ACTIA
Australian Capital Territory Insurance Authority

Annual Report 2020-2021

ACT Insurance Authority

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ACT Insurance Authority

The ACT Insurance Authority acknowledges the Ngunnawal people as the traditional owners and custodians of the Canberra region. The region is also an important meeting place and significant to other Aboriginal groups.

We respect the Aboriginal and Torres Strait Islander people, particularly our Aboriginal staff, and their continuing culture and contribution they make to the Canberra region and the life of our city.

Contact for this report

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IBSN: 978-0-642-60704-1

First published December 2021.

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Section

A

A. TRANSMITTAL CERTIFICATE

Chris Steel MLA
Special Minister of State
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Minister

2020-21 ACT Insurance Authority Annual Report

This report has been prepared in accordance with section 7(2) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements under the *Annual Reports (Government Agencies) Directions 2021*.

It has been prepared in conformity with other legislation applicable to the preparation of the Annual Report by the ACT Insurance Authority.

I certify that the information in the attached report and information provided for whole of government reporting, is an honest and accurate account and that all material information on the operations of the ACT Insurance Authority has been included for the period 1 July 2020 to 30 June 2021.

I hereby certify that fraud prevention has been managed in accordance with the *Public Sector Management Standards 2006*, Part 2.3 (see section 113, Public Sector Management Standards 2016).

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you present the Report to the Legislative Assembly within 15 weeks after the end of the reporting year. However, under section 14, the Chief Minister has granted an extension of the time when the report must be presented by you to the Legislative Assembly. The Chief Minister has granted the extension to the Legislative Assembly sitting day on 2 December 2021.

Yours sincerely

Stephen Miners
Acting Under Treasurer
Chief Minister, Treasury and Economic Development Directorate

2 November 2021

COMPLIANCE STATEMENT

The ***2020-21 ACT Insurance Authority Annual Report*** must comply with the 2021 Annual Report Directions (the Directions) made under section 8 of the Annual Reports Act. The Directions are found at the ACT Legislation Register: https://www.legislation.act.gov.au/.

The Compliance Statement indicates the subsections under Parts 1 to 5 of the Directions that are applicable to the Authority and the location of information that satisfies these requirements:

PART 1 DIRECTIONS OVERVIEW

The requirements under Part 1 of the Directions relate to the purpose, timing and distribution, and record keeping of annual reports. The ***2020-21 ACT Insurance Authority Annual Report*** complies with all subsections of Part 1 under the Directions.

To meet Section 15 Feedback, Part 1 of the Directions, contact details for the Authority are provided within the ***2020-21 ACT Insurance Authority Annual Report*** to provide readers with the opportunity to communicate feedback.

PART 2 REPORTING ENTITY ANNUAL REPORT REQUIREMENTS

The requirements within Part 2 of the Directions are mandatory for all reporting entities and the Authority complies with all subsections. The information that satisfies the requirements of Part 2 is found in the ***2020-21 ACT Insurance Authority Annual Report*** as follows:

- A. Transmittal Certificate, see page 5.
- B. Organisational Overview and Performance, inclusive of all subsections, see pages 9-29.
- C. Financial Management Reporting, inclusive of all subsections, see pages 30-101.

PART 3 REPORTING BY EXCEPTION

The Authority has nil information to report by exception under Part 3 of the Directions for the 2020-21 reporting year.

PART 4 DIRECTORATE AND PUBLIC SECTOR BODY SPECIFIC ANNUAL REPORT REQUIREMENTS

Part 4 of the Directions is not applicable to the Authority.

PART 5 WHOLE OF GOVERNMENT ANNUAL REPORTING

All subsections of Part 5 of the Directions apply to the Authority. Consistent with the Directions, the information satisfying these requirements is reported in the one place for all ACT Public Service directorates, as follows:

- Bushfire Risk Management, see the annual report of the Justice and Community Safety Directorate;
- Human Rights, see the annual report of the Justice and Community Safety Directorate;
- Legal Services Directions, see the annual report of the Justice and Community Safety Directorate;
- Public Sector Standards and Workforce Profile, see the annual State of the Service Report; and
- Territory Records see the annual report of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD).

  ACT Public Service Directorate annual reports are found at the following web address: www.cmd.act.gov.au/open_government/report/annual_reports

Section

B

B. ORGANISATIONAL OVERVIEW AND PERFORMANCE

B.1 Organisational Overview

B.1.1 Who we are

The ACT Insurance Authority (the Authority) is established under the *ACT Insurance Authority Act 2005* (the Act).

The Authority works to protect the assets and services of the Territory by providing risk management support and insurance services to all ACT Government directorates and statutory authorities. The Authority meets the insurable claims and losses of the ACT Government through its self-insurance and reinsurance arrangements and operates on a cost recovery basis by collecting premiums from directorates and statutory authorities to meet the anticipated costs of claims.

The Authority operates as the ACT Government's captive insurer of Territory risks. The captive insurance model protects the ACT Government budget from a range of catastrophic and accumulated risk exposures through its insurance arrangements, and the accumulation of a fund reserve to meet the cost of asset losses and legal liabilities that occur as a result of the activities of Government.

The Authority insured Territory assets to the value of $25.8 billion, collected $49 million in annual premium revenue, held $375.6 million in investments and other assets, with total liabilities of $334.2 million.

The Authority reports to the Special Minister of State through the Under Treasurer, Chief Minister, Treasury and Economic Development Directorate (CMTEDD).

B.1.2 What we do

The Authority provides insurance, claims, and risk management services to ACT Government directorates and statutory authorities.

The Authority's functions are to:

- carry on the business of insurer of Territory risks;
- take out insurance of Territory risks with other entities;
- manage and settle claims in relation to Territory risks;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Minister about insurance and the management of Territory risks.

The insurance coverage is provided to directorates and statutory authorities by indemnity agreements. The Authority's reinsurance program is broad form cover that includes:

- public liability;
- medical malpractice;
- professional indemnity;
- property damage;
- directors and officers; and
- financial crime.

The Authority arranges external insurance policies on behalf of ACT Government to cover contract works, corporate travel, standing timber, aviation and personal accident cover for both aero retrieval and volunteer workers. The Authority bears no risk on these policies.

The Authority also administers the Office of the Nominal Defendant of the ACT, for default claims under the ACT Motor Accident Injuries Scheme and the Default Insurance Fund, for default claims under the ACT Private Workers' Compensation Scheme.

The activities of these entities are reported separately and appear in reports annexed to the CMTEDD Annual Report.

B.1.3 Our Approach

Throughout 2020-21, the Authority was a part of the Commercial Services and Infrastructure Group (CSI) within CMTEDD and our approach was consistent with the CSI's mission and values.

Mission: We engage to provide high quality enabling services and solutions in collaboration with our directorate partners. We strive to ensure:

- our understanding of directorate needs;
- cost effectiveness;
- timeliness;
- governance and integrity; and
- assurance.

Values: In all that we do, we hold ourselves accountable for demonstrating our values:

- Integrity
- Respect
- Collaboration
- Innovation

B.1.4 Organisational Structure

Under the *Financial Management Act 1996* the Authority is responsible to the Special Minister of State through the Chief Executive Officer for the efficient and effective financial management of resources. The delegate for the Chief Executive Officer is the Under Treasurer and the Authority operates under CMTEDD.

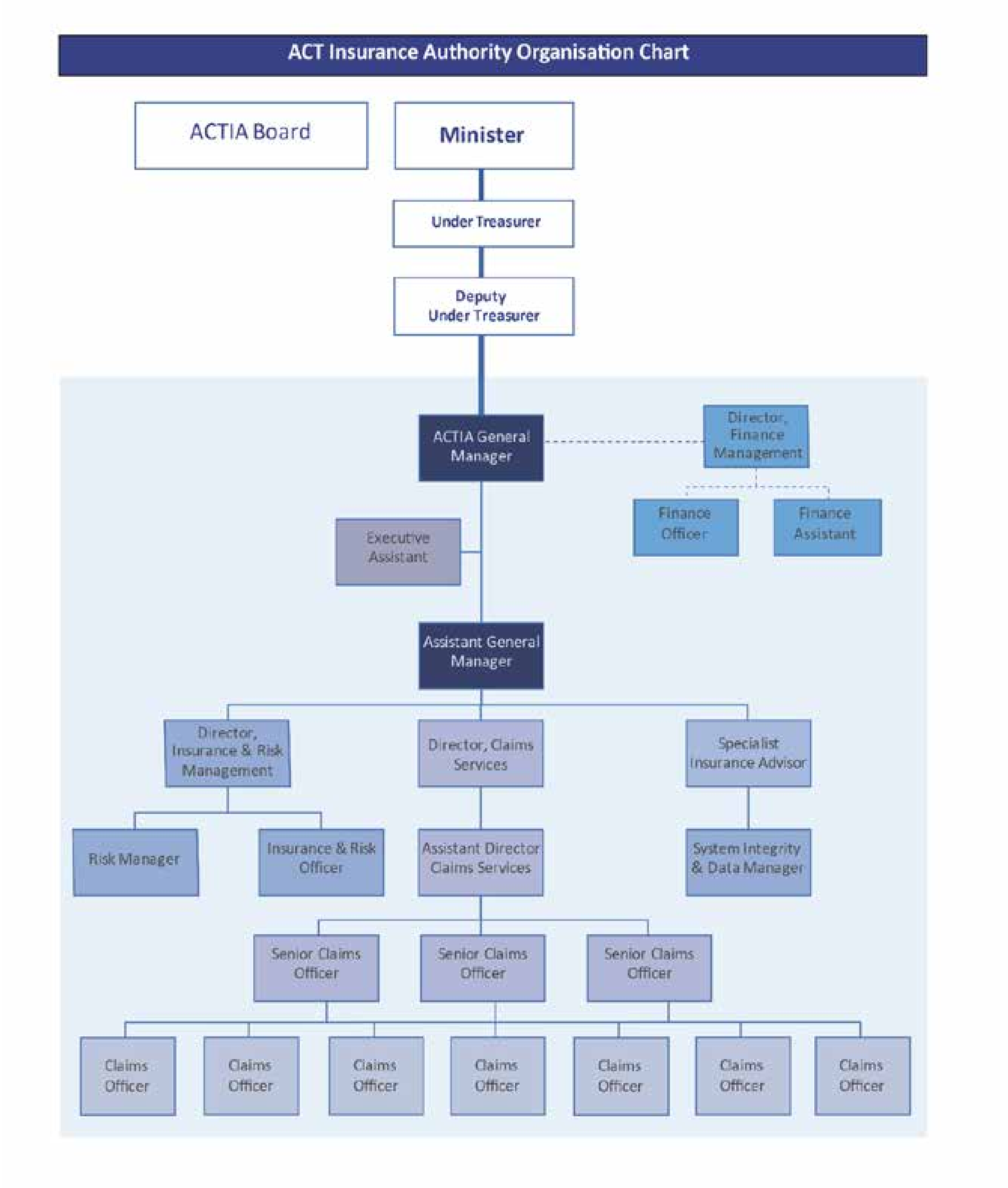
The Authority is supported by an Insurance Advisory Board (the Board) appointed under the Authority's enabling legislation. The board members during 2020-21 were Mr Ian Faragher (incoming Chair), Ms Robyn Bateup (commencing member) and Ms Maxine McDowell (outgoing Chair).

The Board provides important and valuable support to the Authority, particularly in relation to its reinsurance program, the identification of emerging risks, and improvements to risk and claims management services. Details of the Board members' qualifications and experience appear in section B.1.7 Internal Accountability under sub-heading Insurance Advisory Board.

The Authority delivers services through three streams:

- Insurance and risk management;
- Claims management; and
- Financial management.

Organisation Chart



B.1.5 Year in Review

The Authority's key achievements during the 2020-21 year were:

Risk Management Support

The Authority was responsible for the development of the ACT Risk Management Policy 2019 (the Policy) in consultation with directorates and statutory authorities. This Policy was launched in February 2019 after endorsement by the ACT Strategic Board and the Minister for Government Services and Procurement.

The Authority reviewed the Policy in consultation with entities during the financial year. There were minimal changes to the Policy, which suggests that the Policy in its current form is robust and provides strong and clear direction on how risk is managed within the ACT Government.

The Authority has formed a Risk Management Office which continues to promote best practice risk management across the Territory and supports directorates and statutory authorities with implementation of the Policy.

The Risk Management Office provides the following support through its scope of services:

- policy development and review;
- an implementation guide for the Policy;
- risk management tools and templates;
- learning forums;
- presentations to senior management teams and/or directorate interest groups;
- risk management consultancy;
- risk management training, in the form of general, specialist, and executive training; and
- face to face risk assessments and workshops.

Reinsurance Program Placement and External Insurance 2021-22

The placement of the Territory's annual insurance and reinsurance program is one of the Authority's key operational outcomes. The program protects the Territory from losses resulting from catastrophic events or an accumulation of insurable losses.

The Authority completed a strategic review of the suitability of its program taking into consideration a range of issues including the prevailing market conditions, emerging operational issues, and changes to business activities. The review also considered the Territory's claims experience, legislative changes, historical costs, placement structure, and risk retention levels as well as its short and long-term strategic objectives.

The 2021-22 renewal strategy tested the current program structure and pricing with incumbent insurance and reinsurance providers across all insurance classes.

The successful placement of the 2021-22 program, with 100 per cent capacity provided by the global insurance market, was a positive result for the Territory in very difficult market conditions. The global reinsurance market continues to be affected as a result of several natural disasters and an ongoing reduction in capacity in the global insurance market. The Authority's Advisory Board and the Under Treasurer supported the final structure after lengthy negotiations with the participating reinsurance market. The cost of the 2021-22 reinsurance program was negotiated at $12.7 million, representing an increase of 44 per cent on the 2020-21 program. There were significant increases for each insurance class, with the largest being an 87 per cent increase in the medical negligence insurance premium. The major factor impacting this class of insurance is the emergence of one large claim dating back to the nineties.

The Authority also arranges direct insurance cover for contract works, corporate travel, standing timber, aviation, and personal accident cover for both aero retrieval and volunteer workers.

The Authority continues to be a valued client with insurers and reinsurers who participate on the current program, while continuing to attract interest from alternate underwriters to provide additional insurance capacity in certain classes of insurance if required.

Information System Upgrade

The Authority successfully implemented its new claims management system in November 2020. All of the Authority's claims are now managed using this system, and feedback from users in relation to ease of use and functionality has been extremely positive. The Authority continues to work with the vendor on enhancement of the system to enable for more streamlined claims and payment processing and to assist with data analysis and trending.

Advice has been obtained from ACT Government Solicitor, Shared Services Procurement, and Shared Services ICT throughout the project. The Authority's Advisory Board, the Deputy Under Treasurer, Commercial Services and Infrastructure, and the Under Treasurer have also been briefed during this time.

The Authority expects to extend the system during 2021-22 to claims against the Default Insurance Fund and Nominal Defendant (both of which are managed by the Authority) and to investigate further processes which may benefit from this application.

Natural Disasters

The Authority has continued to extend considerable effort into the management and resolution of claims arising from natural disasters that occurred in 2019-20. Claims arising from the January 2020 hail event and the Orroral Valley Fire required significant involvement of Authority staff, whilst a number of new property claims were made from events in 2020-21. The Territory experienced significant losses from a severe rain event in March 2021 and from damage to assets during disturbances at the Alexander Maconochie Centre.

The Authority manages all the claims arising from these events, as well as other property claims. This involves:

- working closely with directorates to ensure that assets are restored as quickly and cost effectively as possible;
- liaising with reinsurers to facilitate any claim that may arise if the Territory's self-insured retention should be exceeded; and
- pursuing recovery from any third party, where appropriate.

The significant number and nature of these claims occupied a substantial part of the Authority's claims management team during 2020-21.

B.1.6 Outlook and Future Priorities

The Authority will continue to work with Territory directorates and statutory authorities to protect the assets and services of the Territory by providing high quality risk management, claims management, and insurance services.

The Authority's ability to value outstanding claims liabilities is informed by the accumulation of claims data, including claims experience information. It remains important to the Authority that incidents that are likely to give rise to a significant claim are reported promptly to facilitate early intervention claims management and appropriate estimation of the future claim liabilities, which are reviewed annually. The Authority will continue to monitor incident reporting practices by agencies and provide guidance on the nature of incidents that need to be reported.

Reinsurance premiums have increased significantly over the past two years in response to increased claims and reduced capacity in the market. The Authority anticipates that premiums may now be near to the top of the cycle and expects that they may start to stabilise, although this will depend on the Territory's claims experience and risk management practices.

The Authority will continue working with directorates and statutory authorities to develop strategies to reduce the incidence and cost of insurance claims against the Territory by promoting good claims and risk management practices. The Authority's risk management team continues to provide assistance to agencies on a range of risk management related topics.

The Authority's strategic and operational priorities in 2021-22 include:

- guiding and informing agencies on the implementation and continuous improvement of risk management practices consistent with the ACT Risk Management Policy;
- reviewing the Territory's risk profile, reinsurance program structure, and policy terms and conditions to ensure that the program remains suitable to protect the Territory budget based on an appropriate balance between transferred and retained risk;
- proactively managing claims against the Territory in consultation with agency stakeholders and in accordance with the ACT model litigant requirements;
- delivering risk management services including training, targeted educational seminars and consultancy services for agencies that increase the level of stakeholder engagement;
- continuing to implement an insurance management system which meets its identified needs. The system will be supplied, supported and maintained by a software as a service provider; and
- developing robust governance arrangements, focused on improving efficiency in process and service delivery. A combined claims and risk management communication and engagement strategy will be developed to enhance ACTIA's customer relationships and to promote the services available to ACT Government entities.

B.1.7 Internal Accountability

Senior Executive Responsibilities and Remuneration

Senior Executive responsibilities include providing professional advice to the Special Minister of State, the ACT Government, and Territory agencies on insurance and risk management matters, as well as proactively managing claims against the Territory. In addition, the Senior Executive administers the Default Insurance Fund and the Office of the Nominal Defendant of the ACT.

The Senior Executive employed by the Authority is paid in accordance with the determinations of the ACT Remuneration Tribunal and relevant laws and instruments, including the *Public Sector Management Act 1994* and the *Public Sector Management Standards 2006*.

Insurance Advisory Board

The Board is established under Section 12 of the Act and members are appointed in accordance with *Insurance Management Guidelines 2005 (No. 1).* The Under Treasurer, CMTEDD is delegated with authority to make board appointments. The Board must consist of two members appointed by the Authority who, in the opinion of the Authority, possess sufficient skill and judgement to provide advice in relation to the Authority's execution of its powers, functions and responsibilities. The appointment term must not exceed 3 years and can be revoked by the Authority for misconduct, neglect of duty or if the member becomes unable to carry out the duties of the office satisfactorily.

Table B.1: Board members:

Name of Member	Position	Duration	Meetings Attended
Mr Ian Faragher	Member and Chair	March 20 to June 21	4 of 4
Mrs Maxine McDowell	Chair (outgoing)	July 19 to December 20	4 of 4
Ms Robyn Bateup	Member (commencing)	September 20 to June 21	3 of 4

The Authority's board members have extensive experience in the general insurance industry at the executive level, particularly in relation to underwriting, claims management, risk management, reinsurance, and actuarial and financial services.

