

5.3 INSURABLE RISK AND RISK MANAGEMENT

Overview

The ACT Insurance Authority was established as a statutory authority under the *ACT Insurance Corporation Act 2000*. The Authority commenced operation on 1 April 2001.

The ACT Insurance Authority (ACTIA) was established to continue and formalise the risk management and insurance focus of the current arrangements for Government agencies.

ACTIA will enhance the operation of the centrally managed risk management fund that was introduced from 1 July 1998 by providing flexibility within the insurance program to handle changing risk factors, the ability to gain direct access to the reinsurance markets and the ability to minimise insurance costs by removing a layer of commission and margin.

Self-insurance of Territory Risks

The centrally managed fund was established to finance the cost of insurable risk for ACT Government agencies, excluding workers' compensation risks. The objectives of the fund are to:

- enable the Territory to meet the cost of its claims and losses in an orderly, timely and cost effective manner;
- ensure the costs are fully reflected in the Territory's accounts in accordance with accrual accounting principles;
- protect the budget from the risk of very large claims; and
- aid and improve risk management practices in agencies.

The fund is financed through risk-based levies that reflect the asset holdings and liability risks faced by each agency, as advised by agencies in an annual insurance application form. The levies are set to recoup sufficient funds to ensure that the fund and its overlying insurances will be able to meet all claims incurred during the current year, even if those claims are not paid until a later year. Many liability claims are either not received or not settled until some years after the relevant incident. The setting of the levies therefore also includes an estimate of claims incurred but not reported.

The fund is set at a level sufficient to meet most claims or losses experienced through the normal operations of Government agencies. ACTIA will continue to purchase insurance to protect the fund against large claims or losses, or a series of such events, which would threaten the viability of the fund.

Each agency meets the cost of claims below the level of an agreed deductible or excess. Accounting procedures are in place to pay claims and losses, and Internet access to the Insurance Policy Manual and electronic claims reporting is available to agencies.

The fund will again process the payment of the Government workers' compensation premium to Comcare, which levies a single premium covering all Government agencies. Each agency

will pay its share of the premium into the fund for the purpose of financing the premium payment to Comcare.

Issues that will be pursued in 2001-02 include:

- full implementation of, and agency access to, the electronic claims reporting and data analysis system to provide an integrated claims management process and to ensure that accurate information is available for the fund and its insurers;
- provision of risk management training of agency managers and staff;
- assistance for agencies in the analysis of their operations and assets to improve risk assessment and management;
- enhancement of insurance and risk management advisory skills for departmental officers responsible for the management of the fund;
- provision of training and assistance to agencies in identification, assessment and treatment of risks of major events managed by the Territory; and
- regular review of existing major claims to ensure appropriate management is being applied to claims, and that realistic estimates of costs are included in the fund.