AUSTRALIAN CAPITAL TERRITORY INSURANCE AUTHORITY

ANNUAL REPORT

1 JULY 2014 to 30 JUNE 2015

ACT Insurance Authority

The Australian Capital Territory Insurance Authority (the Authority) is established under Section 7 of the *ACT Insurance Authority Act 2005*. The Authority meets the insurable claims and losses of ACT Government agencies.

The Authority reports to the Treasurer and is financed through risk-based premiums that reflect the asset holdings and liability risks faced by each agency.

The Authority may be contacted at:

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Transmittal Certificate and Compliance Statement

Mr Andrew Barr MLA
Treasurer
ACT Legislative Assembly
PO Box 1020
Canberra ACT 2601

ACTIA
Australian Capital Territory Insurance Authority

Dear Treasurer

I am pleased to present the ACT Insurance Authority's Annual Report for the year ended 30 June 2015.

This Report has been prepared under section 6(1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements referred to in the Chief Minster's Annual Report Directions.

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

I hereby certify that the attached Annual Report is to the best of my knowledge an honest and accurate account and that all material information on the operations of the ACT Insurance Authority during the period 1 July 2014 to 30 June 2015 has been included and that it complies with the Chief Minister's Annual Report Directions.

I also herby certify that fraud prevention has been managed in accordance with Public Sector Management Standard 2, Part 2.4.

Section 13 of the Annual Reports (Government Agencies) Act 2004 requires that you cause a copy of the Report to be laid before the Legislative Assembly within 3 months of the end of the financial year.

Yours sincerely

David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
Delegate for the Chief Executive Officer
6 October 2015

John Fletcher
General Manager
6 October 2015

Compliance Statement

The *2014-15 ACT Insurance Authority Annual Report* complies with the 2015 Annual Report Directions (the Directions). The Directions are available on the ACT Legislation Register: www.legislation.act.gov.au/ni/2015-207/current/pdf/2015-207.pdf.

This Compliance Statement indicates the subsections, under the five parts of the Directions that are applicable to the ACT Insurance Authority and the location of information that satisfies these requirements:

Part 1 Directions Overview

The requirements under Part 1 of the 2015 Directions relate to the purpose, timing and distribution, and records keeping of annual reports. This Annual Report complies with all subsections of Part 1 under the Directions.

In compliance with Part 1, Section 13 Feedback of the Directions, contact details for the Authority are provided on page ii to provide readers with the opportunity to provide feedback.

Part 2 Agency Annual Report Requirements

The requirements within Part 2 of the Directions are mandatory for all agencies and the Authority complies with all subsections as follows:

A. Transmittal Certificate, page 1.

B. Organisational Overview and Performance, inclusive of all subsections, page 3.

C. Financial Management Reporting, inclusive of all subsections, page 19.

Part 3 Reporting by Exception

The Authority has nil information to report by exception under Part 3 of the Directions for the 2014-15 reporting period.

Part 4 Agency Specific Annual Report Requirements

The following subsection of Part 4 of the 2015 Directions is not applicable to the Authority.

Part 5 Whole of Government Annual Reporting

All sections of Part 5 subsections M – P 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:

M. Community Engagement and Support, see the 2014-15 annual report of the Chief Minister, Treasury and Economic Development Directorate;

N. Justice and Community Safety, including all subsections N.1 – N.4, see the 2014-15 annual report of the Justice and Community Safety Directorate;

O. Public Sector Standards and Workforce Profile, including all subsections O.1 – O.3, see the 2014-15 annual report of the State of the Service Report produced by the Commissioner for Public Administration; and

P. Territory Records see the 2014-15 annual report of the Chief Minister, Treasury and Economic Development Directorate.

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

PART 1

SECTION B

Organisational Overview and Performance

B.1 Organisational Overview

The Australian Capital Territory Insurance Authority (the Authority) is established under Section 7 of the *ACT Insurance Authority Act 2005* (the Act).

The Act establishes the Authority as the ACT Government's captive insurer providing insurance services to all ACT Government Directorates and statutory authorities, to meet the insurable claims and losses of ACT Government agencies.

The Authority's captive insurance model protects the ACT Government budget from a range of catastrophic and accumulated risk exposures through its reinsurance arrangements, and the accumulation of a fund reserve to meet the cost of future legal liabilities and asset losses generated through the activities of Government.

The Authority works to protect the assets and services of the Territory by providing risk management and insurance services to a large and diverse group of ACT Government client agencies and entities.

The portfolio represents over $23 billion of insured assets, with annual premium revenue of $56.5 million, and $389 million in investments and other assets.

The Authority reported to the Treasurer through the Under Treasurer Chief Minister, Treasury and Economic Development Directorate and is financed through risk-based premiums that reflect the asset holdings and liability risks faced by each agency.

The Authority is supported by the ACTIA Advisory Board (the Board) appointed under the Authority's enabling legislation. The current members are Mr David Sandoe (Chair), Mrs Maxine McDowell (member) and Ms Karen Doran (member).

The Board continues to provide important and valuable input to the Authority, particularly in relation to a strategic approach to its reinsurance program and improvements to risk and claims management activities. Details of Board members qualifications and experience appear under Advisory Board in Section B.1.6.

The Authority also performs the function of Fund Manager for the Office of the Nominal Defendant of the ACT, for default claims under the ACT Compulsory Third Party Insurance Scheme and the Default Insurance Fund, for default claims under the ACT Private Workers' Compensation Scheme.

B.1.1 Functions

The functions of the Authority are specified in Section 8 of the Act and include:

- to carry on the business of insurer of Territory risks;
- to take out insurance of Territory risks with other entities;
- to satisfy or settle claims in relation to Territory risks (including claims that may not necessarily be valid in law);
- 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 party's business as a going concern.
- develop and promote good practices for the management of Territory risks; and
- give advice to the Treasurer about insurance and the management of Territory risks.

In addition, the Authority also performs the function of:

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

B.1.2 Clients

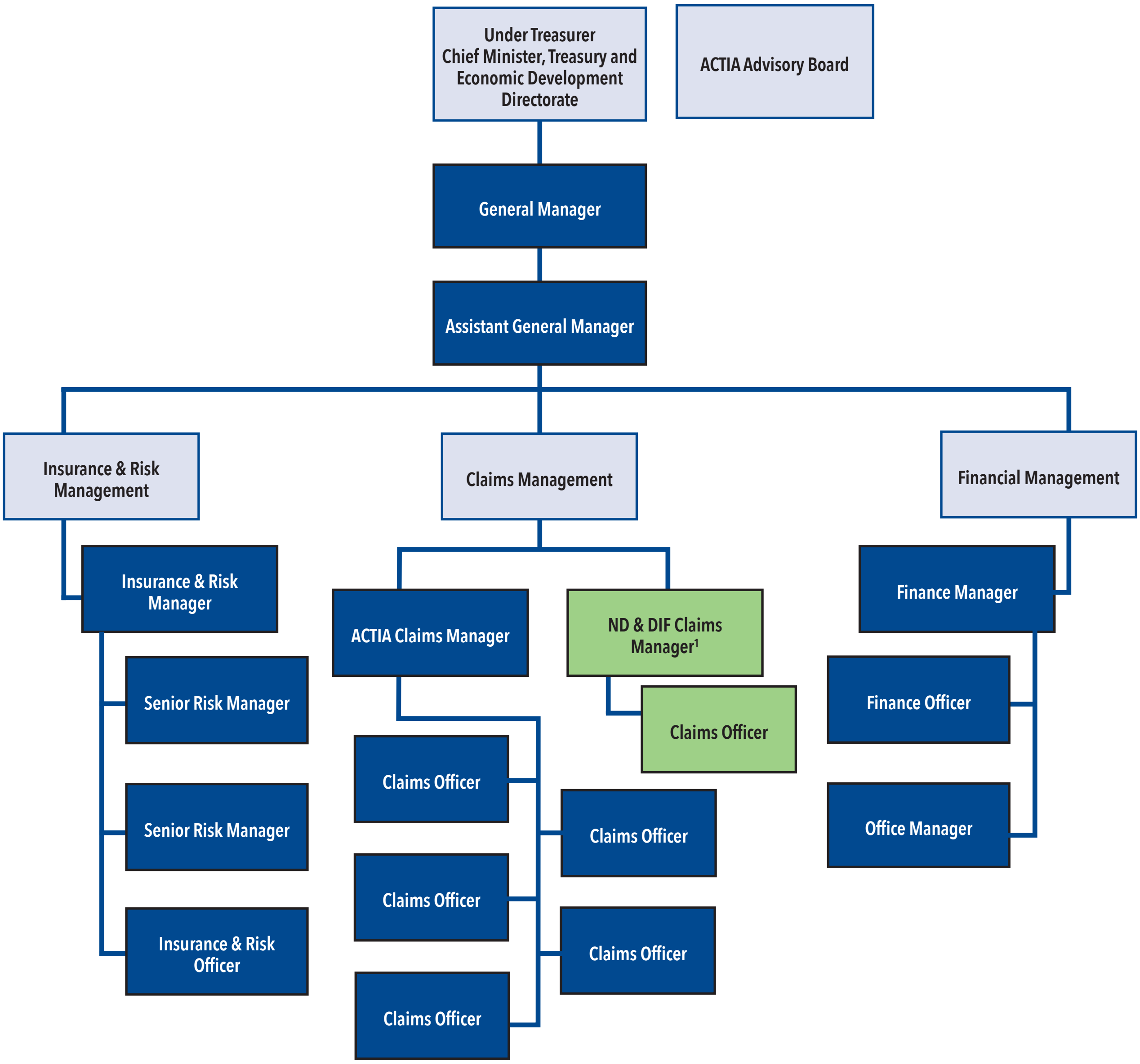
The Authority insures all ACT Government Directorates and Statutory Authorities. The core services provided to Directorates are: insurance via indemnity agreements, claims and risk management services.

The insurance coverage provided is broad form cover that includes:

- public liability;
- medical malpractice;
- professional indemnity;
- property damage; and
- others including standing timber, specialised motor, overseas travel, directors and officers and financial crime.

B.1.3 Organisational Structure

The management structure of the Authority consists of 15 positions, structured as follows:



1 The Default Insurance Fund (DIF) for private Workers' Compensation is managed by ACTIA under a Memorandum of Understanding with the Chief Minister Treasury and Economic Development Directorate. In addition, the Nominal Defendant (ND) for the ACT is also managed by ACTIA fund management staff.

B.1.4 Highlights

Highlights during the 2014-15 year were:

Reinsurance Program Placement 2015-16

The Authority's key operational priority is placement of the Territory's annual reinsurance program, developed to protect the Territory from losses resulting from a catastrophic event or an accumulation of insurable losses.

The Authority completed a review of the insurance and reinsurance structure to confirm suitability of these arrangements including consideration by the ACTIA Advisory Board of short and long term strategic objectives.

The Authority was able to take advantage of the competitive market by undertaking a complete remarketing of its medical and general liability insurance placements. The process provided an opportunity to target insurers in the Australian and London reinsurance markets keen to compete to provide lead terms on each placement.

As part of the 2015-16 renewal, the Authority enhanced its approach by refining information contained in its underwriting submissions to insurers. The submissions were improved by focusing positively on key areas of risk, enhancing claims data and recasting presentation material.

As a result, the Authority was able to attract an excess of capacity and broker the placement of 100 per cent of the 2015-16 program with a reduction in annual reinsurance premiums of $1.2 million, $0.6 million and $1.2 million for the medical negligence, general liability and property placements respectively.

The overall program savings of $3.0 million achieved is expected to be ongoing while conditions in the reinsurance market remain favourable. The result represents an excellent outcome from a financial point of view but also in terms of repositioning the Territory's risk profile with the market.

Revised Claims Reserving Practice

The Authority uses PricewaterhouseCoopers Actuarial Pty Ltd (PwC), to assist it in estimating the Authority's outstanding claims liabilities. Actuarial assumptions developed by PwC are based on past claims experience, risk exposure and projections of economic variables.

In 2014-15, the Authority advised PwC of changes to its claim reserving practice, in particular for larger claims. The new approach has had implications on the outstanding claims liability estimate.

In the period 2000-2014, the Authority applied a conservative approach to reserving individual claims on an undiscounted maximum loss basis, an approach suited to an immature fund relying on only limited claims experience.

In December 2014, informed by an accumulation of claims experience in the fund, the Authority applied a revised approach to all reserves based on probable loss. This approach also takes into account defence arguments, contributory negligence and or other forms of contribution where there is a degree of certainty that such a view will succeed.

This change creates a disconnect in the claims experience, the key challenge in determining the liability estimate is how the change in claim reserves can continue to be used as an input into the valuation while still ensuring the liability estimates adequately allow for the future development of these claims.

The claims review undertaken in December 2014 has had an impact on the assumed number of large claims and the assumed average claim size. While the Authority has given some weighting to the changes, the Authority has assessed that these estimates will need to be continually monitored as claims experience develops in order to assess the new claims reserving approach compared to the costs that ultimately develop.

In estimating the outstanding claims liability, claim reserves are used as a threshold to determine the number of large claims, as well as being weighted to estimate an average large claim size.

The combined impact on the frequency and size of large claims has resulted in a decrease to the outstanding claims liability for the Authority.

Reduction in Outstanding Claims Liability

The Authority completed a valuation of its outstanding claims liabilities as at 30 June 2015. The valuation resulted in a decrease on outstanding claims liabilities of $42.79 million.

This decrease is predominantly due to increased discounting, decreased inflation rates and changes in the actuarial assumptions used to calculate the Authority's outstanding claims liability detailed above in Revised Claims Reserving Practice.

The changes in actuarial assumptions are driven by further experience in the portfolio that results in an assumed decrease in the number and value of medical malpractice and public liability claims.

Risk Management Support

The Authority's Risk Managers continue to work with Directorates to promote best practice risk management within the Territory. The team provides a range of consultancy services to executive managers and staff involved in the delivery of a range of operational programs and capital works projects. This consultancy support includes a number of activities such as: facilitating risk assessment workshops; support of risk management and audit committees within Directorates; presentations to senior management teams and/or Directorate interest groups and provision of risk specific training. The strong working relationship of Authority Risk Managers with Directorate staff at all levels allows Risk Managers to respond to Directorate needs in the provision of services offered.

B.1.5 Outlook

The Authority will continue to work with Territory agencies and entities to protect the assets and services of the Territory by providing high quality risk management and insurance services.

While the liability profile is exhibiting increasing signs of maturity considerable volatility remains. The majority of the Authority's claims are long tailed in nature, which means that claims often take many years to settle resulting in further uncertainty.

Further revisions of the outstanding claims liability are expected as the Authority's portfolio continues to mature. The Authority's ability to value outstanding liabilities will be further informed by the accumulation of claims data including claims experience information.

It remains critical to the Authority that insurance related incidents are reported promptly to facilitate appropriate estimation of the future claims liabilities. 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 are expected to remain stable in the short term. The medical malpractice, liability and property insurance markets are expected to remain competitive. This situation is expected to continue on the back of a surplus of capital available in the market.

The Authority will continue working with agencies to develop strategies to reduce the incidence and cost of insurance claims against the Territory by promoting the implementation of good risk management practices.

The Authority continues to promote good risk management practices in agencies. The Authority's risk management team continues to provide assistance to agencies. During the year ACTIA staff delivered a total of eight general and agency specific risk management training courses to various Territory agencies. The risk management team will explore options available to provide an e-learning solution for the delivery of risk management training services to client agencies.

The Authority intends to implement the following key strategies in 2015-16 to achieve its objectives:

- provide professional advice to Government and Territory agencies on insurance and risk management issues;
- deliver a value for money reinsurance program to protect the Territory budget;
- continue to maximise reinsurance recoveries;
- review the Territory asset register as part of the insurance renewal process;
- develop business practices which will enable the Authority to achieve best practice results, and if feasible, reduced premiums for clients;
- proactively manage claims against the Territory in consultation with agency stakeholders and in accordance with the ACT model litigant requirements;
- conduct regular reviews of existing claims to ensure that appropriate management is being applied and that realistic claim estimates are included in financial statements;
- facilitate agency access to the claims reporting and data analysis to support a risk managed approach to operational and asset management;
- continue to assist agencies with the application of the ACT Government Risk Management Framework;
- work with agencies to reduce the number and severity of incidents and ultimate claims cost;
- deliver to agencies a program of general and targeted risk management training;
- administer the Office of the Nominal Defendant of the ACT; and
- administer the Default Insurance Fund.

B.1.6 Internal Accountability

The Authority is responsible to the ACT Treasurer and operates under the *Insurance Authority Act 2005*. Under the Act the Director-General is the Chief Executive Officer and an advisory Board is established.

Under the Government's *Administrative Arrangements 2015 (No 1)*, the ACT Insurance Authority resides within the Chief Minister, Treasury and Economic Development Directorate.