Mr Ian Faragher (Member and incoming Chair). Mr Faragher has over 35 years' extensive experience in the financial services industry, holding several Chief Executive positions of global financial services organisations. He has lived and worked in the United States, the Asia Pacific Region and Australia. Mr Faragher has successfully lead businesses in both developed and emerging insurance markets. Mr Faragher was instrumental as the Chairman and sole Asia-Pacific member of the Lloyd's of London senior management team in the establishment of Lloyd's in China, earning the prestigious UK Review's award for Company Start-up of the Year. Mr Faragher was invited to join the Members Council of the Motor Insurers Bureau in Hong Kong with responsibility over the Insurance Company Insolvency Funds and elected by membership as a Director of the Australian Chamber of Commerce in Shanghai to advocate on policy affecting over 300 Australian businesses across all sectors of the economy. Mr Faragher has been approved by Regulatory Authorities in Singapore, Thailand, Hong Kong, Taiwan, China, Fiji, and Australia to act as the Principal Officer and/or Responsible Person, evidencing a deep understanding of the operational requirements, governance, corporate laws and regulations in a wide variety of jurisdictions. Mr Faragher holds a Bachelor of Engineering from the University of Sydney, has participated in strategic leadership programs in Princeton New Jersey led by a consortium of elite international business schools and was appointed as a Visiting Professor at the Shanghai University of Finance & Economics in recognition of support for International Risk Management and Insurance Studies. Mr Faragher now consults on various insurance matters specialising in Financial Technology.

Ms Robyn Bateup (Member) - BSc, FIAA, GAICD. Ms Bateup has over 25 years' experience in general insurance. Ms Bateup held a Senior Executive position within a general insurer prior to joining, and becoming a Principal of, and the Australian General Insurance Sector Leader for, an international consulting firm advising corporations and government entities. Ms Bateup has also been an elected Council member of the Council of the Actuaries Institute where she also sat on various advisory committees. Ms Bateup is an Executive Director of her own consulting firm, Bateup Actuarial & Consulting Services, as well as a Non-Executive Director of Medical Insurance Australia Limited and Eric Insurance Pty Ltd, where she chairs the Risk Committees. Ms Bateup has a strong background in risk, pricing, governance, and actuarial skills. She has also served as an expert witness in some litigated general insurance matters. In addition, Ms Bateup is a Graduate Member of the Australian Institute of Company Directors.

Mrs Maxine McDowell (Chair) - ANZIIF (Fellow) CIP. Grad Bus.Mgt. UTS. Mrs McDowell has extensive experience in general insurance underwriting, marketing, claims and risk management, including as a named underwriter at Lloyds of London. She has had consulting roles with the National Insurance Brokers Association (NIBA), conducted compliance and underwriting audits on behalf of Lloyds and local licensed insurers, provided technical advice to a number of insurance brokers, and has delivered compliance training and product education to a variety of industry members. Mrs McDowell has represented the NIBA on the Insurance Council of Australia (ICA) Catastrophe Insurance Taskforce and lectured in Insurance at the University of Technology, Sydney. She has also served as an expert witness in some litigated general insurance matters. Mrs McDowell now consults on general insurance matters, delivers compliance and technical training, and is active in mentoring programs. She is an Honorary Life Member of the Australian & New Zealand Institute of Insurance and Finance (ANZIIF).

The remuneration of the Board members is determined by the ACT Remuneration Tribunal.

The Board met on four occasions during 2020-21 and was consulted on the following:

- reinsurance program for 2021-22;
- actuarial and financial matters;
- operational priorities;
- ICT systems and management;
- review of major claims; and
- risk management matters.

B.2 Performance Analysis

The Authority's accountability indicators are detailed in the Authority's *2020-21 Statement of Intent* and are reported as part of the Authority's Statement of Performance see pages 90-101.

A summary of the outcomes achieved against each of the Authority's principal objectives and accountability indicators is detailed below.

B.2.1 Carry on the business of insurer of Territory risks

Conduct an annual customer satisfaction survey

The Authority's annual customer satisfaction survey was undertaken with a range of questions focused on governance processes, practices, product, and service outcomes. To ensure a consistent approach for receiving customer feedback, the questions were based on the previous year's survey.

Surveys were sent to a range of agency contacts including Directors-General, Chief Executive Officers, and other key stakeholders of ACT Government directorates and statutory authorities. Respondents were asked to rate the quality of different aspects of the Authority's services, based on their experiences over the past 12 months.

Overall satisfaction for the Authority was 81 per cent. The Authority's customers identified the following positive characteristics as the key drivers of positive experiences:

- being able to transact efficiently with the Authority;
- the professionalism of the Authority's staff;
- the Authority's staff understand the services they deliver; and
- the Authority responding to requests in a prompt and timely manner.

The Authority continues to collaborate with customers at all levels to enhance the level of service provided, and to identify and clarify those areas that may require improvement.

Determine annual insurance premiums for territory agencies

The Authority operates on a cost recovery basis by collecting premiums from directorates and statutory authorities to meet the costs of future asset losses and legal liabilities that occur as a result of the activities of government.

The Authority completed an annual review of agency insurance premiums with assistance from its actuary, PricewaterhouseCoopers Consultants (Australia) Pty Ltd for the 2021-22 insurance year. Premiums are allocated to individual agencies based on their claim history, asset ownership, and overall risk profile, which includes the services and business activities of each agency.

The Authority continues to refine its premium allocation model, informed by the accumulation of claims data including claims experience, risk exposure, and asset ownership information.

Maintain a funding ratio within the targeted range stated in the ACTIA Capital Management Plan

The ACTIA Capital Management Plan provides a comprehensive and structured approach to the long-term management of the Authority's financial assets.

The plan establishes the basis for an agreed approach to the management of the Authority's financial strategy and objectives and takes into consideration the variability of the Authority's capital position that may result from changes in claims experience and investment returns.

The Authority aims to manage its capital position at a range between 100 – 120 per cent. This position seeks to strike a balance between the appropriate management of the Territory's risk, while allowing suitable mechanisms to address a capital position outside the target ratio range. This would include action to seek capital injections (in a deficit situation) or surrendering unneeded capital (in a surplus situation).

The Authority's funding ratio as at 30 June 2021, is 134 per cent equating to a balance sheet surplus of $113.0 million with a forecasted capital funding position for 2021-22 of $134.2 million, 139 per cent.

Table B.2: Funding Ratio:

Balance Sheet	Actual 30 June 2020 $ Million	Actual 30 June 2021 $ million	Forecast 30 June 2022 $ million
Assets	$357.4	$447.2	$478.5
Liabilities	$287.9	$334.2	$344.3
+/- $	$69.5	$113.0	$134.2
Funding Ratio	124%	134%	139%
Capital Return	-	-	-

General and administrative expense as a percentage of total annual premium revenue

General and administrative expenses represent eight per cent of ordinary revenue. This is lower than the original target of nine per cent. The Authority's management and staff continue to work on improving operational efficiency without compromising on the service delivery expectations of customers.

Average number of days to process payments for settlement of claims

During 2020-21 it took an average of 16 days to process payment for the settlement of claims. This is higher than the original target of 14 days which is mainly due to the transition to the new claims management system.

Review the Territory's insurance and reinsurance programs

The Authority completed a review of the Territory's insurance and reinsurance programs as part of its annual renewal process, which included a review of the Territory's risk profile, current reinsurance program structure including risk retention levels, an analysis of market conditions, and the suitability of insurance policy terms and conditions.

The review outcome was presented to the Advisory Board and advice was provided to the Under Treasurer on the suitability of the proposed 2021-22 reinsurance program.

The Authority was able to achieve 100 per cent placement of the Territory's reinsurance program for 2021-22 with the global insurance markets. The program renewal for the 2021-22 insurance year includes cover of approximately $25.8 billion of insured assets and general growth in the Territory wide risk exposure.

B.2.2 Take out insurance of Territory risks with other entities

Review the Territory's property asset register to ensure that values reflect insurance replacement costs

The Authority reviewed the Territory's insurance assets schedule and replacement values stated by agencies in their annual insurance declaration. The Authority worked with individual agencies to refine the detail included in the Authority's property reinsurance renewal.

Complete property loss control surveys

The Authority's lead property reinsurer, AXA XL, undertakes an annual program of property surveys in consultation with the Authority and Territory agencies. A selection of assets is surveyed each year as part of a rolling program. This provides reinsurers with an overview of the Territory's asset management practices, with a focus on emergency management systems and property protection. The surveys in 2020-21 confirmed that the Territory's asset management practices were appropriate in the sample of assets surveyed.

The survey reports and recommendations were provided to agency representatives responsible for asset management arrangements for consideration and appropriate action.

Quarterly review of claims

Claim review meetings were held quarterly during 2020-21 to review all liability and medical malpractice claims where the reserve exceeds $250,000. The claim review meetings were attended by Authority staff, representatives of the Authority's insurance broker Marsh Pty Ltd, and the ACT Government Solicitor's Office, and notes from the meeting were forwarded to the Territory's external insurers. The review meetings provide an excellent opportunity to enhance the Territory's ability to develop and execute complex claims management strategies and provides transparency to the Territory's insurers.

The Authority continues to work with key agencies, analysing claims data and developing strategies to reduce the incidence of claims against the Government by implementing robust risk management practices which, in turn, assist in the reduction of costs incurred by the Territory. The Authority provides support to identify causes and contributing factors resulting in claims events.

B.2.3 Satisfy or settle claims in relation to Territory risks

Insurance claims data

An actuarial assessment of insurance claims data is provided by the Authority's actuary, PricewaterhouseCoopers Consulting (Australia) Pty Ltd, at the end of each financial year.

The data is presented by major insurance class and includes an assessment of the discounted mean term relating to the average time it takes to finalise claims, ultimate claims numbers, and the average cost of large and small claims. These assumptions provide the basis for establishing the Authority's outstanding claims liabilities and annual agency premiums.

Significant property damage claims

The Authority managed 87 new claims in respect of damage to Territory assets that occurred during 2020-21. Three of these claims had costs exceeding $1million – two claims arose from disturbances at the Alexander Maconochie Centre, and one from damage caused during a rain event in March 2021

The Authority continues to manage claims from the hailstorm in January 2020 and from the Orroral Valley Fire in 2020, supporting and assisting Agencies in the reinstatement of the assets, and the timely reimbursement of costs incurred.

Significant Medical Malpractice claims

The Authority is currently managing ten medical malpractice claims where the reserve is $2 million or higher. The Authority continues to work with the Directorate and ACT Government Solicitor for timely cost-effective resolution of these matters, in accordance with the Law Officers (Model Litigant Guidelines) 2010.

B.2.4 Develop and promote good practices for the management of Territory risks

Provide risk profile reports

In October 2020 and May 2021, the Authority issued Risk Profile Reports to Directors-General, and to agency staff involved in management of operational insurance and risk management.

The reports contained analysis of claims history, claim costs and claim estimates, which were broken down by insurance class and incident type. These reports assist agencies to identify trends or issues across different classes of insurance.

Deliver general and targeted risk management training courses

The Authority facilitated the delivery of 27 targeted risk management training sessions to approximately 268 territory staff in 2020-21. A large proportion of the targeted training was for the Environment, Planning and Sustainable Development Directorate, Canberra Institute of Technology and Canberra Health Services. The training attracts significant interest and is consistently well attended by a range of territory staff including executive, senior officers, and operational staff.

The training was facilitated using a combination of virtual and face-to-face mediums. Whilst the Authority has seen a decrease in the overall number of risk management training sessions offered during the financial year, virtual delivery of targeted risk management training continues to be of interest to entities in the current COVID-19 climate.

The Authority developed and launched two e-learning courses in risk management during the financial year. The 'Introduction to Risk Management' course is part of ACTPS Core Learning and is in included in the ACTPS induction package for new employees. The 'Practical Application to Risk Management' course is offered through entity specific Learning Management Systems (LMS) across all directorates and agencies. Both courses are well promoted across Territory entities, with increasing participation rates.

Overall participant satisfaction with risk management training sessions

The risk management courses offered by the Authority have been well received and feedback from participants is positive.

Participants indicated a high level of satisfaction with the courses provided and a majority indicated that the training was informative, comprehensive, well presented and generally met their needs.

Feedback received showed 98 per cent of respondents were satisfied with the risk management training provided.

B.2.5 Give advice to the Minister about insurance and the management of Territory risk

Agency annual insurance premium

The rescheduling of the Territory's 2021-22 budget meant that the brief the Authority would normally prepare to seek approval for the annual agency insurance premiums for inclusion in the Budget was not produced until July 2021.

The similar brief for the rescheduled 2020-21 budget was prepared in March 2020 before the budget timetable was changed.

Annual reinsurance program placement

The Authority briefed the Special Minister of State on the Territory's 2020-21 program placement, including the reinsurance program, on 21 July 2020.

The brief provided background information on the Authority's strategy for the development of its proposed reinsurance program including a summary of current insurance market conditions in the four main classes of insurance: medical malpractice, public liability, property, and directors' and officers'.

Authority's Capital Management Plan

The rescheduling of the Territory's 2021-22 budget meant that the brief the Authority would normally prepare to seek approval for its Capital Management Plan was not produced until after the end of the financial year.

B.3 Scrutiny

There were no inquiries or reviews from the ACT Auditor-General, the ACT Ombudsman, or any Legislative Assembly Committees in 2020-21. The only scrutiny from the Auditor-General during the reporting year was for the audit of the 2019-20 Financial Statements, and the review of the 2019-20 Statement of Performance.

B.4 Risk Management

The Authority maintains its own operational risk register which identifies the Authority's business risks, and its workplace, health and safety risks. The register details the control measures and treatment plans for identified categories of risk including financial, business, information technology dependencies, and workplace health and safety. The Authority is part of CMTEDD and, as such, it is covered in CMTEDD's risk management arrangements.

B.5 Internal Audit

During 2020-21 the Authority's internal audit functions were provided by the CMTEDD Audit and Risk Committee (the Committee). The Committee's functions are governed by the Audit and Risk Committee Charter.

Membership includes an External Chair, External Deputy Chair, a senior executive member from another ACT Government agency and three appointees from within CMTEDD. A representative from the ACT Audit Office and advisors regularly attended meetings.

Four general meetings and two special meetings were held during the year. The number of meetings attended by committee members is as follows:

Table B.3: CMTEDD Audit and Risk Committee members:

Name of Member	Position	Duration	Meetings Attended
Carol Lilley	Independent Chair (Outgoing)	July 2020 to February 2021	3
Greg Field	Independent Chair (Commencing)	February 2021 to June 2021	3
Jennifer Johanson	Independent Deputy Chair	July 2020 to June 2021	6
Geoffrey Rutledge	ACT Government External Member	July 2020 to June 2021	5
Sam Engele	CMTEDD Member	July 2020 to June 2021	6
David Pryce	CMTEDD Member	July 2020 to June 2021	6
Liz Clarke	CMTEDD Member (Outgoing)	July 2020 to May 2021	4
Penny Shields	CMTEDD Member (Commencing)	May 2021 to June 2021	1

Internal audit services are provided by private audit firms. Internal audits are selected from an internal audit program and developed after identifying areas of strategic, operational, and financial risk. This program is proposed and overseen by the Committee and approved by the Director-General and the Under Treasurer.

The internal audit program did not require the Authority to complete any audit activities during 2020-21.

B.6 Fraud Prevention

The Authority is part of CMTEDD and, as such, it is covered in CMTEDD's Fraud and Corruption Prevention Plan and the CMTEDD Fraud Risk Register. Appropriate delegations and separation of duties are in place for financial and administrative operations. There were no reports or allegations of fraud or corruption received during the reporting year.

B.7 Freedom of Information

The *Freedom of Information Act 2016* (FOI Act) gives individuals the legal right to:

- access government information unless access to the information would, on balance, be contrary to the public interest;
- ask for personal information to be changed if it is incomplete, out-of-date, incorrect or misleading; and
- appeal a decision about access to a document, or a decision in relation to a request to amend or annotate a personal record.

In accordance with Section 96 of the FOI Act, the Authority is required to report on the operation of the FOI Act in relation to the Authority for the reporting year.

The Authority did not receive any FOI requests in 2020-21.

Total Charges and Application Fees Collected

The Authority did not collect any fees or charges in relation to the processing of FOI requests in 2020-21 under the FOI Act.

Further information relating to the Freedom of Information including how to make an FOI application, what details you need to make an application, and contact details for the FOI information officer can be found on the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) website https://www.cmtedd.act.gov.au/functions/foi. There are also details of requests received by the directorate listed on the Freedom of Information Disclosure Log for the CMTEDD.

B.8 Community Engagement and Support

The Authority has nothing to report against this section. The Authority does not undertake any community engagement or support in performing its functions.

B.9 Aboriginal and Torres Strait Islander Reporting

The Authority has nothing to report against this section. The Authority does not undertake any Aboriginal and Torres Strait Islander programs, projects and/or initiatives.

B.10 Work Health and Safety

The Authority manages workplace health and safety in accordance with the provisions of the *Work Health and Safety Act 2011*. The Authority is committed to maintaining the health and safety of its employees and arranges ongoing training throughout the year for the following:

- one health and safety representative;
- one qualified first aid officer; and
- one fire warden.

B.10.1 Reporting Requirements under the Work Health and Safety Act 2011

During the reporting year, the Authority did not receive any notices under Part 10 or 11, or any findings of a failure to comply with a safety duty under Part 2 Division 2.2, 2.3 or 2.4 of the *Work Health and Safety Act 2011*.

The Authority is committed to promoting and maintaining a high standard of health, safety and well-being for all staff, contractors and visitors. The Authority is provided guidance and support via the CMTEDD People and Capability Branch to ensure that all employees understand the basic principles of injury prevention and management. Details of the CMTEDD work health and safety arrangements can be found in the CMTEDD 2020-21 Annual Report.

The Authority continues to strengthen its safety and reporting culture through increased awareness of reporting requirements and regular discussion as a standing agenda item at all team and leadership meetings.

As a result of staff working remotely, the Authority has implemented strategies to ensure that staff do not feel isolated and continue to maintain its positive work culture.

B.11 Human Resources Management

The Authority was supported by the Shared Services Strategic Human Resources team within CMTEDD throughout 2020-21. This team provides strategic, operational and technical advice and support as issues arise. Details of human resource management can be found in the CMTEDD 2020-21 Annual Report.

The Authority is committed to the *ACT Public Service Code of Conduct, ACTPS Performance Framework* and the *ACT Public Service Respect, Equity and Diversity Framework* to build a positive, inclusive and diverse workplace. The Authority has adopted a range of measures aimed at achieving this objective, including:

- providing access to study leave;
- providing access to flex time and ensuring staff do not work excessive hours; and
- providing flexible working arrangements including part-time work.

Staff have been employed by the Authority based on merit, their qualifications, experience, and skills. The Authority aims to create a workplace where the strengths, talents and contributions of all staff are recognised and valued.

B.11.1 Learning and Development

The key development and learning priorities for the Authority have been identified as risk and claims management, insurance, finance, and ICT. During 2020-21, staff undertook formal training courses and attended external conferences and seminars in these areas.

In addition, the Authority organised for internal training to be provided, from internal members of the team and service providers including legal advisors, a legal costing firm, and the Territory's insurance broker.

A number of the Authority's employees have attended courses from the CMTEDD training calendar throughout the year including the CMTEDD Supervisor Development Program and utilised the CMTEDD Study Assistance Program to work towards gaining various formally recognised qualifications. The cost of training courses and seminars undertaken in 2020-21 totalled $18,410.

B.11.2 Workplace Relations

The Authority's staff are covered under the *ACT Public Service Administrative and Related Classifications Enterprise Agreement 2018-2021*. The ACT Public Service Enterprise Agreements provide scope for Attraction and Retention Incentives (ARIns) to be agreed with staff to allow higher levels of remuneration or other benefits to be provided, where market rates exceed those payable. The Authority has no ARIn arrangements in place.

