

# ACT INSURANCE AUTHORITY

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## 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's Directorate, the Default Insurance Fund.

## 2011-12 Priorities

Strategic and operational issues to be pursued in 2011-12 include:

- implementing a program of reinsurance to protect the Territory budget based on an appropriate balance between risk transferred and risk retained;
- implementing a revised ACT Government Risk Management Policy based on *ISO 31000: 2009 – Risk Management* and industry best practice;
- developing an enhanced program of general and targeted risk management training programmes for Territory agencies;
- conducting regular reviews of existing claims to ensure that appropriate management is being applied and that realistic claim estimates are included in financial statements;
- completing a review of the Territory's insurance program required to comply with amended arrangements under the Natural Disasters Recovery and Relief Arrangements (NDRRA); and
- facilitating agency access to the claims reporting and data analysis to support the risk managed approach to operational and asset management.

## Estimated Employment Level

2009-10 Actual Outcome	2010-11 Budget	2010-11 Est. Outcome	2011-12 Budget
14 Staffing (FTE)	14	14	14

## Changes to Appropriation

### Changes to Appropriation - Controlled

	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Injections	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Budget</b>	<b>10,000</b>	-	-	-	-
Saving - Capital Injection - Return to Government	(10,000)	-	-	-	-
<b>2011-12 Budget</b>	-	-	-	-	-

**ACT Insurance Authority  
Operating Statement**

<b>2010-11 Budget \$'000</b>		<b>2010-11 Est.Outcome \$'000</b>	<b>2011-12 Budget \$'000</b>	<b>Var %</b>	<b>2012-13 Estimate \$'000</b>	<b>2013-14 Estimate \$'000</b>	<b>2014-15 Estimate \$'000</b>
<b>Income</b>							
<b>Revenue</b>							
50,163	User Charges - ACT Government	50,124	53,735	7	57,765	62,097	66,755
12,129	Interest	14,648	15,493	6	16,808	18,135	19,579
2,893	Other Revenue	7,869	3,133	-60	2,639	2,739	2,726
<b>65,185</b>	<b>Total Revenue</b>	<b>72,641</b>	<b>72,361</b>	<b>..</b>	<b>77,212</b>	<b>82,971</b>	<b>89,060</b>
<b>Gains</b>							
<b>0</b>	<b>Total Gains</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>65,185</b>	<b>Total Income</b>	<b>72,641</b>	<b>72,361</b>	<b>..</b>	<b>77,212</b>	<b>82,971</b>	<b>89,060</b>
<b>Expenses</b>							
1,395	Employee Expenses	1,462	1,545	6	1,574	1,592	1,593
248	Superannuation Expenses	253	244	-4	248	249	248
1,454	Supplies and Services	1,411	1,445	2	1,275	1,303	1,335
64,692	Other Expenses	67,347	66,754	-1	74,786	79,561	84,993
<b>67,789</b>	<b>Total Ordinary Expenses</b>	<b>70,473</b>	<b>69,988</b>	<b>-1</b>	<b>77,883</b>	<b>82,705</b>	<b>88,169</b>
<b>-2,604</b>	<b>Operating Result</b>	<b>2,168</b>	<b>2,373</b>	<b>9</b>	<b>-671</b>	<b>266</b>	<b>891</b>
<b>-2,604</b>	<b>Total Comprehensive Income</b>	<b>2,168</b>	<b>2,373</b>	<b>9</b>	<b>-671</b>	<b>266</b>	<b>891</b>