Executives employed by the Authority are paid in accordance with the Determination of the ACT Remuneration Tribunal and relevant laws and instruments, including the *Public Sector Management Act 1994* and the *Public Sector Management Standards 2006*.

There have not been any major structural changes to the Authority during the reporting period. The organisational chart showing senior management and functional units as at 30 June 2015 are shown in Section B.1.3.

Advisory Board

The ACT Insurance Authority Advisory Board is appointed under Section 12 and 14 of the Act in accordance with *Insurance Management Guidelines 2005 (No. 1)*. The Board must consist of two members appointed in writing by the Authority who must, in the opinion of the Authority, possess sufficient skill and judgement with respect to the following:

- at the request of the Treasurer or the Authority, providing advice to the Treasurer or the Authority on any question relating to the exercise by the Authority of its powers, functions or duties under the Act; and
- if, in the opinion of the Board, it should provide advice to the Treasurer or the Authority on any matter relating to the exercise by the Authority of its powers, functions or duties under the Act—providing advice on its own initiative.

In regard to these appointments and retirements, the Under Treasurer, Chief Minister, Treasury and Economic Development Directorate is the Authority and the appointees are chosen based on skills relevant to the above requirements. Appointments 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.

The Board members are:

Name of Member	Position	Duration	Meetings Attended
Mr David Sandoe	Member (Chair)	July 14 to June 15	3 of 3
Mr Peter Matthews	Member (outgoing)	July 14 to December 14	1 of 3
Ms Maxine McDowell	Member (incoming)	December 14 to June 15	3 of 3
Ms Karen Doran	Member	July 14 to June 15	3 of 3

Mr David Sandoe OAM - Dip BIA, MBA, ANZIIF (Fellow) CIP, MCMI, FAIM, FAICD. Mr Sandoe has over 44 years insurance and financial services industry experience in Australia, New Zealand, UK and Ireland. This included senior executive roles with Zurich Financial Services and was formally a Principal and General Manager of Finity Consulting, an independently owned Australian firm of actuaries and insurance consultants. He is an independent board member of Defence Service Homes Insurance Scheme Advisory Board and is an Honorary Life Member of the Australian & New Zealand Institute of Insurance & Finance, is an Honorary Life Member of the Swiss Australian Chamber of Commerce and Industry (now SwissCham Australia) and Prostate Cancer Foundation of Australia. He retired as National Chairman of Prostate Cancer Foundation of Australia on 31 March 2015.

Mrs Maxine McDowell - Grad Mgt. UTS, ANZIIF (Fellow) CIP. Mrs McDowell has had over 40 years experience in managing general insurance underwriting, risk management, marketing and claims. This experience includes consulting roles with Finserv Consulting Pty Ltd and National Insurance Brokers Association (NIBA), also underwriting management roles with Vero Insurance, QBE Insurance Ltd, Calliden Insurance Group and Harbour Pacific Underwriting Management. She was a named underwriter for managing agents at Lloyds of London. She now conducts compliance and underwriting audits on behalf of Lloyds managing agents as well as compliance and technical training. She was the representative for NIBA on the Insurance Council Catastrophe Insurance Taskforce, and lectured in Property Insurance at the University of Technology, Sydney. She is an Honorary Life Member, Australian & New Zealand Institute of Insurance and Finance (ANZIIF).

Mr Peter Matthews, ANZIIF (Fellow) CIP, AIMM, MRIMA. Mr Matthews has some 30 years insurance and risk management experience and was, until his retirement in October 2009, the General Manager of the ACT Insurance Authority.

Ms Karen Doran, FIAAust. Ms Doran is currently employed in the position of Executive Director, Economics and Financial Group, Chief Minister, Treasury and Economic Development Directorate.

The Board met on three occasions during 2014-15.

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

The Advisory Board was consulted on the following issues during 2014-15:

- review of major claims;
- reinsurance program for 2015-16;
- risk management matters; and
- actuarial and financial matters.

B.2 Performance Analysis

The Authority has met and in many cases exceeded accountability indicator measures as detailed in the *ACTIA Statement of Intent 2014-15*.

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

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

Conduct an annual customer satisfaction survey

Outcome

The Authority's Customer Service Charter details the standards that our agency customers can expect when dealing with us. To gauge our effectiveness against these commitments the Authority surveyed agencies to identify their level of satisfaction with the services provided.

Surveys were sent to the Director-General of all ACT Government Directorates, Statutory Authorities and to agency insurance contacts insured by the Authority. The Authority received 23 responses from a cross section of agency clients who were positive about the services provided by the Authority.

The survey asked respondents to rate their level of satisfaction against key areas of service delivery including insurance management services, claims management, annual insurance renewal and financial management services. Respondents were asked to confirm that they were satisfied with each key area of the Authority as their insurance service provider.

Overall, 87 per cent of respondents indicated they were satisfied with the level of service provided by the Authority.

Survey respondents identified a number of key elements of service provision that supported overall satisfaction levels. These areas include: the support provided when managing complex claims matters; support provided to capital infrastructure project teams; the strength of the Authority's network of risk management and insurance providers; our understanding of the government service delivery environment and our strong relationships with Directorate insurance contacts.

The Authority continues to work with customers to enhance the level of service provided and to identify and clarify those areas in which its performance does not meet expectations.

Determine annual insurance premiums for Territory agencies

Outcome

The Authority completed an annual review of agency insurance premiums, with assistance from the fund actuary PwC for the 2015-16 insurance year. Premiums are determined based on agency claims history, asset ownership and overall risk profile.

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

Maintain a Funding Ratio within the targeted range stated in the ACTIA Capital Management Plan

Outcome

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.

In summary, the Authority manages its capital position between the ranges of 100 – 110 per cent with an adopted target funding ratio of 100 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).

This position seeks to strike a balance between the appropriate and prudential management of the Territory's risk, while allowing suitable mechanisms to return capital in instances where the updated actuarial advice suggests a lower risk profile moving forward than originally anticipated. Unwarranted over provisioning of risk unnecessarily restricts the Government's budgetary flexibility.

As a trade-off, the plan also contemplates a mechanism to allow a request for capital injection (as has happened in the past), where the profile moving forward, for some reason, is revised upwards.

The Authority's funding ratio as at 30 June 2015, is 150 per cent that equates to a balance sheet surplus of $130.2 million.

In accordance with the ACTIA Capital Management Plan Budget 2015-16, the Authority has included in its 2015-16 Budget a return of $60 million in capital to the ACT Government to manage the Authority's capital ratio to within the target range 100 -110 per cent.

ACTIA Balance Sheet	Actual 30 June 2014	Actual 30 June 2015	Forecast 30 June 2016- *with proposed capital return*	Forecast 30 June 2017	Forecast 30 June 2018	Forecast 30 June 2019
Assets	$367.3	$389.4	$414.4	$440.1	$464.6	$488.0
Liabilities	$300.8	$259.2	$319.6	$349.4	$378.3	$407.4
+/- $	$66.5	$130.2	$94.8	$90.7	$86.2	$80.6
Funding Ratio	122%	150%	130%	126%	123%	120%
Capital Return	$50 million	-	$60 million	-	-	-
Funding Ratio: *following return of capital*			111%	109%	107%	105%

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

Outcome

General and administrative expenses represent 4.1 per cent of ordinary revenue. This is 0.9 per cent less than the target of 5 per cent.

The Authority operated within budget for general and administrative expenses in 2014-15.

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 Reimburse Agencies Settlements

Outcome

During 2014-15 it took an average of 15 days to reimburse agencies for insurance settlements. This is 15 days less than the target of 30 days.

Review the Territory’s insurance and reinsurance program

Outcome

The Authority completed an annual review of the Territory’s insurance and reinsurance programs. This included a review of the Territory’s risk profile, reinsurance program structure, an analysis of market conditions and the suitability of insurance policy terms and conditions.

The review outcome was presented to the ACTIA Advisory Board who provided advice to the Under Treasurer and the General Manager ACTIA on the suitability of the proposed arrangements.

The detail provided by agencies in response to an insurance questionnaire issued by the Authority, claims experience reports and an asset review exercise enables the Authority to develop and deliver the ACTIA Reinsurance Program.

The Authority was able to achieve placement of 100 per cent of the Territory’s reinsurance program for 2015-16 with the London and Australian reinsurance markets within budget.

The program renewal included an increase of 4.5 per cent in the value of insured assets now totalling $23 billion and growth in general risk exposures of approximately 3-5 per cent. The Authority was able to position the Territory to take advantage of a competitive market and achieved a premium saving of $3 million on the reinsurance renewal, without compromising long term relationships with lead underwriters in the Australian and London reinsurance markets.

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

Conduct annual property asset audits to ensure that values reflect replacement costs

Outcome

The Authority undertook a review of the Territory’s insurance assets schedule and replacement values nominated by agencies in their annual insurance declaration. The Authority worked with individual agencies to refine the detail included in schedules for inclusion in the Authority’s property reinsurance renewal.

Facilitate the implementation of agreed actions from property asset management surveys

Outcome

The Authority’s property reinsurers undertake an annual program of property surveys in consultation with the Authority and Territory agencies. A selection of key 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 property protection and emergency management systems. The surveys in 2014-15 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’s representatives responsible for asset management arrangements for consideration and appropriate action.

Quarterly review of claims

Outcome

Quarterly claims review meetings were held for public liability and medical malpractice claims during 2014-15. The claim review meetings were attended by Authority staff and representatives of the Government Solicitor’s Office, ACTIA’s insurance brokers, Marsh Pty Ltd, as well as external insurers and their solicitors, where appropriate. Claims estimated at $500,000 or greater were reviewed and reserves adjusted where appropriate.

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 assists 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

Ultimate Insurance claims data

Outcome

Ultimate insurance claims data is provided by the Authority's actuary, PricewaterhouseCoopers Actuarial Pty Ltd at the end of each financial year.

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

Further information regarding the actuarial process and the assumptions and methods used appears in the Authority's Financial Statements at Note 5: Actuarial Assumptions and Methods.

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

Provide Risk Management Profile Reports

Outcome

In October 2014 and March 2015, the Authority issued Risk Profile Reports to Director-Generals, with additional distribution to agency officers involved in management of operational insurance and risk management.

The reports contained a detailed claims history, claims costs and provided a commentary on issues or trends, where identified, across difference classes of insurance. The reports also included suggested risk management actions for information and action.

The feedback from Directorates regarding the reports has been positive and provides for an increased level of focus on risk management by senior managers and risk practitioners as a result.

Conduct general and targeted risk management training courses

Outcome

The Authority's risk managers delivered eight "Introduction to Risk Management" training sessions to approximately 146 territory staff in 2014-15. The courses remain popular and are consistently well attended by a range of territory staff including senior executive managers, senior officers and operational staff.

The Authority has also delivered an increased number of tailored training solutions directly to Directorate business units. These have included courses to provide territory staff with an understanding of the ACT Government Risk Management Framework and introductory level courses where training exercises relate specifically to attendee's job roles. The various training initiatives were a mixture of half day and full day training sessions.

Overall participant satisfaction with risk management training sessions delivered to Agency staff

Outcome

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

Participants indicated a high level of satisfaction with the courses provided (>90 per cent) indicating that they were informative/comprehensive, well presented and generally met their needs.

When prompted if they would recommend ACTIA's risk management training courses to others, 100 per cent of respondents indicated that they would do so.

Conduct Risk Management Performance and Improvement Reviews

Outcome

The Authority has completed four risk management and performance improvement reviews.

The reviews involved a risk management questionnaire developed by the Authority to assess the maturity level of the risk management practices within territory agencies and business units. The review process asked agencies to self-assess their risk management arrangements against the key principles of the ACT Government Risk Management Framework.

The Authority has used the information provided from the annual reviews to assist in its discussions with reinsurance underwriters when negotiating the placement of the ACTIA reinsurance program. The reports are supplemented by information contained in agency annual reports and from direct contact with agencies and stakeholders.

B.3 Scrutiny

The following table represents progress made during the reporting period in relation to undertakings made in reports produced by the Auditor-General, Ombudsman and Legislative Assembly Committees.

Select Committee on Estimates 2014-2015 Report No.1 – Inquiry into Appropriation Bill 2014-2015 and the Appropriation (Office of the Legislative Assembly) Bill 2014-2015		
Recommendation No. and Summary	**Action**	**Status**
60. The Committee recommended the Government ensure that principal agency owners of major capital works projects consult with the ACT Insurance Authority prior to the commencement of the project to ensure the Territory is properly indemnified. The Government agreed noting the Authority is available to assist agency owners of major capital works projects with guidance on the adequacy of insurance cover.	The Authority assists agency owners of major capital works projects and the Government Solicitors Office by providing guidance on the adequacy of insurance cover for major projects. The Authority's risk management team regularly liaises with agency insurance and project management representatives regarding the range of support services available within the Authority and via a network of external consultant insurance and risk management providers.	Complete.

B.4 Risk Management Plan

The Authority has developed and implemented a broad risk management plan in accordance with the ACT Government Risk Management Framework. The Authority's plan identifies and details risks and control measures and treatment/loss mitigation plans for identified categories of risk including financial, business and ICT risks. The Risk Management Plan is reviewed annually.

B.5 Internal Audit

During 2014-15 the Authority internal audit functions were provided by two Audit Committees, the former Commerce and Works Directorate (CWD) Audit Committee and the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) Audit and Risk Committee. These Committee's functions are governed by the Audit Committee Charter.

Membership of these committees includes an independent Chair, independent Deputy Chair, two members from two other ACT directorates and two internal members. Advisors, including a representative from the ACT Audit Office, also regularly attend meetings.

The former CWD Audit Committee held three meetings during July and August 2014, one ordinary meeting and two financial statement meetings to review and clear the 2013-14 financial statements. The number of general meetings attended by the CWD Audit Committee members and observers is as follows:

Name of Member	Position	Duration	Meetings Attended
William Laurie	Independent Member and Chair	July to August 2014	3/3
Carol Lilley	Independent Member and Deputy Chair	July to August 2014	3/3
Andrew Whale	Member	July to August 2014	1/3
David Collett	Member	July to August 2014	1/3
Mark Whybrow	Member	July to August 2014	2/3
Kirsten Thompson	Member	July to August 2014	3/3

The details of meetings held for CMTEDD Audit and Risk Committee can be found in the Chief Minister, Treasury and Economic Development Directorate 2014-15 Annual Report.

Internal audit services are provided by private audit firms. Internal audits are selected from an internal audit program; this program is developed after identifying areas of operational and financial risk.

The internal audit program required the Authority to complete two audit activities in 2014-15:

- Accounts Receivable and Debt Management; and
- Use of Cabcharge vouchers and MyWay cards.

B.6 Fraud Prevention

The Authority conducts a risk assessment of its operational activities and its Fraud and Corruption Plan annually. 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 year.

B.7 Workplace Health and Safety

The Authority manages workplace health and safety in accordance with the provisions of the *Work 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 work safety representatives;
- three qualified first aid officers; and
- one fire warden.

B.7.1 Reporting Requirements under the *Work Safety Act 2011*

During the reporting period the Authority did not receive any notices under Part 10, 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 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. Resources are provided to ensure that all employees understand the basic principles of injury prevention and management.

The Authority was covered by the following Chief Minister, Treasury and Economic Development Directorate Human Resource Management arrangements:

- *CMTEDD Corporate Framework*; and
- *CMTEDD Strategic People Plan 2015-2017*.

Details of the above arrangements are available in the Chief Minister, Treasury and Economic Development Directorate 2014-15 Annual Report.

B.8 Human Resources Management

The Authority was supported by the Shared Services Strategic Human Resources team within the Chief Minister, Treasury and Economic Development Directorate. This team provide strategic, operational and technical advice and support as issues arise. Details of human resource management can be found in the Chief Minister, Treasury and Economic Development Directorate 2014-15 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 work place.

Staff have been employed by the Authority on the basis of 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. The Authority has adopted a range of measures aimed at achieving that objective.

These include:

- 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.

B.8.1 Learning and Development

The key development and learning priorities for the Authority have been identified as risk management, insurance, finance and ICT. During 2014-15, staff undertook 13 formal training courses and attended conferences and seminars in these areas.

The cost of training courses undertaken in 2014-15 totalled $6,372.

