ACTIA
Australian Capital Territory Insurance Authority

AUSTRALIAN CAPITAL TERRITORY INSURANCE AUTHORITY

ANNUAL REPORT 2013–14

AUSTRALIAN CAPITAL TERRITORY INSURANCE AUTHORITY

ANNUAL REPORT

1 JULY 2013 to 30 JUNE 2014

September 2014

ACT Insurance Authority

The Australian Capital Territory Insurance 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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PART 1

SECTION A

TRANSMITTAL CERTIFICATE

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 2014.

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 2013 to 30 June 2014 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
15 September 2014

John Fletcher
General Manager
15 September 2014

PART 1
SECTION B
PERFORMANCE REPORTING

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; we 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 just over $23 billion of insured assets, with annual premium revenue of $58.7 million, and $367 million in investments and other assets.

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.

The Authority reported to the Treasurer through the Director-General Commerce and Works 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), Mr Peter Matthews, and Ms Karen Doran Executive Director, Economic and Financial Policy Group, Chief Minister, Treasury and Economic Development Directorate.

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 in Section C.1.1.

B.1.1 Functions

The functions of the Authority are specified in Section 8 of the *Insurance Act 2005* 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;
- 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 CTP Insurance Scheme; and
- the Default Insurance Fund, for default claims under the ACT Private Workers Compensation Scheme.

B.1.2 Clients

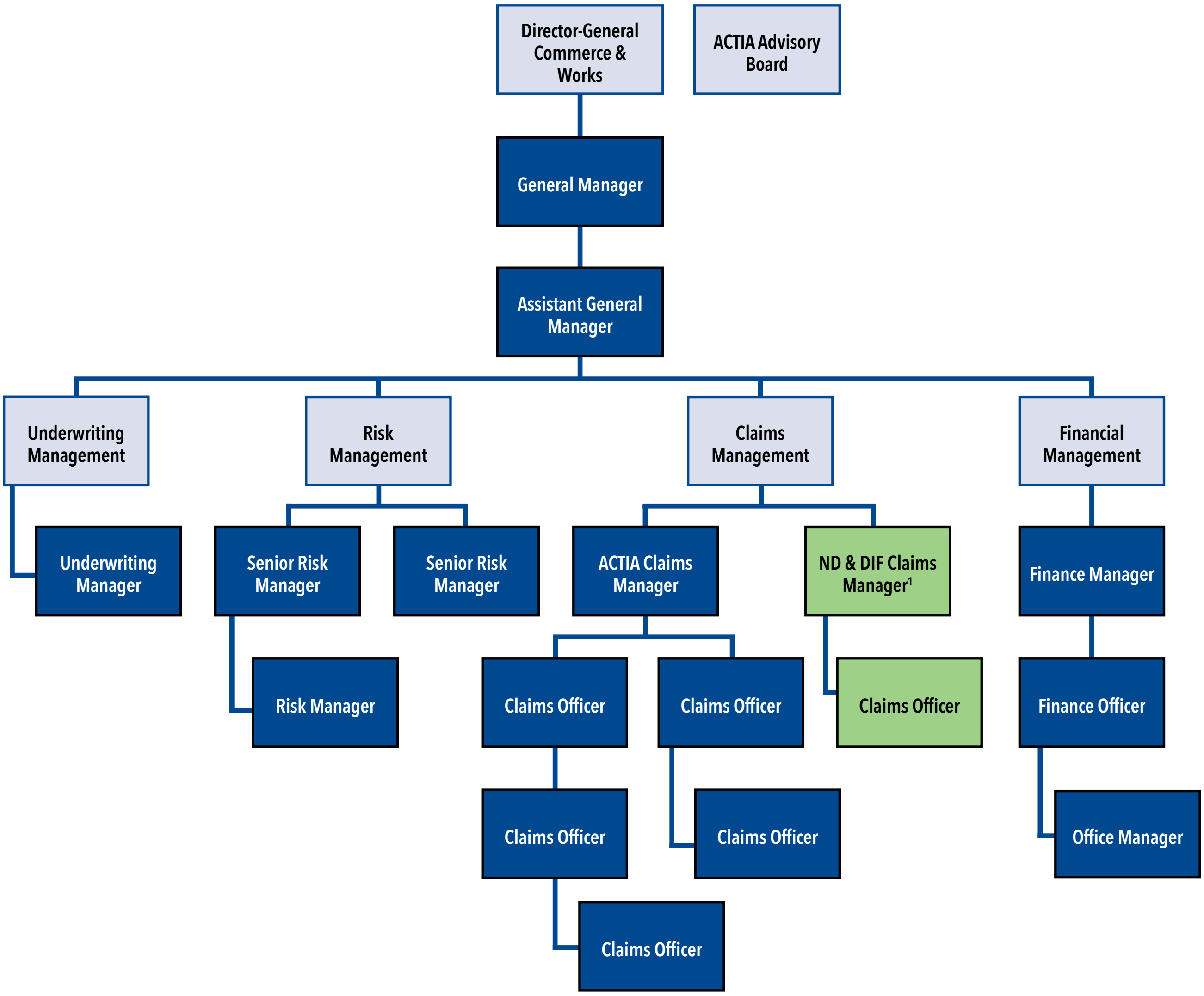
The Authority insures all ACT Government Directorates and Statutory Authorities. The core services provided to Directorates are: insurance via indemnity agreements, claims and risk management services.

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

In 2013-14 the management structure of the Authority consisted 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 formerly the Chief Minister and Treasury Directorate. In addition, the Office of Nominal Defendant for the ACT is also managed by ACTIA fund management staff.

B.1.4 Highlights

Highlights during the 2013–14 year were:

ACTIA Reinsurance Program Placement 2014–15

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. In 2013–14, the Authority achieved 100% placement of the agreed reinsurance program for 2014–15. The Authority was able to position the Territory to take advantage of a competitive market and achieved a premium saving of $750,000 on the reinsurance renewal, without compromising long term relationships with lead underwriters in the Australian and London insurance markets.

ACTIA Financial Condition Review

In June 2013, the Authority engaged PwC to undertake a financial condition review of its operations with a view to confirming the strength of the Authority's current financial standing and to explore areas of potential improvement. The review addressed the Authority's approach to underwriting and premium setting, reinsurance arrangements, investment and capital management strategy and the outstanding claims liability.

In summary, PwC concluded that ACTIA is in a strong position to continue to deliver sustainable operating results into the future. PwC identified the strengths that ACTIA currently displays including:

- a strong capital position resulting from a stable investment strategy and improved recent claims experience,
- sound approaches to the reinsurance arrangements with appropriate considerations of retentions and limits,
- strong pricing, underwriting and claims management functions including the collection of fully funded premiums and improved data collection process.

The report recommended some areas for potential improvement which are summarised below:

Insurance Liability Valuation:

- ACTIA should continue to consider their discounting approach to address the impact of volatility in the yield curve – (Completed).

Pricing, Underwriting and Claims Management:

- ACTIA should consider establishing a database that records a consistent set of risk measures for each agency over time so as to be able to use the collected risk measures to improve the allocation of premiums across agencies – (Ongoing).
- ACTIA may wish to consider using a fixed rate of investment in premiums rather than discount rates based on the yields of Commonwealth Government Securities – (Underway).

Asset, Liability and Capital Management:

- ACTIA should consider developing a capital management policy that establishes a target funding ratio range and management actions to address capital positions outside of the target – (Completed).
- ACTIA should consider formalising an investment mandate that outlines the risk, return and investment horizon profile it wishes to invest in – (Underway).

ACTIA Capital Management Plan

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% with an adopted target funding ratio of 100%. 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).

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.

In accordance with the ACTIA Capital Management Plan 2013–14, the Authority transferred capital of $50 million to Treasury in May 2014 following the consideration of the mid-year revaluation of liabilities.

The Authority's funding ratio as at 30 June 2014 is 122%, which equates to a balance sheet surplus of $66.6 million.

Reduction in Outstanding Claims Liability

The Authority completed a valuation of its claims liabilities as at 30 June 2014. The valuation resulted in a decrease on outstanding claims liabilities of $14.1 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. 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. This decrease has resulted in an overall reduction in ordinary claims expenses of $42.2 million against budget.

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 projects and operational programs. This consultancy support includes a number of activities such as: facilitating risk assessment workshops; support of risk management and audit committees within Directorates; presentations of topical issues 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, with limited claims experience from which to derive actuarial assumptions. The majority of ACTIA'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 moves towards a mature state. 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 and in the absence of catastrophic property losses in the region.

ACTIA 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's risk management team continues to provide assistance to agencies. During the year ACTIA staff delivered a total of 25 general and agency specific risk management training courses to various Territory agencies.

The Authority intends to implement the following key strategies in 2014–15 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.2 Performance Analysis

The Authority has met, and in many cases exceeded, accountability indicator measures as detailed in the *ACTIA Statement of Intent 2013–14*.

A summary of the outcome achieved against each of the ACTIA principal objectives and accountability indicators follows:

Carry on the business of insurer of Territory risks

Conduct an annual customer satisfaction survey

Outcome

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

Surveys were sent to the Directors-General of all ACT Government Directorates, Statutory Authorities and to insurance contacts of agencies insured by the Authority. The authority received 19 responses from a cross section of agency clients.

The survey asked respondents to rate their level of satisfaction against key areas of service delivery including insurance claims management, risk management and financial management. Respondents were asked to confirm that they were satisfied with the overall performance of the Authority as their insurance service provider, 95% "agreed" or "strongly agreed" with this statement.

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; access to quality risk management training; understanding of the government service delivery environment and our strong relationships with Directorate insurance contacts.

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

General and administrative expense as a percentage of total revenue

Outcome

General and administrative expenses represent 3.8% of ordinary revenue. This is 0.8% improvement on the target of 4.6%.

The Authority operated within budget for general and administrative expenses in 2013–14.

ACTIA management and staff continue to work on improving operational efficiency without compromising on the service delivery expectations of customers.

Determine annual insurance premiums for Territory agencies

Outcome

ACTIA completed an annual review of agency insurance premiums, with assistance from the fund actuary PwC for the 2014–15 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.

Average Number of Days to Process an Insurance Payment

Outcome

During 2013–14 it took an average of 6 days to reimburse agencies for insurance settlements. This is 14 days less than the target of 20 days.

Take out insurance of Territory risks with other entities

Review the Territory's insurance and reinsurance program

Outcome

ACTIA 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 Director-General 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 ACTIA, claims experience reports and an asset review exercise enables ACTIA to develop and deliver the ACTIA Reinsurance Program.

ACTIA was able to achieve placement of 100% of the Territory's reinsurance program for 2014–15 with the London and Australian insurance markets within budget.

The program renewal included an increase of 4.5% in the value of insured assets now totalling $23 billion and growth in general risk exposures of approximately 3–5%. ACTIA was able to position the Territory to take advantage of a competitive market and achieved a premium saving of $750,000 on the 2013–14 reinsurance renewal, without compromising long term relationships with lead underwriters in the Australian and London insurance markets.

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

Outcome

ACTIA 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 2013–14 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.

Satisfy or settle claims in relation to Territory risks

Quarterly review of claims

Outcome

Quarterly claims review meetings were held for public liability and medical malpractice claims during 2013–14. The claim review meetings were attended by Authority staff and representatives of the Government Solicitor's Office, ACTIA's insurance brokers, Marsh, as well as external insurers and their solicitors, where appropriate. Claims estimated at $500,000 or greater were reviewed and reserves adjusted where appropriate.

ACTIA 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.

Number of active insurance claims and incidents

Outcome

The Authority's claims management system shows that there were 651 open claims and incidents and that 7,219 claims and incidents were closed during the financial year.

This is a decrease on the forecast 2013–14 outcome that reflects a decrease (28.3%) in the number of overall claims and incident notifications received by the Authority. It is important to note that the vast majority of reported incidents will not result in a claim for compensation. ACTIA continues to work with agencies to refine incident reporting practices.

It is expected that the ultimate number of claims will increase over time due to the lengthy period between claims notification and settlement for medical malpractice and public liability claims that form the majority of ACTIA's claims.

Develop and promote good practices for the management of Territory risks

Provide Risk Management Profile Reports

Outcome

In September 2013 and March 2014, ACTIA 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 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 of risk management training courses

Outcome

The Authority's risk managers delivered 25 training sessions to approximately 450 Territory staff in 2013–14. The courses offered are "Introduction to Risk Management", "Managing Risk in Project Management" and "Managing Risk in Events". 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 provided an increased number of tailored training solutions directly to Directorate business units. These have included specifically tailored courses to provide Territory staff with an understanding of the

ACT Government Risk Management Framework and introductory level courses where training exercises related specifically to attendee's job roles. The tailored training initiatives were a mixture of half day and full day training sessions.

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

Conduct Risk Management Performance and Improvement Reviews

Outcome

The Authority has previously assisted agencies by offering them an opportunity to undertake a review of risk management performance.

The reviews applied a risk management model 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-audit their risk management arrangements against the key principles of the ACT Government Risk Management Framework.

In February 2014, a decision was made to defer further agency reporting pending a review of the purpose and scope of this activity. While feedback from agencies indicated that the review process was helpful to identify areas for improvement, many agencies felt that this outcome was informed by their own in house audit and risk management governance arrangements. Similarly, the Authority has used information from the reviews to assist it in discussions with reinsurance underwriters. The Authority has been able to source this information by accessing agency annual reports and from direct contract with agencies.

B.3 Community Engagement and Support

It was not necessary for the Authority to undertake consultation with the public during 2013–14 as the Authority's functions do not require it to deal directly with the community. However, the Authority does provide risk management guidance to agencies who engage with the community regarding community matters such as the management and running of public events.

B.4 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	2012–13 Result	2013–14 Result	% Change
Authority Staff and Area				
Authority Staff	FTE	13.8	13.6	(1.4)
Workplace floor area	Area (m^2)	213.72	213.72	–
Stationery Energy Usage		[1] (see note)		
Electricity use	Kilowatt hours			N/A
Renewable Electricity use	Kilowatt hours			N/A
Natural Gas use	Megajoules			N/A
Transport Fuel Usage				
Total number of vehicles	Number	–	–	N/A
Total kilometres travelled	Kilometres	–	–	N/A
Fuel use – petrol	Kilolitres	–	–	N/A
Fuel use – Diesel	Kilolitres	–	–	N/A
Fuel use – Liquid Petroleum Gas (LPG)	Kilolitres	–	–	N/A

Indicator as at 30 June	Unit	2012–13 Result	2013–14 Result	% Change
Fuel use – Compressed Natural Gas (CNG)	Kilolitres	–	–	N/A
Water Usage		[1] (see note)		
Water use	Kilolitres			N/A
Resource Efficiency and Waste		[1] (see note)		
Reams of paper purchased	Reams			N/A
Recycled content of paper purchased	Percentage			N/A
Waste to landfill	Litres			N/A
Co-mingled material recycled	Litres			N/A
Paper & Cardboard recycled (include Secure paper)	Litres			N/A
Organic material recycled	Litres			N/A
Greenhouse Emissions		[1] (see note)		
Emissions from stationery energy use	Tonnes CO2-e			N/A
Emissions from Transport	Tonnes CO2-e			N/A
Total emissions	Tonnes CO2-e			N/A

1 Refer to Commerce & Works Directorate Annual Report

PART 1

SECTION C

GOVERNANCE AND ACCOUNTABILITY REPORTING

C.1 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 Authority and an advisory Board is established.

Under the Government's Administrative Arrangements 2013 (No 1), the ACT Insurance Authority resided within the Commerce and Works 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 2014 are shown in Section B.1.3.

Under the revised Administrative Arrangements 2014 (No 1) dated 4th July 2014, the ACT Insurance Authority will reside with the Chief Minister, Treasury and Economic Development Directorate.

C.1.1 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 Director-General Commerce and Works was the Authority and the appointees were 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 13 to June 14	4 of 4
Mr Peter Matthews	Member	July 13 to June 14	4 of 4
Ms Karen Doran	Member	July 13 to June 14	3 of 4

Mr David Sandoe OAM - Dip BIA, MBA, ANZIIF (Fellow) CIP, MCMI, FAIM, FAICD. Mr Sandoe has over 43 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 a member

of Defence Service Homes Insurance Scheme Advisory Board, 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 and is National Chairman of Prostate Cancer Foundation of Australia.

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 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 four occasions during 2013–14.

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

The Advisory Board was consulted on the following issues during 2013–14:

- review of major claims;
- reinsurance program for 2014–15;
- risk management matters; and
- actuarial and financial matters.

C.1.2 Internal & External Scrutiny

The valuation of outstanding insurance claims for 2013–14, completed by the Authority's actuaries PwC Actuarial Services, was peer reviewed by Cumpston Sarjeant Consulting Actuaries on behalf of the Auditor-General. The valuation was found to be reasonable.

During the reporting period the Authority was not subject to formal external scrutiny in relation to judicial review or by the ACT Ombudsman.

