation Policy Team from the City and Environment Directorate was developed in 2025-26. This partnership will enable the Authority to deliver Climate Adaptation Risk training and tools in 2026-27.

Advisory and Workshops

Advisory sessions and risk workshops engaged 277 participants across Government. Workshops covered multiple areas, including work health and safety, disaster resilience, strategic risk, procurement and project risk. The introduction of ACT Government approved Artificial Intelligence (AI) tools in the preparation stage of risk workshops has resulted in a significant shift in risk conversations, enabling workshops to focus on value-add discussions on implementation and effectiveness of controls, rather than simple risk identification.

A tool for assessing and managing risk across the project lifecycle has been co-developed with Procurement ACT, and AI risk workshop tip sheets are being developed as part of the Authority's risk workshop toolset.

Risk Reporting

A new risk reporting module was developed within the Authority's Information Management System in 2025-26. The aim of the module is to collate and analyse enterprise level risks from all ACT Government directorates, creating a Whole-of-Government view of common risks and controls, to facilitate sharing of best practices across directorates. The Authority is investigating how the module could potentially assist interested Government entities to manage their risks and treatment actions within the system.

The Risk Team members now regularly join in claims review meetings with agencies, utilising a risk lens to assess claims causation data against agency risk and control profiles, to provide feedback to agencies on the effectiveness of their risk controls.

Reinsurance Program Placement and External Insurance for 2026-27

The placement of the Territory's annual insurance and reinsurance program is one of the Authority's key operational deliverables each year, with the program to be settled by 30 June of the prior financial year. The program protects the Territory from losses resulting from catastrophic events or an accumulation of insurable losses.

The Authority completed a strategic review of the suitability of its program taking into consideration a range of issues including the prevailing market conditions, emerging operational issues, and changes to business activities. The review also considered the Territory's claims experience, legislative changes, historical costs, placement structure, and risk retention levels, as well as its short and long-term strategic objectives.

The 2026-27 renewal strategy tested the current program structure and pricing with incumbent insurance and reinsurance providers across all insurance classes.

The successful placement of the 2026-27 reinsurance program, with 100 per cent capacity provided by the global insurance market, was a positive result for the Territory in challenging market conditions. The Authority's Advisory Board and the Under Treasurer supported the final structure after lengthy negotiations with the participating reinsurance market. The cost of the 2026-27 reinsurance program was negotiated at \$15.1 million, representing a decrease of 8.48 per cent on the 2025-26 program.

The Medical Negligence reinsurance program was restructured for 2026-27 following extensive engagement with the reinsurance market. The revised structure improved market capacity and resulted in a 33.94 per cent reduction in the total Medical Negligence reinsurance premium. The combined Public Liability and Professional Indemnity reinsurance premium decreased by 2.59 per cent, while maintaining broad market support and improving the level of Professional Indemnity protection available to the Territory.

The Authority also arranges direct insurance cover for contract works, motor fleet, Directors and Officers Liability, Travel, Art and Galleries, Aviation, and Personal Accident cover for aero-medical retrieval and volunteer workers.

The combined Contract Works premium decreased by 14.64 per cent compared with the prior period, with reductions achieved across both the Service Level Agreement and non-Service Level Agreement arrangements.

A dedicated cyber insurance program was introduced for 2026-27, providing external insurance protection for a range of cyber related risks across the Territory. The placement followed a review of the Territory's approach to cyber risk and reflected improved conditions and capacity within the commercial cyber insurance market.

The Territory's passenger and heavy motor vehicle insurance arrangements were also consolidated into a single insurance program. Despite an increase in the number of declared vehicles, the overall premium decreased by 0.59 per cent compared with the prior period.

The Authority has agreed to self-insure standing timber within both the Arboretum and ACT Forests for the 2026-27 period, following consideration of the unfavourable terms and premium rates indicated by commercial insurers.

Premium reductions were also achieved across a number of other direct insurance classes, including Directors and Officers Liability, Personal Accident, Public Art and Aviation.

The Authority continues to maintain relationships with national and international insurers and reinsurers participating in the Territory's insurance program, while engaging with alternative markets where appropriate to maintain competition and access to insurance and reinsurance capacity. The quality of the Territory's underwriting information and continued engagement with incumbent and prospective markets supported favourable renewal outcomes across a number of insurance classes.

Information System Upgrade

The Authority entered into a contract with its current Claims Management, Risk and Insurance system vendor in August 2024.

The Authority continues to work with the vendor on implementation and enhancements of the system, to enable more streamlined claims and payment processing, to incorporate risk management and insurance information collection modules, and to assist with enhanced data analysis.

Natural Disasters

While changes to climate and weather patterns continue to give rise to claims, 2025-26 has not seen either the volume or severity of incidents experienced in prior years. The Authority's claims team has continued to resolve matters arising from the weather events in prior years.

The National Emergency Management Authority (NEMA) manages a national grant program, the Disaster Ready Fund (DRF) for Government and community groups. In 2025-26 the Authority provided risk management support for ten DRF submissions from across the ACT Government, identifying risks and benefits associated with initiatives designed to increase the resilience to disasters of the Territory's assets and community.

B.1.6 Outlook and Future Priorities

The Authority continues to work with Territory directorates and statutory authorities to protect the Territory's assets and services by providing high-quality risk management, claims management, and insurance services.

The Authority's ability to value outstanding claims liabilities is informed by the accumulation of claims data, including claims experience information. It remains important to the Authority that incidents that are likely to give rise to a significant claim are reported promptly to facilitate early intervention claims management. This also supports appropriate estimation of the future claim liabilities, which are reviewed bi-annually. The Authority will continue to monitor incident reporting practices by agencies and provide guidance on the nature of incidents that need to be reported.

There continues to be pressure on reinsurance premiums for some classes of insurance and a softening market in other classes. The Authority expects that the commercial insurance market will remain very sensitive to the claims experience of individual entities. It is anticipated that insurers will apply pressure on insureds to restructure reinsurance programs, where the insurers are seeing regular claims into the reinsurance market.

The Authority will continue working with directorates and statutory authorities to develop strategies to reduce the incidence and cost of insurance claims against the Territory by promoting good claims and risk management practices. The Authority's risk management team continues to assist agencies on a range of risk management related topics.

The Authority's strategic and operational priorities in 2025-26 included:

- implementing a program of reinsurance to protect the Territory budget based on an appropriate balance between transferred and retained risk;
- proactively managing claims against the Territory in consultation with agency stakeholders, and in accordance with the ACT model litigant requirements;
- assisting agencies with the implementation and continuous improvement of risk management practices within the Territory that reflect international standards and business best practice;
- delivering risk management services including training, targeted educational seminars and consultancy services for agencies that increase the level of stakeholder engagement;
- implementing and enhancing the insurance, risk, and claims information management system to enable the Authority to continue to deliver mature services to Territory agencies; and
- completing the strategic review of the Authority's role in delivering insurance and risk management functions across the Territory and commencing implementation of the review recommendations.

B.1.7 Internal Accountability

Senior Executive Responsibilities and Remuneration

Senior Executive responsibilities include providing professional advice to the Minister for Finance, the ACT Government, Territory agencies, and statutory authorities on insurance and risk management matters, as well as proactively managing claims against the Territory. In addition,

the Senior Executive administers the Default Insurance Fund and the Office of the Nominal Defendant of the ACT.

The Senior Executive employed by the Authority is paid in accordance with the determinations of the ACT Remuneration Tribunal and relevant laws and instruments, including the *Public Sector Management Act 1994* (the Act) and the Public Sector Management Standards 2006.

Insurance Advisory Board

The Board is established under Section 12 of the Act, and members are appointed in accordance with the Insurance Management Guidelines 2005 (No. 1). The Under Treasurer, CMTEDD, is delegated with authority to make board appointments. The Board must consist of two members appointed by the Authority who, in the opinion of the Authority, possess sufficient skill and judgement to provide advice in relation to the Authority's execution of its powers, functions and responsibilities.

The appointment term must not exceed three years and can be revoked by the Authority for misconduct, neglect of duty, or if the member becomes unable to carry out the duties of the office satisfactorily. Mr Faragher and Ms Bateup were reappointed to their positions in 2023, and Mr Jonathan Seth was appointed in March 2026 to replace Mr Faragher. This is consistent with the Governance Principles: Appointments, Boards and Committees in the ACT, as members can serve a maximum of two full terms.

Table B.1: Board Members

Name of Member	Position	Duration	Meetings Attended
Mr Ian Faragher	Member and Chair	March 2020 to 5 March 2026	3 of 4
Ms Robyn Bateup	Member (Chair from March 2026)	September 2020 to September 2026	4 of 4
Mr Jonathan Seth	Member	March 2026 to March 2029	1 of 4

The Authority's board members have extensive experience in the general insurance industry at the executive level, particularly in relation to underwriting, claims management, risk management, reinsurance, actuarial and financial services.

Mr Ian Faragher (Chair up to March 2026) - Mr Faragher has over 37 years of experience in the financial services industry, holding several Chief Executive positions of global financial services organisations. He has lived and worked in the United States, the Asia Pacific Region, and Australia. Mr Faragher has successfully led businesses in both developed and emerging insurance markets. Mr Faragher was instrumental as the Chairman and sole Asia-Pacific member of the Lloyd's of London senior management team, in the establishment of Lloyd's in China, earning the prestigious UK Review's award for Company Start-up of the Year. Mr Faragher was invited to join the Members' Council of the Motor Insurers Bureau in Hong Kong with responsibility over the Insurance Company Insolvency Funds and elected by membership as a Director of the Australian Chamber of Commerce in Shanghai to advocate on policy affecting over 300 Australian businesses across all sectors of the economy. Mr Faragher has been approved by Regulatory Authorities in Singapore, Thailand, Hong Kong, Taiwan, China, Fiji, and Australia to act as the Principal Officer and/or Responsible Person, evidencing a deep understanding of the operational

requirements, governance, corporate laws and regulations in a wide variety of jurisdictions. Mr Faragher holds a Bachelor of Engineering from the University of Sydney, has participated in strategic leadership programs in Princeton, New Jersey, led by a consortium of elite international business schools, and was appointed as a Visiting Professor at the Shanghai University of Finance and Economics in recognition of support for International Risk Management and Insurance Studies. Mr Faragher now consults on various insurance matters, specialising in financial technology.

Ms Robyn Bateup (Member/Chair from March 2026) BSc, FIAA, GAICD - Ms Bateup has over 30 years of experience in general insurance. Ms Bateup previously held a Senior Executive position within a general insurance organisation. She subsequently joined an international consulting firm, where she became a Principal and served as the Australian General Insurance Sector Leader, advising corporate and Government clients. Ms Bateup has also served as an elected member of the Council of the Actuaries Institute and contributed to a number of its advisory committees. Ms Bateup is an Executive Director of her own consulting firm, Bateup Actuarial & Consulting Services, as well as a Non-Executive Director of MIPS Insurance Pty Ltd. Ms Bateup has a strong background in risk, pricing, governance, and actuarial services. She has also served as an expert witness in litigated general insurance matters. Ms Bateup is a Graduate Member of the Australian Institute of Company Directors.

Mr Jonathan Seth (Member from March 2026) GAICD, MBA, ANZIIF (CIP Fellow), QPIB – Mr Seth is a highly experienced executive and non-executive director with more than 25 years of leadership experience across the insurance, risk management and financial services sectors, including extensive engagement with Government, statutory and public purpose entities. His career includes Senior Executive and Chief Executive roles with global insurance and advisory organisations including Aon (20 years), Marsh/JLT (17 years) and American International Group (AIG). He has held accountability for large-scale risk, insurance and advisory portfolios across Commonwealth, State and local Government, as well as complex public sector-aligned organisations operating in regulated and high-risk environments. Mr Seth has deep expertise in enterprise risk management, finance, strategy and governance, particularly across mutuals, statutory authorities and not-for-profit entities. He served nine years as Chief Executive Officer of Local Government Insurance Scheme (LGIS), overseeing financial sustainability, prudential discipline, reinsurance strategy, claims funding, regulatory engagement and board reporting for 139 Western Australian local Governments.

Mr Seth has extensive experience working with Commonwealth, State and local authorities, including DFAT, AMSA and Defence Housing Australia, across insurance programs, risk financing, capital adequacy and major claims management, with sector experience spanning infrastructure, emergency services, health and community services. In addition to his executive background, Mr Seth holds multiple non-executive director and committee roles, including Director positions with FES Super, Royal Life Saving WA and RSPCA WA, and Chair of Dale Cottages Inc. He also serves as an independent member of local Government finance and risk committees. Collectively, these roles demonstrate strong capability in audit oversight, financial governance, risk assurance and stakeholder accountability, complemented by prior service on the ANZIIF Board, including as Chair of the Academic Council, and recognition as a Life Member.

The remuneration of the Board members is determined by the ACT Remuneration Tribunal.

The Board met on four occasions during 2025-26 and was consulted on the following:

- the Territory's reinsurance program for 2026-27;
- actuarial and financial matters;
- operational priorities;
- ICT systems and management;
- reviews of major claims;
- risk management matters;
- ACTIA strategic review; and
- Risk Management Policy.

B.2 Performance Analysis

The Authority's Key Performance Indicators (KPIs) are detailed in the Authority's 2025-26 Statement of Intent and are reported as part of the Authority's Statement of Performance, see pages 108-114. The objective of the KPIs being measured is to ensure the delivery of the Authority's strategic objectives, quantifying specific outputs or activities that are measurable.

A summary of the outcomes achieved against each of the Authority's principal objectives and KPIs is detailed below.

B.2.1 Carry on the Business of Insurer of Territory Risks

Conduct an Annual Customer Satisfaction Survey

The Authority's annual customer satisfaction survey was undertaken with a range of questions focused on governance processes, practices, product, and service outcomes.

Surveys were sent to a range of agency contacts including Directors-General, Chief Executive Officers, and other key stakeholders of ACT Government directorates and statutory authorities. Respondents were asked to rate the quality of different aspects of the Authority's services, based on their experiences over the past 12 months.

Overall satisfaction with the Authority was 94.7 per cent. The Authority's customers identified the following positive characteristics as the key drivers of positive experiences:

- the professionalism of the Authority's staff;
- the Authority's staff understand the services they deliver;
- the Authority's staff understand the Directorate's or agency's requirements; and
- the Authority responds to requests in a prompt and timely manner.

The Authority continues to collaborate with customers at all levels to enhance the level of service provided and to identify and clarify those areas that may require improvement.

Maintain a Funding Ratio Within the Targeted Range Stated in the ACTIA Capital Management Plan

The ACTIA Capital Management Plan provides a comprehensive and structured approach to the long-term management of the Authority's financial assets.

The plan establishes the basis for an agreed approach to the management of the Authority's financial strategy and objectives and takes into consideration the variability of the Authority's capital position that may result from changes in claims experience and investment returns.

The Authority aims to manage its capital position within a range of 100–120 per cent. This position seeks to strike a balance between the appropriate management of the Territory's risks and the availability of suitable mechanisms to address a capital position outside the target ratio range. These mechanisms may include seeking capital injections (in a deficit situation) or surrendering excess capital (in a surplus situation), where assessed as necessary after considering various factors, including future market conditions.

The Authority's funding ratio as at 30 June 2026 was 108 per cent, equating to a balance sheet surplus of \$38.6 million with a forecasted capital funding position for 2026-27 of \$42.8 million or 108 per cent.

Table B.2: Funding Ratio

Balance Sheet	Actual 30 June 2025 \$ million	Actual 30 June 2026 \$ million	Forecast 30 June 2027 \$ million
Assets	\$552.7	\$550.9	\$570.0
Liabilities	\$478.2	\$512.3	\$527.2
Net Assets	\$74.5	\$38.6	\$42.8
Funding Ratio (percentage)	116 %	108%	108%
Capital Return	-	-	-

General and Administrative Expense as a Percentage of Total Annual Premium Revenue

General and administrative expenses represent 7 per cent of gross premium revenue in 2025-26. This is lower than the original target of 10 per cent. The Authority's management and staff continue to work on improving operational efficiency without compromising on the service delivery expectations of customers. Gross premium has increased mainly due to deteriorating claims experience and the cost of the Territory's reinsurance program. The lower general and administrative expenditure ratio for 2025-26 is mainly due to the increase in Gross Premium Revenue compared to the prior year.

Average Number of Days to Process Payments for Settlement of Claims

During 2025-26 it took an average of 25 days to process payments for the settlement of claims. All settlement payments have been made in accordance with the requirements of the court. The Authority's payment runs are conducted on a fortnightly basis, so payment requests that miss a payment run cut-off date are delayed until the next fortnight. Payments in relation to settlements are only approved once all relevant supporting documentation has been received.

B.2.2 Take out Insurance of Territory Risks with Other Entities

Complete Property Loss Control Surveys

The Authority's lead property reinsurer undertakes an annual program of property surveys in consultation with the Authority and Territory agencies. A selection of assets are surveyed each year as part of a rolling program. This process provides reinsurers with an overview of the Territory's asset management practices, with a focus on emergency management systems and property protection. The nine surveys conducted in 2025-26 confirmed that the Territory's asset management practices were appropriate in the sample of assets surveyed.

The survey reports and recommendations were provided to agency representatives responsible for asset management arrangements for consideration and appropriate action, where relevant.

Quarterly Review of Claims

Claim review meetings were held quarterly during 2025-26 to review all liability and Medical Negligence claims where the claim reserve exceeded \$250,000. The claim review meetings were attended by Authority staff, representatives of the Authority's insurance broker Marsh Pty Ltd, and the ACT Government Solicitor's Office, with notes from the meetings forwarded to the Territory's external reinsurers. The review meetings provide an excellent opportunity to enhance the Territory's ability to develop and execute complex claims management strategies and provides transparency to the Territory's reinsurers.

The Authority continues to work with key agencies, analysing claims data and developing strategies to reduce the incidence of claims against the Government by implementing robust risk management practices which, in turn, assist in the reduction of costs incurred by the Territory.

B.2.3 Develop and Promote Good Practices for the Management of Territory Risks

Provide Quarterly Reports

In 2025-26, the Authority issued Claims Risk Profile Reports to Directors-General, and to agency staff involved in management of operational insurance and risk management. These reports provided data as at 30 June 2025, 30 September 2025, 31 December 2025 and 31 March 2026. The reports contained an analysis of claims history, claim costs and claim estimates, which were broken down by insurance class and incident type. These reports assist agencies to identify trends or issues across different classes of insurance. The content and format of these reports is constantly reviewed and updated, based on consultation with directorates.

Deliver General and Targeted Risk Management Training Courses

The risk team conducted a total of 44 face-to-face training activities in 2025-26. Participation in training was provided across a range of directorates and statutory authorities.

Face-to-face training was delivered across introductory, risk practitioner and executive levels through a series of public (open to all territory entities) and bespoke (entity-specific) structured learning activities, which supported the existing introductory and risk practitioner level e-learning modules. 53 per cent of risk management training was delivered across e-learning platforms, with an increase in virtual learning associated with a new CoP delivery format.

Overall Participant Satisfaction with Risk Management Training Sessions

The risk management training sessions offered by the Authority have been well received and feedback from participants continues to be positive.

Participants indicated a high level of satisfaction with the courses provided in 2025-26 and a majority indicated that the training was informative, comprehensive, well-presented and generally met their needs. Feedback received showed 96.4 per cent of respondents were satisfied with the risk management training provided in 2025-26. The Authority continues to consider all feedback to continually improve the programs delivered.

B.3 Scrutiny

In January 2025, the ACT Legislative Assembly Standing Committee on Economics, Industry and Recreation commenced an inquiry into insurance costs in the ACT. The inquiry report was released in September 2025 and the Authority contributed to the Government response that was released in February 2026.

There were no reviews of the Authority from the ACT Ombudsman in 2025-26.

A Work Health and Safety audit of the Authority was undertaken in November 2025, as part of the CMTEDD 2025 WHS Assurance Program.

B.4 Risk Management

The Authority maintains its own operational risk register and work health and safety risk register, which identify the Authority's business and workplace health and safety risks. The registers detail the control measures and treatment plans for identified categories of risk including financial, business, information technology, and workplace health and safety. The Authority is part of CMTEDD and, as such, it is covered by CMTEDD's risk management arrangements.

B.5 Internal Audit

Internal Audit and the Audit and Risk Committee (Committee) are key components to CMTEDD's governance arrangements. They support the Director-General and Under Treasurer in fulfilling their responsibilities under the *Financial Management Act 1996*.

The operations and expectations of Internal Audit and the Audit and Risk Committee are set out in their respective Charters. Internal Audit is responsible for the development and implementation of the CMTEDD Internal Audit Plan, audit recommendation tracking and providing secretariat support for the Committee.

Internal Audit tabled eight audit reports at Committee meetings during the 2025-26 financial year:

- Budget Management;
- Expense Management;
- Information and Records Management (Health Records);

- Accounts Receivable (including Debtor Management);
- Affordable Housing Project Fund;
- Contract Management;
- Grant Funding Evaluation (Assessment and Decision); and
- External Quality Assurance of Internal Audit.

A further three audit reports included on the 2025-26 Internal Audit Plan will be tabled at the first Committee meeting for 2026-27.

