

AUSTRALIAN CAPITAL TERRITORY INSURANCE AUTHORITY

Objectives

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

The ACT Insurance Authority is established as a statutory authority under the *ACT Insurance Corporation Act 2000*. The Authority operates a centrally managed fund to cover the insurable risks of Territory agencies.

2005-06 Highlights

Strategic and operational issues to be pursued in 2005-06 include:

- providing training and assistance to agencies in the analysis of their operations and assets to improve risk assessment and management;
- continuing an on-going review of existing claims to ensure that appropriate management is being applied to claims, that realistic estimates of costs are included in the accounts and that risk management measures are implemented, and where necessary, to reduce the chance of similar claims occurring;
- reviewing arrangements between agencies and external bodies to ensure that the appropriate level of risk is transferred to contractors, as well as providing advice on new contracts; and
- implementing a premium setting process which incorporates actuarial advice on claims experience.

ACT Insurance Authority Operating Statement

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
Income							
Revenue							
30 723	User Charges - ACT Government	30 728	31 243	2	40 249	41 280	42 337
6 781	Interest	6 241	7 096	14	7 538	7 366	7 559
1 206	Other Revenue	600	2 112	252	2 266	2 456	2 517
38 710	Total Revenue	37 569	40 451	8	50 053	51 102	52 413
Gains							
0	Total Gains	0	0	-	0	0	0
38 710	Total Income	37 569	40 451	8	50 053	51 102	52 413
Expenses							
631	Employee Expenses	692	976	41	954	957	973
104	Superannuation Expenses	114	143	25	131	130	132
928	Supplies and Services	1 078	1 037	-4	971	994	1 019
33 049	Other Expenses	48 524	40 901	-16	42 349	43 340	44 474
34 712	Total Ordinary Expenses	50 408	43 057	-15	44 405	45 421	46 598
3 998	Operating Result	-12 839	-2 606	80	5 648	5 681	5 815

ACT Insurance Authority Balance Sheet

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
Current Assets							
540	Receivables	1 650	1 650	-	1 055	1 055	1 055
118 372	Investments	43 023	55 425	29	66 772	91 498	101 368
9	Other	0	0	-	0	0	0
118 921	Total Current Assets	44 673	57 075	28	67 827	92 553	102 423
Non Current Assets							
10 556	Receivables	10 110	8 503	-16	8 431	8 431	8 431
0	Investments	63 454	81 858	29	85 326	63 456	63 455
10 556	Total Non Current Assets	73 564	90 361	23	93 757	71 887	71 886
129 477	TOTAL ASSETS	118 237	147 436	25	161 584	164 440	174 309
Current Liabilities							
31 414	Payables	32 870	37 625	14	40 770	39 673	40 686
108	Employee Benefits	130	146	12	162	162	162
31 522	Total Current Liabilities	33 000	37 771	14	40 932	39 835	40 848
Non Current Liabilities							
88 397	Payables	105 482	109 511	4	114 845	113 117	116 158
131	Employee Benefits	128	133	4	138	138	138
88 528	Total Non Current Liabilities	105 610	109 644	4	114 983	113 255	116 296
120 050	TOTAL LIABILITIES	138 610	147 415	6	155 915	153 090	157 144
9 427	NET ASSETS	-20 373	21	-100	5 669	11 350	17 165
REPRESENTED BY FUNDS EMPLOYED							
9 427	Accumulated Funds	-20 373	21	-100	5 669	11 350	17 165
9 427	TOTAL FUNDS EMPLOYED	-20 373	21	-100	5 669	11 350	17 165

**ACT Insurance Authority
Cash Flow Statement**

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
31 600	User Charges	30 980	31 906	3	40 914	41 945	43 002
6 781	Interest Received	6 241	7 096	14	7 538	7 366	7 559
61 715	Other Revenue	59 679	43 768	-27	44 016	44 336	45 894
100 096	Operating Receipts	96 900	82 770	-15	92 468	93 647	96 455
	Payments						
714	Related to Employees	785	1 098	40	1 064	1 066	1 084
927	Related to Supplies and Services	1 077	1 035	-4	969	992	1 017
92 672	Other	108 322	72 831	-33	75 619	75 519	78 025
94 313	Operating Payments	110 184	74 964	-32	77 652	77 577	80 126
5 783	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	-13 284	7 806	-159	14 816	16 070	16 329
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
699	Proceeds from Sale/Maturities of Investments	0	911	#	911	8 656	911
699	Investing Receipts	0	911	#	911	8 656	911
	Payments						
16 482	Purchase of Investments	7 000	19 315	176	4 380	0	7 370
16 482	Investing Payments	7 000	19 315	176	4 380	0	7 370
-15 783	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-7 000	-18 404	-163	-3 469	8 656	-6 459
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
10 000	Capital Injection from Government	10 000	23 000	130	0	0	0
10 000	Financing Receipts	10 000	23 000	130	0	0	0
10 000	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	10 000	23 000	130	0	0	0
0	NET INCREASE/(DECREASE) IN CASH HELD	-10 284	12 402	221	11 347	24 726	9 870
0	CASH AT BEGINNING OF REPORTING PERIOD	53 307	43 023	-19	55 425	66 772	91 498
0	CASH AT THE END OF THE REPORTING PERIOD	43 023	55 425	29	66 772	91 498	101 368

