



**Insurance Commission
of Western Australia**

Mid-Year Performance Report 2023-24

Insurance Commission
of Western Australia

MID-YEAR PERFORMANCE REPORT

The Insurance Commission's mid-year performance report presents unaudited financial information to transparently provide our stakeholders with an indication of performance for the first half of the 2023-24 financial year (1 July 2023 to 31 December 2023).

In the first half of the financial year, the Insurance Commission managed insurance claims valued at \$5.3 billion. This includes payments of \$500.9 million made to individuals, service providers and agencies during the half year, and estimated future claims liabilities of \$4.8 billion.

The half-year profit before tax for the Insurance Commission's total operations (including the RiskCover Fund) was \$218.6 million, which is \$71.8 million better than budget. We generated \$1 billion in revenue and earnings for the period. The Insurance Commission's core operations (excluding the RiskCover Fund) recorded a positive underwriting result of \$39.7 million and a profit before tax of \$218.4 million. This profit was mainly driven by the strong year-to-date (YTD) investment income of \$221.4 million.

The RiskCover Fund recorded a small operating profit of \$0.2 million, after investment income of \$29.5 million offset an underwriting loss of \$29.3 million.

The 12 month investment return was 8.81%, outperforming the benchmark by 0.26%.

The unaudited half-year financial statements are included in this Report.

Investments

Global investment markets experienced a volatile six months as central banks further increased interest rates to combat high inflation and geopolitical risks escalated in October with the outbreak of the Hamas/Israel conflict. Yet amidst the volatility, signs of disinflation later in the year boosted market expectations that central banks would cut interest rates sooner in 2024, resulting in an 'almost everything rally' to end the year. US 10-year Treasury yields opened at 3.84%, before rising to just under 5% in mid-October. The encouraging inflation data and the Fed's subsequent pivot, signalling rate cuts in the year ahead, saw US 10-year Treasury bond yields rally to close at 3.88%. Equities experienced similar volatility. The MSCI All Country World Index (USD) recorded a 3.3% loss in the September quarter, followed by an 11.1% jump in the December quarter, finishing 7.5% higher over the six months.

Despite this market volatility, the Insurance Commission's diversified investment portfolio delivered a total investment return for the six months to 31 December 2023 of \$221.4 million, broadly in line with the budgeted income of \$223.4 million. The Insurance Commission's main investment fund returned 3.1% in the six-month period. The 12 month investment return was 8.81%, outperforming the benchmark by 0.26%. This outperformance was largely due to outperformance in Property (4.62%), Global Fixed Interest (3.58%) and Australian Equities (1.44%), and despite a conservative asset allocation (in particular a minor underweight (1.0%) to Global Equities). Continued strong returns from Global Equities propelled the asset class to a 12 month performance of 20.83%. This performance, while strong, underperformed the benchmark (by 0.62%) as a result of slower growth in Global Mid and Small Capitalisation stocks, and Emerging Market Equities.

The total value of the investment funds held by the Insurance Commission to offset insurance liabilities grew from \$7 billion at 1 July 2023 to \$7.4 billion at 31 December 2023. The total value of assets held by the Insurance Commission at 31 December 2023 was \$7.8 billion.

Motor Injury Insurance

The Insurance Commission is the sole underwriter of motor injury insurance in Western Australia. One motor injury insurance policy is governed by two Acts of Parliament: the *Motor Vehicle (Third Party Insurance) Act 1943* and *Motor Vehicle (Catastrophic Injuries) Act 2016*.

The policy provides owners and drivers of WA registered vehicles with an unlimited indemnity against personal injury claims for injuries they cause to others in motor vehicle crashes, known as Compulsory Third Party (CTP) insurance.

The policy also provides no-fault, first party lifetime care cover to people for catastrophic injuries they may sustain in a car crash, in circumstances where they are unable to find another driver at fault. This is known as Catastrophic Injuries Support (CIS) insurance.

The policy is issued to motorists along with their motor vehicle registration by the Department of Transport who collect premium payments on behalf of the Insurance Commission. The combination of CTP and CIS insurance cover is known as motor injury insurance (MII).

In the first half of the financial year, the Insurance Commission generated \$488.4 million in MII net premium revenue for approximately 3.2 million insured vehicles (including caravans and trailers).

Over the same period, the Insurance Commission managed car crash claims expected to cost \$3.7 billion, consisting of \$279.6 million in claim payments to people injured in motor vehicle crashes, mostly from prior years, and \$3.4 billion in anticipated future claims expenses.

The Third Party Insurance Fund (TPIF) is the fund for the CTP scheme, and the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) is the fund for the CIS scheme.

