

ESOS Assurance Fund

Annual Report 2008

Background

The ESOS Assurance Fund was established on 4 June 2001 under section 46 of the *Education Services for Overseas Students Act 2000* (the Act) to protect the interests of current and intending overseas students of registered providers.

The following tables detail the key financial information for the years ended 31 December 2007 and 31 December 2008 and the payment of claims made by the Fund in 2008.

Financial Information

Table 1.1 shows the income received and expenses incurred in 2008 and 2007.

	2008	2007
	\$	\$
Revenue from continuing operations	1,754,923	1,336,674
Revenue from reinsurance recoveries	6,904,068	-
Operating expenses	(130,584)	(82,040)
Reinsurance expense	(204,110)	(263,711)
Calls on the Fund (Provider & Student)	(3,458,266)	(40,408)
Calls on the Fund (Placement Cost)	(378,671)	-
Provision for claims	(4,570,112)	(208,988)
Fund Manager fees	(1,227,085)	(320,327)
Surplus/(deficit) from operating activities	<u>(1,309,837)</u>	<u>421,200</u>

Table 1.2 shows the assets and liabilities of the Fund as at 31 December 2008 and 31 December 2007.

	2008	2007
	\$	\$
Assets		
Cash	1,874,771	3,728,918
Contributions receivable	34,811	11,467
Other current assets	29,958	30,372
Reinsurance and other recoveries	5,353,000	-
Prepaid Reinsurance	-	204,110
Total assets	<u>7,292,540</u>	<u>3,974,867</u>
Liabilities		
Payables	88,772	31,374
Provision for calls on the Fund	5,421,000	850,888
Total liabilities	<u>5,509,772</u>	<u>882,262</u>
Net assets	<u>1,782,768</u>	<u>3,092,605</u>

Claims on the Fund

Throughout the year, a number of claims have been referred to the Fund for assessment by the Department of Education, Employment and Workplace Relations (DEEWR). These claims are summarised as at 31 December 2008 as follows:

Default 1	
Date of default	23-Jan-08
Nature of default (provider or student)	Provider and Student
Number of students referred	1,059
Total refunds paid to students	\$3,409,589
Estimate of outstanding claims ¹	\$2,257,000
Current status of default	In progress

Default 2	
Date of default	28-Aug-08 and 5-Sep-08
Nature of default (provider or student)	Provider and Student
Number of students referred	249
Total refunds paid to students	\$7,492
Estimate of outstanding claims ¹	\$1,450,000
Current status of default	In progress

Default 3	
Date of default	5-Dec-08
Nature of default (provider or student)	Provider and Student
Number of students referred	4
Total refunds paid to students	\$0
Estimate of outstanding claims ¹	\$57,000
Current status of default	In progress

Default 4	
Date of default	23-Jan-07
Nature of default (provider or student)	Provider and Student
Number of students referred	2
Total refunds paid to students	\$0
Estimate of outstanding claims ¹	\$18,096
Current status of default	In progress

1. The estimate of outstanding claims is taken from the "Valuation of Outstanding Liabilities as at 31 December 2008" prepared by the Fund's actuary.

2. A *Provider default* applies to an overseas student or an intending overseas student in relation to a course if:
- the course does not start on the agreed starting day; or
 - the course ceases to be provided at any time after it starts but before it is completed; or
 - the course is not provided in full to the student because a sanction has been imposed on the registered provider and the student has not withdrawn before the default day.
3. A *Student default* applies to an overseas student or an intending overseas student in relation to a course if:
- the course starts on the agreed starting day, but the student does not start the course on that day (and has not previously withdrawn); or
 - the student withdraws from the course (either before or after the agreed starting day); or
 - the registered provider of the course refuses to provide, or continue providing, the course to the student because of one or more of the following events:
 - the student failed to pay an amount he or she was liable to pay the provider, directly or indirectly, in order to undertake the course;
 - the student breached a condition of his or her student visa;
 - misbehaviour by the student.

Contact Details

If you have any queries in regards to this report, the Fund Manager can be contacted by email esos.assurance.fund@au.pwc.com, by phone (02) 6271 3659 or by mail:

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A handwritten signature in black ink, appearing to read 'D. Murphy', is centered on the page.

David Murphy
ESOS Assurance Fund Manager