B.11.3 Staffing Profile

The following tables provide statistical information for permanent staff of the Authority for 2020-21:

Table B.4: FTE and headcount by division/branch

Division/Branch	FTE	Headcount
ACT Insurance Authority	22.7	24

Table B.5: FTE and headcount by gender

	Female	Male	Total
FTE by Gender	17.7	5.0	**22.7**
Headcount by Gender	19	5	**24**
% of Workforce	79.2%	20.8%	**100.0%**

Table B.6: Headcount by classification and gender

Classification Group	Female	Male	Total
Administrative Officers	13	1	**14**
Senior Officers	5	4	**9**
Executive Officers	1	-	**1**
TOTAL	**19**	**5**	**24**

Table B.7: Headcount by employment category and gender

Employment Category	Female	Male	Total
Casual	-	-	**-**
Permanent Full-time	12	4	**16**
Permanent Part-time	2	-	**2**
Temporary Full-time	5	1	**6**
Temporary Part-time	-	1	**1**
TOTAL	**19**	**5**	**24**

Table B.8: Headcount by diversity group

	Headcount	Percentage of Authority workforce
Aboriginal and Torres Strait Islander	-	-
Culturally & Linguistically Diverse	5	20.8%
People with a disability	3	12.5%

Note: Employees may identify with more than one diversity groups.

Table B.9: Headcount by age group and gender

Age Group	Female	Male	Total
Under 25	0	0	**0**
25-34	4	-	**4**
35-44	8	1	**9**
45-54	7	-	**7**
55 and over	0	4	**4**

Table B.10: Average length of service by gender (headcount)

	Female	Male	Total
Average years of service	6.9	8.0	**7.1**

Table B.11: Recruitment and separation rates

	Percentage Total
Recruitment Rate	**10.7%**
Separation Rate	**5.3%**

B.12 Ecologically Sustainable Development

The Authority is committed to the principles of ecologically sustainable development as set out in the *Environmental Protection Act 1997* and required by *Climate Change and Greenhouse Gas Reduction Act 2010*.

The Authority proactively incorporates appropriate management practices that are consistent with the principles of ecologically sustainable development into its daily business practices. The Authority uses recycled paper and where possible uses energy efficient office equipment. Recycling and organic bins are provided for the use of staff. Where possible electronic communications are used in preference to paper.

Information on the Authority's operational consumption data that are captured at a directorate level can be found in the Ecological Sustainable Development section with the CMTEDD Annual Report. Those operational consumption resources that are within the Authority's control for 2020-21 are outlined on the following pages with comparison data for 2019-20.

Table B.12: Sustainable Development: Current and Previous Financial Year

Indicator as at 30 June	Unit	2019-20 Result	2020-21 Result	Percentage change
Authority staff and area				
Authority Staff	FTE	19.1	22.7	18.85
Workplace floor area	Area (m^2)	257.12	542	110.79
Stationary energy usage				
Electricity use	Kilowatt hours	Refer to the CMTEDD Annual Report		N/A
Natural gas use	Megajoules			
Diesel use	Kilolitres			
Transport fuel usage				
Electric vehicles	Number	-	-	-
Hybrid vehicles	Number	-	-	-
Other vehicles (that are not electric or hybrid)	Number	-	-	-
Total number of vehicles	Number	-	-	-
Total kilometres travelled	Kilometres	-	-	-
Fuel use – petrol	Kilolitres	-	-	-
Fuel use – diesel	Kilolitres	-	-	-
Fuel use – Liquid Petroleum Gas (LPG)	Kilolitres	-	-	-
Fuel use – Compressed Natural Gas (CNG)	Gigajoules	-	-	-

Indicator as at 30 June	Unit	2019-20 Result	2020-21 Result	Percentage change
Water Usage				
Water use	Kilolitres	Refer to the CMTEDD Annual Report		N/A
Resource efficiency and waste				
Reams of paper purchased	Reams	145	5	96.55
Recycled content of paper purchased	Percentage	100%	100%	-
Waste to landfill	Litres	Refer to the CMTEDD Annual Report		N/A
Co-mingled material recycled	Litres			
Paper and cardboard recycled (incl. secure paper)	Litres			
Organic material recycled	Litres			
Greenhouse gas emissions				
Emissions from stationary energy use	Tonnes CO_2-e	Refer to the CMTEDD Annual Report		N/A
Emissions from transport	Tonnes CO2-e			

Section

C

C. FINANCIAL MANAGEMENT REPORTING

C.1 Financial Management Analysis

The Authority's financial results are contained in Part C of this report. The Authority's Management Discussion and Analysis is below.

C.1.1 Management Discussion and Analysis for the Financial Year ended 30 June 2021

General Overview

The ACT Insurance Authority (the Authority) is established under the *Insurance Authority Act 2005*.

The Authority works to protect the assets and services of the Territory by providing risk management support and insurance services to all ACT Government directorates and statutory authorities. The Authority meets the insurable claims and losses of the ACT Government.

The Authority operates as the ACT Government's captive insurer of Territory risks. The captive insurance model protects the ACT Government budget from a range of catastrophic and accumulated risk exposures through its insurance arrangements, and the accumulation of a fund reserve to meet the cost of asset losses and legal liabilities that occur as a result of the activities of Government.

The Authority operates on a cost recovery basis by collecting premiums from directorates and statutory authorities to meet the anticipated costs of claims.

The authority administers the financial transactions relating to the Builders Warranty Insurance agreement in place between the Territory and QBE. Under the agreement, the Authority received premium revenue from QBE for any new policies written, QBE is paid a commission and receives fees for the administration of the claims management services it provides.

Objectives

The key objectives of 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;
- with the Treasurer's approval, take action for the realising, enforcing, assigning, or extinguishing rights against third parties arising out of, or in relation to, its business including, for example:
  - taking possession of, dealing with, or disposing of, property; or
  - carrying on a third parties' business as a going concern.
- develop and promote good practices for the management of Territory risks; and
- give advice to the Minister about insurance and the management of Territory risks.

Risk Management

The Authority has developed and implemented a risk management plan in accordance with the Australian Standard on risk management AS ISO 31000:2018 and the ACT Government's Risk Management Policy. The plan, specific to the Authority's internal functions, identifies, and details risks and control measures, and treatment action plans for risks in the financial, business, and information technology dependencies.

The Authority has identified the following key risks:

- insufficient and/or unsatisfactory external insurance arrangements; and
- annual premiums not sufficient to fully fund claims over the claim development period.

To manage these risks, the Authority engages a specialised insurance broker to provide professional advice and access to international and local reinsurance markets. Professional actuaries provide support and advice that aligns agency premiums with claims experience. The Authority has an investment strategy which takes a structured and comprehensive approach to the long-term management of its financial assets to fund future claims liabilities.

Financial Performance

The following financial information is based on audited Financial Statements for 2020-21, and the forward estimates contained in the Authority's 2020-21 Statement of Intent.

The Authority has not experienced any significant financial impacts as a result of the COVID-19 pandemic. Estimates presented below for 2021-22 are based on the 2021-22 Statement of Intent.

During 2020-21 the Authority experienced several functional and operational changes. These included:

- early in 2021 the Territory experienced a number of large weather events, resulting in insurable losses. These losses and the possibility of other severe losses in the future have been considered and allowed for in the Authority's outstanding claims liabilities; and
- at the end of March 2020 all employees of the Authority were instructed by the Head of Service to work from home where possible and achieve social distancing measures due to the COVID-19 pandemic. This has continued throughout the 2020-21 reporting period, however this has not impacted the Authority's ability to provide its core functions.

Operating Result

The Authority's operating result for 2020-21 is a surplus of **$43.4 million**, being **$16.7 million** higher than the original budget surplus of **$26.7 million.** The variance to budget was primarily due to a higher investment return, as well as gains on remeasurement of investments, and lower than expected net incurred claim expenses. The higher returns on investments combined with the higher gain on remeasurement of investment were due to the strong investment performance (14.4 percent) reflecting the global macro-economic environment and above average market gains, whilst the lower net incurred claims are mainly due to larger than expected claim related recoveries from reinsurance based on large claim experiences and actuarial assumptions for the insurance year 2020-21.

Underwriting (Loss)

Components of Underwriting (Loss)

For the year ended 30 June 2021, the Authority recorded a total underwriting loss of **$4.1 million.** As shown below at *Table C.1* the underwriting results comprise of net earned premiums less net incurred claims.

TABLE C.1: UNDERWRITING (LOSS)

Description	Actual 2019-20 $'000	Actual 2020-21 $'000	Original Budget 2020-21 $'000	Estimated Budget 2021-22 $'000
Net Earned Premiums	38,974	39,945	39,946	47,265
Net Incurred Claims	(51,139)	(44,073)	(46,234)	(41,914)
Underwriting (Loss) Profit	(12,165)	(4,128)	(6,288)	5,351

Comparison to Budget

The underwriting loss of **$4.1 million** was **$2.2 million** lower than the original budget underwriting loss of **$6.3 million**.

The decrease in the underwriting loss is predominantly due to the decrease in the net incurred claims of **$2.1 million**. Net incurred claims incorporate claims expense net of reinsurance recoveries and other claims related recoveries. Claims expense was higher than the original budget by **$40.7 million** primarily due to increase in the number of large claims reported in the 2020-21 insurance year, offset by an estimated claims recoveries **$42.9 million** from reinsurance and third parties.

Comparison to 2019-20 Actual

In comparison to the 2019-20 underwriting loss of **$12.1 million**, the underwriting loss decreased by **$8 million.** The variance is due to an increase in the net earned insurance premiums of **$1 million** combined with a decrease in net incurred claims of **$7 million** compared to the previous year. The increase in net earned premiums was primarily due to the increase in annual premiums as a result of changes in actuarial assumptions which was attributed to by less than favourable claims experiences. The decrease in net incurred claims is predominantly due to an increase in claims expense as the result a number of large claims being reported in the 2020-21 insurance year and an expected large amount of settlement recoveries from reinsurance and third parties as at 30 June 2021.

Future Trends

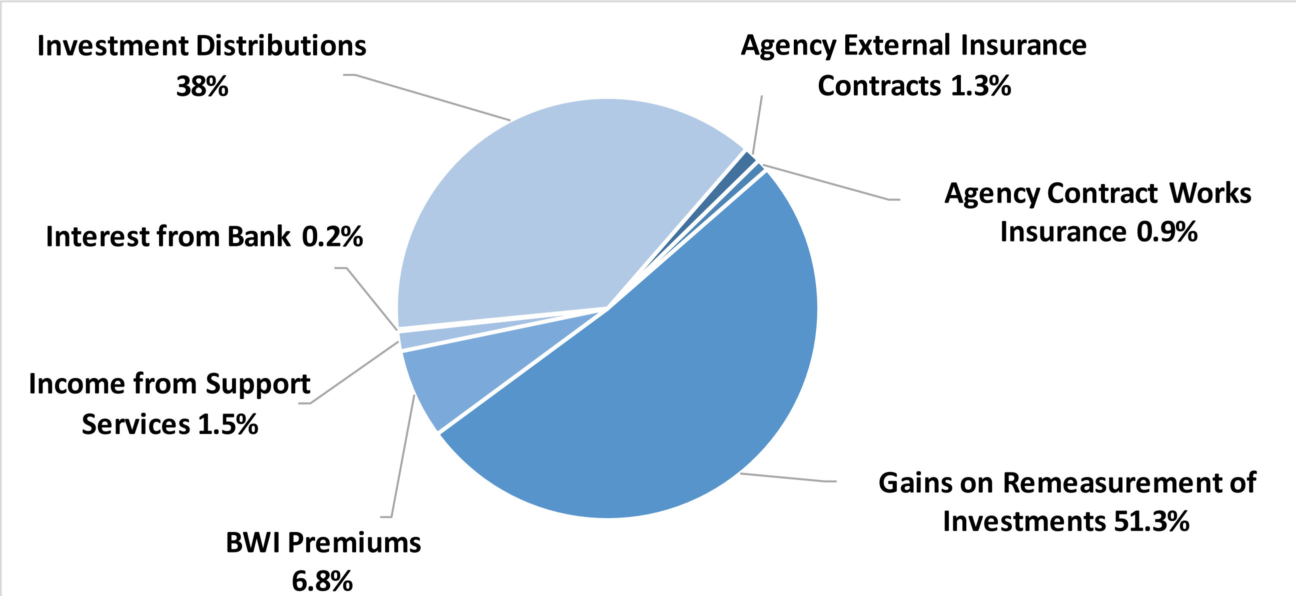
The future trend expected for the 2021-22 underwriting result is a budget surplus of **$5.4 million**. This is an increase of **$9.5 million** loss from the 2020-21 actual result**.** This is due to an expected increase in net earned premiums of **$7.3 million** in annual premiums and a decrease in net incurred claims expenses of **$2.2 million** for 2021-22.

Other Revenue

Components of Other Revenue

For the year ended 30 June 2021 the Authority recorded other revenue of **$54.1 million.** The main source of other revenue is gains on remeasurement of investment and distributions from investments which, combined, provide 89 per cent of the Authority's other revenue as shown in *Figure C.1*.

FIGURE C.1: COMPONENTS OF OTHER REVENUE 2020-21



Source: ACT Insurance Authority's 2020-21 Financial Statements.

Comparison to Budget

Other revenue was **$13.9 million** higher than the original budget of **$40.3 million.** This is predominantly due to the gains on remeasurement of investment and distribution. Gains on remeasurement of investment of **$27.7 million** was higher than budgeted **$20 million,** combined with the higher investment distribution of **$20.5 million** compared to the budgeted return of **$14 million** due to a strong investment performance (14.4 percent) reflecting the global macro-economic environment of unprecedented low interest rates and market gains for the financial year ended 30 June 2021.

Comparison to 2019-20 Actual

In comparison to the 2019-20 actual result of **$15.1 million**, other revenue increased by **$39.1 million**, or **259 per cent**. This is predominantly due to a strong investment performance (14.4 percent compared to 3.5 per cent during 2019-20).

Future Trends

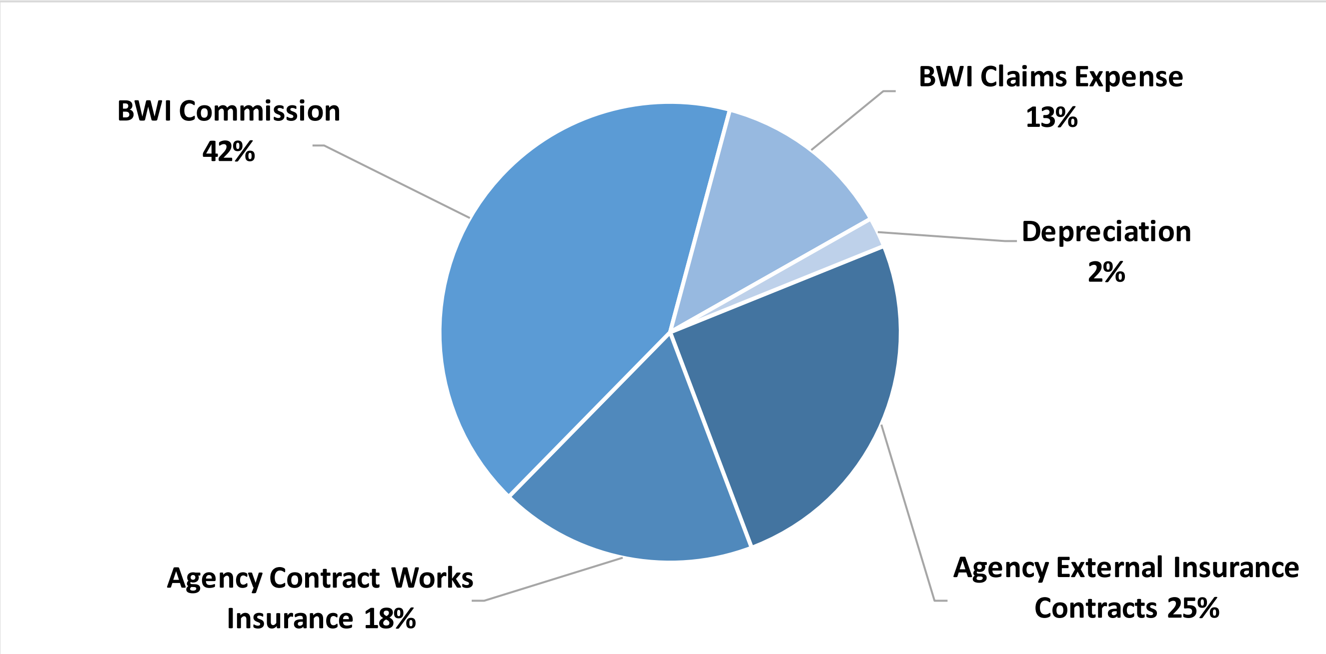
The future trend expected for the 2021-22 budget for other revenue is **$24.3 million**. This is a decrease of **$29.8 million** from the 2020-21 actual result, predominantly due to the expectation that investment returns and the expected gains from the remeasurement of investments will normalise in 2021-22.

Other Expenses

Components of Other Expenses

For the year ended 30 June 2021 the Authority recorded other expenses of **$2.7 million**. The main sources of other expenses are BWI commission, and agency contract works insurance premiums as shown in *Figure C.2.*

FIGURE C.2: COMPONENTS OF OTHER EXPENSES 2020-21



Source: ACT Insurance Authority's 2020-21 Financial Statements.

Comparison to Budget

Other expenses were **$0.4 million** lower than the original budget of **$3.1 million.** This is predominantly due to lower than expected contract works insurance purchases relating to delays in delivery of capital infrastructure projects of other directorates.

Comparison to 2019-20 Actual

In comparison to the 2019-20 actual result of **$2.3 million**, other expenses increased by **$0.4 million** or **17 per cent**. The increase is primarily due to Builders Warranty Insurance (BWI) commissions and BWI claims expenses for full year whilst 2019-20 included the expenditure for 5 months only partially offset by higher contract works insurance purchased reflecting more infrastructure projects by directorates.

Future Trends

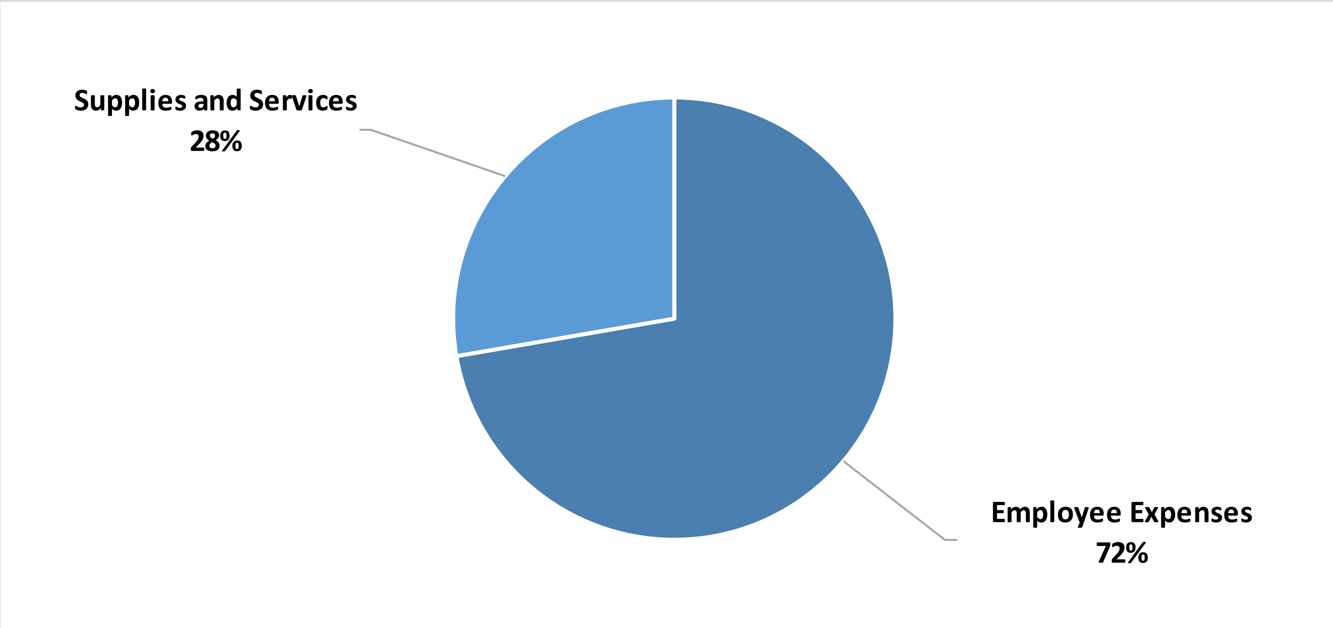
The future trend expected for the 2021-22 budget for other expenses is **$2.6 million.** This is a decrease of **$0.1 million** from the 2020-21 actual result, predominantly due to an expected decrease in BWI Commission expenses.