The Committee met four times during the year. Strategic risks were reviewed at each of the ordinary meetings, with the Strategic Risk Register and Business Area Risk Registers presented to the Committee on a rotational basis. New or emerging risks are reported to the Committee as identified, and major risks are monitored on an ongoing basis until they are managed to an acceptable level.

The Committee consists of two independent members (Chair and Deputy Chair) and a Senior Executive from a directorate outside of the CMTEDD Portfolio.

The following changes were made to the Committee during 2025-26:

- Committee meetings have been reduced in number but increased in length in response to the Machinery of Government changes to CMTEDD.
- The Advisor role has been removed from the Committee structure.
- A Senior Executive from another ACT Government directorate was appointed in March 2026.
- The Independent Member resigned from the Committee in April 2026.

The Chair, Deputy Chair and Members stand up the Financial Sub-Committee to review the Directorate's Financial Statements.

The Chair provides advice to the Director-General and Under Treasurer on audit outcomes, significant risks and implementation of mitigation strategies through quarterly outcomes meetings.

The independent Committee members are engaged under service delivery contracts and remunerated based on an agreed rate for each meeting.

Table B.3: Internal Audit and Risk Committee Membership and Attendance 2025-26

Name	Position	Duration	Meetings Attended
Darren Schaeffer	Independent Chair	1 July 2025 – 30 June 2026	4
Diana Hamono	Independent Deputy Chair	1 July 2025 – 30 June 2026	4
Sam Volker	Independent Member	1 July 2025 – 14 April 2026	3
Catherine King	Senior Executive Officer from another ACT Government directorate	16 March 2026 – 30 June 2026	1
Penny Shields	Advisor	1 July 2025 – 23 February 2026	0

B.6 Fraud Prevention

The Authority forms part of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) and is therefore covered by CMTEDD's Fraud and Corruption Prevention Plan and Fraud Risk Register.

The Authority maintains appropriate controls to minimise the risk of fraud and corruption. These controls include segregation of duties, financial delegations and authorisations, and oversight of the collection, processing and payment of funds.

The Authority also has a range of monitoring and assurance mechanisms in place, including clearly defined delegations, dual-authorisation requirements for key financial transactions, and controls to ensure funds are appropriately managed, accounted for and reported. These measures support the integrity of the Authority's financial and operational activities.

There were no reports or allegations of fraud or corruption received during the reporting year.

B.7 Freedom of Information

The *Freedom of Information Act 2016* (FOI Act) gives individuals the legal right to:

- access Government information unless access to the information would, on balance, be contrary to the public interest;
- ask for personal information to be changed if it is incomplete, out-of-date, incorrect, or misleading; and
- appeal a decision about access to a document, or a decision in relation to a request to amend or annotate a personal record.

In accordance with section 96 of the FOI Act, the Authority is required to report on the operation of the FOI Act in relation to the Authority for the reporting year.

CMTEDD manages Freedom of Information applications on behalf of the Authority and reporting requirements are detailed in the CMTEDD 2025-26 Annual Report.

Total Charges and Application Fees Collected

The Authority did not collect any fees or charges in relation to the processing of FOI requests in 2025-26 under the FOI Act.

Further information relating to the Freedom of Information, including how to make an FOI application, what details you need to make an application, and contact details for the FOI information officer can be found on the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) website <https://www.cmtedd.act.gov.au/functions/foi>. Additional details regarding requests received by the directorate are published on the Freedom of Information Disclosure Log for CMTEDD.

B.8 Community Engagement and Support

The Authority presented to the Nature Conservation Foundation in February 2026 to discuss insurance arrangements for environmental community organisations. The Authority has not undertaken any other direct community engagement or support, in performing its functions.

B.9 Aboriginal and Torres Strait Islander Reporting

The Authority is committed to progressing actions towards the National Closing the Gap Agreement (the National Agreement) and working towards goals of the ACT Aboriginal and Torres Strait Islander Agreement 2019–28 (the ACT Agreement).

The Authority considered the principles of both agreements in the exercise of its functions during the reporting period through its governance, procurement and business operations. As a Territory authority operating within the Treasury stream of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD), the Authority supports Whole-of-Government initiatives that promote equity, inclusion and improved outcomes for Aboriginal and Torres Strait Islander peoples.

The Authority also continued to participate in corporate initiatives, governance arrangements and training led by CMTEDD that support the implementation of the National Agreement and the ACT Agreement across the Directorate and the broader ACT Public Service.

B.9.1 Progress in Implementing Both the National Agreement and the ACT Agreement

Priority Reform 1 - Formal Partnerships and Shared Decision-Making

The Authority has not engaged in any specific formal initiatives, partnerships or shared decision-making arrangements at this stage.

Priority Reform 2 - Building the Community-Controlled Sector

During 2025-26 the Authority continued to apply ACT Government procurement policies and practices that support equitable and inclusive procurement outcomes, including seeking opportunities to engage Aboriginal and Torres Strait Islander businesses.

The Authority engaged an Aboriginal and Torres Strait Islander-owned business to provide printing services for the Authority's Annual Report 2024-25.

Priority Reform 3 - Transforming Government Organisations

The Authority has continued to support the CMTEDD Employment Pathways program. The first participant through this program has now taken up a full-time position within ACTIA. A second school-based ASBA cadet is currently progressing through the 18-month program with a view to being offered permanent employment in 2027.

Priority Reform 4 - Shared Access to Data and Information at a Regional Level

The Authority has added metadata to statutory claim managed records, to enable recognition where a person has identified as Aboriginal or Torres Strait Islander. This is designed to ensure that the data use by the Authority meets cultural expectations, and that the records are searchable for future generations, noting that this information can contribute to improving community outcomes and Indigenous data governance.

B.9.2 Reporting Requirements Under the Public Sector (Closing the Gap) Amendment Act 2025

The Authority supports the objectives of the National Agreement on Closing the Gap and the ACT Aboriginal and Torres Strait Islander Agreement 2019–28 through its governance and procurement practices. As a territory authority within CMTEDD, the Authority contributes to Whole-of-Government initiatives that support Aboriginal and Torres Strait Islander outcomes.

The Authority supports broader ACT Government commitments through its business practices and participation in CMTEDD governance frameworks.

This includes a commitment to reviewing processes, procedures and training materials, as well as ensuring that information provided by the Authority to the community is accessible and culturally appropriate for Aboriginal and Torres Strait Islander people.

Further information on ACT Government and CMTEDD initiatives, actions and outcomes relating to the National Agreement and the ACT Agreement is available in the CMTEDD Annual Report.

B.10 Disability Inclusion Act 2024 Reporting

As part of CMTEDD, the Authority contributes to and benefits from the broader disability inclusion programs, initiatives and actions delivered across the Directorate. Further information on these activities is available in the CMTEDD Annual Report.

In undertaking its functions, the Authority supports disability inclusion by:

- providing multiple channels for clients and stakeholders to access services, including online, by telephone and in person;
- preparing guidance materials and communications in plain English to improve accessibility and understanding;
- ensuring accessible facilities are available for visitors, including accessible parking within the building;
- supporting staff through reasonable workplace adjustments where required;
- offering flexible working arrangements, including hybrid and work-from-home arrangements, to accommodate individual needs;
- fostering an inclusive workplace culture that supports participation, wellbeing and equal access to employment opportunities; and
- engaging with the CMTEDD Enable Network.

While the Authority does not deliver disability-specific programs or initiatives separate from those led by CMTEDD, the Authority remains committed to ensuring its services, workplace practices and decision-making processes support accessibility, inclusion and participation for people with disability.

B.11 Multiculturalism Act 2023 Reporting

The Authority supports a diverse and respectful workplace that values the contribution of people from different cultural backgrounds. The Authority remains committed to ensuring its policies, practices and interactions with clients, stakeholders and staff are fair, respectful and accessible to Canberra's culturally diverse community.

- The Authority works with clients and stakeholders from a range of cultural and linguistic backgrounds and seeks to ensure its information, advice and services are accessible, inclusive and responsive to diverse community needs.
- The Authority supports the use of interpreting and translation services where required to reduce barriers to accessing information and engaging with the Authority.
- The Authority fosters an inclusive workplace culture that promotes respect, equity and participation for employees from diverse cultural and linguistic backgrounds.

The Authority is also committed to progressing actions towards the *Multiculturalism Act 2023*. Refer to the CMTEDD Annual Report for more detailed information on CMTEDD's priority actions, programs, engagements and activities during the reporting period. The Authority does not undertake any multicultural programs, projects or initiatives other than those delivered by CMTEDD.

B.12 Period Products and Facilities (Access) Act Reporting

Workplaces have appropriate toilets, sanitary waste disposal services and handwashing facilities in a way that respects the dignity of the individual. The ACT Public Service (ACTPS) Employment Portal includes detailed information about Menstruation and Menopause Leave and flexible working arrangements for ACTPS staff.

B.13 Work Health and Safety

The Authority manages workplace health and safety in accordance with the provisions of the *Work Health and Safety Act 2011* and complies with CMTEDD's workplace health and safety management system. The Authority is committed to maintaining the health and safety of its employees and arranges ongoing training throughout the year for at least one of each of the following:

- Health and Safety Representative;
- qualified First Aid Officer;
- Respect, Equity and Diversity Contact officer; and
- Fire Warden.

The Authority is located at 220 London Circuit, Canberra and is covered by the workplace health and safety protections in place at that location.

A Work Health and Safety audit of the Authority was undertaken in November 2025, as part of the CMTEDD 2025 WHS Assurance Program, with the Authority achieving an overall score of 79 per cent. The Authority has noted the twelve recommendations that were made as part of the audit and commenced corrective actions to address areas for improvement.

B.13.1 Reporting Requirements Under the Work Health and Safety Act 2011

During the reporting year, the Authority did not receive any notices under Part 10 or 11, or any findings of a failure to comply with a safety duty under Part 2 Division 2.2, 2.3 or 2.4 of the *Work Health and Safety Act 2011*.

The Authority is committed to promoting and maintaining a high standard of health, safety and well-being for all staff, contractors and visitors. The Authority is provided with guidance and support by the CMTEDD People and Capability Branch to ensure that all employees understand the basic principles of injury prevention and management. Details of the CMTEDD Work Health and Safety arrangements can be found in the CMTEDD 2025-26 Annual Report.

The Authority continues to strengthen its safety and reporting culture through increased awareness of reporting requirements and regular discussion as a standing agenda item at all team and leadership meetings.

As a result of staff working in a hybrid environment, the Authority has implemented strategies to ensure that staff do not feel isolated and continue to maintain a positive work culture when working away from the office environment.

B.14 Human Resources Management

The Authority was supported by CMTEDD Corporate throughout 2025-26. This team provides strategic, operational and technical advice and support as issues arise. Details of Human Resource Management can be found in the CMTEDD 2025-26 Annual Report.

The Authority is committed to the ACT Public Service Code of Conduct, ACTPS Performance Framework and the ACT Public Service Respect, Equity and Diversity Framework to build a positive, inclusive and diverse workplace. The Authority has adopted a range of measures aimed at achieving this objective, including:

- providing access to study leave;
- providing access to flex time and ensuring staff do not work excessive hours; and
- providing flexible working arrangements including part-time work.

Staff have been employed by the Authority based on merit, their qualifications, experience, and skills. The Authority aims to create a workplace where the strengths, talents and contributions of all staff are recognised and valued.

B.14.1 Learning and Development

The key development and learning priorities for the Authority have been identified as risk and claims management, insurance, finance, governance, and Work Health and Safety. During 2025-26, staff undertook formal training courses and attended external conferences and seminars in these areas.

The Authority organised internal training delivered by team members and service providers including legal advisors and the Territory's insurance broker.

A number of the Authority's employees have attended courses offered by CMTEDD throughout the year and utilised the CMTEDD Study Assistance Program to work towards gaining various formally recognised qualifications. The cost of training courses and seminars undertaken in 2025-26 totalled \$13,119.

B.14.2 Workplace Relations

The Authority's staff are covered under the ACT Public Sector Administrative and Related Classifications Enterprise Agreement 2023-2026. The ACT Public Sector Enterprise Agreements provide scope for Attraction and Retention Incentives (ARIs) to be agreed with staff to allow higher levels of remuneration or other benefits to be provided, where market rates exceed those payable. The Authority has no ARI arrangements in place.

B.14.3 Staffing Profile

The following tables provide statistical information for permanent staff of the Authority for 2025-26:

Table B.4: FTE and Headcount by Division/Branch

Division/Branch	FTE	Headcount
ACT Insurance Authority	32.2	34

Table B.5: FTE and Headcount by Gender

	Female	Male	Non-Binary	Total
FTE by Gender	22.2	10	-	32.2
Headcount by Gender	24	10	-	34
% of Workforce	70.6%	29.4%	0.0%	100.0%

Table B.6: Headcount by Classification and Gender

Classification Group	Female	Male	Non-Binary	Total
Administrative Officers	17	4	-	21
Senior Officers	6	6	-	12
Executive Officers	1	-	-	1
TOTAL	24	10	-	34

Table B.7: Headcount by Employment Category and Gender

Employment Category	Female	Male	Non-Binary	Total
Casual	-	-	-	-
Permanent Full-time	18	10	-	28
Permanent Part-time	3	-	-	3
Temporary Full-time	3	-	-	3
Temporary Part-time	-	-	-	-
TOTAL	24	10	-	34

Table B.8: Headcount by Diversity Group

	Headcount	Percentage of Authority Workforce
Aboriginal and Torres Strait Islander	1	2.9%
Culturally & Linguistically Diverse	10	29.4%
People with a disability	-	0.0%

Note: Employees may identify with more than one diversity group.

Table B.9: Headcount by Age Group and Gender

Age Group	Female	Male	Non-Binary	Total
Under 25	1	-	-	1
25-34	4	5	-	9
35-44	6	1	-	7
45-54	9	3	-	12
55 and over	4	1	-	5

Table B.10: Average Length of Service by Gender (Headcount)

	Female	Male	Non-Binary	Total
Average years of service	7.8	4.4	-	6.8

Table B.11: Recruitment and Separation Rates

	Percentage Total
Recruitment Rate	17%
Separation Rate	6.8%

B.15 Ecological Sustainability Reporting

The Authority is committed to the principles of ecologically sustainable development as set out in the *Environment Protection Act 1997* and required by the *Climate Change and Greenhouse Gas Reduction Act 2010*.

The Authority proactively incorporates appropriate management practices that are consistent with the principles of ecologically sustainable development into its daily business practices. The Authority uses recycled paper and where possible uses energy-efficient office equipment. Recycling and organic bins are provided for the use of staff. Where possible, electronic communications are used in preference to paper.

Information on the Authority's operational consumption data that are captured at a directorate level can be found in the Ecological Sustainability Reporting section in the CMTEDD Annual Report 2025-26.

Table B.12: Sustainable Development: Current and Previous Financial Year

Indicator as at 30 June	Unit	2024-25 Result	2025-26 Result	Percentage change
Stationary energy usage				
Electricity use	Kilowatt hours	Refer to the CMTEDD Annual Report		N/A
Fossil fuel gas use (non-transport)	Megajoules			
Diesel use (non-transport)	Kilolitres			
Liquid Petroleum Gas	Kilolitres			

Indicator as at 30 June	Unit	2024-25 Result	2025-26 Result	Percentage change
Transport fuel usage				
Zero Emissions Vehicles (ZEV)	Number	-	-	-
Plug-in Hybrid Electric Vehicles (PHEV)	Number	-	-	-
Hybrid Electric Vehicles (HEV)	Number	-	-	-
Internal Combustion Engine (ICE) vehicles	Number	-	-	-
Total number of vehicles	Number	-	-	-
Fuel use – Petrol	Kilolitres	-	-	-
Fuel use – Diesel	Kilolitres	-	-	-
Fuel use – Liquid Petroleum Gas (LPG)	Kilolitres	-	-	-
Fuel use – Compressed Natural Gas (CNG)	Gigajoules	-	-	-
Water Usage				
Water use	Kilolitres	Refer to the CMTEDD Annual Report		N/A
Resource efficiency and waste				
Waste to landfill	Litres	Refer to the CMTEDD Annual Report		N/A
Co-mingled material recycled	Litres			
Paper and cardboard recycled (incl. secure paper)	Litres			
Organic material recycled	Litres			
Greenhouse gas emissions				
Emissions from fossil fuel gas use (non-transport)	Tonnes CO ₂ -e	Refer to the CMTEDD Annual Report		N/A
Emissions from diesel use (non-transport)	Tonnes CO ₂ -e			
Emissions from transport fuel use	Tonnes CO ₂ -e			
Emissions from refrigerants	Tonnes CO ₂ -e			
Total emissions	Tonnes CO ₂ -e			

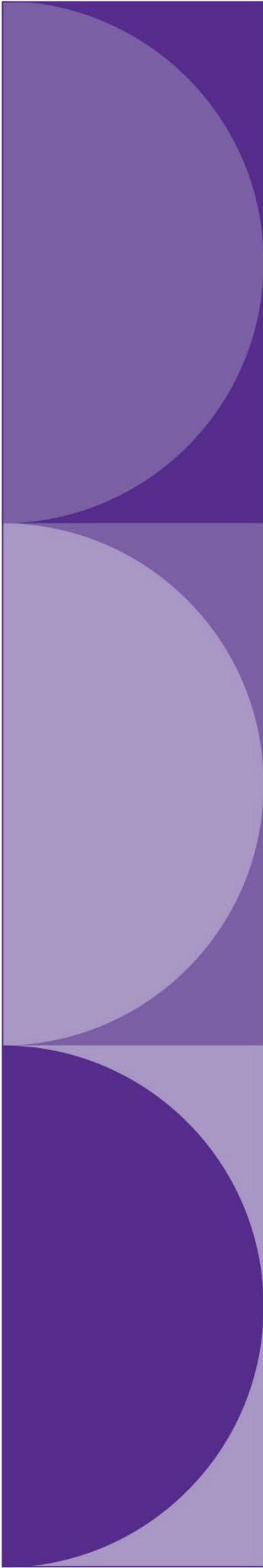
B.16 Carer and Carer Support: Reporting under the Carers Recognition Regulation 2021

The Authority recognises the important contribution that carers make to the Canberra community and is committed to supporting employees who have caring responsibilities in accordance with the principles of the *Carers Recognition Act 2021*.

During 2025-26, the Authority promoted and upheld the care relationship principles through its people and culture practices, including:

- providing flexible working arrangements to help employees balance work and caring responsibilities, including flexible hours, hybrid working arrangements and access to leave provisions;
- supporting employees to access personal leave, carer's leave and other workplace flexibility measures where required;
- ensuring managers are aware of their responsibilities to support employees with caring responsibilities and to consider individual circumstances when making workplace decisions; and
- promoting a workplace culture that values diversity, inclusion and employee wellbeing, including recognising that carers may have needs distinct from those of the person they care for.

During 2025-26, the Authority did not administer any programs or services specifically targeted to people in care relationships and did not fund other organisations to provide targeted carer support services. Accordingly, the Authority's activities under the *Carers Recognition Act 2021* were focused on supporting employees with caring responsibilities and promoting awareness of the care relationship principles within the workplace.



Part C

Financial Management Reporting

C. Financial Management Reporting

C.1 Financial Management Analysis

The Authority's Financial Statements are contained in Part C.2 of this report. The Authority's Management Discussion and Analysis is below.

C.1.1 Management Discussion and Analysis for the Financial Year ended 30 June 2026

General Overview

The ACT Insurance Authority (the Authority) is established under the *Insurance Authority Act 2005*.

The Authority works to protect the assets and services of the Territory by providing risk management support and insurance services to all ACT Government directorates and statutory authorities. The Authority meets the insurable claims and losses of the ACT Government.

The Authority operates as the ACT Government's captive insurer of Territory risks. The captive insurance model protects the ACT Government budget from a range of catastrophic and accumulated risk exposures through its insurance arrangements, and the accumulation of a fund reserve to meet the cost of asset losses and legal liabilities that occur as a result of the activities of Government.

The Authority operates on a cost-recovery basis by collecting premiums from directorates and statutory authorities to meet the anticipated costs of claims.

The Authority manages Builders Warranty Insurance (BWI) on behalf of the Territory through the agreement in place between the Territory and QBE Insurance (Australia) Ltd (QBE) which commenced 12 March 2020. Under the agreement, the Authority receives premium revenue from QBE for any new policies written, QBE is paid a commission and receives fees for the administration of the claims management services it provides.

Commencing 1 April 2023, the Authority established a scheme to indemnify Physical and Sexual Abuse liability (PSA) for out-of-home care (OOHC) service providers in the ACT. This scheme continued through 2025-26 with the Authority indemnifying the Health and Community Services Directorate (HCSD). In coordination with the Authority, HCSD provide letters of indemnity to participating OOHC service providers for insurable losses and claims incurred in relation to Physical and Sexual Abuse (PSA) matters.

The relevant BWI and PSA claims provisions are recorded in the Authority's Financial Statements.

Services and Functions

The Authority provides insurance, claims and risk management services to directorates and statutory authorities.

The Authority's functions are to:

- carry out the business of insurer of Territory risks;
- take out insurance of Territory risks with other entities;
- manage and settle claims in relation to Territory risks;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Minister about insurance and the management of Territory risks.

