

# ACT INSURANCE AUTHORITY

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## Objectives

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

## 2009-10 Priorities

Strategic and operational issues to be pursued in 2009-10 include:

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

## Estimated Employment Level

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

## Changes to Appropriation

Changes to Appropriation	2008-09 Est. Out. \$'000	2009-10 Budget \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000	2012-13 Estimate \$'000
Capital Injections					
2008-09 Budget	10,000	10,000	10,000	-	-
2009-10 Budget	10,000	10,000	10,000	-	-

## ACT Insurance Authority Operating Statement

2008-09 Budget \$'000		2008-09 Est.Outcome \$'000	2009-10 Budget \$'000	Var %	2010-11 Estimate \$'000	2011-12 Estimate \$'000	2012-13 Estimate \$'000
<b>Income</b>							
<b>Revenue</b>							
49,937	User Charges - ACT Government	49,937	48,124	-4	50,290	52,553	54,918
10,961	Interest	10,961	8,542	-22	9,673	10,445	11,107
3,826	Other Revenue	1,037	2,442	135	2,514	2,575	2,645
<b>64,724</b>	<b>Total Revenue</b>	<b>61,935</b>	<b>59,108</b>	<b>5</b>	<b>62,477</b>	<b>65,573</b>	<b>68,670</b>
<b>Gains</b>							
<b>0</b>	<b>Total Gains</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>64,724</b>	<b>Total Income</b>	<b>61,935</b>	<b>59,108</b>	<b>5</b>	<b>62,477</b>	<b>65,573</b>	<b>68,670</b>
<b>Expenses</b>							
1,286	Employee Expenses	1,286	1,335	4	1,430	1,440	1,459
220	Superannuation Expenses	197	249	26	228	228	230
1,488	Supplies and Services	1,288	1,460	13	1,490	1,519	1,556
62,447	Other Expenses	71,571	61,961	-13	65,773	69,762	73,940
<b>65,441</b>	<b>Total Ordinary Expenses</b>	<b>74,342</b>	<b>65,005</b>	<b>-13</b>	<b>68,921</b>	<b>72,949</b>	<b>77,185</b>
<b>-717</b>	<b>Operating Result</b>	<b>-12,407</b>	<b>-5,897</b>	<b>52</b>	<b>-6,444</b>	<b>-7,376</b>	<b>-8,515</b>

## ACT Insurance Authority Balance Sheet

Budget as at 30/6/09 \$'000		Est.Outcome as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000	Var %	Planned as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000
<b>Current Assets</b>							
145,388	Cash and Cash Equivalents	176,864	213,412	21	246,976	268,003	286,357
11,163	Receivables	2,792	2,221	-20	2,252	1,719	1,688
<b>156,551</b>	<b>Total Current Assets</b>	<b>179,656</b>	<b>215,633</b>	<b>20</b>	<b>249,228</b>	<b>269,722</b>	<b>288,045</b>
<b>Non Current Assets</b>							
11,050	Receivables	39,519	37,912	-4	37,028	36,954	36,556
28,437	Investments	53,073	50,449	-5	47,942	45,435	42,928
<b>39,487</b>	<b>Total Non Current Assets</b>	<b>92,592</b>	<b>88,361</b>	<b>-5</b>	<b>84,970</b>	<b>82,389</b>	<b>79,484</b>
<b>196,038</b>	<b>TOTAL ASSETS</b>	<b>272,248</b>	<b>303,994</b>	<b>12</b>	<b>334,198</b>	<b>352,111</b>	<b>367,529</b>
<b>Current Liabilities</b>							
56,770	Payables	64,870	71,781	11	78,442	84,764	90,790
319	Employee Benefits	273	273	-	273	273	273
<b>57,089</b>	<b>Total Current Liabilities</b>	<b>65,143</b>	<b>72,054</b>	<b>11</b>	<b>78,715</b>	<b>85,037</b>	<b>91,063</b>
<b>Non Current Liabilities</b>							
156,015	Payables	213,078	233,810	10	253,797	272,764	290,671
<b>156,015</b>	<b>Total Non Current Liabilities</b>	<b>213,078</b>	<b>233,810</b>	<b>10</b>	<b>253,797</b>	<b>272,764</b>	<b>290,671</b>
<b>213,104</b>	<b>TOTAL LIABILITIES</b>	<b>278,221</b>	<b>305,864</b>	<b>10</b>	<b>332,512</b>	<b>357,801</b>	<b>381,734</b>
<b>-17,066</b>	<b>NET ASSETS</b>	<b>-5,973</b>	<b>-1,870</b>	<b>69</b>	<b>1,686</b>	<b>-5,690</b>	<b>-14,205</b>
<b>REPRESENTED BY FUNDS EMPLOYED</b>							
-17,066	Accumulated Funds	-5,973	-1,870	69	1,686	-5,690	-14,205
<b>-17,066</b>	<b>TOTAL FUNDS EMPLOYED</b>	<b>-5,973</b>	<b>-1,870</b>	<b>69</b>	<b>1,686</b>	<b>-5,690</b>	<b>-14,205</b>