B.8.2 Workplace Relations

The Authority's staff are covered under the *ACT Public Service Administrative and Related Classifications Enterprise Agreement 2013-2017* that continues to apply. 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.8.3 Staffing Profile

The following tables provide statistical information for permanent staff of the Authority for 2014-15:

FTE and headcount by division/branch

Division/ Branch	FTE	Headcount
ACT Insurance Authority	13	14
Total	13	14

FTE & Headcount by gender

	Female	Male
FTE by Gender	7	6
Headcount by Gender	8	6
% of Workforce	57.1%	42.9%

Headcount by classification and gender

Classification Group	Female	Male	Total
Administrative Officers	6	2	8
Senior Officers	2	3	5
Executive Officers	-	1	1
TOTAL	**8**	**6**	**14**

Headcount by employment category and gender

Employment Category	Female	Male	Total
Casual	-	-	-
Permanent Full-time	6	4	10
Permanent Part-time	2	-	2
Temporary Full-time	-	2	2
Temporary Part-time	-	-	-
TOTAL	**8**	**6**	**14**

Headcount by diversity group

	Headcount	Percentage of Authority workforce
Aboriginal and Torres Strait Islander	-	-
Culturally & Linguistically Diverse	-	-
People with a disability	1	7.1%

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

Headcount by age group and gender

Age Group	Female	Male	Total
Under 25	-	-	-
25-34	1	1	**2**
35-44	3	-	**3**
45-54	4	3	**7**
55 and over	-	2	**2**

Average length of service by gender (Headcount)

	Female	Male	Total
Average length of service	9.1	8.1	**8.7**

Recruitment and Separation Rates by Classification Group

Division	Recruitment Rate	Separation Rate
ACT Insurance Authority	0.0%	7.5%

Division	Recruitment Rate	Separation Rate
Administrative Officers	0.0%	0.0%
Senior Officers	0.0%	16.9%

B.9 Ecologically Sustainable Development

Section 158A of the *Environmental Protection Act 1997* requires agencies to report on actions and initiatives taken during the reporting period to support ecologically sustainable development.

The Authority applies appropriate management practices that are consistent with the principles of ecologically sustainable development. The Authority uses recycled paper and cardboard where possible and uses energy efficient office machines. Recycling bins are provided for staff. Where possible electronic communications are used in preference to paper.

Indicator as at 30 June	Unit	2013-14 Result	2014-15 Result	% Change
Authority Staff and Area				
Authority Staff	FTE	13.6	13	2.9
Workplace floor area	Area (m^2)	213.72	213.72	-
Stationery Energy Usage				
Electricity use	Kilowatt hours	Refer to Chief Minister, Treasury and Economic Development Directorate Annual Report		N/A
Renewable Electricity use	Kilowatt hours			
Natural Gas use	Megajoules			
Transport Fuel Usage				
Total number of vehicles	Number	-	-	
Total kilometres travelled	Kilometres	-	-	
Fuel use – petrol	Kilolitres	-	-	N/A
Fuel use – Diesel	Kilolitres	-	-	
Fuel use – Liquid Petroleum Gas (LPG)	Kilolitres	-	-	
Fuel use – Compressed Natural Gas (CNG)	Kilolitres	-	-	
Water Usage				
Water use	Kilolitres	Refer to Chief Minister, Treasury and Economic Development Directorate Annual Report		N/A
Resource Efficiency and Waste				
Reams of paper purchased	Reams	Refer to Chief Minister, Treasury and Economic Development Directorate Annual Report	331	N/A
Recycled content of paper purchased	Percentage		99.4%	
Waste to landfill	Litres		Refer to Chief Minister, Treasury and Economic Development Directorate Annual Report	
Co-mingled material recycled	Litres			
Paper & Cardboard recycled (include Secure paper)	Litres			
Organic material recycled	Litres			
Greenhouse Emissions				N/A
Emissions from stationery energy use	Tonnes CO_2-e	Refer to Chief Minister, Treasury and Economic Development Directorate Annual Report		
Emissions from Transport	Tonnes CO_2-e			
Total emissions	Tonnes CO_2-e			

PART 1

SECTION C

FINANCIAL MANAGEMENT REPORTING

C.1 Financial Management Analysis

The Authority's financial results are reported in Part 2 of this report. Part 2 Section A of the ***2014-15 ACT Insurance Authority Annual Report*** contains the Authority's Management Discussion and Analysis.

C.2 Financial Statements

The Authority's financial results are reported in Part 2 Section B of the ***2014-15 ACT Insurance Authority Annual Report***.

C.3 Capital Works

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

C.4 Asset Management

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

C.5 Government Contracting

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 have been reviewed by Shared Services Procurement Solutions, and if necessary, by the Government Procurement Board consistent with the provisions of the *Government Procurement Regulation 2007*. The Authority has complied with all employee and industrial relations obligations in relation to contractors employed.

C.5.1 External Sources of Labour

Contracts with a total financial year cost greater than $25,000:

Contract Title	Procurement Methodology	Contractor Name	Contract Amount	Execution Date	Expiry Date
Insurance Broking Services	Public	Marsh Pty Ltd	$1,473,000	October 2012	September 2016
Provision of Actuarial Services	Public	PriceWaterhouseCoopers Actuarial Pty Ltd	$500,000	January 2013	January 2016

C.6 Statement of Performance

The Authority's Statement of Performance is reported in Part 2 Section C of the ***2014-15 ACT Insurance Authority Annual Report***. Narrative on the performance measures is also included in B.2 Performance Analysis.

Management Discussion and Analysis

Management Discussion and Analysis
ACT Insurance Authority
for the Financial Year Ended 30 June 2015

General Overview

The Australian Capital Territory Insurance Authority (the Authority) is established under Section 7 of the *Insurance Authority Act 2005.*

The Authority operates as the captive insurer for the ACT Government and provides a range of insurance, claims and risk management services to ACT Government Directorates and Statutory Authorities.

The Authority operates on a cost recovery basis by collecting premiums from Directorates to meet the cost of insurable claims and losses. The Authority's operating costs are largely driven by provisioning for future claims and current claims expense.

The Authority works to protect the assets and services of the Territory by providing a range of insurance services and risk management support to a large and diverse client base.

Objectives

The key objectives of the ACT Insurance 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 party's 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.

In addition, the Authority also performs the function of:

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

Risk Management

The Authority has developed and implemented a risk management plan in accordance with the Australian/New Zealand Standard on risk management AS/NZS ISO 31000:2009 and the ACT Government's Risk Management Framework. The Authority's plan identifies and details risks and control measures and treatment action plans for risks in the financial, business and information technology dependencies.

The Authority's two key risks are external insurance arrangements being unsatisfactory and annual premiums not geared to fully fund claims over the claim development period. In order to manage these risks the Authority uses skilled international insurance brokers and professional actuaries to access the world wide reinsurance market, spread risk and align premiums with claims experience as estimated by actuarial valuations.

Financial Performance

The following financial information is based on audited Financial Statements for 2013-14 and 2014-15, and the forward estimates contained in the Authority's 2014-15 Statement of Intent.

The Authority's operating result for 2014-15 is a surplus of **$63.7 million**, being **$58.7 million** higher than the budget estimate of **$5.0 million**.

Underwriting Gain/(Loss)

1. Components of Underwriting Gain/(Loss)

For the financial year ended 30 June 2015, the Authority recorded a total gain of **$52.6 million**.

The largest components of the Authority's underwriting gain for 2014-15 were net incurred claims, which represent **$7.3 million**, and net earned premiums representing **$45.3 million**.

2. Comparison to Budget

The underwriting gain of **$52.6 million** was **$56.1 million**, or **1589.7 percent** higher than the 2014-15 Budgeted loss of (**$3.5 million**).

The underwriting result comprises:

Net Earned Premiums

Net earned premium of **$45.3 million** was **$0.8 million**, or **1.8 percent** higher than the 2014-15 Budget of **$44.5 million**; and

Net Incurred Claim

Net incurred claims of **$7.3 million** were **$55.3 million**, or **115.2 percent** lower than the 2014-15 Budget of **($48) million**.

The claims expense was lower than budget by **($59.7) million**. This is predominantly due to the changes in actuarial assumptions used to determine the Authority's ordinary claims liability and subsequent claims expense. The key changes were a decrease in the assumed discount rate from 30 June 2014, this was offset by a significant reduction in medical malpractice and public liability based on a revision of case estimates on open large claims resulting from favourable claims experience in recent years.

The lower claims expense was partially offset by the changes to the actuarial estimate of the reinsurance recoveries of **$5.0 million**. The reduction of the reinsurance recoveries is the result of favourable claims experience.

3. Comparison to 2013-14 Actual

The underwriting gain of **$52.6 million** was **$17.9 million**, or **51.7 percent** higher than the 2013-14 actual result of **$34.7 million** due to the changes in actuarial assumptions used to determine the Authority's ordinary claims liability and subsequent claims expense. The changes in actuarial assumptions are the result of the revision of case estimate on open large claims for medical malpractice and public liability.

4. Future Trends

The underwriting result for 2015-16 is budgeted to be a loss of **($19 million)**. This is a decrease of **$71.6 million** from the 2014-15 actual result of **$52.6 million**, due to the claims expense returning to normal expected actuarial calculated levels for the cost of future claims.

Other Revenue

1. Components of Other Revenue

For the financial year ended 30 June 2015, the Authority recorded other revenue of **$13.8 million**.

The Authority collected **$10.9 million** in investment distributions and recorded a **$2.4 million** unrealised gain on investments.

2. Comparison to Budget

Other revenue for the year ending 30 June 2015 was **$13.8 million**, which was **$2.2 million** higher than the 2014-15 budget of **$11.5 million**, due to higher than anticipated investment returns.

3. Comparison to 2013-14 Actual

Other revenue was **$13.8 million** in 2014-15, **$1.7 million**, or **10.9 percent** lower than the 2013-14 actual result of **$15.5 million**, due to fewer distributions being received on the short-term investments this was off-set by larger gains on investments being received.

4. Future Trends

Other revenue for 2015-16 is budgeted to be **$10.2 million**. This is a decrease of **$3.6 million** from the 2014-15 actual result of **$13.8 million**, predominantly due to a lower forecast of investment returns.

Other Expenses

1. Components of Other Expenses

For the financial year ended 30 June 2015, the Authority did not record any significant other expenses.

General and Administration Expenses

1. Components of General and Administration Expenses

For the financial year ended 30 June 2015, the Authority recorded general and administration expenses of **$2.7 million**.

The Authority paid **$1.8 million** in salaries and superannuation and $0.8 million in administration.

2. Comparison to Budget

General and administration expenses for the year ending 30 June 2015 were **$2.7 million**, which was **$0.3 million** lower than the 2014-15 budget of **$3 million**. This decrease is due to lower than anticipated supplies and services resulting from a reduction in the use of contractors and consultants.

3. Comparison to 2013-14 Actual

General and administration expenses were **$2.7 million** in 2014-15, **$0.3 million**, or 11 percent lower than the 2013-14 actual result of **$3.0 million**. This small decrease is predominantly due to a reduction in the use of contractors and consultants.

4. Future Trends

General and administration expenses for 2015-16 is budgeted to be **$2.9 million**, which is consistent with current expenses.

Financial Position

In relation to the balance sheet, the Authority maintains an adequate asset position in order to meet the cost of future claim liabilities.

Total Assets

1. Components of Total Assets

The total asset position as at 30 June 2015 is **$389.4 million**. The Authority held **$0.9 million** of its assets in cash equivalents and **$320.0 million** in short-term investments and **$4.9 million** in other current receivables and prepayments. The Authority also held non-current assets of **$63.1 million** in long-term investments.

2. Comparison to Budget

The total asset position as at 30 June 2015 is **$389.4 million**, **$2.5 million** lower than the 2014-15 budget of **$391.9 million**. The decrease primarily reflects a reduction in reinsurance recoveries. The reduction of the reinsurance recoveries is the result of favourable claims experience.

3. Comparison to 2013-14 Actual

The Authority's total asset position of **$389.4 million** is **$22.1 million** higher than the 2013-14 actual position of **$367.3 million**.

The increase primarily reflects an increase to the total of investments held.

Total Liabilities

1. Components of Total Liabilities

The majority of the Authority's total liabilities of **$259.2 million** relate to outstanding claims liabilities, **$255.6 million**.

2. Comparison to Budget

The Authority's liabilities for the year ended 30 June 2015 of **$259.2 million** were **$71.1 million** lower than the 2014-15 budget of **$330.3 million** due primarily to a decrease in the estimated outstanding claims liabilities as a result of changes in economic and actuarial assumptions.

3. Comparison to 2013-14 Actual

Total liabilities are **$41.6 million** lower than the 2013-14 actual result of **$300.8 million** due primarily to a decrease in the ordinary claims provision as a result of changing economic and actuarial assumptions. The changes in actuarial assumptions are due to a revision of case estimates on open large claims and favourable claims experience in recent years.

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 Territory's captive fund and the capital targets of other like captive insurers in the public sector.

The Authority manages its capital position between the range of 100 – 110 percent. 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 unneeded capital (in a surplus situation).

ACTIA Capital Management

100% Funding Ratio (Target)	Above 115%		Consider Capital Return
	110 – 115%		Consider Corrective Action
	110 – 115%		Monitor and Maintain Financial Position
	95% - 100%		Consider Corrective Action
	Below 95%		Consider Capital Injection

Funding Ratio

Description	Actual $'000 2014-15	Budget $'000 2014-15	Prior Year Actual $'000 2013-14
Total Assets	389,438	391,941	367,335
Total Liabilities	259,177	330,247	300,783
Current Funding Ratio	150%	119%	122%

Following the reduction in outstanding claims liability as a result of changes to the approach for case estimation on claims the Authority's funding ratio for the financial year ended 30 June 2015 was 150 percent. This was higher than the budgeted funding ratio of 119 percent. The increase reflects lower outstanding claims liabilities.

The Authority's 2015-16 Budget anticipates a capital return of $60 million to bring the funding ratio to within target range.

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT
ACT INSURANCE AUTHORITY

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the ACT Insurance Authority (the Authority) for the year ended 30 June 2015 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

Responsibility for the financial statements

The Under Treasurer is responsible for the preparation and fair presentation of the financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

The auditor's responsibility

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

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the Authority.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the financial statements should note that the audit does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial statements of the Authority for the year ended 30 June 2015:

(i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and

(ii) present fairly the financial position of the Authority as at 30 June 2015 and the results of its operations and cash flows for the year then ended.

This audit opinion should be read in conjunction with the above information.

M. Cooper.

Dr Maxine Cooper
Auditor-General
18 September 2015

ACT INSURANCE AUTHORITY
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

STATEMENT BY THE GENERAL MANAGER

In my opinion, the Financial Statements have been prepared in accordance with generally accepted accounting principles, 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 2015 and the financial position of the Authority on that date.

John Fletcher
General Manager
ACT Insurance Authority
18 September 2015

ACT INSURANCE AUTHORITY
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

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 2015 and the financial position of the Authority on that date.