General and Administration Expenses

Components of General and Administration Expenses

General and administration expenses totalled **$3.9 million** for the Authority in 2020-21. As shown in *Figure C.3*, the main components of these expenses relate to employee and superannuation expenses, representing 72 per cent of the Authority's general and administration expenses.

FIGURE C.3: COMPONENTS OF GENERAL AND ADMINISTRATION EXPENSES 2020-21



Source: ACT Insurance Authority's 2020-21 Financial Statements.

Comparison to Budget

In 2020-21, general and administration expenses of **$3.9 million** were materially in line with the original budget of **$4.1 million**.

Comparison to 2019-20 Actual

In comparison to the 2019-20 actual result of **$3.8 million,** general and administration expenses increased by **$0.1 million.** The increase is mostly due to higher employee expenses of **$0.3 million** resulting from an increase in salaries and superannuation due to salary increases and changes in annual leave movement due to an increase annual leave liability. Supplies and services costs decreased by **$0.2 million** mainly as a result of decrease in risk management initiative expenses due to lower demand for risk management training from agencies.

Future Trends

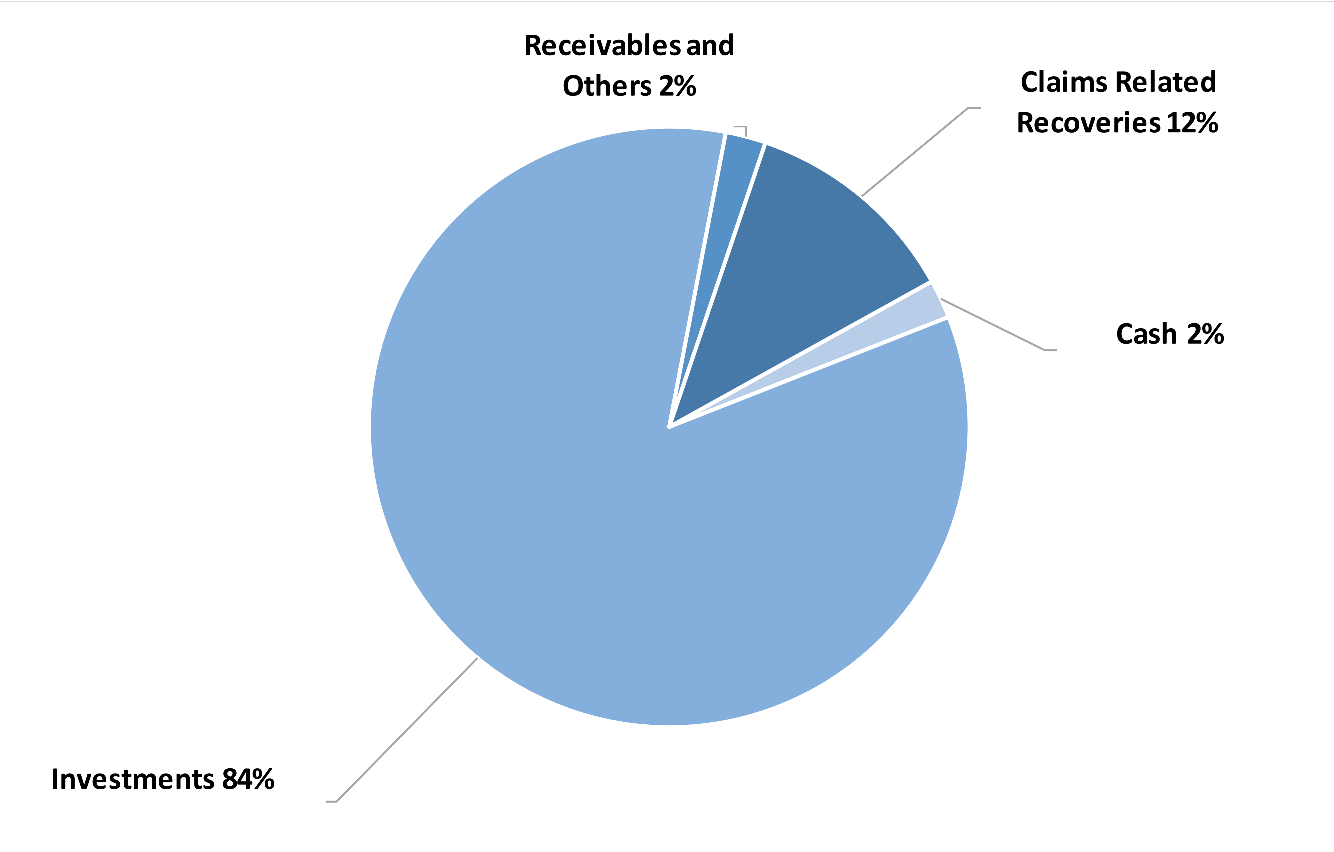
The future trend expected for the 2021-22 budget for general and administration expenses is **$5.9 million.** This is an increase of **$2 million** from the 2020-21 actual result mainly due to a proposed restructure incorporating an additional 10 FTEs to address workload issues and promote the efficient delivery of claim management and risk management initiatives to meet the increasing demand from ACT Government Directorates.

Total Assets

Components of Total Assets

The total assets position as at 30 June 2021 is **$447.2 million**. *Figure C.4* below indicates that the majority of assets are held in investments (**84 per cent**).

FIGURE C.4: COMPONENTS OF TOTAL ASSETS 2020-21



Source: ACT Insurance Authority's 2020-21 Financial Statements.

Comparison to Budget

Total assets at 30 June 2021 of **$447.2 million** is **$52.7 million** higher than the original budget of **$394.5 million**. This is predominantly due to an increase in the fair value of investments relating to favourable macro- economic factors in the investment asset portfolio**.**

Comparison to 2019-20 Actual

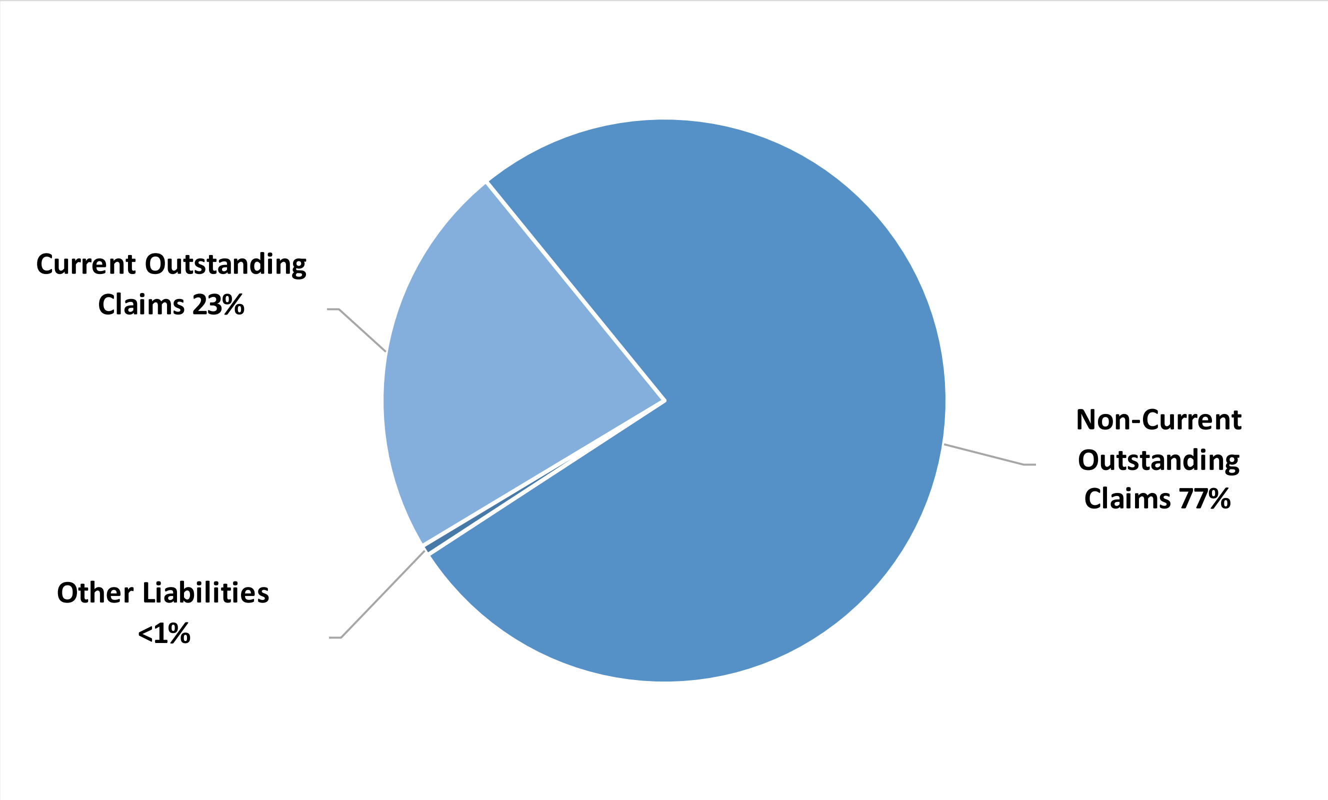
Total assets are **$89.8 million,** or **25 per cent**, higher than the 2019-20 actual position of **$357.4 million**. The increase is predominantly due to an increase in the fair value of investments as at 30 June 2021 compared with the previous year.

Total Liabilities

Components of Total Liabilities

The total liabilities position as at 30 June 2021 is **$334.2 million**. *Figure C.5* below shows the majority of liabilities relate to outstanding claims liabilities.

FIGURE C.5: COMPONENTS OF TOTAL LIABILITIES 2020-21



Source: ACT Insurance Authority's 2020-21 Financial Statements.

Comparison to Budget

Total liabilities as at 30 June 2021 of **$334.2 million** is **$35.9 million** higher than the original budget of **$298.3 million.** The increase is predominantly due to an increase in outstanding claim liabilities.

The increase in outstanding claims liabilities of **$35.9 million** is mainly due to an increase in the expected number and size of reported large claims based on actuarial valuation as of 30 June 2021.

Comparison to 2019-20 Actual

Total liabilities are **$46.3 million** or **16 per cent** higher than the 2019-20 actual position of **$287.9 million**. This increase is primarily due to an increase in the outstanding claims liabilities, predominantly due to new incurred claims offset by payments, as well as changes in actuarial and economic assumptions.

Capital Funding Ratio

The Authority's capital management plan takes into consideration the variability of the Authority's capital position that may result from changes in claims experience and investment returns, the opportunity cost of holding capital in the Authority's captive fund, and the funding ratio targets of other like captive insurers in the public sector.

Each year, the Authority prepares a capital management plan which outlines a structured and comprehensive approach to the long-term management of the Authority's financial assets.

Under this plan the Authority aims to maintain its funding ratio between 100 – 120 per cent. These parameters guide decision making to address a capital position outside the target ratio range. This would include action to seek capital injections (in a deficit situation) or surrendering excess capital (in a surplus situation).

TABLE C.2: FUNDING RATIO

Description	Actual at 30 June 2020 $'000	Actual at 30 June 2021 $'000	Budget at 30 June 2021 $'000	Budget at 30 June 2022 $'000
Total Assets	357,436	447,156	394,500	478,515
Total Liabilities	287,884	334,189	298,279	344,310
Funding Ratio	124%	134%	132%	139%

The Authority's funding ratio at 30 June 2021 is **134 per cent.** This is higher than the 2020-21 budget funding ratio of **132 per cent** due to higher-than-expected gains on remeasurement of investments.

The Authority's forecast for 2021-22 funding ratio is **139 per cent**.

C.2 Financial Statements

For the Financial Year Ended 30 June 2021

The Authority's Financial Statements are reported on page 44 of the *2020-21 ACT Insurance Authority Annual Report*.

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the ACT Insurance Authority (Authority) for the year ended 30 June 2021 which comprise the operating statement, balance sheet, statement of changes in equity, statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

(i) present fairly, in all material respects, the Authority's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended; and

(ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Authority for the financial statements

The Under Treasurer is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Authority to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

Under the *Financial Management Act 1996,* I am responsible for issuing an audit report that includes an independent opinion on the financial statements of the Authority.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Authority's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authority;
- conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Authority to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Under Treasurer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Ajay Sharma
Assistant Auditor-General, Financial Audit
23 September 2021

ACT INSURANCE AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF RESPONSIBILITY

In my opinion, the financial statements are in agreement with the ACT Insurance Authority's accounts and records and fairly reflect the financial operations of the Authority for the year ended 30 June 2021 and the financial position of the Authority on that date.

Stephen Miners
Acting Under Treasurer
Chief Minister, Treasury and
Economic Development Directorate
Delegate for the Chief Executive Officer
ACT Insurance Authority
23 September 2021

ACT INSURANCE AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT BY THE GENERAL MANAGER

In my opinion, the financial statements have been prepared in accordance with Australian Accounting Standards and are in agreement with the ACT Insurance Authority's accounts and records and fairly reflect the financial operations of the Authority for the year ended 30 June 2021 and the financial position of the Authority on that date.

Penny Shields
General Manager
ACT Insurance Authority
23 September 2021

ACT INSURANCE AUTHORITY
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	Note No.	Actual 2021 $'000	Original Budget 2021 $'000	Actual 2020 $'000
Ordinary activities				
Underwriting				
Gross Earned Insurance Premiums	4	**49,008**	49,009	46,340
Reinsurance Premiums (Expense)	4	**(9,063)**	(9,063)	(7,366)
Net Earned Premiums	5	**39,945**	39,946	38,974
Claims (Expense)	4	**(86,950)**	(46,234)	(62,133)
Claims Related Recoveries	4	**42,877**	-	10,994
Net Incurred Claims	6	**(44,073)**	(46,234)	(51,139)
Underwriting (Loss)	4	**(4,128)**	(6,288)	(12,165)
Other Revenue				
Investment Revenue	7	**20,639**	14,016	7,701
Other Revenue	7	**33,543**	26,249	7,379
		54,182	40,265	15,080
Other Expenses				
Other Expenses	7	**(2,725)**	(3,149)	(2,342)
		(2,725)	(3,149)	(2,342)
General and Administration				
Employee and Superannuation Expenses	8	**(2,830)**	(2,880)	(2,520)
Supplies and Services	9	**(1,085)**	(1,282)	(1,250)
		(3,915)	(4,162)	(3,770)
Operating Surplus/(Deficit)		**43,414**	26,666	(3,197)
Total Comprehensive Income /(Deficit)		**43,414**	26,666	(3,197)

The above Operating Statement should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY
BALANCE SHEET
AS AT 30 JUNE 2021

	Note No.	Actual 2021 $'000	Original Budget 2021 $'000	Actual 2020 $'000
Current Assets				
Cash		**9,329**	10,071	13,743
Investments	10	**375,578**	367,835	327,801
Receivables	11	**9,204**	4,272	4,574
Claims Related Recoveries	12	**15,483**	4,616	4,616
Prepayments		**63**	630	153
Total Current Assets		**409,657**	387,424	350,887
Non-Current Assets				
Fixed Assets		**451**	524	358
Claims Related Recoveries	12	**37,048**	6,167	6,167
Prepayments		**-**	385	24
Total Non-Current Assets		**37,499**	7,076	6,549
Total Assets		**447,156**	394,500	357,436
Current Liabilities				
Payables		**311**	362	367
Outstanding Claims	13	**75,997**	41,019	42,823
Employee Benefits		**738**	725	633
Other Liabilities		**764**	981	503
Total Current Liabilities		**77,810**	43,087	44,326
Non-Current Liabilities				
Outstanding Claims	13	**256,245**	254,717	243,443
Employee Benefits		**99**	80	80
Other Liabilities		**35**	395	35
Total Non-Current Liabilities		**256,379**	255,192	243,558
Total Liabilities		**334,189**	298,279	287,884
Net Assets		**112,967**	96,221	69,552
Equity				
Accumulated Funds		**112,967**	96,221	69,552
Total Equity		**112,967**	96,221	69,552

The above Balance Sheet should be read in conjunction with the accompanying notes

ACT INSURANCE AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

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	Accumulated Funds Actual 2021 $'000	Total Equity Actual 2021 $'000	Original Budget 2021 $'000
Balance at 1 July 2020	**69,552**	69,552	69,555
Comprehensive Income			
Operating Surplus	**43,415**	43,415	26,666
Total Comprehensive Income	**43,415**	43,415	26,666
Balance at 30 June 2021	**112,967**	112,967	96,221

	Accumulated Funds Actual 2020 $'000	Total Equity Actual 2020 $'000
Balance at 1 July 2019	**72,749**	72,749
Comprehensive (Deficit)		
Operating (Deficit)	(3,197)	(3,197)
Total Comprehensive (Deficit)	**(3,197)**	(3,197)
Balance at 30 June 2020	**69,552**	69,552

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note No.	Actual 2021 $'000	Original Budget 2021 $'000	Actual 2020 $'000
Cash Flows from Operating Activities				
Receipts				
Annual Insurance Premiums Received		**49,008**	49,009	46,340
Distribution from Investments with the Territory Banking Account		**16,104**	14,171	5,675
Other Insurance Premium Receipts		**1,113**	2,812	1,669
Reinsurance and Other Recoveries Received		**4,712**	3,375	216
Interest and Other Receipts		**931**	936	2,000
Goods and Services Tax Collected from Customers		**5,376**	5,477	4,918
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		**1,660**	1,744	1,547
Total Receipts from Operating Activities		**78,904**	77,524	62,365
Payments				
Employees and Superannuation		**2,807**	2,784	2,379
Supplies and Services		**1,112**	1,251	1,071
Other Payments		**2,177**	3,874	1,910
Reinsurance Premiums Payments		**9,063**	9,063	7,366
Insurance Claims Payments		**40,974**	36,765	28,471
Goods and Services Tax Paid to Suppliers		**1,746**	1,746	1,510
Goods and Services Tax Remitted to the Australian Taxation Office		**5,324**	5,477	4,908
Total Payments for Operating Activities		**63,203**	60,960	47,615
Net Cash Inflows from Operating Activities	15(b)	**15,701**	16,564	14,750
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale/Maturities of Investments		**10,000**	10,000	20,000
Total Receipts from Investing Activities		**10,000**	10,000	20,000
Payments				
Purchase of Investments		**30,000**	30,000	30,000
Purchase of Fixed Assets		**115**	236	28
Total Payments for Investing Activities		**30,115**	30,236	30,028
Net Cash (Outflows)/from Investing Activities		**(20,115)**	(20,236)	(10,028)

ACT INSURANCE AUTHORITY
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2021

	Note No.	Actual 2021 $'000	Original Budget 2021 $'000	Actual 2020 $'000
Net (Decrease)/Increase in Cash		**(4,414)**	(3,672)	4,723
Cash at the Beginning of the Reporting Period		**13,743**	13,743	9,020
Cash at the End of the Reporting Period	15(a)	**9,329**	10,071	13,743

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021
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NOTE 1. OBJECTIVES OF THE ACT INSURANCE AUTHORITY

Operations and Principal Activities of the ACT Insurance Authority

The ACT Insurance Authority (the Authority) is a not-for-profit ACT Government entity established under the *Insurance Authority Act 2005*.

