

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 for 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 the Territory's business; develop and promote good practices for the management of Territory risks; and give advice to the Treasurer about insurance and the management of Territory risks.

The Authority also administers, under agreement with the Chief Minister's Department, the Default Insurance Fund.

2007–08 Priorities

Strategic and operational issues to be pursued in 2007-08 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;
- 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; and
- developing and implementing systems and procedures to administer the Default Insurance Fund.

Estimated Employment Level

	2006-07 Est. Outcome	2007-08 Budget
Staffing (FTE)	12	11

ACT Insurance Authority Operating Statement

2006-07 Budget \$'000		2006-07 Est.Outcome \$'000	2007-08 Budget \$'000	Var %	2008-09 Estimate \$'000	2009-10 Estimate \$'000	2010-11 Estimate \$'000
Income							
Revenue							
42,038	User Charges - ACT Government	42,143	44,706	6	45,844	46,990	48,165
8,371	Interest	8,728	9,471	9	9,760	9,800	9,656
2,305	Other Revenue	4,401	2,609	-41	2,676	2,749	2,820
52,714	Total Revenue	55,272	56,786	3	58,280	59,539	60,641
Gains							
0	Total Gains	0	0	-	0	0	0
52,714	Total Income	55,272	56,786	3	58,280	59,539	60,641
Expenses							
982	Employee Expenses	985	1,021	4	1,114	1,159	1,188
233	Superannuation Expenses	205	240	17	261	275	282
1,155	Supplies and Services	1,457	1,290	-11	1,188	1,214	1,244
46,515	Other Expenses	62,358	57,857	-7	61,259	63,499	65,802
48,885	Total Ordinary Expenses	65,005	60,408	-7	63,822	66,147	68,516
3,829	Operating Result	-9,733	-3,622	63	-5,542	-6,608	-7,875

**ACT Insurance Authority
Balance Sheet**

Budget as at 30/6/07 \$'000		Est.Outcome as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Var %	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000
Current Assets							
81,952	Cash and Cash Equivalents	84,128	111,421	32	120,034	124,218	128,925
4,516	Receivables	5,955	5,955	-	5,955	5,955	5,955
86,468	Total Current Assets	90,083	117,376	30	125,989	130,173	134,880
Non Current Assets							
15,741	Receivables	13,839	13,839	-	13,839	13,839	13,839
68,507	Investments	61,143	36,632	-40	33,925	31,301	28,794
84,248	Total Non Current Assets	74,982	50,471	-33	47,764	45,140	42,633
170,716	TOTAL ASSETS	165,065	167,847	2	173,753	175,313	177,513
Current Liabilities							
31,773	Payables	48,897	60,111	23	61,124	62,137	63,150
141	Employee Benefits	326	336	3	344	344	344
31,914	Total Current Liabilities	49,223	60,447	23	61,468	62,481	63,494
Non Current Liabilities							
0	Payables	137,417	132,597	-4	143,024	150,179	159,241
149,765	Interest Bearing Liabilities	0	0	-	0	0	0
160	Employee Benefits	0	0	-	0	0	0
149,925	Total Non Current Liabilities	137,417	132,597	-4	143,024	150,179	159,241
181,839	TOTAL LIABILITIES	186,640	193,044	3	204,492	212,660	222,735
-11,123	NET ASSETS	-21,575	-25,197	-17	-30,739	-37,347	-45,222
REPRESENTED BY FUNDS EMPLOYED							
-11,123	Accumulated Funds	-21,575	-25,197	-17	-30,739	-37,347	-45,222
-11,123	TOTAL FUNDS EMPLOYED	-21,575	-25,197	-17	-30,739	-37,347	-45,222

**ACT Insurance Authority
Cash Flow Statement**

2006-07 Budget \$'000		2006-07 Est.Outcome \$'000	2007-08 Budget \$'000	Var %	2008-09 Estimate \$'000	2009-10 Estimate \$'000	2010-11 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
42,702	User Charges	42,807	44,706	4	45,844	46,990	48,165
8,371	Interest Received	8,728	9,471	9	9,760	9,800	9,656
44,014	Other Revenue	43,937	45,372	3	45,482	45,712	45,783
95,087	Operating Receipts	95,472	99,549	4	101,086	102,502	103,604
Payments							
1,194	Related to Employees	1,157	1,251	8	1,367	1,434	1,470
1,153	Related to Supplies and Services	1,455	1,177	-19	1,179	1,206	1,236
79,741	Other	83,683	81,123	-3	86,172	91,840	92,236
82,088	Operating Payments	86,295	83,551	-3	88,718	94,480	94,942
12,999	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	9,177	15,998	74	12,368	8,022	8,662
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
911	Proceeds from Sale/Maturities of Investments	911	13,934	#	911	911	911
911	Investing Receipts	911	13,934	#	911	911	911
Payments							
1,762	Purchase of Investments	5,707	2,639	-54	4,666	4,749	4,866
1,762	Investing Payments	5,707	2,639	-54	4,666	4,749	4,866
-851	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-4,796	11,295	336	-3,755	-3,838	-3,955
12,148	NET INCREASE/(DECREASE) IN CASH HELD	4,381	27,293	523	8,613	4,184	4,707
69,804	CASH AT BEGINNING OF REPORTING PERIOD	79,747	84,128	5	111,421	120,034	124,218
81,952	CASH AT THE END OF THE REPORTING PERIOD	84,128	111,421	32	120,034	124,218	128,925

