

ACT INSURANCE AUTHORITY

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.

2008–09 Priorities

Strategic and operational issues to be pursued in 2008-09 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

2007-08 Budget		2007-08 Est. Outcome	2008-09 Budget
11	Staffing (FTE)	12	14

Changes to Appropriation

Changes to Appropriation					
Capital Injection	2007-08 Est. Out. \$'000	2008-09 Budget \$'000	2009-10 Estimate \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000
2007-08 Budget	-	-	-	-	-
2008-09 Budget Technical Adjustments					
Capital Injection – Received from Government	-	10,000	10,000	10,000	-
2008-09 Budget	-	10,000	10,000	10,000	-

ACT Insurance Authority Operating Statement

2007-08 Budget \$'000		2007-08 Est.Outcome \$'000	2008-09 Budget \$'000	Var %	2009-10 Estimate \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000
Income							
Revenue							
44,706	User Charges - ACT Government	44,661	49,937	12	52,183	54,532	56,987
9,471	Interest	10,095	10,961	9	11,690	12,657	13,871
2,609	Other Revenue	5,706	3,826	-33	4,697	5,016	5,007
56,786	Total Revenue	60,462	64,724	7	68,570	72,205	75,865
Gains							
0	Total Gains	0	0	-	0	0	0
56,786	Total Income	60,462	64,724	7	68,570	72,205	75,865
Expenses							
1,021	Employee Expenses	1,003	1,286	28	1,392	1,430	1,440
240	Superannuation Expenses	175	220	26	222	228	228
1,290	Supplies and Services	1,368	1,488	9	1,464	1,494	1,524
57,857	Other Expenses	61,765	62,447	1	65,582	69,961	74,590
60,408	Total Ordinary Expenses	64,311	65,441	2	68,660	73,113	77,782
-3,622	Operating Result	-3,849	-717	81	-90	-908	-1,917

**ACT Insurance Authority
Balance Sheet**

Budget as at 30/6/08 \$'000		Est.Outcome as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Var %	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000
Current Assets							
111,421	Cash and Cash Equivalents	137,730	145,388	6	159,708	177,828	189,424
5,955	Receivables	9,514	11,163	17	12,001	12,032	12,032
117,376	Total Current Assets	147,244	156,551	6	171,709	189,860	201,456
Non Current Assets							
13,839	Receivables	12,788	11,050	-14	11,575	12,724	12,500
36,632	Investments	31,144	28,437	-9	25,813	23,306	20,799
50,471	Total Non Current Assets	43,932	39,487	-10	37,388	36,030	33,299
167,847	TOTAL ASSETS	191,176	196,038	3	209,097	225,890	234,755
Current Liabilities							
60,111	Payables	56,524	56,770	..	57,590	59,592	62,396
336	Employee Benefits	311	319	3	319	319	319
60,447	Total Current Liabilities	56,835	57,089	..	57,909	59,911	62,715
Non Current Liabilities							
132,597	Payables	160,690	156,015	-3	158,344	164,043	172,021
132,597	Total Non Current Liabilities	160,690	156,015	-3	158,344	164,043	172,021
193,044	TOTAL LIABILITIES	217,525	213,104	-2	216,253	223,954	234,736
-25,197	NET ASSETS	-26,349	-17,066	35	-7,156	1,936	19
REPRESENTED BY FUNDS EMPLOYED							
-25,197	Accumulated Funds	-26,349	-17,066	35	-7,156	1,936	19
-25,197	TOTAL FUNDS EMPLOYED	-26,349	-17,066	35	-7,156	1,936	19

**ACT Insurance Authority
Cash Flow Statement**

2007-08 Budget \$'000		2007-08 Est.Outcome \$'000	2008-09 Budget \$'000	Var %	2009-10 Estimate \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
44,706	User Charges	44,600	49,998	12	52,183	54,532	56,987
9,471	Interest Received	10,095	10,961	9	11,690	12,657	13,871
45,372	Other Revenue	50,280	47,053	-6	46,670	47,149	48,730
99,549	Operating Receipts	104,975	108,012	3	110,543	114,338	119,588
	Payments						
1,251	Related to Employees	1,168	1,498	28	1,614	1,658	1,668
1,177	Related to Supplies and Services	1,255	1,479	18	1,456	1,486	1,517
81,123	Other	81,749	103,622	27	99,315	99,119	100,852
83,551	Operating Payments	84,172	106,599	27	102,385	102,263	104,037
15,998	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	20,803	1,413	-93	8,158	12,075	15,551
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
13,934	Proceeds from Sale/Maturities of Investments	13,934	911	-93	911	911	911
13,934	Investing Receipts	13,934	911	-93	911	911	911
	Payments						
2,639	Purchase of Investments	2,639	4,666	77	4,749	4,866	4,866
2,639	Investing Payments	2,639	4,666	77	4,749	4,866	4,866
11,295	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	11,295	-3,755	-133	-3,838	-3,955	-3,955
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
0	Capital Injection from Government	0	10,000	#	10,000	10,000	0
0	Financing Receipts	0	10,000	#	10,000	10,000	0
0	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	0	10,000	#	10,000	10,000	0
27,293	NET INCREASE/(DECREASE) IN CASH HELD	32,098	7,658	-76	14,320	18,120	11,596
84,128	CASH AT BEGINNING OF REPORTING PERIOD	105,632	137,730	30	145,388	159,708	177,828
111,421	CASH AT THE END OF THE REPORTING PERIOD	137,730	145,388	6	159,708	177,828	189,424

