Insurance Commission of Western Australia

Annual Report 2018

Welcome to the 2018 Annual Report

This report describes the functions and operations of the Insurance Commission of Western Australia (Insurance Commission), shows how the organisation performed and presents the audited financial statements and performance indicators for the financial year ended 30 June 2018.*

This report and previous annual reports are available on the Insurance Commission's website: **icwa.wa.gov.au**.

On request, this report can be made available in alternative formats.

*The year ended 30 June 2018 is referred to herein as 2018. Similar terminology applies for other years referred to in this Annual Report.

Statement of Compliance

Hon Ben Wyatt MLA
Treasurer

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to the Parliament of Western Australia the Annual Report of the Insurance Commission of Western Australia for the financial year ended 30 June 2018.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*, the *Insurance Commission of Western Australia Act 1986*, and a resolution of the Board of Commissioners of the Insurance Commission of Western Australia, passed on 11 September 2018.

Frank Cooper AO
Chairman

11 September 2018

Rod Whithear
Chief Executive

11 September 2018

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1. Introduction

1.1 Chairman's Report

It is my pleasure to present the Insurance Commission's Annual Report for the financial year ended 30 June 2018.

On behalf of the Board of Commissioners of the Insurance Commission, I would like to express my appreciation to the staff and Executive team for another set of excellent results in 2018.

In 2018, the Insurance Commission, excluding the RiskCover Fund that it manages on behalf of the Government, reported a

profit after tax of

$277.7 million.

Due to another year of strong investment performance, the total assets of the Insurance Commission at 30 June 2018 grew to $5.6 billion.

Service Delivery

The Insurance Commission delivers motor injury insurance services to over 1.8 million motorists in Western Australia and I am proud to report that we continue to deliver these services at a rate which is more affordable than equivalent cover in most other Australian jurisdictions.

The Catastrophic Injuries Support (CIS) scheme is in its second year and continues to operate well. It is pleasing to see that Management's efforts to deliver the scheme with a person-centred approach is being reflected in the early rehabilitation improvements of many clients and in the positive feedback received from clients, their families and service providers.

The Insurance Commission has a number of initiatives underway to further improve its customer service delivery in line with the recommendations of the Government's Service Priority Review. These initiatives include the planned introduction of online claims for the 10,000 people who lodge motor injury insurance claims each year, which follows a similar initiative introduced by the RiskCover Division for online workers' compensation claims during the year.

I applaud the staff at the Insurance Commission for striving to continuously improve its services to meet the needs of the consumer.

Shareholder Return

As a Government Trading Enterprise, the Insurance Commission continues to deliver significant returns to its shareholder, the State Government. In 2018, dividends of $149.3 million were paid to Government from the investment returns achieved for the Third Party Insurance Fund.

The Insurance Commission also paid $84.8 million in insurance duty and $40.7 million in tax to Government in 2018.

I am pleased to report the Insurance Commission contributed a further $498.7 million towards reducing State Net Debt in 2018, measured by the consolidation of Insurance Commission finances in whole of Government financial reporting.

As a Government Trading Enterprise, the Insurance Commission continues to deliver significant returns to its shareholder, the State Government.

Frank Cooper AO
Chairman

The positive financial results achieved in 2018 enabled the Insurance Commission to

return capital of

$162.3 million

from the RiskCover Fund to the Consolidated Account of Government. At the same time, State Government agencies have had their aggregate premium costs reduced to a level last seen in 2012.

The Board and I look forward to continuing to oversee the delivery of critical insurance services to motorists and Government agencies over the next 12 months.

Frank Cooper AO
Chairman

1.2 Chief Executive's Report

2018 has been another excellent year for the Insurance Commission. We have delivered affordable, efficient and equitable insurance services to WA motorists and Government agencies, while at the same time, generating returns for our shareholder as a result of strong investment income.

The Insurance Commission, including the RiskCover Fund, received over 32,000 new insurance claims during the year, and managed claims valued at $3.6 billion (claims paid and future claims liabilities).

The Insurance Commission, including RiskCover, generated more than

$1.5 billion

in revenue and earnings in 2018.

Our profit before tax result, excluding RiskCover, was $382.7 million, which is a $119.7 million improvement on the $263 million profit before tax result delivered in 2017.

The profit after tax result for 2018 was $277.7 million for the Insurance Commission.

The Insurance Commission's main investment portfolio delivered a gross return of 9.4% for 2018. This return comprises investments in the Third Party Insurance Fund, RiskCover Fund, Insurance Commission General Fund, Government Insurance Fund and Compensation (Industrial Diseases) Fund. The total investment return for the Insurance Commission was 9.1% for the year, which is lower than the Main Fund as a high proportion of cash held in the Motor Vehicle (Catastrophic Injuries) Fund has not yet been deployed in other asset classes.

This investment return is an encouraging result as the Insurance Commission has allocated 40% to Equities, which is materially lower than the allocation to Equities utilised by most superannuation funds.

We have made further inroads in 2018 to improve the quality of our communication and engagement with our customers and stakeholders. This Annual Report demonstrates that progress as it includes a deeper look into our operations and data in a form that we believe can be more readily understood by all. I am pleased to present these 2018 financial and operational results to you.

Motor Injury Insurance

In 2018, the Insurance Commission received $769.5 million in revenue in motor injury insurance premium payments for over 2.9 million insured vehicles.

Premium revenue in 2018 was $82.9 million higher than revenue collected in 2017 as 2018 was the first full year that all motorists paid insurance premiums for Catastrophic Injuries Support (CIS) cover. Last year, some motorists did not have to pay for the full additional cover they received in the first year of the new cover. The Insurance Commission absorbed that cost in 2017 by making a capital transfer to the CIS scheme Fund. That fund transfer was made possible as the sale of the Forrest Centre in 2016 released a significant asset revaluation reserve held against that building.

Premium revenue is collected to pay the cost of claims made by WA motorists. We made $391 million in claims payments to people injured in crashes (mostly in prior years), and have booked anticipated future claims expenses of $2.4 billion. Motor injury insurance claims liabilities increased by $244.6 million in 2018, reflecting additional future claims payments.

Motor injury insurance claims involve a range of costs paid to help a person recover and return back to work following an injury sustained in a car crash. It is therefore no surprise that the largest proportion of the Insurance Commission's costs are for health and disability services provided to our clients by service providers. During 2018, we paid for almost 100,000 physiotherapy and doctor visits for people injured in crashes.

Given the volume of those payments, the Insurance Commission is working more closely with the health and disability sector so service providers better understand the claims process and how to best engage with the organisation. For example in 2018, the Insurance Commission attended the WA Physiotherapist Forum to speak directly with physiotherapists that treat Insurance Commission clients. We also held two workshops for service providers to our CIS scheme, hosted by National Disability Services WA.

2018 has been another excellent year for the Insurance Commission.

Rod Whithear
Chief Executive

Another customer service initiative delivered by the Motor Injury Insurance Division during 2018 was the establishment of a long-duration claims settlement team. At the start of 2018, there were almost 400 Compulsory Third Party (CTP) compensation claims that remained open where the claim was lodged in, or prior to 2014. Claims can remain open for long periods if the claimant is a child or if an injury is complex and it will take time before the extent of the injury and the required compensation is fully known. The new team finalised 40 of those claims in their first two months, and their ongoing efforts should help reduce the average amount of time for all claims to be finalised. That will mean people with crash-related injuries should see shorter average timeframes for insurance claims to be settled.

We received 11,818 motor injury insurance claims in 2018, of which 3,191 were CTP compensation claims, 8,588 were minor injury claims and 39 were CIS catastrophic injury claims.

I am pleased to report the total number of new CTP compensation claims received in 2018 was 179 less than the 3,370 claims received in 2017. This is an important result as 2017 represented the first year that the number of CTP compensation claims had grown in almost 10 years, and it was not clear if this was the start of a new trend. Fewer claims received means fewer people have been injured on our roads which is the best outcome for all parties.

Fewer claims also means less pressure on insurance premium increases.

We are unfortunately still seeing an over-representation of vulnerable road users being injured in vehicle crashes. Vulnerable road users are motorcyclists, pillion passengers, cyclists and pedestrians. This cohort of road users represented 40% of our total claims payments in 2018 despite only representing 17.8% of total claims received. This trend can put pressure on insurance premiums so it's important for all road users to respect each other on the road.

Claims payment amounts for large claims were lower than expected during the year, which contributed to a $71 million reduction in claims payments (2018: $391 million) from the $462 million paid out in 2017.

As we received fewer claims, made lower claims payments and had an increase in revenue, we delivered an underwriting profit for both our motor injury insurance funds.

The Third Party Insurance Fund (TPIF) for the CTP scheme recorded a small underwriting profit of $26 million. This is equivalent to 4.4% of premium revenue or 1.1% of outstanding claims liabilities.

The Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) for the CIS scheme recorded an underwriting profit of $37.6 million in 2018.

This is an excellent result as it means our core business is financially sustainable and we have sufficient revenue to continue to pay claims and deliver insurance services. It also means that we are not reliant on investment returns to make claims payments or run the business. The price of insurance is not determined by a good investment return in the prior year. Investment returns will vary year to year and cannot be relied upon as the source of revenue to pay current and future claims.

Motorists paid $99 in additional motor injury insurance premium for broader cover to include no-fault lifetime care cover for catastrophic injuries from a crash after 1 July 2016. The cost of catastrophic insurance at 1 July 2018 was $104, which reflects wage inflation. The overall cost of motor injury insurance at 1 July 2018 was $431 for a family vehicle.

Our Annual Report also presents details and data from our CIS scheme which is now two years old. It is an excellent outcome that 49 people with catastrophic injuries in our CIS scheme have been able to return home following treatment after their crash. It is also very pleasing that 28 people have either returned back to work, are in return to work programs or are studying.

RiskCover

Agencies insured by the RiskCover Fund paid their lowest aggregate insurance premium in 2018 when compared to the last five years. Gross written premium received from agencies was $299.8 million in 2018, whereas gross written premium revenue has ranged between $308.1 million and $332.1 million since 2013. This is a great outcome for agencies as it means their insurance premiums are at the most affordable levels in five years. We have also been able to deliver that outcome for agencies while increasing the financial return delivered to our shareholder, the State Government, paid from investment income.

The RiskCover Fund, which the Insurance Commission manages on behalf of the Government, recorded a profit of $159.2 million, which was in line with its profit of $154.3 million in 2017.

A positive underwriting result of $63.5 million was achieved in 2018.

The positive underwriting performance for the year was due to net claims incurred being $65.9 million less than budget, led by better than expected claims experience in the workers' compensation ($33.6 million) and liability ($31.4 million) insurance classes.

This year was the fourth consecutive year that RiskCover has delivered a positive underwriting result. This demonstrates the business is being managed sustainably as it is not reliant on investment returns to fund service delivery and claims costs. It was only four years ago in 2014, that RiskCover reported its fifth consecutive underwriting loss (a cumulative total underwriting loss of $237.1 million from 2010 to 2014).

RiskCover received 20,473 new insurance claims during the year. There were 4,704 new workers' compensation claims received in 2018, a reduction of 127 new claims received from the prior year. The reduction in the number of new workers' compensation claims can be attributed to government agencies' commitment to occupational health and safety and reduced growth of the public sector workforce.

The RiskCover Fund also received stronger than anticipated investment income of $95.7 million ($31.5 million greater than budget) for the year. The Insurance Commission invests RiskCover funds under the same arrangements used for the investment of most other funds managed by the Insurance Commission.

As a result of our positive 2018 financial results, we are able to return capital of $162.3 million from the RiskCover Fund to the Consolidated Account of Government. This will be paid in September 2018. This return of capital is provided for in the RiskCover Fund's financial statements.

Staff in the RiskCover Division also assisted the Government deliver its first round of Machinery of Government changes, which consolidated the number of affected agencies from 41 to 25. Our staff worked with agencies impacted by the changes to ensure they had the required insurance cover, reports and insurance premiums in place. This made sure continuity of cover was delivered for those agencies.

Investments

The total value of the investment funds held by the Insurance Commission to offset insurance liabilities grew from $4.9 billion at 1 July 2017 to $5.3 billion at 30 June 2018. The total value of Insurance Commission assets at 30 June was over $5.6 billion.

The growth in investment assets off the back of several years of strong investment returns has enabled the Insurance Commission to deliver significant dividends to the State Government. The dividends are only determined after the Insurance Commission has allocated investment returns to meet increases in insurance liabilities.

Our investment return for 2018 was a very positive 9.1% or $446.7 million (9.4% for the majority of investment assets in our Main Fund). We have been able to deliver an average 8.4% annual investment return over the past seven years and driven long-term growth in the Insurance Commission's investment assets.

We completed the sale of the Westralia Square asset ($216.3 million sale price) during the year and reinvested the sale proceeds in Global Listed Real Estate Investment Trusts and Australian Unlisted Retail Property. The divestment of all directly held property assets by the Insurance Commission has further diversified our investment portfolio by reducing the Property strategic asset allocation from 25% in 2015 to 15% in 2018. We also increased our infrastructure investments by new positions taken in Global Listed Infrastructure securities and Global Unlisted Infrastructure funds, and now have a 16% strategic asset allocation to Alternative Assets.

We also continued our active investment management approach by regularly reviewing external manager performance and replacing managers where required. This has contributed to out-performance against both short and long term investment objectives.

Culture

For the first time our Annual Report highlights the experience of some claimants with our services. Having a car crash or an injury at work is a stressful and painful time for people. Dealing with our organisation should not be. That is why our Annual Report attempts to better highlight the services we deliver and the impact we have on people's lives. Our latest Strategic Plan is available on our website and lists a suite of planned initiatives to improve people's interactions with us; I look forward to reporting our progress on those next year.