David Nicol
Under Treasurer
Chief Minister, Treasury and
Economic Development Directorate
Delegate for the Chief Executive Officer
ACT Insurance Authority
18 September 2015

ACT INSURANCE AUTHORITY
Operating Statement
For the Year Ended 30 June 2015

	Note No.	Actual 2015 $'000	Budget 2015 $'000	Actual 2014 $'000
Ordinary activities				
Underwriting				
Gross Earned Insurance Premiums	7	**56,522**	57,000	58,680
Reinsurance Premiums	7	**(11,267)**	(12,548)	(12,272)
Net Earned Premiums	8	**45,255**	44,452	46,408
Claims Credit/(Expense)	7	**11,394**	(48,274)	(15,745)
Reinsurance (Losses)/Recoveries	7	**(4,953)**	291	3,441
Other Underwriting Income	7	**907**	-	576
Net Incurred Claims	9	**7,348**	(47,983)	(11,728)
Underwriting Gain/(Loss)	7	**52,603**	(3,531)	34,680
Other Revenue				
Interest Revenue	10	**330**	395	479
Distribution Received	10	**10,921**	10,773	13,723
Unrealised Gains on Investments	10	**2,409**	-	1,131
Other Revenue	10	**117**	361	127
		13,777	11,529	15,460
Other Expenses				
Contract Works Insurance	10	**11**	-	23
External Insurance Contracts	10	**(5)**	-	-
		6	-	23
General and Administration				
Employee Expenses	11	**(1,594)**	(1,593)	(1,318)
Superannuation Expenses	11	**(245)**	(231)	(246)
Supplies and Services	12	**(838)**	(1,213)	(1,444)
		(2,677)	(3,037)	(3,008)
Operating Surplus		**63,709**	4,961	47,155
Other Comprehensive Income		**-**	-	-
Total Comprehensive Income		**63,709**	4,961	47,155

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

ACT INSURANCE AUTHORITY
Balance Sheet
As at 30 June 2015

	Note No.	Actual 2015 $'000	Budget 2015 $'000	Actual 2014 $'000
Current Assets				
Cash	14	**875**	6,446	6,578
Investments	14	**319,991**	357,185	337,590
Receivables	15	**4,563**	7,265	5,112
Reinsurance Recoveries	16	**-**	1,136	283
Prepayments	20	**297**	420	526
Total Current Assets		**325,726**	372,452	350,089
Non Current Assets				
Investments	14	**63,121**	11,389	12,114
Reinsurance Recoveries	16	**-**	7,824	5,094
Property, Plant & Equipment	17	**7**	-	-
Prepayments	20	**584**	276	38
Total Non-Current Assets		**63,712**	19,489	17,246
Total Assets		**389,438**	391,941	367,335
Current Liabilities				
Payables	18	**218**	1,404	266
Outstanding Claims	19	**22,130**	30,893	28,837
Employee Benefits	21	**461**	416	406
Other Liabilities	20	**2,270**	420	1,644
Total Current Liabilities		**25,079**	33,133	31,153
Non-Current Liabilities				
Outstanding Claims	19	**233,477**	297,054	269,560
Employee Benefits	21	**37**	60	32
Other Liabilities	20	**584**	-	38
Total Non-Current Liabilities		**234,098**	297,114	269,630
Total Liabilities		**259,177**	330,247	300,783
Net Assets		**130,261**	61,694	66,552
Equity				
Accumulated Funds		**130,261**	61,694	66,552
Total Equity		**130,261**	61,694	66,552

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 2015

	Contributed Equity Actual 2015 $'000	Accumulated Funds Actual 2015 $'000	Total Equity Actual 2015 $'000	Original Budget 2015 $'000
Balance at 1 July 2014	**-**	**66,552**	**66,552**	**56,733**
Comprehensive Income				
Operating Surplus	-	63,709	63,709	4,961
Total Comprehensive Income	**-**	**130,261**	**130,261**	**4,961**
Balance at 30 June 2015	**-**	**130,261**	**130,261**	**61,694**

	Contributed Equity Actual 2014 $'000	Accumulated Funds Actual 2014 $'000	Total Equity Actual 2014 $'000
Balance at 1 July 2013	**43,855**	**25,541**	**69,396**
Comprehensive Income			
Operating Surplus	-	47,155	47,155
Total Comprehensive Income	**43,855**	**72,697**	**116,552**
Transactions Involving Owners Affecting Accumulated Funds			
Capital (Distributions)	(43,855)	(6,145)	(50,000)
Total Transactions Involving Owners Affecting Accumulated Funds	**(43,855)**	**(6,145)**	**(50,000)**
Balance at 30 June 2014	**-**	**66,552**	**66,552**

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

ACT INSURANCE AUTHORITY
Cash Flow Statement
For the Year Ended 30 June 2015

	Note No.	Actual 2015 $'000	Budget 2015 $'000	Actual 2014 $'000
Cash Flows from Operating Activities				
Receipts				
Annual Insurance Premiums Received		**56,594**	57,000	58,680
Interest Received		**330**	395	483
Distribution from Investments with the Territory Banking Account		**10,671**	10,773	16,386
Contract Works Insurance Receipts		**1,444**	1,036	759
External Insurance Contracts Receipts		**1,082**	493	482
Reinsurance and Other Recoveries Received		**1,335**	1,688	12,687
Goods and Services Tax Collected from Customers		**25,181**	23,218	22,287
Other Receipts		**109**	361	142
Workers' Compensation Insurance Receipts		**88,890**	76,453	77,973
Total Receipts from Operating Activities		**185,636**	**171,417**	**189,879**
Payments				
Employees		**1,534**	1,572	1,458
Superannuation		**245**	231	245
Supplies and Services		**889**	1,574	1,305
Insurance Claims Payments		**31,395**	27,022	27,532
Insurance Claims Payments – Bushfire		**-**	-	2,304
Contract Works Insurance Payments		**1,287**	1,036	759
External Insurance Contracts Payments		**1,116**	493	482
Reinsurance Premiums Payments		**11,267**	12,548	12,272
Goods and Services Tax Paid to Suppliers		**24,759**	23,218	22,720
Workers' Compensation Insurance Payments		**87,841**	76,452	79,371
Total Payments from Operating Activities		**160,333**	**144,146**	**148,448**
Net Cash Inflows from Operating Activities	25	**25,303**	**27,271**	**41,431**
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale/Maturities of Investments		99,000	25,000	65,000
Total Receipts from Investing Activities		**99,000**	**25,000**	**65,000**
Payments				
Purchase of Property, Plant and Equipment		**5**	-	-
Purchase of Investments		**130,000**	50,000	50,000
Total Payments from Investing Activities		**130,005**	**50,000**	**50,000**
Net Cash (Outflows)/Inflows from Investing Activities		**(31,005)**	**(25,000)**	**15,000**

ACT INSURANCE AUTHORITY
Cash Flow Statement - Continued
For the Year Ended 30 June 2015

	Note No.	Actual 2015 $'000	Budget 2015 $'000	Actual 2014 $'000
Cash Flows from Financing Activities				
Payments				
Capital Distributions		-	-	50,000
Total Payments from Financing Activities		**-**	**-**	**50,000**
Net Cash (Outflows) from Financing Activities		**-**	**-**	**(50,000)**
Net (Decrease)/Increase in Cash		**(5,702)**	**2,271**	**6,431**
Cash at the Beginning of the Reporting Period		6,578	4,175	147
Cash at the End of the Reporting Period	14	**875**	**6,446**	**6,578**

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

ACT INSURANCE AUTHORITY

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

NOTE INDEX

Note 1. Objectives of the ACT Insurance Authority

Operations and Principal Activities of the ACT Insurance Authority

The ACT Insurance Authority (the Authority) was established on 1 April 2001. The Authority operates under the *Insurance Authority Act 2005*. 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, 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 party's business as a going concern;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Treasurer about insurance and the management of Territory risks.

In addition, the Authority also performs the function of:

- the Office of the Nominal Defendant of the ACT, for claims against uninsured/unidentified vehicles for the ACT Compulsory Third Party Insurance Scheme; and
- the Default Insurance Fund, for default claims under the ACT Private Workers Compensation Scheme.

Note 2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The *Financial Management Act 1996* (FMA) requires the preparation of 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) a Balance Sheet at the end of the year;
(iii) a Statement of Changes in Equity for the year;
(iv) a Cash Flow Statement for the year;
(v) a summary of the significant accounting policies adopted for the year; and
(vi) such other statements as are necessary to fairly reflect the financial operations of the Territory 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 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA. The financial statements have been prepared in accordance with:

(i) Australian Accounting Standards; and
(ii) ACT Accounting and Disclosure Policies.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the market approach or the cost approach valuation techniques as appropriate. In estimating the fair value of an asset or liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date.

Note 2. Summary of Significant Accounting Policies - Continued

(a) Basis of Preparation - Continued

For disclosure purposes fair value measurements are categorised into Level 1, 2 or 3 based on the extent to which the inputs to the valuation techniques are observable and the significance of the inputs to the fair value measurement in its entirety. The Fair Value Hierarchy is made up of the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs) that are unobservable for particular assets or liabilities.

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

The Authority is an individual reporting entity.

(b) Insurance Premium Revenue

Direct insurance premium revenue comprises amounts charged to agencies, but excludes duties, Goods and Services Tax (GST) and other amounts collected on behalf of third parties. The earned portion of premiums received and receivable is recognised as revenue. All premiums are written and earned in the current reporting period as all policies cover the period from 1 July 2014 to 30 June 2015.

(c) Workers' Compensation

The Authority processes the payment of the ACT Government workers' compensation premium to the Commonwealth Government workers' compensation insurer (Comcare), which levies a single premium covering all ACT Government agencies. Each agency pays its share of the insurance premium to the Authority for the purpose of financing the premium payment to Comcare. As the Authority is not underwriting this workers' compensation insurance business, but rather acting as an agent for the Territory, the amounts involved are recorded in the cash flow statement only and are not included in insurance premium revenue and claims expense.

(d) Contract Works Insurance

The Authority purchases contract works insurance cover for ACT Government capital construction works. The Authority bears no risks on these contracts. Premiums are recovered from ACT Government agencies by the Authority based on the value of each agency's capital works program. The Authority recognises these transaction amounts under other expenses in the Operating Statement. 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 (Refer Note 20 'Prepayments and Other Liabilities').

(e) External Insurance Contracts

The Authority arranges insurance cover for travel, aviation, standing timber and public liability for volunteers on behalf of all ACT Government agencies. The Authority bears no risk on these contracts. Similar to workers' compensation, each agency pays its share of the premium to the Authority for the purpose of financing the insurance premium payment to an external insurer. As the Authority is not underwriting the business, but rather acting as an agent for the Territory, the amounts involved are not included in insurance premium revenue and claims expense.

(f) Reinsurance Premium

The Authority reinsures at catastrophe level for those classes for which it accepts insurance, which 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.

All premiums are written and earned in the current reporting period as all policies cover the period from 1 July 2014 to 30 June 2015.

Note 2. Summary of Significant Accounting Policies - Continued

(g) Claims

A liability for outstanding claims and related claims expenses 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. Claims outstanding are actuarially assessed by reviewing individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends.

The Authority has used the services of an independent actuary, PwC Actuarial Services, to provide an estimate of the liability for outstanding claims. The estimated liability was completed in July 2015, based on data at 30 June 2015. The movement in outstanding claims liability can either reduce claim expense in the case of a reduction in liability or increase claims expense in the case of an increase in liability.

The liability for outstanding claims is measured as the central estimate of the present value of the expected future payments, against claims incurred at the reporting date under general insurance contracts issued by the Authority, with an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments are estimated on the basis of 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.

(h) Acquisition Costs

Under the *Insurance Authority Act 2005*, the Authority is responsible for managing the insurance costs of the Territory and Territory entities. The costs incurred in obtaining and recording policies of insurance (acquisition costs) are not material and are therefore not separately identified from other costs.

(i) Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Authority for the year ended 30 June 2015 together with the financial position of the Authority as at 30 June 2015.

(j) Comparative Figures

Budget Figures
The *Financial Management Act 1996* requires the financial statements to facilitate a comparison with the Statement of Intent. The budget numbers are as per the Statement of Intent.

Prior Year Comparatives
Comparative information has been disclosed in respect of the previous period for all amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

(k) 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.

(l) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. 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.

Assets or liabilities which do not fall within the current classification are classified as non-current.

Note 2. Summary of Significant Accounting Policies - Continued

(m) Cash

For the purposes of the Cash Flow Statement and the Balance Sheet, cash is subject to an insignificant risk of changes in value. The Authority holds general operating bank accounts with the Westpac Banking Corporation.

(n) Receivables

Accounts receivable (including interest and other receivables) are initially recognised at fair value and subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. Trade receivables are payable with 30 days after the issue of an invoice and the recoverability of trade and other receivables is reviewed on an ongoing basis. Some receivables relate to court ordered costs awarded to the Territory, terms are determined by the courts and these are presented as not overdue within 'greater than 60 days' category. Refer to Note 15 'Receivables'.

The allowance for impairment losses represents the amount of trade receivables and other trade receivables the Authority estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The Authority considers the following is objective evidence of impairment:

i. becoming aware of financial difficulties of debtors; or
ii. defaulting debtors; or
iii. debts more than 90 days overdue.

(o) Reinsurance and Other Recoveries Receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not yet reported (IBNR) and the cost of claims incurred but not enough reported (IBNER) are recognised as revenue. Other underwriting income represent amounts received from third party contributors of a claim or claimants found wholly or partially liable by the courts.

In 2014-15, reinsurance resulted in losses as the recoveries receivable was written back to income due to the expectation that the Authority will not receive any reinsurance recoveries in future periods.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured at the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims described in Note 2 (g) 'Claims'.

(p) Investments

Short-term investments are held with the Territory Banking Account in a unit trust called the Cash Enhanced Portfolio. Long-term investments are held with the Territory Banking Account in a unit trust called the Fixed Interest Portfolio. The prices of the units in both these unit trusts fluctuate in value. The net gain or loss on investments consists of the fluctuation in price of the unit trusts between the end of the last reporting period and the end of this reporting period as well as any profit on the sale of units in the unit trust (the profit being the difference between the price at the end of the last reporting period and the sale price). The net gains or losses do not include interest or dividend income.

These short-term and long-term investments 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 at the reporting date.

Distributions from the Cash Enhanced Portfolio and from the Fixed Interest Portfolio are paid quarterly.

(q) Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item (where, upon acquisition, there is a present obligation to remove the item).

Property, plant and equipment with a useful life greater than twelve months and minimum value of $5,000 is capitalised.

(r) Measurement of Property, Plant and Equipment After Initial Recognition

Property, plant and equipment is measured at cost less depreciation.

Note 2. Summary of Significant Accounting Policies - Continued

(r) Measurement of Property, Plant and Equipment After Initial Recognition - continued

Non-current assets with a limited useful life are subject to systematical deprecation over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when as asset is ready for use. The estimated useful lives in the current and comparative periods are as follows:

Class of Fixed Asset	Depreciation Method	Useful Life
Fixtures and fittings	Straight Line	5-10 years

The useful lives of all major assets held are reassessed on an annual basis.

(s) Payables

Payables are a financial liability and are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date.

Payables include trade creditors, GST payable and accrued expenses.

Trade creditors represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Authority.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

(t) Employee Benefits

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 twelve 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 and long service leave.

Wages and Salaries
Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave
Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related services are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period end, the present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. In 2014-15, the rate used to estimate the present value of future payments for annual leave is 101.0% (100.9% in 2013-14).

In 2014-15, the rate used to estimate the present value of future payments for long service leave is 104.2% (103.5% in 2013-14).

Note 2. Summary of Significant Accounting Policies - Continued

(t) Employee Benefits - continued

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs.

The significant judgements and assumptions included in the estimation of annual and long service leave liabilities are determined by an actuary. The Australian Government Actuary performed this assessment in May 2014. The assessment by an actuary is performed every 5 years. However it may be performed more frequently if there is a significant contextual change in the parameters underlying the 2014 report. The next actuarial review is expected to be undertaken by May 2019.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees take annual and long service leave while in service has been taken into account in estimating the liability for the on-costs.

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there is no unconditional right to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the Authority has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

(u) Superannuation

The Authority makes superannuation payments on a fortnightly basis to the Territory Banking Account, to cover the Authority's superannuation liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment covers the CSS/PSS employer contribution, but does not include the productivity component. The productivity component is paid directly to ComSuper (Commonwealth Superannuation Administration) by the Authority. The CSS and PSS are defined benefit superannuation plans meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation payments have also been made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice.

Superannuation employer contribution payments, for the CSS and PSS, are calculated by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal CSS or PSS employer contribution rate for each employee. The productivity component payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSAP are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

The total Territory superannuation liability for the CSS, PSS, and ComSuper is recognised in the Chief Minister, Treasury and Economic Development Directorate's Superannuation Provision Account and the external schemes recognise the superannuation liability for the PSSAP and other schemes respectively. This superannuation liability is not recognised at individual agency level.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government service provided after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

(v) Assets Backing General Insurance Liabilities

The Authority holds assets to back general insurance liabilities.

The Authority's investment portfolio is managed by the Territory Banking Account within Chief Minister, Treasury and Economic Development Directorate's Asset Liability Management team

Financial assets are valued at fair value through profit or loss. Initial recognition is at cost in the Balance Sheet and subsequent measurement is at fair value with any resultant realised or unrealised profits or losses recognised in the Operating Statement.

Note 2. Summary of Significant Accounting Policies - Continued

(w) Budgetary Reporting

Explanations of major variances between the 2014-15 original budget and the 30 June 2015 actual results are discussed in Note 27 'Budgetary Reporting'.

The definition of 'major variances' is provided in Note 4 (c) 'Significant Accounting Judgements and Estimates'.

Original budget refers to the original budgeted financial statements presented to the Legislative Assembly in a form that is consistent with the Authority's annual financial statements. The 2014-15 budget numbers have not been audited.

Budgetary reporting is disclosed in the financial statements with the exception of Statement of Changes in Equity as relevant line items are included in other financial statements.

(x) Impact of Accounting Standards Issued but yet to be Applied

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Authority does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their applicable date.

- AASB 9 Financial Instruments (December 2014) (application date 1 January 2018);

  This standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*. The main impact of AASB 9 is that it will change the classification, measurement and disclosures of the Authority's financial assets. No material financial impact on the Authority is expected.

- AASB 2014-1 Amendments to Australian Accounting Standards – Part E Financial Instruments [AASB 1, 3, 4, 5,7,9 (December 2009), 9 (December 2010), 101, 102, 108, 112, 118, 120, 121, 132, 136, 137,139, Interpretation 2, 5,10, 12, 16, 19, and 107] (application date 1 Jan 2018);

  Part E of this standard defers the application of AASB 9 to 1 January 2018. No material financial impact on the Authority is expected.

- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) [AASB 1, 2, 3, 4, 5, 7, 13, 101, 102, 108, 110, 112, 120, 121, 123, 128, 132, 133, 136, 137, 139, 1023, 1038, 1049, Interpretation 2, 5, 10, 12, 16, 19 &127] (application date 1 Jan 2018);

  This standard makes consequential amendments to a number of standards and interpretations as a result the issuing of AASB 9 (December 2014). No material financial impact on the Authority is expected.

- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (application date 1 Jan 2015);

  This standard makes amendments to AASB 9 (December 2009) and AASB 9 (December 2010) such that for annual reporting periods beginning on or after 1 January 2015, an entity may apply AASB 9 (December 2009) or AASB 9 (December 2010). The Authority does not intend to early adopt these standards and there is no financial impact.

Note 3. Change in Accounting Policy and Accounting Estimates

(a) Changes in Accounting Policy

The Authority had no changes in accounting policy during the reporting period.

(b) Changes in Accounting Estimates

Changes in Actuarial Assumptions

The Authority uses actuaries (Refer Note 5 'Actuarial Assumptions and Methods') to estimate the outstanding claims liabilities. Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables.

In 2014-15, the Authority advised PwC Actuarial Services of changes to the approach for case estimation on claims, in particular for larger claims. The new approach has had significant implications on the outstanding claims liability estimate. There is significant uncertainty in estimating ultimate cost for large claims and with the Authority's relatively low volume of large claims (in particular for Public Liability), understanding how these claims develop is particularly challenging. As such, while the Authority considers the historical development patterns and also experience in similar schemes, a key input into the Authority's liability estimate are the recorded case estimates on the large claims.

From 2000-2014 the Authority applied a conservative approach to reserving individual claims, an approach suited to an immature fund relying on only limited claims experience. Claims were reserved on an undiscounted maximum loss basis. In December 2014, informed by an accumulation of claims experience in the Authority's fund, the Authority applied a revised approach to reserving based on probable loss, that takes account of defence arguments, contributory negligence or any other form of contribution where there is a degree of certainty that such a view will succeed.

This change creates a disconnect in the claims experience and the key challenge at this liability estimate was how the change in case estimates can continue to be used as an input into the valuation while still ensuring the liability estimates adequately allow for the future development of these claims. The case estimate review impacts the assumed number of large claims and the assumed average claim size and while the Authority has given some weighting to the changes, the Authority has assessed that these estimates will need to be continually monitored as claims experience develops in order to assess the new claims estimation approach compared to the costs that ultimately develop.

The impact on the estimate of outstanding claims liability has resulted in a $17.8 million decrease in large claim case estimates for Medical Malpractice claims and a $4.9 million decrease for Public Liability claims. In estimating the outstanding claims liability, case estimates are used for the threshold to determine the number of large claims, as well as being weighted to estimate an average large claim size. As a result, case estimate decreases have had the following effect on the outstanding claims liability:

- Four of the six large Public Liability claims have decreased below the large claim threshold ($1million). In response the Authority has decreased the assumed ultimate number of large Public Liability claims; and
- Decreases in the case estimates have reduced the Authority's allowance for large claims after considering the impact on the assumed ultimate claim sizes, future claim development patterns and giving partial weight to these changes.

The combined impact on the frequency and size of large claims has resulted in a significant decrease to the outstanding claims liability for the Authority.

Note 4. Significant Accounting Judgements and Estimates

The Authority makes estimates and assumptions in respect of certain key amounts recorded in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

(a) 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 Balance Sheet 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 salvage and other recoveries. The Authority takes all reasonable steps to ensure that it has appropriate information regarding its claims 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 may often not be apparent until many years after the claim event. The public liability and medical malpractice classes of business 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 mix of business;
- 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 the ACT Government Solicitor Office 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 accident 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 Note 5 ‘Actuarial Assumptions and Methods.’

Note 4. Significant Accounting Judgements and Estimates - continued

(b) Assets Arising from Reinsurance Contracts

Assets arising from reinsurance contracts are also calculated using the above methods. In addition, the security of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Authority may not receive amounts due and these amounts can be reliably measured.

(c) Budgetary Reporting

Significant judgements have been applied in determining what variances are considered as 'major variances' requiring explanations in Note 27 'Budgetary Reporting'. Variances are considered to be major variances if both of the following criteria are met:

- the line item is a significant line item: the line item actual amount accounts for more than 10% 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
- the variances (original budget to actual) are greater than plus (+) or minus (-) 10% for the budget for the financial statement line item.

Further information on this is provided in Note 2(w) 'Budgetary Reporting'.

Note 5. Actuarial Assumptions and Methods

The Authority writes seven classes of insurance: medical malpractice, public liability, property, directors and officers, professional indemnity, financial crime and special purpose motor.

An actuarial process is used for estimating the liability for outstanding claims and is largely similar for all classes. A description is as follows:

- Estimates of claims incurred by the Authority but not yet reported at the balance date (IBNR claims) 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 adopted ultimate settlement proportions are applied to the estimated ultimate numbers of claims to obtain expected 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 for all classes, except financial crime. 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 therefore 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.

Note 5. Actuarial Assumptions and Methods - Continued

(a) Actuarial Assumptions

The following assumptions have been made in estimating the outstanding claims liabilities.

	Property and Motor	**Public Liability**	**Medical Malpractice**	**Directors and Officers**	**Financial Crime**	**Professional Indemnity**
Discounted Mean Term (for Outstanding Claims)	1.08 Years	4.98 Years	6.79 Years	4.55 Years	3.08 Years	3.71 Years
Ultimate Claim Numbers (2014-15 Insurance Year)*	58	119	86	2	1	4
Average Settlement Size	$73,900	$103,200† and $3.425m††	$251,800† and $4.9m††	$75,500	$150,000	$75,400
Expense Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Discount Rate	1.9%	3.3%	3.8%	3.0%	2.3%	2.7%
Inflation and Superimposed Inflation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

* Ultimate claims reported for 2014-15 are the assumed number of claims that were incurred in the insurance year.
† Adopted average claim size for small claims with total cost up to $1 million.
†† Adopted average claim size for large claims with total cost of $1 million or greater. The Medical Malpractice and Public Liability classes have a greater incidence of large claims and therefore their average sizes are shown separately.

Note 5. Actuarial Assumptions and Methods - Continued

(b) Process Used to Determine Assumptions

A description of the processes used to determine these assumptions is provided below.

Discounted mean term to settlement
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. An increase or decrease in the discounted mean term would have a corresponding decrease or increase on claims expense respectively.

Ultimate number of claims
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.

Expense rate
Claims handling expenses were calculated based on an assumed proportion of claims handling costs as a percentage of past payments (as advised by PwC to the Authority). 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 balance date have been adopted. The discount rates shown above 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 economic inflation 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 both 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.

Note 5. Actuarial Assumptions and Methods - Continued

(c) Sensitivity Analysis – Insurance Contracts

The Authority conducts sensitivity analyses 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.

Assumptions	**Note No.**	**Net Provision $'000**	**Difference $'000**	**%**
Current Net Outstanding Claims Provision	19	**255,607**		
Economic Assumptions				
Discount rates increased by 1.0%		243,869	(11,738)	(4.6)
Discount rates decreased by 1.0%		268,178	12,571	4.9
Medical Malpractice				
Large Claims				
Assumed average size on IBNR Claims is $4.9 million				
Increase by $1.0 million		290,120	34,513	13.5
Decrease by $1.0 million		224,591	(31,016)	(12.1)
High uncertainty in IBNR claim numbers for more recent insurance years				
1 additional claim per annum for 2007 and later		294,052	38,445	15.0
1 less claim per annum for 2007 and later		223,018	(32,589)	(12.7)
Public Liability				
Large Claims				
Assumed average size on IBNR Claims is $3.4 million				
Increase by $1.0 million		263,488	7,881	3.1
Decrease by $1.0 million		248,408	(7,199)	(2.8)
High uncertainty in IBNR claim numbers for the more recent insurance years				
1 additional claim per annum for 2007 and later		280,309	24,702	9.7
1 less claim per annum for 2007 and later		234,784	(20,823)	(8.1)

Current Net Outstanding Provision
The current net outstanding claims provision is the gross outstanding claims net of reinsurance recoveries.

Economic Assumptions
The liability for outstanding claims is sensitive to movements in the discount rate, with a 1% change in the discount rate results in either a decrease of $11.7 million or an increase of $12.6 million in the liability.

Medical Malpractice and Public Liability
The liability for outstanding claims is sensitive to movements in the average claim size; a change in average size of $1.0 million has a subsequent effect on the outstanding claim provision of either an increase of $34.5 million or a decrease of $31.0 million in the liability for large Medical Malpractice claims and either an increase of $7.9 million or a decrease of $7.2 million in the liability for large Public Liability claims.

A significant proportion of the outstanding claims provision 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. A change in the assumption of allowing for one additional IBNR claim from 2007 and onwards has the subsequent effect on the outstanding claim provision of either an increase of $38.4 million or a decrease of $32.6 million in the liability for large Medical Malpractice claims and either an increase of $24.7 million or a decrease of $20.8 million in the liability for large Public Liability claims.

Note 6. Insurance Contracts – Risk Management Policies and Procedures

The financial condition and operation of the Authority are affected by a number of key risks including insurance risk, interest rate risk, credit risk, liquidity risk and price risk. Notes on the Authority's policies and procedures in respect to managing insurance risks are set out in this note. The Authority's policies and procedures for managing other risks are disclosed in Note 22 'Financial Instruments'.

(a) Objectives in Managing Risks Arising from Insurance Contracts and Policies for Mitigating those Risks

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

The Authority has developed, implemented and maintains a sound and prudent risk management strategy and a reinsurance management strategy. These strategies 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.

Key aspects of the processes established to mitigate insurance risks include:

- actuarial models are used to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process;
- documented procedures are followed for claims management; and
- reinsurance is used to limit the Authority's exposure to large claims and catastrophes. When selecting a reinsurer, the Authority only considers those companies that have a Standard and Poors credit risk rating of 'A-' or higher. In order to assess this, the Authority uses ratings information from the public domain or gathered through internal investigations.

To limit the concentration of credit risk in purchasing reinsurance, the Authority has regard to existing reinsurance assets and seeks to limit excessive exposure to any single reinsurer or group of related reinsurers.

(b) Development of Claims

There is a possibility that changes may occur in the estimate of the liability for outstanding claims at the end of a premium (contract) period. The tables in Note 19 'Outstanding Claims' show the Authority's estimate of outstanding claims for each underwriting year at successive year ends.

(c) Concentration of Insurance Risk

The Authority's exposure to concentrations of insurance risk is mitigated by the Authority purchasing reinsurance on all classes of insurance policies. The main sources of concentration risk for property assets are bushfire, earthquake and storm damage. The Authority purchases catastrophe level reinsurance cover to limit exposure to any single event.

Note 7. Underwriting Result

	Note No.	2015 $'000	2014 $'000
Underwriting Revenues			
Gross Earned Insurance Premiums			
General Government Sector		**46,232**	47,914
Public Trading Enterprises		**8,412**	8,846
External		**1,877**	1,920
	8	**56,522**	58,680
Reinsurance (Losses)/Recoveries		**(4,953)**	3,441
Recoveries Claims Related	9	**907**	576
	9	**(4,046)**	4,017
Underwriting Revenues		**52,476**	62,697

All underwriting revenues relate to operating activities.

	Note No.	2015 $'000	2014 $'000
Underwriting Credit/(Expenses)			
Gross Claims Credit/(Expenses)[1]		**11,394**	(15,745)
	9	**11,394**	(15,745)
Reinsurance Premiums	8	**(11,267)**	(12,272)
		(11,267)	(12,272)
Underwriting Credit/(Expenses)		**127**	(28,017)
Underwriting Gain			
Underwriting Revenues		**52,476**	62,697
Underwriting Credit/(Expenses)		**127**	(28,017)
Underwriting Gain		**52,603**	34,680

[1] The reduction of outstanding claims provision was significantly higher in 2014-15 compared with 2013-14, resulting in Gross Claims Credit.

Note 8. Net Earned Insurance Premiums

	Note No.	2015 $'000	2014 $'000
Gross Written Premiums			
General Government Sector		**46,232**	47,914
Public Trading Enterprises		**8,412**	8,846
External		**1,877**	1,920
	7	**56,522**	58,680
Reinsurance Premium Expense	7	**(11,267)**	(12,272)
Net Earned Insurance Premiums		**45,255**	46,408

Note 9. Net Incurred Claims

	Note No.	2015 Current Year $'000	2015 Prior Years $'000	2014 Current Year $'000	2014 Prior Years $'000
Gross Incurred Claims and Related Expenses					
- Undiscounted		**(53,504)**	**88,719**	(57,972)	51,286
Total Undiscounted Gross Incurred Claims and Related Expenses		**35,215**		(6,686)	
- Discounted		**(42,453)**	**53,847**	(42,706)	26,961
Total Discounted Gross Incurred Claims and Related Expenses	**7**	**11,394**		(15,745)	
Reinsurance and Other Recoveries					
- Undiscounted		**-**	**(4,953)**	-	5,688
- Other Underwriting Income	**7**	**907**	**-**	576	-
		907	**(4,953)**	576	5,688
- Discounted		**-**	**(4,953)**	-	3,441
- Other Underwriting Income	**7**	**907**	**-**	576	-
		907	**(4,953)**	576	3,441
Total Reinsurance and Other Recoveries	**7**	**(4,046)**		4,017	
Net Incurred Claims (Discounted)		**(41,546)**	**48,894**	(42,130)	30,402
Total Net Incurred Claims (Discounted)		**7,348**		(11,728)	

The gross incurred claims and related expenses are separated into those contributed from the most recent year and those from prior years, which are impacted by changes in economic factors and the assumptions used to derive the provision for outstanding claims in the actuarial valuation.

The 2014-15 valuation resulted in a reduction in the net outstanding claims provision shown in Note 19 'Outstanding Claims'. This is due to more favourable inflation experience and changes in the actuarial assumptions resulting from decreases to the number and size of medical malpractice claims as well as favourable experience in the number of large public liability claims. A reduction in the net outstanding claims provision reduces the incurred claims and related expense.

Note 10. Other Revenue and Expenses

	2015 $'000	2014 $'000
Other Revenue		
Interest and Distributions Received:		
Interest Received from Bank [a]	**330**	479
Distributions Received from the Territory Banking Account [b]	**10,921**	13,723
	11,251	14,202
Other Revenue:		
Recoveries from Other Agencies	**117**	127
Unrealised Gains on Investments [c]	**2,409**	1,131
	2,526	1,258
	13,777	15,460
Other Expenses		
Contract Works Insurance - Expense	**1,508**	1,104
Contract Works Insurance - Receipts	**(1,519)**	(1,127)
External Insurance Contracts - Expense	**384**	482
External Insurance Contracts - Receipts	**(379)**	(482)
	(6)	(23)

[a] In 2014-15, interest received from bank decreased due to lower balances being held in these bank accounts. The average interest rate on cash was 2.82% in 2014-15 (2013-14 2.87%).
[b] The investment performance on the Cash Enhanced Portfolio was 3.1% in 2014-15 (2013-14 3.45%) and the rate of return on the Fixed Interest Portfolio was 5.61% in 2014-15 (2013-14 6.06%).
[c] Unrealised gains on investments are the difference between the carrying amount at market value and the value of the investments held with the Territory Banking Account. During 2014-15, the unit price of the Cash Enhanced Portfolio and Fixed Interest Portfolio increased resulting in an unrealised gain.

Note 11. Employee and Superannuation Expenses

	2015 $'000	2014 $'000
Employee Expenses		
Salaries	**1,512**	1,473
Annual Leave Movement	**(8)**	(41)
Long Service Leave Movement	**75**	(126)
Workers' Compensation Insurance Premium	**15**	12
Total Employee Expenses	**1,594**	1,318
Superannuation Expenses		
Superannuation Contribution to the Territory Banking Account	**159**	165
Productivity Benefit	**19**	20
Superannuation Payment to ComSuper (for the PSSaP)	**13**	13
Superannuation to External Providers	**53**	48
Total Superannuation Expenses	**244**	246

Note 12. Supplies and Services

	2015 $'000	2014 $'000
Audit Fees	**58**	57
Communications [a]	**7**	20
Computing Costs [b]	**89**	106
Contractors and Consultants [c]	**335**	772
Insurance	**6**	6
Printing	**5**	5
Rent [d]	**119**	142
Repairs and Maintenance [e]	**10**	16
Staff Development [f]	**8**	17
Stationery	**5**	5
Support Services	**66**	65
Travel [g]	**65**	87
Other [h]	**65**	146
	838	1,444

[a] The decrease in communications is due to a reduction in the usage of data services.
[b] The decrease in computing costs is due to an improvement project to the Authority's accounting software carried out in 2013-14.
[c] The decrease in contractors and consultants is due to the use of additional employment contractors from external consultants and additional actuarial services during 2013-14, this did not reoccur to 2014-15.
[d] The decrease in rent is due to the reduction of accommodation costs being on charged by the Chief Minister, Treasury and Economic Development Directorate.
[e] The decrease in repair and maintenance is due to soundproofing work carried out during 2013-14.
[f] The decrease in staff development due to less staff undertaking training courses during 2014-15.
[g] The decrease in travel is due to a reduction in travel undertaken by the Authority.
[h] The decrease in other is due to an increase to risk management initiative and recruitment costs during 2013-14, this did not reoccur to 2014-15.

