AUSTRALIAN CAPITAL TERRITORY INSURANCE AUTHORITY

Objectives

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 Authority operates a centrally managed fund to cover the insurable risks of Territory agencies.

The objectives of the Authority are to enable the Territory to meet the cost of its insurable claims and losses in an orderly, timely and cost effective manner; to ensure the costs are fully reflected in the Territory's accounts; to protect the budget from the risk of very large claims; and to aid and improve risk management practices in all agencies.

2002-03 Highlights

Strategic and operational issues to be pursued in 2002-03 include:

- finalising the implementation of 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 Authority's management, clients and insurers;
- providing training and assistance to agencies in the analysis of their operations and assets to improve risk assessment and management;
- reviewing existing claims to ensure that appropriate management is being applied to claims, that realistic estimates of costs are included in the accounts and that risk management measures are implemented to reduce the chance of similar claims occurring;
- undertaking reviews of arrangements between agencies and external bodies to ensure the appropriate level of risk is transferred to contractors, as well as to provide advice on new contracts; and
- managing the collection of Comcare premiums from agencies and payment of the Territory's premium to Comcare.

ACT Insurance Authority
Statement of Financial Performance

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	Revenue						
0	Taxes Fees and Fines	10	0	-100	0	0	0
16 817	User Charges - ACT Government	16 595	20 324	22	24 389	28 047	30 853
2 538	Interest	1 938	3 082	59	3 930	4 904	5 947
24 295	Other Revenue	24 167	31 449	30	29 556	30 560	31 549
43 650	**Total Ordinary Revenue**	**42 710**	**54 855**	**28**	**57 875**	**63 511**	**68 349**
	Expenses						
319	Employee Expenses	421	442	5	450	461	472
43	Superannuation Expenses	43	59	37	60	62	63
432	Administrative Expenses	509	717	41	523	537	552
40 334	Other Expenses	42 803	53 446	25	55 197	60 114	64 502
41 128	**Total Ordinary Expenses**	**43 776**	**54 664**	**25**	**56 230**	**61 174**	**65 589**
2 522	**Operating Result From Ordinary Activities**	**-1 066**	**191**	**118**	**1 645**	**2 337**	**2 760**
0	Income Tax Equivalent	0	57	#	494	701	828
2 522	**Operating Result**	**-1 066**	**134**	**113**	**1 151**	**1 636**	**1 932**
11 948	**Total Equity From Start of Period**	**2 358**	**1 292**	**-45**	**1 426**	**2 577**	**4 213**
14 470	**Total Equity At The End of Period**	**1 292**	**1 426**	**10**	**2 577**	**4 213**	**6 145**

ACT Insurance Authority
Statement of Financial Position

Budget as at 30/6/02 $'000		Est.Outcome as at 30/6/02 $'000	Planned as at 30/6/03 $'000	Var %	Planned as at 30/6/04 $'000	Planned as at 30/6/05 $'000	Planned as at 30/6/06 $'000
	Current Assets						
856	Receivables	535	535	-	535	535	535
46 450	Investments	45 321	60 014	32	76 285	95 010	115 912
47 306	**Total Current Assets**	**45 856**	**60 549**	**32**	**76 820**	**95 545**	**116 447**
	Non Current Assets						
0	Receivables	233	233	-	233	233	233
0	**Total Non Current Assets**	**233**	**233**	**-**	**233**	**233**	**233**
47 306	**TOTAL ASSETS**	**46 089**	**60 782**	**32**	**77 053**	**95 778**	**116 680**
	Current Liabilities						
5 557	Payables	13 838	17 782	29	18 919	19 958	21 304
28	Employee Entitlements	41	58	41	74	90	106
0	Income Tax Payable	0	58	#	495	702	829
5 585	**Total Current Liabilities**	**13 879**	**17 898**	**29**	**19 488**	**20 750**	**22 239**
	Non Current Liabilities						
27 191	Payables	30 764	41 296	34	54 821	70 643	88 119
60	Employee Entitlements	96	104	8	109	114	119
0	Other Provisions	58	58	-	58	58	58
27 251	**Total Non Current Liabilities**	**30 918**	**41 458**	**34**	**54 988**	**70 815**	**88 296**
32 836	**TOTAL LIABILITIES**	**44 797**	**59 356**	**32**	**74 476**	**91 565**	**110 535**
14 470	**NET ASSETS**	**1 292**	**1 426**	**10**	**2 577**	**4 213**	**6 145**
	REPRESENTED BY FUNDS EMPLOYED						
14 470	Accumulated Funds	1 292	1 426	10	2 577	4 213	6 145
14 470	**TOTAL FUNDS EMPLOYED**	**1 292**	**1 426**	**10**	**2 577**	**4 213**	**6 145**