It is pleasing to see that 'better customer service' is a recommendation of the Government's Service Priority Review, as that is the outcome we are seeking to achieve. To help deliver that, we refreshed our corporate culture during the year by placing greater focus on our external environment, which includes improving customer and stakeholder engagement.

The Insurance Commission also contributed to Government objectives in 2018 by actively participating in the Voluntary Targeted Separation Scheme (VTSS) to assist with the renewal of the public sector. As a Government Trading Enterprise, the Insurance Commission had not participated in past sector wide voluntary separation schemes.

Fifty-three of our employees (13% of the workforce) subsequently accepted the offer of voluntary severance. As a proportion of the total staff of the entity, this represented one of the highest workforce reductions of any Government entity.

This has reduced total salary costs and staff leave liabilities for the organisation. The Insurance Commission has subsequently funded some workforce renewal strategies and other initiatives to improve service delivery following these changes.

I am pleased to report that our operating costs of $54.6 million in 2018 are the lowest they have been in nine years (excluding Bell expenses and once-off costs for the VTSS, property divestment process and CIS scheme implementation). This an excellent outcome and a measure of the efficiency with which we manage the business.

The Insurance Commission also undertook a review of our senior management level structure and as a consequence implemented organisational and personnel changes. This has resulted in a leaner and flatter senior executive service (SES) structure. These changes met the Government's objective to reduce the cost and size of our SES equivalent cohort by 20%.

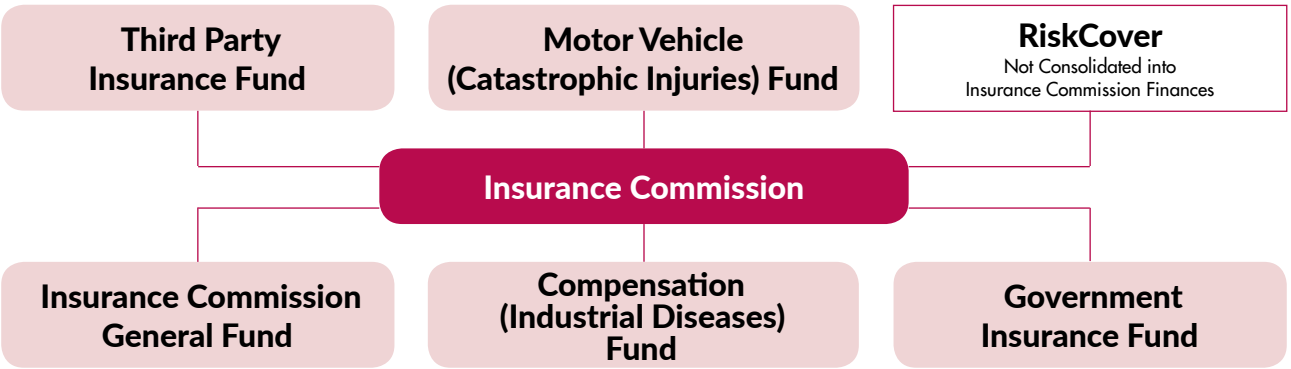
Our staff have approached these cultural transformation and workforce changes in a highly engaged manner which has helped the Insurance Commission enhance the outcomes it delivers. The work we have done in the last couple of years has also been timely given the recent focus on the culture within some financial institutions.

I want to thank our staff for continuing to do their jobs well to serve the people of Western Australia and our shareholder, the Government of Western Australia. Even after we saw the departure of some of our colleagues following the VTSS, our staff continued to constructively deliver results for the Insurance Commission. I would also like to thank the Executive team and the Board for their contribution towards the Insurance Commission's successful performance in 2018.

Sincerely

Rod Whithear
Chief Executive

1.3 Performance Highlights



	Insurance Commission (Total)	Third Party Insurance Fund	Motor Vehicle (Catastrophic Injuries) Fund	RiskCover
Profit/Loss Before Tax	$382.7m	$331.2m	$52.6m	$159.2m
Premium Revenue	$769.6m	$590.8m	$178.7m	$299.8m
Underwriting Profit	$33.8m	$26m	$37.6m	$63.5m
Total Assets	$5.6b	$3.8b	$484.7m	$1.1b
Total Equity	$1.3b	$1.2b	$66.3m	$282.1m*
Solvency	130.7%	143.1%	115.8%	135%*

See the Financial Statements for the performance of other Funds.

*RiskCover's Total Equity was $444.4 million with a Solvency Level of 169% prior to the provision for a Return of Capital of $162.3 million.

Customers

2,885,603
Total insured vehicles

1,836,702
Total insured drivers

111
Total government agencies covered

119,054
Total government employees covered

$55b
Total value of government assets covered

Insurance Claims
including RiskCover

32,426
Total New Claims

$628.3m
Total Paid

Contribution to the state in 2018

Net Debt Reduction	$498.7m
RiskCover Return of Capital+	$97.7m
Tax Paid	$40.7m
Dividends*	$149.3m
Insurance Duty	$84.8m

+ RiskCover Return of Capital in respect to 2017.

* Interim and Special Dividends paid from the Third Party Insurance Fund.

1.4 Financial Overview

Insurance Commission	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Statement of Comprehensive Income					
Net Premium Revenue	761,915	679,132	550,057	519,615	491,033
Net Claims Incurred	(652,935)	(685,139)	(510,279)	(491,866)	(681,521)
Net Movement in Unexpired Risk Liability	(5,874)	(11,351)	-	-	-
Underwriting and Administration Expenses	(69,277)	(63,938)	(54,662)	(78,059)	(76,350)
Underwriting Profit/(Loss)	**33,829**	**(81,296)**	**(14,884)**	**(50,310)**	**(266,838)**
Net Investment and Other Income	348,910	344,304	20,031	316,131	366,382
Profit before Tax Equivalent	**382,739**	**263,008**	**5,147**	**265,821**	**99,544**
Income Tax Equivalent (Expense)/Benefit	(105,050)	(69,873)	6,679	(72,328)	(23,514)
Profit after Tax Equivalent	**277,689**	**193,135**	**11,826**	**193,493**	**76,030**
Other Comprehensive Income/(Loss) after Income Tax Equivalent	469	-	(238)	(5,435)	(24,554)
Total Comprehensive Income after Tax Equivalent	**278,158**	**193,135**	**11,588**	**188,058**	**51,476**
Balance Sheet					
Total Assets	5,624,061	5,183,682	4,692,341	4,675,439	4,257,056
Total Liabilities	(4,302,680)	(3,991,196)	(3,576,047)	(3,438,912)	(3,173,519)
Total Equity	**1,321,381**	**1,192,486**	**1,116,294**	**1,236,527**	**1,083,537**

RiskCover					
Statement of Comprehensive Income					
Premium Revenue	299,789	308,113	319,557	310,964	310,085
Reinsurance and Other Adjustments	(24,865)	(45,876)	(62,449)	(47,631)	(76,807)
Net Premium Revenue	274,924	262,237	257,108	263,333	233,278
Claims Expense	(187,271)	(179,796)	(195,243)	(220,883)	(246,245)
Reinsurance and Other Recoveries Revenue	8,512	1,282	12,520	9,901	6,365
Net Claims Incurred	(178,759)	(178,514)	(182,723)	(210,982)	(239,880)
Administration Expenses	(32,664)	(31,219)	(31,585)	(30,737)	(30,397)
Underwriting Profit/(Loss)	**63,501**	**52,504**	**42,800**	**21,614**	**(36,999)**
Investment Income	95,656	101,788	23,540	78,914	77,469
Total Comprehensive Income	**159,157**	**154,292**	**66,340**	**100,528**	**40,470**
Balance Sheet					
Total Assets	1,088,171	1,100,188	963,265	896,184	776,859
Total Liabilities[1]	(806,053)	(814,954)	(734,602)	(733,861)	(715,064)
Total Equity	**282,118**	**285,234**	**228,663**	**162,323**	**61,795**

[1] RiskCover liabilities include a provision for a Return of Capital to Government of $162.3 million in 2018 (2017: $97.7 million).

Actual Performance Compared to Budget as at 30 June 2018 - Insurance Commission Only

	Actual $'000	Budget $'000	Variance* $'000
Net Premium Revenue	761,915	764,424	(2,509)
Net Claims Incurred	(652,935)	(675,470)	22,535
Net Movement in Unexpired Risk	(5,874)	-	(5,874)
Underwriting and Administration Expenses	(69,277)	(78,484)	9,207
Underwriting Profit	**33,829**	**10,470**	**23,359**
Net Investment Income	425,287	279,894	145,393
RiskCover Investment Return	(95,656)	(64,163)	(31,493)
Other	19,279	2,482	16,797
Profit before Tax Equivalent	**382,739**	**228,683**	**154,056**
Income Tax Equivalent Expense	(105,050)	(68,605)	(36,445)
Profit After Tax Equivalent	**277,689**	**160,078**	**117,611**

This comparison excludes the RiskCover Fund.

* For full details, refer Financial Statements section. Detailed explanations of variances are contained in Note 8 of the financial statements.

Total Equity (as per Balance Sheet)	1,321,381

	Actual	Budget	Variance*
Annual Investment Rate of Return (%)	9.1	6.2	2.9
Return on Total Assets[1] (%)	7.1	4.2	2.9
Solvency Level (%)	130.7	130.9	(0.2)
Investment Rolling 7-Year Return (%)	8.4	5.5	2.9
Net Loss Ratio (%)	85.7	88.4	2.7
Net Expense Ratio (%)	9.9	10.3	0.4
Net Combined Ratio (%)	95.6	98.7	3.1

This comparison excludes the RiskCover Fund.
* Detailed explanations of variances are contained in the Performance section.
[1] Calculation based on profit before tax.

Actual Performance Compared to Budget as at 30 June 2018 - RiskCover

	Actual $'000	Budget $'000	Variance $'000
Premium Revenue	299,789	301,427	(1,638)
Reinsurance and Other Adjustments	(24,865)	(16,199)	(8,666)
Net Claims Incurred	(178,759)	(244,699)	65,940
Administration Expenses	(32,664)	(34,110)	1,446
Underwriting Profit	**63,501**	**6,419**	**57,082**
Investment Income	95,656	64,163	31,493
Total Comprehensive Income	**159,157**	**70,582**	**88,575**

Total Equity (as per Balance Sheet)	**282,118**

	Actual	Budget	Variance*
Solvency Level (%)	135.0 [1]	139.7	(4.7)
Net Loss Ratio (%)	65.0	85.8	20.8
Net Expense Ratio (%)	11.9	12.0	0.1
Net Combined Ratio (%)	76.9	97.8	20.9

* Detailed explanations of variances are contained in the Performance section.

[1] The RiskCover Fund's solvency was 169% prior to providing for a Return of Capital amount of $162.3 million.

2. Overview

2.1 Who We Are

The Insurance Commission is a Government Trading Enterprise and a statutory corporation owned by the Government of Western Australia.

Our enabling legislation is the *Insurance Commission of Western Australia Act 1986*.

The Insurance Commission administers the *Motor Vehicle (Third Party Insurance) Act 1943* and the *Motor Vehicle (Catastrophic Injuries) Act 2016*.

The responsible Minister is the Hon Ben Wyatt MLA, Treasurer; Minister for Finance; Energy; Aboriginal Affairs.

2.2 What We Do

The Insurance Commission is primarily responsible for:

- underwriting and managing motor injury insurance;
- managing RiskCover, the self-insurance arrangements for Government assets and employees;
- investing and managing funds to provide assets to meet insurance liabilities; and
- advising Government about insurance matters.

The Insurance Commission manages and underwrites the following:

- Third Party Insurance Fund;
- Motor Vehicle (Catastrophic Injuries) Fund; and
- Compensation (Industrial Diseases) Fund.

The Insurance Commission also manages but does not underwrite the:

- RiskCover Fund;
- Insurance Commission General Fund;
- Government Insurance Fund;
- Employers' Indemnity Supplementation Fund (administers claims on behalf of WorkCover WA);
- Former Police Officers' Medical Benefit Scheme; and
- Indian Ocean Territories Motor Injury Insurance Scheme (on behalf of the Commonwealth).

2.3 Our Approach

Our approach to what we do is reflected in our vision, mission and what we value.

Vision

A Government Trading Enterprise delivering efficient and equitable insurance services to WA motorists and Government Departments and Authorities.

Mission

To provide high quality and efficient:

- motor injury insurance for WA motorists;
- self-insurance fund management (RiskCover) for Government Departments and Authorities;
- industrial diseases insurance to the mining sector and management of the Insurance Commission General Fund, Employers' Indemnity Supplementation Fund and Government Insurance Fund; and
- advice to the Government on insurance matters.

What We Value

We are committed to a high performance culture which values accountability, professional integrity and respect.

To achieve this we strive to:

- be open to change and continuous improvement;
- collaborate to deliver the best possible outcomes;
- respond to clients and stakeholders; and
- drive efficient processes.

2.4 Operational Structure

The Insurance Commission delivers services through four primary functions:

1. Motor Injury Insurance;
2. RiskCover;
3. Investments; and
4. Corporate Services.

2.4.1 Motor Injury Insurance Division

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

The insurance policy provides owners and drivers of WA registered vehicles with an unlimited indemnity against personal injury claims for the injuries they cause to others in motor vehicle crashes.

The policy also provides cover to any person catastrophically injured in a crash in WA.

The policy is issued to motorists along with their motor vehicle registration by the Department of Transport and its agents, who collect premium payments on behalf of the Insurance Commission.

At 30 June 2018, there were approximately 2.9 million registered motor vehicles in WA (including 541,228 registered caravans and trailers).