C.2 Risk Management and Internal Audit

C.2.1 Internal Audit

Internal audit for the Authority was provided by Commerce and Works Directorate (CWD) Audit Committee (the Committee). The Committee's functions are governed by the Audit Committee Charter.

Membership includes an independent Chair, independent Deputy Chair, two members from two other ACT directorates and 2 internal CWD members. Advisors, including a representative from the ACT Auditor-General's Office, also regularly attend meetings. Mr William Laurie was appointed as the Independent Chair in July 2011, and Ms Carol Lilley was appointed as Deputy Chair in July 2011.

Five general meetings were held during the year, with additional meetings held on 19 July 2013, 23 July 2013 and 7 August 2013 to review and clear the 2012–13 financial statements. The number of general meetings attended by committee members and observers is as follows:

Name of Member	Position	Duration	Meetings Attended
William Laurie	Independent Member and Chair	July 2013 to June 2014	5/5
Carol Lilley	Independent Member and Deputy Chair	July 2013 to June 2014	5/5
Andrew Whale	Member	July 2013 to June 2014	5/5
David Collett	Member	July 2013 to June 2014	5/5
Mark Whybrow	Member	July 2013 to June 2014	5/5
Kirsten Thompson	Member	July 2013 to June 2014	5/5

Internal audit services were provided by private audit firms. Internal audits were selected from an internal audit program developed by the Directorate after identifying areas of operational and financial risk. The proposed internal audit program was then approved by the Director-General and overseen by the Committee.

The internal audit program required ACTIA to complete audit activities in 2013–14:

- Insurance Claims Database Review; and
- ACTIA Physical Security.

C.2.2 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 IT risks. The Risk Management Plan is reviewed annually.

C.3 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.

C.4 Legislative Assembly Inquiries and Reports

During the reporting period the Authority did not participate in any Legislative Assembly Committee inquiries related to its operational activities.

PART 1

SECTION D

LEGISLATION BASED REPORTING

D.1 Public Interest Disclosure

The *Public Interest Disclosure Act 2012* (the Act) provides a mechanism for people to report wrongdoing in the ACT public sector. This action is referred to as making a 'public interest disclosure', and is less formally known as 'whistle blowing'. A Whole of Government Fact Sheet is available, which provides information on making a disclosure.

The Fact Sheet includes summary information on:

- what is a Public Interest Disclosure (PID);
- who can make a PID;
- how protection is provided to someone who makes a disclosure; and
- what happens after a disclosure is made.

The Fact Sheet also provides contact details to obtain further information in making a disclosure.

In 2013–14, the Authority did not have any public interest disclosure as described by the Act.

D.2 Freedom of Information

The Freedom of Information Act 1989 (FOI Act) provides a legally enforceable right of access by citizens to documents in the possession of the ACT Government.

Section 7 Statement

Public Participation in Decision-making

Section 7 of the FOI Act requires the Authority to prepare and publish a statement outlining organisation function and powers, public participation in decision making, the categories of documents available and facilities available to access documents.

The ACT Insurance Authority was established in 2001 by the *Insurance Authority Act 2000,* and now operates under the amended *Insurance Authority Act 2005* (the Act). Its functions under the Act are to:

- carry on the business of insurer of Territory risks;
- insure Territory risks with other entities;
- manage claims in relation to Territory risks; and
- promote good risk management practice by client agencies.
- carry out the role of the Office of the Nominal Defendant of the ACT; and
- administer, on behalf of the Chief Minister, Treasury and Economic Development Directorate formerly the Chief Minister and Treasury Directorate, the Default Insurance Fund.

The Authority is responsible for:

- advising the Treasurer on appropriate self-insurance strategies;
- the oversight of the management of the Government's own insurance arrangements;
- issuing policies of insurance to government agencies; and
- the oversight of risk management policy and its implementation in ACT Government agencies.

Documents held include insurance claim files, insurance declarations and agreements, management files and finance records.

Section 8 Statement

Agency Index of Decision-Making Documents

The Authority's Section 8 Statement is included with that of the Commerce and Works Directorate published in the *Commerce and Works Annual Report 2013–14*.

Commerce and Works makes available a Section 8 statement under the *ACT Freedom of Information Act 1989*, being an index of documents provided by the agency for the purpose of making a decision or recommendation under an enactment or scheme. The statement is available from Commerce and Works FOI Coordinator or the Commerce and Works website at http://www.cwd.act.gov.au/.

Freedom of information guidelines are available at the Commerce and Works website http://www.cwd.act.gov.au/documents-and-foi/foi

The Authority did not receive any requests for access to documents under the *Freedom of Information Act 1989* during 2013–14.

D.3 Human Rights Act 2004

Commerce and Works complied with the human rights requirements introduced from 1 July 2004 following enactment of the *Human Rights Act 2004 (the Act)*. The Act imposes a duty on all public officials to operate within a human rights framework and to interpret legislation consistent with the Act.

The Authority adheres to the principles as set out in the Act. The Authority is committed to a workplace that respects, protects and promotes human rights. Where possible the Authority will integrate the human rights standards into its strategic and operational planning processes. Staff are able to undertake training on human rights principles as part of their personal development programs and have access to information on human rights and the scrutiny process. The Authority has not developed any policy proposals that require consultation with the Human Rights Unit and the Authority does not administer any legislation which has substantial human rights implications.

D.4 Territory Records

The *Territory Records Act 2002* requires each agency to have an approved records management program. The Authority complies with the *Territory Records Act 2002*

The Authority has adopted the "whole of government" approach to record creation and storage, as directed by Territory Records Office for all new files created from 1 July 2009 onwards.

ACTIA generates individual claim files for each claimant or plaintiff, and relevant details are recorded in the Authority's claims management computer system. An archive field has been allocated in this system to record file movements to Territory archiving facilities. Boxed files are issued with a barcode reference number once they are archived by Record Services. These codes are then recorded in the archive field on the claimant file in the claims system database. A hard copy of all archive transfers complete with the box reference numbers is kept in a secure place. Staff within the Authority have undergone appropriate training in records management.

D.5 Legal Services Directions

D.5.1 Model Litigant Guidelines

This report is prepared in accordance with section 5AC of the *Law Officer Act 2011*, which states that agencies must report on measures to ensure compliance with the model litigant guidelines. The model litigant guidelines apply to Territory legal work, including conduct that may lead to litigation in the future, even if advice has not been sought from the ACT Government Solicitor's Office (ACTGSO).

The Chief Executive has the following procedures in place to ensure that the Authority is aware of and complying with the Guidelines.

(1) The General Manager is advised on a monthly basis on the status of all current litigation and legal proceedings. The General Manager is also advised on a weekly basis of the current status of all Freedom of Information requests;

(2) The Authority's legal services are provided by the ACT Government Solicitor's Office, which reviews the Authority's instructions to ensure compliance with the guidelines. The Authority is able to rely upon the ACTGSO to identify those matters where a question arises as to compliance with the Model Litigant Guidelines and to address it or elevate it within the department as appropriate; and

(3) All staff involved in claims procedures or other decisions which may at some point become the subject of litigation are informed of the guidelines and instructed to comply with them, referring any queries to the ACTGSO.

The Authority is not aware of any breaches of the Model Litigant Guidelines during the financial year.

D.6 Notices of Non Compliance

The Authority does not issue any notices in line with the *Dangerous Substances ACT 2004*, section 200 and *Medicines, Poisons and Therapeutic Good ACT 2008*, section 177.

D.7 Bushfire Risk Management

The Authority is office based, within the Canberra CBD, and does not use any bush-fire prone government land. As such, this item does not apply.

D.8 Commissioner for the Environment

The Authority has made no reports to, nor received requests for information from, the Commissioner for the Environment. The activities of the Authority do not have a significant environmental impact.

PART 1
SECTION E
HUMAN RESOURCES MANAGEMENT REPORTING

E.1 Human Resources Management

The Authority was supported by the Commerce and Works Directorate Strategic HR team who provide strategic, operational and technical advice and support as issues arise and through the strategic enablers of Workforce Planning, Learning and Development Strategy, Health and Wellbeing and early intervention for strategies for injured workers.

The Authority is committed to the ACTPS Code of Conduct and the Respect Equity and Diversity (RED) Frameworks 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.

E.2 Learning and Development

The key development and learning priorities for the Authority have been identified as risk management, insurance, finance and ICT. During 2013–14, 6 staff undertook 6 formal training courses and attended conferences and seminars in these areas.

The cost of training courses undertaken in 2013–14 totalled $10,215.

E.3 Workplace Health and Safety

The Authority manages workplace health and safety in accordance with the provisions of the *Work Safety Act 2011* (WS Act). The Authority is committed to maintaining the health and safety of its employees and arranges ongoing training throughout the year for the following:

- two work safety representatives;
- three qualified first aid officers; and
- one fire warden.

Reporting Requirements under the *Work Safety Act 2011*

During the report period ACTIA 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.

Measures taken during the year to ensure the health, safety and welfare of employees:

- two officers have purchased leave arrangements;
- six officers have flexible working arrangements;
- one officer has study leave arrangements;
- four officers are members of the Nara Centre Emergency Response Training Team; and
- five officers had an influenza vaccination.

The Authority was covered by the following Commerce and Works Directorate Human Resource Management arrangements:

- CWD Work Health and Safety Consultation Framework;
- CWD Health and Well being Framework; and
- CWD Workplace Health and Safety Plan.

Details of the above arrangements are available in the Commerce and Works Directorate Annual Report 2013–14.

E.4 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. There are no Special Employment Arrangements (SEAs) or Australian Workplace Agreements (AWAs) in place.

E.5 Staffing Profile

The following tables provides statistical information for permanent staff of the Authority for 2013–14:

FTE & Headcount by gender

	Female	Male
FTE by Gender	10.8	3
Headcount by Gender	12	3
% of Workforce	80.0%	20.0%

Headcount by classification and gender

Classification Group	Female	Male	Total
Administrative Officers	8	–	8
Senior Officers	4	2	6
Executive Officers	–	1	1
TOTAL	**12**	**3**	**15**

Headcount by employment category and gender

Employment Category	Female	Male	Total
Casual	–	–	–
Permanent Full-time	9	2	11
Permanent Part-time	3	–	3
Temporary Full-time	–	1	1
Temporary Part-time	–	–	–
TOTAL	**12**	**3**	**15**

FTE and headcount by division/branch

Division/ Branch	FTE	Headcount
ACT Insurance Authority	13.8	15
Total	**13.8**	**15**

Headcount by division/branch and employment type

Division/ Branch	Permanent	Temporary	Casual
ACT Insurance Authority	14	1	–
Total	**14**	**1**	**–**

Headcount by age group and gender

Age Group	Female	Male	Total
Under 25	–	–	–
25-34	1	–	1
35-44	6	–	6
45-54	5	2	7
55 and over	–	1	1

Headcount by length of service, generation and gender

Average Length of Service	Pre-Baby Boomers		Baby Boomers		Generation X		Generation Y		Total	
	F	M	F	M	F	M	F	M	F	M
0-2	–	–	–	–	2	–	–	–	2	–
2-4	–	–	–	–	–	–	–	–	–	–
4-6	–	–	–	–	3	1	–	–	3	1
6-8	–	–	1	1	1	–	–	–	2	1
8-10	–	–	–	1	1	–	1	–	2	1
10-12	–	–	–	–	–	–	–	–	–	–
12-14	–	–	–	–	–	–	–	–	–	–
14+ years	–	–	1	–	2	–	–	–	3	–

Average length of service by gender (Headcount)

	Female	Male	Total
Average length of service	11.1	6.8	**10.2**

Headcount by diversity group

Diversity Group	Headcount	Percentage of Authority workforce
Aboriginal and Torres Strait Islander	–	–
Culturally & Linguistically Diverse	–	–
People with a disability	1	6.6%

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

PART 1

SECTION F

FINANCIAL MANAGEMENT REPORTING

F.1 Financial Management Analysis

The Authority's financial results are reported in Part 2 of this report. Part 2 Section A of the *2013–14 ACT Insurance Authority Annual Report* contains the Authority's Management Discussion and Analysis.

F.2 Financial Statements

The Authority's financial results are reported in Part 2 Section B of the *2013–14 ACT Insurance Authority Annual Report.*

F.3 Capital Works

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

F.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.

F.5 Government Contracting

The Authority engages consultants to perform a number of specialised functions. Consultants provide insurance broking services, 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*. KPIs have been developed for key consultants.

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.

External Sources of Labour

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

Name	Description	Cost	Date let	Procurement Type
Marsh	Insurance Broker	$314,000	October 2012	Open Tender
PwC	Actuarial advice and business services	$292,000	January 2013	Open Tender

F.6 Statement of Performance

The Authority's Statement of Performance is reported in Part 2 Section C of the *2013–14 ACT Insurance Authority Annual Report.* Narrative on the performance measures is also included in B.2 Performance Analysis.

PART 2

SECTION A

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis
ACT Insurance Authority
for the Financial Year Ended 30 June 2014

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.

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 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 parties business as a going concern;
- develop and promote good practices for the management of Territory risks;
- give advice to the Minister about insurance and the management of Territory risks;
- carry out the role of the Office of the Nominal Defendant of the ACT; and
- administer the Default Insurance Fund, on behalf of and under agreement with the Chief Minister, Treasury and Economic Development Directorate formerly the Chief Minister and Treasury Directorate.

Summary of the Authority's Operations

The Authority was established to insure the Territory. It operates as a 'captive insurer'. This means that it can only insure the Territory's risks. The Authority operates on a cost recovery basis by collecting premiums from ACT Government agencies. 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.

In 2013–14 the Authority achieved an operating surplus of **$47.1 million**, being **$50.3 million** higher than the budget estimate of **($3.2 million).**

The financial outcome was driven by:

- ordinary claims expense being **$42.2 million** lower than the budget estimate predominantly due to changes in actuarial assumptions used to value the authorities claims liabilities;
- distributions on investments being **$2.1 million** higher than the budget estimate due to higher than anticipated investment returns; and
- reinsurance recoveries on ordinary claims being **$3.4 million** higher than the budget estimate as a result of movement in the provision held for future recoveries.

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 2012–13 and 2013–14, and the forward estimates contained in the 2013–14 Budget Paper Number 4.

The Authority's operating result for 2013–14 is a surplus of **$47.1 million**, being **$50.3 million** higher than the budget estimate of **($3.2 million).**

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

Underwriting Gain/(Loss)

1. Components of Underwriting Gain/(Loss)

For the financial year ended 30 June 2014, the Authority recorded a total gain of **34.7 million**.

The largest components of the Authority's underwriting gain for 2013–14 were net incurred claims, which represent **$11.7 million,** and net earned premiums representing **$46.4 million**.

2. Comparison to Budget

The underwriting gain of **$34.7 million** was **$46.7 million**, or **389.0 percent** higher than the 2013–14 Budgeted loss of **($12 million).**

The underwriting result comprises of:

Net Earned Premiums

Net earned premium of **$46.4 million** was **$0.4 million**, or **1 percent** higher than the 2013–14 Budget of **$46 million**; and

Net Incurred Claim

Net incurred claims of **$11.7 million** were **$46.2 million**, or **79.8 percent** lower than the 2013–14 Budget of **$57.9 million**.

The claims expense was lower than budget 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 an increase in the assumed discount rate from 30 June 2013, a lower than expected inflation rate and a reduction in the expected number and settlement size of medical malpractice, public liability and professional indemnity claims based on favourable experience in recent years.

The lower claims expense was partially offset by the changes to the actuarial estimate of the reinsurance recoveries by **$3.4 million**.

3. Comparison to 2012–13 Actual

The underwriting gain of **$34.7 million** was **$1.5 million**, or **4.1 percent** lower than the 2012–13 actual result of **$36.2 million**.

4. Future Trends

The underwriting result for 2014–15 is budgeted to be a loss of **($3.5 million)**. This is a decrease of **$38.2 million** from the 2013–14 actual result of **$34.7 million,** predominantly due to a higher expected cost of claims.

Other Revenue

1. Components of Other Revenue

For the financial year ended 30 June 2014, the Authority recorded other revenue of **$15.5 million.**

The Authority collected **$13.7 million** in investment distributions and recorded a **$1.1 million** unrealised gain on investments.

2. Comparison to Budget

Other revenue for the year ending 30 June 2014 was **$15.5 million**, which was **$3.5 million** higher than the 2013–14 budget of **$12 million**, due to higher than anticipated investment returns.

3. Comparison to 2012–13 Actual

Other revenue was **$15.5 million** in 2013–14, **$6.1 million**, or **28.2 percent** lower than the 2012–13 actual result of **$21.6 million**, due to fewer distributions being received on the short-term investments.

4. Future Trends

Other revenue for 2014–15 is budgeted to be **$13.1 million**. This is a decrease of **$2.4 million** from the 2013–14 actual result of **$15.5 million,** predominantly due to a lower forecast of investment returns.