Risk Management

The Authority has developed and implemented a risk management plan in accordance with the Australian Standard on risk management AS ISO 31000:2018 and the ACT Government's Risk Management Policy. The Authority's plan identifies and details risks, control measures and treatment action plans for financial, business, and information technology risks.

The Authority has identified the following key financial risks:

- insufficient and/or unsatisfactory external insurance arrangements; and
- annual premiums not sufficient to fully fund claims over the claim development period.

To manage these risks, the Authority engages a specialised insurance broker to provide professional advice and access to international and local reinsurance markets. Professional external actuaries provide support and advice that aligns agency premiums with claims experience and exposure. The Authority has an investment strategy which takes a structured and comprehensive approach to the long-term management of its financial assets, to fund future claims liabilities.

Financial Performance

The following financial information is based on Financial Statements for 2025-26, and the forward estimates contained in the Authority's 2026-27 Statement of Intent.

During 2025-26 the Authority experienced several functional and operational events. Some of the key changes and events included:

- Outstanding claims liabilities for the year ended 30 June 2026 continue to grow, mainly due to a higher than anticipated number of physical and sexual abuse notifications (under the Territory's Public Liability coverage) from older years, that have been lodged during the second half of 2025-26. Following the actuarial valuation, this has resulted in a strengthening of reserves in anticipation of future claims costs. The increase in outstanding claims liabilities is also being driven by deteriorating claims experience in Medical Negligence and Public Liability insurance classes, as well as changes in economic assumptions.
- Despite increasing claims liabilities, the Authority has maintained a capital position within the target range of **100-120 per cent**. There has been a decrease of **8 per cent** in the funding ratio from 2024-25, largely driven by the higher claim liability provisions, following the independent actuarial valuation completed as at 30 June 2026.

- The independent actuarial valuation of claims liabilities and Liability Adequacy Test (LAT) for the BWI scheme was undertaken as at 30 June 2026, as required by *AASB 1023 General Insurance Contracts*. The LAT assesses the adequacy of the unearned premium liability by considering current estimates of the present value of the expected future cash flows relating to future claims under current policies. The LAT conducted as at 30 June 2026 passed, with the total discounted future claims liability (with risk margin) for underwriting years being **\$75,209** lower than the total of the gross unearned premium. By comparison, at 30 June 2025 the claims liability was **\$59,519** higher than the gross unearned premium. The LAT assessments will continue to be undertaken at each valuation and monitored for potential corrective action.

Operating Result

The Authority's operating result for 2025-26 is a deficit of **\$35.9 million**, being **\$46.5 million** lower than the original budget operating result surplus of **\$10.6 million**. This was primarily due to an increase in the claims reserves for physical and sexual abuse notifications that were lodged during the second half of 2025-26. There has been a strengthening of reserves required in anticipation of future claims costs, as well as higher than budgeted claims expenses from the BWI scheme, noted under other Expenses.

Underwriting Result

Components of Underwriting Result

For the year ended 30 June 2026, the Authority recorded a total underwriting loss of **\$59.5 million**. As shown below at Table C.1 the underwriting results comprise of net earned premiums less net incurred claims.

Table C.1: Underwriting (Loss)

Description	Actual 2024-25 \$'000	Actual 2025-26 \$'000	Original Budget 2025-26 \$'000	Budget 2026-27 \$'000
Net Earned Premiums	74,175	77,822	82,543	89,540
Net Incurred Claims	(77,956)	(137,274)	(90,702)	(98,600)
Underwriting (Loss)/Profit	(3,781)	(59,452)	(8,159)	(9,060)

Comparison to Original Budget

The underwriting loss of **\$59.5 million** in 2025-26 was **\$51.3 million** unfavourably higher than the original budget underwriting loss of **\$8.2 million**.

Net incurred claims incorporate claims expense net of reinsurance recoveries and other claims related recoveries. Net incurred claims expenses were higher than the original budget by **\$46.6 million**. As noted earlier this was due to a large strengthening of reserves required in anticipation of future claims costs by the actuaries, partially offset by unbudgeted reinsurance recoveries that are associated with this strengthening in reserves.

The net earned premiums remain largely consistent with a minor decrease of **\$4.7 million** when compared to the original budget.

Comparison to 2024-25 Actual

In comparison to the 2024-25 underwriting loss of **\$3.8 million**, the underwriting loss increased by **\$55.7 million**. The variance was due to an increase in net incurred claims of **\$59.3 million** which was partially offset by an increase in the net earned premiums of **\$3.6 million**. The increase in net incurred claims was predominantly due to large claims experience across the Medical Negligence, Property and Public Liability portfolios, and increases in assumptions relating to the number of Public Liability claims for sexual abuse across prior years. This increase in gross claims expense has been partially offset by an increase in the recoveries component, due to rising claim costs in years already above the Authority's reinsurance retention.

Future Trends

The future trend expected for the 2026-27 underwriting result is a budgeted underwriting loss of **\$9.1 million**, which is expected to improve from **\$59.5 million** from the 2025-26 actual underwriting loss result. This is due to an expected decrease in net incurred claims of **\$38.7 million** due to lower budgeted claim expenses based on the June 2026 actuarial valuation, partially offset by an increase in the net earned premiums of **\$11.7 million** as a result of an increase in annual insurance premiums primarily due to deteriorating claims experience in both the Medical Negligence, Property portfolios as well as Public Liability.

Investment Performance

For the year ended 30 June 2026, the Authority's investment performance resulted in a net gain of **\$32.7 million**. As shown below at Table C.2 the investment performance is measured as a combination of the distribution revenue from the investment portfolio and the gain/(loss) on the remeasurement of investments reflecting the movement in the market value of the investment portfolio.

Table C.2: Investment Performance

Description	Actual 2024-25 \$'000	Actual 2025-26 \$'000	Original Budget 2025-26 \$'000	Budget 2026-27 \$'000
Investment and Interest Revenue	13,957	22,855	18,481	14,554
Gain / (Loss) on Investment	27,239	9,834	4,933	5,092
Total Investment Revenue/(Loss)	41,196	32,689	23,414	19,646

Comparison to Original Budget

The total investment revenue was **\$32.7 million** which was **\$9.3 million** higher than the original budget of **\$23.4 million**.

The increase in the investment revenue was mainly due to the investment portfolio delivering an overall annual gain of **6.86 per cent** compared to the budget target of **5.29 per cent** gain. This represented a higher-than-expected fair value gain on the remeasurement of investments of **\$4.9 million** as well as an additional **\$0.6 million** higher in cash interest earned in the Westpac operating bank account. There was also a higher-than-expected investment distribution of **\$3.8 million** due to an increase in the amount of distributable income from the Authority's investment portfolio.

The Authority initially withdrew **\$40 million** of investments to increase the operational bank account balance and then reinvested back **\$20 million** later in the financial year. It was determined that no further investment transactions were required for the remainder of the financial year as there was sufficient cash to meet the anticipated monthly transactions, as well as the resolution of several large Medical Negligence and property claims.

Comparison to 2024-25 Actual

The investment revenue in 2025-26 was **\$32.7 million**, a decrease of **\$8.5 million** compared with **\$41.2 million** in 2024-25. The decrease was primarily driven by a smaller gain on the investment portfolio compared to 2024-25, resulting from market volatility associated with geopolitical uncertainty and the ongoing conflict in the Middle East. These conditions adversely impacted investment returns during the year. These lower returns were partially offset by increases in distributions made out of the fund to the Authority compared to the prior year's distributions.

Future Trends

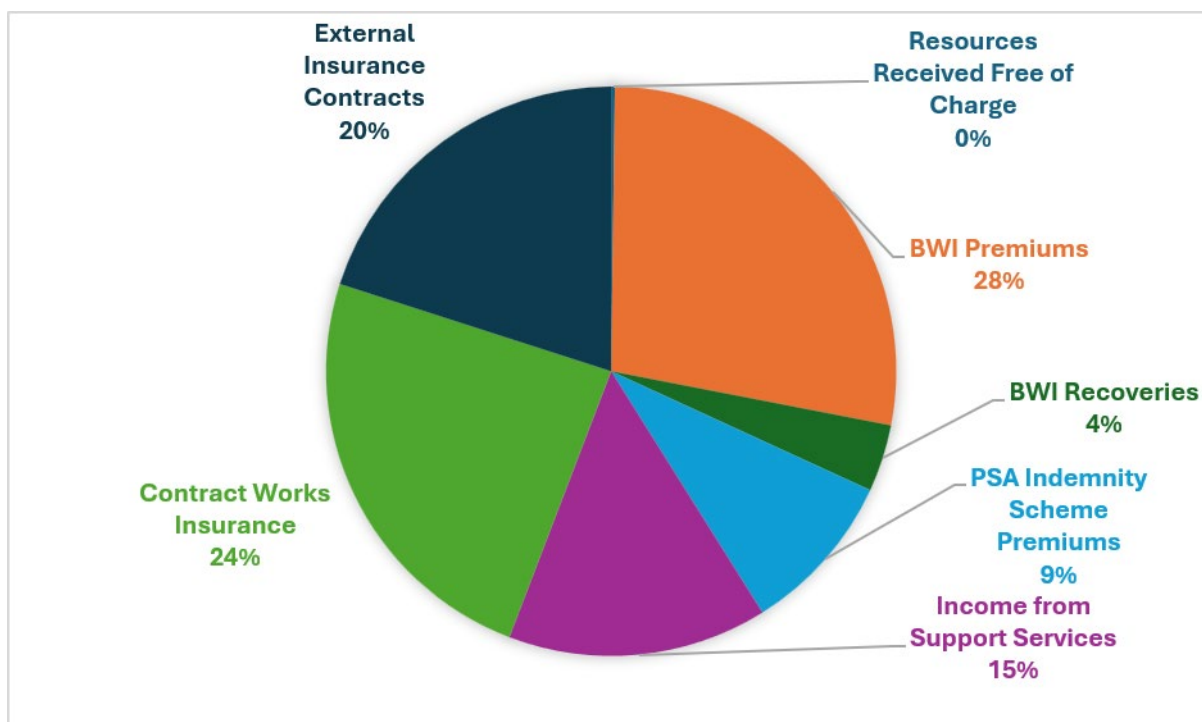
The future trend expected for the 2026-27 investment revenue is a budget of **\$19.6 million**. This is a decrease of **\$13.0 million** from the 2025-26 actual investment revenue. This decrease is due to the investment return target (long-term average CPI+**2.5 per cent**) remaining unchanged for the 2026-27 budget, based on the expectation of a return to normal investment market conditions. However, the 2025-26 overall annual return on investment of **6.86 per cent** was higher than the investment return target.

Other Income

Components of Other Income

For the year ended 30 June 2026 the Authority recorded other revenue of **\$9.6 million**. The main sources of other revenue are BWI premiums, income from support services, PSA related revenue, and contract works and external insurance as shown in Figure C.1.

Figure C.1: Components of Other Income 2025-26



Source: ACT Insurance Authority's 2025-26 Financial Statements.

Table C.3: Other Income

Description	Actual 2024-25 \$'000	Actual 2025-26 \$'000	Original Budget 2025-26 \$'000	Budget 2026-27 \$'000
Other Income	9,898	9,636	6,728	7,423

Comparison to Original Budget

Other revenue of **\$9.6 million** was **\$2.9 million** higher than the original budget of **\$6.73 million**. This is mainly due to higher insurance premium revenue received for the BWI scheme, income from Support Services provided, and pass-through of Contract Works Insurance and other external insurance costs.

Comparison to 2024-25 Actual

In comparison to the 2024-25 actual result of **\$9.9 million**, other revenue decreased by **\$0.3 million**. This is mainly due to lower insurance premium revenue received for the BWI scheme, and premium decreases in the Territory fleet insurance charged to relevant government agencies.

Future Trends

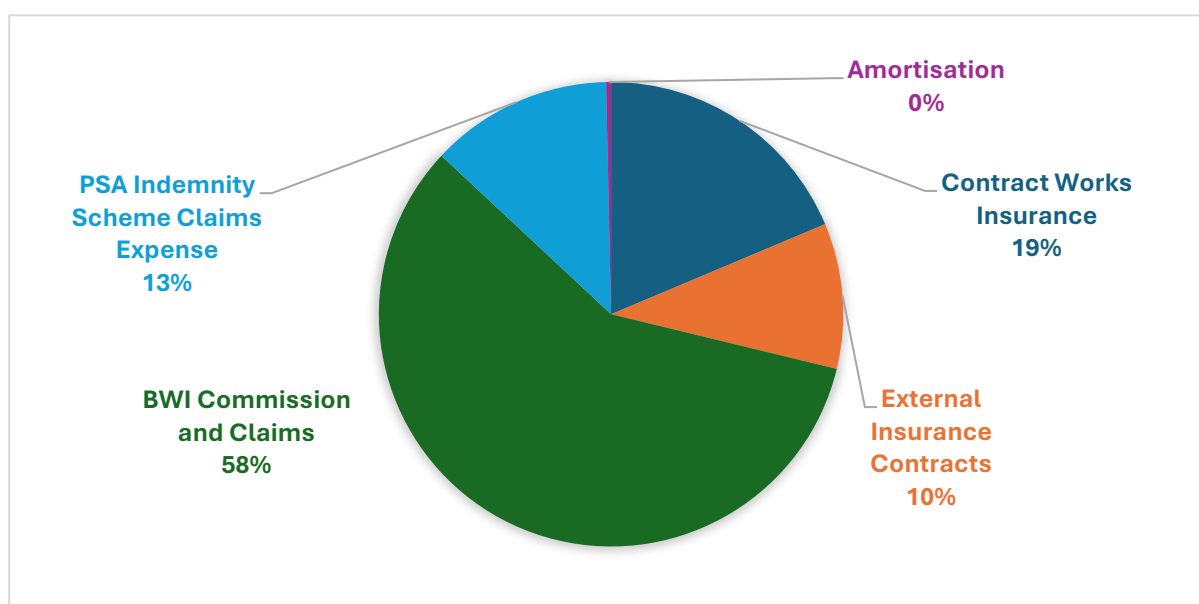
The future trend expected for the 2026-27 budget for other income is **\$7.4 million**. This is a decrease of **\$2.2 million** from the 2025-26 actual result due to the anticipated premiums for Contract Works and other external insurance contracts.

Other Expenses

Components of Other Expenses

For the year ended 30 June 2026 the Authority recorded other expenses of **\$12.5 million**. The main sources of other expenses are the BWI claims and commission, PSA claims cost valuation increases, agency contracts work, and agency external insurance contract premiums as shown in Figure C.2.

Figure C.2: Components of Other Expenses 2025-26



Source: ACT Insurance Authority's 2025-26 Financial Statements.

Table C.4: Other Expenses

Description	Actual 2024-25 \$'000	Actual 2025-26 \$'000	Original Budget 2025-26 \$'000	Budget 2026-27 \$'000
Other Expenses	16,234	12,471	3,409	3,553

Comparison to Original Budget

Other expenses of **\$12.5 million** were **\$9.1 million** higher than the original budget of **\$3.4 million** mainly due to an increase in BWI claims expenses due to deteriorating claims experience, compared to budget.

Comparison to 2024-25 Actual

In comparison to the 2024-25 actual result of **\$16.2 million**, other expenses decreased by **\$3.8 million**. This is mainly due to a decrease in BWI claims expenses, when compared to the prior year.

Future Trends

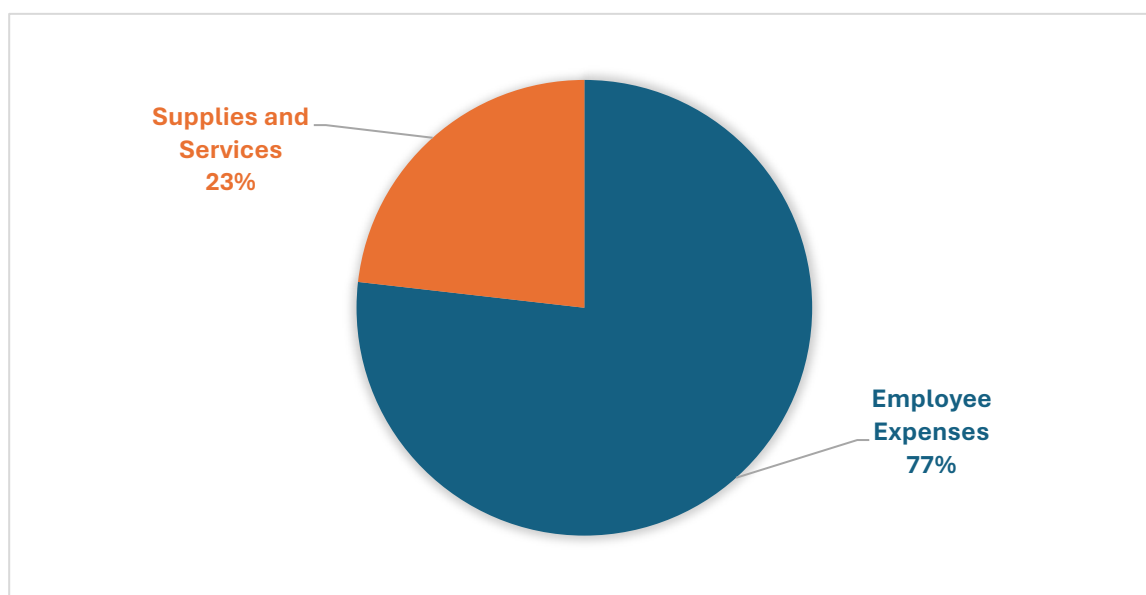
The future trend expected for the 2026-27 budget for other expenses is **\$3.5 million**. This is a decrease of **\$8.9 million** mainly due to an expected improvement in BWI claims expenses based on the previous year's actuarial review.

General and Administration Expenses

Components of General and Administration Expenses

General and administration expenses totalled **\$6.3 million** for the Authority in 2025-26. As shown in Figure C.3, the main components of these expenses relate to Employee Expenses and Supplies and Services expenses.

Figure C.3: Components of General and Administration Expenses 2025-26



Source: ACT Insurance Authority's 2025-26 Financial Statements.

Table C.5: General and Administration Expenses

Description	Actual 2024-25 \$'000	Actual 2025-26 \$'000	Original Budget 2025-26 \$'000	Budget 2026-27 \$'000
Employee Expenses	4,690	4,849	5,043	5,040
Supplies and Services	1,663	1,464	2,907	2,085
Total	6,353	6,313	7,950	7,125

Comparison to Original Budget

In 2025-26, general and administration expenses were **\$1.6 million** lower than the original budget of **\$8.0 million**. This is predominantly due to lower-than-expected expenses in supplies and services.

Comparison to 2024-25 Actual

In comparison to the 2024-25 actual result of **\$6.4 million**, general and administration expenses have not had a significant movement, with a minor decrease of **\$0.04 million**.

Future Trends

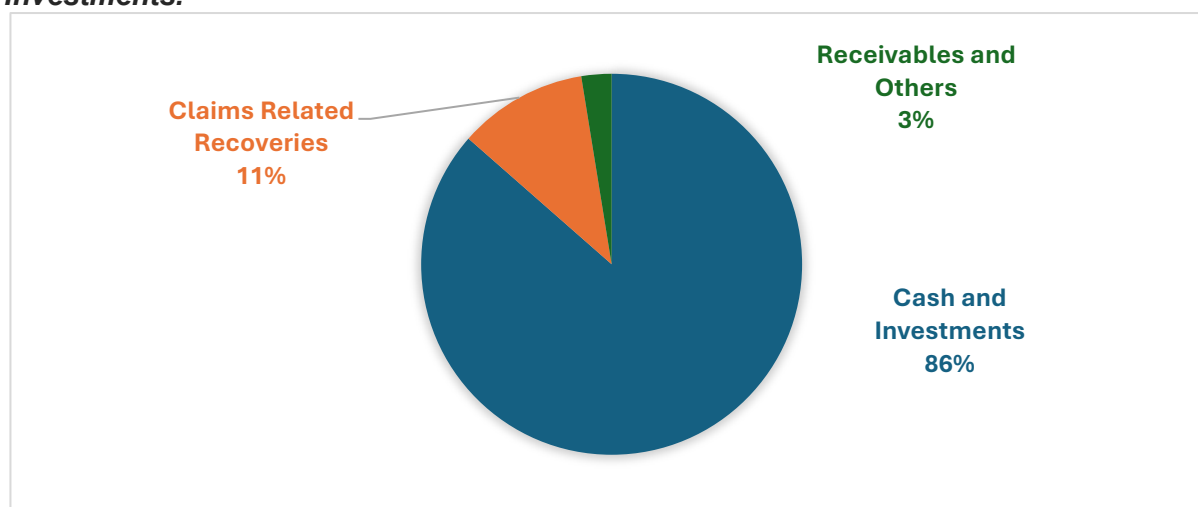
The future trend expected for the 2026-27 budget for general and administration expenses is **\$7.1 million**. This is an increase of **\$0.8 million** from the 2025-26 actual result. The increase is mainly due to higher expenses anticipated in supplies and services, which includes the additional costs of establishing and enhancing the Authority's Claims, Insurance and Risk Management information management system.

