

ACT INSURANCE AUTHORITY

Purpose

The objectives of the ACT Insurance Authority (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 realising, enforcing, assigning or extinguishing rights against third parties arising out of or in relation to its business; develop and promote good practices for the management of Territory risks; give advice to the Treasurer about insurance and the management of Territory risks; carry out the role of the Nominal Defendant of the ACT; and administer, on behalf of and under agreement with the Chief Minister and Cabinet Directorate, the Default Insurance Fund.

2012-13 Priorities

Strategic and operational issues to be pursued in 2012-13 include:

- continuing to implement a program of reinsurance to protect the Territory budget based on an appropriate balance between risk transferred and risk retained;
- promoting the ACT Government Risk Management Policy to Territory agencies;
- delivering a program of general and targeted risk management training programmes for Territory agencies;
- maintaining regular reviews of existing claims to ensure that appropriate management is being applied and that realistic claim estimates are included in financial statements; and
- facilitating agency access to claims reporting and data analysis to support the risk managed approach to operational and asset management.

Estimated Employment Level

2010-11 Actual Outcome	2011-12 Budget	2011-12 Est. Outcome	2012-13 Budget
14 Staffing (FTE)	14	14	14

ACT Insurance Authority Operating Statement

2011-12 Budget \$'000		2011-12 Est. Outcome \$'000	2012-13 Budget \$'000	Var %	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
Income							
Revenue							
53,735	User Charges - ACT Government	53,697	57,765	8	62,097	66,755	69,780
15,493	Interest	13,345	13,766	3	14,791	16,593	17,548
3,133	Other Revenue	3,047	2,639	-13	2,739	2,726	2,792
72,361	Total Revenue	70,089	74,170	6	79,627	86,074	90,120
72,361	Total Income	70,089	74,170	6	79,627	86,074	90,120
Expenses							
1,545	Employee Expenses	1,436	1,482	3	1,668	1,649	1,670
244	Superannuation Expenses	257	266	4	267	266	273
1,445	Supplies and Services	1,445	1,275	-12	1,303	1,335	1,369
66,754	Other Expenses	96,917	78,062	-19	83,396	89,752	96,097
69,988	Total Ordinary Expenses	100,055	81,085	-19	86,634	93,002	99,409
2,373	Operating Result	-29,966	-6,915	77	-7,007	-6,928	-9,289
2,373	Total Comprehensive Income	-29,966	-6,915	77	-7,007	-6,928	-9,289

ACT Insurance Authority Balance Sheet

Budget as at 30/6/12 \$'000		Est. Outcome as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Var %	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000	Planned as at 30/6/16 \$'000
	Current Assets						
396	Cash and Cash Equivalents	42	2,352	#	6,776	13,551	21,177
7,634	Receivables	4,373	4,372	..	3,887	3,866	3,845
259,282	Investments	275,423	307,460	12	333,958	381,517	406,239
684	Other Current Assets	693	693	-	693	693	693
267,996	Total Current Assets	280,531	314,877	12	345,314	399,627	431,954
	Non Current Assets						
69,462	Receivables	78,625	76,227	-3	75,322	74,877	74,432
54,443	Investments	56,984	54,477	-4	51,970	49,463	46,956
468	Other Non-Current Assets	115	115	-	115	115	115
124,373	Total Non Current Assets	135,724	130,819	-4	127,407	124,455	121,503
392,369	TOTAL ASSETS	416,255	445,696	7	472,721	524,082	553,457
	Current Liabilities						
59,775	Payables	44,348	55,347	25	61,358	67,369	73,380
420	Employee Benefits	253	266	5	279	292	305
684	Other Liabilities	693	693	-	693	693	693
60,879	Total Current Liabilities	45,294	56,306	24	62,330	68,354	74,378
	Non Current Liabilities						
325,482	Payables	383,627	409,106	7	437,082	489,335	521,983
41	Employee Benefits	174	39	-78	71	83	75
325,523	Total Non Current Liabilities	383,801	409,145	7	437,153	489,418	522,058
386,402	TOTAL LIABILITIES	429,095	465,451	8	499,483	557,772	596,436
5,967	NET ASSETS	-12,840	-19,755	-54	-26,762	-33,690	-42,979
	REPRESENTED BY FUNDS EMPLOYED						
5,967	Accumulated Funds	-12,840	-19,755	-54	-26,762	-33,690	-42,979
5,967	TOTAL FUNDS EMPLOYED	-12,840	-19,755	-54	-26,762	-33,690	-42,979

**ACT Insurance Authority
Statement of Changes in Equity**

Budget as at 30/6/12 \$'000		Est. Outcome as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Var %	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000	Planned as at 30/6/16 \$'000
Opening Equity							
3,594	Opening Accumulated Funds	17,126	-12,840	-175	-19,755	-26,762	-33,690
3,594	Balance at the Start of the Reporting Period	17,126	-12,840	-175	-19,755	-26,762	-33,690
Comprehensive Income							
2,373	Operating Result for the Period	-29,966	-6,915	77	-7,007	-6,928	-9,289
2,373	Total Comprehensive Income	-29,966	-6,915	77	-7,007	-6,928	-9,289
0	Total Movement in Reserves	0	0	-	0	0	0
Closing Equity							
5,967	Closing Accumulated Funds	-12,840	-19,755	-54	-26,762	-33,690	-42,979
5,967	Balance at the End of the Reporting Period	-12,840	-19,755	-54	-26,762	-33,690	-42,979

