



**Insurance Commission  
of Western Australia**

# Mid-Year Performance Report 2022-23

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 2022-23 financial year (1 July 2022 to 31 December 2022).

In the first half of the financial year, the Insurance Commission managed insurance claims valued at \$4.9 billion. This includes payments of \$442.4 million made to individuals, service providers and agencies during the half year, and estimated future claims liabilities of \$4.5 billion.

The half-year profit before tax for the Insurance Commission's total operations (including the RiskCover Fund) was \$261.3 million, which is \$136.2 million better than budget. We generated \$883.4 million in revenue and earnings for the period. The Insurance Commission's core operations (excluding the RiskCover Fund) recorded a profit before tax of \$258.6 million. This profit was the result of a year-to-date underwriting profit in the motor injury funds and an investment return of \$164.9 million.

The RiskCover Fund recorded a small profit of \$2.6 million, after investment income of \$22 million offset an underwriting loss of \$19.4 million.

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

## Investments

In the six months to 31 December 2022, the Insurance Commission's investment portfolio delivered a total investment return of \$164.9 million, which was broadly in line with the budgeted income of \$165.3 million. The Insurance Commission's portfolio returned 2.5% in the six-month period, driven by the performance of Australian and Global Equities and Growth Alternatives.

The total value of the investment funds held by the Insurance Commission to offset insurance liabilities grew from \$6.3 billion at 1 July 2022 back to \$6.7 billion at 31 December 2022 after the payment of \$572 million in Dividends the prior financial year. The total value of assets held by the Insurance Commission at 31 December 2022 was \$7.2 billion.

The rolling 7-year investment return of 5.5% for the Main Fund was above the CPI +3% target of 4.8%.

## 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 \$467 million in MII premium revenue for approximately 3.1 million insured vehicles (including caravans and trailers).

Over the same period, the Insurance Commission managed car crash claims expected to cost \$3.4 billion, consisting of \$250.3 million in claim payments to people injured in motor vehicle crashes, mostly from prior years, and \$3.2 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 \$59.2 million. The underwriting profit was mainly attributable to claims payments being lower than anticipated, and changes in economic assumptions (primarily increases in discount rates reducing claim liabilities). The TPIF recorded a half-year profit before tax of \$156.6 million, after strong investment income of \$105.6 million.

The MVCIF recorded an underwriting profit of \$72 million for the first half of the year. The result was mainly due to a lower than expected increase in claims liabilities, driven by less severely injured scheme participants as well as increases in discount rates reducing claim liabilities. The MVCIF delivered a profit before tax of \$98.2 million, after investment income of \$28.4 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 \$19.4 million compared to the budgeted loss of \$9.5 million. This underwriting loss was primarily due to higher than expected claims costs in the liability and workers' compensation classes of insurance.

The RiskCover Fund recorded a half-year profit of \$2.6 million, after investment income of \$22 million. 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 the first half of this financial year, the Insurance Commission has paid \$52.4 million in insurance duty and \$108.6 million of tax equivalents to the WA Government.

Half-year Dividend decisions made subsequent to the results covered in this report will be reported in the State Budget in May and later Insurance Commission reports.

At end of December, the Insurance Commission held assets that contribute to a State net debt reduction of \$4.5 billion.

Sincerely

A handwritten signature in black ink, appearing to read 'Rod Whithear', with a stylized, flowing script.

ROD WHITHEAR  
**CHIEF EXECUTIVE**

## Actual Performance Compared to Budget at 31 December 2022

### Insurance Commission

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Net Premium Revenue	463,868	454,752	9,116
Net Claims Incurred	(300,354)	(435,201)	134,847
Other Underwriting and Administration Expenses	(32,466)	(34,893)	2,427
<b>Underwriting Profit/(Loss)</b>	<b>131,048</b>	<b>(15,342)</b>	<b>146,390</b>
Investment Income	164,852	165,318	(466)
Investment Expenses	(12,963)	(15,418)	2,455
RiskCover Fund Investment Return	(21,989)	(25,915)	3,926
Other Income	658	70	588
Other Expenses	(2,961)	-	(2,961)
<b>Profit Before Tax Equivalent</b>	<b>258,645</b>	<b>108,713</b>	<b>149,932</b>
Income Tax Equivalent Expense	(77,594)	(32,614)	(44,980)
<b>Profit After Tax Equivalent</b>	<b>181,051</b>	<b>76,099</b>	<b>104,952</b>
<b>Total Equity (as per Balance Sheet)</b>	<b>1,879,908</b>		

	Actual	Budget	Variance
Investment Rolling 7-Year Return (%) - Main Fund*	5.5	4.8	0.7
Annual Investment Rate of Return (%) - Main Fund	2.5	2.3	0.2
Annual Investment Rate of Return (%) - MVCIF	2.3	2.6	(0.3)
Solvency Level (%)*	135.4	133.2	2.2

*\*Annual Target in lieu of YTD Target*

## Actual Performance Compared to Budget at 31 December 2022

### RiskCover Fund

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Net Premium Revenue	202,812	189,675	13,137
Net Claims Incurred	(202,988)	(180,894)	(22,094)
Other Underwriting and Administration Expenses	(19,178)	(18,309)	(869)
<b>Underwriting Loss</b>	<b>(19,354)</b>	<b>(9,528)</b>	<b>(9,826)</b>
Investment Income	21,989	25,915	(3,926)
<b>Profit</b>	<b>2,635</b>	<b>16,387</b>	<b>(13,752)</b>
<b>Total Equity (as per Balance Sheet)</b>	<b>82,024</b>		