Other Expenses

1. Components of Other Expenses

For the financial year ended 30 June 2014, 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 2014, the Authority recorded general and administration expenses of **$3.0 million.**

The Authority paid **$1.6 million** in salaries and superannuation and **$1.4 million** in administration.

2. Comparison to Budget

General and administration expenses for the year ending 30 June 2014 were **$3 million**, which was **$0.2 million** lower than the 2013–14 budget of **$3.2 million**. This decrease is due to lower than anticipated staff costs.

3. Comparison to 2012–13 Actual

General and administration expenses were **$3.0 million** in 2013–14, **$0.3 million**, or **11.1 percent** higher than the 2012–13 actual result of **$2.7 million**. This small increase is predominantly due to increases in contractors and consultants costs, computing costs and accommodation costs offset by a decrease in salaries.

4. Future Trends

General and administration expenses for 2014–15 is budgeted to be **$3.0 million**.

Financial Position

Total Assets

1. Components of Total Assets

The total asset position as at 30 June 2014 is **$367.0 million**. The Authority held **$6.6 million** of its assets in cash equivalents and **$337.6 million** in short-term investments, **$0.3 million** of short-term reinsurance recoveries and a further **$5.3 million** in other current receivables and prepayments. The Authority also held non-current assets of **$12.1 million** in long-term investments and **$5.1 million** in reinsurance recoveries.

2. Comparison to Budget

The total asset position as at 30 June 2014 is **$367.0 million**, **$29.8 million** lower than the 2013–14 budget of **$396.8 million**. The decrease primarily reflects a reduction in long-term investments following a capital distribution of $50 million to the ACT Government in 2013–14.

3. Comparison to 2012–13 Actual

The Authority's total asset position of **$367.0 million** is **$19.2 million** lower than the 2012–13 actual position of **$386.2 million**.

The decrease primarily reflects the reduction in long-term investments following the capital distribution to the ACT Government.

Total Liabilities

1. Components of Total Liabilities

The majority of the Authority's total liabilities of **$300.5 million** relate to outstanding claims liabilities, **$298.4 million**.

2. Comparison to Budget

The Authority's liabilities for the year ended 30 June 2014 of **$300.5 million** were **$75.6 million** lower than the 2013–14 budget of **$376.1 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 2012–13 Actual

Total liabilities are **$16.4 million** lower than the 2012–13 actual result of **$316.9 million** due primarily to a decrease in the ordinary claims provision as a result of changing economic and actuarial assumptions.

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
	100 – 110%		Monitor and Maintain Financial Position
	95% – 100%		Consider Corrective Action
	Below 95%		Consider Capital Injection

Table 1 – Funding Ratio

Description	Actual $'000 2013–14	Budget $'000 2013–14	Prior Year Actual $'000 2012–13
Total Assets	367,020	396,784	386,249
Total Liabilities	300,469	376,112	316,853
Current Funding Ratio	122%	105%	122%

Following a capital distribution of $50 million to the ACT Government the Authority's funding ratio for the financial year ended 30 June 2014 was **122 percent.** This was higher than the budgeted funding ratio of **105 percent**. The increase reflects lower outstanding claims liabilities.

ACTIA will actively monitor underwriting performance as part of its financial reporting process, particularly at the mid and end of year financial reports, including updated information on the valuation of fund liabilities. Subject to mid-year valuation results the Authority will consider a return of capital, to bring the funding ratio within the target ratio of 100 – 110 percent.

PART 2

SECTION B

FINANCIAL STATEMENTS

A14/25

Mr David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
Level 1, Canberra Nara Centre
1 Constitution Avenue
CANBERRA CITY ACT 2601

Dear Mr Nicol

AUDIT REPORT – ACT INSURANCE AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Audit Office has completed the audit of the financial statements of the ACT Insurance Authority for the year ended 30 June 2014.

I have attached the audited financial statements and unqualified audit report.

A copy of the financial statements and audit report has been provided to the Treasurer, Mr Andrew Barr MLA.

Yours sincerely

M. Cooper.

Dr Maxine Cooper
Auditor-General
12 September 2014

c.c. Ms Kathy Leigh, Head of Service and Director-General, Chief Minister, Treasury and Economic Development Directorate
Mr John Fletcher, General Manager, ACT Insurance Authority
Mr Will Laurie, Chair, Internal Audit Committee

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 2014 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 Chief Executive Officer of the Authority 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.

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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 these financial statements. If users of these 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 2014:

(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 2014 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
12 September 2014

ACT INSURANCE AUTHORITY
FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

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 2014 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
8 September 2014

ACT INSURANCE AUTHORITY
FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

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 2014 and the financial position of the Authority on that date.

John Fletcher
General Manager
ACT Insurance Authority
8 September 2014

ACT INSURANCE AUTHORITY
Operating Statement
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
Ordinary activities				
Underwriting				
Gross Earned Insurance Premiums	7	**58,680**	58,949	55,462
Reinsurance Premiums	7	**(12,272)**	(12,958)	(12,409)
Net Earned Premiums	8	**46,408**	45,991	43,053
Claims Expense	7	**(15,745)**	(57,942)	(7,462)
Claims Expense – Bushfire	7	**-**	-	47,221
Reinsurance Recoveries /(Losses)	7	**3,441**	-	(1,194)
Reinsurance Recoveries/(Losses) – Bushfire	7	**-**	-	(45,630)
Other Underwriting Income	7	**576**	-	168
Net Incurred Claims	9	**(11,728)**	(57,942)	(6,896)
Underwriting Gain/(Loss)	7	**34,680**	(11,951)	36,156
Other Revenue				
Interest Revenue	10	**479**	216	254
Distribution Received	10	**13,723**	11,594	19,296
Unrealised Gains on Investments	10	**1,131**	-	1,907
Other Revenue	10	**127**	182	134
		15,460	11,992	21,591
Other Expenses				
Unrealised Losses on Investments	10	**-**	-	(1,875)
Contract Works Insurance	10	**23**	-	(69)
		23	-	(1,944)
General and Administration				
Employee Expenses	11	**(1,318)**	(1,667)	(1,469)
Superannuation Expenses	11	**(246)**	(256)	(253)
Supplies and Services	12	**(1,444)**	(1,303)	(957)
		(3,008)	(3,226)	(2,679)
Operating Surplus/(Deficit)		**47,155**	(3,185)	53,126
Other Comprehensive Income		**-**	-	-
Total Comprehensive Income/(Deficit)		**47,155**	(3,185)	53,126

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

ACT INSURANCE AUTHORITY
Balance Sheet
As at 30 June 2014

	Note No.	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
Current Assets				
Cash at bank	13	**6,578**	7,518	147
Investments	13	**337,590**	313,727	302,185
Receivables	14	**5,112**	6,501	7,389
Reinsurance Recoveries	15	**283**	1,380	6,254
Prepayments	18	**526**	779	633
Total Current Assets		**350,089**	329,905	316,608
Non-Current Assets				
Investments	13	**12,114**	57,679	61,389
Reinsurance Recoveries	15	**5,094**	9,493	7,976
Reinsurance Recoveries - Bushfire	15	**-**	(398)	-
Prepayments	18	**38**	105	276
Total Non-Current Assets		**17,246**	66,879	69,641
Total Assets		**367,335**	396,784	386,249
Current Liabilities				
Payables	16	**266**	223	177
Outstanding Claims	17	**28,837**	45,726	33,205
Outstanding Claims - Bushfire	17	**-**	2,094	2,304
Employee Benefits	19	**406**	339	522
Other Liabilities	18	**1,644**	782	3,336
Total Current Liabilities		**31,153**	49,164	39,544
Non-Current Liabilities				
Outstanding Claims	17	**269,560**	322,839	276,980
Outstanding Claims - Bushfire	17	**-**	3,846	-
Employee Benefits	19	**32**	158	55
Other Liabilities	18	**38**	105	274
Total Non-Current Liabilities		**269,630**	326,948	277,309
Total Liabilities		**300,783**	376,112	316,853
Net Assets		**66,552**	20,672	69,396
Equity				
Contributed Equity		**-**	43,855	43,855
Accumulated Funds/(Deficit)		**66,552**	(23,183)	25,541
Total Equity		**66,552**	20,672	69,396

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 2014

	Contributed Equity Actual 2014 $'000	Accumulated Funds Actual 2014 $'000	Total Equity Actual 2014 $'000	Original Budget 2014 $'000
Balance at 1 July 2013	**43,855**	**25,541**	**69,396**	**23,857**
Comprehensive Income				
Operating Surplus	-	47,155	47,155	(3,185)
Total Comprehensive Income	**43,855**	**72,697**	**116,552**	**(3,185)**
Transactions Involving Owners Affecting Accumulated Funds				
Capital Injections	-	-	-	-
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**	**20,672**

	Contributed Equity Actual 2013 $'000	Accumulated Funds/ (Deficit) Actual 2013 $'000	Total Equity Actual 2013 $'000
Balance at 1 July 2012	**43,855**	**(27,584)**	**16,270**
Comprehensive Income			
Operating Surplus	-	53,126	53,126
Total Comprehensive Income	**-**	**53,126**	**53,126**
Transactions Involving Owners Affecting Accumulated Funds			
Capital Injections	-	-	-
Capital (Distributions)	-	-	-
Total Transactions Involving Owners Affecting Accumulated Funds	**-**	**-**	**-**
Balance at 30 June 2013	**43,855**	**25,542**	**69,396**

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 2014

	Note	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
Cash Flows from Operating Activities				
Ordinary Activities				
Insurance Premiums Earned		**58,680**	58,949	55,462
Net Workers' Compensation Insurance (Premiums)/Refund		**(1,398)**	(45)	2,951
Net Contract Works Insurance Premiums		**-**	-	145
Reinsurance Premiums		**(12,272)**	(13,408)	(12,424)
Insurance Claims Payments		**(27,532)**	(34,448)	(38,193)
Insurance Claims Payments – Bushfire		**(2,304)**	-	(24,779)
Reinsurance and Other Recoveries Received		**12,687**	1,616	21,836
		27,861	12,664	4,998
Other				
Interest Received		**483**	216	259
Distributions Received		**16,386**	11,594	18,155
Other (Payments)/Receipts		**(291)**	-	253
General and Administration Payments		**(3,008)**	(3,175)	(2,999)
		13,570	8,635	15,668
Net Cash Inflows from Operating Activities	24	**41,431**	21,299	20,666
Cash Flows from Investing Activities				
Proceeds from Sale/Maturities of Investments		**65,000**	911	22,000
Purchase of Investments		**(50,000)**	(17,614)	(43,000)
Net Cash (Outflows) from Investing Activities		**15,000**	(16,703)	(21,000)
Cash Flows from Financing Activities				
Capital distributions to ACT Government		**(50,000)**	-	-
Net Cash (Outflows) from Financing Activities		**(50,000)**	-	-
Net Increase/(Decrease) in Cash		**6,431**	4,596	(334)
Cash at Bank at the Beginning of the Reporting Period		**147**	2,922	481
Cash at Bank at the End of the Reporting Period	13	**6,578**	7,518	147

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

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;
- 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 the Default Insurance Fund on behalf of, and under agreement, with the Chief Minister, Treasury and Economic Development Directorate formerly the Chief Minister and Treasury Directorate.

Note 2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The *Financial Management Act 1996* (FMA) requires the preparation of financial statements for Territory Authorities.

The FMA and the *Financial Management Guidelines* issued under the Act, requires that a Territory 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 Accounting - 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 2013 to 30 June 2014.

(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 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 on the Operating Statement.

(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 a 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 2013 to 30 June 2014.

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 2014, based on data at 30 June 2014.

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 2014 together with the financial position of the Authority as at 30 June 2014.

(j) Comparative Figures

Budget Figures
The *Financial Management Act 1996* requires the financial statements to facilitate a comparison with the budget detailed in the Authority's 2013-14 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. Liabilities are classified as current when they are due to be settled within twelve months after the reporting date or the Authority does not have an unconditional right to defer settlement of the liability for at least twelve 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 at bank

For the purposes of the Cash Flow Statement and the Balance Sheet, cash is cash at bank which are subject to an insignificant risk of changes in value. The Authority holds general operating bank accounts with the Commonwealth Bank Australia and 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 within 30 days after the issue of an invoice and the security of trade and other receivables is reviewed on an ongoing basis.

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.

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) 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.

Note 2. Summary of Significant Accounting Policies - Continued

(r) Employee Benefits

Employee benefits include:

- short-term employee benefits, 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, such as wages and salaries, annual leave loading and applicable on-costs;
- 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, 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 2013-14, the rate used to estimate the present value of future payments for annual leave is 100.9%.

In 2013-14, the rate used to estimate the present value of future payments for long service leave is 103.5% (101.3% in 2012-13).

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. Further information about this estimate is provided in Note 4(c) - Significant Accounting Judgements and Estimates.

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 are 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.

(s) 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.

Note 2. Summary of Significant Accounting Policies - Continued

(s) Superannuation - Continued

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 Superannuation Provision Account recognises the total Territory superannuation liability for the CSS, PSS, and ComSuper and the external schemes recognise the superannuation liability for PSSAP and other schemes respectively.

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.

(t) Equity Contributed by the ACT Government

Contributions made by the ACT Government, through its role as owner of the Authority are treated as contributions of equity.

(u) Assets Backing General Insurance Liabilities

The Authority holds assets to back general insurance liabilities.

The investment portfolio is managed by the Territory Banking Account on behalf of the Authority.

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 unrealised profits or losses recognised in the Operating Statement.

(v) 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. It is estimated that the effect of adopting the below pronouncements, when applicable, will have no material financial impact on the Authority in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2018);
- AASB 1031 Materiality (application date 1 January 2014)
- AASB 2010-7 Amendments to the Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (application date 1 January 2018); and
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part B Materiality (application date 1 January 2014) part C Financial Instruments (application date 1 January 2015).

Note 3. Change in Accounting Policy and Accounting Estimates

Changes in Accounting Estimates

Changes in Actuarial Assumptions

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

In 2013-14, the actuarial method used to determine the discount rate and inflation rate used in the calculation of the outstanding claims liabilities has changed. The new method is known as the 'gap approach' which takes a longer term view of the liabilities and reduces volatility in economic assumptions by applying a percentage gap between the discount rate and the inflation rate.

The 'gap approach' method used is as follows:

1. Adopt a yield curve from Commonwealth Government bonds based on observable market yields out to approximately 15 years duration, adopting a flat yield thereafter equal to the 15 year yield.

2. For the short term, an inflation assumption is adopted after considering projections for a number of economic forecasting groups as well as the mix of insurance classes for the Authority. As at 30 June 2014, the adopted rate of future inflation was 4% p.a. This remains unchanged from the previous method.

3. A percentage is selected to establish a gap between future inflation and the yield curve after 10 years. This gap is determined after considering (among other things)
   - the long term views on GDP growth and interest rates;
   - the historical gap between long term interest rates and actual wages and price inflation; and
   - other information such as the gap adopted for other schemes with long tail liabilities similar to the Authority.

4. Blend the short term inflation assumptions with the long term gap assumption across the years 6 to 10 range.

Projection period	1 Year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years	11 years	12 years	13 years	14 years	15 years
Discount rate (at 30/06/2014)	2.5%	2.6%	3.0%	3.4%	3.7%	4.0%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%
Inflation Rate	4.0%	4.0%	4.0%	4.0%	4.0%	3.8%	3.5%	3.3%	3.1%	2.9%	2.6%	2.7%	2.8%	2.9%	3.0%
						$\underbrace{\hspace{6em}}_{\text{Blending Period}}$									

This gap is implemented by adopting a future inflation rate equal to the projected interest rate less the adopted gap. As at 30 June 2014 the long term gap used is 2.0%.

The selection of the gap is not expected to change dramatically from year to year and will be reviewed when economic circumstances experience significant change.

These assumptions and methods are key factors in determining the Authority's outstanding claims liabilities (Refer Note 17: 'Outstanding Claims'). This change has resulted in a decrease to the estimate of the provision for claims payable in the current reporting period of $11,788,000.

Changes in Accounting Policy

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

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's 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) Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for annual and long service leave requires a consideration of the future wage and salary levels, experience of employee departures, probability that leave will be taken in service and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(r): 'Employee Benefits'.

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 ultimate settlement proportions are adopted and 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; and
- 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.

Note 5. Actuarial Assumptions and Methods - Continued

Actuarial Assumptions

- The outstanding claims liability is firstly estimated gross of reinsurance recoveries (the gross outstanding claims liability). Allowances are then made for potential reinsurance recoveries to arrive at estimates of net outstanding liabilities.
- 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.