## ACT Insurance Authority Cash Flow Statement

2008-09 Budget \$'000		2008-09 Est.Outcome \$'000	2009-10 Budget \$'000	Var %	2010-11 Estimate \$'000	2011-12 Estimate \$'000	2012-13 Estimate \$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
	<b>Receipts</b>						
49,998	User Charges	49,998	48,124	-4	50,290	52,553	54,918
10,961	Interest Received	10,961	8,542	-22	9,673	10,445	11,107
47,053	Other Revenue	46,557	46,670	..	47,149	48,730	48,794
<b>108,012</b>	<b>Operating Receipts</b>	<b>107,516</b>	<b>103,336</b>	<b>-4</b>	<b>107,112</b>	<b>111,728</b>	<b>114,819</b>
	<b>Payments</b>						
1,278	Related to Employees	1,278	1,335	4	1,430	1,440	1,459
220	Related to Superannuation	197	249	26	228	228	230
1,479	Related to Supplies and Services	1,279	1,452	14	1,482	1,512	1,549
103,622	Other	63,364	69,914	10	76,453	83,566	89,272
<b>106,599</b>	<b>Operating Payments</b>	<b>66,118</b>	<b>72,950</b>	<b>10</b>	<b>79,593</b>	<b>86,746</b>	<b>92,510</b>
<b>1,413</b>	<b>NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>41,398</b>	<b>30,386</b>	<b>-27</b>	<b>27,519</b>	<b>24,982</b>	<b>22,309</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
	<b>Receipts</b>						
911	Proceeds from Sale/Maturities of Investments	911	911	-	911	911	911
<b>911</b>	<b>Investing Receipts</b>	<b>911</b>	<b>911</b>	<b>-</b>	<b>911</b>	<b>911</b>	<b>911</b>
	<b>Payments</b>						
4,666	Purchase of Investments	4,666	4,749	2	4,866	4,866	4,866
<b>4,666</b>	<b>Investing Payments</b>	<b>4,666</b>	<b>4,749</b>	<b>2</b>	<b>4,866</b>	<b>4,866</b>	<b>4,866</b>
<b>-3,755</b>	<b>NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-3,755</b>	<b>-3,838</b>	<b>-2</b>	<b>-3,955</b>	<b>-3,955</b>	<b>-3,955</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
	<b>Receipts</b>						
10,000	Capital Injection from Government	10,000	10,000	-	10,000	0	0
<b>10,000</b>	<b>Financing Receipts</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>	<b>0</b>	<b>0</b>
<b>10,000</b>	<b>NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>	<b>0</b>	<b>0</b>
<b>7,658</b>	<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>47,643</b>	<b>36,548</b>	<b>-23</b>	<b>33,564</b>	<b>21,027</b>	<b>18,354</b>
<b>137,730</b>	<b>CASH AT BEGINNING OF REPORTING PERIOD</b>	<b>129,221</b>	<b>176,864</b>	<b>37</b>	<b>213,412</b>	<b>246,976</b>	<b>268,003</b>
<b>145,388</b>	<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>176,864</b>	<b>213,412</b>	<b>21</b>	<b>246,976</b>	<b>268,003</b>	<b>286,357</b>