Registered vehicles in Western Australia at 30 June 2018

Cars
1,594,983

Caravans and trailers
541,228

Goods vehicles
498,216

Motorcycles
129,245

Farm vehicles and others
121,931

The Insurance Commission has delivered Compulsory Third Party (CTP) insurance in WA for over seven decades, providing compensation to claimants where a motorist in a crash causes injury to that claimant. Since 1 July 2016, the Insurance Commission has also delivered Catastrophic Injuries Support (CIS) insurance to cover the lifetime care costs of people catastrophically injured in a vehicle crash in WA.

The combination of CTP and CIS insurance cover is known as motor injury insurance.

The Third Party Insurance Fund (TPIF) is the fund that supports the CTP scheme, and the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) is the fund that supports the CIS scheme. The Motor Injury Insurance Division manages claims against both funds.

Compulsory Third Party Scheme

A third party injured as a consequence of the negligent driving of a Western Australian registered motor vehicle anywhere in Australia is able to pursue a claim for personal injury compensation under the CTP scheme. The Insurance Commission pays for the cost of personal injuries where a driver injures another person.

If fault by another party can be established by an injured claimant, interim payments for medical costs are generally made. There is no legal requirement for the Insurance Commission to pay costs before a claim is settled but this payment policy aims to alleviate financial hardship and minimise inconvenience to claimants and their families.

The Insurance Commission also assumes the role of a 'Nominal Defendant' under the *Motor Vehicle (Third Party Insurance) Act 1943* where, for example, a third party is injured in a motor vehicle crash with another vehicle and the driver or the vehicle is either uninsured or cannot be identified.

Catastrophic Injuries Support Scheme

From 1 July 2016, any person that is catastrophically injured in a crash involving a registered motor vehicle in WA and is either at fault in the crash or unable to find another person at fault, can access lifetime treatment, care and support through the CIS scheme. Catastrophic injuries are defined as spinal cord injuries, traumatic brain injuries, multiple amputations, severe burns and permanent traumatic blindness.

Insurance premium revenue for the CIS scheme is paid into the MVCIF. Together with investment income, this revenue is used to provide for the long term liabilities to pay CIS claims and scheme administration costs.

Indian Ocean Territories Motor Injury Insurance Scheme

The Insurance Commission, under a Service Delivery Arrangement with the Commonwealth Government, manages the Indian Ocean Territories Motor Injury Insurance Scheme, on a fee-for-service basis.

The annual cost of motor injury insurance for a family car in WA from 1 July 2017 to 30 June 2018 was $421

2.4.2 RiskCover Division

The RiskCover Division manages and administers a number of insurance functions for the State Government.

The Division's core responsibilities include underwriting and managing claims on behalf of government agencies in the RiskCover Fund. The Division manages the reinsurance arrangements for the RiskCover Fund, Third Party Insurance Fund and Motor Vehicle (Catastrophic Injuries) Fund.

Financial assets are invested by the Insurance Commission on behalf of Government to meet insurance liabilities.

RiskCover Fund

The RiskCover Fund is the self-insurance arrangement for WA Government public authorities (agencies). RiskCover provides cover for the majority of agencies' insurable risk exposures including:

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

Government Insurance Fund

The Government Insurance Fund (GIF) is the Government's superseded self-insurance arrangement that preceded RiskCover. The Fund is in run-off and RiskCover manages claims received against it on behalf of Government.

The WA Government has financial responsibility for any deficit in the GIF and its liabilities via a Right of Indemnity Agreement.

Compensation (Industrial Diseases) Fund

The Insurance Commission issues industrial diseases insurance policies to employers involved in the mining industry and pays claims against these policies. The liabilities are underwritten by the Insurance Commission and claims are paid from the Compensation (Industrial Diseases) Fund (CIDF).

Insurance Commission General Fund

The Insurance Commission General Fund (ICGF) caters for the run-off of non-government liabilities of the former SGIO. No policies have been issued since 1987. Liabilities relate to workers' compensation and public liability claims, including claims against the mining industry for asbestos related diseases (not covered by the CIDF).

The ICGF acts as the operating fund of the Insurance Commission. Investment assets are held within the ICGF and then allocated to other funds. Insurance Commission assets for its own use are held within the ICGF.

WorkCover WA Funds

WorkCover WA manages the Employers' Indemnity Supplementation Fund (EISF). The Insurance Commission manages claims against this Fund in the event that an authorised workers' compensation insurer goes into liquidation. WorkCover WA invokes a levy on workers' compensation policyholders to fund EISF liabilities. The majority of existing EISF liabilities arose from the collapse of the HIH Group of companies in 2001.

The RiskCover Division also manages claims lodged against WorkCover WA's General Fund, mainly for injured workers of uninsured employers.

Former Police Officers' Medical Benefit Scheme

The *Police (Former Officers' Medical and Other Expenses) Act 2008* was enacted to cater for medical and other expenses incurred post-separation by former Police Officers and Aboriginal Police Liaison Officers who sustained a work-related injury or disease during service and have since left the Western Australia Police Force. Medical and other benefits provided under the Scheme largely mirror those of the *Workers' Compensation and Injury management Act 1981*. The Police Commissioner is liable for medical and other expenses incurred, and appointed the Insurance Commission to manage claims on behalf of the Western Australia Police Force.

2.4.3 Investments

The Insurance Commission, assisted by its independent investment consultant, determines a strategy to assist it invest in assets to meet its insurance liabilities in line with prudential guidelines approved by the Treasurer.

The Insurance Commission's investment objectives for 2018 were to:

- achieve an investment performance target of the Consumer Price Index (CPI) plus 3.5% (Main Fund) and CPI plus 3.25% (MVCIF) annualised over rolling seven-year periods;
- achieve a rate of return for each asset class that exceeds the relevant performance benchmark over rolling three-year periods;
- maintain a level of liquidity that is sufficient at all times to meet insurance payments; and
- assist the Insurance Commission maintain a fully-funded position.

During 2018, the Insurance Commission's investment advisor recommended the Main Fund investment objective be reduced from an investment return of CPI plus 3.5% to CPI plus 3% over a rolling seven-year period, as a result of the higher target of return being more difficult to achieve over the next five years. The main reason for the recommendation is that high asset values have driven recent strong returns (including bringing forward of future returns) and consequently future returns are likely to be lower. The revised Main Fund investment objective applies to the 2019 financial year.

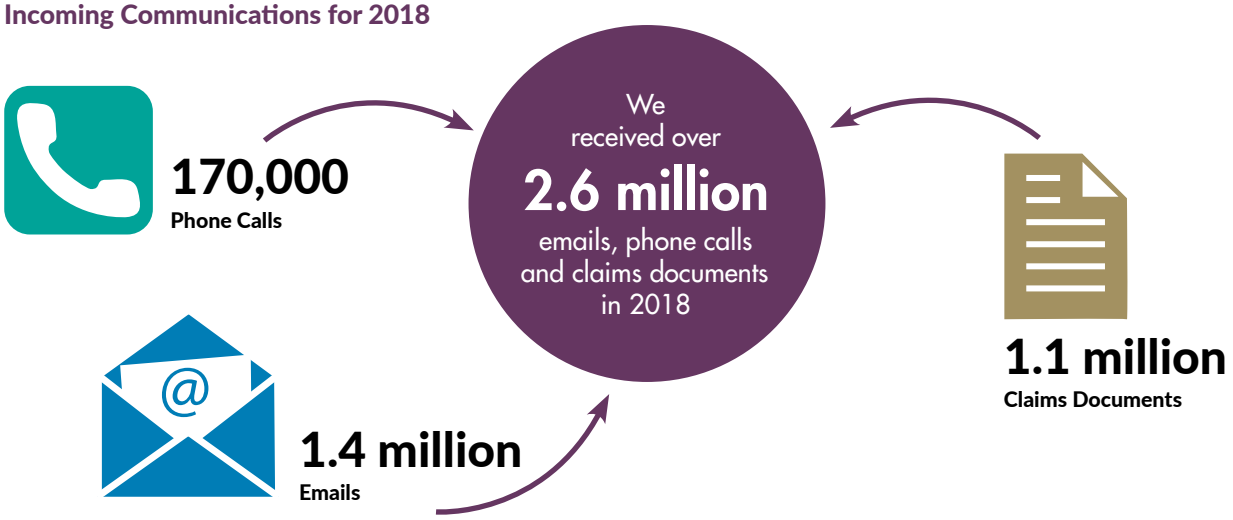
The Insurance Commission uses external investment managers and directly manages some assets.

The Investments Division invests RiskCover funds and other monies it holds on behalf of the Government in its investment portfolio under the same arrangements used for the investment of Insurance Commission funds. The Motor Vehicle (Catastrophic Injuries) Fund uses the same arrangements, but has a different allocation to investment assets.

2.4.4 Corporate Services

The two insurance divisions (Motor Injury Insurance and RiskCover) and the Investments Division are supported by the Executive, Corporate Services and Information Technology areas. Legal Services has a primary function to protect and pursue the Insurance Commission's interests in the Bell Group litigation and recovery, and provides some other minor legal services to the business. The two insurance divisions are also supported by the business functions of Investigations and Intelligence and Business Services. The Investigation and Intelligence function is to identify potentially fraudulent behaviour against our insurance operations. Business Services assists the organisation deal with the volume of interactions with stakeholders (see below).

Incoming Communications for 2018



2.4.5 Stakeholder Engagement

The Insurance Commission recognises the importance of engaging with stakeholders and the need to demonstrate corporate social responsibility.

During 2018, the Insurance Commission hosted two workshops for service providers to people with catastrophic injuries in the CTP and CIS schemes. At each workshop, the Insurance Commission presented the performance results of the CIS scheme as it approached the end of its second year, and sought feedback on how service delivery efficiency and effectiveness could be monitored and improved.

Claims staff from the Insurance Commission also met with over 150 physiotherapists at the Australian Physiotherapy Forum in WA during the year to explain the claims processes for the motor injury insurance and workers' compensation schemes run by the Insurance Commission.

During the year, RiskCover delivered injury management sessions for over 200 agency line managers to enhance their knowledge and skills when managing employees with injuries.

As part of its stakeholder engagement program, Insurance Commission staff either presented at or chaired the following events in 2018:

Above: The Insurance Commission hosted two workshops for service providers in 2018.

Below: The Belt Up campaign expanded to include Football West.

Event	Presented	Chaired
Actuaries Institute Injury and Disability Scheme Seminar	✓	
Australian Insurance Law Association Seminar	✓	
Australian Insurance Law Association Young Professionals Seminar		✓
International Driverless Vehicle Summit (Adelaide)	✓	✓
Monash University Accident Research Centre's Executive Leadership Management Program	✓	
National Disability Services' State Conference	✓	
National Risk and Governance Conference (WA)		✓
WA Public Sector Governance Forum		✓

The Insurance Commission also engages with the community through various initiatives and research that aim to:

- increase the independence of individuals injured in vehicle crashes and workplace accidents;
- reduce effort for carers and burden on families;
- promote public awareness about the prevention of motor vehicle crashes;
- educate the community about how to sustain fewer and less serious injuries when involved in motor vehicle crashes, leading to fewer insurance claims incurring lower costs; and
- keep insurance premiums affordable for Western Australian drivers and Government agencies.

The Insurance Commission has also continued to support research with the Neurotrauma Research Program and the National Centre for Asbestos Related Diseases.

In 2018, the Insurance Commission announced a three-year Belt Up partnership with Football West to complement its existing community partnerships with the WA Country Football League, Netball WA and Rugby WA. The Football West partnership will see over 2,000 Belt Up branded soccer balls distributed throughout the state.

The Insurance Commission's Belt Up campaign supports grassroots community sport in Western Australia as a mechanism to educate people to wear seatbelts and minimise the risk and cost of injury in a crash.

The year 2018 marked the 20th anniversary of the Belt Up campaign, of which the WA Country Football League was the first partner. There is now a 12% less chance of being killed or seriously injured in a car crash as a result of not wearing your seatbelt, compared with 20 years ago. Unfortunately, in 2017, 71 people who were killed or seriously injured in Western Australian crashes were not wearing a seatbelt. As people are still not wearing seatbelts, we aim to push the Belt Up message harder.

Improving Client Independence

In 2018, the Insurance Commission commenced a 16-month research study examining and trialling assistive toileting technologies for clients with catastrophic injuries.

The research project aims to increase client independence by reducing the amount of care required while toileting, which can result in lower care costs and increased dignity for the individual.

The Insurance Commission spends approximately $3.8 million per year on toileting care and support for its clients with catastrophic injuries from car crashes.

The project is being delivered in partnership with the Brightwater Care Group, who provide rehabilitation and support services to people with acquired brain injuries.

The research is led by Dr Angelita Martini, Director of the Brightwater Research Centre, Annelize Prinsloo, President of the WA Continence Foundation, and a team of health specialists, carers and researchers.

This research project complements the Insurance Commission's other research-led projects in the care and disability sector.

This includes a three-year partnership with the Neurotrauma Research Program, announced in 2017, aimed at improving rehabilitation and independence for people with catastrophic injuries.

Now in its second year, four one-year grants of $100,000 have been provided to successful projects focused on neurotrauma research.