**ACT Insurance Authority  
Balance Sheet**

<b>Budget as at 30/6/11 \$'000</b>		<b>Est.Outcome as at 30/6/11 \$'000</b>	<b>Planned as at 30/6/12 \$'000</b>	<b>Var %</b>	<b>Planned as at 30/6/13 \$'000</b>	<b>Planned as at 30/6/14 \$'000</b>	<b>Planned as at 30/6/15 \$'000</b>
<b>Current Assets</b>							
252,054	Cash and Cash Equivalents	240,079	259,678	8	286,240	315,717	368,246
4,702	Receivables	9,404	7,634	-19	5,633	5,148	5,127
86	Other	684	684	-	684	684	684
<b>256,842</b>	<b>Total Current Assets</b>	<b>250,167</b>	<b>267,996</b>	<b>7</b>	<b>292,557</b>	<b>321,549</b>	<b>374,057</b>
<b>Non Current Assets</b>							
137,236	Receivables	69,538	69,462	..	69,064	68,159	67,714
53,294	Investments	56,950	54,443	-4	51,936	49,429	46,922
140	Other	468	468	-	468	468	468
<b>190,670</b>	<b>Total Non Current Assets</b>	<b>126,956</b>	<b>124,373</b>	<b>-2</b>	<b>121,468</b>	<b>118,056</b>	<b>115,104</b>
<b>447,512</b>	<b>TOTAL ASSETS</b>	<b>377,123</b>	<b>392,369</b>	<b>4</b>	<b>414,025</b>	<b>439,605</b>	<b>489,161</b>
<b>Current Liabilities</b>							
42,406	Payables	48,551	59,775	23	70,774	76,785	82,796
263	Employee Benefits	415	420	1	420	420	420
87	Other	684	684	-	684	684	684
<b>42,756</b>	<b>Total Current Liabilities</b>	<b>49,650</b>	<b>60,879</b>	<b>23</b>	<b>71,878</b>	<b>77,889</b>	<b>83,900</b>
<b>Non Current Liabilities</b>							
383,907	Payables	323,838	325,482	1	336,809	356,112	398,766
192	Employee Benefits	41	41	-	42	42	42
<b>384,099</b>	<b>Total Non Current Liabilities</b>	<b>323,879</b>	<b>325,523</b>	<b>1</b>	<b>336,851</b>	<b>356,154</b>	<b>398,808</b>
<b>426,855</b>	<b>TOTAL LIABILITIES</b>	<b>373,529</b>	<b>386,402</b>	<b>3</b>	<b>408,729</b>	<b>434,043</b>	<b>482,708</b>
<b>20,657</b>	<b>NET ASSETS</b>	<b>3,594</b>	<b>5,967</b>	<b>66</b>	<b>5,296</b>	<b>5,562</b>	<b>6,453</b>
<b>REPRESENTED BY FUNDS EMPLOYED</b>							
20,657	Accumulated Funds	3,594	5,967	66	5,296	5,562	6,453
<b>20,657</b>	<b>TOTAL FUNDS EMPLOYED</b>	<b>3,594</b>	<b>5,967</b>	<b>66</b>	<b>5,296</b>	<b>5,562</b>	<b>6,453</b>

**ACT Insurance Authority  
Cash Flow Statement**

2010-11 Budget \$'000		2010-11 Est.Outcome \$'000	2011-12 Budget \$'000	Var %	2012-13 Estimate \$'000	2013-14 Estimate \$'000	2014-15 Estimate \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
50,163	User Charges	50,124	53,735	7	57,765	62,097	66,755
12,129	Interest Received	14,648	15,493	6	16,808	18,135	19,579
47,149	Other Revenue	63,618	65,540	3	65,770	64,319	63,427
<b>109,441</b>	<b>Operating Receipts</b>	<b>128,390</b>	<b>134,768</b>	<b>5</b>	<b>140,343</b>	<b>144,551</b>	<b>149,761</b>
<b>Payments</b>							
1,390	Related to Employees	1,450	1,540	6	1,574	1,592	1,593
248	Related to Superannuation	253	244	-4	247	249	248
1,446	Related to Supplies and Services	1,403	1,438	2	1,268	1,296	1,328
72,277	Other	90,799	108,034	19	106,824	108,070	90,150
<b>75,361</b>	<b>Operating Payments</b>	<b>93,905</b>	<b>111,256</b>	<b>18</b>	<b>109,913</b>	<b>111,207</b>	<b>93,319</b>
<b>34,080</b>	<b>NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>34,485</b>	<b>23,512</b>	<b>-32</b>	<b>30,430</b>	<b>33,344</b>	<b>56,442</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<b>Receipts</b>							
911	Proceeds from Sale/Maturities of Investments	911	911	-	911	911	911
<b>911</b>	<b>Investing Receipts</b>	<b>911</b>	<b>911</b>	<b>-</b>	<b>911</b>	<b>911</b>	<b>911</b>
<b>Payments</b>							
4,866	Purchase of Investments	4,826	4,824	..	4,779	4,778	4,824
<b>4,866</b>	<b>Investing Payments</b>	<b>4,826</b>	<b>4,824</b>	<b>..</b>	<b>4,779</b>	<b>4,778</b>	<b>4,824</b>
<b>-3,955</b>	<b>NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-3,915</b>	<b>-3,913</b>	<b>..</b>	<b>-3,868</b>	<b>-3,867</b>	<b>-3,913</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<b>Receipts</b>							
10,000	Capital Injection from Government	0	0	-	0	0	0
<b>10,000</b>	<b>Financing Receipts</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>10,000</b>	<b>NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>40,125</b>	<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>30,570</b>	<b>19,599</b>	<b>-36</b>	<b>26,562</b>	<b>29,477</b>	<b>52,529</b>
<b>211,929</b>	<b>CASH AT BEGINNING OF REPORTING PERIOD</b>	<b>209,509</b>	<b>240,079</b>	<b>15</b>	<b>259,678</b>	<b>286,240</b>	<b>315,717</b>
<b>252,054</b>	<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>240,079</b>	<b>259,678</b>	<b>8</b>	<b>286,240</b>	<b>315,717</b>	<b>368,246</b>