ACT Insurance Authority Statement of Changes in Equity

Budget as at 30/6/08 \$'000		Est.Outcome as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Var %	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000
-21,575	Opening Balance	-22,500	-26,349	-17	-17,066	-7,156	1,936
	Accumulated Funds						
-3,622	Operating Result for the Period	-3,849	-717	81	-90	-908	-1,917
	Reserves						
-3,622	Total Income And Expense For The Period	-3,849	-717	81	-90	-908	-1,917
	Transactions Involving Equity Holders Affecting Accumulated Funds						
0	Capital Injections	0	10,000	#	10,000	10,000	0
-25,197	Closing Balance	-26,349	-17,066	35	-7,156	1,936	19

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- user charges - ACT Government: the increase of \$5.276 million in the 2008-09 Budget from the 2007-08 estimated outcome is due to an increase in the annual insurance premiums charged to agencies. The increase in premiums recognises the net expected increase in cost of future public liability claims arising due to significant growth in award settlements, claim numbers and growth in the average size of property claims.
- interest:
 - the increase of \$0.624 million in the 2007-08 estimated outcome from the original budget reflects a greater level of investment due to the timing of claim payments; and
 - the increase of \$0.866 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects higher interest rates.
- other revenue:
 - the increase of \$3.097 million in the 2007-08 estimated outcome from the original budget is due to the recognition of revenue associated with introducing a provision for the risk margin on reinsurance recoveries; and
 - the decrease of \$1.880 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects expected payments by reinsurers.

- employee and superannuation expenses: the increase of \$0.328 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects the full year impact of the creation of new positions and the filling of others which have remained vacant during the previous year.
- supplies and services: the increase of \$0.120 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects increases in the cost of contractors, insurance brokers and other consultants.
- other expenses:
 - the increase of \$3.908 million in the 2007-08 estimated outcome from the original budget mainly reflects the claims experience of the increasing cost of awards and the number of settlements being made by the Territory; and
 - the increase of \$0.682 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects an expectation of the Territory's claims experience continuing.

Balance Sheet

- cash and cash equivalents: the increase of \$26.309 million in the 2007-08 estimated outcome from the original budget and the increase of \$7.658 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects the building of investments in order to meet future claims and the movement of funds from non-current investments;
- receivables current:
 - the increase of \$3.559 million in the 2007-08 estimated outcome from the original budget is mainly due to the recognition of a provision on the risk margin on insurance premiums; and
 - the increase of \$1.649 million in the 2008-09 Budget from the 2007-08 estimated outcome is mainly due to increases in reinsurance recoveries and movement of reinsurance recoveries from non-current to current.
- receivables non-current: the decrease of \$1.051 million in the 2007-08 estimated outcome from the original budget and the decrease of \$1.738 million in the 2008-09 Budget from the 2007-08 estimated outcome recognises movement in the provision for reinsurance recoveries from non-current to current.
- investments non-current: the decrease of \$5.488 million in the 2007-08 estimated outcome from the original budget and the decrease of \$2.707 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects the movement of funds to short term investment;
- payables current: the decrease of \$3.587 million in the 2007-08 estimated outcome from the original budget reflects higher than anticipated claim payments and movement of claims from current to non-current.
- payables non-current:
 - the increase of \$28.093 million in the 2007-08 estimated outcome from the original budget reflects the movement of claims from current to non-current and anticipated growth in the cost of future claims; and

- the decrease of \$4.675 million in the 2008-09 Budget from the 2007-08 estimated outcome reflects the claims portfolio's liabilities approaching maturity and the anticipated payment of some large claims.

Statement of Changes in Equity

- capital injection from Government: the \$10 million capital injection in the 2008-09 Budget is to improve the capital adequacy of the Authority, in order to provide for outstanding claims. This is partially a consequence of a revised actuarial assessment of the Territory's liabilities. Further capital injections of \$10 million are scheduled to be received by ACTIA in 2009-10 and 2010-11.