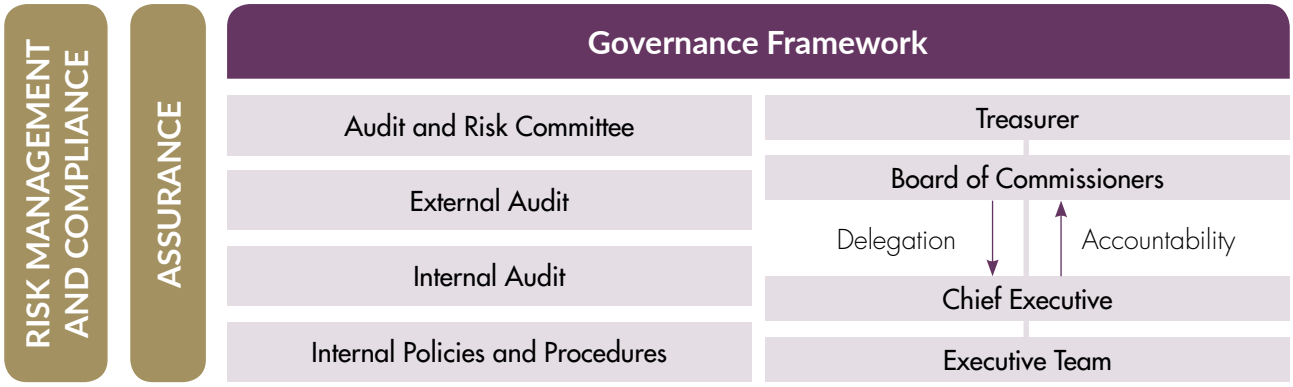
The Insurance Commission also continues to fund research via the National Centre for Asbestos Related Diseases into the early detection, prevention and treatment of diseases caused by asbestos and mesothelioma.

2.5 Governance

2.5.1 Board of Commissioners

The Insurance Commission's Board is responsible for providing effective governance and performing the functions and duties required of it under the *Insurance Commission of Western Australia Act 1986*.

The Chief Executive, who is a Commissioner *ex officio*, is responsible for managing the operations of the Insurance Commission.



From left: Rod Whithear (Commissioner *ex officio*), Rob Bransby (Commissioner), John Scott (Deputy Chairman), Andrea Hall (Commissioner), Yasmin Broughton (Commissioner), Carol Dolan (Commissioner) and Frank Cooper AO (Chairman).

2.5.2 Executive Team

Back row from left: Glenn Myers (Chief Information Officer), Fab Zanuttigh (General Manager Motor Injury Insurance), Julie O'Neill (Chief Investment Officer), Bruce Meredith (General Counsel), Grant Speight (General Manager Human Resources), Kane Blackman (Commission Secretary), Rick Howe (Deputy Chief Executive) and Damon de Nooyer (Chief Finance Officer).

Seated from left: Janice Gardner (General Manager RiskCover) and Rod Whithear (Chief Executive).

2.6 Performance Management Framework

2.6.1 Outcome Based Management Framework

The Insurance Commission contributes to the following Government goal:

Sustainable Finances: Responsible financial management and better service delivery

Insurance Commission Services

- Provide efficient administration, underwriting and management of the statutory motor injury insurance scheme;
- provide timely, equitable and efficient motor injury insurance claims management service;
- provide agencies with high quality insurance advice and efficient administration, underwriting and management of self-insurance via the RiskCover Division;
- provide timely, equitable and efficient RiskCover claims management services; and
- perform fund management and investment functions to manage monies and other property to provide assets to meet insurance liabilities.

Insurance Commission Outcomes

- Fully-funded Third Party Insurance Fund and Motor Vehicle (Catastrophic Injuries) Fund;
- affordable premiums for Western Australian vehicle owners;
- a motor injury insurance claims system that treats claimants fairly and delivers equitable compensation;
- fully-funded RiskCover Fund;
- sustainable fund contributions (premiums) to RiskCover agencies;
- a RiskCover claims system that treats agencies and claimants fairly and delivers equitable compensation; and
- sufficient financial resources to be able to meet commitments.

2.6.2 Shared Responsibilities with other Public Authorities

Department of Transport

The Department of Transport (DoT) and its agents issue motor injury insurance policies and collect insurance premiums on behalf of the Insurance Commission. In exchange for this service, the Insurance Commission pays a fee to DoT per transaction. For 2018, this fee was $4.09 per transaction. The total amount paid to DoT in 2018 was $24.4 million.

The partnership between the Insurance Commission and DoT provides WA motorists a 'one-step' process to register their vehicle and purchase motor injury insurance in an efficient and cost-effective manner.

Indian Ocean Territories

The Insurance Commission, via a Service Delivery Arrangement with the Commonwealth Government, manages the Indian Ocean Territories Motor Injury Insurance Scheme on a fee-for-service basis.

WorkCover WA

The Insurance Commission manages claims from the *Employers' Indemnity Supplementation Fund Act 1980, Workers' Compensation and Injury Management (Acts of Terrorism) Act 2001* and *Waterfront Workers' (Compensation for Asbestos Related Diseases) Act 1986*.

Claims management expenses and claims payments made, which predominantly stem from the collapse of the HIH Group of Companies in 2001, are reimbursed by WorkCover under the *Employers' Indemnity Supplementation Fund Act 1980*.

On behalf of WorkCover WA, RiskCover also manages claims lodged against WorkCover WA's General Fund.

Western Australia Police Force

Online Crash Reporting

The Online Crash Reporting Facility (OCRF) is a joint initiative of the Insurance Commission and the Western Australia Police Force. The Insurance Commission provides customers with an efficient and convenient online process to report motor vehicle crashes in WA.

The facility is a good example of inter-agency cooperation. No police station visit is required to report a car crash to initiate insurance claims, saving time and police resources.

As well as providing a more efficient, convenient and customer focused means of reporting crashes, the improved reliability, accuracy and completeness of crash data delivered by the OCRF provides better data to inform road safety strategies in WA.

This joint initiative also involves data sharing about crashes with DoT, Main Roads and the Road Safety Commission.

The Insurance Commission is not aware of any other Australian jurisdiction having a customer service initiative of this type.

In 2018, the OCRF was enhanced to make it fully accessible on mobile devices, providing motorists with an improved user interface to enable early and convenient reporting of crashes.

Former Police Officers

The Insurance Commission manages claims lodged by former Police Officers and Aboriginal Police Liaison Officers under the *Police (Medical and Other Expenses for Former Officers) Act 2008*.

3. Performance

3.1 Insurance Commission

The Insurance Commission's main investment portfolio delivered a gross return of 9.4% for 2018. This return comprises investments in the Third Party Insurance Fund, RiskCover Fund, Insurance Commission General Fund, Government Insurance Fund and Compensation (Industrial Diseases) Fund. The total investment return for the Insurance Commission was 9.1% for the year, which is lower than the Main Fund as a higher proportion of cash is held in the Motor Vehicle (Catastrophic Injuries) Fund.

This investment return is an encouraging result as the Insurance Commission has allocated 40% to Equities which is materially lower than the allocation to Equities utilised by most superannuation funds.

The Insurance Commission's profit before income tax (excluding RiskCover) was $382.7 million in 2018. The profit after income tax (excluding RiskCover) was $277.7 million for 2018.

The total value of assets held by the Insurance Commission was $5.6 billion at 30 June 2018.

In 2018, the Insurance Commission received over $1.2 billion in total revenue and earnings (excluding RiskCover). Premium revenue in 2018 increased by $82.9 million to $769.6 million, as 2018 represented the first full year that insurance premiums were paid for the Catastrophic Injuries Support (CIS) scheme.

Outstanding claims liabilities increased by $251.3 million in 2018 to $2.7 billion, reflecting increases in claims exposure. Claims payments reduced by $68.2 million in 2018 to $404.9 million. This reduction was largely due to the number of new Compulsory Third Party compensation claims received in 2018 being 179 lower than received in 2017.

3.1.1 Insurance Commission

The Office of the Auditor General audits the Insurance Commission's key performance indicators (KPIs) annually. Other important indicators providing a broader perspective of the Insurance Commission's performance are also included in this report.

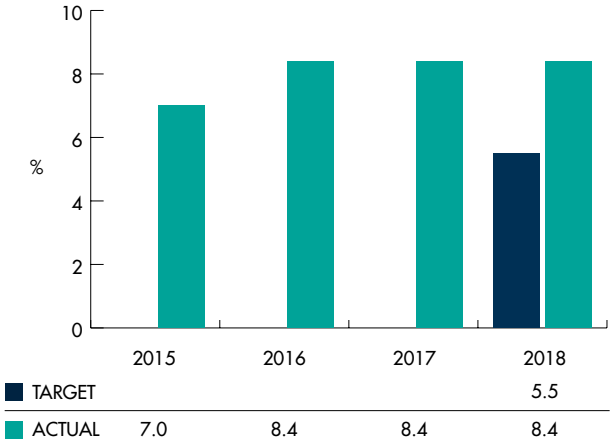
The Insurance Commission has a combination of effectiveness and efficiency KPIs to measure its performance against the following outcome.

Outcome A — **That the Insurance Commission has sufficient financial resources to be able to meet its commitments**

Effectiveness Performance Indicators

Investment Rolling 7-Year Return (%)

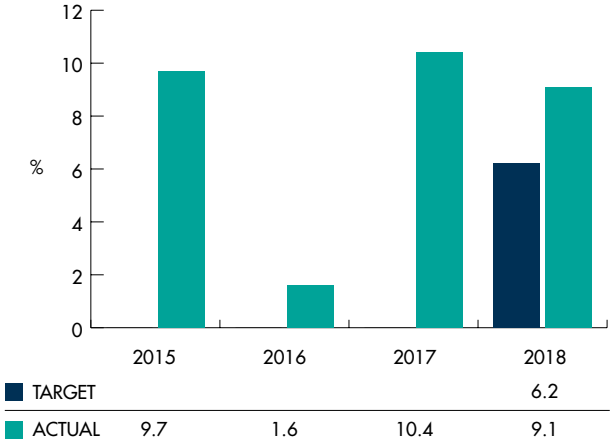
This KPI calculates the long-term investment performance, measured over a rolling 7-year period as a percentage (on a per annum basis) of the amount of money invested. This KPI measures whether investment returns have achieved the Board's long-term Consumer Price Index (CPI) plus 3.5% investment objective (Main Fund) and CPI plus 3.25% (MVCIF).



Comment: The investment rolling 7-year return was 8.4%, above the target estimate of 5.5% and above the actual CPI +3.5% outcome of 5.6%.

Annual Investment Rate of Return (%)

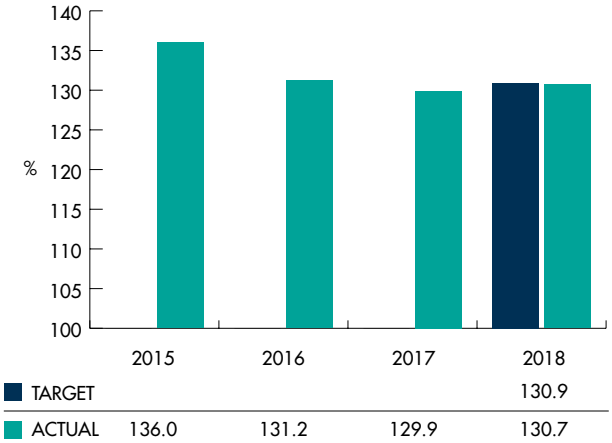
This KPI calculates the amount of revenue/(loss) the Insurance Commission's investment strategy generates over the financial year as a percentage of the value of the opening investment assets. This KPI measures the Insurance Commission's performance compared to a specific market-related benchmark. The benchmark is a mix of Australian and global equities, fixed interest, alternative assets and property indices.



Comment: The Insurance Commission's annual investment rate of return for 2018 of 9.1% was above the target of 6.2% predominantly due to double-digit returns in Australian Equities (15.4%), Global Equities (13.6%), Property (14.7%), and strong returns in Alternative Assets (7%) and Fixed Interest (3.5%) which were all ahead of budget. The Cash (2.2%) return was below budget.

Solvency Level (%)

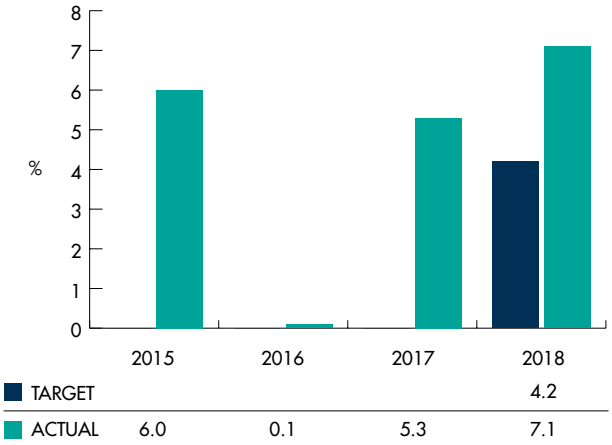
This KPI calculates Total Assets as a percentage of Total Liabilities for the Insurance Commission. This KPI measures the ability of the Insurance Commission to meet its long-term financial obligations as they fall due.



Comment: The solvency level of 130.7% is close to the target of 130.9% for the financial year.

Return on Total Assets (%)

This KPI is calculated as the Insurance Commission's profit/(loss) before income tax (expense)/benefit divided by its total assets (sum of total assets at start of financial year and end of financial year divided by 2) and is expressed as a percentage. This KPI measures how well the Insurance Commission is using its assets to produce income.

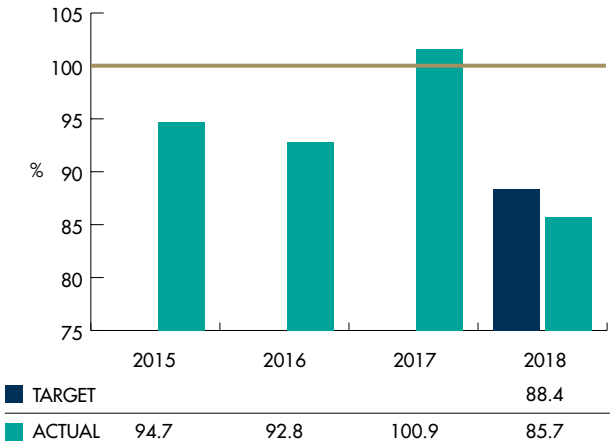


Comment: The profit before income tax of $382.7 million was well above the target profit of $228.7 million. Average total assets increased by $468.1 million (9.5%) since 2017, predominantly due to a significant increase in investment assets through strong investment returns.