## ACT Insurance Authority Statement of Changes in Equity

Budget as at 30/6/09 \$'000		Est.Outcome as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000	Var %	Planned as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000
-26,349	<b>Opening Balance</b>	-3,566	-5,973	-67	-1,870	1,686	-5,690
	<b>Accumulated Funds</b>						
-717	Operating Result for the Period	-12,407	-5,897	52	-6,444	-7,376	-8,515
	<b>Reserves</b>						
-717	<b>Total Income And Expense For The Period</b>	-12,407	-5,897	52	-6,444	-7,376	-8,515
	<b>Transactions Involving Equity Holders Affecting Accumulated Funds</b>						
10,000	Capital Injections	10,000	10,000	-	10,000	0	0
-17,066	<b>Closing Balance</b>	-5,973	-1,870	69	1,686	-5,690	-14,205

### Notes to the Budget Statements

Significant variations are as follows:

#### *Operating Statement*

- user charges — ACT Government: the decrease of \$1.813 million in the 2009-10 Budget from the 2008-09 estimated outcome is due to a decrease in the annual insurance premiums charged to agencies. The premiums recognise a slight decrease in the net expected cost of future public liability and property claims.
- interest: the decrease of \$2.419 million in the 2009-10 Budget from the 2008-09 estimated outcome reflects lower interest rates.
- other revenue:
  - the decrease of \$2.789 million in the 2008-09 estimated outcome from the original budget is due primarily to a decrease in expected reinsurance recoveries; and
  - the increase of \$1.405 million in the 2009-10 Budget from the 2008-09 estimated outcome reflects increased expected payments by reinsurers and recoveries.
- supplies and services:
  - the decrease of \$0.2 million in the 2008-09 estimated outcome from the original budget reflects decreases in the cost of contractors and consultants due to the work of the Risk Management Framework commencing later in the year than anticipated; and
  - the increase of \$0.172 million in the 2009-10 Budget from the 2008-09 estimated outcome reflects increased use of consultants and contractors on the work of the Risk Management Framework which was scheduled for 2008-09.
- other expenses:
  - the increase of \$9.124 million in the 2008-09 estimated outcome from the original budget reflects a reduced discount rate on claims. The outstanding claims liability includes a discount to allow for interest that is expected to be earned on claims

between now and the date of payment. A lower discount rate reduces the amount of expected interest and therefore increases the claim liability; and

- the decrease of \$9.610 million in the 2009-10 Budget from the 2008-09 estimated outcome reflects an anticipated improvement in long term discount rates, combined with lower anticipated cash settlement of claims due in part to better claims performance.

#### *Balance Sheet*

- cash and cash equivalents: the increase of \$31.476 million in the 2008-09 estimated outcome from the original budget and the increase of \$36.548 million in the 2009-10 Budget from the 2008-09 estimated outcome are primarily due to the continued building of investment assets in order to meet future claims.
- receivables current: the decrease of \$8.371 million in the 2008-09 estimated outcome from the original budget and the decrease of \$0.571 million in the 2009-10 Budget from the 2008-09 estimated outcome predominately recognises decreases in reinsurance recoveries.
- receivables non current: the increase of \$28.469 million in the 2008-09 estimated outcome from the original budget and the decrease of \$1.607 million in the 2009-10 Budget from the 2008-09 estimated outcome recognises movement in the provisions for both ordinary and bushfire reinsurance recoveries associated with increased claims liabilities.
- investments non current:
  - the increase of \$24.636 million in the 2008-09 estimated outcome from the original budget reflects the flow on effect of the 2007-08 audited outcome which includes payment of some large cash settlements; and
  - the decrease of \$2.624 million in the 2009-10 Budget from the 2008-09 estimated outcome reflects the movement of funds from short term investments.
- payables current: the increase of \$8.1 million in the 2008-09 estimated outcome from the original budget and the increase of \$6.911 million in the 2009-10 Budget from the 2008-09 estimated outcome reflects higher than anticipated claims liabilities due to the reduction in discount rates.
- payables non current:
  - the increase of \$57.063 million in the 2008-09 estimated outcome from the original budget reflects higher than expected growth in claims liabilities as a result of a lower discount rate and growth in expected future claims; and
  - the increase of \$20.732 million in the 2009-10 Budget from the 2008-09 estimated outcome reflects the anticipated growth in the cost of future claims.

#### *Cash Flow Statement*

- other expenses: the decrease of \$40.258 million in the 2008-09 estimated outcome from the original budget reflects lower than anticipated cash settlement of claims due in part to better claims performance.

*Statement of Changes in Equity*

Variations in the statement are explained in the notes above.