ACT Insurance Authority Statement of Changes in Equity

Budget as at 30/6/07 \$'000		Est.Outcome as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Var %	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000
-14,952	Opening Balance	-11,842	-21,575	-82	-25,197	-30,739	-37,347
	Accumulated Funds						
3,829	Operating Result for the Period	-9,733	-3,622	63	-5,542	-6,608	-7,875
	Reserves						
3,829	Total Income And Expense For The Period	-9,733	-3,622	63	-5,542	-6,608	-7,875
	Transactions Involving Equity Holders Affecting Accumulated Funds						
-11,123	Closing Balance	-21,575	-25,197	-17	-30,739	-37,347	-45,222

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- user charges – ACT Government:
 - the increase of \$0.105 million in the 2006-07 estimated outcome from the original budget reflects additional insurance cover required by agencies; and
 - the increase of \$2.563 million in the 2007-08 Budget from the 2006-07 estimated outcome is due to an increase in the annual insurance premiums charged to agencies. The increase in premiums reflects a \$1.3 billion rise in total Territory asset values and it recognises an increase in the net expected cost of future claims arising due to significant growth in award settlements and claim numbers.
- interest:
 - the increase of \$0.357 million in the 2006-07 estimated outcome from the original budget reflects a slight increase in interest rates; and
 - the increase of \$0.743 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects an increase in interest arising from the accumulation of investments in order to meet future claims.
- other revenue:
 - the increase of \$2.096 million in the 2006-07 estimated outcome from the original budget reflects an increase in insurance recoveries, a refund from Comcare and a recovery for services provided to the Default Insurance Fund, this is slightly offset by a decrease in construction industry premiums; and
 - the decrease of \$1.792 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects a decrease in expected reinsurance recoveries.

- supplies and services:
 - the increase of \$0.302 million in the 2006-07 estimated outcome from the original budget reflects increases in the cost of contractors, insurance brokers and other consultants; and
 - the decrease of \$0.167 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects anticipated decreases in the use of contractors.
- other expenses:
 - the increase of \$15.843 million in the 2006-07 estimated outcome from the original budget reflects the deterioration of claims experience in the six months to 31 December 2007 which has been driven by the increasing cost of settlements and the hailstorms experienced during summer; and
 - the decrease of \$4.501 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects the anticipated settlement of the hailstorm claims in 2006-07. There is no estimate for a similar event in 2007-08.

Balance Sheet

- cash and current investments:
 - the increase of \$2.176 million in the 2006-07 estimated outcome from the original budget reflects the building of investments in order to meet future claims; and
 - the increase of \$27.293 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects the movement of investments from non-current to current and the building of investments in order to meet future claims.
- receivables current: the increase of \$1.439 million in the 2006-07 estimated outcome from the original budget recognises increases in reinsurance recoveries.
- receivables non-current: the decrease of \$1.902 million in the 2006-07 estimated outcome from the original budget recognises movement in the provision for reinsurance recoveries.
- investments non-current:
 - the decrease of \$7.364 million in the 2006-07 estimated outcome from the original budget reflects the movement of funds to short term investment and the payment of claims; and
 - the decrease of \$24.511 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects movement of investments from non-current to current.
- payables current:
 - the increase of \$17.124 million in the 2006-07 estimated outcome from the original budget reflects the movement of claims from non-current to current and claims for hailstorm damage; and
 - the increase of \$11.214 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects anticipated growth in the cost of future claims.
- employee benefits current: increase of \$0.185 million in the 2006-07 estimated outcome from the original budget reflects the movement of long service leave from non-current to current.

- interest bearing liabilities/payables non-current:
 - the decrease of \$12.348 million in the 2006-07 estimated outcome from the original budget reflects the movement of claims from non-current to current; and
 - the decrease of \$4.820 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects the movement of claims from non-current to current.
- employee benefits non-current: the decrease of \$0.160 million in the 2007-08 Budget from the 2006-07 estimated outcome reflects movement of long service leave from non-current to current.