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

	Property & 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 (2013-14 Insurance Year)	58	119	86	2	1	4
Average Settlement Size	$73,900	$89,000† and $3.3m††	$300,000† and $5.0m††	$82,100	$150,000	$94,300
Expense Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Discount Rate	2.5%	3.8%	4.2%	3.7%	3.1%	3.3%
Inflation and Superimposed Inflation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

† 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

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. An estimate for the internal costs of handling claims is included in the liability for outstanding claims. 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 liability for outstanding claims 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

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	17	**293,020**		
Economic Assumptions				
Discount rates increased by 1.0%		280,002	(13,018)	(4.4)
Discount rates decreased by 1.0%		306,952	13,932	4.8
Medical Malpractice				
Large Claims				
Assumed average size on IBNR Claims is $5.0 million				
Increase by $1.0 million		317,457	24,437	8.3
Decrease by $1.0 million		271,527	(24,437)	(8.3)
High uncertainty in IBNR claim numbers for more recent insurance years				
1 additional claim per annum for 2007 and later		314,515	21,495	7.3
1 less claim per annum for 2007 and later		271,527	(21,493)	(7.3)
Public Liability				
Large Claims				
Assumed average size on IBNR Claims is $3.3 million				
Increase by $1.0 million		300,465	7,445	2.5
Decrease by $1.0 million		285,575	(7,445)	(2.5)
High uncertainty in IBNR claim numbers for the more recent insurance years				
1 additional claim per annum for 2007 and later		308,009	14,989	5.1
1 less claim per annum for 2007 and later		278,028	(14,992)	(5.1)

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 +/- $13 million change 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 +/- $24.4 million for large Medical Malpractice claims and +/- $7.4 million 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 +/- $21.5 million for large Medical Malpractice claims and +/- $15.0 million 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 20: '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 17: '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 reinsurance cover to limit exposure to any single event.

ACT INSURANCE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

Note 7. Underwriting Result

	Note No.	2014 $'000	2013 $'000
Underwriting Revenues			
Gross Earned Insurance Premiums			
General Government Sector		**49,834**	46,299
Public Trading Enterprises		**8,846**	9,163
	8	**58,680**	55,462
Reinsurance Recoveries/(Losses)		**3,441**	(1,194)
Reinsurance Recoveries/(Losses) – Bushfire[1]		**-**	(45,630)
Recoveries Claims Related	9	**576**	168
	9	**4,017**	(46,656)
Underwriting Revenues		**62,697**	8,806

All underwriting revenues relate to operating activities.

	Note No.	2014 $'000	2013 $'000
Underwriting Expenses/(Credit)			
Gross Claims Expenses/(Credit)[2]		**15,745**	7,462
Gross Claims Expenses/(Credit) – Bushfire[1]		**-**	(47,221)
	9	**15,745**	(39,759)
Reinsurance Premium Expenses	8	**12,272**	12,409
		12,272	12,409
Underwriting Expenses/(Credit)		**28,017**	(27,350)
Underwriting Profit			
Underwriting Revenues		**62,697**	8,806
Underwriting (Expenses)/Credit		**(28,017)**	27,350
Underwriting Profit		**34,680**	36,156

[1] Reinsurance recoveries and gross claims expense relating to the 2003 bushfires claims were finalised in 2012-13.
[2] Gross claim expenses have increased due to the changes in movement of the outstanding claims provision compared with the movement from 2012-13.

Note 8. Net Earned Insurance Premiums

	Note No.	2014 $'000	2013 $'000
Gross Written Premiums			
General Government Sector		**49,834**	46,299
Public Trading Enterprises		**8,845**	9,163
	7	**58,680**	55,462
Reinsurance Premium Expense	7	**(12,272)**	(12,409)
Net Earned Insurance Premiums		**46,408**	43,053

Note 9. Net Incurred Claims

	Note No.	2014 Current Year $'000	2014 Prior Years $'000	2013 Current Year $'000	2013 Prior Years $'000
Gross Incurred Claims and Related Expenses					
- Undiscounted		**(57,972)**	**51,286**	(67,190)	53,254
- Undiscounted (Bushfire)		**-**	**-**	-	47,221
		(57,972)	**51,286**	(67,190)	100,475
- Discounted		**(42,706)**	**26,961**	(47,980)	40,518
- Discounted (Bushfire)		**-**	**-**	-	47,221
		(42,706)	**26,961**	(47,980)	87,739
Total Gross Incurred Claims and Related Expenses	**7**	**(15,745)**		39,759	
Reinsurance and Other Recoveries					
- Undiscounted		**-**	**5,688**	-	583
- Other Underwriting Income	**7**	**576**	**-**	168	-
		576	**5,688**	168	583
- Discounted		**-**	**3,441**	-	(1,194)
- Discounted (Bushfire)		**-**	**-**	-	(45,630)
- Other Underwriting Income	**7**	**576**	**-**	168	-
		576	**3,441**	168	(46,824)
Total Reinsurance and Other Recoveries	**7**	**4,017**		(46,656)	
Net Incurred Claims (Discounted)		**(29,956)**	**18,228**	**(47,811)**	**40,915**
Total Net Incurred Claims (Discounted)		**(11,728)**		(6,896)	

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 2013-14 valuation resulted in a reduction in the net outstanding claims provision shown in Note. 17, 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

	2014 $'000	2013 $'000
Other Revenue		
Interest and Distributions Received:		
Interest Received from Bank [a]	**479**	254
Distributions Received from the Territory Banking Account [b]	**13,723**	19,296
	14,202	19,550
Other Revenue:		
Recoveries from Other Agencies	**127**	134
Unrealised Gains on Investments [c]	**1,131**	1,907
	1,258	2,041
	15,460	21,591
Other Expenses		
Unrealised Losses on Investments [c]	**-**	1,875
Contract Works Insurance - Expense	**1,104**	2,550
Contract Works Insurance - Receipts	**(1,127)**	(2,481)
External Insurance Contracts - Expense	**482**	494
External Insurance Contracts - Receipts	**(482)**	(494)
	(23)	1,944

[a] In 2013-14, interest received from bank increased due to higher balances being held in these bank accounts. The average interest rate on cash at bank was 2.87% in 2013-14 (2012-13 2.98%).

[b] The investment performance on the Cash Enhanced Portfolio was 3.45% in 2013-14 (2012-13 5.77%) and the rate of return on the Fixed Interest Portfolio was 6.06% in 2013-14 (2012-13 2.71%).

[c] Unrealised gains or losses 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 2013-14, the unit price of the Cash Enhanced Portfolio and Fixed Interest Portfolio increased resulting in an unrealised gain.

Note 11. Employee and Superannuation Expenses

	2014 $'000	2013 $'000
Employee Expenses		
Salaries	**1,473**	1,458
Annual Leave Movement	**(41)**	(27)
Long Service Leave Movement	**(126)**	28
Workers' Compensation Insurance Premium	**12**	10
Total Employee Expenses	**1,318**	1,469
Superannuation Expenses		
Superannuation Contribution to the Territory Banking Account	**165**	177
Productivity Benefit	**20**	22
Superannuation Payment to ComSuper (for the PSSaP)	**13**	12
Superannuation to External Providers	**48**	42
Total Superannuation Expenses	**246**	253

Note 12. Supplier and Services

	2014 $'000	2013 $'000
Contractors and Consultants [a]	**772**	642
Insurance	**6**	6
Computing Costs [b]	**106**	56
Repairs and Maintenance	**16**	10
Printing	**5**	4
Communications	**20**	11
Publications	**2**	2
Postage and Courier	**1**	1
Staff Development	**17**	5
Stationery	**5**	6
Travel	**87**	62
Audit Fees	**57**	55
Rent [c]	**142**	7
Other [d]	**208**	90
	1,444	957

[a] The increase in contractors and consultants expense is due to the provision of additional employment contractors from external consultants and additional actuaries services than in the last reporting period.
[b] The increase in computing costs is due to the completion of an improvement project to the accounting system and additional maintenance to the claims database.
[c] The increase in Rent occurred due to the commencement of rent and other accommodation operating costs being on charged by the Chief Minister, Treasury and Economic Development Directorate, formerly the Chief Minister and Treasury Directorate.
[d] The increase in Other is due to an increase in support services and recruitment costs.

Note 13. Cash and Investments

	2014 Current $'000	2014 Non-Current $'000	2014 Total $'000	2013 Current $'000	2013 Non-Current $'000	2013 Total $'000
Cash						
Current						
Cash at Bank	**6,578**	**-**	**6,578**	147	-	147
Total Cash	**6,578**	**-**	**6,578**	147	-	147
Investments						
Current						
Investments with Territory Banking Account – Cash Enhanced Portfolio	**337,590**	**-**	**337,590**	302,185	-	302,185
Non-Current						
Investments with Territory Banking Account – Fixed Interest Portfolio	**-**	**12,114**	**12,114**	-	61,389	61,389
Total Investments	**337,590**	**12,114**	**349,704**	302,185	61,389	363,574

The Authority holds general operating bank accounts with the Commonwealth Bank Australia and Westpac Banking Corporation.

The Authority holds a majority of its investments in the Cash Enhanced Portfolio as it historically has produced a higher rate of return than that of the Fixed Interest Portfolio. These Portfolios are held with the Territory Banking Account.

The reduction in the Fixed Interest Portfolio balance is due to the capital distribution of $50 million to the ACT Government.

Note 14. Receivables

	2014 $'000	2013 $'000
Current		
Interest and Distribution Receivable [a]	**3,959**	6,627
Goods and Services Tax Receivable [b]	**439**	34
Other Receivables	**714**	728
	5,112	7,389
Less: Allowance for Impairment Losses	**-**	-
Total Receivables	**5,112**	7,389

[a] The decrease in interest and distribution receivables is the result of a decrease in the rate of return on investments.
[b] The increase in GST Receivable is due to a number of refunds issued to customers for Workers' Compensation Insurance Premiums.

Ageing Of Receivables

	Not Overdue	Overdue			Total
		Less than 30 Days	30 to 60 Days	Greater than 60 Days	
	$'000	$'000	$'000	$'000	$'000
2014					
Not Impaired[1] Receivables	**4,731**	**72**	**61**	**248**	**5,112**
Impaired Receivables	**-**	**-**	**-**	**-**	**-**
2013					
Not Impaired[1] Receivables	6,788	490	14	97	7,389
Impaired Receivables	-	-	-	-	-

Receivables less than 30 days overdue relate to annual premiums, contract works insurance premiums, workers' compensation insurance premium and support service. The Authority pays workers' compensation insurance premiums and contract works on behalf of Government and seeks reimbursement from the agencies. As such receipt of payment is due from the agencies within 14 days rather than the usual 28 days. 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

	2014 $'000	2013 $'000
Receivables with ACT Government Entities		
Interest and Distribution Receivable	**3,959**	6,623
Annual Insurance Premium	**47**	47
Contract Works Insurance Premium	**161**	134
Workers' Compensation Insurance Premium	**213**	304
Other Receivables	**53**	34
	4,433	7,142
Receivables with Non-ACT Government Entities		
Goods and Services Tax Receivable	**439**	-
Other Receivables	**240**	247
Total Receivables	**5,112**	7,389

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

Note 15. Reinsurance Recoveries

	2014 $'000	2013 $'000
Current:		
Ordinary Reinsurance Recoveries – Undiscounted		
Undiscounted Expected Future Recoveries	**287**	6,316
Discount to Present Value	**(4)**	(62)
Less: Allowance for the Impairment of Reinsurance Assets	**-**	-
Total Current Reinsurance Recoveries Discounted	**283**	6,254
Non-Current		
Ordinary Reinsurance Recoveries – Undiscounted		
Undiscounted Expected Future Recoveries	**7,337**	9,691
Discount to Present Value	**(2,243)**	(1,715)
Less: Allowance for the Impairment of Reinsurance Assets	**-**	-
Total Non-Current Reinsurance Recoveries Discounted	**5,094**	7,976
Total Ordinary Reinsurance Recoveries – Discounted	**5,377**	14,230
Total Reinsurance Recoveries Discounted	**5,377**	**14,230**
Reconciliation of the Movement of Reinsurance Recoveries		
Provision for Reinsurance Recoveries at the Beginning of the Period	**14,230**	92,929
Reinsurance Received	**(12,294)**	(468)
Bushfire Reinsurance Received	**-**	(45,630)
Movement in Reinsurance Provision (Bushfire)	**-**	45,630
Movement in Reinsurance Provisions due to Changes in Claims	**3,441**	(78,231)
Provision for Reinsurance Recoveries at the End of Reporting Period	**5,377**	14,230

The provision held for reinsurance recoveries has reduced from $14.230m at the start of the period to $5.377m at 30 June 2014. This has been driven partly by an increase in reinsurance received due to recoveries for several large storm damage property claims relating to previous insurance years and the movement in reinsurance provision. The provision movement is due to the reduction in the size of a large public liability claim that has reduced the expected reinsurance recoveries outstanding. This reduction has been partially offset by an increase in the expected amount of reinsurance recoveries in the property insurance class.

Note 16. Payables

	2014 $'000	2013 $'000
Current Payables		
Goods and Services Tax Payable	-	46
Accrued Expenses	**266**	131
Total Payables	**266**	177
Ageing of Payables		
Payables are aged as follows:		
Not Overdue	**266**	177
Total Payables	**266**	177
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses	**114**	8
Payables with Non-ACT Government Entities		
Goods and Services Tax Payable	-	46
Accrued Expenses	**152**	123
Total Payables	**266**	177

Note 17. Outstanding Claims

	Note No.	2014 $'000	2013 $'000
Expected Future Claim Payments and Discounted Liability for Outstanding Claims			
Central Estimate		**312,236**	330,677
Risk Margin		**49,637**	51,539
Claims Handling Costs		**15,231**	15,733
Total Undiscounted Expected Future Claims (A)		**377,103**	397,949
Discount to Present Value		**(78,706)**	(87,765)
Total Discounted Outstanding Claims Provision (B)	17(f)	**298,397**	310,185
Current		**28,837**	33,204
Non-Current		**269,560**	276,980
	17(f)	**298,397**	310,185
Expected Future Claim Payments (Bushfire)			
Central Estimate		-	2,304
Total Undiscounted Expected Future Claims (Bushfire) (C)		-	2,304
Discount to Present Value		-	-
Total Discounted Outstanding Claims Provision (Bushfires) (D)		-	2,304
Current		-	2,304
Non-Current		-	-
		-	2,304
Total Undiscounted Expected Future Claim Payments (A + C)		**377,103**	400,253
Total Discounted Claims Provision as per Balance Sheet (B + D)		**298,397**	312,488

The central estimate for outstanding claims has decreased in 2013-14 due to changes in actuarial assumptions. Actuaries forecast that there will be fewer and smaller anticipated medical malpractice and public liability claims based on favourable experience in recent years.

Note 17. 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% level of sufficiency is the minimum required by the Australian Prudential Regulatory Authority (APRA) for APRA regulated insurers.

Risk margins applied

Class	Adopted Risk Margin	
	2013-14 (%)	2012-13 (%)
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]	**15.5**	15.7

[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:

	2014 %	**2013 %**
For the succeeding year		
Inflation rate	**4.0**	**4.0**
Discount rate	**2.5**	**2.5**
For the subsequent year		
Inflation rate	**4.0**	**4.0**
Discount rate	**2.6**	**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 2013-14 (6.1 years in 2012-13). 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 17: Outstanding Claims – Continued

(d) Reconciliation of Movement in Discounted Outstanding Claims Liability

Change in Basis - In the 12 months from 30 June 2013 to 30 June 2014

		$'000
Gross Central Estimate at 30 June 2013 (30 June 2013 basis) (a)		**257,779**
Expense margin at 30 June 2013		12,177
Risk Margin at 30 June 2013		40,228
Gross Outstanding Claims Provision at 30 June 2013 (30 June 2013 basis) (a)		**310,184**
New Incurred Period		**41,232**
Expected payments to 30 June 2014 (Inflated and Undiscounted values)		(30,493)
plus Expected interest to 30 June 2014		6,182
plus Expected change in Expense Margin		1,149
plus Expected change in Risk Margin		2,961
Expected Gross Outstanding Claims Provision at 30 June 2014 (30 June 2013 basis)		**331,215**
plus (Actual less Expected) inflation (b)		(12,326)
plus/(less) Change in future discounting assumptions		6,377
plus/(less) Change in future inflation assumptions		(6,706)
plus (Expected less Actual) payments (c)		3,122
Directors and Officers	*(90)*	
Financial Crime	*(215)*	
Medical Malpractice	*7,003*	
Professional Indemnity	*(197)*	
Property & Motor	*(2,800)*	
Public Liability	*(581)*	
plus/(less) Change in actuarial assumptions		(18,187)
Directors and Officers	*(125)*	
Financial Crime	*206*	
Medical Malpractice	*(8,329)*	
Professional Indemnity	*(3,034)*	
Property & Motor	*1,612*	
Public Liability	*(8,517)*	
plus/(less) Change in Expense margin at 30 June 2014		(1,246)
plus/(less) Change in Risk margin at 30 June 2014		(3,853)
Overall change in basis		(32,818)
Gross Outstanding Claims Provision at 30 June 2014 (30 June 2014 basis)		**298,397**

(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 17. Outstanding Claims - Continued

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

The expected gross outstanding claims provision of $331.215 million at 30 June 2014 compares to the actual gross outstanding claims provision of $298.397 million at 30 June 2014, indicating a total decrease of $32.818 million. This reduced liability may be broken down into seven main components:

- A $12.326 million decrease due to lower than expected inflation;
- A $6.377 million increase due to decreases in the assumed discount rates since 30 June 2013;
- A $6.706 million decrease due future inflation assumptions moving to the gap assumption (Refer Note 3: 'Change in Accounting Policy and Accounting Estimates', Changes in Actuarial Assumptions);
- A $3.122 million increase due to actual payments being less than expected over the 12 months. The increase in the estimate assumes that, all other things being equal, these payments will be made in the future;
- A $18.187 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 emergence of a small claim.
    - a reduction in the Medical Malpractice insurance class resulting from lower than expected number of claims reports leading to a reduction in the assumed ultimate small damages finalisations. Furthermore, there has also been favourable development in the incurred cost of existing reported large claims, many of which dropped below the large claims threshold ($1million).
    - a decrease in the Professional Indemnity insurance class is due to reductions in assumed ultimate number of small claims identified from the claims team, as well as the removal of a large claim.
    - an increase in the Property and Motor insurance class largely resulting from large claims finalisations settling at higher than the assumed average size.
    - a reduction in the Public Liability insurance class resulting from lower than expected numbers of reported large claims partially offset by higher than expected number of reported small claims, leading to an increase in the assumed ultimate number of small finalisations.
- A $1.246 million decrease in the expense margin as a result of the decrease in the central estimate of outstanding claims.
- A decrease of $3.853 million in the risk margin resulting from a decrease in the central estimate of outstanding claims.

