



**Insurance Commission  
of Western Australia**

# Mid-Year Performance Report 2021-22

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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 2021-22 financial year (1 July 2021 to 31 December 2021).

In the first half of the financial year, the Insurance Commission managed insurance claims valued at more than \$4.8 billion. This includes payments made during the half year of \$441.7 million to individuals, service providers and agencies, and estimated future claims liabilities of \$4.4 billion.

The half-year profit before tax for the Insurance Commission's total operations (including the RiskCover Fund) was \$218.8 million, which is \$128.6 million better than budget. We generated \$983.3 million in revenue and earnings for the period. The Insurance Commission's core operations (excluding the RiskCover Fund) recorded a profit before tax of \$189.1 million. This profit was mainly driven by the investment return of \$278.1 million. The RiskCover Fund recorded a profit of \$29.6 million, after investment income of \$37.4 million. The unaudited half-year financial statements are included in this Report.

## Investments

In the six months to 31 December 2021, the Insurance Commission's investment portfolio delivered a strong total investment return of \$278.1 million, which was \$157.4 million above budget. The Insurance Commission's portfolio returned 4.1% in the second half of 2021, driven by the strong performance of Property, Growth Alternatives, Australian and Global Equities.

The total value of the investment funds held by the Insurance Commission to offset insurance liabilities has declined from almost \$7 billion at 1 July 2021 to \$6.8 billion at 31 December 2021, following the dividend payment of \$515.8m in December 2021. The total value of assets held by the Insurance Commission at 31 December 2021 was \$7.5 billion.

The 7-year rolling investment return of 7.4% for the Main Fund is 2.9% per annum above the CPI +3% target of 4.5%.

## 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 Insurance Commission provides compensation to claimants where the fault of a third party in a crash causing injury can be identified.

The policy also provides no-fault, first party 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 year, the Insurance Commission generated \$445.6 million in MII premium revenue for approximately three million insured vehicles (including caravans and trailers).

Over the same period, the Insurance Commission managed car crash claims expected to cost \$3.5 billion, consisting of \$261.7 million in claim payments to people injured in motor vehicle crashes, mostly from prior years, and \$3.3 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 small underwriting profit of \$5.2 million, compared to the budgeted profit of \$1.2 million. The TPIF recorded a half-year profit before tax of \$216.8 million, after investment income of \$183.8 million. The Fund's post-dividend solvency position remains strong at 152.1%.

The MVCIF recorded an underwriting loss of \$80 million for the first half of the year. The loss was mainly driven by a higher number of more severely injured scheme participants than expected, and an increase in the inflation rate. This was partly offset by an increase in discount rates (based on Commonwealth bond rates), resulting in an overall increase in the MVCIF claims liabilities. The MVCIF delivered a loss before tax of \$34.2 million, after investment income of \$48 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 \$7.8 million compared to a forecast loss of \$6.7 million. This underwriting loss was primarily due to higher claims costs in the liability and workers' compensation classes of insurance.

The RiskCover Fund recorded a half-year profit of \$29.6 million, after investment income of \$37.4 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.

As a result of the very strong investment performance and the receipt of the Bell settlement proceeds in 2020-21, the Insurance Commission paid a final dividend of \$515.8 million to the Government.

As the RiskCover Fund's solvency level was below the agreed solvency reserve target of 135% at 30 June 2021, no return of capital was payable for 2020-21.

In the first half of this financial year, the Insurance Commission has also paid \$49.8 million in insurance duty and \$159.1 million of tax equivalents to the WA Government.

As a result of these payments, the Insurance Commission contributed \$724.7 million to the State Government in the six months to 31 December 2021.

At end of December, the Insurance Commission held assets that contribute to a State net debt reduction of \$5.1 billion.