The functions of the Authority are to:

- carry on 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, with the Treasurer's approval, for the realising, enforcing, assigning or extinguishing rights against third parties arising out of or in relation to its business, including, for example:
  - taking possession of, dealing with or disposing of, property; or
  - carrying on a third parties' business as a going concern;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Minister about insurance and the management of Territory risks.

The Authority also administers the:

- Office of the Nominal Defendant of the ACT, for claims against uninsured and/or unidentified vehicles for the Motor Accident Injuries Scheme; and
- Default Insurance Fund, for default claims under the ACT Private Workers' Compensation Scheme.

Financial Statements for these two entities are included in Volume 2 of the Chief Minister, Treasury and Economic Development Directorate 2020-21 Annual Report.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Refer to the following appendices for the notes comprising significant accounting policies and other explanatory information.

Appendix A - Basis of Preparation of the Financial Statements

Appendix B - Significant Accounting Policies

Appendix C - Impact of Accounting Standards Issued But Yet to be Applied

NOTE 3. CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES

Refer to Appendix D - Change in Accounting Estimates.

NOTE 4. UNDERWRITING RESULT

	Note No.	2021 $'000	2020 $'000
Underwriting Revenues			
Gross Earned Insurance Premiums			
General Government Sector		**38,465**	36,673
Public Trading Enterprises		**8,990**	8,165
External		**1,553**	1,502
	5	**49,008**	46,340
Claims Related Recoveries	6	**42,877**	10,994
Underwriting Revenues		**91,885**	57,334
All underwriting revenues relate to operating activities			
Underwriting Expenses			
Gross Claims Expenses	6	**(86,950)**	(62,133)
Reinsurance Premiums	5	**(9,063)**	(7,366)
Underwriting Expenses		**(96,013)**	(69,499)
All underwriting expenses relate to operating activities			
Underwriting (Loss)			
Underwriting Revenues		**91,885**	57,334
Underwriting Expenses		**(96,013)**	(69,499)
Underwriting (Loss)		**(4,128)**	(12,165)

The decrease in the underwriting loss is mainly attributed to an increase in claims related recoveries due to expected reinsurance recoveries based on actuarial estimates partially offset by the increase in the gross claims expenses, refer to Discounted Gross Incurred Claims and Related Expenses in Note 6: 'Net Incurred Claims'.

NOTE 5. NET EARNED INSURANCE PREMIUMS

	Note No.	2021 $'000	2020 $'000
Gross Written Premiums			
General Government Sector		**38,465**	36,673
Public Trading Enterprises		**8,990**	8,165
External		**1,553**	1,502
Total Gross Written Premiums	4	**49,008**	46,340
Reinsurance Premium Expense	4	**(9,063)**	(7,366)
Net Earned Insurance Premiums		**39,945**	38,974

NOTE 6. NET INCURRED CLAIMS

2021	Note No.	Current Year $'000	Prior Years $'000	**Total $'000**
Undiscounted Gross Incurred Claims and Related Expenses		(82,126)	(4,190)	**(86,316)**
Discount and Discount Movement		3,563	(4,197)	**(634)**
Discounted Gross Incurred Claims and Related Expenses [a]	4	(78,563)	(8,387)	**(86,950)**
Claims Related Recoveries	4	42,877	-	**42,877**
Net Incurred Claims		(35,686)	(8,387)	**(44,073)**
2020				
Undiscounted Gross Incurred Claims and Related Expenses		(75,927)	24,525	**(51,402)**
Discount and Discount Movement		2,776	(13,507)	**(10,731)**
Discounted Gross Incurred Claims and Related Expenses [a]	4	(73,151)	11,018	**(62,133)**
Claims Related Recoveries	4	10,994	-	**10,994**
Net Incurred Claims		(62,157)	11,018	**(51,139)**

Net incurred claims are separated into those contributed from the current insurance year and those from prior insurance years, which are impacted by changes in economic factors and the assumptions used in the actuarial valuation of the outstanding claims liabilities.

[a] The discounted gross incurred claims and related expenses reflects the cost of claim payments actually made, as well as changes in the value of the outstanding claims liabilities between valuation dates. In 2020-21, the total net incurred claims are $44.07 million. Of this amount $35.69 million relates to the current year, made up of $78.56 million in discounted gross incurred claims and related expenses largely the result of estimated new claims liabilities less an expected $42.87 million in recoveries. Additional $8.39 million discounted gross incurred claims and related expenses from the prior years included in the net incurred claims, as a result of a review of actuarial assumptions surrounding the outstanding claims liabilities. $39.91 million in claim payments were made during the year on prior year claims, resulting in a total reduction of $31.52 million in the prior year outstanding claims liabilities.

The change in discounted gross incurred claims and related expenses between financial year 2019-20 and 2020-21 is largely related to the result of changes to the actuarial assessment of outstanding claims liabilities relating to insurance claims from the current and prior years. The resulting claims expense for 2020-21 is $86.95 million compared to $62.13 million in 2019-20. This equates to a $24.82 million increase which is predominantly due to a number of large medical malpractice and property claims being reported in the 2020-21 insurance year.

The significant increase in the claims related recoveries is due to an expected recovery from reinsurers.

NOTE 7. OTHER REVENUE AND EXPENSES

	Note No.	2021 $'000	2020 $'000
Investment Revenue:			
Interest from Bank		**94**	212
Distributions from Investments [a]		**20,545**	7,489
		20,639	7,701
Other Revenue:			
Gains on Remeasurement of Investments [a]		**27,777**	3,733
Resources Received Free of Charge		**44**	46
Builders Warranty Insurance Premiums [b]	18	**3,715**	1,051
Builders Warranty Insurance Recoveries [b]	18	**5**	4
Income from Support Services		**818**	819
Contract Works Insurance		**493**	1,169
External Insurance Contracts		**691**	557
		33,543	7,379
Total Other Revenue		**54,182**	15,080
Other Expenses			
Contract Works Insurance		**493**	1,176
External Insurance Contracts		**691**	557
Builders Warranty Insurance Commission [b]	18	**1,140**	336
Builders Warranty Insurance Claims Expense [b]	18	**344**	220
Depreciation		**57**	52
Total Other Expenses		**2,725**	2,341

[a] *The distribution received from investments held with the Territory Banking Account fluctuate year on year subject to the amounts of income available for distribution in the underlying asset portfolio for investments held by the ACTIA fund. The increase in distribution income is due to the strong investment performance (14.4 percent) reflecting the global macro-economic environment of unprecedented low interest rates and market gains for the financial year ended 30 June 2021.*

The increase in gains on remeasurement of investments is due to unprecedented global fiscal and monetary stimulus provided during 2020-21 in response to the COVID-19 pandemic, in conjunction with record low interest rates, global share markets performed strongly, driving the investment return of 14.4 percent (3.5 percent in 2019-20). This has resulted in the higher net gains on investments compared with 2019-20.

[b] *On 12 March 2020, the Territory entered into an agreement with QBE regarding Builders Warranty Insurance (BWI) for ACT builders, the Authority manages the financial transactions relating to this agreement. 2019-20 BWI premium relates to 4 month period from March to June 2020 only, compared to the full year premiums collected in 2020-21. Additionally, average BWI premium collected for 2020-21 was higher due to favourable market conditions for residential home building and renovation sector particularly driven by the 'homebuilder grant' stimulus package from the Australian Government. Refer to Note 18: 'Builders Warranty Insurance'.*

NOTE 8. EMPLOYEE AND SUPERANNUATION EXPENSES

	2021 $'000	2020 $'000
Employee Expenses		
Salaries [a]	**2,322**	2,012
Annual Leave Movement	**71**	65
Long Service Leave Movement	**30**	59
Workers' Compensation Insurance Premium	**25**	26
Total Employee Expenses	**2,448**	2,162
Superannuation Expenses		
Superannuation Contribution to the Territory Banking Account	**205**	217
Productivity Benefit	**18**	20
Superannuation to External Providers	**159**	121
Total Superannuation Expenses	**382**	358
Total Employee and Superannuation Expenses	**2,830**	2,520

[a] Salaries cost has increased in 2020-21 mainly due to increase in average staffing head counts by 3 staffs related to recruitment against vacant budgeted positions and pay rises during 2020-21 as per the Enterprise Bargain Agreement.

NOTE 9. SUPPLIES AND SERVICES

	2021 $'000	2020 $'000
Actuarial Costs [a]	**261**	160
Audit Fees – ACT Audit Office [b]	**60**	57
Telecommunications and Computing Costs	**340**	335
Contractors and Consultants	**65**	65
Rent	**148**	148
Risk Management Initiative [c]	**70**	214
Support Services [d]	**106**	175
Travel	**2**	22
Other	**33**	74
Total Supplies and Services	**1,085**	1,250

[a] Actuarial Costs has increased in 2020-21 due to a separate actuarial engagement started for the valuation of Builders Warranty Insurance(BWI) liabilities covering the period from commencement of the BWI indemnity agreement.

[b] Audit Fees are paid to the ACT Audit Office for the audit of the financial statements and limited assurance engagement on statement of performance. No other services were provided by the ACT Audit Office.

[c] Risk Management Initiative costs have decreased mainly due to lower demand during the year and also cost savings achieved by delivering the risk management workshops for agencies through webinars instead of face-to-face workshops.

[d] The Support Services cost has reduced in 2020-21 due to the one-off usage of Government Solicitor's Office (GSO) personnel for legal and claim management services requiring specialist skills in 2019-20 for short-term resources gap.

NOTE 10. INVESTMENTS

The Authority makes long-term investments with the Territory Banking Account by acquiring units in the Territory Banking Account's financial investments portfolio. A unit represents a beneficial interest in the asset class sectors and the unit value changes in response to the underlying market value of the financial investments. All unitised investments are designated at fair value through profit or loss with the carrying amount measured at fair value.

The long-term investment return objective for the Authority's financial investments is CPI+2.5 percent per annum. To achieve the long-term target, the underlying investment asset class exposures include domestic and international bonds and domestic and international listed equities.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date and reflects the best available prices of the underlying financial investments. Subsequent to initial measurement, investments held through fair value through profit or loss are re-measured to fair value. Refer to Note 7: 'Other Revenue and Expenses' for distributions earned on these investments and the gains and/or loss on remeasurement of investments.

These long-term investments are classified as current because they are redeemable, subject to market conditions, on the request of the Authority.

	2021 $'000	2020 $'000
Current		
Investments	**375,578**	327,801
Total Current Investments	**375,578**	327,801

The fair value of investments fluctuates year on year depending on the performance of the underlying financial investment exposures in the market. At 30 June 2021 the increase in the net value of investments reflects the investment funds achieving an investment return of 14.4 percent for the 2020-21 financial year and additional investment purchases. The investment funds achieved an investment return of 3.5 percent for the 2019-20 financial year.

The increase in investments is predominantly due to a net additional investment of $20 million during 2020-21 along with $27.7 million in gains on remeasurement of investments due to the movement in fair value of the investment portfolio.

NOTE 11. RECEIVABLES

	2021 $'000	2020 $'000
Current Receivables		
Distributions Receivable [a]	**8,218**	3,776
Goods and Services Tax Receivable	**96**	12
Other Receivables	**890**	786
Total Receivables	**9,204**	4,574

[a] No receivables are past due or impaired. The increase in distribution receivable is due to the higher amount of income available for distribution for the fourth quarter of 2020-21 received on 28 July 2021 from the underlying investment asset class sector exposures due to the strong investment performance in 2020-21.

Classification of ACT Government/Non-ACT Government Receivables

	2021 $'000	2020 $'000
Receivables with ACT Government Entities		
Distributions Receivable	**8,218**	3,776
Other Receivables	**78**	57
	8,296	3,833
Receivables with Non-ACT Government Entities		
Goods and Services Tax Receivable	**96**	12
Other Receivables	**812**	729
	908	741
Total Receivables	**9,204**	4,574

NOTE 12. CLAIMS RELATED RECOVERIES

	2021 $'000	2020 $'000
Current Claims Related Recoveries		
Builders Warranty Insurance Recoveries	**7**	4
Reinsurance Recoveries [a]	**11,896**	-
Third Party Recoveries [b]	**3,580**	4,612
Total Current Claims Related Recoveries	**15,483**	4,616
Non-Current Claims Related Recoveries		
Builders Warranty Insurance Recoveries	**1**	-
Reinsurance Recoveries [a]	**30,311**	-
Third Party Recoveries [b]	**6,736**	6,167
Total Non-Current Claims Related Recoveries	**37,048**	6,167

Claim related recoveries are based on actuarial estimates and claim experiences during 2020-21.

[a] Reinsurance recoveries estimates mainly relates to Medical Malpractice ($12.4m) and Property ($29.8m) where large individual claims and high-cost events e.g. hailstorm and other storm events have resulted in breaches to the aggregate reinsurance levels across a number of insurance years.

[b] Third party recoveries related to 2020 bushfire in Namadgi National Park, where the costs of the Property damage are recoverable through another party.

NOTE 13. OUTSTANDING CLAIMS

The Authority used the services of an independent actuary, PricewaterhouseCoopers Consulting (Australia) Pty Ltd to estimate the outstanding claims liabilities at 30 June 2021. The movement in outstanding claims liability can either reduce claims expense in the case of a reduction in liability or increase claims expense in the case of an increase in liability.

		2021 $'000	2020 $'000
Expected Future Claim Payments and Discounted Liability for Outstanding Claims			
Central Estimate		**286,196**	242,299
Risk Margin		**40,203**	38,849
Claims Handling Costs		**18,610**	18,518
Total Undiscounted Expected Future Claims		**345,009**	299,666
Discount to Present Value		**(12,767)**	(13,400)
Total Gross Discounted Outstanding Claims Liabilities	13(d)	**332,242**	286,266
Current		**75,997**	42,823
Non-Current		**256,245**	243,443
Total Gross Discounted Outstanding Claims Liabilities	13(d)	**332,242**	286,266

(a) Risk Margin

The process of determining risk margin

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate for each class. Assumptions regarding the uncertainty were made for each class taking into account potential variability in the actuarial models and assumptions, the quality of underlying data used in the models, the general insurance environment, and the assumptions made in other government schemes. The assumptions were applied to the net central estimates for each class and then aggregated, with no explicit allowance made for diversification, to arrive at an overall provision which is intended to have a 75 percent probability of adequacy. This means that the outstanding claims liability has a 75 percent chance of being sufficient to reflect all possible future claims. A 75 percent level of sufficiency is the minimum required by the Australian Prudential Regulatory Authority (APRA) for APRA regulated insurers.

Risk margins applied

Class	Adopted Risk Margin 2021 (%)	2020 (%)
Directors and Officers	**18**	18
Financial Crime	**30**	30
Medical Malpractice	**15**	15
Professional Indemnity	**18**	18
Property and Motor	**23**	23
Public Liability	**15**	15
Overall margin (weighted average) [1]	**16.1**	15.3

[1] The weighted average is based on the size of the net central estimate of the liability. That is, even if the adopted risk margin for each insurance class doesn't change, the weighted average may still change due to movements in the underlying liabilities for each insurance class.

NOTE 13. OUTSTANDING CLAIMS – CONTINUED

(b) Inflation and Discount Rates

The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims.

For the succeeding and subsequent year, inflation assumptions are set with reference to economic forecasts (short-term inflation assumptions). The long-term assumption is set using methodology which assumes a constant gap of adopted future inflation to the long-term discount rates and will increase or decrease as discount rates increase and decrease.

	2021 (%)	2020 (%)
For the succeeding year		
Inflation rate[1]	**1.63**	1.3
Discount rate[2]	**0.03**	0.2
For the subsequent year		
Inflation rate[1]	**2.00**	2.0
Discount rate[2]	**0.12**	0.3
For long-term assumptions		
Inflation rate[1]	**1.88**	1.5
Discount rate[2]	**2.78**	2.4

[1]*Inflation rates are determined after consideration of forecasts from a number of economists and organisations as well as the mix of insurance classes and broader trends within similar insurance schemes.*

[2]*Discount rates are determined in accordance with AASB 1023 which requires the determination of a central estimate of the present value of the expected future payments for claims. It requires the application of "risk free" rates, which are generally accepted as rates derived from market values on Commonwealth Government Bonds.*

(c) Term to Settlement

The weighted average expected term to settlement of the outstanding claims from the valuation date is estimated to be 3.6 years in 2020-21 (5.1 years in 2019-20). The weighted average expected term to settlement has been based on industry averages and has been adjusted to reflect the specific classes of insurance offered by the Authority.

NOTE 13. OUTSTANDING CLAIMS - CONTINUED

(d) Reconciliation of Movement in Discounted Outstanding Claims Liability

The table below compares the estimates as at 30 June 2021, Gross Outstanding Claims at 30 June 2021 (30 June 2021 basis) compared with those projected from the 30 June 2020 valuation, Expected Gross Outstanding Claims at 30 June 2021 (30 June 2020 basis).

Change in Basis - In the 12 months from 30 June 2020 to 30 June 2021	**$'000**	**$'000**
Gross Central Estimate at 30 June 2020 (30 June 2020 basis) [a]		**231,512**
Expense margin at 30 June 2020		17,659
Risk Margin at 30 June 2020		37,095
Gross Outstanding Claims at 30 June 2020 (30 June 2020 basis) [a]		**286,266**
New Incurred Period		42,988
Expected payments to 30 June 2021 (Inflated and Undiscounted values)		(36,765)
Expected interest to 30 June 2021		470
Expected change in Expense Margin		903
Expected change in Risk Margin		1,873
Expected Gross Outstanding Claims at 30 June 2021 (30 June 2020 basis)		**295,735**
(Actual less Expected) inflation [b]		7,688
Change in future discounting assumptions		(6,693)
Change in future inflation assumptions		(255)
(Expected less Actual) payments [c]		(2,614)
Directors and Officers	57	
Financial Crime	40	
Medical Malpractice	(8,009)	
Professional Indemnity	(152)	
Property and Motor	5,917	
Public Liability	(467)	
Change in actuarial assumptions		39,368
Directors and Officers	105	
Financial Crime	(341)	
Medical Malpractice	994	
Professional Indemnity	1,420	
Property and Motor	40,764	
Public Liability	(3,574)	
Change in Expense margin at 30 June 2021		(708)
Change in Risk margin at 30 June 2021		(279)
Overall change in basis		36,507
Gross Outstanding Claims at 30 June 2021 (30 June 2021 basis)		**332,242**

[a] *gross central estimates are inflated and discounted excluding expenses*

[b] *includes both past and future inflation*

[c] *a negative number indicates actual payments were more than expected during the insurance year*

NOTE 13. OUTSTANDING CLAIMS - CONTINUED

(d) Reconciliation of Movement in Discounted Outstanding Claims Liability - continued

The expected gross outstanding claims of $295.7 million compares to the actual gross outstanding claims of $332.2 million, indicating a total increase of $36.5 million. The reasons for this increase can be broken down into seven main components:

- $7.68 million increase due to higher-than-expected inflation in the past 12 months;
- $6.69 million decrease due to increase in the assumed future discount rates since 30 June 2020. All other things being equal, an increase in the discount rates reduces the outstanding claims liability;
- $0.25 million decrease due to a decrease in the short term future inflation assumption since 30 June 2020, offset by an increase in longer-term inflation assumptions;
- $2.61 million decrease due to actual payments being more than expected over the last 12 months. The decrease in the estimate assumes that, all else being equal, the difference between actual and expected payments is due to timing;
- $39.4 million increase due to changes in assumptions used in the actuarial valuation. These have resulted from:
  - a minor increase in the directors' and officers' insurance class due to increase in a case estimate for a small claim, partially offset by a reduction in assumed small and large claim numbers and an increase in assumed zero finalisation proportions;
  - a decrease in the financial crime insurance class due to a lower than expected number of claims reported;
  - an increase in the medical malpractice insurance class resulting from a higher than expected numbers of large claims[a] emerging and deterioration in case estimates for large claims. This was partially offset by a release for large claims in older insurance years, where greater weight has been given to the reported experience and less weight has been given to the theoretical ultimate cost, and a slight reduction in the assumed small and large claim average size assumptions;
  - an increase in the professional indemnity insurance class due to increases in case estimates for a small and a large claim and an increase in the assumed average claim size on small finalisations;
  - an increase in the property and motor insurance class resulting from a number of new large reported claims in the 2021 insurance year which have significant estimated cost, and significant deterioration in the case estimates for large hail and storm claims in the 2020 insurance year; and
  - a decrease in the public liability insurance class driven by lower than expected claim numbers for more recent insurance years, and a release for large claims in older insurance years, where greater weight has been given to the reported experience and less weight has been given to the apriori ultimate cost.
- $0.71 million decrease in the expense margin due to a change in the central estimate of outstanding claims; and
- $0.28 million decrease in the risk margin resulting from a change in the central estimate of outstanding claims.