ACT Insurance Authority Cash Flow Statement

2011-12 Budget \$'000		2011-12 Est. Outcome \$'000	2012-13 Budget \$'000	Var %	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
53,735	User Charges	53,697	57,765	8	62,097	66,755	69,780
15,493	Interest Received	13,345	13,766	3	14,791	16,593	17,548
65,540	Other Receipts	65,454	65,770	..	64,319	63,427	63,491
134,768	Operating Receipts	132,496	137,301	4	141,207	146,775	150,819
Payments							
1,540	Related to Employees	1,548	1,604	4	1,623	1,624	1,664
244	Related to Superannuation	257	265	3	267	266	272
1,438	Related to Supplies and Services	1,438	1,268	-12	1,296	1,328	1,361
108,034	Other	101,152	95,948	-5	103,232	85,310	111,260
111,256	Operating Payments	104,395	99,085	-5	106,418	88,528	114,557
23,512	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	28,101	38,216	36	34,789	58,247	36,262
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
911	Proceeds from Sale/Maturity of Investments	911	911	-	911	911	911
911	Investing Receipts	911	911	-	911	911	911
Payments							
4,824	Purchase of Investments	29,013	36,817	27	31,276	52,383	29,547
4,824	Investing Payments	29,013	36,817	27	31,276	52,383	29,547
-3,913	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-28,102	-35,906	-28	-30,365	-51,472	-28,636
19,599	NET INCREASE / (DECREASE) IN CASH HELD	-1	2,310	#	4,424	6,775	7,626
240,079	CASH AT THE BEGINNING OF REPORTING PERIOD	43	42	-2	2,352	6,776	13,551
259,678	CASH AT THE END OF REPORTING PERIOD	42	2,352	#	6,776	13,551	21,177

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- user charges – ACT Government: the increase of \$4.068 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to an increase in the annual insurance premiums charged to agencies. The premiums recognise an increase in the net expected cost of future claims.
- interest:
 - the decrease of \$2.148 million in the 2011-12 estimated outcome from the original budget is due to a decrease in interest rates; and
 - the increase of \$0.421 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to higher investment deposit levels.
- other revenue: the decrease of \$0.408 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to movements in reinsurance recoveries resulting from the impact of 2011-12 storm damage .
- employee expenses: the decrease of \$0.109 million in the 2011-12 estimated outcome from the original budget is due the impact of the discount rate on the long service leave liability.
- supplies and services: the decrease of \$0.170 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to additional funding for the Risk Management Framework project ceasing.
- other expenses:
 - the increase of \$30.163 million in the 2011-12 estimated outcome from the original budget mainly reflects the discount rate applied to outstanding claims; and
 - the decrease of \$18.855 million in the 2012-13 Budget from the 2011-12 estimated outcome reflects that the impact of the changes from discount rates of outstanding claims, especially those occurring in prior years, is predominately recognised in the 2011-12 year. In 2012-13, the impact of the discount rates will predominately affect only new claims costs occurring in the 2012-13 year.

Balance Sheet

- cash and cash equivalents: the increase of \$2.310 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the increase in annual premiums.
- current receivables: the decrease of \$3.261 million in the 2011-12 estimated outcome from the original budget is due to a combination of a decrease in anticipated current reinsurance recoveries from bushfire and ordinary claims, and a movement in allocation between current and non current receivables.

- investments:
 - the increase of \$16.141 million in the 2011-12 estimated outcome from the original budget is primarily due to lower payments at 30 June 2011 (\$11.6 million) and during the 2010-11 period (\$6.3 million), and the building of investment assets in order to meet future claims (\$1 million), offset by decreased interest receipts (\$2.1 million); and
 - the increase of \$32.037 million in the 2012-13 Budget from the 2011-12 estimated outcome is primarily due to the continued building of investment assets in order to meet future claims and the movement of funds from long term investment (\$2.5 million).
- non current receivables: the increase of \$9.163 million in the 2011-12 estimated outcome from the original budget and the decrease of \$2.398 million in the 2012-13 Budget from the 2011-12 estimated outcome are due to movement in the provision for reinsurance recoveries associated with changes in both bushfire and ordinary claims liabilities.
- non current investments:
 - the increase of \$2.541 million in the 2011-12 estimated outcome from the original budget is due to the continued building of investment assets in order to meet future claims; and
 - the decrease of \$2.507 million in the 2012-13 Budget from the 2011-12 estimated outcome reflects the movement of funds between long term and short term investment structures.
- other non current assets: the decrease of \$0.353 million non current assets in the 2011-12 estimated outcome from the original budget is due to prepayment of contract works insurance.
- current payables:
 - the decrease of \$15.427 million in the 2011-12 estimated outcome from the original budget reflects the movement of claims from current to non current due to changing assumptions around claim settlement times; and
 - the increase of \$10.999 million in the 2012-13 Budget from the 2011-12 estimated outcome reflects higher than anticipated claims liabilities.
- non current payables:
 - the increase of \$58.145 million in the 2011-12 estimated outcome from the original budget is due to the movement of claims from current to non current, movement in the provision for claims liability associated with changes in discount rates and growth in the anticipated cost of claims; and
 - the increase of \$25.479 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to the anticipated growth in the cost of future claims.

Statement of Changes in Equity

Variations in the statement are explained in the notes above.

Cash Flow Statement

- purchase of investments:
 - the increase of \$24.189 million in the 2011-12 estimated outcome from the original budget is mainly due to a combination of an increase in investments (\$4.590 million), as well as the impact of the reclassification of the investments as a non-cash equivalent (\$26.562 million); and
 - the increase of \$7.804 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to continued building of investment assets in order to meet future claims.