Sincerely

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

**ROD WHITHEAR**  
**CHIEF EXECUTIVE**

## Actual Performance Compared to Budget at 31 December 2021

### - Insurance Commission

	Actual (YTD)	Budget	Variance
	\$'000	\$'000	\$'000
Net Premium Revenue	440,425	441,530	(1,105)
Net Claims Incurred	(484,068)	(419,821)	(64,247)
Other Underwriting and Administration Expenses	(31,345)	(33,005)	1,660
<b>Underwriting Loss</b>	<b>(74,988)</b>	<b>(11,296)</b>	<b>(63,692)</b>
Investment Income	278,126	120,726	157,401
Investment Expenses	(14,762)	(12,510)	(2,253)
RiskCover Fund Investment Return	(37,414)	(21,092)	(16,322)
Bell Litigation Settlement	37,979	-	37,979
Other	175	(132)	307
<b>Profit Before Tax Equivalent</b>	<b>189,116</b>	<b>75,696</b>	<b>113,420</b>
Income Tax Equivalent Expense	(56,461)	(22,709)	(33,752)
<b>Profit After Tax Equivalent</b>	<b>132,655</b>	<b>52,987</b>	<b>79,668</b>
<b>Total Equity (as per Balance Sheet)</b>	<b>1,954,592</b>		

	Actual (YTD)	Budget (YTD)	Variance
Annual Investment Rate of Return (%) - Main Fund	4.0	2.1	1.9
Annual Investment Rate of Return (%) - MVCIF	4.3	2.3	2.0
Solvency Level (%)*	135.3	133.9	1.4
Investment Rolling 7-Year Return (%) - Main Fund	7.4	4.5	2.9

\*Annual Target in lieu of YTD Target

## Actual Performance Compared to Budget at 31 December 2021

### - RiskCover Fund

	Actual (YTD)	Budget	Variance
	\$'000	\$'000	\$'000
Premium Revenue	180,657	178,877	1,780
Reinsurance and Other Adjustments	(4,814)	(14,987)	10,173
Net Claims Incurred	(166,935)	(153,104)	(13,831)
Other Underwriting and Administration Expenses	(16,684)	(17,455)	771
<b>Underwriting Loss</b>	<b>(7,776)</b>	<b>(6,669)</b>	<b>(1,107)</b>
Investment Income	37,414	21,092	16,322
<b>Profit</b>	<b>29,638</b>	<b>14,423</b>	<b>15,215</b>
<b>Total Equity (as per Balance Sheet)</b>	<b>224,848</b>		

	Actual (YTD)	Budget (YTD)	Variance
Solvency Level (%)*	123.1	132.3	(9.2)
Net Loss Ratio (%)	94.9	93.4	(1.5)
Net Expense Ratio (%)	9.5	10.7	1.2
Net Combined Ratio (%)	104.4	104.1	(0.3)