[a] *A large claim is defined as a claim which has a total cost of $1 million or greater*.

NOTE 14. FINANCIAL INSTRUMENTS

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Appendix B - Significant Accounting Policies.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

A small percentage of the Authority's financial assets are held as cash at bank which has a variable interest rate exposure. The Authority's financial liabilities are not subject to variable interest rates. This means that the Authority is not exposed to movements in interest payable; however, it is exposed to movements in interest receivable.

Interest rate risk for financial assets is managed by the Authority by only holding limited funds in cash. The interest rate risk for financial liabilities is not actively managed by the Authority as these liabilities are held in non-interest-bearing arrangements. There have been no changes in risk exposure or processes for managing risk since the last reporting period.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Authority as it has been determined that the possible impact on income and expenses or total equity from fluctuations in interest rates is immaterial.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Authority's credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment. The Authority expects to collect all financial assets that are not past due or impaired.

Credit risk is managed by the Authority for its financial investments by only investing surplus funds with the Territory Banking Account. Accordingly, the Authority's direct credit risk exposure is the Territory Banking Account. The risk is assessed as very low.

A large proportion of the Authority's receivables are from other ACT Government agencies which means that the credit risk of these receivables going into default is low.

There have been no significant changes in credit risk exposure since the last reporting period.

(c) Liquidity Risk

Liquidity risk is the risk that the Authority will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Authority ensures that it has sufficient amounts of financial assets to meet its current financial liabilities. The Authority manages its premium revenue to meet the cost of future claims payments.

The Authority's exposure to liquidity risk in relation to its financial instruments and the management of this risk has not changed since the previous reporting period.

NOTE 14. FINANCIAL INSTRUMENTS - CONTINUED

(d) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in unit prices.

The Authority is exposed to price risk as a result of its investment unit holdings in the Territory Banking Account. The investment unit price fluctuates as a result of changes in value in the underlying investment portfolio exposures.

The Territory Banking Account manages the price risk arising from these investments by diversifying the portfolio in accordance with the Authority's Investment Plan. Exposures to asset class sectors comprising domestic and international bonds and domestic and international listed equities are maintained in line with the strategic asset allocation that has been structured to achieve the Authority's long-term investment objective within acceptable risk tolerances. Under the investment structure, investments are diversified by geography, sector and financial instrument type to manage the risks associated with changing financial and economic conditions. More detail can be found in the financial statements of the Territory Banking Account.

The Authority's exposure to price risk and management of the risk has not changed since the last reporting period.

Sensitivity Analysis

The following table summarises the sensitivity of the Authority's operating result and equity to price risk.

		Loss Impact $'000	Profit Impact $'000
2021			
	Volatility Factors	**(7.0%)**	**7.0%**
	Investments with the Territory Banking Account	(26,290)	26,290
2020			
	Volatility Factors	(7.0%)	7.0%
	Investments with the Territory Banking Account	(22,946)	22,946

The expected volatility factor represents the estimated variance in return for the Authority's investment strategy.

The volatility of returns reflects the inherent risk in the investments. The reasonably possible movements in risk variables are continually assessed and have been determined based on best estimates, having regard to a number of factors including historical correlation of the investment strategy with relevant benchmarks and market volatility. The potential behaviour of investments during periods of heightened volatility and sustained extreme market conditions are reflected by a stressed volatility factor estimated to be in the order of 11 percent.

Actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the underlying investments are invested.

NOTE 14. FINANCIAL INSTRUMENTS - CONTINUED

(e) Fair Value of Financial Assets and Liabilities

The carrying amounts for all financial assets and liabilities reflect their fair value.

(f) Carrying Amount of Each Category of Financial Asset and Financial Liability

Investments with the Territory Banking Account are measured at fair value with any adjustments to the carrying amount being recorded in the Operating Statement. Fair value is based on an underlying pool of investments which have quoted market prices on the held units at the reporting date.

	2021 $'000	2020 $'000
Financial Assets		
Financial Assets at Fair Value through Profit and Loss Designated upon Initial Recognition	**375,578**	327,801
Loans and Receivables Measured at Amortised Cost	**9,108**	4,562
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	**311**	366

(g) Gain/(Loss) on Each Category of Financial Asset

The Authority's financial assets are at fair value and as such, no additional categories are applicable.

Also, the Authority does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and, as such, this category is not included above.

	2021 $'000	2020 $'000
Gain/(Loss) on Financial Asset		
Financial Assets at Fair Value through Profit and Loss Designated upon initial Recognition	**27,777**	3,733

(h) Fair Value Hierarchy

The Authority has investment assets whose carrying amount is measured at fair value. The Authority's investments are measured using the level 2 classification in the fair value hierarchy. This classification is based on the degree to which the fair value is observable considering the lowest level input that is significant to the fair value measurement as a whole. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

NOTE 15. CASH FLOW RECONCILIATION

(a) Reconciliation of Cash at the End of the Reporting Period in the Statement of Cash Flows to the equivalent items in the Balance Sheet

	2021 $'000	2020 $'000
Total Cash Recorded in the Balance Sheet	**9,329**	13,742
Cash at the End of the Reporting Period as Recorded in the Statement of Cash Flows	**9,329**	13,742

(b) Reconciliation of the Operating Surplus/(Deficit) to Net Cash Inflows from Operating Activities

	2021 $'000	2020 $'000
Operating Surplus/(Deficit)	**43,414**	(3,197)
Add/(Less) Non-Cash Items		
Depreciation of Fixed Assets	**57**	52
Add/(Less) Items Classified as Investing or Financing		
Net (Gain) on Investments	**(27,777)**	(3,733)
Cash Before Changes in Operating Assets and Liabilities	**15,694**	(6,878)
Change in Operating Assets and Liabilities		
(Increase) in Receivables	**(4,630)**	(1,997)
(Increase) in Recoveries	**(41,748)**	(10,783)
Decrease in Prepayments	**114**	102
Increase/(Decrease) in Payables	**(56)**	201
(Increase) in Payables for Fixed Assets	**(34)**	-
Increase in Outstanding Claims	**45,976**	33,663
Increase in Other Liabilities	**261**	295
Increase in Employee Benefits	**124**	147
Net Changes in Operating Assets and Liabilities	**7**	21,628
Net Cash Inflows from Operating Activities	**15,701**	14,750

NOTE 16. RELATED PARTY DISCLOSURES

A related party is a person that controls or has significant influence over the reporting entity, or is a member of the Key Management Personnel (KMP) of the reporting entity or its parent entity, and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly.

KMP of the Authority are the Under Treasurer, Deputy Under Treasurer, Commercial Services & Infrastructure and the General Manager of the ACT Insurance Authority.

The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the Authority.

This note does not include typical citizen transactions between the KMP and the Authority that occur on terms and conditions no different to those applying to the general public.

(a) Controlling Entity

The Authority is an ACT Government controlled entity.

(b) Key Management Personnel

(b)(1) Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's financial statements for the year ended 30 June 2021.

Compensation of the Head of Service is included in the note on related party disclosures included in Chief Minister, Treasury and Economic Development Directorate's (CMTEDD) financial statements for the year ended 30 June 2021.

The KMP of the Authority that are employees of CMTEDD are compensated by CMTEDD.

Compensation by the Authority to other KMP is set out below.

	2021 $'000	2020 $'000
Short-term employee benefits	**229**	214
Post-employment benefits	**22**	31
Other long-term benefits	**7**	5
Total Compensation by the Authority to KMP	**258**	250

NOTE 17. BUDGETARY REPORTING

The following are brief explanations of major line item variances between budget estimates and actual outcomes.

(a) the line item is a significant line item: the line item actual amount accounts for more than 10 percent of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and

(b) the variances (original budget to actual) are greater than plus (+) or minus (-) 10 percent and $1 million for the financial statement line item.

Operating Statement Line Items	Actual 2020-21 $'000	Original Budget[1] 2020-21 $'000	Variance $'000	Variance %	Variance Explanation
Ordinary activities					
Claims Expenses	(86,950)	(46,234)	(40,716)	88	Higher claims expenses are largely attributable to several large claims and settlements experienced during 2020-21. The actual claim expenses include $45.97million related to the increase in claim liability provision as at 30 June 2021 based on actuarial estimates.
Claims Related Recoveries	(42,877)	-	(42,877)	100	Unbudgeted claims related recoveries are due to expected recovery provisions from reinsurance providers for claims against property and motor and medical malpractice policies. The recovery provision is based on actual claim experience and actuarial estimates as at 30 June 2021.
Investment Revenue	20,639	14,016	6,623	47	Higher investment revenue is mainly due to the strong investment performance (14.4 percent) reflecting the global macro-economic environment of unprecedented low interest rates and market gains for the financial year ended 30 June 2021.
Other Revenue	33,543	26,249	7,294	28	Higher other revenue is predominantly due to higher-than-expected gains on remeasurement of investments. The increase in gains on remeasurement of investments is due to unprecedented global fiscal and monetary stimulus provided during 2020-21 in response to the COVID-19 pandemic, in conjunction with record low interest rates, global share markets performed strongly, driving the investment return of 14.4 percent. Builders Warranty Insurance premiums were also higher than expected with favourable market conditions in the residential home building sector.

Balance Sheet Line Items	Actual 2020-21 $'000	Original Budget[1] 2020-21 $'000	Variance $'000	Variance %	Variance Explanation
Assets					
Receivables	9,204	4,272	4,932	115	The higher receivables is mainly due to higher than expected investment distribution receivable for quarter 4 of 2020-21.
Current Claim Related Recoveries	15,483	4,616	10,867	235	Claim related recoveries are mainly attributable to estimated recoverable claim provision from reinsurance recoveries based on claim experience and actuarial estimates. Budget position considered 2020 bushfire claim from third party recoveries of $4.6 million only.
Non-Current Claims Related Recoveries	37,048	6,167	30,881	501	Increase in non-current claims related recoveries are mainly due to the estimated recoverable claim provision from reinsurance recoveries based on claim experience and actuarial estimates. Budget considered 2020 bushfire claim from third party recoveries of $6.1 million only.
Liabilities					
Current Outstanding Claims	75,997	41,019	34,978	85	The higher result is predominantly due to a number of large claims being reported during the 2020-21 insurance year along with a number of claims with large case estimates in both medical malpractice and property which are anticipated to finalise more rapidly, therefore leading to a higher proportion of payments expected in the next 12 months.

[1] *Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2020-21 Statement of Intent).*

NOTE 17. BUDGETARY REPORTING – CONTINUED

Statement of Cash Flows Line Items	Actual 2020-21 $'000	Original Budget[1] 2020-21 $'000	Variance $'000	Variance %	Variance Explanation
Cash Flows from Operating Activities					
Receipts					
Distribution from Investments with the Territory Banking Account	16,104	14,171	1,933	14	Higher distribution from investment is mainly due to the strong investment performance (14.4 percent).
Other Insurance Premium Receipts	1,113	2,812	(1,699)	(60)	Lower other insurance premium receipts mainly relate to contract insurance for capital works and delays in the relevant agencies' capital infrastructure projects.
Reinsurance and Other Recoveries Received	4,712	3,375	1,337	40	Higher than expected receipts mainly related to Builders Warranty Insurance premiums being higher than anticipated due to favourable market conditions for the residential building sector.
Payments					
Other Payments	2,177	3,874	(1,697)	(44)	Lower other payments relates to the lower other insurance premium receipts. This relates to external insurance purchased for agencies' contract and capital works.
Insurance Claims Payments	40,974	36,765	4,209	11	Mainly due to higher-than-expected numbers of claims experienced with higher-than-average settlements size during the insurance year 2020-21.

[1] Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2020-21 Statement of Intent).

NOTE 18. BUILDERS WARRANTY INSURANCE

Commencing 12 March 2020, the Territory entered into a 3-year indemnity agreement with QBE to continue providing Builders Warranty Insurance to ACT builders with the Territory indemnifying QBE in respect of any claim losses. The Authority is currently administering the financial transactions relating to this agreement on behalf of the Territory. Under the agreement, the Authority receives premium revenue from QBE for any new policies written, QBE is paid a commission and receives fees for the administration of the claims management services it continues to provide. Claims Provisions for Builders Warranty Insurance are included in Other Liabilities on the Authority's Balance Sheet. For further information refer to Note 7: 'Other Revenue and Expenses' at Appendix B - Significant Accounting Policies.

The following section outlines the Builders Warranty Insurance financial performance for the reporting period ending 30 June 2021 and is included for transparency of this function due to the indemnity covering non-ACT Government entities.

Operating Statement	Note No.	2021 $'000	2020 $'000
BWI Revenue:			
Builders Warranty Insurance Premiums	7	3,716	1,051
Builders Warranty Insurance Recoveries	7	5	4
		3,721	1,055
BWI Expenses			
Builders Warranty Insurance Commission	7	1,140	336
Builders Warranty Insurance Claims Expense	7	344	221
Builders Warranty Insurance Actuarial Cost		96	-
		1,580	557
Operating Surplus		2,141	498

Balance Sheet	Note No.	2021 $'000	2020 $'000
– figures below are included in the Authority's Balance Sheet under the following accounts			
Cash		3,002	654
Claims Related Recoveries		8	4
Current Receivable		317	194
Non- Current Receivable		1	-
Total Assets		3,328	852
Payables		125	134
Current Other Liabilities (claims provision)		530	209
Non- Current Other Liabilities (claims provision)		35	11
Total Liabilities		690	354
Net Assets		2,638	498
Equity			
Accumulated Funds		2,638	498
Total Equity		2,638	498

ACT INSURANCE AUTHORITY
APPENDIX A – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
FORMS PART OF NOTE 2 OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Legislative Requirement

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government agencies.

The FMA and the *Financial Management Guidelines* issued under the Act, requires that an Authority's financial statements include:

I. an Operating Statement for the year;

II. Balance Sheet at the end of the year;

III. Statement of Changes in Equity for the year;

IV. Statement of Cash Flows for the year;

V. the significant accounting policies adopted for the year; and

VI. other statements as are necessary to fairly reflect the financial operations of the Authority during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with Australian Accounting Standards as required by the FMA and ACT Accounting and Disclosure Policies.

Accrual Accounting

The financial statements have been prepared using the accrual basis of accounting which recognises the effect of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for financial instruments which were measured at fair value in accordance with the (re)valuation policies applicable to the Authority during the reporting period.

Currency

The financial statements are presented in Australian dollars, which is the Authority's functional currency.

Individual Reporting Entity

The Authority is an individual not-for-profit reporting entity.

Budget Figures

The FMA requires the statement to facilitate a comparison with the Statement of Intent. The budget numbers are as per the Authority's 2020-21 Statement of Intent.

Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero.

SIGNIFICANT ACCOUNTING POLICIES - RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operation of the Authority are affected by several key risks. The Authority's policies and procedures in respect to managing insurance risks are set out in this note. Policies and procedures for managing interest rate risk, credit risk, liquidity risk and price risk are disclosed in Note 14 – 'Financial Instruments'.

Objectives and Policies for Managing Insurance Risks

The Authority's objective is to support the ACT Government by protecting the budget from financial loss through management of the ACT Government self-insured liabilities and insurance arrangements.

The Authority has developed, implemented and maintains a sound and prudent risk management plan. The plan outlines strategies which incorporate the Authority's policies and procedures, processes and controls for risk management. These strategies address all material risks, financial and non-financial, likely to be faced by the Authority.

The Authority has identified the following key risks:

- annual premiums not sufficient to fully fund claims over the claim development period; and
- insufficient and/or unsatisfactory external insurance arrangements.

Processes established to manage these risks are:

- actuarial models are used to calculate premiums and monitor claim patterns. Past experience and statistical methods are also used as part of this process;
- documented procedures are followed for the management of claims;
- valuations of outstanding claims liabilities are conducted by professional actuaries; and
- the Authority engages a specialised insurance broker to provide professional advice and access to international and local reinsurance markets.

To limit the Authority's exposure to accumulation of financial loss from catastrophic events the Authority purchases reinsurance policies for major insurance classes, including public liability, medical malpractice, professional indemnity, property damage and directors' and officers', to limit exposure to any single event. The main exposure risk for property assets are bushfire, earthquake and storm damage.

When selecting a reinsurer, the Authority only considers those companies that have a Standard and Poor's credit risk rating of 'A-' or higher. To limit the concentration of credit risk in purchasing reinsurance, the Authority has established a program that limits excessive exposure to any single reinsurer or group of related reinsurers.

SIGNIFICANT ACCOUNTING POLICIES - INCOME AND EXPENSES

NOTE 4 - UNDERWRITING RESULT

Gross Earned Insurance Premiums

Gross Earned Insurance Premiums is recognised in the Operating Statement in accordance with AASB 1023 General Insurance Contracts and is measured evenly over the expected risk period.

Insurance premium revenue comprises amounts charged to agencies. All gross earned insurance premiums are written and earned in the current reporting period as all policies cover the period from 1 July 2020 to 30 June 2021. Premiums are treated as earned from the date of attachment of risk and is recognised evenly over the policy period, which closely approximates the pattern of risks underwritten.

Gross Claims Expenses

Gross claims expenses include the movement in liability for outstanding claims and related claims expenses and are recognised in the financial statements. The liability covers claims reported but not yet paid; incurred but not yet reported (IBNR); incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. Outstanding claims are actuarially assessed by reviewing claim data and estimating changes in the ultimate cost of settling claims, IBNRs and associated settlement costs using statistics based on past experience and trends.

The liability for outstanding claims is measured as the net central estimate of the present value of the expected future payments, against claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments are estimated based on the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The present value of future payments is estimated using the Commonwealth Government Bond risk free rate.

Reinsurance Premium

The Authority purchases reinsurance to cover catastrophic and accumulated risk exposures for those major insurance classes which it underwrites, this includes insurance against:

- loss, damage, or destruction of Territory assets; and
- the legal liabilities incurred by the Territory for third party property damage and personal injury to third parties.