Efficiency Performance Indicators

Net Loss Ratio (%)

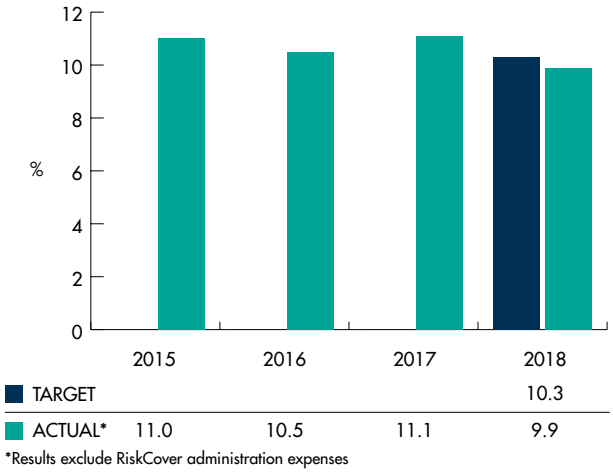
This KPI calculates net claims incurred (claims payments and movements in outstanding claims provision) as a percentage of net premium revenue. This KPI measures the sufficiency of premium revenue compared to the cost of claims incurred. A ratio below 100% indicates the Insurance Commission received sufficient net premium revenue to meet the net cost of claims incurred. A ratio greater than 100% indicates net premium revenue was insufficient to meet the net cost of claims incurred.



Comment: The result of 85.7% is better than target, resulting from lower net claims incurred of $22.5 million (3.3%) offset by marginally lower net premium revenue than budget of $2.5 million (0.3%).

Net Expense Ratio (%)

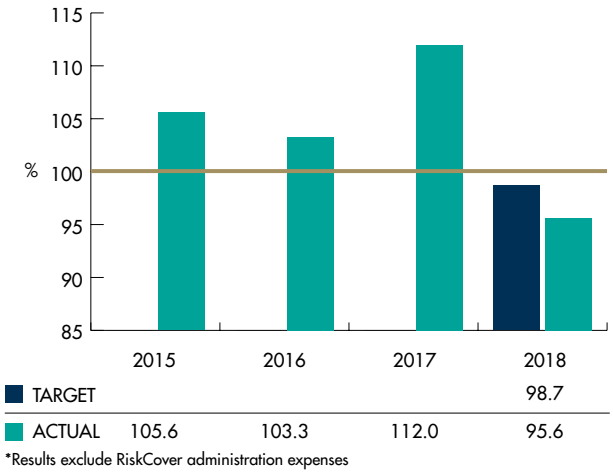
This KPI calculates underwriting and administration expenses as a percentage of net premium revenue. This KPI is a measure of operational efficiency. A lower expense ratio would contribute to higher profits or lower losses being generated.



Comment: The net expense ratio of 9.9% is better than the target of 10.3%. This favourable result is driven by underwriting and administration expenses being $3.3 million (4.2%) below budget.

Net Combined Ratio (%)

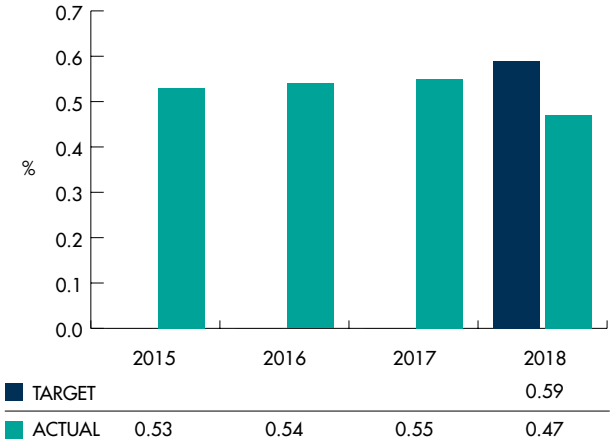
This KPI calculates underwriting and administration expenses and net claims incurred as a percentage of net premium revenue. This KPI is a measure of underwriting profitability used to indicate how well the Fund is performing. It is the combined result of the Net Loss Ratio and the Net Expense Ratio. A ratio below 100% indicates that an underwriting profit has been made, whereas a ratio above 100% indicates an underwriting loss.



Comment: The net combined ratio of 95.6% is better than the target of 98.7%. This reflects the Insurance Commission's underwriting profit of $33.8 million compared to the budgeted profit of $10.5 million, which was largely driven by the performance of the Motor Vehicle (Catastrophic Injuries) Fund.

Investment Management Expense Ratio (%)

This KPI calculates the total management costs (investment manager, transaction, custodian, investment advisor, Investment Division administration, legal and audit fees) as a percentage of the average asset value (calculated as an average of the twelve month end valuations) of the Insurance Commission's investment portfolio. This KPI is a standard industry measure of the Insurance Commission's efficiency in managing its investments.



Comment: The investment management expense ratio of 0.47% for the year was below the target of 0.59% due predominantly to lower than expected investment manager performance fees.

What We Do

The Insurance Commission plays a role in most Western Australian's lives.


We provide motor injury insurance to over 1.8 million licensed drivers.
We partner with service providers, universities and hospitals to increase the independence of people injured in car crashes and at work.
We provide insurance cover for 111 Government agencies.
We provide workers' compensation insurance to almost 120,000 Government employees.
We pay for the rehabilitation and recovery of over 10,000 injured motorists each year.

3.2 Motor Injury Insurance

Total New Claims
11,818

Total Claims Payments
$391.5m

Underwriting Result
$63.6m

Decrease in New CTP Compensation Claims Received
5.3%

The Insurance Commission received $769.5 million in motor injury insurance premium revenue in 2018 for 2.9 million insured vehicles.

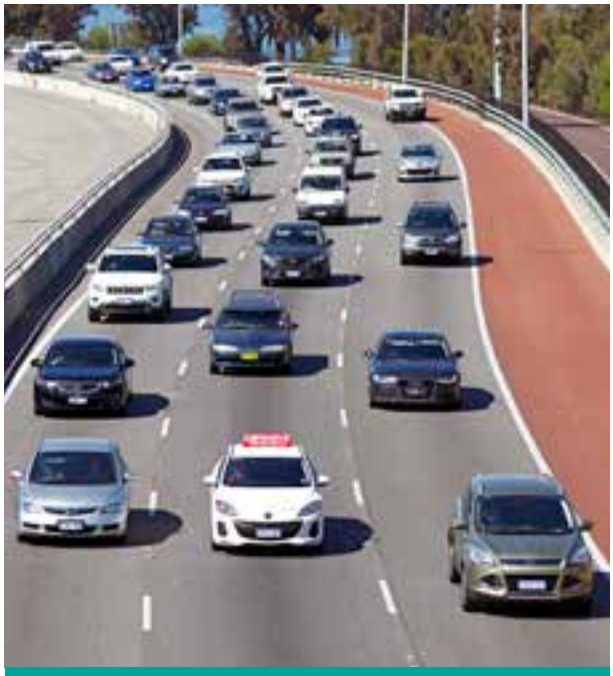
Premium revenue in 2018 was higher than the $686.6 million of revenue collected in 2017 as 2018 was the first full year that insurance premium was paid by all motorists for Catastrophic Injuries Support (CIS) cover.

Compared to the budget of $783.7 million for 2018, premium revenue received was slightly below expectations.

The Insurance Commission managed motor injury claims valued at nearly $2.8 billion in 2018, consisting of $391 million in claims payments to people injured in crashes (mostly in prior years), and anticipated future claims expenses of $2.4 billion. Motor injury insurance claims liabilities increased by $244.6 million in 2018 reflecting additional future claims payments.

Claims payments for the year were $71 million lower than claims paid in 2017, which were $462.4 million. The reduction in the value of claim payments is largely a result of the following:

- fewer new Compulsory Third Party (CTP) compensation claims received in 2018 (3,191) compared to 2017 (3,370); and
- fewer large loss claims finalised at lower values (28 large loss claims were finalised in 2018 at an average cost of $3.2 million, compared to 35 in 2017 at an average cost of $4.9 million).



Above: The Insurance Commission covers 2.9 million registered vehicles for motor injury insurance in Western Australia.

Below: $391.5 million was made in claims payments in 2018 including emergency ambulance and hospital bed day costs.

Third Party Insurance Fund

The Third Party Insurance Fund (TPIF) is the fund associated with the CTP insurance scheme, which represents the majority of motor injury insurance claims and costs for the Insurance Commission.

The TPIF recorded an underwriting profit of $26 million for 2018 compared to $20 million in 2017.

Prior to 2018, the TPIF had only made an underwriting profit in five of the past 20 years (2001, 2003, 2005, 2013 and 2017). This reflects that motor injury insurance premium revenues have generally been insufficient to meet the cost of claims payments and management of the scheme.

The underwriting profit of $26 million is equivalent to 4.4% of premium revenue or 1.1% of outstanding claims liabilities. Movements in actuarial valuations of claims liabilities can have a significant impact on the underwriting position. A 1% movement in discount or inflation rates would increase the TPIF's outstanding claims liabilities (and reduce the Fund's underwriting result) by approximately $78 million.

The TPIF profit before tax was $331.2 million in 2018 which was $11.4 million lower than the $342.6 million result achieved in 2017. The TPIF's strong financial performance was primarily due to net investment income received of $305.1 million.

The outstanding claims provision (estimated cost of future claims) for the TPIF grew to over $2.2 billion at 30 June 2018 which was a $126.5 million increase compared to 30 June 2017.

The number of new CTP compensation claims received in 2018 was 3,191, which was 179 fewer new claims received in 2017. The 2017 new claims received result was the first time in 10 years that the number of new claims had increased. The 2018 result suggests the increase of new claims in 2017 was not the start of a multi-year trend.

The number of minor injury claims received in 2018 was 8,588.

Mary's CTP Claims Experience

Mary* was injured when her vehicle was struck from behind at high speed in Victoria Park. She was taken to Royal Perth Hospital via ambulance. Her injuries included whiplash, vertebrae misalignment, soft-tissue damage, blurred vision and chronic lower spine pain.

Mary contacted the Insurance Commission to make a Compulsory Third Party (CTP) motor injury insurance claim. The Insurance Commission paid for Mary's hospital and subsequent rehabilitation costs. Mary also claimed compensation for time off work.

Mary provided feedback to the Insurance Commission on her claims experience.

"As the claimant you must work towards rehabilitation and your CTP claims officer is there to support you through the claims process.

"I had a positive attitude and with CTP assistance I have been able to follow a treatment plan.

"The Insurance Commission's employees were always compassionate and kind. They treated me with dignity, as a person not a number.

"I would not have been able to fund the treatments I have had without the help from the CTP scheme."

Mary is currently engaged in an injury rehabilitation program to help her return to work later in the year.

*Name has been changed for privacy reasons.

Motor Vehicle (Catastrophic Injuries) Fund

The Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) is the fund associated with the Catastrophic Injuries Support (CIS) scheme. The CIS scheme was introduced on 1 July 2016 to provide lifetime care and support to people catastrophically injured in crashes who are ineligible for CTP cover.

The MVCIF recorded an underwriting profit of $37.6 million in 2018, compared to an underwriting loss of $98.1 million in its first year. The principal reason for the underwriting loss last year is that premium revenue was not collected from motorists in advance of the CIS start date, which meant some motorists did not pay the full cost of the additional cover they received in the first year. In 2018, premium revenue was collected in full from motorists.

The deficit in the MVCIF as a result of the 2017 underwriting loss was remedied through a $95.9 million capital transfer to the MVCIF from the Insurance Commission General Fund. This was able to be achieved as the sale of the Forrest Centre in 2016 freed up a significant asset revaluation reserve held against that building.

A number of people with catastrophic injuries have experienced improvements in independence and functionality since returning home from hospital and participating in early rehabilitation paid for by the Insurance Commission. The improvement in the health of CIS participants and the resulting actuarial adjustments were the main reason for the MVCIF's positive underwriting result.

In 2018, the Insurance Commission managed CIS claims valued at $297.4 million, consisting of $10.2 million paid for care and support costs to people injured in crashes, and anticipated future claims expenses of $287.2 million. Outstanding claims liabilities increased by $118.1 million in 2018, $66.6 million lower than the increase in 2017 ($184.7 million). In 2018, the actuarial valuation provided for improvements in the health of some people catastrophically injured, who initially were assessed as having more significant and high cost injuries following the crash.

The MVCIF delivered a profit before tax of $52.6 million in 2018. Net investment income received for the Fund in 2018 was $15 million.

The MVCIF is expected to experience significant volatility in its financial results until a stage when the fund reaches a relative state of maturity. The CIS scheme was established only two years ago and, in its infancy, variations from forecasts for number of claimants and their cost of care can have a material impact on the financial performance of the fund.

Motorists paid $99 in additional motor injury insurance premium for broader cover to include lifetime care for catastrophic injuries from a crash from 1 July 2016. The cost of catastrophic insurance at 1 July 2018 was $104, which reflects wage inflation.

Since the CIS scheme's inception, 106 people have been assessed as eligible for treatment, care and support via either the CIS or CTP schemes. 65 of those people were eligible for the CIS scheme as there was no other driver identified at fault in the crash, and 41 people were eligible for the CTP scheme as their injuries were caused by the fault of another driver. One of those people has subsequently died and three people with CTP compensation claims had their claims settled.

Five CIS scheme participants had their participation suspended, either because they moved overseas or chose not to participate. One CIS scheme participant is currently imprisoned; the Department of Corrective Services is responsible for the care and support costs for that person.