ACT Insurance Authority Statement of Changes in Equity

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
-4 571	Opening Balance	-17 534	-20 373	-16	21	5 669	11 350
	Accumulated Funds						
3 998	Operating Result for the Period	-12 839	-2 606	80	5 648	5 681	5 815
	Reserves						
3 998	Total Income And Expense For The Period	-12 839	-2 606	80	5 648	5 681	5 815
	Transactions Involving Equity Holders Affecting Accumulated Funds						
10 000	Capital Injections	10 000	23 000	130	0	0	0
9 427	Closing Balance	-20 373	21	100	5 669	11 350	17 165

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- user charges – ACT Government: the increase of \$0.515m in the 2005-06 Budget from the 2004-05 estimated outcome is due to indexation of the annual insurance premiums charged to agencies.
- interest:
 - the decrease of \$0.540m in the 2004-05 estimated outcome from the original budget is due to long term investment returns being less than anticipated; and
 - the increase of \$0.855m in the 2005-06 Budget from the 2004-05 estimated outcome reflects the investment return on capital injections.
- other revenue:
 - the decrease of \$0.606m in the 2004-05 estimated outcome from the original budget reflects an unanticipated decrease in the reinsurance recovery for the January 2003 bushfire. This is partially offset by other insurance recoveries and an unrealised gain on investments; and
 - the increase of \$1.512m in the 2005-06 Budget from the 2004-05 estimated outcome reflects anticipated increases to the construction industry premium and changes in premium accounting as a consequence of the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS). Insurance policies where the Authority does not hold a significant risk are no longer classified as annual premiums but as other revenue.
- employee and superannuation expenses: the increase of \$0.313m in the 2005-06 Budget from the 2004-05 estimated outcome is due to the full year effect of the creation of four new positions; and
- supplies and services: the increase of \$0.150m in the 2004-05 estimated outcome from the original budget reflects the employment of contract staff pending the creation of permanent positions.

- other expenses:
 - the increase of \$15.475m in the 2004-05 estimated outcome from the original budget recognises an increase in the net expected cost of future claims arising from medical malpractice and public liability policies. Significant growth in award settlements and claim numbers has led to a restatement of the claims provision; and
 - the decrease of \$7.623m in the 2005-06 Budget from the 2004-05 estimated outcome reflects the one-off adjustment for increases in medical malpractice and public liability claims made to the claims provision in 2004-05.

Balance Sheet

- receivables current: the increase of \$1.110m in the 2004-05 estimated outcome from the original budget recognises higher than anticipated reinsurance recoveries and an increase in interest receivable.
- current investments:
 - the decrease of \$75.349m in the 2004-05 estimated outcome from the original budget is largely due to recognising fixed interest fund investments with the Central Financing Unit as long term non-current investments (\$63.454m) and a flow on effect from the 2003-04 audited outcome that identified a lower level of investment than originally budgeted; and
 - the increase of \$12.402m in the 2005-06 Budget from the 2004-05 estimated outcome reflects the building of investments in order to meet future claims.
- receivables non-current: the decrease of \$0.446m in the 2004-05 estimated outcome from the original budget and the decrease of \$1.607m in the 2005-06 Budget from the 2004-05 estimated outcome recognises movements in the provision for reinsurance recoveries.
- investments non-current:
 - the increase of \$63.454m in the 2004-05 estimated outcome from the original budget reflects the recognition of fixed interest fund investments as long term investments; and
 - the increase of \$18.404m in the 2005-06 Budget from the 2004-05 estimated outcome reflects the receipt of a capital injection to build investments to meet future claims.
- payables current:
 - the increase of \$1.456m in the 2004-05 estimated outcome from the original budget and the increase of \$4.755m in the 2005-06 Budget from the 2004-05 estimated outcome reflects anticipated growth in the cost of future claims.
- payables:
 - the increase of \$17.085m in the 2004-05 estimated outcome from the original budget reflects the increase in cost and in the number of medical malpractice and public liability claims; and
 - the increase of \$4.029m in the 2005-06 Budget from the 2004-05 estimated outcome reflects the anticipated growth in the cost of future claims.