Total Assets

Components of Total Assets

The total assets position of the Authority as at 30 June 2026 is **\$550.9 million**.

Figure C.4 Below Indicates that the Majority of the Assets are Held in Cash and Investments.



Source: ACT Insurance Authority's 2025-26 Financial Statements.

Table C.6: Assets

Description	Actual 2024-25 \$'000	Actual 2025-26 \$'000	Original Budget 2025-26 \$'000	Budget 2026-27 \$'000
Cash and Investments	465,447	476,319	500,326	579,980
Claims Related Recoveries	81,501	60,499	28,889	23,953
Receivables and Others	5,738	14,067	6,267	5,721
Total Assets	552,686	550,885	535,482	609,654

Comparison to Original Budget

Total assets as at 30 June 2026 of **\$550.9 million** are **\$15.4 million** higher than the original budget of **\$535.5 million** for 2025-26. This is predominantly due to higher-than-expected claims related recoveries of **\$60.5 million** as a result of the increase of actuarially estimated claims recoveries associated with the increase in claims reserves. This was partially offset by the lower-than-expected cash and investments balance of **\$476.3 million**.

Comparison to 2024-25 Actual

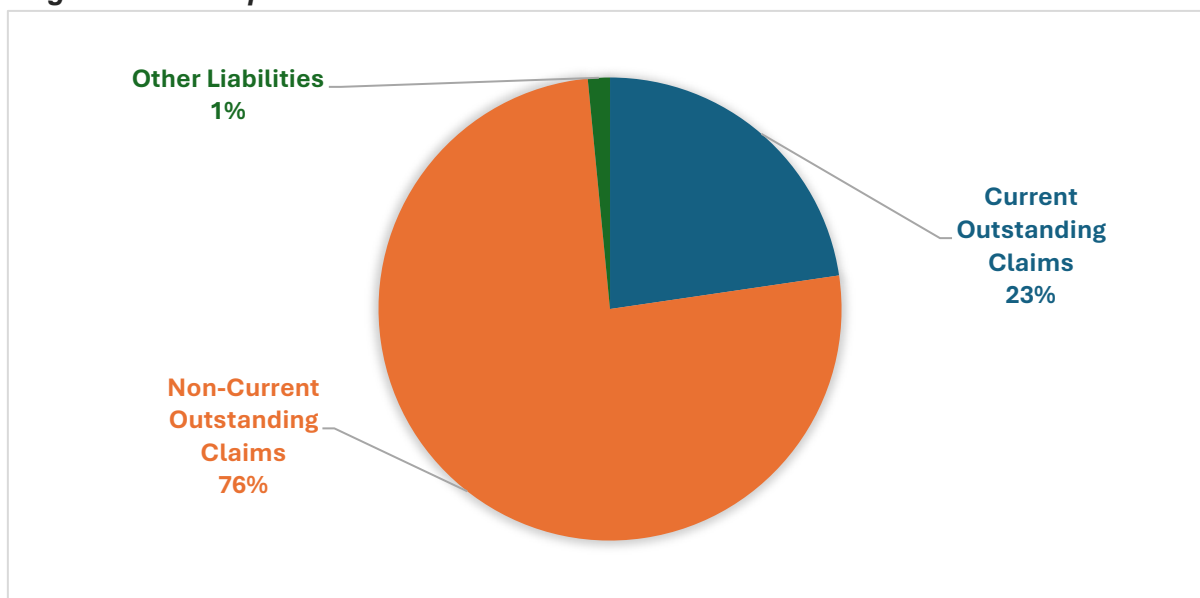
Total assets for 2025-26 are **\$1.8 million** lower than the 2024-25 actual position of **\$552.7 million**. This is due to the receipt of claims related reinsurance recoveries during 2025-26 which has been offset by increased distributions receivable on the investments held by the Authority as well as the increased cash and investments balances.

Total Liabilities

Components of Total Liabilities

The total liabilities position of the Authority as at 30 June 2026 is **\$512.3 million**. Figure C.5 below shows that the majority of liabilities relate to outstanding claims.

Figure C.5: Components of Total Liabilities 2025-26.



Source: ACT Insurance Authority's 2025-26 Financial Statements

Table C.7: Liabilities

Description	Actual 2024-25 \$'000	Actual 2025-26 \$'000	Original Budget 2025-26 \$'000	Budget 2026-27 \$'000
Current Outstanding Claims	111,607	116,196	82,197	110,086
Non-Current Outstanding Claims	359,992	388,216	348,660	355,526
Other Liabilities	6,577	7,874	13,103	6,627
Total Liabilities	478,176	512,286	443,960	472,239

Comparison to Original Budget

Total liabilities as at 30 June 2026 of **\$512.3 million** are **\$68.3 million** higher than the original budget of **\$444.0 million**. The increase is predominantly due to a strengthening in outstanding claims liabilities mainly attributable to increases in the Public Liability insurance allowance for sexual assault claims from older years that have emerged since the 31 December 2025 actuarial valuation. There have also been increases in the property insurance class claims reserves driven by the emergence of large storm claims during 2025-26.

Comparison to 2024-25 Actual

Total liabilities are **\$34.1 million** higher than the 2024-25 actual position of **\$478.2 million**. The increase is predominantly due to a strengthening in outstanding claims liabilities mainly attributable to increases in the public liability insurance allowance for sexual assault claims from older years that have emerged since the 31 December 2025 actuarial valuation. There has also been increases in the property insurance class claims reserves driven by the emergence of large storm claims during 2025-26.

Capital Funding Ratio

The Authority's capital management plan takes into consideration the variability of the Authority's capital position that may result from changes in claims experience, investment returns, the opportunity cost of holding capital in the Authority's captive fund, and the funding ratio targets of other similar captive insurers in the public sector.

Each year, the Authority prepares a capital management plan which outlines a structured and comprehensive approach to the long-term management of the Authority's financial assets.

Under this plan the Authority aims to maintain its capital ratio between **100 – 120 per cent**. These parameters guide decision making to address a capital position outside this targeted ratio range. This would include considering action to seek capital injections (in a deficit situation) or surrendering excess capital (in a surplus situation) if assessed as necessary after considering various factors including future market conditions.

Table C.8: Capital Ratio

Description	Actual 2024-25 \$'000	Actual 2025-26 \$'000	Original Budget 2025-26 \$'000	Budget 2026-27 \$'000
Total Assets	552,686	550,885	535,482	609,654
Total Liabilities	478,176	512,286	443,960	472,239
Funding Ratio	116%	108%	121%	129%

The Authority's capital ratio as at 30 June 2026 is **108 per cent**. This is lower than the 2025-26 budget capital ratio of **121 per cent** predominantly due to higher outstanding claims provisions. This is due to a strengthening in outstanding claims liabilities mainly attributable to increases in the Public Liability insurance allowance for sexual assault claims from older years that have emerged since the 31 December 2025 actuarial valuation. There has also been increases in the property insurance class claims reserves driven by the emergence of large storm claims during 2025-26.

The Authority's budget forecast for 2026-27 is a capital ratio of **129 per cent** which was based on the actuarial valuation conducted as at 31 December 2025. The capital management plan allows for a reassessment of the existing plan where there has been a substantial change in the financial position of the Authority. Due to the large movement in claims reserves based on the 30 June 2026 actuarial valuation, the Authority is currently conducting a reassessment of the capital management plan. It is expected that the capital ratio forecast for 2026-27 will be negatively impacted by the significant increase in outstanding claims liabilities as at 30 June 2026.

C.2 Financial Statements

For the Financial Year Ended 30 June 2026

The Authority's Financial Statements are reported on page 49 of the 2025-26 ACT Insurance Authority Annual Report.

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the ACT Insurance Authority (Authority) for the year ended 30 June 2026 which comprise the statement of responsibility, statement by the general manager, operating statement, balance sheet, statement of changes in equity, statement of cash flows, and notes to the financial statements, including a summary of material accounting policies and other explanatory information.

In my opinion, the accompanying financial statements:

- (i) present fairly, in all material respects, the Authority's financial position as at 30 June 2026, and its financial performance and cash flows for the year then ended; and
- (ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Authority for the financial statements

The Under Treasurer is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Authority to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

Under the *Financial Management Act 1996*, the Auditor-General is responsible for issuing an audit report that includes an independent opinion on the financial statements of the Authority.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Authority's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authority;
- conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Authority to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Under Treasurer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Clea Lewis
Assistant Auditor-General, Financial Audit
28 September 2026

ACT INSURANCE AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

STATEMENT OF RESPONSIBILITY

As the Acting Head of Service and Director General, I am responsible for the preparation of the ACT Insurance Authority annual financial report as well as the judgements exercised in preparing it. In my opinion, the ACT Insurance Authority's financial statements fairly reflect the financial operations for the year ended 30 June 2026 and the financial position on that date.



Russ Campbell
Acting Head of Service and Director General
Chief Minister, Treasury and Economic Development Directorate
ACT Insurance Authority
23 September 2026

ACT INSURANCE AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

STATEMENT BY THE GENERAL MANAGER

In my opinion, the ACT Insurance Authority's financial statements have been prepared in accordance with the Australian Accounting Standards, are in agreement with its accounts and records and fairly reflect its financial operations for the year ended 30 June 2026 and the financial position on that date.



Damian Black
General Manager
ACT Insurance Authority
23 September 2026

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ACT INSURANCE AUTHORITY

OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2026

	Note No.	Actual 2026 \$'000	Original Budget 2026 \$'000	Actual 2025 \$'000
<i>Underwriting activities</i>				
Gross Earned Insurance Premiums	5	94,517	100,500	90,589
Reinsurance Premiums (Expense)	5	(16,695)	(17,957)	(16,414)
<i>Net Earned Premiums</i>		77,822	82,543	74,175
Claims (Expense)	5	(150,548)	(90,702)	(106,986)
Claims Related Recoveries	5	13,274	-	29,030
<i>Net Incurred Claims</i>	6	(137,274)	(90,702)	(77,956)
Underwriting Result		(59,452)	(8,159)	(3,781)
<i>Investment Result</i>				
Investment and Interest Revenue	7	22,855	18,481	13,957
Gain on Investment	7	9,834	4,933	27,239
		32,689	23,414	41,197
<i>Other Income</i>				
Other Income	8	9,636	6,728	9,898
		9,636	6,728	9,898
<i>Other Expenses</i>				
Other Expenses	8	(12,471)	(3,409)	(16,234)
		(12,471)	(3,409)	(16,234)
<i>General and Administration Expenses</i>				
Employee Expenses	9	(4,849)	(5,043)	(4,690)
Supplies and Services	10	(1,464)	(2,907)	(1,663)
		(6,313)	(7,950)	(6,353)
Operating Result		(35,911)	10,624	24,726
Total Comprehensive Result		(35,911)	10,624	24,726

The above Operating Statement is to be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY

BALANCE SHEET

AS AT 30 JUNE 2026

	Note No.	Actual 2026 \$'000	Original Budget 2026 \$'000	Actual 2025 \$'000
Current Assets				
Cash and Cash Equivalents	11	77,796	81,747	56,758
Investments	11	398,523	418,579	408,689
Receivables	12	13,878	4,554	4,481
Claims Related Recoveries	13	18,644	15,141	35,523
Prepayments	14	16	1,492	1,136
Total Current Assets		508,857	521,513	506,587
Non-Current Assets				
Fixed Assets		173	221	121
Claims Related Recoveries	13	41,855	13,748	45,978
Total Non-Current Assets		42,028	13,969	46,099
Total Assets		550,885	535,482	552,686
Current Liabilities				
Payables		610	643	581
Outstanding Claims	15	116,196	82,197	111,607
Employee Benefits	16	1,588	1,088	1,252
Other Liabilities	17	2,177	2,944	1,938
Total Current Liabilities		120,571	86,872	115,378
Non-Current Liabilities				
Outstanding Claims	15	388,216	348,660	359,992
Employee Benefits	16	91	147	61
Other Liabilities	17	3,408	8,281	2,744
Total Non-Current Liabilities		391,715	357,088	362,798
Total Liabilities		512,286	443,960	478,176
Net Assets		38,599	91,522	74,510
Equity				
Accumulated Funds		38,599	91,522	74,510
Total Equity		38,599	91,522	74,510

The above Balance Sheet is to be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2026

	Accumulated Funds Actual 2026 \$'000	Total Equity Actual 2026 \$'000	Original Budget 2026 \$'000
Balance at 1 July 2025	74,510	74,510	80,898
Comprehensive Income			
Operating Result	(35,911)	(35,911)	10,624
Total Comprehensive Result	(35,911)	(35,911)	10,624
Balance at 30 June 2026	38,599	38,599	91,522

	Accumulated Funds Actual 2025 \$'000	Total Equity Actual 2025 \$'000
Balance at 1 July 2024	49,783	49,783
Comprehensive Income		
Operating Result	24,726	24,726
Total Comprehensive Income	24,726	24,726
Balance at 30 June 2025	74,510	74,510

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2026

	Note No.	Actual 2026 \$'000	Original Budget 2026 \$'000	Actual 2025 \$'000
Cash Flows from Operating Activities				
Receipts				
Insurance Premiums Received		97,749	101,318	91,474
Distribution from Investments		10,912	16,380	12,052
Externally Purchased Insurance Premiums		4,258	3,203	3,656
Reinsurance and Other Recoveries Received		34,652	29,206	6,394
Other		9,016	5,161	9,079
Goods and Services Tax Collected from Customers		514	1,188	361
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		4,403	2,034	2,794
Total Receipts from Operating Activities		161,504	158,490	125,810
Payments				
Employee		4,580	5,001	4,532
Supplies and Services		2,765	2,854	1,274
Other		2,715	3,366	10,245
Reinsurance Premiums		20,217	17,957	16,414
Insurance Claims		127,472	80,564	62,376
Goods and Services Tax Paid to Suppliers		2,621	2,036	2,917
Goods and Services Tax Remitted to the Australian Taxation Office		-	1,188	162
Total Payments from Operating Activities		160,370	112,966	97,920
Net Cash Inflows from Operating Activities	11(b)	1,134	45,524	27,890
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale/Maturities of Investments		40,000	30,000	-
Total Receipts from Investing Activities		40,000	30,000	-
Payments				
Purchase of Investments		20,000	50,000	40,000
Purchase of Fixed Assets		96	-	-
Total Payments from Investing Activities		20,096	50,000	40,000
Net Cash Inflows/(Outflows) from Investing Activities		19,904	(20,000)	(40,000)
Net (Decrease)/Increase in Cash and Cash Equivalents		21,038	25,524	(12,110)
Cash and Cash Equivalents at the Beginning of the Reporting Period		56,758	56,223	68,868
Cash and Cash Equivalents at the End of the Reporting Period	11(a)	77,796	81,747	56,758

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

OVERVIEW NOTES

NOTE 1. OBJECTIVES OF THE ACT INSURANCE AUTHORITY

Operations and Principal Activities of the ACT Insurance Authority

The ACT Insurance Authority (the Authority) is a not-for-profit ACT Government entity established under the *Insurance Authority Act 2005* (the Act).

The functions of the Authority are to:

- carry on the business of insurer of Territory risks;
- take out insurance of Territory risks with other entities;
- manage and settle claims in relation to Territory risks;
- take action, with the Treasurer's approval, for the realising, enforcing, assigning or extinguishing rights against third parties arising out of or in relation to its business, including, for example:
 - taking possession of, dealing with or disposing of property; or
 - carrying on a third party's business as a going concern;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Minister about insurance and the management of Territory risks.

The Authority also administers the:

- Office of the Nominal Defendant of the ACT, for claims against uninsured and/or unidentified vehicles for the Motor Accident Injury Scheme; and
- Default Insurance Fund, for default claims under the ACT Private Sector Workers' Compensation Scheme.

Financial Statements for these two entities are included in Volume 2 of the Chief Minister, Treasury and Economic Development Directorate 2025-26 Annual Report.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Legislative Requirement

The *Financial Management Act 1996* (FMA) requires the preparation of annual Financial Statements for ACT Government authorities. The FMA and the Financial Management Guidelines issued under the Act, requires the Authority's Financial Statements to include:

- (i) an Operating Statement for the year;
- (ii) a Balance Sheet at the end of the year;
- (iii) a Statement of Changes in Equity for the year;
- (iv) a Statement of Cash Flows for the year;
- (v) the significant accounting policies adopted for the year; and

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - Continued

- (vi) other statements as are necessary to fairly reflect the financial operations of the Authority during the year and its financial position at the end of the year.

These general-purpose Financial Statements have been prepared in accordance with Australian Accounting Standards as required by the FMA supplemented by following the ACT Accounting and Disclosure Policies.

Accrual Accounting

The Financial Statements have been prepared using the accrual basis of accounting. The Financial Statements are prepared according to the historical cost convention, except for financial instruments which were measured at fair value in accordance with the (re)valuation policies applicable to the Authority during the reporting period.

Currency

The Financial Statements are presented in Australian dollars, which is the Authority's functional currency.

Individual Reporting Entity

The Authority is an individual not-for-profit reporting entity.

Reporting Period

These Financial Statements state the financial performance, changes in equity and cash flows of the Authority for the year ended 30 June 2026 together with the financial position of the Authority as at 30 June 2026.

Comparative Figures

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the Financial Statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the Financial Statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2025-26 has been presented in the Financial Statements. Budget numbers in the Financial Statements are the original budget numbers that appear in the Statement of Intent.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - Continued

Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars (\$'000). Use of “-” represents zero amounts or amounts rounded down to zero.

Going Concern

The 2025-26 Financial Statements have been prepared on a going concern basis as the Authority has been funded in the ACT Government 2025-26 Budget and the Budget Papers include forward estimates for the Authority.

Use of Estimates and Judgements

The preparation of Financial Statements requires judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the Financial Statements.

Significant estimates, judgements and assumptions are included in the following notes:

- Measurement of Outstanding Claims and Claims Related Recoveries (Notes 13 and 15).

NOTE 3. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

All Australian Accounting Standards and Interpretations issued but yet to be applied which are applicable to future reporting periods will be adopted from their application date.

Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) but yet to be applied have been assessed as not being relevant to the Authority or will have an immaterial financial impact except for AASB 2022-9 discussed below:

AASB 2022-9 Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector.

This standard makes key modifications to the requirements of AASB 17 Insurance Contracts specific to public sector entities. The modifications relate to providing public sector entities with:

- a) pre-requisites, indicators and other considerations that need to be judged to identify arrangements that fall within the scope of AASB 17 in a public sector context;
- b) an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition;
- c) an exemption from sub-grouping contracts issued no more than a year apart;
- d) an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous;

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 3. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED - Continued

- e) guidance on coverage periods in a public sector context, which has consequences for determining the cash flows used to measure insurance liabilities and the pattern of revenue recognition;
- f) an accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach; and
- g) a transition requirement grandfathering the existing classification of arrangements constituting a liability for settlement of claims incurred before the liability was acquired in a transfer as either a liability for incurred claims within the scope of AASB 17 or a provision within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

This Standard also amends AASB 1050 Administered Items to provide an accounting policy choice for the Authority to apply either AASB 17 or AASB 137 in determining the information to be disclosed about administered captive insurer activities.

Because AASB 17 applies to all entities for annual periods beginning on or after 1 July 2026, this Standard also:

- a) repeals AASB 1023 General Insurance Contracts; and
- b) reverses the temporary consequential amendments set out in AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments that amended various Standards to permit public sector entities to continue applying AASB 1023 to annual periods beginning on or after 1 January 2023 but before 1 July 2026.

Public sector entities are required to apply AASB 17 to an insurance arrangement if, and only if, it is enforceable, has an identifiable coverage period and gives rise to insurance contracts based on certain indicators and considerations.

Based on a comprehensive assessment performed by the Authority, the operations of the Authority, which consists of the Core (consisting of multiple classes of insurance coverage for the ACT Government directorates and agencies such as Medical Negligence, Public liability, Professional Indemnity and Property and Motor), Physical and Sexual Abuse Indemnity (PSA), and Builders Warranty Insurance (BWI) Schemes meets the definition of an insurance contract, as defined by AASB 17, and is within the scope of both AASB 17 and AASB 2022-9.

The estimated accounting impact on transition to AASB 17 at 1 July 2026 is a **\$7.61 million** increase in net assets and at 1 July 2025 is a **\$6.84 million** increase in net assets, based on the recalculation of the closing net outstanding claims liabilities of **\$441.66 million** as at 30 June 2026 (**\$387.50 million** as at 30 June 2025) as estimated by the Authority's actuary. The estimated **1.69 per cent** decrease in net outstanding claims liabilities on transition at 1 July 2026 is mainly driven by the impacts on actuarial assumptions used, risk adjustment calculations, use of an illiquidity premium, and calculation of the Liability for Incurred Claims and Liability for Remaining Coverage approach which are the key measurement changes under AASB 17.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 4. CHANGE IN ACCOUNTING ESTIMATES

Changes in Actuarial Assumptions

Changes in actuarial assumptions for the estimates of the outstanding claims liabilities, claims expenses, and claims related recoveries in the current reporting period comprise changes in accounting estimates. For changes in actuarial assumptions Refer to Note 15: Outstanding Claims and Note 13: Claims Related Recoveries.