The CIS scheme has been able to achieve better economic outcomes than was initially anticipated in the areas of return to work and accommodation. For example, at 30 June 2018, 28 CIS scheme participants had returned to work, were in return-to-work programs or were studying following their crash. That is an exceptional outcome given many of those people received a catastrophic injury from a car crash less than two years ago.

Only two CIS scheme participants were newly accessing Commonwealth Centrelink services as a result of injuries sustained in the crash. The CIS scheme provides funding for home modifications and transitional support to help people with catastrophic injuries return home from hospital following emergency treatment after the crash. At 30 June 2018, 49 CIS scheme participants had returned home from hospital, and only one participant was newly accessing public housing.

A summary of scheme performance and statistics is shown on the following page.

Over the next 12 months, a number of scheme clients will reach the end of their two year interim participation period and, as required by the *Motor Vehicle (Catastrophic Injuries) Act 2016*, will need to be assessed for eligibility for lifetime participation in the CIS scheme. It is anticipated that a number of clients will have recovered to a point where they are no longer catastrophically injured, which is an excellent outcome for them, and therefore they will no longer qualify for participation in the CIS scheme.

Number of People with Catastrophic Injuries Managed or Funded at 30 June 2018

Catastrophic injuries are defined as spinal cord injuries, traumatic brain injuries, multiple amputations, severe burns and permanent traumatic blindness.

Catastrophic injuries		CIS scheme		CTP scheme	
102 TOTAL (since 2017)	58 2018	64 TOTAL (since 2017)	39 2018	38 TOTAL (since 2017)	19 2018

14 potential catastrophic injury cases were awaiting eligibility assessments at 30 June 2018.

Acquired Brain Injury
79%

Spinal Injuries
19%

Other
2%

Crash Locations

48%
of catastrophic injuries occurred in regional areas but only 38% of people catastrophically injured live there. The South West had the highest claim frequency, with 16 crashes resulting in catastrophic injury.

Catastrophic Injury - Gender

76 Male 

26 Female 

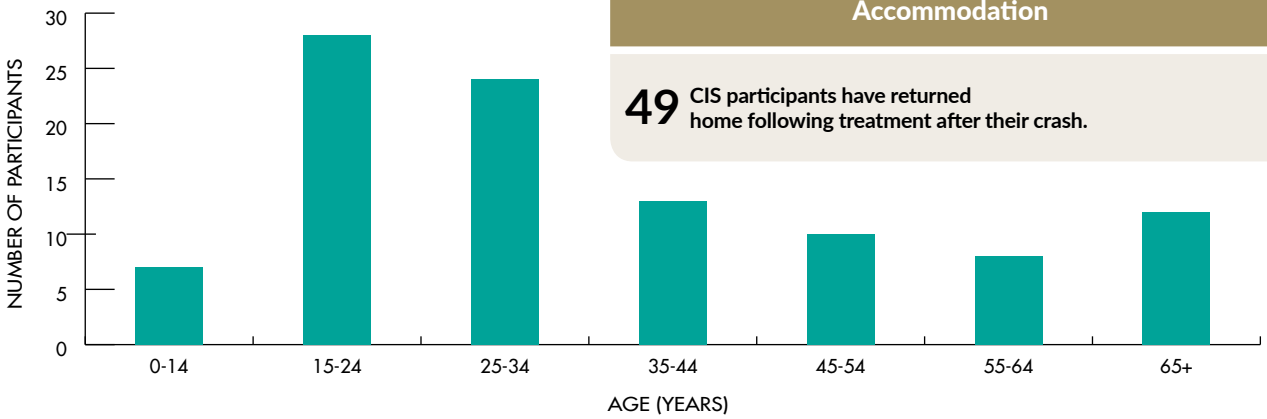
Returning to work

14 CIS participants have returned to work (full or part-time).

14 CIS participants were in return-to-work programs or studying.

15 CIS participants were engaged in early rehabilitation with the objective to enable a return to work.

Catastrophic injury - Age



Accommodation

49 CIS participants have returned home following treatment after their crash.

Working Together with our Service Providers

The Insurance Commission invited over 300 CIS scheme service providers to two workshops during 2018. The purpose of the workshops was to update service providers on scheme performance and to seek feedback on the scheme after almost two years.

The workshops were held in partnership with National Disability Services WA, an organisation that was a key advocate for the introduction of the CIS scheme.

The workshops were held around the two-year anniversary of the scheme that commenced on 1 July 2016. The scheme ensures that all people catastrophically injured in crashes can access lifetime care and support.

Overall, feedback from service providers on the CIS scheme was positive and they appreciated the opportunity to engage face-to-face with Insurance Commission staff to ensure quality outcomes are maintained for its clients.

Providers identified some opportunities for improvement in the areas of billing and administration. The Insurance Commission is undertaking work to further improve efficiencies of invoicing to the payment process.

These workshops continue the engagement program with the health and disability community, initiated during consultation to introduce the CIS scheme.

Further opportunities to engage with service providers to the CIS scheme, and other insurance products delivered by the Insurance Commission, will be delivered as part of a broader initiative of the organisation to be more customer focused.

Services Provided

Across all motor injury insurance claims (CTP and CIS scheme) paid during 2018, the following services were provided to claimants and paid by the Insurance Commission.

61,452
Physiotherapy sessions

36,774
Doctor appointments

13,366
Exercise programs

10,480
X-rays

8,113
Chiropractic appointments

7,637
Occupational therapy appointments

7,441
Ambulance trips

6,085
Psychologist appointments

2,190
Times anaesthetic administered

1,866
Pilates classes

Positive Feedback from CIS Participants

The introduction of the Catastrophic Injuries Support (CIS) scheme on 1 July 2016 fundamentally changed the way the Insurance Commission engaged with some of its clients.

As the scheme provides lifetime care to people with catastrophic injuries from vehicle crashes, a lifelong relationship with clients and their families is required. Prior to the scheme, most Insurance Commission claims were settled with finality for both parties after a short time, or a few years for severe injuries, following a crash.

The Insurance Commission collects feedback from CIS scheme clients and their families four weeks post discharge from hospital. Face-to-face review meetings are also held regularly with Care Services Coordinators to capture feedback on the CIS scheme and its service providers.

Feedback collected via these initiatives has been overwhelmingly positive.

"It has been wonderful dealing with professionals close to home, not having to travel to the hospital all the time."

"Personal tailoring of my recovery rehabilitation plan is important and has been positive."

"I would just like to say I am very thankful for the help I am receiving. And a big thank you to our Care Service Coordinator for her support and always following through."

Kenny's CIS Scheme Experience

In 2017, Kenny was riding his motorcycle in Albany with two friends when he hit a bump, went over the handlebars and landed on his head. He knew something was not right when he heard a pop in his spine.

Kenny was flown to Royal Perth Hospital where he underwent surgery and spent a week in intensive care. He then spent three months in rehabilitation at the Fiona Stanley Hospital. The crash left Kenny with a paraplegic spinal cord injury.

Kenny explains the catastrophic injury has had a significant impact on his life and the CIS scheme has helped him regain his independence:

"Getting dressed, showering and going to the bathroom all take their time which is something I took for granted.

"The CIS scheme has been such a huge part of my recovery. I would not have been able to achieve goals I've wanted to without the CIS scheme.

"I've built a great relationship with my Care Services Coordinator (CSC) whose physiotherapy background has been key to my rehabilitation. As a practising physiotherapist, my CSC is up to date with the latest rehabilitation techniques which assists in tailoring the care and support I receive. I appreciate their interest and focus to help me through my rehabilitation."

Kenny is currently applying for his building registration certificate and aims to compete as a swimmer in a future Paralympics.

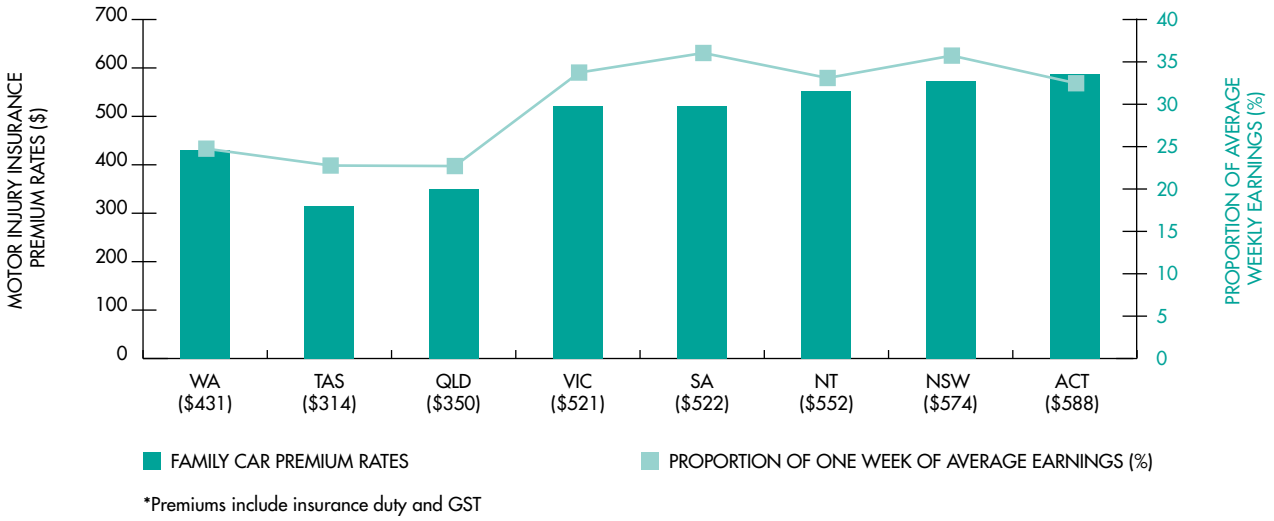
Note: Kenny was covered under the CIS scheme as he was riding a registered or registrable motorcycle. If he was riding an un-registrable motorcycle he would not have been covered by the CIS scheme.

Motoring Costs

The graph below compares WA's 1 July 2018 premium rate for a family car to premium rates for CTP and CIS insurance products in other states and territories. This graph also presents the affordability of those products, expressed as a proportion of one week's average wages in each state and territory.

The price of motor injury insurance is set to balance product affordability, cover and scheme sustainability. It is critical that sufficient revenue is collected to meet the current and future costs of claims for people injured in vehicle crashes.

Motor Injury Insurance Premium Comparisons and Affordability at 1 July 2018

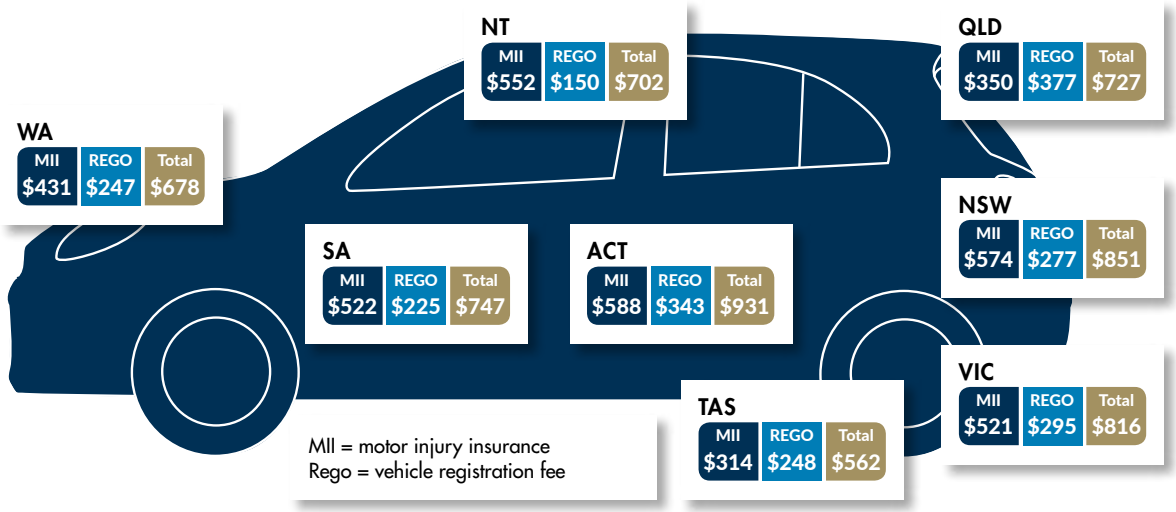


*Premiums include insurance duty and GST

Motor injury insurance is paid at the time of vehicle registration so many motorists are familiar with the total motoring cost. That cost is presented below for a small family vehicle in each jurisdiction.

Motor injury insurance and vehicle registration costs in WA are the second most affordable in Australia at $678 for a small family vehicle. Similar insurance and registration costs are significantly higher in Victoria ($816), NSW ($851) and the ACT ($931).

Motoring Costs Comparison at 1 July 2018



Claims

The Motor Injury Insurance Division received 11,818 new motor injury insurance claims in 2018.

CTP Compensation Claims	CTP Minor Injury Claims	CIS Scheme Claims	Total Claims
3,191	8,588	39	11,818

There are two categories of CTP scheme claims received by the Insurance Commission: minor injury claims and compensation claims.

A minor injury claim is where a claimant has a minor crash injury caused by another driver and is seeking reimbursement for a medical bill. These claims are usually paid and settled quickly. There were 8,588 minor injury claims received in 2018.

A compensation claim is where a claimant sustained more significant crash injuries and is eligible to claim additional compensation. These claims typically take longer to settle as recovery and rehabilitation takes time. There were 3,191 compensation claims received in 2018.

There is only one category of CIS scheme claims received by the Insurance Commission. At 30 June 2018, the Insurance Commission was managing an additional 39 people with catastrophic injuries in the MVCIF, in addition to those remaining from the previous year.

