

ACT INSURANCE AUTHORITY

Purpose

As the ACT Government's captive insurer, the ACT Insurance Authority (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 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.

2013-14 Priorities

Strategic and operational issues to be pursued in 2013-14 include:

- implementing a program of reinsurance to protect the Territory budget based on an appropriate balance between risk transferred and risk retained;
- preparing a financial condition report that evaluates the financial standing and operation of the Authority;
- delivering a program of general and targeted risk management training programs for Territory agencies;
- conducting regular reviews of existing claims to ensure that appropriate management practices are 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

2011-12 Actual Outcome	2012-13 Budget	2012-13 Est. Outcome	2013-14 Budget
14 Staffing (FTE)	14	14	14

ACT Insurance Authority Operating Statement

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
Income							
Revenue							
57,765	User Charges — ACT Government	55,461	58,949	6	61,306	63,759	66,308
13,766	Interest	271	216	-20	420	648	878
0	Distribution from Investments with the Territory Banking Account ¹	16,897	11,594	-31	12,936	13,645	14,212
2,639	Other Revenue	2,639	3,131	19	2,999	2,979	3,015
74,170	Total Revenue	75,268	73,890	2	77,661	81,031	84,413
74,170	Total Income	75,268	73,890	2	77,661	81,031	84,413
Expenses							
1,482	Employee Expenses	1,480	1,667	13	1,649	1,670	1,712
266	Superannuation Expenses	260	256	-2	248	243	240
1,275	Supplies and Services	1,275	1,303	2	1,335	1,369	1,404
78,062	Other Expenses	64,666	73,849	14	78,365	82,906	88,069
81,085	Total Ordinary Expenses	67,681	77,075	19	81,597	86,188	91,425
-6,915	Operating Result	7,587	-3,185	-142	-3,936	-5,157	-7,012
-6,915	Total Comprehensive Income	7,587	-3,185	-142	-3,936	-5,157	-7,012

Note:

- Interest received from investments with the Territory Banking Account is no longer presented as Interest Income. These amounts are now reflected under the line item Distribution from the Territory Banking Account. This treatment is not reflected in the 2012-13 Budget figures.

ACT Insurance Authority Balance Sheet

Budget as at 30/6/13 \$'000		Est. Outcome as at 30/6/13 \$'000	Budget as at 30/6/14 \$'000	Var %	Estimate as at 30/6/15 \$'000	Estimate as at 30/6/16 \$'000	Estimate as at 30/6/17 \$'000
Current Assets							
2,352	Cash and Cash Equivalents	2,922	7,518	157	14,676	22,922	31,406
4,372	Receivables	8,135	7,881	-3	7,860	7,839	7,818
307,460	Investments	294,294	313,727	7	358,175	380,750	402,523
693	Other Current Assets	779	779	-	779	779	779
314,877	Total Current Assets	306,130	329,905	8	381,490	412,290	442,526
Non Current Assets							
76,227	Receivables	11,436	9,095	-20	7,560	5,427	3,242
54,477	Investments	60,657	57,679	-5	54,632	51,548	48,464
115	Other Non Current Assets	105	105	-	105	105	105
130,819	Total Non Current Assets	72,198	66,879	-7	62,297	57,080	51,811
445,696	TOTAL ASSETS	378,328	396,784	5	443,787	469,370	494,337
Current Liabilities							
55,347	Payables	45,724	48,046	5	55,687	61,544	63,697
266	Employee Benefits	326	339	4	352	365	378
693	Other Liabilities	779	779	-	779	779	779
56,306	Total Current Liabilities	46,829	49,164	5	56,818	62,688	64,854
Non Current Liabilities							
409,106	Payables	307,515	326,790	6	370,063	394,941	424,762
39	Employee Benefits	127	158	24	170	162	154
409,145	Total Non Current Liabilities	307,642	326,948	6	370,233	395,103	424,916
465,451	TOTAL LIABILITIES	354,471	376,112	6	427,051	457,791	489,770
-19,755	NET ASSETS	23,857	20,672	-13	16,736	11,579	4,567
-19,755	Accumulated Funds	23,857	20,672	-13	16,736	11,579	4,567
-19,755	TOTAL FUNDS EMPLOYED	23,857	20,672	-13	16,736	11,579	4,567

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

Budget as at 30/6/13 \$'000		Est. Outcome as at 30/6/13 \$'000	Budget as at 30/6/14 \$'000	Var %	Estimate as at 30/6/15 \$'000	Estimate as at 30/6/16 \$'000	Estimate as at 30/6/17 \$'000
Opening Equity							
-12,840	Opening Accumulated Funds	16,270	23,857	47	20,672	16,736	11,579
-12,840	Balance at the Start of the Reporting Period	16,270	23,857	47	20,672	16,736	11,579
Comprehensive Income							
-6,915	Operating Result for the Period	7,587	-3,185	-142	-3,936	-5,157	-7,012
-6,915	Total Comprehensive Income	7,587	-3,185	-142	-3,936	-5,157	-7,012
0	Total Movement in Reserves	0	0	-	0	0	0
Closing Equity							
-19,755	Closing Accumulated Funds	23,857	20,672	-13	16,736	11,579	4,567
-19,755	Balance at the End of the Reporting Period	23,857	20,672	-13	16,736	11,579	4,567