Note 13. Auditor's Remuneration

Auditor's remuneration consists of financial audit services provided to the Authority by the ACT Audit Office.

	2015 $'000	2014 $'000
Audit Services		
Audit Fees Paid or payable to the ACT Audit Office	**58**	57
Total Audit Fees	**58**	57

No other services were provided by the ACT Audit Office.

Note 14. Cash and Investments

	2015	2014
	Total	Total
	$'000	$'000
Cash		
Current		
Cash [a]	**875**	6,578
Total Cash	**875**	6,578
Investments		
Current		
Investments with Territory Banking Account – Cash Enhanced Portfolio [b]	**319,991**	337,590
Non-Current		
Investments with Territory Banking Account – Fixed Interest Portfolio [c]	**63,121**	12,114
Total Investments	**383,112**	349,704

[a] The Authority holds general operating bank accounts with Westpac Banking Corporation.

[b] The Authority holds investments in a Cash Enhanced Portfolio and a Fixed Interest Portfolio with the Territory Banking Account.

[c] The increase in the Fixed Interest Portfolio balance is due to movement of funds between the Cash Enhanced and Fixed Interest portfolios.

Note 15. Receivables

	2015 $'000	2014 $'000
Current		
Interest and Distribution Receivable [a]	**4,210**	3,959
Annual Insurance Premium	**-**	47
Contract Works Insurance Premium	**-**	161
Workers' Compensation Insurance Premium	**-**	213
Goods and Services Tax Receivable [b]	**58**	439
Other Receivables	**295**	293
Total Receivables	**4,563**	5,112

[a] The increase in distribution receivable is the result of an increase in the rate of return on fixed investments for the 4th quarter.

[b] The decrease in GST Receivable is due to the Workers' Compensation Insurance Premiums refunds issued during the reconciliation in 2013-14.

Ageing Of Receivables

	Not Overdue		Overdue			Total
	Less than 30 Days $'000	Greater than 60 Days $'000	Less than 30 Days $'000	30 to 60 Days $'000	Greater than 60 Days $'000	$'000
2015						
Not Impaired[1] Receivables	**4,327**	**236**	**-**	**-**	**-**	**4,563**
Impaired Receivables	-	-	-	-	-	-
2014						
Not Impaired[1] Receivables	4,731	-	72	61	248	5,112
Impaired Receivables	-	-	-	-	-	-

Receivables not overdue predominately relate to distribution receivable and support services. Not overdue receivables greater than 60 days relate to court ordered costs awarded to the Territory and terms are determined by the court.

[1]'Not Impaired' refers to Net Receivables (Gross Receivables less Impaired Receivables).

Classification of ACT Government/Non-ACT Government Receivables

	2015 $'000	2014 $'000
Receivables with ACT Government Entities		
Interest and Distribution Receivable	**4,210**	3,959
Annual Insurance Premium	-	47
Contract Works Insurance Premium	-	161
Workers' Compensation Insurance Premium	-	213
Other Receivables	-	53
	4,210	4,433
Receivables with Non-ACT Government Entities		
Goods and Services Tax Receivable	**58**	439
Other Receivables	**295**	240
Total Receivables	**353**	5,112

The Authority does not hold any collateral for receivables that are overdue or determined to be impaired.

Note 16. Reinsurance Recoveries

	Note No.	2015 $'000	2014 $'000
Current:			
Ordinary Reinsurance Recoveries – Undiscounted			
Undiscounted Expected Future Recoveries		-	287
Discount to Present Value		-	(4)
Less: Allowance for the Impairment of Reinsurance Assets		-	-
Total Current Reinsurance Recoveries Discounted		-	283
Non-Current			
Ordinary Reinsurance Recoveries – Undiscounted			
Undiscounted Expected Future Recoveries		-	7,337
Discount to Present Value		-	(2,243)
Less: Allowance for the Impairment of Reinsurance Assets		-	-
Total Non-Current Reinsurance Recoveries Discounted		-	5,094
Total Ordinary Reinsurance Recoveries – Discounted		-	5,377
Total Reinsurance Recoveries Discounted		-	5,377

	Note No.	2015 $'000	2014 $'000
Reconciliation of the Movement of Reinsurance Recoveries			
Provision for Reinsurance Recoveries at the Beginning of the Period		**5,377**	14,230
Reinsurance Received		**(424)**	(12,294)
Movement in Reinsurance Provisions due to Changes in Claims [a]	7	**(4,953)**	3,441
Provision for Reinsurance Recoveries at the End of Reporting Period		-	5,377

[a] The movement in reinsurance provision is recorded as Reinsurance Recoveries/(Losses). It is expected that the Authority will not receive any reinsurance recoveries in future periods.

Note 17. Property, Plant and Equipment

Property, plant and equipment include furniture and fittings assets. Depreciation has not been recorded for this reporting period due to the purchase of assets being in late June 2015.

	2015 $'000	2014 $'000
Plant and Equipment		
Plant and Equipment at Cost	**7**	-
Less: Accumulated Depreciation	**-**	-
Less: Accumulated Impairment Losses	**-**	-
Total Written Down Value of Plant and Equipment	**7**	-
Total Written Down Value of Property, Plant and Equipment	**7**	-

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2014-15.

	Plant and Equipment $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	-	-
Additions	7	7
Depreciation	-	-
Other Movements	-	-
Carrying Amount at the End of the Reporting Period	7	**7**

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2013-14.

	Plant and Equipment $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	-	-
Additions	-	-
Depreciation	-	-
Other Movements	-	-
Carrying Amount at the End of the Reporting Period	**-**	**-**

Note 18. Payables

	2015 $'000	2014 $'000
Current Payables		
Trade Creditors	**25**	-
Accrued Expenses	**193**	266
Total Payables	**218**	266
Ageing of Payables		
Payables are aged as follows:		
Not Overdue	**218**	266
Total Payables	**218**	266
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses	**115**	114
Payables with Non-ACT Government Entities		
Trade Creditors	**25**	-
Accrued Expenses	**78**	152
Total Payables	**218**	266

Note 19. Outstanding Claims

	Note No.	2015 $'000	2014 $'000
Expected Future Claim Payments and Discounted Liability for Outstanding Claims			
Central Estimate		**256,842**	312,236
Risk Margin		**40,809**	49,637
Claims Handling Costs		**12,842**	15,231
Total Undiscounted Expected Future Claims		**310,492**	377,103
Discount to Present Value		**(54,885)**	(78,706)
Total Discounted Outstanding Claims Provision	19(d)	**255,607**	298,397
Current		**22,130**	28,837
Non-Current		**233,477**	269,560
	19(d)	**255,607**	298,397

The central estimate for outstanding claims has decreased in 2014-15 due to changes in actuarial assumptions refer Note 3 'Change in Accounting Policy and Accounting Estimates'. Actuaries forecast that there will be fewer and smaller anticipated medical malpractice and public liability claims based on favourable experience in recent years.

Note 19. Outstanding Claims - Continued

(a) Risk Margin

The process of determining risk margin

The overall risk margin was determined allowing for diversification between different portfolios and the relative uncertainty of the outstanding claims estimate for each portfolio. Uncertainty for each portfolio was analysed taking into account potential variability in the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform.

The estimate of uncertainty is greater for long tail classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The assumptions were applied to the net central estimates and aggregated, allowing for diversification in order to arrive at an overall provision which is intended to have a 75% probability of adequacy, meaning that the outstanding claims liability has a 75% chance of being sufficient enough to reflect all possible future claims. A 75% probability sufficiency is required by the Australian Prudential Regulatory Authority (APRA) for APRA regulated insurers.

Risk margins applied

Class	Adopted Risk Margin	
	2014-15 (%)	2013-14 (%)
Property and Motor	**18**	18
Financial Crime	**30**	30
Public Liability	**15**	15
Professional Indemnity	**18**	18
Directors and Officers	**23**	23
Medical Malpractice	**15**	15
Overall margin (weighted average) [1]	**15.2**	15.5

[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.

(b) Inflation and Discount Rates

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

	2015 %	**2014 %**
For the succeeding year		
Inflation rate	**4.0**	4.0
Discount rate	**2.0**	2.5
For the subsequent year		
Inflation rate	**4.0**	4.0
Discount rate	**2.0**	2.6

(c) Term to Settlement

The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 6.3 years in 2014-15 (6.3 years in 2013-14). The weighted average expected term to settlement has been based on industry averages and it has been adjusted to reflect the specific classes of insurance offered by the Authority.

Note 19. Outstanding Claims – Continued

(d) Reconciliation of Movement in Discounted Outstanding Claims Liability

Change in Basis - In the 12 months from 30 June 2014 to 30 June 2015

	$'000	$'000
Gross Central Estimate at 30 June 2014 (30 June 2014 basis) (a)		**246,980**
Expense margin at 30 June 2014		12,080
Risk Margin at 30 June 2014		39,337
Gross Outstanding Claims Provision at 30 June 2014 (30 June 2014 basis) (a)		**298,397**
New Incurred Period		**41,278**
Expected payments to 30 June 2015 (Inflated and Undiscounted values)		(26,020)
plus Expected interest to 30 June 2015		5,802
plus Expected change in Expense Margin		1,061
plus Expected change in Risk Margin		3,465
Expected Gross Outstanding Claims Provision at 30 June 2015 (30 June 2014 basis)		**323,984**
plus (Actual less Expected) inflation (b)		(2,091)
plus Change in future discounting assumptions		11,534
plus Change in future inflation assumptions		(2,087)
plus (Expected less Actual) payments (c)		(6,321)
Directors and Officers	48	
Financial Crime	(2,173)	
Medical Malpractice	(5,248)	
Professional Indemnity	130	
Property and Motor	570	
Public Liability	350	
plus Change in actuarial assumptions		(57,674)
Directors and Officers	(150)	
Financial Crime	2,343	
Medical Malpractice	(40,699)	
Professional Indemnity	(637)	
Property and Motor	(3,601)	
Public Liability	(14,929)	
plus Change in Expense margin at 30 June 2015		(2,571)
plus Change in Risk margin at 30 June 2015		(9,166)
Overall change in basis		(68,377)
Gross Outstanding Claims Provision at 30 June 2015 (30 June 2015 basis)		**255,607**

(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

Note 19. Outstanding Claims - Continued

(d) Reconciliation of Movement in Discounted Outstanding Claims Liability – Continued

The expected gross outstanding claims provision of $323.984 million compares to the actual gross outstanding claims provision of $255.607 million, indicating a total decrease of $68.377 million. This release may be broken down into six main components:

- A $2.091 million decrease due to lower than expected inflation;
- A $11.534 million increase due to decreases in the assumed discount rates since 30 June 2014;
- A $2.087 million decrease due to decreases in the future inflation assumption since 30 June 2014;
- A $6.321 million decrease to actual payments being more than expected over the 12 months. The decrease in the estimate assumes that, all other things being equal, the difference between actual and expected payments is due to timing;
- A $57.674 million decrease due to changes in assumptions used in the actuarial valuation. These have resulted from:
  - a reduction in the Directors and Officers insurance class resulting from lower than expected number of claims being reported;
  - an increase in the Financial Crime insurance class resulting from the significant development of one large claim;
  - a reduction in the Medical Malpractice insurance class resulting from significant reductions in the case estimates on open large claims resulting from the Authority's case estimate review carried out at the end of 2014;
  - a decrease in the Professional Indemnity insurance class due to reductions in the assumed ultimate number and average size of small claims as a result of continuing favourable experience;
  - a decrease in the Property and Motor insurance class largely resulting from lower than expected number of claim number reports leading to a reduction in both the assumed ultimate number of small and large damages finalisations;
  - a reduction in the Public Liability insurance class due to a reduction in the assumed number of large claims (over $1 million), resulting from the Authority's case estimate review carried out at the end of 2014. Refer Note 3 'Change in Accounting Policy and Accounting Estimates'. This has been partially offset by a greater number of small damages finalisations resulting in an increase in their assumed ultimate number of claims;
- A $2.571 million decrease in the expense margin as a result of the decrease in the central estimate of outstanding claims; and
- A decrease of $9.166 million in the risk margin resulting from a decrease in the central estimate of outstanding claims.

Note 19. Outstanding Claims – Continued

(e) Claims Development Tables

Claims development tables
Summary of all claims incurred classes
includes public liability, financial crime and special purpose motor

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the eight most recent accident years.

i) Gross

Accident year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Estimate of ultimate claims cost:									
At end of accident year	9,356	10,942	11,957	12,371	12,476	11,063	12,750	11,277	
One year later	11,211	14,397	14,000	11,055	9,476	9,472	13,019	0	
Two years later	8,209	15,941	12,849	8,726	8,822	8,767	0	0	
Three years later	10,547	12,840	23,512	7,525	9,445	0	0	0	
Four years later	8,660	10,480	16,396	6,997	0	0	0	0	
Five years later	7,368	9,562	9,685	0	0	0	0	0	
Six years later	6,056	8,523	0	0	0	0	0	0	
Seven years later	5,822	0	0	0	0	0	0	0	
Current estimate	5,822	8,523	9,685	6,997	9,445	8,767	13,019	11,277	73,534
Cummulative payments	(3,260)	(5,254)	(7,790)	(1,964)	(2,354)	(1,317)	(3,500)	(83)	(25,522)
	2,562	3,269	1,895	5,033	7,090	7,450	9,519	11,194	48,012
Outstanding claims undiscounted									
Discount	(344)	(473)	(169)	(733)	(977)	(1,107)	(1,337)	(1,607)	(6,746)
Outstanding claims	2,218	2,796	1,726	4,300	6,114	6,343	8,182	9,587	41,266
2005-06 and prior years									5,168
Outstanding claims									**46,434**

ii) Net

Accident year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Estimate of ultimate claims cost:									
At end of accident year	9,356	10,942	11,957	12,371	12,476	11,063	12,750	11,277	
One year later	11,211	14,397	14,000	11,055	9,476	9,472	13,019	0	
Two years later	8,209	15,941	12,849	8,726	8,822	8,767	0	0	
Three years later	10,547	12,840	17,657	7,525	9,445	0	0	0	
Four years later	8,660	10,480	16,396	6,997	0	0	0	0	
Five years later	7,368	9,562	9,685	0	0	0	0	0	
Six years later	6,056	8,523	0	0	0	0	0	0	
Seven years later	5,822	0	0	0	0	0	0	0	
Current estimate	5,822	8,523	9,685	6,997	9,445	8,767	13,019	11,277	73,534
Cummulative payments	(3,260)	(5,254)	(7,790)	(1,964)	(2,354)	(1,317)	(3,500)	(83)	(25,522)
	2,562	3,269	1,895	5,033	7,090	7,450	9,519	11,194	48,012
Outstanding claims undiscounted									
Discount	(344)	(473)	(169)	(733)	(977)	(1,107)	(1,337)	(1,607)	(6,746)
Outstanding claims	2,218	2,796	1,726	4,300	6,114	6,343	8,182	9,587	41,266
2005-06 and prior years									5,168
Outstanding claims									**46,434**

Gross and net tables reflect the same figures due to there being zero re-insurance recoveries expected.