ACT Insurance Authority
Cashflow Statement

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
17 694	User Charges	17 286	21 206	23	25 267	28 925	31 515
2 538	Interest Received	1 938	3 082	59	3 930	4 904	5 947
30 095	Other Revenue	32 609	37 249	14	35 356	36 360	37 349
50 327	**Operating Receipts**	**51 833**	**61 537**	**19**	**64 553**	**70 189**	**74 811**
	Payments						
340	Related to Employees	352	476	35	489	502	514
432	Related to Administration	505	720	43	522	536	550
38 013	Other	40 504	45 649	13	47 271	50 426	52 845
38 785	**Operating Payments**	**41 361**	**46 845**	**13**	**48 282**	**51 464**	**53 909**
11 542	**NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**	**10 472**	**14 692**	**40**	**16 271**	**18 725**	**20 902**
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
0	Proceeds from Sale/Maturities of Investments	1 568	404	-74	306	699	911
0	**Investing Receipts**	**1 568**	**404**	**-74**	**306**	**699**	**911**
	Payments						
11 542	Purchase of Investments	12 040	15 096	25	16 577	19 424	21 813
11 542	**Investing Payments**	**12 040**	**15 096**	**25**	**16 577**	**19 424**	**21 813**
-11 542	**NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES**	**-10 472**	**-14 692**	**-40**	**-16 271**	**-18 725**	**-20 902**
0	**NET INCREASE/(DECREASE) IN CASH HELD**	**0**	**0**	**-**	**0**	**0**	**0**
0	**CASH AT THE END OF THE REPORTING PERIOD**	**0**	**0**	**-**	**0**	**0**	**0**

Notes to the Budget Statements

Significant variations are as follows:

Statement of Financial Performance

- user charges – ACT Government: the increase of $3.729m in the 2002-03 Budget from the 2001-02 estimated outcome is due to an increase in the annual insurance premiums charged to agencies. The increase in premiums was required to reflect the cost of buying insurance in the current market and to increase reserves held in order to meet future claims;
- interest revenue: the decrease of $0.6m in 2001-02 from the original budget is due to a lower than anticipated interest rate and a lower than expected average investment balance due to the large number of property damage claims in 2001-02. The increase of $1.144m in the 2002-03 Budget from the 2001-02 estimated outcome is due to an expected increase in interest rates and an increased average investment balance due to increased reserves to meet the cost of future public liability and medical malpractice claims;
- other revenue: the increase of $7.282m in the 2002-03 Budget from the 2001-02 estimated outcome is mainly related to an anticipated increase in workers compensation premium collections and additional premiums for visiting medical officers;
- administrative expenses: the increase of $0.208m in the 2002-03 Budget from the 2001-02 estimated outcome is due to the purchase of a new claims management system;
- other expenses: the increase of $2.469m in 2001-02 from the original budget is due to increased workers compensation premiums and an increase in the expected cost of claims. The increase of $10.643m in the 2002-03 Budget from the 2001-02 estimated outcome is largely due to further increases in future claims relating to public liability and medical malpractice, and possible increases in workers compensation premiums; and
- income tax equivalent: the increase of $0.057m in the 2002-03 Budget from the 2001-02 estimated outcome is a result of an improved operating result reflecting an increase in interest revenue on higher claims reserves which will continue across the forward estimates.

Statement of Financial Position

- current receivables: the decrease of $0.321m in 2001-02 from the original budget is due to improved accounts receivable management practices;
- investments: the decrease of $1.129m in 2001-02 from the original budget is due to the higher than anticipated number of property damages claims, such as the Wanniassa Schools and the ACT Forest fires. The increase of $14.693m in the 2002-03 Budget from the 2001-02 estimated outcome is due to increased revenue collection and the greater allocation to claims provision to cover future liabilities. As medical malpractice and public liability claims can take a number of years to be paid, these funds can be set aside for investment purposes;
- non current receivables: the increase of $0.233m in 2001-02 from the original budget is due to insurance recoveries;

- current and non current payables: the increase of $11.854m in 2001-02 from the original budget reflects actuarial advice that claims liability should be 31% current and 69% non current. The increase of $14.476m in the 2002-03 Budget from the 2001-02 estimated outcome reflects the expected rise in the cost of future public liability and medical malpractice claims; and
- current income tax payable: the increase of $0.058m in the 2002-03 Budget from the 2001-02 estimated outcome is due to an improvement in the operating result due to an increase in interest revenue resulting from holding higher claims reserves.