ACT Insurance Authority Cash Flow Statement

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
57,765	User Charges	55,461	58,949	6	61,306	63,719	66,308
13,766	Interest Received	271	216	-20	420	648	878
0	Distribution from Investments with the Territory Banking Account ¹	16,897	11,594	-31	12,936	13,645	14,212
65,770	Other Receipts	93,347	93,388	..	96,814	97,363	97,895
137,301	Operating Receipts	165,976	164,147	-1	171,476	175,375	179,293
Payments							
1,604	Related to Employees	1,604	1,623	1	1,624	1,664	1,706
265	Related to Superannuation	259	256	-1	248	242	239
1,268	Related to Supplies and Services	1,268	1,296	2	1,328	1,361	1,396
95,948	Other	141,618	139,673	-1	120,601	145,600	143,820
99,085	Operating Payments	144,749	142,848	-1	123,801	148,867	147,161
38,216	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	21,227	21,299	..	47,675	26,508	32,132
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
911	Proceeds from Sale/Maturity of Investments	14,511	911	-94	5,462	6,038	6,203
911	Investing Receipts	14,511	911	-94	5,462	6,038	6,203
Payments							
36,817	Purchase of Investments	33,297	17,614	-47	45,979	24,300	29,851
36,817	Investing Payments	33,297	17,614	-47	45,979	24,300	29,851
-35,906	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-18,786	-16,703	11	-40,517	-18,262	-23,648
2,310	NET INCREASE / (DECREASE) IN CASH HELD	2,441	4,596	88	7,158	8,246	8,484
42	CASH AT THE BEGINNING OF REPORTING PERIOD	481	2,922	507	7,518	14,676	22,922
2,352	CASH AT THE END OF REPORTING PERIOD	2,922	7,518	157	14,676	22,922	31,406

Note:

- Interest received from investments with the Territory Banking Account is no longer presented as Interest Income. These amounts are now reflected under the line item Distribution from the Territory Banking Account. This treatment is not reflected in the 2012-13 Budget figures.

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- user charges – ACT Government:
 - the decrease of \$2.304 million in the 2012-13 estimated outcome from the original budget is due to a decrease in the annual premiums received from agencies; and
 - the increase of \$3.488 million in the 2013-14 Budget from the 2012-13 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, predominantly in the medical malpractice and property classes.
- interest and distribution from investments with the Territory Banking Account:
 - the increase of \$3.402 million in the 2012-13 estimated outcome from the original budget is due to receiving a higher interest rate and subsequent returns on investments than budgeted; and
 - the decrease of \$5.358 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to an expected decrease in interest rates and investment returns.
- other expenses:
 - the decrease of \$13.396 million in the 2012-13 estimated outcome from the original budget is due to a decrease in the average claim size in the property class (\$14.494 million) and the settlement of the 2003 Bushfire public liability claim (\$1.592 million), partially offset by a reduction in expected reinsurance recoveries (\$2.690 million); and
 - the increase of \$19.183 million in the 2013-14 Budget from the 2012-13 estimated outcome is mainly due to the discounting of claim payments to adjust for the time value of money. Outstanding claims are valued using a discount rate derived from market yields on Commonwealth Government Bonds. The discount rates adopted match the weighted term to maturity of insurance claims. Lower levels of investments returns reduce the effects of discounting on the claims expense resulting in a higher claims cost.

Balance Sheet

- cash and cash equivalents:
 - the increase of \$0.570 million in the 2012-13 estimated outcome from the original budget is due to the increase in interest rates and return on investments; and
 - the increase of \$4.596 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to additional cash held to meet the cost of large claim settlements.
- current receivables: the increase of \$3.763 million in the 2012-13 estimated outcome from the original budget is due to a combination of an increase in anticipated current reinsurance recoveries from ordinary claims (\$1.422 million), and a movement in allocation between current and non current receivables (\$2.341 million).

- current investments:
 - the decrease of \$13.166 million in the 2012-13 estimated outcome from the original budget is primarily due to lower reinsurance recoveries and annual premiums received in 2012-13; and
 - the increase of \$19.433 million in the 2013-14 Budget from the 2012-13 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.
- non current receivables:
 - the decrease of \$64.791 million in the 2012-13 estimated outcome from the original budget is due to the settlement of the 2003 bushfire claim; and
 - the decrease of \$2.341 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to movements in the provision for reinsurance recoveries associated with changes in ordinary claims liabilities.
- non current investments:
 - the increase of \$6.180 million in the 2012-13 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 \$2.978 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to the movement of funds between long term and short term investment structures.
- current payables:
 - the decrease of \$9.623 million in the 2012-13 estimated outcome from the original budget is due to the movement of claim payments from current to non current due to revised assumptions around the timing of claim settlements; and
 - the increase of \$2.322 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to higher than anticipated claims liabilities.
- non current payables:
 - the decrease of \$101.591 million in the 2012-13 estimated outcome from the original budget is due to the settlement of the 2003 bushfire claim and a decrease in the ordinary claims liability; and
 - the increase of \$19.275 million in the 2013-14 Budget from the 2012-13 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

- other receipts: the increase of \$27.577 million in the 2012-13 estimated outcome from the original budget is mainly due to the growth in workers' compensation premiums (\$17.7 million) and an increase in GST collected (\$10.795 million).
- other payments: the increase of \$45.670 million in the 2012-13 estimated outcome from the original budget is mainly due to a combination of an increase in workers' compensation premiums paid (\$17.7 million), additional cash payments for ordinary claims (\$17.175 million) and an increase in payments of GST (\$10.795 million).