Note 19. Outstanding Claims – Continued

(e) Claims Development Tables - Continued

Claims development tables
Summary of all claims made classes
Includes medical malpractice, directors and officers and professional indemnity

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the eight most recent accident years.

i) Gross

Accident year	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Estimate of ultimate claims cost:									
At end of accident year	22,558	29,076	36,409	35,304	34,565	40,445	30,388	30,218	
One year later	30,013	19,786	35,445	31,893	34,725	49,380	28,288	0	
Two years later	29,878	20,708	31,759	33,376	28,823	29,666	0	0	
Three years later	22,316	19,103	23,450	19,158	26,141	0	0	0	
Four years later	17,788	18,415	30,294	25,618	0	0	0	0	
Five years later	15,100	20,860	23,223	0	0	0	0	0	
Six years later	12,433	17,850	0	0	0	0	0	0	
Seven years later	14,591	0	0	0	0	0	0	0	
Current estimate	14,591	17,850	23,223	25,618	26,141	29,666	28,288	30,218	195,594
Cummulative payments	(3,035)	(4,317)	(10,108)	(5,477)	(3,441)	(889)	(400)	(1,269)	(28,936)
Outstanding claims undiscounted	11,556	13,533	13,116	20,141	22,700	28,776	27,888	28,948	166,658
Discount	(2,024)	(1,967)	(1,798)	(4,099)	(3,891)	(5,365)	(7,330)	(7,501)	(33,973)
Outstanding claims	9,532	11,566	11,318	16,042	18,809	23,412	20,558	21,447	132,684
2005-06 and prior years									30,011
Outstanding claims									**162,695**

ii) Net

Accident year	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Estimate of ultimate claims cost:									
At end of accident year	22,558	29,076	36,409	35,304	34,565	40,445	30,388	30,218	
One year later	30,013	19,786	35,445	31,893	34,725	41,989	28,288	0	
Two years later	29,878	20,708	31,759	33,376	28,823	29,666	0	0	
Three years later	22,316	19,103	23,450	19,158	26,141	0	0	0	
Four years later	17,788	18,415	30,294	25,618	0	0	0	0	
Five years later	15,100	20,860	23,223	0	0	0	0	0	
Six years later	12,433	17,850	0	0	0	0	0	0	
Seven years later	14,591	0	0	0	0	0	0	0	
Current estimate	14,591	17,850	23,223	25,618	26,141	29,666	28,288	30,218	195,594
Cummulative payments	(3,035)	(4,317)	(10,108)	(5,477)	(3,441)	(889)	(400)	(1,269)	(28,936)
Outstanding claims undiscounted	11,556	13,533	13,116	20,141	22,700	28,776	27,888	28,948	166,658
Discount	(2,024)	(1,967)	(1,798)	(4,099)	(3,891)	(5,365)	(7,330)	(7,501)	(33,973)
Outstanding claims	9,532	11,566	11,318	16,042	18,809	23,412	20,558	21,447	132,684
2005-06 and prior years									30,011
Outstanding claims									**162,695**

Gross and net tables reflect the same figures due to there being zero re-insurance recoveries expected.

Note 19. Outstanding Claims – Continued

(e) Claims Development Tables - Continued

Claims development tables
Summary of all long tail policy classes
Excludes property

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the eight most recent accident years.

i) Gross

Accident year	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Estimate of ultimate claims cost:									
At end of accident year	31,914	40,018	48,366	47,675	47,041	51,509	43,138	41,495	
One year later	41,224	34,183	49,444	42,948	44,201	58,852	41,307	0	
Two years later	38,087	36,650	44,608	42,102	37,645	38,433	0	0	
Three years later	32,863	31,943	46,962	26,684	35,586	0	0	0	
Four years later	26,448	28,895	46,689	32,615	0	0	0	0	
Five years later	22,468	30,423	32,908	0	0	0	0	0	
Six years later	18,489	26,373	0	0	0	0	0	0	
Seven years later	20,413	0	0	0	0	0	0	0	
Current estimate	20,413	26,373	32,908	32,615	35,586	38,433	41,307	41,495	269,128
Cummulative payments	(6,295)	(9,570)	(17,898)	(7,441)	(5,795)	(2,206)	(3,900)	(1,353)	(54,458)
Outstanding claims undiscounted	14,117	16,802	15,011	25,174	29,790	36,226	37,407	40,142	214,670
Discount	(2,367)	(2,440)	(1,967)	(4,832)	(4,867)	(6,472)	(8,666)	(9,108)	(40,719)
Outstanding claims	11,750	14,363	13,044	20,342	24,923	29,755	28,740	31,034	173,951

2005-06 and prior years	35,178
Claims handling expense	10,570
Risk margin	33,636
Outstanding claims	**253,335**
Short tail outstanding claims	2,272
Total gross outstanding claims	**255,607**

ii) Net

Accident year	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Estimate of ultimate claims cost:									
At end of accident year	31,777	40,018	48,366	47,675	47,041	51,509	43,138	41,495	
One year later	41,224	34,183	49,444	42,948	44,201	51,461	41,307	0	
Two years later	38,087	36,650	44,608	42,102	37,645	38,433	0	0	
Three years later	32,863	31,943	41,106	26,684	35,586	0	0	0	
Four years later	26,448	28,895	46,689	32,615	0	0	0	0	
Five years later	22,468	30,423	32,908	0	0	0	0	0	
Six years later	18,489	26,373	0	0	0	0	0	0	
Seven years later	20,413	0	0	0	0	0	0	0	
Current estimate	20,413	26,373	32,908	32,615	35,586	38,433	41,307	41,495	269,128
Cummulative payments	(6,295)	(9,570)	(17,898)	(7,441)	(5,795)	(2,206)	(3,900)	(1,353)	(54,458)
Outstanding claims undiscounted	14,117	16,802	15,011	25,174	29,790	36,226	37,407	40,142	214,670
Discount	(2,367)	(2,440)	(1,967)	(4,832)	(4,867)	(6,472)	(8,666)	(9,108)	(40,719)
Outstanding claims	11,750	14,363	13,044	20,342	24,923	29,755	28,740	31,034	173,951

2005-06 and prior years	35,178
Claims handling expense	10,570
Risk margin	33,636
Outstanding claims	**253,335**
Short tail outstanding claims (property)	2,272
Total net outstanding claims	**255,607**

Gross and net tables reflect the same figures due to there being zero re-insurance recoveries expected.

Note 19. Outstanding Claims - Continued

Total Outstanding Ordinary Claims Reconciliation	Note No.	2015 $'000
Gross current claims as per balance sheet		22,130
Gross non-current claims as per balance sheet		233,477
Total Gross outstanding claims		**255,607**
Less current reinsurance recoveries as per balance sheet		-
Less non-current reinsurance recoveries as per balance sheet		-
Total reinsurance recoveries	**16**	**-**
Net Outstanding Claims	**5**	**255,607**

Note 20. Prepayments and Other Liabilities

	2015 $'000	2014 $'000
Other Assets		
Current		
Contract Works Insurance Premium Prepayments	**297**	526
Non-Current		
Contract Works Insurance Premium Prepayments	**584**	38
	881	564
Other Liabilities		
Current		
Regulatory Contribution for Workers' Compensation	**-**	250
Icon Water Ltd Workers' Compensation Payments [a]	**1,973**	868
Contract Works Insurance Premium Received in Advance from Agencies	**297**	526
	2,270	1,644
Non-Current		
Contract Works Insurance Premium Received in Advance from Agencies	**584**	38
	2,854	1,682

[a] Icon Water Ltd formerly ACTEW Corporation Limited withdrew from the ACT Workers' Compensation Scheme on 1 September 2012. The Scheme remains liable for all outstanding claims incurred prior to this date. ACTEW had entered into an agreement to compensate the Territory for growth in the outstanding liability arising after this date. The Authority has agreed to invoice Icon Water Ltd for these costs and to hold the funds until advised by the Chief Minister, Treasury and Economic Development Directorate to release them.

Note 21. Employee Benefits

	2015 $'000	2014 $'000
Current Employee Benefits		
Accrued Salaries	**66**	73
Annual Leave	**122**	130
Long Service Leave	**273**	203
	461	406
Non-Current Employee Benefits		
Long Service Leave	**37**	32
	37	32
Total Employee Benefits	**498**	437

	2015 Numbers	2014 Numbers
Employee Numbers		
Full-time Equivalents at the End of the Reporting Period	**13**	14

Estimate of When Leave is Payable

	2015 $'000	2014 $'000
Estimated Amount Payable Within 12 Months		
Accrued Salaries	**66**	73
Annual leave	**73**	78
Long Service Leave	**31**	23
Total Employee Benefits Payable Within 12 Months	**170**	174
Estimated Amount Payable After 12 Months		
Annual Leave	**49**	52
Long Service Leave	**279**	211
Total Employee Benefits Payable After 12 Months	**328**	263
Total Employee Benefits	**498**	437

Note 22. 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 Note 2 'Summary of 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 in floating interest rate arrangements, whereas the Authority's financial liabilities are not subject to floating interest rates. This means that the Authority is not exposed to movements in interest payable; however, it is exposed to small movements in interest receivable. Interest rates decreased during the year ended 30 June 2015 and, as such, have resulted in a decrease in the amount of interest received.

Interest rate risk for financial assets is managed by the Authority by only holding limited funds in cash. These funds are only invested in arrangements that are low risk. 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 is 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 investments by only investing surplus funds with the Territory Banking Account, which has appropriate investment criteria for the external fund manager engaged to manage the Territory's surplus funds. There is no other collateral held as security for financial assets.

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

There have been no 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 amount of financial assets to meet its 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 22. Financial Instruments - Continued

(c) Liquidity Risk - Continued

The following table sets out the Authority's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2015. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2015

	Note No.	Weighted Average Interest Rate %	Floating interest rate $'000	1 year or less $'000	over 1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Instruments								
Financial Assets								
Cash	14	**2.82**	**875**	-	-	-	-	**875**
Investments – Cash Enhanced Portfolio	14		-	-	-	-	**319,991**	**319,991**
Investments – Fixed Interest Portfolio	14		-	-	-	-	**63,121**	**63,121**
Receivables	15		-	-	-	-	**4,505**	**4,505**
Total Financial Assets			**875**	-	-	-	**387,617**	**388,492**
Financial Liabilities								
Payables	18		-	-	-	-	**(218)**	**(218)**
Total Financial Liabilities			-	-	-	-	**(218)**	**(218)**
Net Financial Assets			**875**	-	-	-	**387,399**	**388,274**

Reconciliation of Net Financial Assets to Net Assets	**Note No.**	**2015 $'000**
Net Financial Assets (as above)		**388,274**
Employee Benefits	21	**(498)**
Reinsurance Recoveries	16	**-**
Property, Plant & Equipment	17	**7**
Other Assets	15 & 20	**939**
Other Liabilities	20	**(2,854)**
Gross Outstanding Claims	19	**(255,607)**
Net Assets as per the Balance Sheet		**130,261**

Note 22. Financial Instruments - Continued

(c) Liquidity Risk - Continued

The following table sets out the Authority's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2014. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2014	Note No.	Weighted Average Interest Rate %	Floating interest rate $'000	1 year or less $'000	over 1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Instruments								
Financial Assets								
Cash	14	2.87	6,578	-	-	-	-	6,578
Investments – Cash Enhanced Portfolio	14		-	-	-	-	337,590	337,590
Investments – Fixed Interest Portfolio	14		-	-	-	-	12,114	12,114
Receivables	15		-	-	-	-	4,673	4,673
Total Financial Assets			6,578	-	-	-	354,377	360,955
Financial Liabilities								
Payables	18		-	-	-	-	(266)	(266)
Total Financial Liabilities			-	-	-	-	(266)	(266)
Net Financial Assets			6,578	-	-	-	354,111	360,689

Reconciliation of Net Financial Assets to Net Assets	**Note No.**	**2014 $'000**
Net Financial Assets (as above)		360,689
Employee Benefits	21	(438)
Reinsurance Recoveries	16	5,377
Other Assets	15 & 20	1,003
Other Liabilities	20	(1,682)
Outstanding Claims	19	(298,397)
Net Assets as per the Balance Sheet		66,552

Carrying Amount of Each Category of Financial Instruments	**2015 $'000**	**2014 $'000**
Financial Assets		
Financial Assets at Fair Value through the Profit and Loss Designated upon Initial Recognition	**383,112**	349,704
Loans and Receivables Measured at Amortised Cost	**4,563**	4,673
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	**218**	266
Gains on Each Category of Financial Asset		
Financial Assets at Fair Value through Profit and Loss Designated upon initial Recognition	**2,409**	1,131

Note 22. Financial Instruments - Continued

(d) Price Risk

Price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The price risk which the Authority is exposed to results from its investment in the Cash Enhanced and Fixed Interest portfolios. The Authority has units in the Cash Enhanced and Fixed Interest portfolios which fluctuate in value. The price fluctuations in the units of the Cash Enhanced and Fixed Interest portfolios are caused by movements in the underlying investments of the portfolios. The underlying investments are managed by an external fund manager who invests in a variety of different investment funds and bonds, including bonds issued by the Commonwealth Government, the State Government guaranteed Treasury corporations and semi-government authorities, as well as investment grade corporate issues. To limit price risk, all bonds that make up the underlying investments of the fixed interest portfolio must have a long term credit rating of BBB- or greater. Anything rated BBB- or greater is considered 'investment grade'.

The aim of the fund manager is to match the total return of the UBS Australian Composite Bond Index before taking into account fund fees and expenses. The Authority's exposure to price risk and management of the risk has not changed since the last reporting period.

Taking into account past performance, future expectations, economic forecasts, and the Territory Banking Account management's knowledge and experience of the financial markets, the impact on profit or loss and the impact on equity in the table below are 'reasonably possible' over the next 12 months if interest rates change -/+ 0.5% for the Cash Enhanced Portfolio and -/+5.0% for the Fixed Interest Portfolio from the target benchmark with all other variables held constant.

June 2015		**(0.5%)**	**0.5%**
	Benchmark/ Volatility Factor	**Profit/(Loss) Impact**	**Profit/(Loss) Impact**
		$'000	**$'000**
Cash Enhanced Portfolio	UBS Australian Composite Bond Index -/+ 0.5%	(1,600)	1,600

June 2014		**(0.5%)**	**0.5%**
	Benchmark/ Volatility Factor	**Profit/(Loss) Impact**	**Profit/(Loss) Impact**
		$'000	**$'000**
Cash Enhanced Portfolio	UBS Australian Composite Bond Index -/+ 0.5%	(1,688)	1,688

June 2015		**(5.0%)**	**5.0%**
	Benchmark/ Volatility Factor	**Profit/(Loss) Impact**	**Profit/(Loss) Impact**
		$'000	**$'000**
Fixed Interest Portfolio	UBS Australian Composite Bond Index -/+ 5.0%	(3,156)	3,156

June 2014		**(5.0%)**	**5.0%**
	Benchmark/ Volatility Factor	**Profit/(Loss) Impact**	**Profit/(Loss) Impact**
		$'000	**$'000**
Fixed Interest Portfolio	UBS Australian Composite Bond Index -/+ 5.0%	(606)	606

Note 22. Financial Instruments - Continued

(e) Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

	Carrying Amount 2015 $'000	Fair Value 2015 $'000	Carrying Amount 2014 $'000	Fair Value 2014 $'000
Financial Assets				
Cash	**875**	**875**	6,578	6,578
Investments with the Territory Cash Enhanced Portfolio	**319,991**	**319,991**	337,590	337,590
Investments with the Territory Fixed Interest Portfolio	**63,121**	**63,121**	12,114	12,114
Receivables	**4,563**	**4,563**	4,673	4,673
Total Financial Assets	**388,550**	**388,550**	360,955	360,955
Financial Liabilities				
Payables	**218**	**218**	266	266
Total Financial Liabilities	**218**	**218**	266	266

Note 22. Financial Instruments - Continued

(f) Fair Value Hierarchy

The carrying amount of financial assets measured at fair value. All other financial assets and liabilities are measured, subsequent to initial recognition, at amortised cost and as such are not included in the table below.

2015

	Classification According to Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial Assets at Fair Value through the Profit and Loss				
Investment with the Territory Banking Account – Cash Enhanced Portfolio	**-**	**319,991**	**-**	**319,991**
Investment with the Territory Banking Account - Fixed Interest Portfolio	**-**	**63,121**	**-**	**63,121**
Total		**383,112**	**-**	**383,112**

2014

	Classification According to Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial Assets at Fair Value through the Profit and Loss				
Investment with the Territory Banking Account – Cash Enhanced Portfolio	-	337,590	-	337,590
Investment with the Territory Banking Account - Fixed Interest Portfolio	-	12,114	-	12,114
Total	-	349,704	-	349,704

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.

Transfer Between Categories
There have been no transfers of financial assets or financial liabilities between Level 1 and Level 2 during the current and previous reporting period.

Note 23. Contingent Liabilities and Contingent Assets

The Authority has no contingent liabilities or assets at reporting date (nil in 2013-14).

Note 24. Commitments

The Authority has no commitments at reporting date (nil in 2013-14).

Note 25. Cash Flow Reconciliation

(a) Reconciliation of Cash at the end of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet.

	2015 $'000	2014 $'000
Total Cash Recorded in the Balance Sheet	**875**	6,578
Cash at the end of the Reporting Period as Recorded in the Cash Flow Statement	**875**	6,578

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

	2015 $'000	2014 $'000
Operating Surplus	**63,709**	47,155
Add/(Less) Items Classified as Investing or Financing		
Changes in Net Market Value of Investments	**(2,409)**	(1,131)
Cash Before Changes in Operating Assets and Liabilities	**61,300**	46,024
Change in Operating Assets and Liabilities		
Decrease in Reinsurance Recoveries	**5,377**	8,853
(Increase)/Decrease in Interest Receivable	**(251)**	2,668
Decrease/(Increase) in Other Receivables	**483**	(46)
(Decrease)/Increase in Payables	**(48)**	89
(Decrease) in Outstanding Claims	**(42,790)**	(14,092)
Increase/(Decrease) in Other Liabilities	**1,172**	(1,928)
Increase/(Decrease) in Employee Benefits	**60**	(139)
Net Changes in Operating Assets and Liabilities	**(35,997)**	(4,595)
Net Cash Inflows from Operating Activities	**25,303**	41,431

Note 26. Events Occurring after Balance Date

There were no events occurring after the 30 June 2015 which would affect the financial statements of the Authority in the current or future reporting periods.