SIGNIFICANT ACCOUNTING POLICIES - INCOME AND EXPENSES - CONTINUED

NOTE 7 - OTHER REVENUE AND EXPENSES

For revenue and expenses relating to contract works and external contracts insurance, these transactions are undertaken by the Authority on behalf of other agencies and do not form part of the Authority's main function. The Authority does not underwrite this insurance and therefore holds no financial risk for these classes of insurance. The amounts involved are included in other revenue and expenses and not reflected in the gross earned insurance premiums and claims expense. Cover for policies which extend further than the current reporting period are recorded as prepayments with corresponding transactions recorded in other liabilities as premiums received in advance.

Interest

Interest revenue is recognised using the effective interest method.

Distributions from investments with the Territory Banking Account

Distribution revenue is received from investments with the Territory Banking Account. This is recognised on an accrual basis using data supplied by the Territory Banking Account.

Builders Warranty Insurance

On 12 March 2020, the Territory signed an agreement with QBE for Builders Warranty Insurance (BWI). The *Building Act 2004* requires all ACT builders to hold BWI to protect homeowners against losses arising from the insolvency, disappearance or death of their builder up to a maximum sum insured of $85,000.

The agreement states QBE will continue to administer this insurance cover, for a fee, including the collection of premiums, underwriting and claims management services and settlement of claims. However, the financial risk of all new policies written after this date is fully transferred to the ACT Government. The Authority is responsible for the administration of all financial transactions relating to this agreement with QBE.

Contract Works Insurance

The Authority purchases contract works insurance cover for ACT Government capital construction works. Premiums are recovered from ACT Government agencies by the Authority based on the value of each agency's capital works program.

External Insurance Contracts

The Authority arranges insurance cover on behalf of ACT Government agencies for travel, standing timber, aviation and personal accident cover for both aero retrieval, volunteer workers and public art.

SIGNIFICANT ACCOUNTING POLICIES – INCOME AND EXPENSES - CONTINUED

NOTE 8 - EMPLOYEE AND SUPERANNUATION EXPENSES

Employee Expenses

Employee benefits include:

- short-term employee benefits such as wages and salaries, annual leave loading and applicable on-costs, if expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services;
- other long-term benefits, such as long service leave and annual leave; and
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave.

Superannuation Expenses

Employees of the Authority will have different superannuation arrangements due to the type of superannuation schemes available at the time of commencing employment, including both defined benefit and defined contribution superannuation scheme arrangements.

For employees who are members of the defined benefit Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS) the Authority makes employer superannuation contribution payments to the Territory Banking Account at a rate determined by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). The Authority also makes productivity superannuation contribution payments on behalf of these employees to the Commonwealth Superannuation Corporation, which is responsible for administration of the schemes.

For employees who are members of defined contribution superannuation schemes (the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice) the Authority makes employer superannuation contribution payments directly to the employees' relevant superannuation fund.

All defined benefit employer superannuation contributions are recognised as expenses on the same basis as the employer superannuation contributions made to defined contribution schemes. The accruing superannuation liability obligations are expensed as they are incurred and extinguished as they are paid.

Superannuation Liability Recognition

For the Authority's employees who are members of the defined benefit CSS or PSS the employer superannuation liabilities for superannuation benefits payable upon retirement are recognised in the financial statements of the Superannuation Provision Account.

SIGNIFICANT ACCOUNTING POLICIES - ASSETS

ASSETS - CURRENT AND NON-CURRENT

Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Assets, which do not fall within the current classification are classified as non-current.

Assets Backing General Insurance Liabilities

The Authority holds assets to fund its outstanding claims liabilities.

The Authority's investment funds are managed by the Territory Banking Account within CMTEDD's Asset Liability Management team.

NOTE 10 - INVESTMENTS

Investments are held with the Territory Banking Account. The price of the units in this investment fluctuate in value. The net gain or loss on investments consists of the fluctuation in the price of the unit investment between the end of the last reporting period and the end of this reporting period as well as any profit on the sale of unit investments (the profit being the difference between the price at the end of the last reporting period and the sale price).

These investments with the Territory Banking Account are measured at fair value with any adjustments to the carrying amount being recorded in the operating statement (refer to Note 7: 'Other Revenue and Expenses'). Fair value is based on an underlying pool of investments which have quoted market prices at the reporting date.

NOTE 11 - RECEIVABLES

Accounts receivable are measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

The Authority's receivables predominantly relate to distributions from investments for the June quarter which are expected to be received in early July. The remaining receivables relate to goods and services taxation (GST), trade receivable from government entities and court ordered costs awarded to the Territory where the terms are determined by the court. The Authority expects all receivables will be paid.

NOTE 12 – CLAIMS RELATED RECOVERIES

Claims related recoveries represent amounts expected as a receivable from a third-party who has been identified and accepted liability for costs incurred, actuarial estimate for the recoveries from reinsurance claims and BWI claims.

SIGNIFICANT ACCOUNTING POLICIES - LIABILITIES

LIABILITIES - CURRENT AND NON-CURRENT

Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Liabilities which do not fall within the current classification are classified as non-current.

SIGNIFICANT ACCOUNTING POLICIES - LIABILITIES - CONTINUED

NOTE 13 - OUTSTANDING CLAIMS

Significant Judgements and Estimates - Outstanding Claims

The Ultimate Liability Arising from Claims Made Under Insurance Contracts

A provision is made at year-end for the estimated cost of claims incurred but not settled at the valuation date, including the cost of IBNR and IBNER claims to the Authority.

The estimated cost of claims includes direct expenses to be incurred in settling claims net of the expected value of recoveries. The Authority takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original estimate of the liability.

The estimation of IBNR and IBNER are generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified, as the cost of these claims is often not apparent until many years after the claim event. The public liability and medical malpractice classes typically display higher levels of IBNR and IBNER claims.

For the property class, claims are typically reported soon after the claim event, and therefore tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims, the Authority uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowances are made for factors which may cause these to change, including:

- changes in the Authority's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the ACT Government activities;
- the impact of large losses;
- movements in industry benchmarks; and
- medical and technological developments.

A component of these estimation techniques is the estimation of the cost of notified but not paid claims (case estimation) which takes into account the claim circumstance as reported, any information available from ACT Government Solicitor and information on the cost of settling claims with similar characteristics in previous periods.

Large claims are assessed separately, being measured on a case by case basis or projected separately, in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible, the Authority adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected and the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each insurance year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in Appendix D - Change in Accounting Policy and Accounting Estimates - Actuarial Assumptions and Methods.

NOTE 14 – FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument of another entity.

Financial investment assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss (FVTPL) based on both:

a. the business model for managing the financial assets; and

b. the contractual cash flow characteristics of the financial assets.

The following are the classification of the Authority's financial assets under AASB 9:

Items	Business Model Held to collect principal and interest/sell	Solely for payment of Principal and Interest SPPI Test (basic lending characteristics)	Classification
Cash at Bank	Held to collect	Yes	Amortised cost
Receivables	Held to collect	Yes	Amortised cost
Investments	Held to collect and/or sell	No	FVTPL

ACT INSURANCE AUTHORITY
APPENDIX C – IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED FORMS PART OF NOTE 2 OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Impact of Accounting Standards Issued but yet to be Applied

The Authority has assessed the following accounting standards and standard amendments that have been issued by the Australian Account Standards Board but are yet to be applied and have assessed the impact as having no expected material financial or reporting effect on the Authority. These include:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current [AASB 101] (application date 1 January 2023);

  AASB 2021-1 amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

- AASB 17 Insurance Contracts specifies the financial reporting for insurance contracts. These amendments will not impact the financial statements based on the Authority's current assessment. However, the Authority will conduct a further impact assessment prior to the application date of 1 January 2023.

Changes in Accounting Estimates

The Authority had the following changes in accounting estimates during the reporting period.

Changes in Actuarial Assumptions

The Authority uses an independent actuary, currently PricewaterhouseCoopers Consulting (Australia) Pty Ltd, to provide the estimate outstanding claims liabilities for those policies covering ACT Government entities. The estimate is based on actuarial assumptions and methods which are based on past claims experience, risk exposure and projections of economic variables. As a result of changes in these variables the estimate of the outstanding claims liabilities has changed. This change has resulted in an increase to the estimates of the outstanding claims liabilities and claims expense in the current reporting period (refer to Note 6: ‘Net Incurred Claims’ and Note 13: ‘Outstanding Claims’).

The Authority provides the following classes of insurance to ACT Government entities: medical malpractice, public liability, property damage, directors and officers, professional indemnity and financial crime.

The actuarial process for estimating the outstanding claims liabilities is similar for all classes. A description is as follows:

- estimates of claims incurred but not yet reported (IBNR) at the actuarial valuation date are made by analysing past reporting patterns and applying assumed development rates to numbers of claims already reported to the Authority;
- the number of past settlements are analysed and an adopted ultimate settlement proportions is applied to the estimated ultimate numbers of claims to obtain numbers of future settlements;
- past settlement sizes and past changes in case estimates are analysed;
- estimates of outstanding claims are first adopted for the most developed insurance years, taking into account the average sizes and relationship to current estimates of the claims from the Authority. The same process is extended to the more recent years, taking into account the experience of the earlier years and any differences in experience to date;
- separate analyses of large and small claims are made, and the incidence and sizes of large claims for recent years is drawn from experience in the more developed years;
- analyses are made on data which is gross of reinsurance and the resulting estimates of outstanding liabilities are also gross of reinsurance. Subsequent allowances, where needed, are then made for potential reinsurance recoveries to arrive at estimates of net outstanding liabilities; and
- allowances are made for all future claims escalation, whether from external inflation or superimposed inflation and projected payments are discounted to present values to reflect the time value of money.

Actuarial Assumptions

The following assumptions have been made in estimating the outstanding claims liabilities for 2020-21.

2021	**Property and Motor**	**Public Liability**	**Medical Malpractice**	**Directors and Officers**	**Financial Crime**	**Professional Indemnity**
Discounted Mean Term (for Outstanding Claims)	1.45	3.83	4.43	2.98	3.36	3.54
Ultimate Claim Numbers (2020-21 Insurance Year) [a]	88	101	91	1	0.2	6
Average Settlement Size	\$79,540 [c]	\$133,400 [c] and \$3.517m [d]	\$315,300 [c] and \$3.9m [d]	\$106,400 [c]	\$150,000 [c]	\$100,100 [c]
Expense Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Discount Rate [b]	0.3%	1.1%	1.1%	0.6%	0.9%	1.0%
Inflation and Superimposed Inflation [b]	1.8%	2.1%	2.1%	2.0%	2.0%	2.1%

The following assumptions have been made in estimating the outstanding claims liabilities for 2019-20.

2020	**Property and Motor**	**Public Liability**	**Medical Malpractice**	**Directors and Officers**	**Financial Crime**	**Professional Indemnity**
Discounted Mean Term (for Outstanding Claims)	1.60 years	4.32 years	5.88 years	3.37 years	3.39 years	3.96 years
Ultimate Claim Numbers (2019-20 Insurance Year) [a]	103	120	94	1	0.2	15
Average Settlement Size	\$77,110 [c]	\$124,400 [c] and \$3.468m [d]	\$312,200 [c] and \$4.0m [d]	\$79,300 [c]	\$150,000 [c]	\$74,600 [c]
Expense Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Discount Rate [b]	0.4%	0.8%	0.9%	0.7%	0.4%	0.7%
Inflation and Superimposed Inflation [b]	1.7%	2.1%	2.1%	2.0%	2.0%	2.1%

[a] *Ultimate claims reported are the assumed number of claims incurred in the insurance year.*
[b] *Discount and inflation rates are calculated for each insurance class based on the payment pattern and the discount/inflation rate at the corresponding period of time.*
[c] *The adopted average claim size for small claims has a total cost up to \$1 million.*
[d] *The adopted average claim size for large claims has a total cost of \$1 million or greater.*

Process used to determine assumptions

Discounted mean term

The discounted mean term to settlement is calculated separately by class of insurance based on historic settlement patterns. A decrease in the discounted mean term to settlement would lead to more claims being paid sooner than anticipated. A change in the discounted mean term can cause an increase or a decrease in claims expense, depending on the interaction between the discount and interest rates.

Ultimate claim numbers

The ultimate number of claims for each insurance class is the estimated total number of claims expected to emerge from each insurance year. The ultimate number of claims is estimated by analysing historical claim reporting rates and applying them to the observed claims reported to date in order to project the timing and number of future claims reported. All else being equal, an increase in the ultimate number of claims will increase the liability.

Average settlement size

The average settlement size is based on past claims experience. For public liability and medical malpractice classes the incidence of large claims is greater and therefore their average size for small and large claims are shown separately.

Expense rate

Claims handling expenses were calculated based on an assumed proportion of claims handling costs as a percentage of past payments. An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

Discount rate

Discount rates derived from market yields on Commonwealth Government Bonds as at the valuation date have been adopted. The discount rates shown are the rates which match the weighted term and the outstanding claims liability is discounted to adjust for the time value of money. All else being equal, an increase or decrease in the discount rate would have a corresponding decrease or increase on claims expense respectively.

Inflation

Economic inflation assumptions are set by reference to current economic indicators. An increase or decrease in the assumed levels of either economic inflation rates would have a corresponding increase or decrease on claims expense.

Superimposed inflation

Superimposed inflation is the tendency for payments to increase over time at a faster rate than a suitable standard measure of inflation. This can be driven by factors such as increases in court settlement sizes and an assumption is set considering any superimposed inflation present in the portfolio and industry superimposed inflation trends. Currently, there has been no allowance for inflation over and above economic inflation measures used.

Sensitivity Analysis

The Authority conducted a sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the financial performance and equity position of the Authority.

Each of the below variations has been considered in isolation. However, in reality, volatility in the net outstanding claims is likely to be due to a number of these and other factors in combination.

Assumptions	Note No.	Net Outstanding Claims $'000	Difference $'000	%
Gross Outstanding Claims Liabilities	**13**	**332,242**		
Less expected Current and Non-Current Recoveries		(52,522)		
Net Outstanding Claims Liabilities		**279,719**		
Economic Assumptions				
Discount rates increased by 1.0%		270,301	(9,418)	(3.4)
Discount rates decreased by 0.5%		284,664	4,945	1.8
Medical Malpractice				
Large Claims				
Assumed average size on IBNR Claims is $3.9 million				
Increase by $1.0 million		303,552	23,833	8.5
Decrease by $1.0 million		256,408	(23,310)	(8.3)
High uncertainty in IBNR claim numbers for more recent insurance years				
1 additional claim per annum for 2014 and later		303,562	23,843	8.5
1 less claim per annum for 2014 and later		255,876	(23,843)	(8.5)
Public Liability				
Large Claims				
Assumed average size on IBNR Claims is $3.5 million				
Increase by $1.0 million		281,909	2,190	0.8
Decrease by $1.0 million		277,528	(2,190)	(0.8)
High uncertainty in IBNR claim numbers for the more recent insurance years				
1 additional claim per annum for 2014 and later		295,204	15,485	5.5

Economic Assumptions

The liability for outstanding claims is sensitive to movements in the discount rate. Discount rates have increased since 30 June 2020, however, remain at low levels such that a large reduction in interest rates may lead to negative discount rates. Currently, a 1 percent increase in the discount rate would result in a decrease of $9.4 million in claims liability whereas a decrease in the discount rate of 0.5 percent would result in an increase of $4.9 million in the liability.

Medical Malpractice and Public Liability

The liability for outstanding claims is sensitive to movements in the average claim size. As per the table above, a change in average large claim size for medical malpractice by $1.0 million has a subsequent effect on the outstanding claims of either an increase of $23.8 million or a decrease of $23.3 million. Whereas for a change by $1.0 million in average large claim size for public liability would either increase or decrease the outstanding claims liabilities by $2.2 million.

A significant proportion of the outstanding claims is associated with large medical malpractice and public liability claims. As such, the provision is sensitive to movements in the assumed number of large claims, with a greater uncertainty for more recent insurance years where experience is still relatively undeveloped.

For large medical malpractice claims, a change in the assumption of allowing for one additional or one less IBNR claim per annum from 2014 and later has the subsequent effect on the outstanding claims liability of either an increase or decrease of $23.8 million. For large public liability claims, a change in the assumption of allowing for one additional IBNR claim per annum from 2014 and later has the subsequent effect on the outstanding claims liabilities of an increase of $15.5 million.

C.3 Capital Works

The Authority did not have capital works expenditure during the reporting year.

C.4 Asset Management

The Authority has no assets other than furniture and fittings and investments. The Authority has capacity to invest funds over the medium and long term.

C.5 Government Contracting

C.5.1 Aboriginal and Torres Strait Islander Procurement Policy

The Authority is part of CMTEDD and as such, any performance measures relating to Aboriginal and Torres Strait Islander Enterprises and any addressable spend for this reporting period is reported within the CMTEDD's Annual Report. There were no Aboriginal and Torres Strait Islander Enterprises directly registered as suppliers with the Authority.

C.5.2 Creative Services Panel Expenditure

The Creative Services Panel is a whole of government arrangement for the purchase of creative services, including advertising, marketing communications, engagement material, and graphic design. The Authority engages the use of these panel services through CMTEDD and therefore any expenditure relating to this reporting period is reported within CMTEDD's Annual Report.

C.5.3 ACT Government Contracts Register

The Authority engages consultants to perform a number of specialised functions. Consultants provide insurance broking services, risk management advice, actuarial services, and legal advice.

The procurement selection and management processes for all contractors, including consultants, complied with the *Government Procurement Act 2001* and the *Government Procurement Regulation 2007*.

Procurement processes above $25,000 are reviewed by Procurement ACT and, if necessary, by the Government Procurement Board consistent with the provisions of the *Government Procurement Regulation 2007*. The Authority ensures all contractors comply with their employee and industrial relations obligations.

The Authority did not execute any new procurement activities during the reporting period.

C.6 Statement of Performance

The Authority's Statement of Performance is reported on page 91 of the *20120-21 ACT Insurance Authority Annual Report.* Narrative on the performance measures is also included in B.2 Performance Analysis.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Members of the ACT Legislative Assembly

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the ACT Insurance Authority (Authority) for the year ended 30 June 2021.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2021 are not in agreement with the Authority's records or do not fairly reflect, in all material respects, the performance of the Authority, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

I have conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. My responsibilities under the standard and legislation are described in the 'Auditor-General's responsibilities' section of this report.

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and the ACT Audit Office applies Australian Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements.*

I believe that sufficient and appropriate evidence was obtained to provide a basis for my conclusion.

Authority's responsibilities for the statement of performance

The Under Treasurer is responsible for:

- preparing and fairly presenting the statement of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*; and
- determining the internal controls necessary for the preparation and fair presentation of the statement of performance so that the results of accountability indicators and accompanying information are free from material misstatements, whether due to error or fraud.

Auditor-General's responsibilities

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*, the Auditor-General is responsible for issuing a limited assurance report on the statement of performance of the Authority.

My objective is to provide limited assurance on whether anything has come to my attention that indicates the results of the accountability indicators reported in the statement of performance are not in agreement with the Authority's records or do not fairly reflect, in all material respects, the performance of the Authority, in accordance with the *Financial Management Act 1996*.

In a limited assurance engagement, I perform procedures such as making inquiries with representatives of the Authority, performing analytical review procedures and examining selected evidence supporting the results of accountability indicators. The procedures used depend on my judgement, including the assessment of the risks of material misstatement of the results reported for the accountability indicators.

Limitations on the scope

The procedures performed in a limited assurance engagement are less in extent than those required in a reasonable assurance engagement and consequently the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the statement of performance.

This limited assurance engagement does not provide assurance on the:

- relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.
- accuracy of explanations provided for variations between actual and targeted performance due to the often-subjective nature of such explanations; or
- adequacy of controls implemented by the Authority.