*\*Annual Target in lieu of YTD Target*

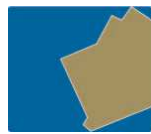
# Financial Statements

## Statement of Comprehensive Income at 31 December 2021

	Insurance Commission		Third Party Insurance Fund		Motor Vehicle (Catastrophic Injuries) Fund		RiskCover Fund	
	2022 (YTD)	2021	2022 (YTD)	2021	2022 (YTD)	2021	2022 (YTD)	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Premium Revenue	440,425	842,849	334,318	639,829	106,050	202,860	175,843	343,380
Net Claims Incurred	(484,068)	(701,913)	(304,277)	(560,532)	(180,569)	(129,913)	(166,935)	(452,079)
Net Movement in Unexpired Risk	-	2,089	-	-	-	2,089	-	-
Other Underwriting and Administration Expenses	(31,345)	(65,016)	(24,800)	(50,934)	(5,478)	(11,724)	(16,684)	(32,337)
<b>Underwriting Result</b>	<b>(74,988)</b>	<b>78,009</b>	<b>5,241</b>	<b>28,363</b>	<b>(79,997)</b>	<b>63,312</b>	<b>(7,776)</b>	<b>(141,036)</b>
Investment Income	278,126	1,037,857	183,825	712,438	47,993	151,213	37,414	143,990
Investment Expenses	(14,762)	(27,345)	(10,294)	(18,622)	(2,185)	(3,614)	-	-
RiskCover Fund Investment Return	(37,414)	(143,990)	-	-	-	-	-	-
Bell Litigation Settlement	37,979	666,516	37,979	656,656	-	-	-	-
Other	175	(11,337)	47	(1,682)	15	30	-	-
<b>Profit Before Tax Equivalent</b>	<b>189,116</b>	<b>1,599,710</b>	<b>216,798</b>	<b>1,377,153</b>	<b>(34,174)</b>	<b>210,941</b>	<b>29,638</b>	<b>2,954</b>
Income Tax Equivalent Expense	(56,461)	(472,100)	(64,898)	(406,695)	10,380	(62,127)	-	-
<b>Profit After Tax Equivalent</b>	<b>132,655</b>	<b>1,127,610</b>	<b>151,900</b>	<b>970,458</b>	<b>(23,794)</b>	<b>148,814</b>	<b>29,638</b>	<b>2,954</b>
Other Comprehensive Income/(Expense) after Tax Equivalent	-	59	-	-	-	-	-	-
<b>Total Comprehensive Income After Tax Equivalent</b>	<b>132,655</b>	<b>1,127,669</b>	<b>151,900</b>	<b>970,458</b>	<b>(23,794)</b>	<b>148,814</b>	<b>29,638</b>	<b>2,954</b>

## Balance Sheet at 31 December 2021

	2022 (YTD)	2021	2022 (YTD)	2021	2022 (YTD)	2021	2022 (YTD)	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>								
Cash and Cash Equivalents	13,656	19,450	3,134	-	10,522	8,235	1,562	8,163
Receivables	571,282	567,699	204,108	203,743	52,141	53,133	130,953	118,291
Current Tax Receivable	51,517	-	38,638	-	12,879	-	-	-
Investments	6,838,140	6,979,371	4,426,078	4,829,088	1,187,898	1,065,090	1,051,282	905,068
Deferred Premium Collection Costs	236	236	236	236	-	-	-	-
Right of Use Lease Assets	12,973	14,524	2,543	2,842	290	329	-	-
Plant and Equipment	1,739	1,905	-	-	-	-	-	-
Intangibles	6,243	4,503	-	-	-	-	-	-
Other Assets	3,092	3,058	237	-	593	-	15,172	-
<b>Total Assets</b>	<b>7,498,878</b>	<b>7,590,746</b>	<b>4,674,974</b>	<b>5,035,909</b>	<b>1,264,323</b>	<b>1,126,787</b>	<b>1,198,969</b>	<b>1,031,522</b>
<b>Liabilities</b>								
Payables	21,647	42,840	10,508	24,519	3,724	4,915	3,258	48,318
Financial Liabilities - RiskCover Fund Investments	1,051,282	905,068	-	-	-	-	-	-
Current Tax Payable	-	107,324	-	100,843	-	7,336	-	-
Outstanding Claims	3,870,161	3,651,626	2,601,821	2,548,846	912,035	732,021	793,611	787,994
Unearned Premium	328,499	327,509	248,765	248,150	79,459	79,359	176,677	-
Unexpired Risk Liability	18,151	18,151	-	-	18,151	18,151	-	-
Provisions	21,018	21,612	-	-	-	-	-	-
Lease Liabilities	15,432	17,037	3,029	3,338	347	387	575	-
Deferred Tax Liabilities	218,096	161,858	209,772	145,251	4,785	15,000	-	-
<b>Total Liabilities</b>	<b>5,544,286</b>	<b>5,253,025</b>	<b>3,073,895</b>	<b>3,070,947</b>	<b>1,018,501</b>	<b>857,169</b>	<b>974,121</b>	<b>836,312</b>
<b>Net Assets / Equity</b>	<b>1,954,592</b>	<b>2,337,721</b>	<b>1,601,079</b>	<b>1,964,962</b>	<b>245,822</b>	<b>269,618</b>	<b>224,848</b>	<b>195,210</b>



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