

ACT INSURANCE AUTHORITY

Objectives

The 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; take action for realising, enforcing, assigning or extinguishing rights against third parties arising out of or in relation to its business; develop and promote good practices for the management of Territory risks; give advice to the Treasurer about insurance and the management of Territory risks; and administer, under agreement with the Chief Minister's Department, the Default Insurance Fund, to be established on 1 July 2006.

2006-07 Priorities

Strategic and operational issues to be pursued in 2006-07 include:

- working with selected agencies to reduce the total cost of risk to Government;
- assisting agencies in the analysis of their operations and assets to improve risk assessment and management;
- facilitating agency access to the claims reporting and data analysis system to provide an integrated claims management process;
- ensuring that accurate information is available for the Authority's management, its clients and its insurers;
- conducting regular reviews of existing claims to ensure that appropriate management is being applied, that realistic cost estimates are included in the accounts and that risk management measures are implemented to reduce the chance of similar claims occurring;
- conducting progressive reviews of arrangements between agencies and external bodies to ensure that the appropriate level of risk is transferred to contractors, as well as providing advice on new contracts; and
- developing and implementing systems and procedures to administer, under agreement with the Chief Minister's Department, the Default Insurance Fund.

ACT Insurance Authority Operating Statement

2005-06 Budget \$'000		2005-06 Est.Outcome \$'000	2006-07 Budget \$'000	Var %	2007-08 Estimate \$'000	2008-09 Estimate \$'000	2009-10 Estimate \$'000
Income							
Revenue							
31,243	User Charges - ACT Government	31,549	42,038	33	43,089	44,166	45,270
7,096	Interest	7,096	8,371	18	8,320	8,708	9,100
2,112	Other Revenue	2,316	2,305	..	2,495	2,558	2,627
40,451	Total Revenue	40,961	52,714	29	53,904	55,432	56,997
Gains							
0	Total Gains	0	0	-	0	0	0
40,451	Total Income	40,961	52,714	29	53,904	55,432	56,997
Expenses							
976	Employee Expenses	959	982	2	1,027	1,067	1,109
143	Superannuation Expenses	142	233	64	243	253	264
1,037	Supplies and Services	937	1,155	23	1,154	1,179	1,204
40,901	Other Expenses	36,961	46,515	26	47,504	48,700	49,721
43,057	Total Ordinary Expenses	38,999	48,885	25	49,928	51,199	52,298
-2,606	Operating Result	1,962	3,829	95	3,976	4,233	4,699

ACT Insurance Authority Balance Sheet

Budget as at 30/6/06 \$'000		Est.Outcome as at 30/6/06 \$'000	Planned as at 30/6/07 \$'000	Var %	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000
Current Assets							
1,650	Receivables	5,111	4,516	-12	4,516	4,516	4,516
55,425	Investments	69,804	81,952	17	107,614	118,608	129,985
57,075	Total Current Assets	74,915	86,468	15	112,130	123,124	134,501
Non Current Assets							
8,503	Receivables	15,813	15,741	..	15,741	15,741	15,741
81,858	Investments	67,659	68,507	1	43,996	41,289	38,665
90,361	Total Non Current Assets	83,472	84,248	1	59,737	57,030	54,406
147,436	TOTAL ASSETS	158,387	170,716	8	171,867	180,154	188,907
Current Liabilities							
37,625	Payables	28,628	31,773	11	43,487	44,500	45,513
146	Employee Benefits	125	141	13	141	141	141
37,771	Total Current Liabilities	28,753	31,914	11	43,628	44,641	45,654
Non Current Liabilities							
109,511	Payables	144,431	149,765	4	135,226	138,267	141,308
133	Employee Benefits	155	160	3	160	160	160
109,644	Total Non Current Liabilities	144,586	149,925	4	135,386	138,427	141,468
147,415	TOTAL LIABILITIES	173,339	181,839	5	179,014	183,068	187,122
21	NET ASSETS	-14,952	-11,123	26	-7,147	-2,914	1,785
REPRESENTED BY FUNDS EMPLOYED							
21	Accumulated Funds	-14,952	-11,123	26	-7,147	-2,914	1,785
21	TOTAL FUNDS EMPLOYED	-14,952	-11,123	26	-7,147	-2,914	1,785