INCOME AND EXPENSES NOTES

Material Accounting Policies – Income and Expenses

NOTE 5. UNDERWRITING RESULT

Description and Material Accounting Policies relating to Underwriting Result

Gross Earned Insurance Premiums

Gross Earned Insurance Premiums is recognised in the Operating Statement in accordance with AASB 1023 General Insurance Contracts and is measured evenly over the expected risk period.

Insurance premium revenue comprises amounts charged to directorates, agencies and statutory authorities. All gross earned insurance premiums are written and earned in the current reporting period as all policies cover the period from 1 July 2025 to 30 June 2026. Premiums are treated as earned from the date of attachment of risk and is recognised evenly over the policy period, which closely approximates the pattern of risks underwritten.

Claims Related Recoveries

Claims Related recoveries recognised in the operating statement include any reinsurance or external recoveries received and the movement in the estimated claims related recoveries receivables from reinsurance and external parties. For Gross Claims Expenses Refer to Note 13: Claims Related Recoveries and Note 15: Outstanding Claims for the methodology for valuation and estimates. The estimates for claims related recoveries receivable includes an assessment of reinsurance policy coverage maintained by the Authority on behalf of the Territory and involvement of external parties to indemnify the Authority against those estimated claims costs.

Gross Claims Expenses

Gross claims expenses include the movement in liability for outstanding claims and related claims expenses and are recognised in the Financial Statements. The liability covers claims reported but not yet paid; incurred but not yet reported (IBNR); incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. Outstanding claims are actuarially assessed by reviewing claim data and estimating changes in the ultimate cost of settling claims, IBNRs and associated settlement costs using statistics based on past experience and trends.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 5. UNDERWRITING RESULT - Continued

The liability for outstanding claims is measured as the net central estimate of the present value of the expected future payments, against claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments are estimated based on the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The present value of future claim payments is estimated by discounting projected cash flows using discount rates derived from the Commonwealth Government Bond yield curve, which is considered an appropriate proxy for risk-free rates.

Reinsurance Premium Expenses

Reinsurance premium is recognised in the operating statement based on the period of coverage for reinsurance contracts. The Authority purchases reinsurance, where deemed appropriate, to cover catastrophic and accumulated risk exposures for those major insurance classes which it underwrites, including insurance against:

- loss, damage, or destruction of Territory assets; and
- the legal liabilities incurred by the Territory for third party property damage and personal injury to third parties.

The Authority does not purchase reinsurance where it has been determined that it is more effective for the Territory to self-insure the relevant risks.

	Note No.	2026 \$'000	2025 \$'000
Underwriting Revenues			
Gross Earned Insurance Premiums		94,517	90,589
Claims Related Recoveries	6	13,274	29,030
Underwriting Revenues		107,791	119,619
<i>All underwriting revenues relate to operating activities</i>			
Underwriting Expenses			
Claims Expenses	6	(150,548)	(106,986)
Reinsurance Premium Expenses		(16,695)	(16,414)
Underwriting Expenses		(167,243)	(123,400)
<i>All underwriting expenses relate to operating activities</i>			
Underwriting Results			
Underwriting Revenues		107,791	119,619
Underwriting Expenses		(167,243)	(123,400)
Underwriting Result		(59,452)	(3,781)

The decrease in the underwriting result compared to 2024-25 is mainly due to the deteriorating claims experience in the medical negligence, public liability, and property insurance classes based on the expectation of claims expenses and liabilities as part of the actuarial estimations. Refer to Discounted Gross Incurred Claims and Related Expenses in Note 6: Net Incurred Claims.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 6. NET INCURRED CLAIMS

Description and Material Accounting Policies relating to Net Incurred Claims

Net incurred claims are separated into those contributed from the current insurance year and those from prior insurance years, which are impacted by changes in economic factors and the assumptions used in the actuarial valuation of the outstanding claims liabilities.

2026	Note No.	Current Year \$'000	Prior Years \$'000	Total \$'000
Undiscounted Gross Incurred Claims and Related Expenses		(130,146)	(43,235)	(173,381)
Discount and Discount Movement		21,799	1,034	22,833
Discounted Gross Incurred Claims and Related Expenses ^a	5	(108,347)	(42,201)	(150,548)
Claims Related Recoveries	5	-	13,274	13,274
Net Incurred Claims		(108,347)	(28,927)	(137,274)
2025				
Undiscounted Gross Incurred Claims and Related Expenses		(100,678)	(9,321)	(109,999)
Discount and Discount Movement		16,432	(13,418)	3,014
Discounted Gross Incurred Claims and Related Expenses ^a	5	(84,247)	(22,739)	(106,986)
Claims Related Recoveries	5	-	29,030	29,030
Net Incurred Claims		(84,247)	6,291	(77,956)

a The discounted gross incurred claims and related expenses reflects the cost of claim payments actually made, as well as changes in the value of outstanding claims liabilities between valuation dates. In 2025-26, the total net incurred claims expenses are \$137.27 million. Of this amount, \$108.35 million relates to the current year, made up of \$130.15 million in undiscounted gross incurred claims and related expenses, partially offset by an amount of discount totalling \$21.80 million. There is an increase of \$28.93 million in net incurred claims and related expenses relating to prior years as a result of higher claims emergence and revised assumptions related to prior years, offset by increases in claim related recoveries.

Discounted gross claims expense for 2025-26 is \$150.55 million compared to \$106.99 million in 2024-25. This equates to a \$43.56 million increase in discounted gross incurred claims and related expenses between 2024-25 and 2025-26. This is mainly because of large claims experience across the Medical Negligence, Property and Public Liability portfolios, and increases in assumptions relating to the number of Public Liability claims for sexual abuse across prior years. The increase in gross incurred claims has been partially offset by a corresponding recoveries component due to rising claim costs in years already above the Authority's reinsurance retention.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 7. INVESTMENT AND INTEREST REVENUE

Description and Material Accounting Policies relating to Investment and Interest Revenue

Interest

Interest revenue relates to the variable interest earned in the operating bank account maintained with Westpac Bank. Interest is recognised based on monthly interest received in the bank statement. Refer to Note 11: Cash and Investments for further details. Interest for the Builders Warranty Insurance scheme is allocated based on the closing General Ledger bank balance for the scheme.

Distributions from Investments

Distribution revenue is received from investments with the Territory Banking Account.

Loss/Gain on Remeasurement of Investments

The Authority makes long-term investments with the Territory Banking Account by acquiring units in the Territory Banking Account's financial investments portfolio. The unit value changes in response to the underlying market value of the financial investments held by the Territory Banking Account. All unitised investments are designated at fair value through operating statement with the carrying amount measured at fair value. Refer to Note 11: Cash and Investments for further details.

	Note No.	2026 \$'000	2025 \$'000
Investment and Interest Revenue			
Interest from Bank ^a		2,936	3,434
Interest from Bank - Builders Warranty Insurance ^a	21	247	447
Distributions from Investments ^b		19,672	10,076
Total Investment and Interest Revenue		22,855	13,957
Gain on Remeasurement of Investments			
Gain on Remeasurement of Investments ^c		9,834	27,239
Gain on Remeasurement of Investments		9,834	27,239

^a Interest from bank is lower in 2025-26 mainly due to the decrease in bank interest rates in the Westpac operating bank account.

^b Distributions received from investments held with the Territory Banking Account fluctuate year on year subject to the amount of income available for distribution in the underlying investment asset class sector exposures. The increase in distribution revenue reflects the amount of available distributable income from the Territory Banking Account.

^c The fair value of investments fluctuates year on year depending on the performance of the underlying financial investment exposures. In 2025-26 the investments continue to achieve a strong positive return of 7.59% (10.56% in 2024-25) due to the increase in market valuation of the investment portfolio mainly due to underlying gains on share investments.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 8. OTHER INCOME AND EXPENSES

Description and Material Accounting Policies relating to Other Income and Expenses

Other revenue and expenses mainly relate to the Builders Warranty Insurance (BWI) Scheme and the Physical and Sexual Abuse (PSA) Indemnity Scheme designed for out of home care providers; contract works insurance and external insurance contracts.

Builders Warranty Insurance Scheme

Refer to Note 21: Builders Warranty Insurance for the background information. Premium revenue is recognised based on AASB 1023 General Insurance Contracts based on a liability adequacy test and actuarial estimates on assessment of unexpired risk. The commission and claims processing service fees are based on the agreement with QBE Insurance Group Limited (QBE) and recognised based on the policies written and number of claims processed by QBE during the period. Claims related recoveries and claims expenses are recognised based on claims payments and recoveries, and the movements in actuarial valuations of the outstanding claims liabilities as at the end of financial year.

Physical and Sexual Abuse Indemnity Scheme

Refer to Note 22: Physical and Sexual Abuse Indemnity Scheme for the background. The Authority operates on a cost-recovery basis by collecting indemnity fees from the Health and Community Services Directorate (HCSD) to meet the costs of future asset losses and legal liabilities that occur as a result of the activities of government. In consideration of the indemnity fees paid, the Authority provides indemnity to HCSD for insurable losses and claims incurred in relation to Out of Home Care Physical and Sexual Abuse claims, that have been lodged against their third-party providers, who are actively part of the scheme.

Each year the Authority, with the assistance of its actuary, Scyne Advisory, determines the total annual insurance premiums and indemnity fees to be collected from HCSD, to meet the anticipated cost of claims for the insurance year. The actuarial approach to setting the annual insurance premiums and indemnity fees relies on assumptions about the estimated future number of claims, the estimated average settlement size, expected inflation rates, and investment returns.

Contract Works Insurance

The Authority purchases Contract Works insurance cover for ACT Government capital construction works. Premiums are recovered from ACT Government agencies by the Authority based on the value of each agency's Capital Works program. Transactions are undertaken by the Authority on behalf of other agencies. The Authority does not underwrite this insurance and therefore holds no financial risk. Premiums and their subsequent recovery are recognised when invoiced.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 8. OTHER INCOME AND EXPENSES - Continued

External Insurance Contracts

The Authority arranges insurance cover on behalf of ACT Government agencies for travel, aviation, fleet, public art and personal accident cover for both aero retrieval and volunteer workers. Premiums are recovered from ACT Government agencies by the Authority based on the relevant cost drivers for the premium and as charged by external providers.

Transactions are undertaken by the Authority on behalf of other agencies. The Authority does not underwrite this insurance and therefore holds no financial risk. Premiums and their subsequent recovery are recognised when invoiced.

Income from Support Services

The Authority recovers a portion of administrative costs incurred in managing the Office of the Nominal Defendants of the ACT, the Default Insurance Fund, and the Builders Warranty Insurance Scheme as support services charges. The charges are recognised and recovered based on a cost model allocating a portion of the employees expenses, administrative cost and ICT system support from the Authority in managing those entities and insurance schemes.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 8. OTHER INCOME AND EXPENSES - Continued

	Note No.	2026 \$'000	2025 \$'000
Other Income			
Resources Received Free of Charge		20	64
Builders Warranty Insurance Premiums ^a	21	2,683	3,058
Builders Warranty Insurance Recoveries	21	367	469
Physical and Sexual Abuse Indemnity Scheme Premiums	22	890	885
Income from Support Services		1,418	1,261
Contract Works Insurance ^b		2,327	1,800
External Insurance Contracts ^c		1,931	2,360
Total Other Revenue		9,636	9,898
Other Expenses			
Contract Works Insurance ^b		2,327	1,666
External Insurance Contracts ^c		1,263	1,828
Builders Warranty Insurance Commission	21	759	658
Builders Warranty Insurance Claims Processing Service Fee	21	183	119
Builders Warranty Insurance Claims Expense ^d	21	6,312	10,153
Physical and Sexual Abuse Indemnity Scheme Claims Expense ^e	22	1,584	1,476
Asset Write Off ^f		-	302
Amortisation		43	31
Total Other Expenses		12,471	16,234

^a AASB 1023 has been adopted in relation to the Builders Warranty Insurance (BWI) scheme to recognise the gross earned revenue based on a liability adequacy test and actuarial estimates on assessment of unexpired risk. Refer to Note 21: Builders Warranty Insurance Scheme.

^b Contract Works insurance external policies and passthrough cost/ revenue has increased due to an increase in capital works programs by the Territory, following a number of projects commencing during the current period.

^c External Insurance Contracts has decreased mainly due to the Territory's fleet insurance arrangement the Authority took over management of from 31 March 2024.

^d Builders Warranty Insurance Claims Expense has decreased mainly due to a lower number of builder failures/collapses and a lower number of exposed contracts. Refer to Note 21: Builders Warranty Insurance Scheme.

^e AASB 1023 has been adopted in relation to the Physical and Sexual Abuse (PSA) Indemnity Scheme to recognise the gross earned revenue based on a liability adequacy test and actuarial estimates on assessment of unexpired risk. Refer to Note 22: Physical and Sexual Abuse Indemnity Scheme.

^f The one-off expense relates to old claims management system which has been replaced and has been no longer in-use and written-off from August 2024.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 9. EMPLOYEE EXPENSES

Description and Material Accounting Policies Relating to Employee Expenses

Employee Expenses

Employee expenses comprise all costs incurred in relation to employing staff including wages and salaries, fringe benefits tax, leave entitlements, annual leave loading, termination payments, workers' compensation insurance premiums, accrued Flextime, non-monetary benefits, and other employee benefits and on-cost expenses.

Wages and salaries are recognised in the reporting period when the employee renders services to the agency. They are measured based on the amount paid to employees during the year as well as any wages and salaries due to employees that remain unpaid at the end of the financial year.

Superannuation Expenses

Employees of the Authority will have different superannuation arrangements due to the type of superannuation schemes available at the time of commencing employment, including both defined benefit and defined contribution superannuation scheme arrangements.

For employees who are members of the defined benefit Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS) the Authority makes employer superannuation contribution payments to the Territory Banking Account at a rate determined by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). The Authority also makes productivity superannuation contribution payments on behalf of these employees to the Commonwealth Superannuation Corporation, which is responsible for administration of the schemes.

For employees who are members of defined contribution superannuation schemes (the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice) the Authority makes employer superannuation contribution payments directly to the employees' relevant superannuation fund.

All defined benefit employer superannuation contributions are recognised as expenses on the same basis as the employer superannuation contributions made to defined contribution schemes. The accruing superannuation liability obligations are expensed as they are incurred and extinguished as they are paid.

Superannuation Liability Recognition

For the Authority's employees who are members of the defined benefit CSS or PSS the employer superannuation liabilities for superannuation benefits payable upon retirement are recognised in the Financial Statements of the Superannuation Provision Account.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 9. EMPLOYEE EXPENSES - Continued

	2026 \$'000	2025 \$'000
Employee Expenses		
Salaries	3,923	3,948
Annual Leave Expense ^a	105	13
Long Service Leave Expense ^a	189	58
Workers' Compensation Insurance Premium	67	62
Superannuation Contribution to the Territory Banking Account	137	130
Productivity Benefit	8	8
Superannuation to External Providers	421	398
Flexitime Expense ^b	(1)	73
Total Employee and Superannuation Expenses	4,849	4,690

^a Higher Annual Leave and Long Service Leave Expenses for 2025-26 was due to staff not taking leave during the year and the transfer in of balances from government staff where required. When annual leave and long service leave service is paid it is paid as salary expenditure and the expenses only reflects the movement of leave liability balances.

^b Movement in the Flexitime expense was recognised for the Flexitime that employees have accrued at the end of 2025-26. This balance was recognised for the first time in 2024-25. Refer to Note 16: Employee Benefits.

NOTE 10. SUPPLIES AND SERVICES

Description and Material Accounting Policies Relating to Supplies and Services

General – Supplies and Services

Purchases of Supplies and Services generally represent the day-to-day running costs incurred in normal operations, recognised in the reporting period in which these expenses are incurred. Supplies and Services are measured at the amount paid or payable, or where Supplies and Services have been provided free of charge, they are measured at their fair value at the time they are provided.

Actuarial Services

Actuarial services fees include independent external valuation of the outstanding claims liabilities, mid-year review and analysis of claims estimates and actuarial reviews and modelling on the annual premium for the Authority.

Rent

Lease rental payments include office accommodation leases with the ACT Property Group and the outgoings charged for building services, utilities and work orders.

Audit Service Fees

Auditor's remuneration consists of financial audit services and limited assurance engagement on statement of performance provided to the Authority by the ACT Audit Office. The Authority's audit fees for the audit of its 2025-26 Financial Statements and review of its Statement of Performance (where applicable) were **\$90,434 (\$90,446 2024-25)**. No other services were provided by the ACT Audit Office.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 10. SUPPLIES AND SERVICES - Continued

Telecommunications and Computing Costs

Telecommunication and computing cost include payments for ICT logistics, business applications and licences along with asset rentals for computing equipment, phones, network equipment and internet services charged by Digital Canberra (DCBR). The Authority also incurs software licencing fees and maintenance cost in managing its claims management system and accounting system.

Risk Management Training and Seminars

The Authority runs risk management training events on demand for ACT Government agencies based on their specific risk management requirements. Training events can be organised in-house or with specialised risk management consultants. The Authority assesses the funding for specific training events for ACT Government agencies based on business needs and also delivers some training events on a cost-recovery basis.

	Note No.	2026 \$'000	2025 \$'000
Actuarial Services – ACTIA Core		257	234
Actuarial Services – BWI	21	76	98
Actuarial Services – PSA	22	59	59
Audit Fees		90	90
Telecommunications and Computing Costs ^a		274	374
Contractors and Consultants ^b		506	258
Rent ^c		(5)	148
Risk Management Training and Seminars		2	4
Support Services ^d		78	164
Support Services – BWI	21	69	62
Legal Expenses – PSA	22	-	5
Travel		15	79
Other		43	88
Total Supplies and Services		1,464	1,663

^a Lower Telecommunications and Computing Costs mainly related to lower claims management system expenses.

^b Higher Contractors and Consultants expenses mainly related to an independent accounting review relating to the applicability and transition to AASB 17.

^c Lower Rent expenses were mainly driven by a changed rental agreement that resulted in significantly reduced rental costs for the Authority during 2025-26 offset by the release of prior year rental accruals.

^d Lower Support Services expenses were mainly driven by lower costs in claims reviews provided by the ACT Government Solicitor's Office.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

ASSET NOTES

NOTE 11. CASH AND INVESTMENTS

Description and Material Accounting Policies Relating to Cash and Investments

Cash and Cash Equivalents

The Authority holds one bank account with Westpac Banking Corporation as part of the Whole-of-Government banking arrangements. As part of these arrangements, the Authority earns variable interest on credit balances (currently **4.80 per cent** annual interest rate effective as at 30 June 2026 for balances greater than **\$50 million**). Cash includes cash at bank and cash on hand.

Investments

The Investments by the Authority are made in accordance with the Treasurer's approved ACT Insurance Authority Investment Plan. The Investment plan for the Authority outlines the Authority's investment strategy and objectives in relation to investing its funds with the Territory Banking Account. The long-term investment return objective for the Authority's financial investments is a long-term average Consumer Price Index (CPI) + **2.5 per cent** per annum.

The Authority makes long-term investments with the Territory Banking Account by acquiring units in the Territory Banking Account's financial investments portfolio. The unit value changes in response to the underlying market value of the financial investments held by the Territory Banking Account. All unitised investments are designated at fair value through operating statement with the carrying amount measured at fair value.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date and reflects the best available prices of the underlying financial investments. Subsequent to initial measurement, investments are re-measured to fair value with changes in their fair value (gains/loss) recognised in the Operating Statement of the Authority. Refer to Note 7: Investment and Interest Revenue for distributions earned on these investments and the gains and/or loss on remeasurement of investments.

These long-term investments are classified as current because they are redeemable, subject to market conditions, on the request of the Authority.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 11. CASH AND INVESTMENTS - Continued

Cash and Investment Balances

	Note No.	2026 \$'000	2025 \$'000
Current Cash and Investments			
Cash at Bank		71,605	52,112
Cash at Bank – Builders Warranty Insurance	21	6,191	4,646
Total Cash and Cash Equivalents		77,796	56,758
Investments with the Territory Banking Account		398,523	408,689
Total Current Cash and Investments		476,319	465,447

The fair value of investments fluctuates year on year depending on the performance of the underlying financial investment exposures in the market as well as investment deposit or redemption transactions. In 2025-26, investments recorded a positive return of 7.59% due to an increase in market valuations mainly due to underlying gains on share investments (10.56% in 2024-25).