As at 30 June 2018, the Motor Injury Insurance Division was managing 6,034 open compensation claims. This was 82 claims more than the 5,952 open compensation claims at 1 July 2017. As the number of new compensation claims received in 2018 decreased by 179 claims compared to 2017, the higher open claim rate is due to fewer claims being finalised during the year. A number of claims on which settlement has been agreed at 30 June 2018 are yet to be paid.

An initiative implemented in 2018 was the establishment of a 'long-duration' claims team in the Motor Injury Insurance Division. At the start of 2018, there were almost 400 compensation claims that remained open for claims lodged in 2014 or earlier. Two major reasons why a claim may stay open this long are that:

- the claimant is a child and the full extent of their injuries may not be known until further development; or
- the claimant has complex injuries where the recovery and rehabilitation process may take a long time before the extent of the injury and required compensation is known.

The new long-duration claims team was established in April 2018, and has since finalised 40 long-duration claims. The establishment of this team is a customer service initiative of the Motor Injury Insurance Division to reduce the time it takes for significant injury claims to be finalised.

Costs

The Motor Injury Insurance Division managed motor injury claims valued at nearly $2.8 billion in 2018, consisting of $391.5 million in claims payments to people injured in crashes (mostly in prior years), and anticipated future claims expenses of $2.4 billion.

Forty-six percent or $1.1 billion of estimated costs are for future care to be provided to people injured in car crashes. The table on the following page displays the breakdown of payments made and estimated future payments by major cost category at 30 June 2018.

Current and Outstanding Claims Costs

	Claims Cost	Outstanding Estimates
Care	$70.4m	$1.1b
Economic Loss	$98.6m	$388.7m
Pain and Suffering	$67.7m	$266.6m
Hospital	$40m	$41.1m
Medical And Equipment	$40.3m	$218.1m
Other	$74.5m	$435.7m
Total	$391.5m	$2.4b

Claims costs are directly related to the severity of the injuries sustained in a crash and the role of the injured person in the crash. This is highlighted in the graphic below that shows vulnerable people (motorcyclists, pillion passengers, cyclists and pedestrians) represented 40% of total claims payments in 2018 despite only representing 17.8% of total claims.

The other 60% of claims payments were made to drivers and passengers injured in a crash. As drivers and passengers have seatbelts and are protected by the car body in the crash, it is understandable that their injuries are often not as severe as those sustained by vulnerable road users.

Vulnerable Road Users Claims Cost (including Outstanding Estimates)

Pedestrian
$128.1m

Motorcyclist
$99.1m

Cyclist
$58.5m

Pillion Passenger
$10.6m

$157.6m
was paid to vulnerable road users in 2018

Vulnerable road users represented
40%
of total claims payments in 2018

However, vulnerable road users claims only represented
17.8%
of total claims received in 2018

There were
282
hit and run claims received in 2018

$1.6m
was paid against these claims

$13.8m
outstanding to be paid

The most common motor injury insurance claim received is a minor injury claim. These represent 73% of new claims received but represent less than 6% of the cost paid by the Insurance Commission as the injuries are often minor and people can recover quickly after treatment. CTP compensation claims represent 27% of new claims received and represent 92% of the cost. CIS scheme claims make up the remainder of claims received and paid in a year.

The table below highlights average CTP compensation claim costs within bands of claims finalised by the Insurance Commission during 2018. A finalised claim is a CTP compensation claim that the claimant and the Insurance Commission both agree can be closed as the claimant's injuries have stabilised and/or the amount of compensation payable is known. The most common type of CTP compensation claim finalised in 2018 was a claim between $20,000 and $50,000.

Finalised 2018 Motor Injury Insurance Claims by Cost Band

Band	Total Claims	Total Payments	Average Cost of Claims
$0 - $1,000	417	$94,828	$227
$1,001 - $2,000	133	$194,753	$1,464
$2,001 - $5,000	225	$756,007	$3,360
$5,001 - $10,000	183	$1,299,450	$7,101
$10,001 - $20,000	228	$3,441,246	$15,093
$20,001 - $50,000	695	$24,849,051	$35,754
$50,001 - $100,000	557	$39,393,707	$70,725
$100,001 - $200,000	343	$47,159,554	$137,491
$200,001 - $500,000	222	$67,461,098	$303,879
$500,001 - $1,000,000	69	$45,455,407	$658,774
$1,000,001 - $2,000,000	26	$35,315,814	$1,358,301
$2,000,001 - $5,000,000	10	$26,007,087	$2,600,709
Greater than $5,000,000	4	$29,319,277	$7,329,819
Total	3,112	$320,747,279	$103,068

*Excludes minor injury claims

The map on the following page shows the crash locations across the WA regions by number of new CTP compensation claims (including minor injury claims) and the claims payments for crashes in that region. The metropolitan area recorded the highest number of crashes (9,335) and payments of $293.5 million in 2018.

Crash Claims Paid including Minor Injury Claims
(total payments and estimates are irrespective of accident year)

Total - WA Regions

Total New Claims	Total Payments	Total Estimates
11,818	$391.5m	$2.4b

Kimberley

Total New Claims	Total Payments	Total Estimates
93	$13.4m	$113.8m

Pilbara

Total New Claims	Total Payments	Total Estimates
124	$9.7m	$86.8m

Goldfields-Esperance

Total New Claims	Total Payments	Total Estimates
168	$6.5m	$66.6m

Mid West-Gascoyne

Total New Claims	Total Payments	Total Estimates
194	$6.7m	$83m

Interstate

Total New Claims	Total Payments	Total Estimates
87	$6.3m	$50.6m

Metropolitan

Total New Claims	Total Payments	Total Estimates
9,337	$293.5m	$1.4b

Wheatbelt

Total New Claims	Total Payments	Total Estimates
461	$17.6m	$208.8m

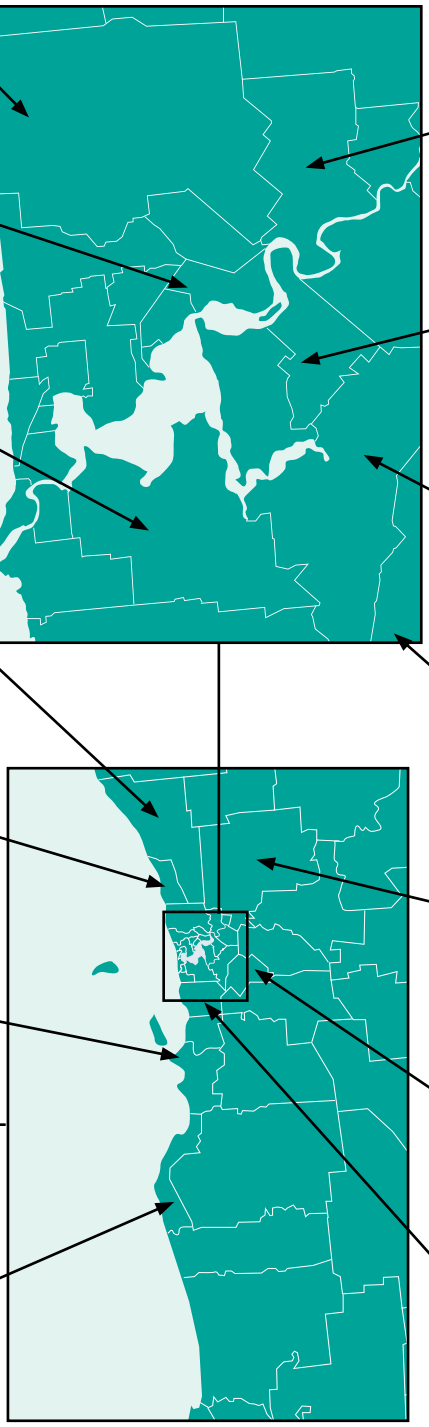
South West

Total New Claims	Total Payments	Total Estimates
1,118	$30.4m	$258.6m

Great Southern

Total New Claims	Total Payments	Total Estimates
236	$7.4m	$83.7m

Top 15 Local Government Areas



Stirling

Total New Claims	Total Payments	Total Estimates
1,307	$44.8m	$139m

Perth

Total New Claims	Total Payments	Total Estimates
553	$14.2m	$46.9m

Melville

Total New Claims	Total Payments	Total Estimates
351	$11.9m	$48.4m

Wanneroo

Total New Claims	Total Payments	Total Estimates
619	$17.9m	$153.3m

Joondalup

Total New Claims	Total Payments	Total Estimates
615	$13.3m	$73.7m

Rockingham

Total New Claims	Total Payments	Total Estimates
409	$17.2m	$100.9m

Mandurah

Total New Claims	Total Payments	Total Estimates
240	$7.2m	$60.6m

Derby-West Kimberley

Total New Claims	Total Payments	Total Estimates
19	$2.5m	$59.3m

Bayswater

Total New Claims	Total Payments	Total Estimates
394	$9.6m	$49.7m

Victoria Park

Total New Claims	Total Payments	Total Estimates
291	$14.2m	$56.5m

Canning

Total New Claims	Total Payments	Total Estimates
592	$13.5m	$59.7m

Armadale

Total New Claims	Total Payments	Total Estimates
350	$13.3m	$40.8m

Swan

Total New Claims	Total Payments	Total Estimates
778	$19.2m	$96.9m

Gosnells

Total New Claims	Total Payments	Total Estimates
382	$14.1m	$100.8m

Cockburn

Total New Claims	Total Payments	Total Estimates
575	$27.5m	$97.4m

Maps from Wikimedia Commons

The Insurance Commission is using data analytics to examine the type of injuries sustained by motorists and how those injuries relate to the cost of a claim. This information can assist claims officers to enhance their assessment of a claim. Further work will be performed in this area during 2019.

The infographic below shows the number of injuries sustained in car crashes and compensation payments made for those injuries, excluding minor injury claims. One claim can involve multiple injuries.

Number and Cost of Crash Injuries by Body Part

Head

Number of Injuries	406
Total Payments	$80.5m

Face

Number of Injuries	143
Total Payments	$3.4m

Spine and Neck

Number of Injuries	4,121
Total Payments	$111.5m

Trunk

Number of Injuries	439
Total Payments	$30.4m

Lower Limbs

Number of Injuries	1,314
Total Payments	$66.8m

Mental Stress

Number of Injuries	129
Total Payments	$2.6m

Upper Limbs

Number of Injuries	1,397
Total Payments	$52.6m

Abdomen and Pelvis

Number of Injuries	128
Total Payments	$6.6m

Burns and Other

Number of Injuries	442
Total Payments	$7.5m

Excludes minor injury claims.

Crash Claim Frequency Trends

The number of registered vehicles in WA has grown from 1.6 million in 1998 to 2.9 million in 2018. Positive vehicle growth was again maintained during 2018 at 0.9%.

In 2018, WA had approximately 15.1% of Australia's total number of registered vehicles despite having only 8.6% of the population.

Despite an increasing number of vehicles on WA roads, the number of new motor injury insurance claims continues to decline from 5,912 in 1998 to 3,191 in 2018 (excluding minor injury claims).

This is a key reason why the affordability of motor injury insurance premium rates have been able to be maintained in Western Australia.

During 2018, 31 crashes occurred each day that resulted in motor injury insurance claims. People are most likely to be injured in a crash in Western Australia between 3pm and 6pm on any weekday. The table on the next page presents the number of crashes resulting in injury insurance claims and the day of the week they occurred.

Vehicle Growth and Claim Numbers in Western Australia's Motor Injury Insurance Scheme

Excludes minor injury claims.

Daily Breakdown of Crashes Resulting in Motor Injury Claims in 2018

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1,098 Number of Crashes	1,588 Number of Crashes	1,807 Number of Crashes	1,720 Number of Crashes	1,844 Number of Crashes	1,828 Number of Crashes	1,325 Number of Crashes
10%	14%	16%	15%	17%	16%	12%

You are most likely to be injured in a crash in Western Australia between 3pm – 6pm on any weekday

Total Number of Crashes **11,210**

Growth of On Demand Vehicles

There are 20 classes of registered vehicles in Western Australia, with each class matching the type of vehicle, the purpose for which it is used and how we insure these vehicles.

Class 3F is for cars used for hire, fare and reward, or more commonly known as 'on-demand vehicles'. There are multiple on-demand vehicle companies operating in Western Australia, where passengers can use smartphones to book their trip.

Since 2013, the number of vehicles registered in Class 3F has increased from 1,162 to 12,132 in 2018, representing 944% growth in five years.

The Insurance Commission has engaged with the Department of Transport and other stakeholders to ensure on-demand vehicles are being registered in the correct Class 3F. The significant increase in the vehicle numbers in that class suggests the Insurance Commission's communication efforts have been successful.

If on-demand vehicles are not registered in Class 3F and are involved in a crash causing injury to others, the driver of the vehicle is responsible for the cost of injuries to others and can be pursued for its repayment.

3.2.1 Motor Injury Insurance

Motor Injury Insurance has a combination of efficiency and effectiveness KPIs to measure its performance against three outcomes.

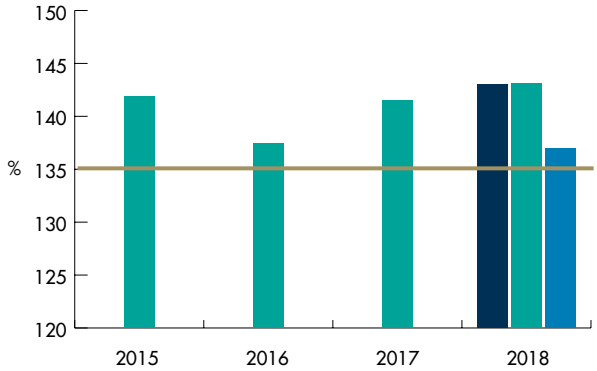
Outcome A **To ensure the Fund is fully funded**

Effectiveness Performance Indicator

Solvency Level (%) - TPIF

This KPI calculates Total Assets as a percentage of Total Liabilities in the Third Party Insurance Fund (TPIF). This KPI measures the ability of the TPIF to meet its long-term financial obligations as they fall due. The Insurance Commission has a long-term objective to achieve and maintain a solvency level of not less than 125% with a target of 135% for the TPIF.