**ACT Insurance Authority
Cash Flow Statement**

2005-06 Budget \$'000		2005-06 Est.Outcome \$'000	2006-07 Budget \$'000	Var %	2007-08 Estimate \$'000	2008-09 Estimate \$'000	2009-10 Estimate \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
31,906	User Charges	31,549	42,702	35	43,089	44,115	45,219
7,096	Interest Received	7,096	8,371	18	8,320	8,708	9,100
43,768	Other Revenue	44,092	44,014	..	45,209	45,414	45,640
82,770	Operating Receipts	82,737	95,087	15	96,618	98,237	99,959
	Payments						
1,098	Related to Employees	1,080	1,194	11	1,270	1,320	1,373
1,035	Related to Supplies and Services	935	1,153	23	1,041	1,170	1,196
72,831	Other	81,091	79,741	-2	79,940	80,998	82,175
74,964	Operating Payments	83,106	82,088	-1	82,251	83,488	84,744
7,806	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	-369	12,999	#	14,367	14,749	15,215
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
911	Proceeds from Sale/Maturities of Investments	911	911	-	13,934	911	911
911	Investing Receipts	911	911	-	13,934	911	911
	Payments						
19,315	Purchase of Investments	10,944	1,762	-84	2,639	4,666	4,749
19,315	Investing Payments	10,944	1,762	-84	2,639	4,666	4,749
-18,404	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-10,033	-851	92	11,295	-3,755	-3,838
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
23,000	Capital Injection from Government	23,000	0	-100	0	0	0
23,000	Financing Receipts	23,000	0	-100	0	0	0
23,000	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	23,000	0	-100	0	0	0
12,402	NET INCREASE/(DECREASE) IN CASH HELD	12,598	12,148	-4	25,662	10,994	11,377
43,023	CASH AT BEGINNING OF REPORTING PERIOD	57,206	69,804	22	81,952	107,614	118,608
55,425	CASH AT THE END OF THE REPORTING PERIOD	69,804	81,952	17	107,614	118,608	129,985

ACT Insurance Authority Statement of Changes in Equity

Budget as at 30/6/06 \$'000		Est.Outcome as at 30/6/06 \$'000	Planned as at 30/6/07 \$'000	Var %	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Planned as at 30/6/10 \$'000
-20,373	Opening Balance	-31,612	-14,952	53	-11,123	-7,147	-2,914
	Accumulated Funds						
0	Net Effect of Change in Accounting Policy	-8,302	0	100	0	0	0
-2,606	Operating Result for the Period	1,962	3,829	95	3,976	4,233	4,699
	Reserves						
-2,606	Total Income And Expense For The Period	-6,340	3,829	160	3,976	4,233	4,699
	Transactions Involving Equity Holders Affecting Accumulated Funds						
23,000	Capital Injections	23,000	0	-100	0	0	0
21	Closing Balance	-14,952	-11,123	26	-7,147	-2,914	1,785

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- user charges – ACT Government:
 - the increase of \$0.306 million in the 2005-06 estimated outcome from the original budget reflects the additional insurance cover required by agencies; and
 - the increase of \$10.489 million in the 2006-07 Budget from the 2005-06 estimated outcome is due to an increase in the annual insurance premiums charged to agencies. The increase in premiums recognises an increase in the net expected cost of future claims arising from significant growth in award settlements and the growing number of medical malpractice and public liability claims.
- interest: the increase of \$1.275 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the accumulation of investments in order to meet future claims;
- other revenue: the increase of \$0.204 million in the 2005-06 estimated outcome from the original budget reflects an increase in insurance recoveries and an unrealised gain on investments. This is slightly offset by a decrease in construction industry policy premiums for Government capital works programs;
- superannuation expenses: the increase of \$0.091 million in the 2006-07 Budget from the 2005-06 estimated outcome is largely due to increased notional superannuation contribution rates;

- supplies and services: the increase of \$0.218 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the anticipated increases in the cost of insurance brokers and other consultants;
- other expenses:
 - the decrease of \$3.940 million in the 2005-06 estimated outcome from the original budget recognises a decrease in the cost of reinsurance; and
 - the increase of \$9.554 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects increases in medical malpractice and public liability claims and an increase in the anticipated cost of reinsurance.

Balance Sheet

- current receivables:
 - the increase of \$3.461 million in the 2005-06 estimated outcome from the original budget recognises an increase in reinsurance recoveries and interest receivable;
 - the decrease of \$0.595 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the reinsurance recoveries received;
- current investments:
 - the increase of \$14.379 million in the 2005-06 estimated outcome from the original budget reflects the movement of investment from noncurrent to current;
 - the increase of \$12.148 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the accumulation of investments in order to meet future claims;
- non-current receivables:
 - the increase of \$7.310 million in the 2005-06 estimated outcome from the original budget recognises the movement in the provision for reinsurance recoveries;
- non-current investments:
 - the decrease of \$14.199 million in the 2005-06 estimated outcome from the original budget reflects the movement of funds to short term investment;
 - the increase of \$0.848 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the accumulation of investments in order to meet future claims;
- current payables:
 - the decrease of \$8.997 million in the 2005-06 estimated outcome from the original budget is a recognition of more claims as noncurrent payables;
 - the increase of \$3.145 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects anticipated growth in the cost of future claims;
- non-current payables:
 - the increase of \$34.920 million in the 2005-06 estimated outcome from the original budget reflects the increase in cost and number of medical malpractice and public liability claims and more claims being recognised as non-current; and
 - the increase of \$5.334 million in the 2006-07 Budget from the 2005-06 estimated outcome reflects the anticipated growth in the cost of future claims.