Cash Flow Reconciliations

(a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Statement of Cash Flows to the equivalent items in the Balance Sheet

	2026 \$'000	2025 \$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	77,796	56,758
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Statement of Cash Flows	77,796	56,758

(b) Reconciliation of the Operating Result to Net Cash Inflows/(Outflows) from Operating Activities

	2026 \$'000	2025 \$'000
Operating Result	(35,911)	24,726
Add/(Less) Non-Cash Items		
Amortisation of Fixed Assets	43	31
Add/(Less) Items Classified as Investing or Financing		
Net (Gain) on Investments	(9,834)	(27,239)
Net Loss on Disposal of Non-Current Assets	-	302
Cash Before Changes in Operating Assets and Liabilities	(45,702)	(2,180)
Change in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(9,395)	1,396
Decrease/(Increase) in Recoveries	21,002	(23,105)
Decrease in Prepayments	1,119	352
Increase in Payables	29	245
Increase in Outstanding Claims	32,813	51,504
Increase/(Decrease) in Other Liabilities	902	(334)
Increase in Employee Benefits	366	149
Net Changes in Operating Assets and Liabilities	46,836	30,070
Net Cash Inflows from Operating Activities	1,134	27,890

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 12. RECEIVABLES

Description and Material Accounting Policies Relating to Receivables

Accounts Receivables

Accounts receivables are measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

The Authority's receivables predominantly relate to distributions from investments for the June quarter which are expected to be received in July 2026. The remaining receivables relate to goods and services taxation (GST), trade receivable from government entities and external parties. The Authority expects all receivables will be received.

	Note No.	2026 \$'000	2025 \$'000
Current Receivables			
Distributions Receivable ^a		12,099	3,338
Goods and Services Tax Receivable		399	234
Receivables – Builders Warranty Insurance ^b	21	-	324
Other Receivables ^c		1,380	584
Total Receivables		13,878	4,481

The Authority assessed the expected credit losses associated with receivables in accordance with AASB 9. Based on the credit quality of counterparties and historical loss experience, the expected credit loss allowance at 30 June 2026 was assessed as immaterial. No receivables are past due or impaired.

^a *The higher Distributions Receivable for 2025-26 relates to the higher distributions from investments for the June quarter.*

^b *The lower Builders Warranty Insurance Receivables for 2025-26 relates to a net payable to QBE Insurance as at June 2026 compared to a net receivable as at the previous year end.*

^c *The higher Other Receivables for 2025-26 mainly relates to receivables for support services provided to the Default Insurance Fund and the Office of the Nominal Defendant not yet receipted as at 30 June 2026.*

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 13. CLAIMS RELATED RECOVERIES

Description and Material Accounting Policies Relating to Claims Related Recoveries

Claims related recoveries represent amounts expected as a receivable from a third-party who has been identified as liable and accepted liability for costs incurred and, actuarial estimate for the recoveries from reinsurance claims and BWI claims recoveries.

The Authority uses an independent actuary, currently Scyne Advisory Pty Ltd, to conduct an actuarial valuation for the end of the financial year. This valuation includes analysis and valuation of claims expenses and an estimate for outstanding claims liabilities along with an estimate for the claims related recoveries. Reinsurance recoveries and external third-party recoveries are estimated using the total cost to settle the claims and any recovery from third party involvement or reinsurance coverage for the relevant period. Refer to Note 15: Outstanding Claims for further details on assumptions, approach and methodologies.

	Note No.	2026 \$'000	2025 \$'000
Current Claims Related Recoveries			
Builders Warranty Insurance Recoveries	21	811	434
Reinsurance Recoveries ^a		17,833	35,090
Total Current Claims Related Recoveries		18,644	35,523
Non-Current Claims Related Recoveries			
Builders Warranty Insurance Recoveries	21	234	244
Reinsurance Recoveries ^a		41,621	45,734
Total Non-Current Claims Related Recoveries		41,855	45,978
Total Claims Related Recoveries		60,499	81,502

^a Reinsurance recovery estimates mainly relate to Property (\$9.8 million), Professional Indemnity (\$12.2 million), and Medical Negligence (\$37.4 million). The Authority incurred a number of large individual claims in the Medical Negligence portfolio in the 2020 and 2021 insurance years. Reinsurance recoveries of \$34.6 million were received by the Authority during 2025-26.

NOTE 14. OTHER ASSETS

	2026 \$'000	2025 \$'000
Current Other Assets		
Prepayments	16	1,136
Total Current Other Assets	16	1,136
Total Other Assets	16	1,136

During 2024-25, the Authority made a payment in May 2025 to take up the SG fleet insurance policy on behalf of ACT Government agencies covering the period from April 2025 to March 2026. This has now been fully earned during 2025-26. The remaining balance is for prepaid software licence fees.

ACT INSURANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

LIABILITY NOTES

NOTE 15. OUTSTANDING CLAIMS

Description and Material Accounting Policies Relating to Outstanding Claims

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers, based upon the gross provisions.

Significant Judgements and Estimates - Outstanding Claims

The Ultimate Liability Arising from Claims Made Under Insurance Contracts

A provision is made at year-end for the estimated cost of claims incurred but not settled at the valuation date, including the cost of IBNR and IBNER claims to the Authority.

The estimated cost of claims includes direct expenses to be incurred in settling claims net of the expected value of recoveries. The Authority takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original estimate of the liability.

The estimation of IBNR and IBNER are generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified, as the cost of these claims is often not apparent until many years after the claim event. The public liability and medical negligence classes typically display higher levels of IBNR and IBNER claims.

For the property class, claims are typically reported soon after the claim event and therefore tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims, the Authority uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowances are made for factors which may cause these to change, including:

- changes in the Authority's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the ACT Government activities;
- the impact of large losses;
- movements in industry benchmarks; and
- medical and technological developments.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

A component of these estimation techniques is the estimation of the cost of notified but not paid claims (case estimation) which considers the claim circumstance as reported, any information available from the ACT Government Solicitor's Office and information on the cost of settling claims with similar characteristics in previous periods.

Large claims are assessed separately, being measured on a case-by-case basis or projected separately, in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible, the Authority adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected and the range of possible outcomes. The most appropriate estimation technique is selected considering the characteristics of the business class and the extent of the development of each insurance year.

Changes in Actuarial Assumptions

The Authority uses an independent actuary, currently Scyne Advisory Pty Ltd, to provide the estimate of outstanding claims liabilities for those insurance classes covering ACT Government entities. The estimate utilises actuarial assumptions and methods which are based on past claims experience, risk exposure and projections of economic variables. As a result of changes in these variables, the estimate of the outstanding claims liabilities has changed. This change has resulted in an increase to the estimates of the outstanding claims liabilities and claims expense in the current reporting period. Refer to Note 6: Net Incurred Claims.

The Authority provides the following classes of insurance to ACT Government entities: medical negligence, public liability, property damage, directors and officers, professional indemnity and financial crime.

Additionally, the Authority also provides an insurance scheme to cover the Residential Builders Warranty for homebuilders in the ACT and an Indemnity scheme to cover Physical and Sexual Abuse (PSA) for out of home care providers who provide services for the Territory through a contractual relationship with the Health and Community Services Directorate.

The Authority commenced the PSA indemnity scheme as a transitional arrangement effective from 1 April 2023 with the formal establishment of the indemnity scheme effective 1 July 2023. An independent actuarial valuation of claims liabilities and a liability adequacy test for the PSA scheme has been undertaken each year as at 30 June since the inception of the indemnity scheme.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

The actuarial process for estimating the outstanding claims liabilities is similar for all classes. A description is as follows:

- estimates of claims incurred but not yet reported (IBNR) at the actuarial valuation date are made by analysing past reporting patterns and applying assumed development rates to numbers of claims already reported to the Authority;
- the number of past settlements are analysed and an adopted ultimate settlement proportion is applied to the estimated ultimate numbers of claims to obtain numbers of future settlements;
- past settlement sizes and past changes in case estimates are analysed;
- estimates of outstanding claims are first adopted for the most developed insurance years, considering the average sizes and relationship to current estimates of the claims from the Authority. The same process is extended to the more recent years, considering the experience of the earlier years and any differences in experience to date;
- separate analyses of large and small claims are made, and the incidence and sizes of large claims for recent years is drawn from experience in the more developed years;
- analyses are made on data which is gross of reinsurance and the resulting estimates of outstanding liabilities are also gross of reinsurance. Subsequent allowances, where needed, are then made for potential reinsurance recoveries to arrive at estimates of net outstanding liabilities; and
- allowances are made for all future claims escalation, whether from external inflation or superimposed inflation and projected payments are discounted to present values to reflect the time value of money.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

Actuarial Assumptions

The following assumptions have been made in estimating the outstanding claims liabilities for 2025-26.

2026	Property and Motor	Public Liability	Medical Negligence	Directors and Officers	Financial Crime	Professional Indemnity
Discounted Mean Term (for Outstanding Claims)	1.32	4.94	3.41	3.58	2.7	5.47
Ultimate Claim Numbers (2025-26 Insurance Year) ^a	107	156	152	1.46	0.1	9
Average Settlement Size	\$137,700 ^c	\$161,800 & \$3.95m ^d	\$387,500 & \$4.22m ^d	\$80,900 ^c	\$172,500 ^c	\$122,900 ^c
Expense Rate	10%	10%	10%	10%	10%	10%
Discount Rate ^b	4.5%	4.8%	4.6%	4.7%	4.5%	4.7%
Inflation and Superimposed Inflation ^b	3.0%	3.4%	3.2%	3.2%	3.0%	3.2%

The following assumptions were made in estimating the outstanding claims liabilities for 2024-25.

2025	Property and Motor	Public Liability	Medical Negligence	Directors and Officers	Financial Crime	Professional Indemnity
Discounted Mean Term (for Outstanding Claims)	1.10	4.10	4.09	2.56	2.96	6.41
Ultimate Claim Numbers (2024-25 Insurance Year) ^a	101	141	168	1.5	0.1	8
Average Settlement Size	\$84,200 ^c	\$143,200 ^c and \$4.23m ^d	\$370,600 ^c and \$3.85m ^d	\$73,600 ^c	\$157,000 ^c	\$102,500 ^c
Expense Rate	10%	10%	10%	10%	10%	10%
Discount Rate ^b	3.4%	3.9%	3.8%	3.7%	3.5%	4.0%
Inflation and Superimposed Inflation ^b	3.3%	3.5%	3.4%	3.3%	3.3%	3.4%

^a Ultimate claims reported are the assumed number of claims incurred in the insurance year.

^b Discount and inflation rates are calculated for each insurance class based on the payment pattern and the discount/inflation rate at the corresponding period of time.

^c The adopted average claim size for small claims has a total cost up to \$1 million.

^d The adopted average claim size for large claims has a total cost of \$1 million or greater.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

Process Used to Determine Assumptions

Discounted Mean Term

The discounted mean term is the number of years taken to finalise claims settlement and is calculated separately by class of insurance based on historic settlement patterns. A decrease in the discounted mean term to settlement would lead to more claims being paid sooner than anticipated. A change in the discounted mean term can cause an increase or a decrease in claims expense, depending on the interaction between the discount and interest rates.

Ultimate Claim Numbers

The ultimate number of claims for each insurance class is the estimated total number of claims expected to emerge from each insurance year. The ultimate number of claims is estimated by analysing historical claim reporting rates and applying them to the observed claims reported to date in order to project the timing and number of future claims reported. All else being equal, an increase in the ultimate number of claims will increase the liability.

Average Settlement Size

The average settlement size is based on past claims experience. For public liability and medical negligence classes the incidence of large claims is greater and therefore their average size for small and large claims are shown separately.

Expense Rate

Claims handling expenses were calculated based on an assumed proportion of claims handling costs as a percentage of past payments. An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

Discount Rate

Discount rates derived from market yields on Commonwealth Government Bonds as at the valuation date have been adopted. The discount rates shown are the rates which reflect the single equivalent rate that could be adopted to discount the outstanding claims liability to adjust for the time value of money. All else being equal, an increase or decrease in the discount rate would have a corresponding decrease or increase on claims expense respectively.

Inflation

Economic inflation assumptions are set by reference to current economic indicators. An increase or decrease in the assumed levels of either economic inflation rates would have a corresponding increase or decrease on claims expense.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

Superimposed Inflation

Superimposed inflation is the tendency for payments to increase over time at a faster rate than a suitable standard measure of inflation. This can be driven by factors such as increases in court settlement sizes and an assumption is set considering any superimposed inflation present in the portfolio and industry superimposed inflation trends. Currently, there has been no allowance for inflation over and above economic inflation measures used.

Sensitivity Analysis

The Authority conducted a sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the financial performance and equity position of the Authority.

Each of the below variations has been considered in isolation. However, in reality, volatility in the net outstanding claims is likely to be due to a number of these and other factors in combination.

Assumptions	Net Outstanding Claims		Difference	
	\$'000	\$'000	%	
Gross Outstanding Claims Liabilities	504,412			
Less expected Current and Non-Current Recoveries	(60,499)			
Net Outstanding Claims Liabilities	443,913			
Economic Assumptions				
Discount rates increased by 1.0%	429,371	(14,542)	(3.3%)	
Discount rates decreased by 1.0%	459,656	15,743	3.5%	
Medical Negligence				
<i>Large Claims</i>				
Assumed average size of IBNR Claims is \$4.2 million				
Increase by \$1.0 million	476,681	32,768	7.4%	
Decrease by \$1.0 million	411,144	(32,768)	(7.4%)	
High uncertainty in ultimate large claim numbers for more recent insurance years				
1 additional claim per annum for 2020 and later	462,177	18,265	4.1%	
1 less claim per annum for 2020 and later	425,637	(18,276)	(4.1%)	
Public Liability				
<i>Large Claims</i>				
Assumed average size of IBNR Claims is \$4.0 million				
Increase by \$1.0 million	446,897	2,985	0.7%	
Decrease by \$1.0 million	440,928	(2,985)	(0.7%)	
High uncertainty in ultimate large claim numbers for the more recent insurance years				
1 additional claim per annum for 2020 and later	459,425	15,512	3.5%	
High uncertainty in IBNR allowance for years 2018 and prior				
10 additional claims in allowance	447,201	3,289	0.7%	
10 fewer claims in allowance	440,623	(3,289)	(0.7%)	

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

Economic Assumptions

Currently, a **1 per cent** increase in the discount rate would result in a decrease of **\$14.54 million** in claims liability whereas a decrease in the discount rate of **1 per cent** would result in an increase of **\$15.74 million** in the liability.

Medical Negligence and Public Liability

The liability for outstanding claims is sensitive to movements in the average claim size. As per the previous table, a change in average large claim size for medical negligence by **\$1.0 million** has a subsequent effect on the outstanding claims of either an increase of **\$32.77 million** or a decrease of **\$32.77 million**. Whereas for a change by **\$1.0 million** in average large claim size for public liability would either increase or decrease the outstanding claims liabilities by **\$2.99 million**.

A significant proportion of the outstanding claims liability is associated with large medical negligence and public liability claims. As such, the provision is sensitive to movements in the assumed number of large claims, with a greater uncertainty for more recent insurance years where experience is still relatively undeveloped.

For large medical negligence claims, a change in the assumption of allowing for one additional or one less IBNR claim per annum from 2020 and later has the subsequent effect on the outstanding claims liability of either an increase or decrease of approximately **\$18.27 million** and **\$18.28 million** respectively. For large public liability claims, a change in the assumption of allowing for one additional IBNR claim per annum from 2020 and later has the subsequent effect on the outstanding claims liabilities of an increase of **\$15.51 million**.

For public liability, a change in the allowance for 10 greater or fewer IBNR claims from older years, where an allowance was made for sexual assault claim reports, has a corresponding increase or decrease in the outstanding claims liabilities of **\$3.29 million**.

Gross Outstanding Claims Liabilities

The Authority used the services of an independent actuary, Scyne Advisory Pty Ltd to estimate the outstanding claims liabilities at 30 June 2026. The movement in outstanding claims liability can either reduce claims expense in the case of a reduction in liability or increase claims expense in the case of an increase in liability.

ACT INSURANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

	Note No.	2026 \$'000	2025 \$'000
Expected Future Claim Payments and Discounted Liability for Outstanding Claims			
Central Estimate		483,617	444,831
Risk Margin		85,188	67,647
Claims Handling Costs		47,236	43,823
Total Undiscounted Outstanding Claims		616,041	556,300
Discount to Present Value		(111,629)	(84,701)
Total Gross Discounted Outstanding Claims Liabilities	15(d)	504,412	471,599
Current		105,945	105,846
Current – BWI	21	10,159	5,706
Current – PSA	22	92	55
Total Current Liabilities		116,196	111,607
Non-Current		379,155	352,345
Non-Current – BWI	21	2,728	2,861
Non-Current – PSA	22	6,333	4,786
Total Non-Current Liabilities		388,216	359,992
Total Gross Discounted Outstanding Claims Liabilities	15(d)	504,412	471,599

(a) Risk Margin

The Process of Determining Risk Margin

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate for each class. Assumptions regarding the uncertainty were made for each class considering potential variability in the actuarial models and assumptions, the quality of underlying data used in the models, the general insurance environment, and the assumptions made in other government schemes.

The assumptions were applied to the net central estimates for each class and then aggregated, with no explicit allowance made for diversification, to arrive at an overall provision which is intended to have a **75 per cent** probability of adequacy. This means that the outstanding claims liability has a **75 per cent** chance of being sufficient to reflect all possible future claims. A **75 per cent** level of sufficiency is the minimum required by the Australian Prudential Regulatory Authority (APRA) for APRA regulated insurers.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

(a) Risk Margin - Continued

Risk Margins Applied

Class	Adopted Risk Margin	
	2026 (%)	2025 (%)
Directors and Officers	18	18
Financial Crime	30	30
Medical Negligence	15	15
Professional Indemnity	18	18
Property and Motor	23	23
Public Liability ²	20	17
Residential Builders Warranty	30	30
Physical and Sexual Abuse Indemnity Scheme	40	40
Overall margin (weighted average) ¹	18.1	16.8

¹ The weighted average is based on the size of the net central estimate of the liability. That is, even if the adopted risk margin for each insurance class doesn't change, the weighted average may still change due to movements in the underlying liabilities for each insurance class.

² The public liability risk margin has increased in order to reflect a 75% probability of adequacy.

(b) Inflation and Discount Rates

The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims.

For the succeeding and subsequent year, inflation assumptions are set with reference to economic forecasts (short-term inflation assumptions). The long-term assumption is set using methodology which assumes a constant gap of adopted future inflation to the long-term discount rates and will increase or decrease as discount rates increase and decrease.

	2026 (%)	2025 (%)
For the succeeding year		
Inflation rate ¹	3.00	3.25
Discount rate ²	4.56	3.36
For the subsequent year		
Inflation rate ¹	3.00	3.25
Discount rate ²	4.36	3.06
For long-term assumptions		
Inflation rate ¹	5.02	4.57
Discount rate ²	5.92	5.47

¹Inflation rates are determined after consideration of forecasts from a number of economists and organisations as well as the mix of insurance classes and broader trends within similar insurance schemes.

²Discount rates are determined in accordance with AASB 1023 which requires the determination of a central estimate of the present value of the expected future payments for claims. It requires the application of "risk free" rates, which are generally accepted as rates derived from market values on Commonwealth Government Bonds.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

(c) Term to Settlement

The weighted average expected term to settlement of the outstanding claims from the valuation date is estimated to be 3.77 years in 2026 (3.77 years in 2025). The weighted average expected term to settlement has been based on industry averages and has been adjusted to reflect the specific classes of insurance offered by the Authority.

(d) Reconciliation of Movement in Discounted Outstanding Claims Liability

The table below compares the estimates as at 30 June 2026 for Gross Outstanding Claims at 30 June 2026 (30 June 2026 basis) compared with those projected from the 30 June 2025 valuation and Expected Gross Outstanding Claims at 30 June 2026 (30 June 2025 basis).