Note 17. Outstanding Claims - Continued

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	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Estimate of ultimate claims cost:									
At end of accident year	13,513	9,356	10,942	11,957	12,371	12,476	11,063	12,750	
One year later	13,385	11,211	14,397	14,000	11,055	9,476	9,472	0	
Two years later	14,670	8,209	15,941	12,849	8,726	8,822	0	0	
Three years later	18,324	10,547	12,840	23,512	7,525	0	0	0	
Four years later	14,276	8,660	10,480	16,396	0	0	0	0	
Five years later	13,766	7,368	9,562	0	0	0	0	0	
Six years later	11,479	6,056	0	0	0	0	0	0	
Seven years later	10,479	0	0	0	0	0	0	0	
Current estimate	10,479	6,056	9,562	16,396	7,525	8,822	9,472	12,750	81,062
Cummulative payments	(8,146)	(2,970)	(5,011)	(4,123)	(1,677)	(1,073)	(434)	(310)	(23,745)
	2,332	3,086	4,552	12,272	5,848	7,750	9,038	12,440	57,318
Outstanding claims undiscounted									
Discount	(356)	(493)	(663)	(1,893)	(1,033)	(1,364)	(1,757)	(2,514)	(10,074)
Outstanding claims	1,977	2,593	3,889	10,379	4,815	6,385	7,281	9,925	47,243
2005-06 and prior years									9,545
Outstanding claims									**56,789**

ii) Net

Accident year	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Estimate of ultimate claims cost:									
At end of accident year	13,513	9,356	10,942	11,957	12,371	12,476	11,063	12,750	
One year later	11,123	11,211	14,397	14,000	11,055	9,476	9,472	0	
Two years later	12,835	8,209	15,941	12,849	8,726	8,822	0	0	
Three years later	17,025	10,547	12,840	17,657	7,525	0	0	0	
Four years later	13,660	8,660	10,480	16,396	0	0	0	0	
Five years later	13,707	7,368	9,562	0	0	0	0	0	
Six years later	11,416	6,056	0	0	0	0	0	0	
Seven years later	10,479	0	0	0	0	0	0	0	
Current estimate	10,479	6,056	9,562	16,396	7,525	8,822	9,472	12,750	81,062
Cummulative payments	(8,146)	(2,970)	(5,011)	(4,123)	(1,677)	(1,073)	(434)	(310)	(23,745)
	2,332	3,086	4,552	12,272	5,848	7,750	9,038	12,440	57,318
Outstanding claims undiscounted									
Discount	(356)	(493)	(663)	(1,893)	(1,033)	(1,364)	(1,757)	(2,514)	(10,074)
Outstanding claims	1,977	2,593	3,889	10,379	4,815	6,385	7,281	9,925	47,243
2005-06 and prior years									9,545
Outstanding claims									**56,789**

Note 17. Outstanding Claims - 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	**2006-07 $ '000**	**2007-08 $ '000**	**2008-09 $ '000**	**2009-10 $ '000**	**2010-11 $ '000**	**2011-12 $ '000**	**2012-13 $ '000**	**2013-14 $ '000**	**Total $ '000**
Estimate of ultimate claims cost:									
At end of accident year	23,304	22,558	29,076	36,409	35,304	34,565	40,445	30,388	
One year later	25,216	30,013	19,786	35,445	31,893	34,725	49,380	0	
Two years later	22,316	29,878	20,708	31,759	33,376	28,823	0	0	
Three years later	28,970	22,316	19,103	23,450	19,158	0	0	0	
Four years later	38,089	17,788	18,415	30,294	0	0	0	0	
Five years later	33,175	15,100	20,860	0	0	0	0	0	
Six years later	28,838	12,433	0	0	0	0	0	0	
Seven years later	23,895	0	0	0	0	0	0	0	
Current estimate	23,895	12,433	20,860	30,294	19,158	28,823	49,380	30,388	215,231
Cummulative payments	(2,201)	(2,925)	(3,911)	(6,668)	(4,256)	(2,236)	(484)	(36)	(22,718)
Outstanding claims undiscounted	21,694	9,508	16,949	23,626	14,902	26,587	48,897	30,352	192,514
Discount	(3,483)	(2,251)	(3,597)	(5,255)	(4,076)	(6,768)	(11,629)	(10,020)	(47,079)
Outstanding claims	18,210	7,257	13,352	18,371	10,826	19,819	37,267	20,332	145,435
2005-06 and prior years									40,904
Outstanding claims									**186,339**

ii) Net

Accident year	**2006-07 $ '000**	**2007-08 $ '000**	**2008-09 $ '000**	**2009-10 $ '000**	**2010-11 $ '000**	**2011-12 $ '000**	**2012-13 $ '000**	**2013-14 $ '000**	**Total $ '000**
Estimate of ultimate claims cost:									
At end of accident year	23,304	22,558	29,076	36,409	35,304	34,565	40,445	30,388	
One year later	24,751	30,013	19,786	35,445	31,893	34,725	41,989	0	
Two years later	22,316	29,878	20,708	31,759	33,376	28,823	0	0	
Three years later	28,970	22,316	19,103	23,450	19,158	0	0	0	
Four years later	38,089	17,788	18,415	30,294	0	0	0	0	
Five years later	33,175	15,100	20,860	0	0	0	0	0	
Six years later	28,838	12,433	0	0	0	0	0	0	
Seven years later	23,895	0	0	0	0	0	0	0	
Current estimate	23,895	12,433	20,860	30,294	19,158	28,823	41,989	30,388	207,840
Cummulative payments	(2,201)	(2,925)	(3,911)	(6,668)	(4,256)	(2,236)	(484)	(36)	(22,718)
Outstanding claims undiscounted	21,694	9,508	16,949	23,626	14,902	26,587	41,505	30,352	185,122
Discount	(3,483)	(2,251)	(3,597)	(5,255)	(4,076)	(6,768)	(9,388)	(10,020)	(44,838)
Outstanding claims	18,210	7,257	13,352	18,371	10,826	19,819	32,117	20,332	140,285
2005-06 and prior years									40,904
Outstanding claims									**181,189**

Note 17. Outstanding Claims - 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	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Estimate of ultimate claims cost:									
At end of accident year	36,817	31,914	40,018	48,366	47,675	47,041	51,509	43,138	
One year later	38,601	41,224	34,183	49,444	42,948	44,201	58,852	0	
Two years later	36,986	38,087	36,650	44,608	42,102	37,645	0	0	
Three years later	47,294	32,863	31,943	46,962	26,684	0	0	0	
Four years later	52,365	26,448	28,895	46,689	0	0	0	0	
Five years later	46,941	22,468	30,423	0	0	0	0	0	
Six years later	40,317	18,489	0	0	0	0	0	0	
Seven years later	34,374	0	0	0	0	0	0	0	
Current estimate	34,374	18,489	30,423	46,689	26,684	37,645	58,852	43,138	296,294
Cummulative payments	(10,348)	(5,895)	(8,922)	(10,791)	(5,933)	(3,309)	(918)	(346)	(46,462)
Outstanding claims undiscounted	24,026	12,594	21,501	35,898	20,750	34,336	57,934	42,791	249,831
Discount	(3,839)	(2,744)	(4,259)	(7,148)	(5,109)	(8,132)	(13,386)	(12,534)	(57,153)
Outstanding claims	20,187	9,850	17,241	28,750	15,641	26,204	44,548	30,257	192,678

2005-06 and prior years	50,450
Claims handling expense	12,080
Risk margin	39,337
Outstanding claims	**294,545**
Short tail outstanding claims	3,852
Total gross outstanding claims	**298,397**

ii) Net

Accident year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Estimate of ultimate claims cost:									
At end of accident year	36,679	31,777	40,018	48,366	47,675	47,041	51,509	43,138	
One year later	35,738	41,224	34,183	49,444	42,948	44,201	51,461	0	
Two years later	35,152	38,087	36,650	44,608	42,102	37,645	0	0	
Three years later	45,995	32,863	31,943	41,106	26,684	0	0	0	
Four years later	51,749	26,448	28,895	46,689	0	0	0	0	
Five years later	46,882	22,468	30,423	0	0	0	0	0	
Six years later	40,255	18,489	0	0	0	0	0	0	
Seven years later	34,374	0	0	0	0	0	0	0	
Current estimate	34,374	18,489	30,423	46,689	26,684	37,645	51,461	43,138	288,902
Cummulative payments	(10,348)	(5,895)	(8,922)	(10,791)	(5,933)	(3,309)	(918)	(346)	(46,462)
Outstanding claims undiscounted	24,026	12,594	21,501	35,898	20,750	34,336	50,543	42,791	242,440
Discount	(3,839)	(2,744)	(4,259)	(7,148)	(5,109)	(8,132)	(11,145)	(12,534)	(54,912)
Outstanding claims	20,187	9,850	17,241	28,750	15,641	26,204	39,398	30,257	187,528

2005-06 and prior years	50,450
Claims handling expense	12,080
Risk margin	39,337
Outstanding claims	**289,395**
Short tail outstanding claims (property)	3,625
Total net outstanding claims	**293,020**

ACT INSURANCE AUTHORITY
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

Note 17. Outstanding Claims - Continued

Total Outstanding Ordinary Claims Reconciliation	Note No.	2014 $'000
Gross current claims as per balance sheet		28,837
Gross non-current claims as per balance sheet		269,560
Total Gross outstanding claims		**298,397**
Less current reinsurance recoveries as per balance sheet		(283)
Less non-current reinsurance recoveries as per balance sheet		(5,094)
Total reinsurance recoveries	**15**	**(5,377)**
Net Outstanding Claims	**5**	**293,020**

Note 18. Prepayments and Other Liabilities

	Note No.	2014 $'000	2013 $'000
Other Assets			
Current			
Contract Works Insurance Premium Prepayments		**526**	633
Non-Current			
Contract Works Insurance Premium Prepayments		**38**	276
	20	**564**	909
Other Liabilities			
Current			
2013-14 Regulatory Contribution for Workers' Compensation		**250**	-
ACTEW Workers' Compensation Payments		**868**	2,703
Contract Works Insurance Premium Received in Advance from Agencies		**526**	633
		1,644	3,336
Non-Current			
Contract Works Insurance Premium Received in Advance from Agencies		**38**	274
	20	**1,682**	3610

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

Note 19. Employee Benefits

	2014 $'000	2013 $'000
Current Employee Benefits		
Accrued Salaries	**73**	45
Annual Leave	**130**	171
Long Service Leave	**203**	306
	406	522
Non-Current Employee Benefits		
Long Service Leave	**32**	55
	32	55
Total Employee Benefits	**437**	577

	2014 Numbers	2013 Numbers
Employee Numbers		
Full-time Equivalents at the End of the Reporting Period	**14**	**14**

Estimate of When Leave is Payable

	2014 $'000	2013 $'000
Estimated Amount Payable Within 12 Months		
Accrued Salaries	**73**	45
Annual leave	**78**	171
Long Service Leave	**23**	137
Total Employee Benefits Payable Within 12 Months	**174**	353
Estimated Amount Payable After 12 Months		
Annual Leave	**52**	-
Long Service Leave	**211**	224
Total Employee Benefits Payable After 12 Months	**263**	224
Total Employee Benefits	**437**	577

Note 20. 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 2014. The majority of the Authority's financial assets are not subject to interest rate risk as the investments receive distributions rather than interest.

Interest rate risk for financial assets is managed by the Authority by only investing 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.

The Authority also manages the credit risk for receivables by undertaking an assessment of the credit worthiness of debtors. 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 20. 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 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 2013		**(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%	(1,511)	1,511

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

June 2013		**(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%	(3,069)	3,069

Note 20. 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 2014 $'000	Fair Value 2014 $'000	Carrying Amount 2013 $'000	Fair Value 2013 $'000
Financial Assets				
Cash at Bank	**6,578**	**6,578**	147	147
Investments with the Territory Cash Enhanced Portfolio	**337,590**	**337,590**	302,185	302,185
Investments with the Territory Fixed Interest Portfolio	**12,114**	**12,114**	61,389	61,389
Receivables	**4,673**	**4,673**	7,389	7,389
Total Financial Assets	**360,955**	**360,955**	371,110	371,110
Financial Liabilities				
Payables	**266**	**266**	177	177
Total Financial Liabilities	**266**	**266**	177	177

Note 20. Financial Instruments - Continued

(f) Fair Value Hierarchy

The carrying amount of financial assets measured at fair value, as well as the methods used to estimate the fair value are summarised in the table below. 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.

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**

Transfer Between Categories
There have been no transfers of financial assets or financial liabilities between Level 1 and Level 2 during the reporting period. The fair value hierarchy for financial instruments measured at fair value is shown for the year ended 30 June 2013 in accordance with AASB 7.27A.

2013

	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	-	302,185	-	302,185
Investment with the Territory Banking Account - Fixed Interest Portfolio	-	61,389	-	61,389
Total	**-**	**363,574**	-	**363,574**

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

Note 20. Financial Instruments - 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 at bank	13	**2.87**	**6,578**	**-**	**-**	**-**	**-**	**6,578**
Investments – Cash Enhanced Portfolio	13		**-**	**-**	**-**	**-**	**337,590**	**337,590**
Investments – Fixed Interest Portfolio	13		**-**	**-**	**-**	**-**	**12,114**	**12,114**
Receivables	14		**-**	**-**	**-**	**-**	**4,673**	**4,673**
Total Financial Assets			**6,578**	**-**	**-**	**-**	**354,377**	**360,955**
Financial Liabilities								
Payables	16		**-**	**-**	**-**	**-**	**(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	19	**(438)**
Reinsurance Recoveries	15	**5,377**
Other Assets	18	**1,003**
Other Liabilities	18	**(1,682)**
Gross Outstanding Claims	17	**(298,397)**
Net Assets as per the Balance Sheet		**66,552**

Note 20. Financial Instruments - 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 2013. 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.

2013	**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 at bank	13		147	-	-	-	-	147
Investments – Cash Enhanced Portfolio	13		-	-	-	-	302,185	302,185
Investments – Fixed Interest Portfolio	13		-	-	-	-	61,389	61,389
Receivables	14		-	-	-	-	7,389	7,389
Total Financial Assets		5.25%	147	-	-	-	370,963	371,110
Financial Liabilities								
Payables	16		-	-	-	-	(177)	(177)
Total Financial Liabilities			-	-	-	-	(177)	(177)
Net Financial Assets			147	-			370,786	370,933

Reconciliation of Net Financial Assets to Net Assets	**Note No.**	**2013 $'000**
Net Financial Assets (as above)		370,933
Employee Benefits	19	(577)
Reinsurance Recoveries	15	14,230
Other Assets	18	909
Other Liabilities	18	(3,612)
Outstanding Claims	17	(312,489)
Net Assets as per the Balance Sheet		**69,396**

Carrying Amount of Each Category of Financial Instruments	**2014 $'000**	**2013 $'000**
Financial Assets		
Financial Assets at Fair Value through the Profit and Loss Designated upon Initial Recognition	**349,704**	363,574
Loans and Receivables	**4,673**	7,389
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	**266**	177
Gains/(Loss) on Each Category of Financial Asset		
Financial Assets at Fair Value through Profit and Loss Designated upon initial Recognition	**1,331**	32

Note 21. Remuneration of Auditor

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

	2014 $'000	2013 $'000
Audit Services		
Audit Fees Paid or payable to the ACT Auditor-General's Office	**57**	56
Total Audit Fees	**57**	56

No other services were provided by the ACT Auditor-General's Office

Note 22. Contingent Liabilities and Contingent Assets

No contingent liabilities or assets were recognised at the reporting date.