Note 27. Budgetary Reporting

The following are brief explanations of major line item variances between budget estimates and actual outcomes. Variances are considered to be major variances if both of the following criteria are met:

(a) The line item is a significant line item: the line item actual amount accounts for more than 10% 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% of the budget for the financial statement line item.

Operating Statement Line Items Ordinary activities	Actual 2014-15 $'000	Original Budget[1] 2014-15 $'000	Variance $'000	Variance %	Variance Explanation
Reinsurance Premiums	(11,267)	(12,548)	1,281	(10.21%)	The Authority was able to negotiate a premium reduction of $1.281 million.
Claims Credit/(Expense)	11,395	(48,274)	59,669	(123.6%)	The variance of $59.669 million is the result of a reduction of the outstanding claims liabilities which impacts the expense. The budgeted amount was based on actuarial assumptions from the Authority's December 2013 review of claims expense.
Reinsurance (Losses)/Recoveries	(4,953)	291	(5,244)	(1,802%)	The decrease of $5.244 million is due to a decrease in the actuarial forecasts for re-insurance receivables which resulted in Reinsurance loss.
Other Underwriting Income	907	-	907	#	This item is unbudgeted due to the uncertainty to receipt.
Unrealised Gains on Investments	2,409	-	2,409	#	This item is unbudgeted due to the volatility of the market value on investments.
Contract Works Insurance	11	-	11	#	Premiums are generally recovered by agencies during the reporting period. On occasion there is timing differences on adjustments for prior periods.
Supplies and Services	(838)	(1,213)	375	(30.94%)	The decrease of $0.375 million is the result of the reduction in the use of employment contractors and additional actuarial services.

[1] Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Statement of Intent).

Note 27. Budgetary Reporting - Continued

Balance Sheet Line Items	Actual 2014-15 $'000	Original Budget[1] 2014-15 $'000	Variance $'000	Variance %	Variance Explanation
Assets					
Current Investments	319,991	357,186	(37,194)	(10.41%)	The current investments were $37.194 million lower than budgeted, this is predominately due to the transfer of $50 million from current to non-current investments this is partially offset by funds moved from cash.
Non-Current Investment	63,121	11,389	(51,732)	454.23%	The non-current investments were $51.732 million higher than budgeted, this is predominately due to the corresponding transfer of $50 million from current investments.
Liabilities					
Current Outstanding Claims	22,130	30,893	(8,763)	(28.37%)	The decrease of $8.763 million is due to the revised economic assumptions of claim settlements. The budgeted amount was based on actuarial assumptions from the Authority's December 2013 review of outstanding claims.
Non-Current Outstanding Claims	233,477	297,054	(63,577)	(21.4%)	The decrease of $63.577 million is due to a release of the provision for outstanding claims liabilities based on changes in actuarial assumptions of the expected claim expenses in future years. The budgeted amount was based on actuarial assumptions from the Authority's December 2013 review of outstanding claims.

[1] Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Statement of Intent).

Statement of Changes in Equity	These line items are covered in other financial statements

[1] Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Statement of Intent).

Note 27. Budgetary Reporting - Continued

Cash Flow Statement Line Items	Actual 2014-15 $'000	Original Budget[1] 2014-15 $'000	Variance $'000	Variance %	Variance Explanation
Cash Flows from Operating Activities					
Receipts					
Workers' Compensation Receipts	88,890	76,453	12,437	16.27%	The increase of $12.437 million is mainly due to an increase in workers' compensation premiums set by Comcare collected from agencies.
Payments					
Insurance Claims Payments	31,383	27,022	4,361	16.14%	The increase of $4.361 million is predominately due to actual claim payments being more than expected. Refer to Note 19 (d) 'Outstanding Claims'.
Workers' Compensation Payments	87,841	76,452	11,389	14.9%	The increase of $11.389 is mainly due an increase in workers' compensation premiums paid to Comcare.
Cash Flows from Investing Activities					
Receipts					
Proceeds from Sale/Maturities of Investments	99,000	25,000	74,000	296%	The increase of $74.000 million is due to an increase in required funds to finance the workers' compensation premiums while awaiting the agencies receipts as well as moving funds between current and non-current investments
Payments					
Purchase of Investments	130,000	50,000	80,000	160%	The increase of $80.000 million is due to the investment of funds received from agencies for the workers' compensation premiums and the movement of funds between current and non-current investments.

[1] Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Statement of Intent).

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

REPORT OF FACTUAL FINDINGS

ACT INSURANCE AUTHORITY

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the ACT Insurance Authority (the Authority) for the year ended 30 June 2015 has been reviewed.

Responsibility for the statement of performance

The Under Treasurer is responsible for the preparation and fair presentation of the statement of performance of the Authority in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in the statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Authority, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

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No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

Electronic presentation of the statement of performance

Those viewing an electronic presentation of this statement of performance should note that the review does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the statement of performance. If users of the statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the review.

Review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Authority for the year ended 30 June 2015, are not fairly presented in accordance with the *Financial Management Act 1996*.

This review opinion should be read in conjunction with the other information disclosed in this report.

M. Cooper.

Dr Maxine Cooper
Auditor-General
18 September 2015

ACT INSURANCE AUTHORITY
STATEMENT OF PERFORMANCE
For the Year Ended 30 June 2015

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 2015, and also fairly reflects the judgements exercised in preparing it.

David Nicol
Under Treasurer
Chief Minister, Treasury and
Economic Development Directorate
Delegate for the Chief Executive Officer
ACT Insurance Authority
18 September 2015

John Fletcher
General Manager
ACT Insurance Authority
18 September 2015

ACT INSURANCE AUTHORITY
Statement of Performance
For the Year Ended 30 June 2015

Description of Objectives

The ACT Insurance Authority's (ACTIA's) key objectives 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, 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 party's business as a going concern;
- develop and promote good practices for the management of Territory risks; and
- give advice to the Treasurer about insurance and the management of Territory risks.

In addition, the Authority also performs the function of:

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

Objective	Accountability Indicators	Original Target	Actual Result	Variance	Explanation of Material Variances
Carry out the business of insurer of Territory risks	a. Results from an annual customer satisfaction survey:		23 responses received of the 58 surveys distributed		
	- Overall customer satisfaction with insurance management services	>90%	100%	-	
	- Overall customer satisfaction of Claims Management	>80%	95%	-	
	- Overall customer satisfaction of Annual Insurance Renewal	>80%	100%	-	
	- Overall customer satisfaction of Financial Management Services	>90%	88%	(2%)	

ACT INSURANCE AUTHORITY
Statement of Performance
For the Year Ended 30 June 2015

Objective	Accountability Indicators	Original Target	Actual Result	Variance	Explanation of Material Variances
Carry out the business of insurer of Territory risks - continued	b. Determine annual insurance premiums for Territory agencies that allow full funding of claim costs and associated expenses.	Annual premium determination completed	Annual premium determination completed	-	
	c. Maintain the ACTIA Funding Ratio within the targeted range stated in the ACTIA Capital Management Plan.	100%-110%	150%	40-50%	The higher funding ratio is due to a decrease in the outstanding claims liabilities as a result of changes in actuarial assumptions. In order to bring the funding ratio to within the target range the Authority has included in its 2015-16 Budget a return of $60 million in capital to the ACT Government.
	d. General and administrative expense as a percentage of total annual premium revenue.	5%	4.1%	(0.9%)	
	e. The average number of days to reimburse agencies settlements from the day all required documents are received from the agency.	30 days	15 days	(15 days)	Agency payments are processed as a priority.
	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 property asset register to ensure that values provided by agencies reflect insurance replacement costs.	Annual review completed	Annual review completed	-	
	h. Facilitate the implementation by Territory agencies of agreed recommendations from reinsurer's Property Asset Management Surveys.	>90% completed	All action items have been referred to the responsible Directorate Asset Managers	-	

ACT INSURANCE AUTHORITY
Statement of Performance
For the Year Ended 30 June 2015

Objective		Accountability Indicators	Original Target	Actual Result	Variance	Explanation of Material Variances
Take out insurance of Territory risks with other entities - continued	i.	Hold quarterly reviews of all liability and medical malpractice claims to assess the claim management strategy and reserve for matters where the Territory's liability may exceed $100,000.	Quarterly claims review meetings held	Quarterly claims review meetings were held	-	
Satisfy or settle claims in relation to Territory risks	j.	Insurance claims data:				
		Medical Malpractice				
		Discounted Mean Term (for Outstanding Claims)[1]	6.57 Years	6.79 Years	0.22 Years	
		Ultimate Claim Numbers[2]	101	86	(15)	The lower claim numbers is the result of a decrease in the assumed number of reported claims and incidents.
		Average Small Claim (<$1 m) Settlement Size[3] Average Large Claim (≥$1 m) Settlement Size[3]	$300,000 $5,000,000	$251,800 $4,900,000	($48,200) ($100,000)	The decrease in the average small and large claim size reflects claims experience.
		Property & Motor				
		Discounted Mean Term (for Outstanding Claims)[1]	1.12 Years	1.08 Years	(0.04) Years	
		Ultimate Claim Numbers[2]	58	58	-	
		Average Small Claim (<$1 m) Settlement Size[3]	$62,158	$73,900	$11,742	The increase in the average small claim size reflects claims experience.

ACT INSURANCE AUTHORITY
Statement of Performance
For the Year Ended 30 June 2015

Objective	Accountability Indicators	Original Target	Actual Result	Variance	Explanation of Material Variances
Satisfy or settle claims in relation to Territory risks - continued	j. Insurance claims data: - continued Public Liability				
	Discounted Mean Term (for Outstanding Claims)[1]	5.35 Years	4.98 Years	(0.37) Years	
	Ultimate Claim Numbers[2]	113	119	6	
	Average Small Claim (<$1 m) Settlement Size[3]	$88,519	$103,200	$14,681	The increase in the average small and large claim size reflects claims experience.
	Average Large Claim ($\geq$$1 m) Settlement Size[3]	$3,334,851	$3,425,000	$90,149	
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 August 2014 and February 2015	-	
	l. Deliver a program of general and targeted risk management training courses to Territory agencies.				
	- Introduction to whole of Government Risk Management	7	8	1	
	- Managing Risks in Events	2	0	(2)	The variance in training for risk events and projects was due to a decrease in demand from agencies.
	- Managing Risk in Projects	3	0	(3)	
	m. Overall participant satisfaction with risk management training sessions delivered to Agency staff members.	>90%	125 responses were received 99%	-	Overall participant satisfaction exceeded expectation.

ACT INSURANCE AUTHORITY
Statement of Performance
For the Year Ended 30 June 2015

Objective	Accountability Indicators	Original Target	Actual Result	Variance	Explanation of Material Variances
Develop and promote good practices for the management of Territory risks - continued	n. Conduct Risk Management Performance and Improvement Reviews.	4 Agencies	4 Agencies	-	

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

Notes to the Statement of Performance:

a. Surveys are sent to the Directors-General and Chief Executive Officer's of all ACT Government Directorates and Statutory Authorities insured by ACTIA. Respondents are asked to rate performance against the ACTIA Customer Service Charter that details what agencies can expect when doing business with ACTIA.

b. ACTIA completes an annual review of agency insurance premiums, with assistance from the fund actuary, PricewaterhouseCoopers Actuarial Pty Ltd. Premiums are determined based on agency claims history, asset ownership and risk profile.

c. The Authority has a funding target ratio of between 100 – 110% as set out in the ACTIA capital management plan. The funding ratio is calculated by dividing total assets by total liabilities. 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).

d. ACTIA General and Administrative Expenses as a percentage of Annual Premium revenue are measured against the Authority's average over 3 years.

e. ACTIA processes payments to insured Agencies as a priority. The number of days to reimburse agencies is measured from the date all required documentation is received to the date payment is made.

f. ACTIA 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. ACTIA completes a review of the replacement values detailed in the Territory's asset schedule as part of the property reinsurance renewal.

h. An Annual Property Survey Program is undertaken by the Authority's reinsurers. Agreed recommendations are implemented by Territory agencies.

i. Quarterly claims review meetings are held to review all liability and medical malpractice claims with a reserve of $500,000 or above. Meetings are attended by representatives of the ACT Government Solicitor's Office, ACTIA's insurance brokers, Marsh Pty Ltd, as well as external insurers and their solicitors. Claims with reserves greater than $100,000 are regularly reviewed by ACTIA claims managers.

j. The insurance claims data are based on actuarial assumptions provided by the Authority's actuary, PricewaterhouseCoopers Actuarial Pty Ltd (PwC). The original target figures are based on actuarial assumptions provided during the mid-term estimate of outstanding claims liabilities as at 31 December 2013 and the actual results are based on the valuation as at 30 June 2015. The assumptions provide the basis for establishing the Authority's outstanding claims provision.

[1]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.
[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 reporting rates and applying them to the observed claims reported to date in order to project the timing and number of future claims reported.
[3] For Medical Malpractice, Property & Motor and Public Liability insurance classes PwC have adopted the average small and large claim settlement size based on past claims experience.

k. Risk Profile Reports are provided to directorates and the reports contain a detailed claims history, claims costs and provide a commentary on issues or trends, where identified, across classes of insurance. The reports also included suggested risk management actions for information and action. The reports are provided biannually.

l. ACTIA delivers a program of risk management training courses that covers general introductory and intermediate level risk management, and topic specific training sessions in the modification and use of risk management software tailored to meet agency requirements.

m. ACTIA delivers risk management training courses and attendees complete feedback forms. Attendees are asked to assess the course based on areas such as, course suitability, facilitators' knowledge and whether they would recommend the training.

n. ACTIA conducts risk management performance reviews to measure the level of risk management maturity within Directorates and their associated Divisions or Business Units. Directorates are given a short questionnaire to self-assess their application of the AS/NZS ISO31000:2009 risk management standard.

GLOSSARY

Actuary

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

Actuarial Report

A financial report prepared by an actuary, typically on the adequacy of an insurance company's claims provision.

Catastrophe

A major event giving rise to losses and claims under a large number of policies in a class (e.g. a hailstorm, cyclone or earthquake).

Compulsory Third Party Insurance (CTP) Insurance

A prescribed class of insurance business covering accidental bodily injury to or death of third parties as a result of a road accident. All owners of motor vehicle using public roads are required to have CTP cover purchased in the state in which each vehicle is registered. Third party property damage insurance is not compulsory and is classified with comprehensive motor vehicle insurance. The parties involved in a road traffic accident are:

- First party: The insured or policyholder;
- Second party: The insurer; and
- Third party: All persons involved except driver of vehicle at fault.

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 Outstanding (or Liability for 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.

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
Covers directors and officers of a company for negligent acts or omissions, and for misleading statements that result in suits against the company, often by shareholders.

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 under a policy (i.e. the gross written premium) that relates to the proportion of the risk covered by the policy which has expired up to the date of calculation.

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

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 Year
1 July to 30 June.

Long-tail Business
Insurance business, for example, employer liability insurance, where the financial outcome of some claims may not be known for several years.

Medical Malpractice Insurance
Professional liability coverage for physicians and other specialists against suits alleging negligence or errors and omissions that have harmed patients.

Outstanding Claims
The accounting liability raised by the insurer for claims relating to events (whether notified to the insurer or not) which have occurred to date but which have not been paid.

Property Insurance
Covers damage to or loss of policyholders' property.

Professional Indemnity Insurance
Covers professionals for causing loss or injury to their clients.

Public Liability Insurance
Insurance for what the policyholder is legally obligated to pay because of bodily injury or property damage caused to another person.

Reinsurance
Insurance bought by insurers. A reinsurer assumes part of the risk. The business is global and some of the largest reinsurers are based abroad. Reinsurers don't pay policyholder claims.

Instead, they reimburse insurers for claims paid.

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

Management of the varied risks to which a business firm or association might be subject. It includes analysing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss. These options typically include reducing and eliminating the risk with safety measures.

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).

Super-imposed Inflation

Claim settlement trends/movements (usually up) that are not aligned with normal inflation. For example, significant settlements are awarded by the courts, well above what would normally be paid if average inflation indices were applied.

Underwriting Result

Traditional measure for determining the profitability of a general insurer.

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).

Unidentified Motor Vehicle

A motor vehicle, including a trailer that cannot be identified after reasonable inquiry and search.

ALPHABETICAL INDEX