<i>Change in Basis - In the 12 months from 30 June 2025 to 30 June 2026</i>	<i>\$'000</i>	<i>\$'000</i>
Gross Central Estimate at 30 June 2025 (30 June 2025 basis) ^a		378,033
Expense margin at 30 June 2025		37,421
Risk Margin at 30 June 2025		56,145
Gross Outstanding Claims at 30 June 2025 (30 June 2025 basis) ^a		471,599
New Incurred Period		73,867
Expected payments to 30 June 2026 (Inflated and Undiscounted values)		(95,619)
Expected interest to 30 June 2026		11,130
Expected change in Expense Margin		(1,029)
Expected change in Risk Margin		2,975
Expected Gross Outstanding Claims at 30 June 2026 (30 June 2025 basis)		462,923

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS – Continued

(d) Reconciliation of Movement in Discounted Outstanding Claims Liability - Continued

<i>Change in Basis - In the 12 months from 30 June 2025 to 30 June 2026 - Continued</i>	<i>\$'000</i>	<i>\$'000</i>
(Actual less Expected) inflation ^b		23,182
Change in future discount rate assumptions		(9,089)
Change in future inflation assumptions		(2,557)
(Expected less Actual) payments ^c		(29,270)
<i>Directors and Officers</i>	48	
<i>Financial Crime</i>	52	
<i>Medical Negligence</i>	(23,901)	
<i>Professional Indemnity</i>	(557)	
<i>Property and Motor</i>	(3,111)	
<i>Public Liability</i>	(5,668)	
<i>Residential Builders Warranty</i>	3,828	
<i>Physical and Sexual Abuse Indemnity Scheme</i>	39	
Change in experience and actuarial assumptions		47,479
<i>Directors and Officers</i>	(140)	
<i>Financial Crime</i>	478	
<i>Medical Negligence</i>	398	
<i>Professional Indemnity</i>	589	
<i>Property and Motor</i>	8,611	
<i>Public Liability</i>	35,623	
<i>Residential Builders Warranty</i>	1,962	
<i>Physical & Sexual Abuse Indemnity Scheme</i>	(42)	
Change in Expense margin at 30 June 2026		2,619
Change in Risk margin at 30 June 2026		9,125
Overall change in basis		41,489
Gross Outstanding Claims at 30 June 2026 (30 June 2026 basis)		504,412

^a Gross central estimates are inflated and discounted excluding expenses

^b Includes both past and future inflation

^c A negative number indicates actual payments were more than expected during the insurance year

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 15. OUTSTANDING CLAIMS - Continued

(d) Reconciliation of Movement in Discounted Outstanding Claims Liability - Continued

The expected gross central estimate of **\$462.92 million** compares to the actual gross central estimate of **\$504.41 million**, indicating a total strengthening of **\$41.49 million**. This strengthening may be broken down into the main components:

- A strengthening of **\$23.182 million** due to actual inflation being greater than expected over the 12 months.
- A release of **\$9.09 million** due to changes in future discounting and the yield curve. All else being equal, an increase in future discount rates decreases the outstanding claims liability.
- A release of **\$2.56 million** from decreases in future inflation assumptions since 30 June 2025, driven by a decrease in medium term inflation assumptions.
- A release of **\$29.27 million** due to greater than expected payments made in the 12 months to 30 June 2026. Approximately **\$32.68 million** more than expected payments were made for Medical Negligence, Public Liability and Property & Motor classes. This was partially offset by **\$3.83 million** fewer than expected payments made for the Residential Builders Warranty Scheme. All else equal, the decrease implies a bringing forward of payments, therefore reducing the liability.
- An increase of **\$47.48 million** in actuarial assumptions and changes in experience. By class, these were:
 - A **\$0.14 million** release in the Directors and Officers insurance class.
 - A **\$0.48 million** increase in the Financial Crime insurance class due to the emergence of a new claim.
 - A **\$0.40 million** strengthening in the Medical Negligence insurance class broadly attributable to an increase in allowances for large claims to emerge, offset by reductions in the ultimate number of claims expected to emerge for the most recent insurance years.
 - A **\$0.59 million** increase in the Professional Indemnity insurance. As a result of increases in outstanding estimates on open large claims.
 - A **\$8.61 million** strengthening in the Property and Motor insurance class driven by the emergence of large storm claims in the 2026 insurance year.
 - A **\$35.63 million** increase in the Public Liability insurance class driven by an increase in the allowance for sexual assault claims from older insurance years, new large claims emerging in the 2022 and 2023 years, and an increase in the adopted number of claims expected to emerge for the 2025 and 2026 insurance years.
 - A **\$1.96 million** increase in the Residential Builders Warranty scheme due to higher-than-expected incurred cost development for Warranty claims relating to builders that failed prior to 30 June 2025.
 - A **\$0.042 million** reduction in the Physical and Sexual Abuse Scheme.

Note: A large claim is defined as a claim which has a total cost of \$1 million or greater.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 16. EMPLOYEE BENEFITS

Description and Material Accounting Policies Relating to Employee Benefits Liabilities

Accrued Wages and Salaries

Accrued Salaries and relevant superannuation expenses are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave

Annual and long service leave, including applicable on-costs, that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service, are measured at present value. The present value is determined based on the estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period, the present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption they will be wholly settled within three years. This financial year the rate used to estimate the present value of future:

- annual leave payment is **98.0%** (**99.5%** in the previous financial year); and
- payment for long service leave is **95.5%** (**100.1%** in the previous financial year).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years of qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs.

On-costs only become payable if the employee takes annual and long service leave while in-service. The probability that employees will take annual and long service leave while in-service has been taken into account in estimating the liability for on-costs.

Significant judgements have been applied in estimating the annual and long service leave liabilities, given that Authority uses the Whole-of-Government present value, probability and on-cost factors. These factors are issued by ACT Treasury and apply to all ACT Government Agencies. ACT Treasury organises an actuarial review to be undertaken every three years by the Australian Government Actuary to estimate each of these factors. The latest assessment was undertaken in December 2024 and early 2025, with the next review expected to be undertaken by late 2027.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 16. EMPLOYEE BENEFITS - Continued

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Flextime

The Flextime liability has been estimated using a simplified shorthand method, consistent with ACT Government accounting policy. This method assumes a maximum accrual of 10 hours per employee, equivalent to one standard work week, in line with the Authority's Work-Life Balance Policy. This approach provides a practical and resource-efficient solution that avoids time-intensive data collection while remaining compliant, consistent, and appropriate for the Authority's operational context. The difference between this estimate and a detailed calculation is considered immaterial.

Superannuation Liability

The employer superannuation benefits payable to the Authority's employees, who are members of the defined benefit CSS or PSS Schemes, are recognised in the Financial Statements of the Superannuation Provision Account.

	2026 \$'000	2025 \$'000
Current Employee Benefits		
Annual Leave ^a	557	452
Long Service Leave ^a	747	587
Accrued Employee Expenses	213	140
Flextime	71	73
Total Current Employee Benefits	1,588	1,252
Non-Current Employee Benefits		
Long Service Leave	91	61
Total Non-Current Employee Benefits	91	61
Total Employee Benefits	1,679	1,313

^a Higher Annual Leave and Long Service Leave balances for 2025-26 was due to staff not taking leave during the year and the transfer in of balances from new staff where required.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 17. OTHER LIABILITIES

Description and Material Accounting Policies Relating to Other Liabilities

Unearned Premium Liability - Builders Warranty Insurance

Unearned Premium Liability - Builders Warranty Insurance (BWI) Scheme is the premium revenue that has not been recognised in the operating statement. The actuarial valuation for the outstanding claims liabilities for the BWI scheme as at 30 June 2026 included an estimate of unearned premium liability based on the cost and timing to meet the claims liabilities that may arise including future claims handling costs. Unearned premium liabilities that are estimated to extend beyond 12 months after the reported balance date are classified as non-current liabilities.

A Liability Adequacy Test (LAT) was conducted as required by AASB 1023 General Insurance Contracts to assess the adequacy of the unearned premium liability by considering current estimates of the present value of the expected future cash flows relating to future claims under current policies. The LAT conducted as at 30 June 2026 passed (30 June 2025: failed), with the total discounted future claims liability (with risk margin) for underwriting years being **\$75,209** less (30 June 2025: **\$59,519** higher) than the total of the gross unearned premium.

Accrued Expenses – Builders Warranty Insurance

Accrued Expenses for Builders Warranty Insurance (BWI) scheme is recognised as a liability for any outstanding BWI commission, reimbursement for claims expenses and claims management fee as at the end of reporting period.

	Note No.	2026 \$'000	2025 \$'000
Current Other Liabilities			
Unearned Premium - Builders Warranty Insurance	21	1,948	1,500
Accrued Expenses - Builders Warranty Insurance	21	168	345
Accrued Expenses – PSA ^a	22	59	72
Other		2	22
Total Current Other Liabilities		2,177	1,938
Non-Current Other Liabilities			
Unearned Premium Liability - Builders Warranty Insurance	21	3,408	2,744
Total Non-Current Other Liabilities		3,408	2,744

^a Accrued Expenses - PSA relates to the valuation costs due to the first time the actuarial liability was assessed

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

OTHER NOTES

NOTE 18. FINANCIAL INSTRUMENTS

Description and Material Accounting Policies Relating to Financial Instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument of another entity.

Financial assets excluding statutory receivables and prepayments are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through Operating Statement based on both:

- a) the business model for managing the financial assets; and
- b) the contractual cash flow characteristics of the financial assets.

The following are the classification of the Authority's financial assets under AASB 9 Financial Instruments:

Items	Business Model Held to collect principal and interest/sell	Solely for payment of Principal and Interest SPPI Test (basic lending characteristics)	Classification
Cash at Bank	Held to collect	Yes	Amortised cost
Receivables	Held to collect	Yes	Amortised cost
Investments	Held to collect and/or sell	No	Fair Value Through Profit or Loss

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed. Refer to Note 11: Cash and Investments and Note 12: Receivables.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

A percentage of the Authority's financial assets are held as cash at bank which has a variable interest rate exposure. The Authority's financial liabilities are not subject to variable interest rates. This means that the Authority is not exposed to movements in interest payable; however, it is exposed to movements in interest receivable.

Interest rate risk for financial assets is managed by the Authority by only holding limited funds in cash. The interest rate risk for financial liabilities is not actively managed by the Authority as these liabilities are held in non-interest-bearing arrangements. There have been no changes in risk exposure or processes for managing risk since the last reporting period.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 18. FINANCIAL INSTRUMENTS – Continued

(a) Interest Rate Risk - Continued

Sensitivity Analysis

Due to larger cash balances in 2025-26, a sensitivity analysis has been included below. Taking into account past performance, future expectations and economic forecasts, the impact on the profit or loss and the impact on equity in the table below is reasonably possible over the next twelve months if interest rates change by +/- 1% per annum.

		Profit/(Loss) Impact \$'000	Profit/(Loss) Impact \$'000
2026			
Financial Assets held at amortised cost:		(1%)	1%
Cash and Cash Equivalents	77,796	(778)	778
2025			
Financial Assets held at amortised cost:		(1%)	1%
Cash and Cash Equivalents	56,758	(568)	568

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Authority's credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment. The Authority expects to collect all financial assets that are not past due or impaired.

Credit risk is managed by the Fund for cash at bank by holding bank balances with the ACT Government's appointed transactional bank, Westpac Banking Corporation (Westpac). S&P Global Ratings has assigned a AA- issuer credit rating to Westpac. A 'AA' credit rating means the obligor has a 'very strong to strong capacity to meet its financial commitments'.

Direct credit exposure for the Authority is mainly attributed to investments held with the Territory Banking Account and distributions receivable from the Territory Banking Account. The risk is assessed as very low.

A large proportion of the Authority's receivables are from other ACT Government agencies which means that the credit risk of these receivables going into default is low. Therefore, the Authority does not recognise any loss allowance for receivables collectible from other ACT Government agencies consolidated into the Whole-of-Government Financial Statements.

The Authority actuarially estimates the claims related receivables in relation to claims related recoveries from a third-party, reinsurers and BWI claims recoveries. Refer to Note 13: Claims Related Recoveries and Note 15: Outstanding Claims for details. The credit risk associated with claims related receivables, when the debt is raised is assessed as low as the Authority maintains a reinsurance program with reputable Australian and International reinsurance partners and receivables raised against third parties are often raised as per a court ordered or agreed settlement process coordinated by the ACT Government Solicitor's Office.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 18. FINANCIAL INSTRUMENTS - Continued

The Authority's exposure to credit risk and management of the risk has not changed since the last reporting year.

(c) Liquidity Risk

Liquidity risk is the risk that the Authority will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Authority ensures that it has sufficient amounts of financial assets to meet its current financial liabilities. The Authority manages its premium revenue and investments to meet the cost of future claims payments.

The Authority's exposure to liquidity risk in relation to its financial instruments and the management of this risk has not changed since the previous reporting period.

(d) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in unit prices.

The Authority is exposed to price risk as a result of its investment unit holdings with the Territory Banking Account. The investment unit price fluctuates because of changes in value in the underlying investment portfolio exposures.

The Territory Banking Account manages the price risk arising from these investments by diversifying the portfolio in accordance with the Authority's Investment Plan. Exposures to asset class sectors comprising cash, money market securities, fixed income bonds (domestic and international), equities (domestic and international), property and infrastructure are maintained in line with the strategic asset allocation that has been structured to achieve the Authority's long-term investment objective within acceptable risk tolerances. Under the investment structure, investments are diversified by geography, sector and financial instrument type to manage the risks associated with changing financial and economic conditions. More detail can be found in the Financial Statements of the Territory Banking Account.

The Authority's exposure to price risk and management of the risk has not changed since the last reporting period.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 18. FINANCIAL INSTRUMENTS - Continued

Sensitivity Analysis

The following table summarises the sensitivity of the Authority's operating result and equity to price risk.

	Loss Impact \$'000	Profit Impact \$'000
2026		
Volatility Factors	(7.2%)	7.2%
Investments with the Territory Banking Account	(28,694)	28,694
2025		
Volatility Factors	(6.3%)	6.3%
Investments with the Territory Banking Account	(25,747)	25,747

The expected volatility factor represents the estimated variance in return for the Authority's investment strategy.

The volatility of returns reflects the inherent risk in the investments. The reasonably possible movements in risk variables are continually assessed and have been determined based on best estimates, having regard to a number of factors including historical correlation of the investment strategy with relevant benchmarks and market volatility.

Actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the underlying investments are invested.

(e) Fair Value of Financial Assets and Liabilities

The carrying amounts for all financial assets and liabilities reflect their fair value.

(f) Carrying Amount of Each Category of Financial Asset and Financial Liability

Investments with the Territory Banking Account are measured at fair value with any adjustments to the carrying amount being recorded in the Operating Statement. Fair value is based on an underlying pool of investments which have quoted market prices on the held units at the reporting date.

	2026 \$'000	2025 \$'000
Financial Assets		
Financial Assets at Fair Value through Operating Statement		
Designated upon Initial Recognition	398,523	408,689
Financial Assets at Amortised Cost	77,796	56,758
Receivables Measured at Amortised Cost	13,478	4,247
Financial Liabilities		
Payables Measured at Amortised Cost	610	581

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 18. FINANCIAL INSTRUMENTS - Continued

(g) Gain/(Loss) on Each Category of Financial Asset

The Authority's financial assets are measured at fair value and as such, no additional categories are applicable.

Also, the Authority does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Operating Statement' category and, as such, this category is not included above.

	2026 \$'000	2025 \$'000
Gain/(Loss) on Financial Asset		
Financial Assets at Fair Value through Operating Statement		
Designated upon Initial Recognition	9,834	27,239

(h) Fair Value Hierarchy

The Authority's investments are classified as Level 2 within the fair value hierarchy.

The investment comprises units held in the Territory Banking Account's financial investments portfolio. The fair value of the investment is determined using the redemption price of the units at the reporting date, which reflects the fair value of the underlying investment assets held by the Territory Banking Account.

The investment is classified as Level 2 as the Authority does not hold directly traded securities with quoted prices in an active market for the units themselves. Rather, the unit price is derived from the valuation of an underlying portfolio of investments that is based predominantly on observable market information. Accordingly, while the valuation incorporates market-based inputs, there is no quoted market price for the specific units held by the Authority.

The fair value of the Authority's investment is influenced by movements in the market value of the underlying investment portfolio held by the Territory Banking Account. Key factors affecting fair value during the year include:

- movements in domestic and international equity markets;
- changes in interest rates and bond yields;
- movements in credit spreads; and
- net investment contributions and withdrawals made by the Authority.

Changes in fair value are recognised in the Operating Statement as gains or losses on financial assets measured at fair value through operating statement.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 19. RELATED PARTY DISCLOSURES

Description and Material Accounting Policies Relating to Related Party Disclosures

A related party is a person that controls or has significant influence over the Authority or is a member of the Key Management Personnel (KMP) of the Authority or its parent entity and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly.

KMP of the Authority are the Under Treasurer, the Executive General Manager Strategic Policy and Finance, and the General Manager of the ACT Insurance Authority. The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the Authority.

This note does not include typical citizen transactions between the KMP and the Authority that occur on terms and conditions no different to those applying to the general public.

(a) Controlling Entity

The Authority is an ACT Government controlled entity.

(b) Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's Financial Statements for the year ended 30 June 2026.

Compensation of the Head of Service is included in the note on related party disclosures included in the Chief Minister, Treasury and Economic Development Directorate's (CMTEDD) Financial Statements for the year ended 30 June 2026.

The Under Treasurer and the Executive General Manager Strategic Policy and Finance are the KMPs of the Authority, employed by CMTEDD and are compensated by CMTEDD. There were no transactions between the Authority and its KMP.

Total compensation by the Authority to the one other KMP is set out below (excluding any reimbursements). This compensation includes their roles as the Fund Manager of the Default Insurance Fund and the General Manager for the Office of the Nominal Defendant.

	2026 \$'000	2025 \$'000
Short-term employee benefits	264	236
Post-employment benefits	33	27
Other long-term benefits	(6)	13
Total Compensation by the Authority to KMP	291	276

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 19. RELATED PARTY DISCLOSURES - Continued

(c) *Transactions with other ACT Government Controlled Entities*

The Authority has entered into transactions with other ACT Government entities in 2025-26 and 2024-25 consistent with the Authority's day-to-day business operations provided under varying terms and conditions. The notes to the Financial Statements provide the details of transactions with other ACT Government entities. Below is a summary of the material transactions with other ACT Government entities.

Revenue

Underwriting Results – Refer to Note 5: Underwriting Results. Gross earned premium – The Authority received **\$94.517 million** in 2025-26 as revenue from other ACT Government Entities for insurance premiums to manage the self-insured insurance classes on behalf of the Territory.

- Distribution Revenue from TBA – Refer to Note 7: Investments and Interest Revenue – The Authority received **\$19.672 million** in 2025-26 for investment distribution from the Territory Banking Account.
- Gains from Remeasurement of Assets – Refer to Note 7: Investments and Interest Revenue – The Authority made **\$9.834 million** in 2025-26 for gains from the remeasurement of investments with the Territory Banking Account.
- Other Income – Refer to Note 8: Other Income and Expenses – The Authority received **\$4.258 million** in 2025-26 for contract works and external insurance policies arranged and passed through to the ACT Government entities.
- Resources Received Free of Charge - Refer to Note 8: Other Income and Expenses – The Authority received **\$0.003 million** in 2025-26 for legal services free of charge from the ACT Government Solicitor's Office, received **\$0.017 million** in 2025-26 for finance services free of charge from the Shared Services.
- Other Income - Refer to Note 8: Other Income and Expenses - The Authority received **\$0.889 million** in 2025-26 for the Physical and Sexual Abuse (PSA) Indemnity Scheme from the Health and Community Services Directorate.

Expenses

- Claims Expenses – Refer to Note 5: Underwriting Result and Note 6: Net Incurred Claims- The Authority paid **\$14.740 million** in 2025-26 to the ACT Government Solicitor's Office for legal matters related to claims services and settlements.
- Claims Expenses - Refer to Note 5: Underwriting Result and Note 6: Net Incurred Claims - The Authority paid **\$42.045 million** in 2025-26 for the settlement of claims to various ACT Government Entities and received **\$3.243 million** in excess payments and recoveries.
- Employee Expenses – Refer to Note 9: Employee Expenses – The Authority paid **\$0.101 million** in 2025-26 for superannuation contributions to the Territory Banking Account via Shared Services payroll and paid **\$0.067 million** for workers compensation cover to the Public Sector Workers Compensation Fund.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 19. RELATED PARTY DISCLOSURES - Continued

- Supplies and Services – Refer to Note 10: Supplies and Services – The Authority paid **\$0.090 million** in 2025-26 to the ACT Audit Office for audit services, **\$0.138 million** to DCBR for telecommunication and computing services, and **\$0.071 million** to the ACT Government Solicitor’s Office for periodic claims review.

Assets

- Cash and Investments – Refer to Note 11: Cash and Investments – The Authority holds **\$398.523 million** in ‘investment unit holdings’ with the Territory Banking Account at the end of 2025-26.
- Receivables – Refer to Note to 12: Receivables – The Authority has **\$12.099 million** in accounts receivable for distributions receivable with the Territory Banking Account at the end of 2025-26.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 20. BUDGETARY REPORTING

Significant Accounting Judgements and Estimates – Budgetary Reporting

The following are brief explanations of major line items variances between budget estimates and actual outcomes where:

- (a) the line item is a significant line item: the line-item actual amount accounts for more than **10 per cent** of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the Financial Statements; and
- (b) the variances (original budget to actual) are greater than plus (+) or minus (-) **10 per cent** and **\$15 million** for the Financial Statement line item.

Operating Statement Line Items	Actual 2026 \$'000	Original Budget ¹ 2026 \$'000	Variance \$'000	Variance %	Variance Explanation
Ordinary activities					
Claims Expenses	150,548	90,702	(59,846)	66	Higher claims expenses during 2025-26 is mainly due to large claims experience across the Medical Negligence, Property and Public Liability portfolios. There have been increases in actuarial assumptions relating to the number of Public Liability claims for sexual abuse across prior years, and an increase in the adopted number of claims expected to emerge for the 2025 and 2026 insurance years.

Balance Sheet/ Statement of Cashflow Line Items	Actual 2026 \$'000	Original Budget ¹ 2026 \$'000	Variance \$'000	Variance %	Variance Explanation
Non-Current Claims Related Recoveries	41,855	13,748	28,107	204	Higher claims related recoveries mainly due to large claims experience and particularly large individual property damage, medical negligence claims, and emerging sexual abuse public liability claims that are expected to exceed the reinsurance retention thresholds.

¹ Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted Financial Statements in respect of the reporting period (2025-26 Statement of Intent).