Note 23. Commitments

The Authority has no commitments at the reporting date.

Note 24. Cash Flow Reconciliation

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

	2014 $'000	2013 $'000
Total Cash at bank Recorded in the Balance Sheet	**6,578**	147
Cash at bank at the end of the Reporting Period as Recorded in the Cash Flow Statement	**6,578**	147

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

	2014 $'000	2013 $'000
Operating Surplus	**47,155**	53,126
Add/ Less Items Classified as Investing or Financing		
Changes in Net Market Value of Investments	**(1,131)**	(32)
Cash Before Changes in Operating Assets and Liabilities	**46,024**	53,094
Change in Operating Assets and Liabilities		
Decrease/(Increase) in Reinsurance Recoveries	**8,853**	78,699
Decrease/(Increase) in Interest Receivable	**2,668**	(992)
Decrease/(Increase) in Other Receivables	**(46)**	294
(Decrease)/Increase in Payables	**89**	(46)
(Decrease)/Increase in Outstanding Claims	**(14,092)**	(112,938)
(Decrease)/Increase in Other Liabilities	**(1,928)**	2,557
(Decrease)/Increase in Employee Benefits	**(139)**	(1)
Net Changes in Operating Assets and Liabilities	**(4,595)**	(32,427)
Net Cash Inflows from Operating Activities	**41,431**	20,666

Note 25. Events Occurring after Balance Date

There were no events occurring after the balance date which would affect the financial statements as at 30 June 2014.

PART 2

SECTION C

STATEMENT OF PERFORMANCE

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

A14/25

Mr David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
Level 1, Canberra Nara Centre
1 Constitution Avenue
CANBERRA CITY ACT 2601

Dear Mr Nicol

REPORT OF FACTUAL FINDINGS - ACT INSURANCE AUTHORITY
STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

The Audit Office has completed the review of the statement of performance of the ACT Insurance Authority for the year ended 30 June 2014.

I have attached the statement of performance and unqualified report of factual findings.

I have provided a copy of the statement of performance and report of factual findings to the Treasurer, Mr Andrew Barr MLA.

Yours sincerely

M. Cooper.

Dr Maxine Cooper
Auditor-General
12 September 2014

c.c. Kathy Leigh, Head of Service and Director-General, Chief Minister, Treasury and Economic Development Directorate
Mr John Fletcher, General Manager, ACT Insurance Authority
Mr Will Laurie, Chair, Internal Audit Committee

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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 2014 has been reviewed.

Responsibility for the statement of performance

The Chief Executive Officer of the Authority is responsible for the preparation and fair presentation of the statement of performance 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 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 2014, 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
12 September 2014

ACT INSURANCE AUTHORITY
STATEMENT OF PERFORMANCE
For the year ended 30 June 2014

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 2014, 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
8 September 2014

John Fletcher
General Manager
ACT Insurance Authority
8 September 2014

ACT INSURANCE AUTHORITY
Statement of Performance
For the Year Ended 30 June 2014

Description of Objectives

The ACT Insurance Authority's (ACTIA's) key objectives are:

- to carry out 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;
- to 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;
- to develop and promote good practices for the management of Territory risks;
- to give advice to the Treasurer about insurance and the management of Territory risks;
- carry out the role of the Office of the Nominal Defendant of the ACT; and
- administer the Default Insurance Fund on behalf of, and under agreement, with the Chief Minister, Treasury and Economic Development Directorate formerly the Chief Minister and Treasury Directorate.

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 of the level of overall customer satisfaction with insurance management services.	Overall customer satisfaction > 90%	Overall customer satisfaction was 95%. 19 responses received of the 68 surveys distributed	-	
	b. General and administrative expense as a percentage of total revenue. Industry benchmark 5.9%	4.6%	3.8%	0.8%	There was a reduction in general and administrative expenses due to a decrease in employee expenses.

ACT INSURANCE AUTHORITY
Statement of Performance
For the Year Ended 30 June 2014

Objective	Accountability Indicators	Original Target	Actual Result	Variance	Explanation of Material Variances
Carry out the business of insurer of Territory risks (cont)	c. 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	0	
	d. The average number of days to process an insurance claim payment.	20 days	6 days	(14)	Agency payments are processed as a priority.
Take out insurance of Territory risks with other entities	e. Review the Territory's insurance and reinsurance programs to ensure they are appropriate for its needs.	Annual review completed	Annual review completed	0	
	f. Review the Territory property asset register to ensure that values provided by agencies reflect insurance replacement costs.	Annual review completed	Annual review completed	0	
	g. Facilitate the implementation by Territory agencies of agreed recommendations from reinsurer's Property Asset Management Surveys.	>90% completed	100% of items for action have been referred to the responsible Directorate Asset Manager	0%	

ACT INSURANCE AUTHORITY
Statement of Performance
For the Year Ended 30 June 2014

Objective	Accountability Indicators	Original Target	Actual Result	Variance	Explanation of Material Variances
Satisfy or settle claims in relation to Territory risks	h. 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	0	
	i. - Number of active insurance claims (including pre-ACTIA claims) - Number of open claims and incidents - Number of claims and incidents closed or settled	10,980 1,647 9,333	7,901 687 7,214	(3,079) (960) (2,119)	There were fewer than expected number of claims and incidents reported.
Develop and promote good practices for the management of Territory risks	j. 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 September 2013 and March 2014	0	
	k. Deliver a program of general and targeted risk management training courses to Territory agencies.	Deliver a minimum of 12 training courses	25 training courses were delivered	13	Increased demand for risk management training.
	l. Conduct Risk Management Performance and Improvement Reviews.	Review 4 Territory Agencies	0	4	The Authority has deferred the reviews pending consultation with 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. 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; access to quality risk management training; understanding of the government service delivery environment and our strong relationships with Directorate insurance contacts.

b. ACTIA General and Administrative Expenses are measured against an Insurance Industry Benchmark.

c. 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.

d. ACTIA processes payments for insurance claims as a priority. The number of days to process payments is measured from the date settlement is agreed until the date payment is made.

e. 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.

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

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

h. Quarterly claims review meetings are held to review all liability and medical malpractice claims with a reserve of $500,000 or above. Meeting are attended by representatives of the 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.

i. The ACTIA Claims Management System provides claims management data used by the Authority to manage individual claims and to estimate total outstanding claims liability.

j. 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.

k. ACTIA delivers a program of risk management training courses that covered general introductory and intermediate level risk management, and topic specific training sessions in the modification and use of risk management templates.

l. ACTIA conducts risk management performance and improvement reviews to measure the level of risk management maturity within Directorates and their associated Divisions or Business Units.

ANNEXED REPORT:

OFFICE OF THE NOMINAL DEFENDANT OF THE ACT

The Organisation

The ACT Insurance Authority is the appointed Office of the Nominal Defendant of the ACT (the Fund) and operates under the *Road Transport (Third Party Insurance) Act 2008*.

The objectives of the Nominal Defendant are to:

- provide a safety net mechanism to meet the costs of third party personal injury claims made by injured parties where:
  - (a) the vehicle involved does not have a compulsory third party insurance policy; or
  - (b) the injured person is unable to identify the driver and vehicle at fault.
- ensure that persons, who are injured in the circumstances listed above, receive the same entitlements as an injured person would receive where the vehicle did have CTP insurance.
- collect recoveries from uninsured drivers at fault to the sum paid out by the Office of the Nominal Defendant of the ACT.
- levy each licensed CTP insurer in the Territory as well as the Commonwealth and ACT Governments.

Claims are managed within the auspices of the *Road Transport (Third Party) Insurance Act 2008*, and the Nominal Defendant meets the cost of all legislated entitlements for injured people including, medical expenses, rehabilitation costs, and lump sum settlements.

Finance

Revenue

Total income recognised by the Nominal Defendant during the year amounted to $6.699 million.

The CTP regulator imposes a levy on licensed insurers and recognised self insurers to meet the cost of nominal defendant claims in accordance with the *Road Transport (Third Party Insurance) Act 2008*.

The amount required to meet the cost of nominal defendant claims is apportioned among the insurers having regard to the amount of third party premium income received and among the self insurers having regard to premiums that would otherwise have been payable for the numbers and types of vehicles operated in the Territory. Funds are transferred to the nominal defendant on a quarterly basis.

In addition, revenue is received by the Nominal Defendant from the following sources:

- any penalties or penalty interest imposed under the Act;
- amounts recovered by the Nominal Defendant;
- unregistered Vehicle Permits (UVPs) liability contributions to fund cost of claims of the Nominal Defendant in relation to unregistered vehicle permits;
- interest accruing from the investment of the Nominal Defendant fund; and
- unregistered Vehicle Fines liability contributions to assist to fund the cost of claims of the Nominal Defendant.

Where the Nominal Defendant has made payments on a claim involving an uninsured motor vehicle, attempts are made to recover the cost of those payments from the owner or driver concerned. Although the financial resources of all uninsured drivers are investigated, in the majority of cases formal recovery action would be futile because the fund is unable to locate the driver or the driver has limited or no financial resources.

The following table details funds received as other revenue during the period totalling $1.021 million.

Source	Amount
Unregistered Vehicle Permits	$607,000
Unregistered Vehicle Fines	$334,000
Uninsured owner's & driver's	$80,000
Recoveries from Third Parties	–
Total	**$1,021,000**

Expenses

The total expenses paid by the Nominal Defendant during the year was $12.021 million.

The total claims expense for the reporting period was $11.675 million.

Equity

The total assets and liabilities of $25.192 million and $24.273 million respectively.

As at 30 June 2014 the total equity of the Nominal Defendant was $0.919 million.

Claims

During the reporting period the fund received 42 new claims.

There are 99 open claims remaining as at 30 June 2014 with a combined total provision for outstanding claims of $24.065 million.

Of the 99 open claims, unidentified vehicles account for 48%, unregistered and uninsured vehicles for 46% and 6% are related to unregistered vehicle permits.

Debtor Recoveries

There are currently 50 'recovery only' claim files open. These files are claims that have either settled or been finalised and the Nominal Defendant Fund is pursuing recovery from unregistered vehicle owners and the drivers of unregistered vehicles responsible for the accident.

Recovery prospects are poor in the majority of matters as often it is difficult to identify or locate the driver/owner and when located, often they do not have the capacity to repay any/all of the costs incurred.

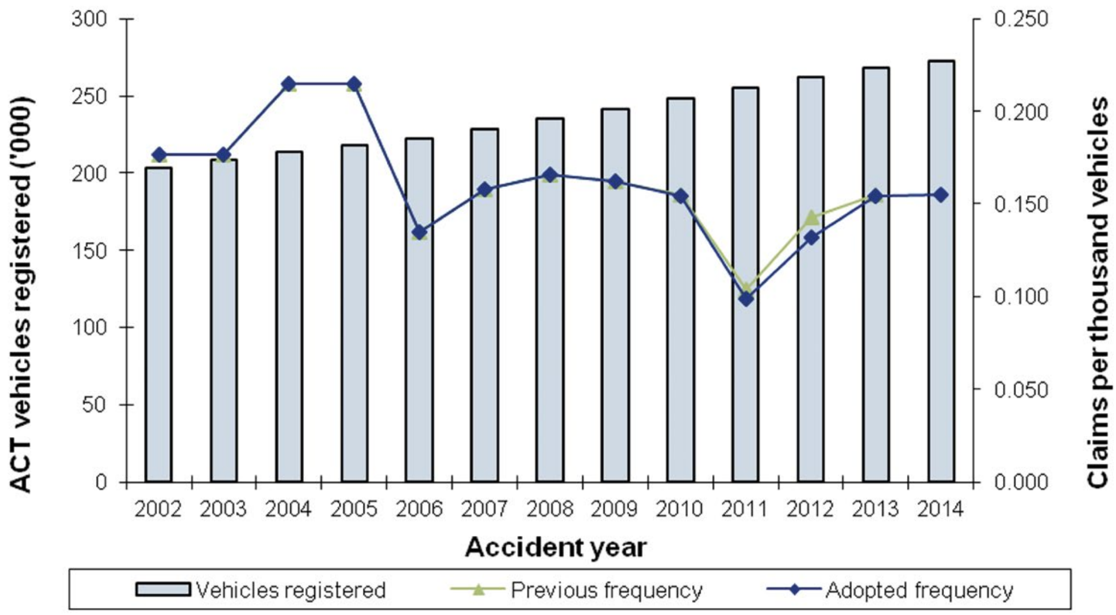
Claims Frequency and Vehicle Registrations

The Australian Capital Territory has 272,697 registered vehicles.

During the reporting period there were approximately 0.155 claims per 1,000 vehicles registered.

A comparison between the number of vehicles registered and the number of claims made to the Fund is shown in the following table:

Claim frequency and vehicle registrations

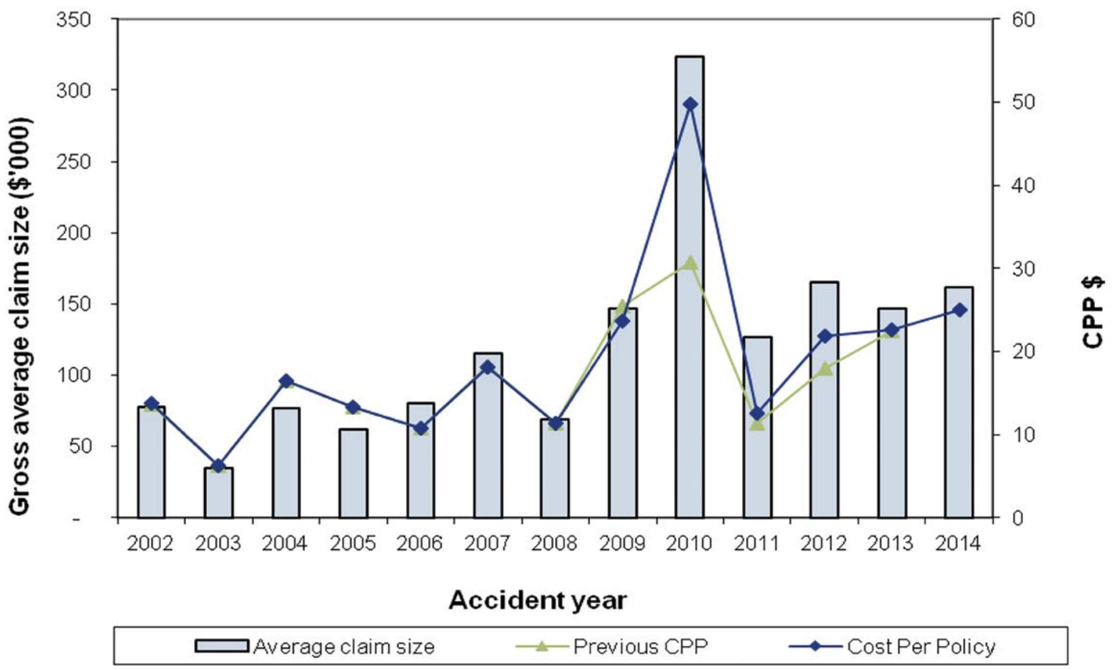


Source: Nominal Defendant Liability Valuation Report as at 30 June 2014 produced by KPMG Actuarial

Average claims size and cost per policy

A comparison between the average size of a claim and the cost of a CTP policy is shown in the following table. The average claim size in the period was $0.162 million while the average CTP Claim per policy cost was $25.04.

Average claim size and cost per policy by accident year (inflated and undiscounted)



Source: Nominal Defendant Liability Valuation Report as at 30 June 2014 produced by KPMG Actuarial.

Freedom of Information

Section 7 Statement

The functions and operations of the Fund are outlined under the "Organisation" section to this report.

Documents held include insurance claims, management files and finance records.

Section 8 Statement

The Fund's Section 8 Statement is included with that of the Commerce & Works Directorate Annual Report as published.

The Fund did not receive any requests for access to documents under the *Freedom of Information Act 1989* during 2013–14.

OFFICE OF THE NOMINAL DEFENDANT OF THE ACT

A14/45

Mr David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
Level 1, Canberra Nara Centre
1 Constitution Avenue
CANBERRA CITY ACT 2601

Dear Mr ~~Nicol~~ David

AUDIT REPORT – OFFICE OF THE NOMINAL DEFENDANT OF THE ACT FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Audit Office has completed the audit of the financial statements of the Office of the Nominal Defendant of the ACT for the year ended 30 June 2014.

I have attached the audited financial statements and unqualified audit report.

I have provided a copy of the financial statements and audit report to the Treasurer, Mr Andrew Barr MLA.