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

Budget as at 30/6/11 \$'000		Est. Outcome as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000	%	Planned as at 30/6/13 \$'000	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000
	<b>Opening Equity</b>						
13,261	Opening Accumulated Funds	1,426	3,594	152	5,967	5,296	5,562
<b>13,261</b>	<b>Balance at the Start of the Reporting Period</b>	<b>1,426</b>	<b>3,594</b>	<b>152</b>	<b>5,967</b>	<b>5,296</b>	<b>5,562</b>
	<b>Comprehensive Income</b>						
-2,604	Operating Result for the Period	2,168	2,373	9	-671	266	891
<b>-2,604</b>	<b>Total Comprehensive Income</b>	<b>2,168</b>	<b>2,373</b>	<b>9</b>	<b>-671</b>	<b>266</b>	<b>891</b>
<b>0</b>	<b>Total Movement In Reserves</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Transactions Involving Owners Affecting Accumulated Funds</b>						
10,000	Capital Injections	0	0	-	0	0	0
<b>10,000</b>	<b>Total Transactions Involving Owners Affecting Accumulated Funds</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Closing Equity</b>						
20,657	Closing Accumulated Funds	3,594	5,967	66	5,296	5,562	6,453
<b>20,657</b>	<b>Balance at the End of the Reporting Period</b>	<b>3,594</b>	<b>5,967</b>	<b>66</b>	<b>5,296</b>	<b>5,562</b>	<b>6,453</b>

## Notes to the Budget Statements

Significant variations are as follows:

### *Operating Statement*

- user charges - ACT Government: the increase of \$3.611 million in the 2011-12 Budget from the 2010-11 estimated outcome is due to an increase in the annual insurance premiums charged to agencies. The premiums recognise a slight increase in the net expected cost of future claims, predominantly in the medical malpractice class.
- interest: the increase of \$2.519 million in the 2010-11 estimated outcome from the original budget and the increase of \$0.845 million in the 2011-12 Budget from the 2010-11 estimated outcome reflects higher than anticipated interest rates, and higher investment deposit levels.
- other revenue: the increase of \$4.976 million in the 2010-11 estimated outcome from the original budget and the decrease of \$4.736 million in the 2011-12 Budget from the 2010-11 estimated outcome is due primarily to movements in expected reinsurance recoveries due to higher than expected storm damage.

- other expenses:
  - the increase of \$2.655 million in the 2010-11 estimated outcome from the original budget mainly reflects higher than anticipated claims costs as a result of property damage from storms in late 2010 and the increasing cost of medical malpractice claims; and
  - the decrease of \$0.593 million in the 2011-12 Budget from the 2010-11 estimated outcome recognises a decrease in the net expected cost of future claims, especially those arising from property.

### *Balance Sheet*

- cash and cash equivalents:
  - the decrease of \$11.975 million in the 2010-11 estimated outcome from the original budget is due primarily to higher than anticipated payments at 30 June 2010 (\$2.4 million), higher claim payments during the 2010-11 period (\$5.3 million), and the removal of the capital injection (\$10 million). This is offset by the decreased cost of reinsurance (\$1.8 million), increased interest receipts (\$2.5 million) and reinsurance recoveries (\$1.5 million); and
  - the increase of \$19.599 million in the 2011-12 Budget from the 2010-11 estimated outcome is primarily due to the continued building of investment assets in order to meet future claims.
- receivables current: the increase of \$4.702 million in the 2010-11 estimated outcome from the original budget and the decrease of \$1.770 million in the 2011-12 Budget from the 2010-11 estimated outcome reflects an increase in reinsurance recoveries in 2010-11 due to storm damage.
- other current and non current assets: the increase of \$0.597 million current and \$0.328 million non current assets in the 2010-11 estimated outcome from the original budget is due to prepayment of contract works insurance.
- receivables non current: the decrease of \$67.698 million in the 2010-11 estimated outcome from the original budget recognises movement in the provision for reinsurance recoveries associated with changes in both bushfire and ordinary claims liabilities.
- investments non current: the increase of \$3.656 million in the 2010-11 estimated outcome from the original budget and the decrease of \$2.507 million in the 2011-12 Budget from the 2010-11 estimated outcome reflects the movement of funds between short term and longer term investment structures.
- payables current:
  - the increase of \$6.145 million in the 2010-11 estimated outcome from the original budget reflects the movement of claims from non-current to current due to changing assumptions around claim settlement times; and
  - the increase of \$11.224 million in the 2011-12 Budget from the 2010-11 estimated outcome reflects higher than anticipated claims liabilities due to growth in large claims, particularly in medical malpractice.
- other current liabilities: the increase of \$0.597 million in the 2010-11 estimated outcome from the original budget is due to premiums received in advance for contract works insurance.

- employee benefits current and non current: the increase of \$0.152 million current and decrease of \$0.151 million non current in the 2010-11 estimated outcome from the original budget is due to the movement of long service leave from non current to current liabilities.
- payables non current:
  - the decrease of \$60.069 million in the 2010-11 estimated outcome from the original budget reflects movement in the provision for claims liability associated with changes in bushfire reserves; and
  - the increase of \$1.644 million in the 2011-12 Budget from the 2010-11 estimated outcome reflects the anticipated growth in the cost of future claims.

#### *Cash Flow Statement*

- capital injection from government: the decrease of \$10 million in the 2010-11 estimated outcome from the original budget is due to additional funds not being required in 2010-11 as a result of an improved cash position.

#### *Statement of Changes in Equity*

Variances in the statement are explained in the notes above.