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 20. BUDGETARY REPORTING - Continued

Balance Sheet/ Statement of Cashflows Line Items	Actual 2026 \$'000	Original Budget ¹ 2026 \$'000	Variance \$'000	Variance %	Variance Explanation
Liabilities					
Current Outstanding Claims Liabilities	116,196	82,197	(33,999)	41	Higher current outstanding claims liabilities for 2025-26 is due to large claims experience across the Medical Negligence, Property and Public Liability portfolios. There have been increases in actuarial assumptions relating to the number of Public Liability claims for sexual abuse across prior years, and an increase in the adopted number of claims expected to emerge for the 2025 and 2026 insurance years.
Non-Current Outstanding Claims	388,216	348,660	(39,556)	11	Higher non-current outstanding claims liabilities for 2025-26 is due to large claims experience across the Medical Negligence, Property and Public Liability portfolios. There have been increases in actuarial assumptions relating to the number of Public Liability claims for sexual abuse across prior years, and an increase in the adopted number of claims expected to emerge for the 2025 and 2026 insurance years.
Cash Flows from Operating Activities Payments					
Insurance Claims	127,472	80,564	(46,908)	58	Higher insurance claims payments mainly relate to timing differences with higher-than-expected payments, with shorter than expected claims settlement timeframes and higher than expected settlement costs. Refer to Note 6: Net Incurred Claims and Note: 15: Outstanding Claims Liabilities commentaries.

¹ Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted Financial Statements in respect of the reporting period (2025-26 Statement of Intent).

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 21. BUILDERS WARRANTY INSURANCE

The Territory entered into an indemnity agreement with QBE which commenced on 12 March 2020 for the provision of Builders Warranty Insurance scheme to ACT builders, with the Territory indemnifying QBE in respect of any claim losses. Under the agreement, the Authority receives premium revenue from QBE for any new policies written, QBE is paid a commission and receives a fee for the administration of claims management services.

The following section presents the financial performance of the Builders Warranty Insurance scheme for the year ended 30 June 2026. Separate disclosure is provided to support users' understanding of the financial impact of the scheme, including its indemnity coverage for non-ACT Government entities.

Operating Statement	Note No.	2026 \$'000	2025 \$'000
The figures below are included in the Authority's Operating Statement			
Revenue:			
Gross Earned Premiums ^a	8	2,683	3,058
Recoveries	8	367	469
Interest Revenue	7	247	447
Total Revenue		3,297	3,974
Expenses:			
Commission	8	759	658
Claims Processing Service Fees	8	183	119
Claims Expense ^b	8	6,312	10,153
Actuarial Cost	10	76	98
Support Services	10	69	62
Total Expenses		7,399	11,090
Operating Result		(4,102)	(7,116)

^a Gross earned premium is based on gross written premium and any release of unearned premium liability based on actuarial estimates and liability adequacy test. Refer to Note 17: Other Liabilities. The decrease is attributable to less premium received on policies relating to the 2025-26 financial year.

^b Claims Expense has decreased mainly due to a lower number of builder failures/collapses during 2025-26.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 21. BUILDERS WARRANTY INSURANCE - Continued

Balance Sheet	Note No.	2026 \$'000	2025 \$'000
The figures below are included in the Authority's Balance Sheet			
Assets:			
Cash ^a	11	6,191	4,646
Current Claims Related Recoveries	13	811	434
Current Receivable	12	-	324
Non-Current Claims Related Recoveries	13	234	244
Total Assets		7,236	5,648
Liabilities:			
Other Liabilities (Accrued Expenses)	17	168	345
Current Unearned Premium Liabilities ^b	17	1,948	1,500
Current Outstanding Claims Liabilities ^c	15	10,159	5,706
Non-Current Unearned Premium Liabilities ^b	17	3,408	2,744
Non-Current Outstanding Claims Liabilities ^c	15	2,728	2,861
Total Liabilities		18,411	13,156
Net Assets		(11,175)	(7,508)

^a Cash Balance in the bank for the BWI Scheme increased in 2025-26 due to a positive cash flow from operating activities. Receipts of gross written premium were greater than commission, claims, and payments for other operating expenses.

^b Current and Non-current unearned premium liabilities are based on the liability adequacy test carried out for 30 June 2026.

^c Higher outstanding Current liabilities are due to a higher number of builder failures/collapses during 2024-25 and the associated higher number of exposed contracts based on the June 2026 actuarial valuation.

NOTE 22. PHYSICAL AND SEXUAL ABUSE INDEMNITY SCHEME

The independent actuarial valuation of claims liabilities and liability adequacy test for the PSA indemnity scheme was undertaken as at 30 June 2026. The Authority operates on a cost recovery basis by collecting an indemnity fee from the Health and Community Services Directorate (HCSD) to meet the costs of future asset losses and legal liabilities that occur as a result of the activities of Government. In consideration of the indemnity fees paid, the Authority provides indemnity to HCSD for insurable losses and claims incurred in relation to Out of Home Care Physical and Sexual Abuse that have been lodged against their third-party providers that are actively part of the scheme.

Each year the Authority, with the assistance of its actuary, Scyne Advisory, determines the total indemnity fee to be collected from HCSD, to meet the anticipated cost of claims for the insurance year. The actuarial approach to setting the annual insurance premiums and indemnity fees relies on assumptions about the estimated future number of claims, the estimated average settlement size, expected inflation rates, and investment returns.

The following section outlines the PSA Indemnity Scheme financial performance for the reporting period ending 30 June 2026.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

NOTE 22. PHYSICAL AND SEXUAL ABUSE INDEMNITY SCHEME – Continued

Operating Statement	Note No.	2026 \$'000	2025 \$'000
<i>The figures below are included in the Authority's Operating Statement</i>			
Revenue:			
Gross Earned Premiums ^a	8	890	885
Total Revenue		890	885
Expenses:			
Claims Expense	8	1,584	1,476
Actuarial Services ^b	10	59	59
Consulting ^b	10	-	13
Legal Expenses	10	-	5
Total Expenses		1,643	1,553
Operating Result		(753)	(668)

Balance Sheet	Note No.	2026 \$'000	2025 \$'000
<i>The figures below are included in the Authority's Balance Sheet</i>			
Assets:			
Cash ^a		2,688	885
Total Assets		2,688	885
Liabilities:			
Other Liability (Accrued Expenses) ^b	17	59	72
Current Outstanding Claims Liabilities	15	92	55
Non-Current Outstanding Claims Liabilities	15	6,333	4,786
Total Liabilities		6,484	4,913
Net Assets/(Liabilities)		(3,796)	(4,028)

^a PSA Indemnity Scheme operates on a cost recovery basis by collecting indemnity fees from HCSD to meet the costs of future asset losses and legal liabilities. Cash balance is included and represented in ACTIA's bank balance and this line item is only for presentation purpose.

^b The actuarial services and consulting expenses related to the valuation and accounting independent review.

ACT INSURANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

C.3 Capital Works

The Authority did not have capital works expenditure during the reporting year.

C.4 Asset Management

C.4.1 Assets Managed

The Authority entered into a 3-year contract (+ two 1-year extensions) with SBC IT Pty Ltd for their Claims Management, Insurance Renewals and Risk Management System in August 2024. Relevant costs of this contract have been capitalised as assets by the Authority totalling \$237,289 which are being depreciated over the life of the contract. The Authority also has capacity to invest funds over the medium and long term.

C.4.2 Office Accommodation

The Authority employs 34 employees occupying at Level 1, 220 London Circuit, Canberra.

C.5 Government Contracting

C.5.1 Aboriginal and Torres Strait Islander Procurement Policy

The Authority is part of CMTEDD and as such, any performance measures relating to Aboriginal and Torres Strait Islander Enterprises and any addressable spend for this reporting period is reported within the CMTEDD's Annual Report. There were no Aboriginal and Torres Strait Islander Enterprises directly registered as suppliers with the Authority.

C.5.2 ACT Government Contracts Register

The Authority engages consultants to perform a number of specialised functions. Consultants provide insurance broking services, risk management advice, actuarial services, and legal advice. The procurement selection and management processes for all contractors, including consultants, complied with the *Government Procurement Act 2001* and the Government Procurement Regulation 2007.

The online ACT Government Contracts Register records contracts with suppliers of goods, services and works, with a value of \$25,000 or more. A full search of ACT Insurance Authority contracts notified with an execution date from 1 July 2025 to 30 June 2026 can be made at <https://www.tenders.act.gov.au/contract/search>.

C.6 Statement of Performance

The Authority's Statement of Performance is reported on page 108 of the 2025-26 ACT Insurance Authority Annual Report. Narrative on the performance measures is also included in B.2 Performance Analysis.

INDEPENDENT LIMITED ASSURANCE

To the Members of the ACT Legislative Assembly

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the ACT Insurance Authority (Authority) for the year ended 30 June 2026.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2026 are not in agreement with the Authority's records or do not fairly reflect, in all material respects, the performance of the Authority, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

I have conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. My responsibilities under the standard and legislation are described in the 'Auditor-General's responsibilities' section of this report.

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and the ACT Audit Office applies Australian Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

I believe that sufficient and appropriate evidence was obtained to provide a basis for my conclusion.

Authority's responsibilities for the statement of performance

The Under Treasurer is responsible for:

- preparing and fairly presenting the statement of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*; and
- determining the internal controls necessary for the preparation and fair presentation of the statement of performance so that the results of accountability indicators and accompanying information are free from material misstatements, whether due to error or fraud.

Auditor-General's responsibilities

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*, the Auditor-General is responsible for issuing a limited assurance report on the statement of performance of the Authority.

My objective is to provide limited assurance on whether anything has come to my attention that indicates the results of the accountability indicators reported in the statement of performance are not in agreement with the Authority's records or do not fairly reflect, in all material respects, the performance of the Authority, in accordance with the *Financial Management Act 1996*.

In a limited assurance engagement, I perform procedures such as making inquiries with representatives of the Authority, performing analytical review procedures and examining selected evidence supporting the results of accountability indicators. The procedures used depend on my judgement, including the assessment of the risks of material misstatement of the results reported for the accountability indicators.

Limitations on the scope

The procedures performed in a limited assurance engagement are less in extent than those required in a reasonable assurance engagement and consequently the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the statement of performance.

This limited assurance engagement does not provide assurance on the:

- relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets;
- accuracy of explanations provided for variations between actual and targeted performance due to the often-subjective nature of such explanations; or
- adequacy of controls implemented by the Authority.



Clea Lewis
Assistant Auditor-General, Financial Audit
28 September 2026

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2026 STATEMENT OF RESPONSIBILITY

We are responsible for the preparation of the Statement of Performance and for the judgements exercised in preparing it. In our opinion the Statement of Performance is in agreement with the ACT Insurance Authority's records and fairly reflects the service performance of the ACT Insurance Authority for the year ended 30 June 2026.

A blue ink signature consisting of a large, stylized 'R' followed by a horizontal line extending to the right.

Russ Campbell
Acting Head of Service and Director General
Chief Minister, Treasury and
Economic Development Directorate
ACT Insurance Authority
23 September 2026

A black ink signature consisting of a stylized 'D' followed by a horizontal line extending to the right.

Damian Black
General Manager
ACT Insurance Authority
23 September 2026

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2026

DESCRIPTION OF OBJECTIVES

The ACT Insurance Authority (the Authority) is established under the *Insurance Authority Act 2005*. The functions of the Authority are to:

- carry on the business of insurer of Territory risks; and
- take out insurance of Territory risks with other entities; and
- satisfy or settle claims in relation to Territory risks; and
- take action, with the Treasurer's approval, for realising, enforcing, assigning or extinguishing of rights against third parties arising out of or in relation to its business, including, for example:
 - taking possession of, dealing with or disposing of property; or
 - carrying on a third party's business as a going concern;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Minister about insurance and the management of Territory risks.

The Authority also administers the:

- Office of the Nominal Defendant of the ACT, for claims against uninsured and/or unidentified vehicles for the Motor Accident Injuries Scheme; and
- Default Insurance Fund, for default claims under the ACT Private Workers' Compensation Scheme; and
- Annual reports and Financial Statements for these two entities are available in the Chief Minister, Treasury and Economic Development Directorate 2025–26 Annual Report.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2026

Objective	Accountability Indicators	Original Target 2025-26	Actual Result 2025-26	Variance Amount %		Explanation of Material Variances (+/-10%)
Carry on the business of insurer of territory risks	a. Results from the annual customer satisfaction survey: - Overall customer satisfaction with the Authority	80%	94.7%	14.7	18.4	The Authority achieved a positive response rate of 94.7%, exceeding the target. While the number of survey responses decreased from 38 in 2024-25 to 20 in 2025-26, stakeholder satisfaction remained high, with only 5.3% of respondents providing a negative response. This result reflects the Authority's continued focus on improving stakeholder satisfaction and engagement across all functions of the Authority.
	b. Maintain the Authority's funding ratio as outlined in the Authority's Capital Management Plan.	110%	107.5%	2.5	2	
	c. General and administrative expense as a percentage of total annual premium revenue.	10%	7%	(3)	(30)	In 2025-26, the general and administration expenses were lower than the original budget and target. This is predominantly due to lower than expected expenses in supplies and services. The Authority maintained sound control on employee expenses and relevant supplies and services during the year, with both employee expenses and supplies and services spending below budget.

*The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.*

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2026

Objective	Accountability Indicators	Original Target 2025-26	Actual Result 2025-26	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Carry on the business of insurer of territory risks	d. The average number of days to process settlement of claims payments from the day all required documents are received from the agency.	14 days	25 days	(11)	(78.6)	All settlement payments have been made in accordance with the requirements of the court. The Authority's payment runs are conducted on a fortnightly basis, so payment requests that miss a payment run cut-off date are delayed until the next fortnight. Payments in relation to settlements are only approved once all relevant supporting documentation has been received.
Take out insurance of territory risks with other entities	e. Complete Property Loss Control Surveys undertaken at a number of selected Territory locations.	8	9	1	12.5	One additional property loss survey was conducted.
	f. Hold quarterly reviews of all public liability and medical negligence claims to assess the claim management strategy for matters where the Territory's reserve exceeds \$250,000.	4	4	0	0	

*The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.*

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2026

Objective	Accountability Indicators	Original Target 2025-26	Actual Result 2025-26	Variance Amount	%	Explanation of Material Variances (+/-10%)
Develop and promote good practices for the management of territory risks	g. Deliver a program of general and targeted risk management training courses to Territory agencies.	45	44	(1)	(2.2)	
	h. Overall participant satisfaction with introduction to risk management training sessions delivered to agency staff members.	90%	96.4%	6.4	7.11	
	i. Provide quarterly reporting to directorates to assist the identification, assessment and treatment of risks.	4	4	0	0	

*The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.*

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2026

NOTES

- a) Surveys are sent to a range of agency contacts including Director-Generals, Chief Executive Officers and other key stakeholders of ACT Government directorates and statutory authorities insured by the Authority. Respondents are asked to rate their overall satisfaction with the Authority's services based on their experiences over the past 12 months. Satisfaction levels are determined by the respondents selecting either very good, good, average, poor or very poor. Very good, good and average responses are taken as a positive result.
- b) The funding ratio is calculated by dividing total assets by total liabilities. The Authority aims to maintain its capital position between 100-120 per cent as outlined in the Authority's capital management plan. A capital position outside this range requires the Authority to consider corrective action. The parameters outlined in the Authority's capital management plan guide decision making to address a capital position outside the targeted ratio range. This would include action to seek capital injections (in a deficit situation) or returning excess capital (in a surplus situation) to the ACT Government.
- c) The Authority's general and administrative expenses, including employee expenses, supplies and services, is calculated as a percentage of gross earned premiums expressed as Sale of Goods and Services from contracts with customer in the operating statement and is measured against the budgeted results for the Authority.
- d) The Authority generally processes payments for the settlement of claims on a fortnightly basis. The average number of days to process a payment is measured from the date all required documentation relating to settlements is received by the Authority, to the date payment is made.
- e) The Authority's property reinsurers conduct an annual property loss control survey program on selected Territory locations. Property loss control reports identify the potential for property loss and assist agencies to reduce the risks of loss through loss prevention efforts. Recommendations are communicated to surveyed Territory agencies for consideration.
- f) The Authority conducts quarterly claims review meetings to review all public liability and medical negligence claims where the Territory's reserve exceeds \$250,000. Meetings are also attended by representatives of the ACT Government Solicitor's Office, the Authority's insurance brokers, external insurers and their solicitors.
- g) The Authority delivers a program of face-to face risk management training that covers general introductory and intermediate-to-advanced level risk management, along with entity specific training tailored to meet agency requirements.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2026

NOTES - Continued

- h) Attendees of risk management training sessions are requested to complete feedback forms at the completion of the courses delivered by the Authority. Attendees are asked to assess the course based on areas such as, course suitability, facilitators' knowledge and whether they would recommend the training. The satisfaction levels are determined by the respondents selecting either strongly agree, agree, disagree or strongly disagree. Strongly agree and agree are taken as a satisfied result.
- i) The Authority provides quarterly reports to directorates to assist in the identification, assessment, and treatment of risk for Territory activities. The reports provide a range of information and data, including claim numbers, cost of claims and analytics to support ongoing risk management considerations.

Glossary of Technical Terms

ACTIA

ACT Insurance Authority

Actuary

An actuary uses complex mathematical methods to analyse past loss data and other statistics, to develop systems for determining outstanding claims liability and future premiums.

APRA

Australian Prudential Regulatory Authority

ARIns

Attraction and Retention Incentives

Builders Warranty Insurance

Provides compensation to ACT homeowners for losses if their builder goes bankrupt, dies, or disappears, or for faulty workmanship.

Catastrophe

A major event giving rise to multiple losses across multiple agencies (e.g. a hailstorm, cyclone or earthquake).

Claims Incurred

The expenses relating to claims arising from risks covered during an accounting period, including claims paid, claims outstanding, and claims settlement expenses associated with such risks.

Claims Incurred But Not Enough Reported/Recorded (“IBNER”)

The understatement of the cost of claims reported prior to the close of an accounting period for which the insurer had insufficient information to be able to make an assessment of the amount of the claims.

Glossary of Technical Terms - Continued

Claims Incurred But Not Reported (“IBNR”)

Claims arising from incidents occurring prior to the close of an accounting period, which are expected to be reported in subsequent accounting periods.

Claims Reported

Claims resulting from accidents or occurrences which have taken place, and of which the insurer has received notice or report of loss.

Directors’ and Officers’ Insurance

Provides management liability cover for negligent acts, errors, or omissions arising because of a person’s status as a “Manager”.

Discount Rate

Outstanding claims include a discount to allow for interest that is expected to be earned on investments until claims are paid. A lower discount rate reduces the amount of expected interest and therefore increases the claim liability.

Earned Premiums

The amount of the total premium payable (i.e. the gross written premium) that relates to the proportion of the risk covered which has expired up to the date of calculation.

ISR

Industrial Special Risk is a class of insurance that provides cover for high value physical assets and businesses from various risks and losses.

Insurance Claim

An insurance incident which has developed to the stage where there has been a demand for compensation which may or may not involve legal proceedings.

Insurance Incident

An incident or event that may give rise to an insurance claim at a future date.

Glossary of Technical Terms - Continued

Insurance Year

1 July 2025 to 30 June 2026

LAT

Liability Adequacy Test

Long-tail Claims

Long tail claims are claims that are made or settled a significant time after the incident occurred. Typically, long tail claims would occur under the Public Liability and Medical Negligence policies.

Medical Negligence Insurance

Insurance for healthcare services and providers against claims alleging negligent acts or omissions that have harmed third parties.

Outstanding Claims

The estimated amount of unpaid claims and claims settlement expenses for which an insurer is liable. The estimate will usually include:

- case estimates for reported claims;
- provision for IBNER claims costs; and
- provision for IBNR claims costs.

Professional Indemnity Insurance

Insurance against claims alleging that professional advice or service provided by the Territory has caused a financial loss to third parties.

Property Insurance

Insurance against loss or damage to property that is owned by the Territory, or for property that is required to be insured through a contract or agreement.

PSA

Physical and Sexual Abuse

Glossary of Technical Terms - Continued

Public Liability Insurance

Insurance against claims of personal injury or property damage that a third party suffers (or claims to have suffered) as a result of the Territory's negligence.

Reinsurance

Is a practice where an insurance company transfers a portion of its risks to another insurance company (the reinsurer) in order to mitigate the impact of catastrophic losses.

Reinsurance Recoveries

The amount recovered or recoverable under a contract of reinsurance as a result of claims paid on the occurrence of an event, or series of events, specified as being reinsured.

Risk Management

Risk management is the combination of culture, systems, and processes undertaken by an entity in the identification and management of risk.

Settlement Costs

The costs incurred by an insurer in connection with settling claims. These may include not only the amount paid to the insured, but also indirect costs related to handling claims (e.g. the salaries of staff in the claims handling area, and solicitors' fees).

Superimposed Inflation

Superimposed inflation is the tendency for payments to increase over time at a faster rate than a suitable standard measure of inflation. This can be driven by factors such as increases in court settlement sizes, and an assumption is set considering any superimposed inflation present in the portfolio and industry superimposed inflation trends.

Underwriting Result

This is the surplus or deficit that emerges after reinsurance cost, unearned premiums, claims expenses, and underwriting expenses applicable to a period are deducted from premium revenue.

It is a deficient measure in that it does not have regard to investment earnings arising on insurance funds held (i.e. unearned premium and claims provisions).