Ajay Sharma
Assistant Auditor-General, Financial Audit
23 September 2021

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF RESPONSIBILITY

In our opinion, the Statement of Performance is in agreement with the ACT Insurance Authority's records, and fairly reflects the service performance of the ACT Insurance Authority for the year ended 30 June 2021, and also fairly reflects the judgements exercised in preparing it.

Stephen Miners
Acting Under Treasurer
Chief Minister, Treasury and
Economic Development Directorate
Delegate for the Chief Executive Officer
ACT Insurance Authority
23 September 2021

Penny Shields
General Manager
ACT Insurance Authority
23 September 2021

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

DESCRIPTION OF OBJECTIVES

The ACT Insurance Authority (the Authority) is established under the *Insurance Authority Act 2005*. The functions of the Authority are to:

- carry on 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, with the Treasurer's approval, for realising, enforcing, assigning or extinguishing of rights against third parties arising out of or in relation to its business, including, for example:
  - taking possession of, dealing with or disposing of, property; or
  - carrying on a third party's business as a going concern;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Minister about insurance and the management of Territory risks.

The Authority also administers the:

- Office of the Nominal Defendant of the ACT, for claims against uninsured and/or unidentified vehicles for the Motor Accident Injuries Scheme; and
- Default Insurance Fund, for default claims under the ACT Private Workers' Compensation Scheme.

Annual reports and financial statements for these two entities are available in the Chief Minister, Treasury and Economic Development Directorate 2020-21 Annual Report.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Objective	Accountability Indicators	Original Target 2020-21	Actual Result 2020-21	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Carry on the business of insurer of territory risks	a. Results from the annual customer satisfaction survey:					
	- Overall customer satisfaction with the Authority.	>80%	81%	-	-	
	- Overall customer satisfaction of claims management.	>80%	75%	(5)	(6)	
	- Overall customer satisfaction of technical insurance matters and annual insurance renewal.	>80%	83%	-	-	
	- Overall customer satisfaction of risk management services.	>80%	82%	-	-	
	- Overall customer satisfaction of financial management services.	>80%	86%	-	-	
	b. Determine annual insurance premiums for territory agencies that allow for full funding of claim costs and associated expenses.	Annual premium determination completed	Annual premium determination completed	-	-	

The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Objective	Accountability Indicators	Original Target 2020-21	Actual Result 2020-21	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Carry on the business of insurer of territory risks - continued	c. Maintain the Authority's funding ratio within the funding ratio as outlined in the Authority's Capital Management Plan.	132%	134%	2	2	
	d. General and administrative expense as a percentage of total annual premium revenue.	9%	8%	(1)	(11)	Mainly due to lower Risk Management Initiative costs as a result of lower demand from directorates and also cost savings achieved by delivering the risk management workshops for directorates through webinars instead of face-to-face workshops.
	e. The average number of days to process payments for the settlement of claims from the day all required documents are received from the agency.	14 days	16 days	2	14	Transition to the new claim management system caused some delays in processing invoices within the 14 days target.
	f. Review the Territory's insurance and reinsurance programs to ensure they are appropriate for its needs.	Annual review completed	Annual review completed	-	-	
Take out insurance of territory risks with other entities	g. Review the Territory's property asset register to ensure that values provided by agencies reflect insurance replacement costs.	Annual review completed	Annual review completed	-	-	
	h. Complete Property Loss Control Surveys at a number of selected territory locations.	8	8	-	-	

The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Objective	Accountability Indicators	Original Target 2020-21	Actual Result 2020-21	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Take out insurance of territory risks with other entities - continued	i. Hold quarterly reviews of all public liability and medical malpractice claims to assess the claim management strategy for matters where the Territory's reserve exceeds $250,000.	Quarterly claims review meetings held	4 quarterly claims review meetings were held	-	-	
	j. Insurance claims data:					
Satisfy or settle claims in relation to territory risks	**Public Liability**					
	Discounted Mean Term (for Outstanding Claims)[1]	4.82 years	3.83 years	(0.99) years	(21)	The decrease in discounted mean term is predominantly due to a reduction in the number of assumed large finalisations in the older insurance years. There have been very few large claims emerging from insurance years 2009 and prior years. This shortens the payment pattern, giving greater weight to earlier delays and hence reduces the discounted mean term. Additionally, discount rates have increased over the long term which will also act to reduce the discounted mean term.

[1] *The discounted mean term, ultimate claims numbers, and the average claim settlement size are defined and explained further in the accompanying notes.*

The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Objective	Accountability Indicators	Original Target 2020-21	Actual Result 2020-21	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Satisfy or settle claims in relation to territory risks - continued	j. Insurance claims data - continued					
	Public Liability - continued					
	Ultimate Claim Numbers[2]	118	101	(17)	(14)	The number of claims reported for the 2020-21 insurance year was lower than expected, and much lower than the preceding two insurance years from which the original target would have been partially based. As a result, the assumed ultimate number of claims reflects the improvement in experience, reducing from 118 to 101 at this valuation.
	Average Small Claim (<$1 m) Settlement Size[3]	$108,348	$133,379	$25,031	23	The average size on finalised claims in recent years has been higher than expected across the medium-term due to finalisation delays. Additionally, average small claims during this reporting year have taken longer to finalise than expected which is reflected in recent claims experience. It is assumed that this trend will continue in the future and claims that take longer to finalise tend to have a higher assumed average settlement size.
	Average Large Claim (≥$1 m) Settlement Size[3]	$3,521,147	$3,516,844	($4,303)	(0.1)	

[2] [3] *The discounted mean term, ultimate claims numbers, and the average claim settlement size are defined and explained further in the accompanying notes.*

The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Objective	Accountability Indicators	Original Target 2020-21	Actual Result 2020-21	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Satisfy or settle claims in relation to territory risks - continued	J. Insurance claims data - continued:					
	Medical Malpractice					
	Discounted Mean Term (for Outstanding Claims)[1]	6.51 years	4.43 years	(2.08) years	(32)	The decrease in discounted mean term is predominantly due to a reduction in the number of assumed large finalisations in the older insurance years. There have been very few large claims emerging from insurance year 2009 and prior years. This shortens the payment pattern, giving greater weight to earlier delays and hence reduces the discounted mean term. Additionally, discount rates have increased over the long term which will also act to reduce the discounted mean term.
	Ultimate Claim Numbers[2]	84	91	7	8	
	Average Small Claim (<$1 m) Settlement Size[3]	$297,521	$315,323	$17,802	6	
	Average Large Claim (≥$1 m) Settlement Size[3]	$4,061,614	$3,900,000	($161,614)	(4)	

[1 2 3] The discounted mean term, ultimate claims numbers, and the average claim settlement size are defined and explained further in the accompanying notes.

The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Objective	Accountability Indicators	Original Target 2020-21	Actual Result 2020-21	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Satisfy or settle claims in relation to territory risks - continued	j. Insurance claims data - continued:					
	Property and Motor					
	Discounted Mean Term (for Outstanding Claims)[1]	1.5 years	1.45 years	(0.05) years	(3)	
	Ultimate Claim Numbers[2]	72	88	16	22	There were significantly more claims reported than expected in the 2021 insurance year. Although this year had a storm event in March which contributed 7 claims, there was a significant increase in the number of non-event related claims. This has resulted in an increase in the assumed ultimate number of claims for this insurance year compared to the original target.
	Average Small Claim (<$1 m) Settlement Size[3]	$69,603	$79,537	$9,934	(14)	The average size of reported and finalised small claims observed for the most recent insurance years has been lower, leading to a reduction in the assumed average size assumption for small claims. However, fewer claims have been finalised to date, with the outstanding finalisations for this year assumed to occur in the future. As a result, the weighted average size of small claims is weighted more heavily to the later claims which have a higher average size.

[1 2 3] The discounted mean term, ultimate claims numbers, and the average claim settlement size are defined and explained further in the accompanying notes.

The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Objective	Accountability Indicators	Original Target 2020-21	Actual Result 2020-21	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Develop and promote good practices for the management of territory risks	k. Provide Risk Profile Reports to assist agencies by profiling and measuring their risk management progress.	Bi-annual reports provided to agencies	Risk Profile reports were issued in October 2020 and May 2021	-	-	
	l. Deliver a program of general and targeted risk management training courses to territory agencies.	45	27	(18)	(40)	The significant reduction in delivery of training courses is primarily the result of COVID-19 pandemic restrictions that resulted in face-to-face training being cancelled and the difficulty in running these courses virtually. Demand for training from directorates was also reduced as entities focused on business continuity, particularly during the first part of the financial year.
	m. Overall participant satisfaction with risk management training sessions delivered to agency staff members.	>90%	98%	-	-	

The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Objective	Accountability Indicators	Original Target 2020-21	Actual Result 2020-21	Variance Amount	Variance %	Explanation of Material Variances (+/-10%)
Give advice to the Minister about insurance and the management of territory risks	n. Provide briefing material on the agency annual insurance premiums.	Brief provided to the Minister	Nil	(1)	(100)	Due to difficult reinsurance market conditions experienced this year, finalisation of the reinsurance program was delayed which resulted in a delay in determining premiums and subsequently briefing the Minister. A brief was provided in July 2021.
	o. Provide briefing material on the Authority's reinsurance program.	Brief provided to the Minister	Nil	(1)	(100)	Due to difficult reinsurance market conditions experienced this year, finalisation of the reinsurance program was delayed, resulting in a delay in briefing the Minister. A brief was provided in July 2021.
	p. Provide briefing material on the Authority's capital management plan.	Brief provided to the Minister	Brief provided to the Minister	-	-	

The above accountability indicators were examined by the ACT Audit Office in accordance with the Financial Management Act 1996.
The above Statement of Performance should be read in conjunction with the accompanying notes.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

NOTES

a. Surveys are sent to a range of agency contacts including Director-Generals, Chief Executive Officers and other key stakeholders of ACT Government directorates and statutory authorities insured by the Authority. Respondents are asked to rate the quality of different aspects areas of the Authority's services based on their experiences over the past 12 months. For questions relating to specific areas of service the satisfaction levels are determined by the respondents selecting either very good, good, average, poor or very poor. Very good and good responses are taken as a positive result. For the questions relating to the overall satisfaction of insurance management services the respondent is asked to select either very satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied or very dissatisfied. Very satisfied or satisfied responses are taken as a positive result.

b. The Authority completes an annual review of agency insurance premiums, with assistance from the Authority's actuary, PricewaterhouseCoopers Consulting (Australia) Pty Ltd. The actuarial approach relies on assumptions about the estimated future number of claims, the estimated average settlement size, expected inflation rates and investment returns. Annual premiums are allocated to agencies based on their claim's history, asset ownership, risk profile and the actuarial advice.

c. The funding ratio is calculated by dividing total assets by total liabilities. The Authority aims to maintain its capital position between 100-120% as outlined in the Authority's capital management plan. A capital position outside this range requires the Authority to consider corrective action. The parameters outlined in the Authority's capital management plan guide decision making to address a capital position outside the targeted ratio range. This would include action to seek capital injections (in a deficit situation) or returning excess capital (in a surplus situation) to the ACT Government.

d. The Authority's general and administrative expenses, which includes employee and superannuation expenses along with supplies and services, is calculated as a percentage of gross earned premiums and is measured against the budgeted results for the Authority.

e. The Authority generally processes payments for the settlement of claims on a fortnightly basis. The number of days to process a payment is measured from the date all required documentation relating to settlements is received by the Authority to the date payment is made.

f. The Authority completes an annual review of the Territory's insurance arrangements. This includes a review of the Territory's reinsurance program structure, an analysis of market conditions and the suitability of policy terms and conditions.

g. The Authority completes a review of the replacement value of assets detailed in the Territory's asset schedule as part of the property reinsurance renewal.

h. The Authority's property reinsurers conduct an annual property loss control survey program on selected Territory locations. Property loss control reports identify the potential for property loss and assist agencies to reduce the risks of loss through loss prevention efforts. Recommendations are communicated to surveyed Territory agencies for consideration.

i. The Authority conducts quarterly claims review meetings to review all public liability and medical malpractice claims where the Territory's reserve exceeds $250,000. Meetings are also attended by representatives of the ACT Government Solicitor's Office, the Authority's insurance brokers (Marsh Pty Ltd) as well as external insurers and their solicitors.

j. The measure for insurance claims data is provided by the Authority's actuary, PricewaterhouseCoopers Consulting (Australia) Pty Ltd. The 'original targets' were based on actuarial assumptions provided during the mid-term estimate of outstanding claims liabilities at 31 December 2019 and the 'actual results' are based on the valuation at 30 June 2021. These valuations are based on claims experience and include actuarial assumptions of growth, such as, population and price indexation.

   The actuarial assumptions provide the basis for establishing the Authority's outstanding claims liabilities and measuring the impact of action taken by the Authority to influence that outcome. The Authority works with agencies and the Authority's legal advisors to develop strategies to reduce the occurrence and cost of insurance claims against the Territory by promoting the implementation of good risk and claim management practices.

   The data displays an actuarial assessment of the discounted mean term to finalise claims, ultimate claims numbers, and the average cost of large and small claims.

ACT INSURANCE AUTHORITY STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

NOTES - CONTINUED

j. Discounted Mean Term, Ultimate Claim Numbers and Average Settlement Size

[1]The discounted mean term is the average time it takes to make payments of settlements with the discount rate applied. The payments are weighted according to the size of the settlement. Small payments have less weighting and large payments have a greater weighting on the mean term.

Applying a lower discount rate means the value of payments in the future increases resulting in an increase to the discounted mean term, all else being equal. A higher discount rate will lower the payment value in the future resulting in a decrease to the discounted mean term, all else being equal. In some cases, other changes may have a greater impact on the discount mean term than the change in discount rates. If discount rates change, the value of the expected future payments also change. Applying discount rate changes to payments due in the near future has little or no impact, whereas payments due further into the future will have a higher impact.

The average weighted discount rate used in the valuation of 'actual results' for the average claim settlement size was 1.0 per cent (discount rate of 2.5 per cent was used for the original target). The average weighted discount rate is actuaries' derived discount rate applied in valuation of liabilities based on number of variables and reliable sources.

[2]The ultimate number of claims for each insurance class is the estimated total number of claims expected to emerge from each insurance year. The ultimate number of claims is estimated by analysing historical claim reported values and applying them to the observed claims reported to date in order to predict the timing and number of future claims reported.

[3]For medical malpractice, property and motor and public liability insurance classes, the Authority has adopted the average settlement size for small and large claims based on historical claims experience. In addition, the assessment of the outstanding claims liability allows for future inflation and average weighted inflation rates. The rate applied to the valuation of actual results was 2.1 per cent (inflation rate of 2.7 per cent was used for the original target).

k. Risk Profile Reports are provided to directorates, which contain a detailed analysis of claim numbers and costs by insurance class and provide a comparison of their directorate against the whole of ACT Government. The reports are provided biannually.

l. The Authority delivers a program of risk management training that covers general introductory and intermediate to advanced level risk management, along with entity specific training tailored to meet agency requirements.

m. Attendees of risk management training sessions are requested to complete feedback forms at the completion of the courses delivered by the Authority. Attendees are asked to assess the course based on areas such as, course suitability, facilitators' knowledge and whether they would recommend the training. The satisfaction levels are determined by the respondents selecting either strongly agree, agree, disagree or strongly disagree. Strongly agree and agree are taken as a satisfied result.

n. The Authority prepares a brief for the Minister each year seeking agreement to the annual premiums charged to agencies for inclusion in the ACT Government budget.

o. The Authority prepares a brief for the Minister each year seeking agreement to proceed with renewal of the Territory's reinsurance program on the best available terms in the London and Australian insurance markets for the following insurance year.

p. The Authority prepares a brief for the Minister each year seeking agreement on the Authority's Capital Management Plan.

GLOSSARY OF TECHNICAL TERMS

Actuary

An actuary uses complex mathematical methods to analyse past loss data and other statistics, to develop systems for determining outstanding claims liability and future premiums.

Builders Warranty Insurance

Provides compensation to ACT homeowners for losses if their builder goes bankrupt, dies, or disappears, or for faulty workmanship.

Catastrophe

A major event giving rise to multiple losses across multiple agencies (e.g. a hailstorm, cyclone or earthquake).

Claims Incurred

The expenses relating to claims arising from risks covered during an accounting period, including claims paid, claims outstanding, and claims settlement expenses associated with such risks.

Claims Incurred But Not Enough Reported/Recorded (“IBNER”)

The understatement of the cost of claims reported prior to the close of an accounting period for which the insurer had insufficient information to be able to make an assessment of the amount of the claims.

Claims Incurred But Not Reported (“IBNR”)

Claims arising from incidents occurring prior to the close of an accounting period, which are expected to be reported in subsequent accounting periods.

Claims Reported

Claims resulting from accidents or occurrences which have taken place, and of which the insurer has received notice or report of loss.

Directors’ and Officers’ Insurance

Provides management liability cover for negligent acts, errors, or omissions arising because of a person’s status as a “Manager”.

Discount Rate

Outstanding claims include a discount to allow for interest that is expected to be earned on investments until claims are paid. A lower discount rate reduces the amount of expected interest and therefore increases the claim liability.

Earned Premiums

The amount of the total premium payable (i.e. the gross written premium) that relates to the proportion of the risk covered which has expired up to the date of calculation.

Insurance Claim

An insurance incident which has developed to the stage where there has been a demand for compensation which may or may not involve legal proceedings.

Insurance Incident

An incident or event that may give rise to an insurance claim at a future date.

Insurance Year

1 July to 30 June.

Long-tail Claims

Long tail claims are claims that are made or settled a significant time after the incident occurred. Typically, long tail claims would occur under the public liability and medical negligence policies.

Medical Malpractice Insurance

Insurance for healthcare services and providers against claims alleging negligent acts or omissions that have harmed third parties.

Outstanding Claims

The estimated amount of unpaid claims and claims settlement expenses for which an insurer is liable. The estimate will usually include:

- case estimates for reported claims;
- provision for IBNER claims costs; and
- provision for IBNR claims costs.

Professional Indemnity Insurance

Insurance against claims alleging that professional advice or service provided by the Territory has caused a financial loss to third parties.

Property Insurance

Insurance against loss or damage to property that is owned by the Territory, or for property that is required to be insured through a contract or agreement.

Public Liability Insurance

Insurance against claims of personal injury or property damage that a third party suffers (or claims to have suffered) as a result of the Territory's negligence.

Reinsurance

Is a practice where an insurance company transfers a portion of its risks to another insurance company (the reinsurer) in order to mitigate the impact of catastrophic losses.

Reinsurance Recoveries

The amount recovered or recoverable under a contract of reinsurance as a result of claims paid on the occurrence of an event, or series of events, specified as being reinsured.

Risk Management

Risk management is the combination of culture, systems, and processes undertaken by an entity in the identification and management of risk.

Settlement Costs

The costs incurred by an insurer in connection with settling claims. These may include not only the amount paid to the insured, but also indirect costs related to handing claims (e.g. the salaries of staff in the claims handling area, and solicitors' fees).

Superimposed Inflation

Superimposed inflation is the tendency for payments to increase over time at a faster rate than a suitable standard measure of inflation. This can be driven by factors such as increases in court settlement sizes, and an assumption is set considering any superimposed inflation present in the portfolio and industry superimposed inflation trends.

Underwriting Result

This is the surplus or deficit that emerges after reinsurance cost, unearned premiums, claims expenses, and underwriting expenses applicable to a period are deducted from premium revenue.

It is a deficient measure in that it does not have regard to investment earnings arising on insurance funds held (i.e. unearned premium and claims provisions).

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