Yours sincerely

Bernie Sheville
Director, Financial Audits
12 September 2014

c.c. Kathy Leigh, Head of Service and Director-General, Chief Minister, Treasury and Economic Development Directorate
Mr John Fletcher, General Manager, ACT Insurance Authority
Mr Will Laurie, Chair, Internal Audit Committee

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INDEPENDENT AUDIT REPORT

OFFICE OF THE NOMINAL DEFENDANT OF THE ACT

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Office of the Nominal Defendant of the ACT (the Nominal Defendant) for the year ended 30 June 2014 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 Chief Executive Officer of the ACT Insurance Authority is responsible for the preparation and fair presentation of the financial statements. 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

I am responsible for expressing an independent audit opinion on the financial statements of the Nominal Defendant.

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 evaluate the prudence of decisions made by the Nominal Defendant.

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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 this report. If users of the report 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 Nominal Defendant for year ended 30 June 2014:

(i) are presented in accordance with the Accounting Standards and other mandatory financial reporting requirements in Australia; and

(ii) present fairly the financial position of the Nominal Defendant as at 30 June 2014 and the results of its operations and cash flows for the year then ended.

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

Bernie Sheville
Director, Financial Audits
12 September 2014

Office of the Nominal Defendant of the ACT
Financial Statements
For the Year Ended 30 June 2014

Statement of Responsibility

In my opinion, the financial are in agreement with the Office of the Nominal Defendant of the ACT (the Fund) accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2014 and the financial position of the Fund on that date.

David Nicol
Under Treasurer
Chief Minister, Treasury and Economic
Development Directorate
Delegate for the Chief Executive Officer,
ACT Insurance Authority
8 September 2014

Office of the Nominal Defendant of the ACT
Financial Statements
For the Year Ended 30 June 2014

Statement by the General Manager

In my opinion, the financial statements are in agreement with the Office of the Nominal Defendant of the ACT (the Fund) accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2014 and the financial position of the Fund on that date.

John Fletcher
General Manager
ACT Insurance Authority
8 September 2014

Office of the Nominal Defendant of the ACT
Operating Statement
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Actual 2013 $'000
Income			
Interest and Distributions	6	899	1,097
Levies	7	4,742	4,781
Unrealised Gain on Investments	11	37	-
Other Revenue	8	1,021	1,200
Total Income		**6,699**	**7,078**
Expenses			
Claims Expenses	9	11,675	4,611
Supplies and Services	10	346	354
Unrealised Loss on Investments	11	-	188
Total Expenses		**12,021**	**5,153**
Operating (Deficit)/Surplus		**(5,322)**	**1,925**
Other Comprehensive Income		-	-
Total Comprehensive (Deficit)/Income		**(5,322)**	**1,925**

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

Office of the Nominal Defendant of the ACT
Balance Sheet
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Actual 2013 $'000
Current Assets			
Cash and Cash Equivalents	12	15,594	17,764
Receivables	13	3,631	1,447
Total Current Assets		**19,225**	**19,211**
Non-Current Assets			
Investments	14	5,967	5,931
Total Non-Current Assets		**5,967**	**5,931**
Total Assets		**25,192**	**25,142**
Current Liabilities			
Payables	15	208	135
Provision for Claims Payable	16	4,869	3,953
Total Current Liabilities		**5,077**	**4,088**
Non-Current Liabilities			
Provision for Claims Payable	16	19,196	14,813
Total Non-Current Liabilities		**19,196**	**14,813**
Total Liabilities		**24,273**	**18,901**
Net Assets		**919**	**6,241**
Equity			
Accumulated Funds		919	6,241
Total Equity		**919**	**6,241**

The above Balance Sheet should be read in conjunction with the accompanying notes.

Office of the Nominal Defendant of the ACT
Statement of Changes in Equity
For the Year Ended 30 June 2014

	Accumulated Funds Actual 2014 $'000	Total Equity Actual 2014 $'000
Balance at 1 July 2013	**6,241**	**6,241**
Comprehensive Income		
Operating (Deficit)	(5,322)	(5,322)
Total Comprehensive Income	**(5,322)**	**(5,322)**
Balance at 30 June2014	**919**	**919**

	Accumulated Funds Actual 2013 $'000	Total Equity Actual 2013 $'000
Balance at 1 July 2012	**4,316**	**4,316**
Comprehensive Income		
Operating Surplus	1,925	1,925
Total Comprehensive Income	**6,241**	**6,241**
Balance at 30 June 2013	**6,241**	**6,241**

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

Office of the Nominal Defendant of the ACT
Cash Flow Statement
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Actual 2013 $'000
Cash Flows from Operating Activities			
Receipts			
Interest and Distributions Received		895	1,103
Recoveries		80	68
Fees and Fines		936	1,057
Levies		2,555	4,759
Goods and Services Input Tax Credits from the Australian Taxation Office		515	311
Total Receipts from Operating Activities		**4,981**	**7,298**
Payments			
Supplies and Services		256	379
Payment of Claims		6,376	4,246
Goods and Services Tax Paid to Suppliers		519	348
Total Payments from Operating Activities		**7,151**	**4,973**
Net Cash (Outflows)/Inflows from Operating Activities	19	**(2,170)**	**2,325**
Net (Decease)/Increase in Cash and Cash Equivalents		(2,170)	2,325
Cash and Cash Equivalents at Beginning of Reporting Period		17,764	15,439
Cash and Cash Equivalents at End of Reporting Period	19	**15,594**	**17,764**

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

Office of the Nominal Defendant of the ACT
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE INDEX

Office of the Nominal Defendant of the ACT
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 1 OBJECTIVES OF THE OFFICE OF THE NOMINAL DEFENDANT OF THE ACT

Operations and Principal Activities of the Office of the Nominal Defendant of the ACT

The ACT Insurance Authority took over the assets and liabilities of the Office of the Nominal Defendant of the ACT (the Fund) from the previous Nominal Defendant on 17 December 2008, and commenced operations in January 2009. On establishment, $13.2 million was transferred to the Fund from the previous Nominal Defendant. The Fund is operated under the *Road Transport (Third Party Insurance) Act 2008*. The objectives of the Fund are to:

- provide a safety net mechanism to meet the costs of third party personal injury claims made by injured parties where:
    i. the vehicle involved does not have a compulsory third party insurance policy; or
    ii. the injured person is unable to identify the driver and vehicle at fault;
- ensure that persons who are injured in the circumstances listed above, receive the same entitlements as an injured person would receive where the vehicle did have Compulsory Third Party insurance;
- collect recoveries from uninsured drivers at fault to the sum paid out by the Nominal Defendant of the ACT; and
- raise levies on each licensed Compulsory Third Party insurer in the Territory as well as the Commonwealth and ACT Governments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These general purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles'. These 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 fund 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, the cost approach or the income approach valuation techniques as appropriate. In estimating the fair value of an asset or liability, the fund 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 Accounting - 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 Fund 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.

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

The Fund is an individual reporting entity.

(b) Reporting Period

The financial statements state the financial performance, change in equity and cash flows of the Fund for the year ended 30 June 2014 together with the financial position of the Fund as at 30 June 2014.

(c) Comparative Figures

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for 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.

(d) 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.

(e) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. In addition, the following specific criteria must also be met before revenue is recognised.

Levies

Levies are placed on Comprehensive Third Party Insurers and Self-Insurers in the ACT to ensure that the Fund has sufficient monies to satisfy claims. The levies are apportioned based on the market share of the insurer. Levies are recognised in the Operating Statement when they have been earned.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(e) Revenue Recognition - Continued

Interest

Interest revenue is recognised using the effective interest method.

Distributions

Distribution revenue is received from investments with the Public Trustee Fixed Interest Portfolio. This is recognised on an accrual basis.

(f) Current and Non-Current Items

Assets and liabilities are classified as either 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 Fund 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.

(g) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents include any short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents include short-term investments held in the Cash Trust Account managed by an external fund manager on behalf of the Public Trustee for the ACT. Short-term investments in the Cash Trust Account are measured at fair value.

(h) 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.

The collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impaired losses is raised when some doubt as to collection exists. The allowance for impairment losses is based on objective evidence and review of overdue balances. The Fund 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(i) Investments

Long-term investments for the Fund are held with the Public Trustee for the ACT in a unit trust called the Fixed Interest Portfolio. The prices of units in the Fixed Interest Portfolio fluctuate in value. The net gain or loss on investments consists of the fluctuation in price of the units in the trust 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.

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 reporting date.

(j) Payables

Payables are a financial liability and are initially recognised and 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 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 Fund.

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

(k) Provision for Claims Payable

The Provision for Claims Payable covers claims reported but not yet paid, incurred but not yet reported claims ("IBNR"), incurred but not enough reported ("IBNER") and the anticipated direct and indirect costs of settling those claims. Claims payable are assessed by review of 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.

An estimate of provision for claims payable is done annually by an independent actuary. The Fund has used the services of an independent actuary, KPMG Actuaries Pty Ltd, to provide a full assessment of outstanding claims at 30 June 2014.

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 expected future payments are then discounted to present value using the Commonwealth Government Bond risk free rate.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(k) Provision for Claims Payable - Continued

The Provision for Claims Payable estimated to fall due within a 12-month period are classified as a current liability and all other claims payable are classified as a non-current liability.

(l) Recoveries

The Fund may receive recoveries from the uninsured drivers, claimant third parties, and court associated recoveries. The recoveries are included in the actuarial calculations and are netted off from the value of outstanding claims.

NOTE 3 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 Fund does not intend to adopt these standards and interpretations early. It is estimated that the effect of adopting the below pronouncements, when applicable, will have no material financial impact on the Fund in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2018);
- AASB 1031 Materiality (application date 1 January 2014);
- AASB 2010-7 Amendments to the Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (application date 1 January 2018); and
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part B Materiality (application date 1 January 2014) part C Financial Instruments (application date 1 January 2015).

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Measurement of the Provision for Outstanding Claims

The Fund is not required to comply with Australian Accounting Standard AASB 1023: General Insurance Contracts as its operations are not underpinned by contracts of insurance with its customers. Contracts of insurance need to be in existence in order for a reporting entity to apply AASB 1023. Instead, liabilities are reported under AASB 137: Provisions, Contingent Liabilities and Contingent Assets. The measurement of liabilities under AASB 137 is based on an actuarial assessment, in the context of the Fund's claims, equating to the central estimate of claim liabilities (i.e. without an explicit risk margin). See Note 4(b) Actuarial Assumptions.

(b) Actuarial Assumptions

The actuarial estimate of provision for claims payable comprises:

- future compensation payments on open reported claims;
- future compensation payments for claims that have been incurred but not reported (i.e. IBNR);
- any recoveries, including input tax credits, recoveries from owners of unregistered vehicles and sharing recoveries, where relevant;
- an estimate of the costs associated with managing the claims, such as the staff costs for employees managing the claims; and
- claims inflated and discounted to a 'present value' basis.

Analysis and estimates are analysed in aggregate, without being subdivided by claim types.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED

(b) Actuarial Assumptions - Continued

The approaches used in estimating the liability for all claims were as follows:

Method 1 Projected Case Estimates

- historical claim payments of the previous and current Nominal Defendant and outstanding case estimates were summarised by accident and payment year;
- adequacy of case estimates was assessed by comparing the outstanding case estimates for a given accident year at each year end, with payments in the following year added to outstanding case estimates at the following year end, and consideration given to the need to assume future increases in case estimates; and
- a rate of payout was assumed, with the projected payments then discounted to a present value, to allow for the expected timing of those payments.

Method 2 Payment per Claims Incurred

- projecting IBNR by examining claims reporting to arrive at a frequency relative to vehicle registrations;
- claim payments were inflated to a common year (the 2013-14 year) using historical inflation indices;
- the payment pattern per number of claims incurred was analysed for each accident year, and an assumption made regarding a base average claim size and payment pattern for the run off of claims incurred to 30 June 2014; and
- the average claim size and pattern was applied to the reported and projected future reported claim numbers to derive projected payments, with the projected payments adjusted for future claims inflation and discounting to present value, allowing for the expected timing of those payments.

A blend of methods was adopted reflecting the relative strengths of those methods in projecting liabilities at different stages of development.

Table 1 – Selected Actuarial Assumptions - outlines the main assumptions which were made in estimating the provision for claims payable

Assumption	**2014**	**2013**
Claim frequency per thousand vehicles	0.155 per 1,000	0.155 per 1,000
Gross average claim size current year values (Method 2)	$122,000	$108,800
Case estimate development factors (Method 1)	Peak of 1.42 reducing to 1	Peak of 1.2 reducing to 1
Claims inflation – wage inflation	4.25% pa	4.25% pa
Claims inflation – superimposed inflation	3.0%	3.0% pa
Discount rate	3.09%	3.31%
Discounted average term to settlement	3.1 years	3.5 years
Claims handling expenses	8%	9%

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

(b) Actuarial Assumptions - Continued

Projected Claim Numbers

Projected claim numbers have been estimated based on an assumed pattern of claim emergence using chain ladder projections or the application of average claim frequencies to measures of exposure. This projection results in an underlying assumed average claim frequency per thousand registered vehicles. Individual years will vary based on experience to date.

Case Estimate Development Factors

For those years with reliance on Method 1, the projected increase over case estimates in each year ranges from 1.42 (i.e. an increase of 42%) or 1.2 (i.e. an increase of 20%) for a more recent year, reducing to 1 after eight years of development (i.e. no further increase in estimates after that point).

Claims Inflation Rate

A base wage inflation rate of 4.25% per annum has been selected. However, claims costs have a tendency to increase above the rate of wage inflation over time. A rate of 3.00% per annum for additional (i.e. superimposed) inflation has been adopted. Method 2 uses these assumptions, while inflation is implicit in Method 1.

Discount Rate

The estimate of the Fund's liability is provided on both a discounted (i.e. allowing for future investment income) and undiscounted basis. To discount the liability, the Fund has used the market yield as at 30 June 2014 on long-duration Commonwealth bonds, which gives a weighted average discount rates of 3.09%.

Claims Handling Expenses

Based on a review of the ACT Insurance Authority's expenses in recent years, the Fund has adopted a claims handling expenses rate of 8% of gross provision for claims payable.

Sensitivity Analysis

The provision for claims payable valuation relies on two key methods, each of which relies on certain assumptions about the experience of claims which are already incurred, but not yet fully paid. To understand the impact of variations in these assumptions, the Fund made changes to each assumption and quantified the impact on the outstanding claims result for the Fund. This is referred to as a sensitivity analysis.

Impact of Movement in Variables

Claims frequency

The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes. An increase in future reported claims would increase the liability.

Average claim size

The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes. An increase in the base average claim size from which future payments are derived would have a proportionate impact on those periods relying on this method.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

(b) Actuarial Assumptions - Continued

Case estimate development

The provision for claims payable relies in part on the case estimates held by the Fund. Allowance is made in the valuation for expected development on open claims. The impact on reported claim expense will reflect the extent that the development of case estimate differs from expected.

Discount rate

The provision for claims payable is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. A decrease in the assumed discount rate will increase the total claims expense.

Inflation and superimposed inflation rates

Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate, an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. Such rates of superimposed inflation are specific to the model adopted. An increase in the assumed levels of either economic or superimposed inflation would have a corresponding and magnified impact on claims expense, given the long-tail nature of these liabilities.

As a result of a change of all of the above variables, the provision of claims payable has increased by $5,298,566 (Refer to Note 9 'Claims Expense' and 16 'Provision for Claims Payable').

Uncertainty

General sources of uncertainty

General areas of uncertainty include:

- data error – the base data can contain material errors or may not be representative of the current portfolio of claims;
- model error – incorrect or inappropriate models may be used to project the future claims;
- parameter error – the selected values for various assumptions within the valuation are in some cases based on judgement and may not accurately represent the future values for the parameters;
- random error – claims development is, by its nature, subject to random variation; and
- unforeseen development due to events including jury decisions, court interpretations, legislative changes, public attitudes, potential sources of 'latent claims' (e.g. child claims in the context of compulsory third party), and social/economic conditions such as inflation.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

(b) Actuarial Assumptions - Continued

Fund specific sources of uncertainty

Specific sources of uncertainty of note include:

- the small number of claims in each year leads to significant volatility. Separating trends from variation can be challenging. The size of the portfolio also means that having more or fewer large claims will lead to significant variations in incurred cost between injury years. Models based on continuation of past averages will not necessarily reflect this variability; and

- the change in administration of the portfolio of claims. Although there is now a number of years of data, payments can continue for many years after the initial accident. Therefore, the impact of any changes in claims management on the experience in the “tail” (i.e. later durations) remains subject to some uncertainty. In particular, there are a number of larger claims for recent years and the Fund does not have sufficient history to know whether the strength of reserving of those claims is similar to what would have been the case in the past; and

- input errors and the currency of the data. Delays or errors in entering data into the database will affect how reliable the data is. The need for manual adjustments introduces additional risk to the process; however, the number of amendments has reduced over time.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

(b) Actuarial Assumptions - Continued

Scenario Assumptions	Scenario net central estimate including claims handling expense $	Difference from net claims expense including claims handling expense $	Difference %
Net central estimate including claims handling expense and recoveries	**24,065,101**		
Future claim reports increase 10%	24,868,367	803,267	3.3
Inflation +1%	24,660,597	595,496	2.5
Projected case estimate +5% each year until development year 8	25,609,601	1,544,500	6.4
Payment per claim incurred +5%	24,862,035	796,934	3.3
Discount -1% for all years	24,964,554	899,453	3.7

Explanation of Scenario Assumptions:

- The Net Central Estimate (or NCE) refers to the provision for claims payable, which is net of any recoveries, inclusive of claims handling expenses (CHE) and 'central' in the sense that it is not intentionally over or underestimated (i.e. the estimate does not include a margin for uncertainty).
- The Projected Case Estimate (or PCE) method relies on assumptions regarding the adequacy of case estimates at any given period to cover the remaining run off cost of those claims. Therefore, 'development factors' are assumed that are intended to mimic the natural rate of increase (or decrease) in estimates as additional information or other factors come to light.
- The Payment per Claim Incurred (or PPCI) method relies on an assumption regarding the average payment made in each period for each claim that was incurred. An increase in assumption implies a higher average claim cost and therefore a higher estimate of liabilities.