	Actual	Budget	Variance
Solvency Level (%)*	107.1	126.6	(19.5)
Net Loss Ratio (%)	100.1	95.4	(4.7)
Net Expense Ratio (%)	9.5	9.7	0.2
Net Combined Ratio (%)	109.6	105.1	(4.5)

*\*Annual Target in lieu of YTD Target*

## Financial Statements

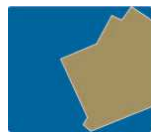
### Statement of Comprehensive Income at 31 December 2022

	Insurance Commission		Third Party Insurance Fund		Motor Vehicle (Catastrophic Injuries) Fund		RiskCover Fund	
	2023 (YTD)	2022	2023 (YTD)	2022	2023 (YTD)	2022	2023 (YTD)	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Premium Revenue	463,868	882,133	353,245	669,580	110,552	212,435	202,812	388,957
Net Claims Incurred	(300,354)	(599,716)	(268,370)	(430,911)	(32,760)	(152,721)	(202,988)	(438,469)
Net Movement in Unexpired Risk	-	14,043	-	-	-	14,043	-	-
Other Underwriting and Administration Expenses	(32,466)	(55,013)	(25,711)	(43,496)	(5,758)	(9,526)	(19,178)	(33,196)
<b>Underwriting Result</b>	<b>131,048</b>	<b>241,447</b>	<b>59,164</b>	<b>195,173</b>	<b>72,034</b>	<b>64,231</b>	<b>(19,354)</b>	<b>(82,708)</b>
Investment Income/(Loss)	164,852	(214,142)	105,596	(140,007)	28,411	(38,594)	21,989	(33,113)
Investment Expenses	(12,963)	(28,019)	(8,295)	(19,381)	(2,274)	(4,404)	-	-
RiskCover Fund Investment Return	(21,989)	33,113	-	-	-	-	-	-
Other Income	658	47,048	439	41,604	15	30	-	-
Other Expenses	(2,961)	-	(302)	-	-	-	-	-
<b>Profit/(Loss) Before Tax Equivalent</b>	<b>258,645</b>	<b>79,447</b>	<b>156,602</b>	<b>77,389</b>	<b>98,186</b>	<b>21,263</b>	<b>2,635</b>	<b>(115,821)</b>
Income Tax Equivalent Expense	(77,594)	(15,876)	(46,980)	(16,823)	(29,456)	(4,958)	-	-
<b>Profit/(Loss) After Tax Equivalent</b>	<b>181,051</b>	<b>63,571</b>	<b>109,622</b>	<b>60,566</b>	<b>68,730</b>	<b>16,305</b>	<b>2,635</b>	<b>(115,821)</b>
Other Comprehensive (Expense)/Income after Tax Equivalent	-	(99)	-	-	-	-	-	-
<b>Total Comprehensive Income/(Loss) After Tax Equivalent</b>	<b>181,051</b>	<b>63,472</b>	<b>109,622</b>	<b>60,566</b>	<b>68,730</b>	<b>16,305</b>	<b>2,635</b>	<b>(115,821)</b>

### Balance Sheet at 31 December 2022

	2023 (YTD)	2022	2023 (YTD)	2022	2023 (YTD)	2022	2023 (YTD)	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>								
Cash and Cash Equivalents	11,336	83,100	6,198	-	5,138	13,992	683	6,426
Receivables	447,705	457,300	188,850	195,791	55,550	54,280	172,609	183,071
Current Tax Receivable	8,392	-	12,372	-	-	-	-	-
Investments	6,690,099	6,271,942	4,072,579	3,989,948	1,303,229	1,184,092	1,040,144	873,755
Deferred Tax Assets	-	16,523	-	3,074	-	9,739	-	-
Deferred Premium Collection Costs	7,107	7,106	5,730	5,729	1,377	1,377	-	-
Right of Use Lease Assets	9,918	11,463	1,899	2,243	213	251	-	-
Plant and Equipment	1,567	1,506	-	-	-	-	-	-
Intangibles	10,779	9,434	-	-	-	-	-	-
Other Assets	3,003	3,469	237	-	567	-	17,924	-
<b>Total Assets</b>	<b>7,189,906</b>	<b>6,861,843</b>	<b>4,287,865</b>	<b>4,196,785</b>	<b>1,366,074</b>	<b>1,263,731</b>	<b>1,231,360</b>	<b>1,063,252</b>
<b>Liabilities</b>								
Payables	17,759	39,882	15,644	20,463	3,647	4,930	1,103	68,917
Financial Liabilities - RiskCover Fund Investments	1,040,144	873,755	-	-	-	-	-	-
Current Tax Payable	-	100,189	-	87,814	6,146	14,541	-	-
Outstanding Claims	3,812,271	3,767,439	2,529,695	2,499,622	899,699	874,217	941,440	914,945
Unearned Premium	345,652	347,060	263,481	262,989	81,953	83,817	206,167	-
Provisions	21,002	20,858	-	-	-	-	-	-
Lease Liabilities	12,100	13,805	2,326	2,706	263	305	626	-
Deferred Tax Liabilities	61,070	-	43,907	-	19,716	-	-	-
<b>Total Liabilities</b>	<b>5,309,998</b>	<b>5,162,988</b>	<b>2,855,053</b>	<b>2,873,594</b>	<b>1,011,424</b>	<b>977,810</b>	<b>1,149,336</b>	<b>983,862</b>
<b>Net Assets / Equity</b>	<b>1,879,908</b>	<b>1,698,855</b>	<b>1,432,812</b>	<b>1,323,191</b>	<b>354,650</b>	<b>285,921</b>	<b>82,024</b>	<b>79,390</b>

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



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