The TPIF recorded a half-year underwriting profit of \$14.8 million. The profit was mainly attributable to lower claims experience than forecast, partly offset by changes in economic assumptions (primarily decreases in discount rates increasing claim liabilities). The TPIF recorded a half-year profit before tax of \$138.2 million, after strong investment income of \$131.8 million.

The MVCIF recorded an underwriting profit of \$26 million for the first half of the year. The result was mainly due to a lower than expected increase in claims liabilities, driven by fewer new scheme participants with catastrophic injuries than anticipated. This was partially offset by the decline in long-term discount rates (based on Commonwealth bond rates). The MVCIF delivered a profit before tax of \$70.2 million, after investment income of \$46.9 million.

RiskCover Fund

The RiskCover Fund is the self-insurance funding arrangement for most WA Government public authorities (agencies). The RiskCover Fund provides cover for most agency insurable risk exposures, including:

- workers' compensation;
- loss or damage to property;
- cyber risk;
- legal liability cover for general, professional and medical treatment; and
- personal accidents.

The RiskCover Fund recorded a half-year underwriting loss of \$29.3 million compared to the budgeted loss of \$16.9 million. This underwriting loss was primarily due to higher than expected claims costs in the workers' compensation, liability (medical treatment) and property classes of insurance. The higher than expected medical treatment liability claims mainly relate to obstetric claims.

The RiskCover Fund recorded a small half-year profit of \$0.2 million, after investment income of \$29.5 million offset the underwriting loss. The Insurance Commission invests RiskCover funds under the same arrangements used for the investment of most other funds managed by the Insurance Commission.

Contributions to Government

As a Government Trading Enterprise, the Insurance Commission seeks to deliver a return to its shareholder while delivering efficient and equitable insurance services to Western Australian motorists, claimants, and government agencies.

In December 2023, the Insurance Commission paid a final dividend of \$36 million to Government for the 2023 financial year. In light of the strong financial performance during 2023, the Insurance Commission also paid a special dividend of \$109.7 million. This is in addition to the interim dividend of \$63.5 million that was paid in June 2023. The total dividend paid for the 2023 financial year is \$209.2 million.

During the period, the Insurance Commission also transferred \$146 million and \$55.2 million from the Third Party Insurance Fund to the Government Insurance and RiskCover Funds respectively. This transfer, effectively a further dividend to Government, will be used to fund historic child sexual abuse claims that would otherwise have to be funded from the Government's Consolidated Account. The transfer to the Government Insurance Fund will effectively eliminate a liability that had been drawing from the Consolidated Account, and is now in a positive net asset position.

As the RiskCover Fund's solvency level was below the agreed solvency reserve target of 135% at 30 June 2023, no return of capital was payable for 2023.

In the first half of this financial year, the Insurance Commission has paid \$55.2 million in insurance duty and \$31.1 million in tax equivalent payments to the WA Government.

As a result of these payments and transfers, the Insurance Commission has contributed \$433.2 million to the State Government in the six months to 31 December 2023.

At end of December, the Insurance Commission held assets that contribute to a State net debt reduction of \$5 billion.

Sincerely



ROD WHITHEAR
CHIEF EXECUTIVE

Actual Performance Compared to Budget at 31 December 2023

Insurance Commission

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Net Premium Revenue	488,419	477,318	11,101
Net Claims Incurred	(411,466)	(487,254)	75,788
Underwriting and Administration Expenses	(37,231)	(37,580)	349
Underwriting Profit/(Loss)	39,722	(47,516)	87,238
Investment Income	221,390	223,390	(2,000)
Investment Expenses	(13,745)	(12,247)	(1,498)
RiskCover Fund Investment Return	(29,546)	(42,873)	13,327
Other	534	73	461
Profit Before Tax Equivalent	218,355	120,827	97,528
Income Tax Equivalent Expense	(63,901)	(36,248)	(27,653)
Profit After Tax Equivalent	154,454	84,579	69,875
Total Comprehensive Income After Tax Equivalent	154,454	84,579	69,875
Total Equity (as per Balance Sheet)	1,952,157		

	Actual	Budget	Variance
Investment Rolling 7-Year Return (%) - Main Fund*	6.1	6.3	(0.2)
Investment Rolling 7-Year Return (%) - MVCIF*	5.1	6.5	(1.4)
Annual Investment Rate of Return (%) - Main Fund	3.1	3.1	-
Annual Investment Rate of Return (%) - MVCIF	3.0	3.3	(0.3)
Solvency Level (%)*	133.1	132.7	0.4

* Annual Target in lieu of YTD Target

Actual Performance Compared to Budget at 31 December 2023

RiskCover Fund

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Net Premium Revenue	240,544	229,639	10,905
Net Claims Incurred	(249,362)	(226,482)	(22,880)
Underwriting and Administration Expenses	(20,498)	(20,091)	(407)
Underwriting Loss	(29,316)	(16,934)	(12,382)
Investment Income	29,546	42,873	(13,327)
Profit	230	25,939	(25,709)
Total Equity (as per Balance Sheet)	113,648		