NOTE 5 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES

Changes in Accounting Estimate

Changes in Actuarial Assumptions

The Fund uses actuaries (Refer Note 4: 'Significant Accounting Judgements and Estimates') to estimate the provision for claims payable. Assumptions are based on past claims experience, risk exposure and projections of economic variables. As such, the estimate of the provision for Claims Payable will change each time the provision is assessed by the actuaries (Refer to Note 16 'Provision for Claims Payable'). This change has resulted in an increase to the estimate of the provision for claims payable and expense in the current reporting period of $5,298,566.

Change in Accounting Policy

The Fund had no changes in Accounting Policy during the reporting period.

Office of the Nominal Defendant of the ACT
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NOTE 6 INTEREST AND DISTRIBUTIONS

	2014 $'000	2013 $'000
Revenue Received from ACT Government Entities		
Interest Revenue from Short-term Investments [a]	561	734
Distribution Revenue from Long-term Investments	300	345
Revenue from Non-ACT Government Entities		
Interest Revenue from Banks	38	18
Total Interest and Distribution Revenue	**899**	**1,097**

[a] Interest decreased in 2013-14 as there were less funds held in investments funds and a lower rate of return.

NOTE 7 LEVIES

Claims and administrative costs of the Fund are paid by raising a levy on all licensed Compulsory Third Party insurers in the ACT, the Commonwealth and Territory Governments.

	2014 $'000	2013 $'000
Levies from Insurers	4,685	4,726
Levies from the Commonwealth Government	15	15
Levies from the ACT Government	42	40
Total Levies	**4,742**	**4,781**

NOTE 8 OTHER REVENUE

	2014 $'000	2013 $'000
Unregistered Vehicle Permits	607	652
Unregistered Vehicle Fines	334	480
Uninsured Owner/Driver Recoveries	80	54
Recoveries from Third Parties	-	14
Total Other Revenue	**1,021**	**1,200**

Other Revenue is unpredictable and may vary significantly from year to year.

NOTE 9 CLAIMS EXPENSES

	2014 $'000	2013 $'000
Settlements [a]	4,595	2,927
Medical Costs	499	402
Investigation Costs	39	37
Legal Costs [a]	1,243	880
Provision for Claims Payable [b]	5,299	365
Total Claims Expenses	**11,675**	**4,611**

The higher claims expense in 2013-14 is due to:

[a] Increased settlements and legal costs – a number of high value claims progressed to settlement in 2013-14 which resulted in an increase in the legal services incurred.

[b] The increase in claims expenses reflects a corresponding increase in the provision for claims payable resulting from the 2013-14 actuarial estimate. (Refer to Note 16: Provision for Claims Payable)

NOTE 10 SUPPLIES AND SERVICES

	2014 $'000	2013 $'000
Administration Expenses	72	77
Audit Fees	26	27
Purchased Administrative Services from the ACT Insurance Authority and Default Insurance Fund	248	250
Total Supplies and Services	**346**	**354**

The Fund has no employees and services are provided by the Default Insurance Fund and ACT Insurance Authority.

NOTE 11 UNREALISED GAIN/(LOSS) ON INVESTMENTS

	2014 $'000	2013 $'000
Unrealised Gain on Investments	37	-
Unrealised (Loss) on Investments	-	(188)
Total Unrealised Gain/(Loss) on Investments	**37**	**(188)**

NOTE 12 CASH AND CASH EQUIVALENTS

The Fund holds bank accounts with the Commonwealth Bank Australia and Westpac Banking Corporation as part of the whole-of-government banking arrangements. The Fund also held short-term investments with Public Trustee in the Justice and Community Services Directorate Cash Trust Account throughout the year. The investment earned a floating interest rate of 3.70% (4.66% in 2013). These funds are able to be withdrawn upon request and are not subject to movement in market value.

	2014 $'000	2013 $'000
Cash at Bank	720	1,172
Short Term Investments [a]	14,874	16,592
Total Cash and Cash Equivalents	**15,594**	**17,764**

[a] The decrease in cash and cash equivalents is due to the timing of levies being received from the CTP Regulator and higher cash outflows from settling claims.

NOTE 13 RECEIVABLES

	2014 $'000	2013 $'000
Current Receivables		
Accrued Interest	72	86
Goods and Services Tax Receivable	81	75
Accrued Fees and Fines for Unregistered Vehicles and Unregistered Vehicle Permits	79	74
Accrued Levies	3,399	1,212
Total Receivables	**3,631**	**1,447**

The increase of accrued levies (levies receivable but not yet received in the financial year) is due to a delay in levies being received from the Compulsory Third-Party Insurance Regulator.

Ageing of Receivables

	Not Overdue	Overdue			Total
		Less Than 30 Days	30 to 60 Days	Greater than 60 days	
	$'000	$'000	$'000	$'000	$'000
2014					
Not Impaired[1]					
Receivables	3,631	-	-	-	**3,631**
Impaired					
Receivables	-	-	-	-	-
2013					
Not Impaired[1]					
Receivables	1,447	-	-	-	1,447
Impaired					
Receivables	-	-	-	-	-

[1] 'Not Impaired' refers to Net Receivables (Gross Receivables less Impaired Receivables).
The Fund does not hold any collateral for receivables that are overdue or determined to be impaired.

NOTE 13 RECEIVABLES - CONTINUED

	2014 $'000	2013 $'000
Classification of ACT Government/Non-ACT Government Receivables		
Receivables with ACT Government Entities		
Accrued Interest	72	83
Accrued Fees and Fines for Unregistered Vehicles and Unregistered Vehicle Permits	79	74
Accrued Levies	31	11
Total Receivables with ACT Government Entities	**182**	**168**
Receivables with Non-ACT Government Entities		
Accrued Interest	-	3
Goods and Services Tax Receivable	81	75
Accrued Levies	3,368	1,201
Total Receivables with Non-ACT Government Entities	**3,449**	**1,279**
Total Receivables	**3,631**	**1,447**

NOTE 14 INVESTMENTS

The fixed interest investment is 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 a quoted market price at the reporting date.

	2014 $'000	2013 $'000
Non-Current Investments		
Fixed Interest Trust Portfolio	5,967	5,931
Total Investments	**5,967**	**5,931**

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NOTE 15 PAYABLES

	2014 $'000	2013 $'000
Current Payables		
Trade Creditors	-	7
Accrued Admin Expenses	208	128
Total Payables	**208**	**135**
Payables are Aged as follows:		
Not Overdue	208	135
Total Payables	**208**	**135**
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses	208	135
Total Payables with ACT Government Entities	**208**	**135**
Total Payables	**208**	**135**

NOTE 16 PROVISION FOR CLAIMS PAYABLE

	2014 $'000	2013 $'000
Inflated and Discounted Liability		
Gross Central Estimate	24,252	18,723
Recoveries	(2,127)	(1,642)
Claims Handling Expense	1,940	1,685
Net Central Estimate	**24,065**	**18,766**
Current Provision for Claims Payable		
Provision for Claims Payable	4,869	3,953
Non-Current Provision for Claims Payable		
Provision for Claims Payable	19,196	14,813
Total Provision for Claims Payable	**24,065**	**18,766**

The provision for claims payable is an actuarial assessment based on assumptions outlined in Note 4(b): 'Significant Accounting Judgements and Estimates' – Actuarial Assumptions. The key factors impacting the increase of $5,298,566 in the gross central estimate since 30 June 2013 are as a result of new claims in the 2013-14 period and changes in actuarial assumptions.

NOTE 17 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.

Most of the Fund's financial assets are held in floating interest rate arrangements and all of its financial liabilities are non-interest bearing. This means that the Fund is not exposed to movements in interest payable, however, it is exposed to movements in interest receivable.

Interest rate risk for financial assets is managed by the Fund by only investing in floating interest rate investments that are low risk. Interest rate risk for financial liabilities is not actively managed by the Fund 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

Taking into account past performance, future expectations and economic forecasts, 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 by -/+ 1.0% per annum.

		-1.0%	+1.0%
	Carrying Amount $'000	Profit/ (Loss) $'000	Profit/ (Loss) $'000
Financial Assets:			
Cash and Cash Equivalents	15,594	(156)	156
Total Increase/(Decrease)	**15,594**	**(156)**	**156**

(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 Fund's credit risk is limited to the amount of the financial assets it holds net any allowance for impairment.

Credit risk for cash and investments is managed by the Fund by only investing surplus funds with the Public Trustee for the ACT. The Public Trustee for the ACT has set appropriate investment criteria for the external fund manager it has engaged to manage the surplus funds of agencies, resulting in an insignificant credit risk. No collateral is held by the Fund.

The Fund also manages the credit risk for receivables by undertaking an assessment of the credit worthiness of debtors. A large proportion of the Fund's receivables are from major Australian insurers, the ACT and Commonwealth Governments and small proportion of receivables are expected from drivers or owners identified as at fault which means that the credit risk of these receivables going into default is low.

There have been no changes in credit risk since the last reporting period.

NOTE 17 FINANCIAL INSTRUMENTS - CONTINUED

(c) Liquidity Risk

Liquidity risk is the risk that the Fund 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 Fund ensures that it has sufficient cash and cash equivalents to meet its estimated financial liabilities. The fund may raise additional levies at any time to meet the cost of any unexpected increase in financial liabilities that may arise.

The Fund'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.

(d) Price Risk

Price risk is the risk that the fair value or future cash flows 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 to which the Fund is exposed results from its investment in the Fixed Interest Portfolio. The Fund has units in the Fixed Interest Portfolio which fluctuate in value. The price fluctuations in the units of the Fixed Interest Trust portfolio are caused by movements in the underlying investments of the portfolio. The underlying investments are managed by an external fund manager who invests in a variety of different 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 the 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 Board Index before taking into account fund fees and expenses. The Fund's exposure to price risk and the management of this risk has not changed since the last reporting period.

Sensitivity Analysis

Taking into account past performance, future expectations and economic forecasts, the impact on profit or loss and the impact on equity in the table below are 'reasonably possible' over the next 12 months if unit values change by -/+ 3.14%.

	Units Held 30 June 2014	Unit Value 30 June 2014	Carrying Amount	(3.14%) Profit/(Loss)	+3.14% Profit/(Loss)
	Number of Units		**$ 000s**	**$ 000s**	**$ 000s**
Financial Assets:					
Investments in the Fixed Interest Portfolio	5,909,583.37	$1.0098	5,967	(187)	187

NOTE 17 FINANCIAL INSTRUMENTS - CONTINUED

(e) Fair Values of Financial Assets and Liabilities

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'.

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

	Note No.	Carrying Amount 2014 $'000	Fair Value 2014 $'000	Carrying Amount 2013 $'000	Fair Value 2013 $'000
Financial Assets					
Cash and Cash Equivalents	12	15,594	15,594	17,764	17,764
Receivables	13	72	72	86	86
Investments	14	5,967	5,967	5,931	5,931
Total Financial Assets		**21,633**	**21,633**	**23,781**	**23,781**
Financial Liabilities					
Payables	15	-	-	7	7
Total Financial Liabilities		**-**	**-**	**7**	**7**

(f) Fair Value Hierarchy

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

2014

	Classification According to Fair Value Hierarchy			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Investment with the Public Trustee Fixed Interest Trust Portfolio	-	5,967	-	**5,967**
	-	**5,967**	-	**5,967**

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

NOTE 17 FINANCIAL INSTRUMENTS - CONTINUED

(f) Fair Value Hierarchy- continued

2013

	Classification According to Fair Value Hierarchy Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Investment with the Public Trustee				
Fixed Interest Trust Portfolio	-	5,931	-	5,931
	-	5,931	-	5,931

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

The following table sets out the Fund'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 at Bank	12	2.87	720	-	-	-		**720**
Short Term Investments	12	3.70	14,874					**14,874**
Accrued Interest	13		-	-	-	-	72	**72**
Investments	14		-	-	-	-	5,967	**5,967**
Total Financial Assets			15,594	-	-	-	6,039	**21,633**
Financial Liabilities								
Payables	15		-	-	-	-	37	**37**
Total Financial Liabilities			-	-	-	-	37	**37**
Net Financial Assets			15,594	-	-	-	6,002	**21,596**

Reconciliation of Net Financial Assets to Net Assets as per the Balance Sheet	**No.**	**2014 $'000**
Net Financial Assets (as above)		21,596
Goods and Services Tax Receivable	13	81
Accrued Revenue	13	3,478
Accrued Expenses	15	(171)
Provision for Claims Payable	16	(24,065)
Net Assets as per the Balance Sheet		**919**

NOTE 17 FINANCIAL INSTRUMENTS – CONTINUED

The following table sets out the Fund'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 2013. 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.

2013	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 and Cash Equivalents	12	4.66	17,764	-	-	-	-	**17,764**
Accrued Interest	13		-	-	-	-	86	**86**
Investments	14		-	-	-	-	5,931	**5,931**
Total Financial Assets			17,764	-	-	-	6,017	**23,781**
Financial Liabilities								
Payables	15		-	-	-	-	7	**7**
Total Financial Liabilities			-	-	-	-	7	**7**
Net Financial Assets			17,764	-	-	-	6,010	**23,774**

Reconciliation of Net Financial Assets to Net Assets as per the Balance Sheet	**Note No.**	**2013 $'000**
Net Financial Assets (as above)		23,774
Goods and Services Tax Receivable	13	75
Accrued Revenue	13	1,286
Accrued Expenses	15	(128)
Provision for Claims Payable	16	(18,766)
Net Assets as per the Balance Sheet		**6,241**

Carrying Amount of Each Category of Financial Assets and Liabilities
Financial Assets

	2014 $'000	**2013 $'000**
Financial Assets at Fair Value through the Profit and Loss Designated upon Initial Recognition	5,967	**5,931**
Receivables	72	**86**

Gain/(Loss) on Each Category of Financial Assets and Financial Liabilities

	2014	2013
Gain/(Loss) on Financial Assets at Fair Value through the Profit and Loss Designated upon Initial Recognition	37	**(188)**

Office of the Nominal Defendant of the ACT
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or assets to recognise at the reporting date.

NOTE 19 CASH FLOW RECONCILIATION

	2014 $'000	2013 $'000
(a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet		
Total Cash and Cash Equivalents Recorded in Balance Sheet	15,594	17,764
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	**15,594**	**17,764**
(b) Reconciliation of Net Cash (Outflows)/Inflows from Operating Activities to the Operating (Deficit)/Surplus		
Operating (Deficit)/Surplus	(5,322)	1,925
Add/(Less) Items Classified as Investing or Financing		
Unrealised Gain on Investments	(37)	-
Unrealised Loss on Investments	-	188
Cash before Operating Assets and Liabilities	**(5,359)**	**2,113**
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(2,183)	(128)
Increase/(Decrease) in Payables	73	(25)
Increase in Provision for Claims Payable	5,299	364
Net Changes in Operating Assets and Liabilities	3,189	**211**
Net Cash (Outflows)/Inflows from Operating Activities	**(2,170)**	**2,325**

NOTE 20 AUDITOR'S REMUNERATION

Auditor's remuneration consists of financial audit services provided to the Fund by the ACT Auditor-General's Office.

	2014 $'000	2013 $'000
Audit Services		
Audit Fees Paid or payable to the ACT Auditor-General's Office	26	29
Total Audit Fees	**26**	**29**

No other services were provided by the ACT Auditor-General's Office.

NOTE 21 EVENTS OCCURING AFTER BALANCE DATE

No events occurred after 30 June 2014 which would affect the financial statements of the Fund in the current or future reporting periods.

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:

1. Case estimates for reported claims;
2. Provision for IBNER claims costs; and
3. 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.

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