	Actual	Budget	Variance
Solvency Level (%)*	108.3	113.4	(5.1)
Net Loss Ratio (%)	103.7	87.3	(16.4)
Net Expense Ratio (%)	8.5	7.7	(0.8)
Net Combined Ratio (%)	112.2	95.0	(17.2)

* Annual Target in lieu of YTD Target

Financial Statements

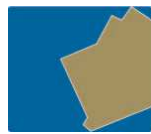
Statement of Comprehensive Income at 31 December 2023

	Insurance Commission		Third Party Insurance Fund		Motor Vehicle (Catastrophic Injuries) Fund		RiskCover Fund	
	2024 (YTD)	2023	2024 (YTD)	2023	2024 (YTD)	2023	2024 (YTD)	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Premium Revenue	488,419	931,662	374,678	710,659	113,640	220,852	240,544	407,083
Net Claims Incurred	(411,466)	(615,159)	(330,372)	(578,173)	(81,095)	(63,509)	(249,362)	(460,672)
Underwriting and Administration Expenses	(37,231)	(67,534)	(29,476)	(53,611)	(6,572)	(11,928)	(20,498)	(41,281)
Underwriting Result	39,722	248,969	14,830	78,875	25,973	145,415	(29,316)	(94,870)
Investment Income	221,390	529,109	131,810	329,278	46,861	101,369	29,546	73,665
Investment Expenses	(13,745)	(25,513)	(8,437)	(16,287)	(2,682)	(4,753)	-	-
RiskCover Fund Investment Return	(29,546)	(73,665)	-	-	-	-	-	-
Other	534	2,124	10	1,589	8	31	-	-
Profit/(Loss) Before Tax Equivalent	218,355	681,024	138,213	393,455	70,160	242,062	230	(21,205)
Income Tax Equivalent Expense	(63,901)	(171,632)	(41,490)	(101,154)	(21,053)	(68,138)	-	-
Profit/(Loss) After Tax Equivalent	154,454	509,392	96,723	292,301	49,107	173,924	230	(21,205)
Other Comprehensive (Expense)/Income after Tax Equivalent	-	(125)	-	-	-	-	-	-
Total Comprehensive Income/(Loss) After Tax Equivalent	154,454	509,267	96,723	292,301	49,107	173,924	230	(21,205)

Balance Sheet at 31 December 2023

	2024 (YTD)	2023	2024 (YTD)	2023	2024 (YTD)	2023	2024 (YTD)	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Cash and Cash Equivalents	7,084	20,554	1,912	-	5,172	7,774	367	11,194
Receivables	323,432	454,428	211,816	201,497	52,743	49,163	187,155	204,869
Current Tax Receivable	44,050	12,913	68,482	45,129	-	-	-	-
Investments	7,441,567	7,008,144	4,141,280	4,310,421	1,590,388	1,461,208	1,277,799	941,320
Deferred Premium Collection Costs	7,522	7,522	6,080	6,080	1,442	1,442	-	-
Right of Use Lease Assets	6,865	8,399	1,199	1,549	138	176	-	-
Plant and Equipment	1,841	2,120	-	-	-	-	-	-
Intangibles	14,170	12,881	-	-	-	-	-	-
Other Assets	3,181	4,553	249	-	543	-	23,112	-
Total Assets	7,849,712	7,531,514	4,431,018	4,564,676	1,650,426	1,519,763	1,488,433	1,157,383
Liabilities								
Payables	33,040	46,865	11,298	14,358	3,579	5,066	3,042	41,285
Financial Liabilities - RiskCover Fund Investments	1,277,799	941,320	-	-	-	-	-	-
Current Tax Payable	-	-	-	-	24,767	32,551	-	-
Outstanding Claims	4,000,410	3,871,040	2,680,487	2,601,481	992,782	920,827	1,119,156	1,057,914
Unearned Premium	362,754	365,443	278,693	279,178	83,955	86,093	251,898	-
Provisions	20,731	21,496	-	-	-	-	-	-
Lease Liabilities	8,543	10,351	1,509	1,923	175	220	689	-
Deferred Tax Liabilities	194,278	130,377	157,233	115,743	36,214	15,161	-	-
Total Liabilities	5,897,555	5,386,892	3,129,220	3,012,683	1,141,472	1,059,918	1,374,785	1,099,199
Net Assets / Equity	1,952,157	2,144,622	1,301,798	1,551,993	508,954	459,845	113,648	58,184

These financial results are unaudited and not for further release, publication or distribution in whole or part.



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