TPIF outstanding claims liabilities are calculated based on a 75% Probability of Sufficiency (PoS). The PoS takes into account potential uncertainties relating to various actuarial assumptions and statistical modelling techniques.



	2015	2016	2017	2018
TARGET				143.0
ACTUAL (75% PoS)	141.9	137.4	141.5	143.1
ACTUAL (90% PoS)*				137.0

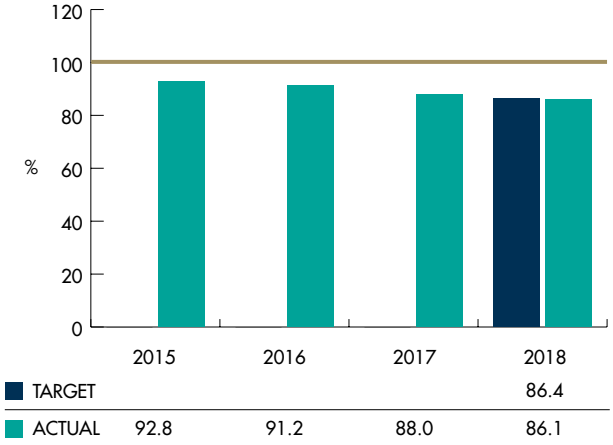
*Solvency long-term target

Comment: The solvency level of 143.1% is in line with the budget of 143%. Increasing the PoS of the outstanding claims liabilities to 90% would reduce the likelihood of not having a sufficient outstanding claims provision from one in four years to one in 10 years and is therefore a higher confidence measure of the solvency position of the Insurance Commission. At a 90% PoS, the TPIF solvency level would reduce to 137%.

Efficiency Performance Indicators

Net Loss Ratio (%) - TPIF

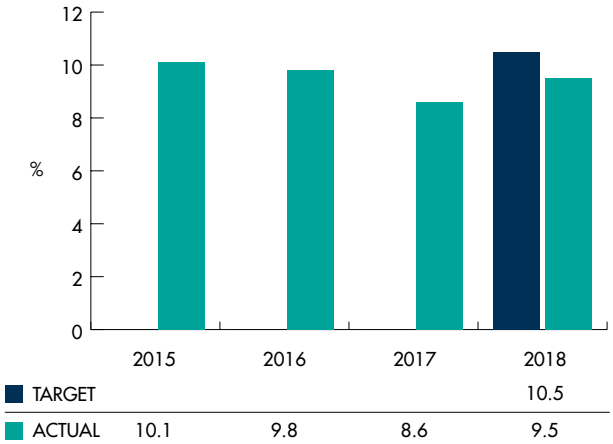
This KPI calculates net claims incurred (claims payments and movements in outstanding claims provision) as a percentage of net premium revenue. This KPI measures the sufficiency of premium revenue compared to the cost of claims incurred. A ratio below 100% indicates the TPIF received sufficient net premium revenue to meet the net cost of claims incurred. A ratio greater than 100% indicates net premium revenue was insufficient to meet the net cost of claims incurred.



Comment: The 2018 net loss ratio is marginally better than target. This is primarily driven by the lower than forecast claims expense (2%) resulting from lower than budget claims payments of $60 million, offset by a higher than expected movement in outstanding claims provisions of $49.8 million. Lower than forecast claims payments resulted from fewer new claims received in 2018 than expected and fewer claims settlements. Lower than expected claims settlements increases outstanding claims provisions.

Net Expense Ratio (%) - TPIF

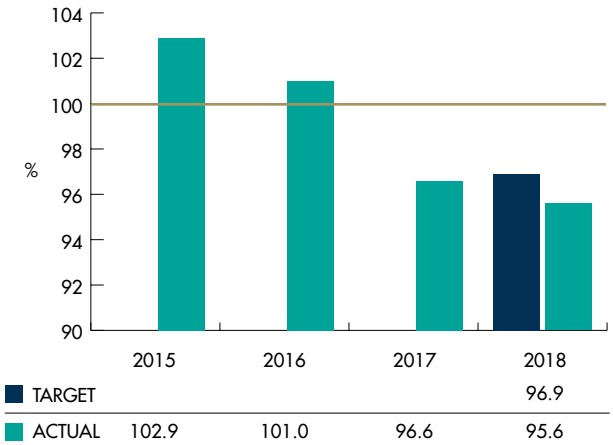
This KPI calculates underwriting and administration expenses as a percentage of net premium revenue. This KPI is a measure of operational efficiency. A lower expense ratio would contribute to higher profits or lower losses being generated.



Comment: The net expense ratio is better than target, driven by lower than budget underwriting and administration expenses (8.6%) offset by slightly lower than forecast net premium revenue (1.6%).

Net Combined Ratio (%) - TPIF

This KPI calculates underwriting and administration expenses and net claims incurred as a percentage of net premium revenue. This KPI is a measure of underwriting profitability used to indicate how well the TPIF is performing. It is the combined result of the Net Loss Ratio and the Net Expense Ratio. A ratio below 100% indicates that an underwriting profit has been made, whereas a ratio above 100% indicates an underwriting loss.



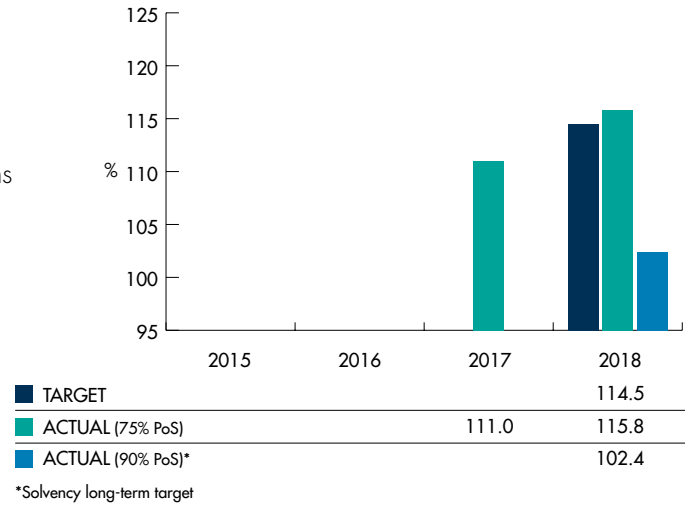
Comment: The result is better than target, reflecting the Fund's underwriting profit of $26 million compared to the forecast profit of $17.6 million for the financial year. The Fund's underwriting profit is equivalent to 4.4% of its premium revenue or 1.1% of its outstanding claims liabilities.

Effectiveness Performance Indicator

Solvency Level (%) - MVCIF

This KPI calculates Total Assets as a percentage of Total Liabilities in the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF). This KPI measures the ability of the MVCIF to meet its long-term financial obligations as they fall due.

MVCIF outstanding claims liabilities are calculated based on a 75% Probability of Sufficiency (PoS). The PoS takes into account potential uncertainties relating to various actuarial assumptions and statistical modelling techniques.

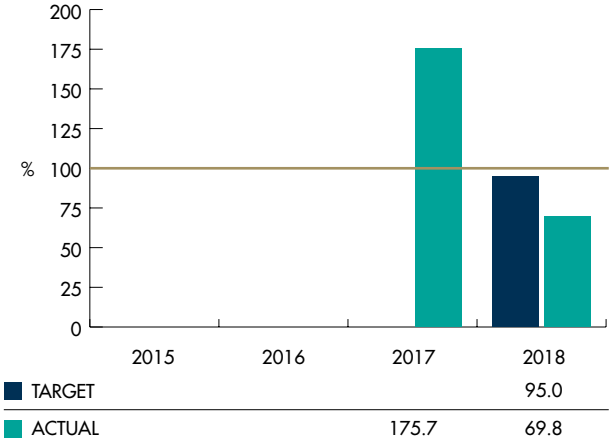


Comment: The solvency level of 115.8% for the MVCIF reflects the better than expected performance of the Fund's underwriting result and investment returns for the financial year. The Fund's underwriting profit of $37.6 million in 2018 was a large improvement on the underwriting loss of $98.1 million in 2017. The main reason for the 2017 loss was that premium revenue was not collected from motorists in advance of the CIS scheme start date. The improved underwriting result in 2018 was also due to a lower than expected increase in outstanding claims provisions, arising from the actuarial assessment of improvements in the level of disability in catastrophically injured people. Given the long-tail nature of the liabilities in this Fund, considerable volatility is expected, particularly in the early years.

Efficiency Performance Indicators

Net Loss Ratio (%) - MVCIF

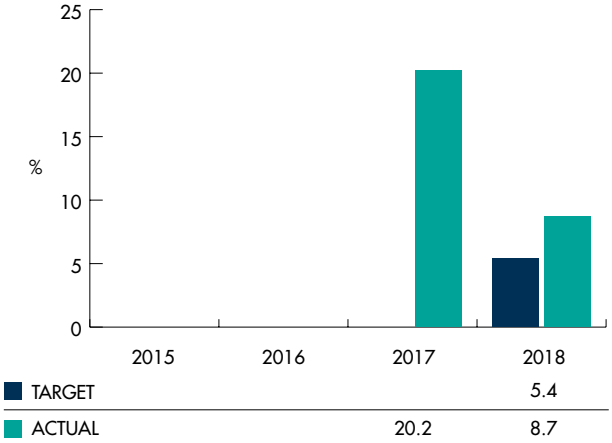
This KPI calculates net claims incurred (claims payments and movements in outstanding claims provision) as a percentage of net premium revenue. This KPI measures the sufficiency of premium revenue compared to the cost of claims incurred. A ratio below 100% indicates the MVCIF received sufficient net premium revenue to meet the net cost of claims incurred. A ratio greater than 100% indicates net premium revenue was insufficient to meet the net cost of claims incurred.



Comment: The net loss ratio is better than target. This result is driven by a lower than expected increase in outstanding claims provisions (34.7%). This is largely due to a reduction in the actuarial assessment of future costs estimates for a number of scheme participants, resulting from improvements in the level of injury (in some cases substantial) during the past twelve months.

Net Expense Ratio (%) - MVCIF

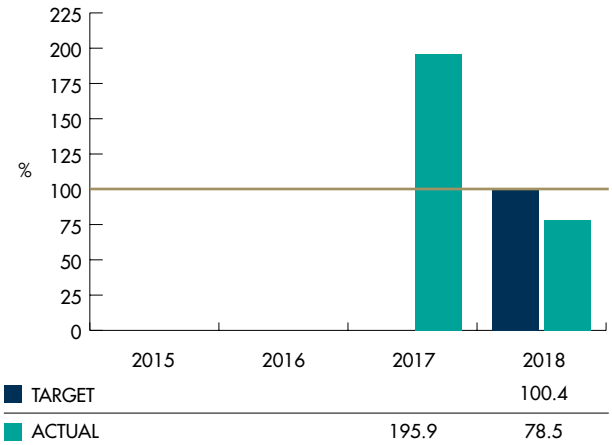
This KPI calculates underwriting and administration expenses as a percentage of net premium revenue. This KPI is a measure of operational efficiency. A lower expense ratio would contribute to higher profits or lower losses being generated.



Comment: The net expense ratio of 8.7% is above the target of 5.4%. This is due to the unearned premium of the MVCIF being insufficient to meet related future claims, despite other underwriting and administration expenses being 6.9% below target.

Net Combined Ratio (%) - MVCIF

This KPI calculates underwriting and administration expenses and net claims incurred as a percentage of net premium revenue. This KPI is a measure of underwriting profitability used to indicate how well the MVCIF is performing. It is the combined result of the Net Loss Ratio and the Net Expense Ratio. A ratio below 100% indicates that an underwriting profit has been made, whereas a ratio above 100% indicates an underwriting loss.



Comment: The result is better than target, which reflects the better than expected underwriting result of $37.6 million for the MVCIF. This is primarily due to the favourable movement in the outstanding claims provisions as previously explained.

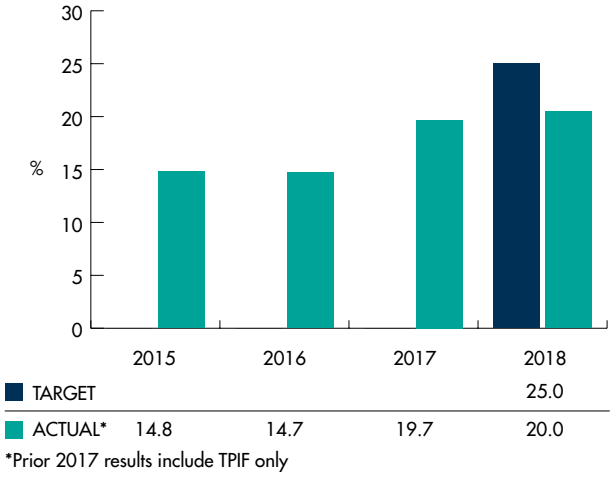
Outcome B

To provide affordable premiums to owners of Western Australian vehicles

Effectiveness Performance Indicator

Affordability Index (%) - MII

The 'Affordability Index' calculates the Motor Injury Insurance (MII) premium (excluding GST and insurance duty) for the average family vehicle as a percentage of one week's worth of WA's average weekly earnings. The target is to have the MII premium for the average family vehicle at or below 25% of one week's worth of WA's average weekly earnings.



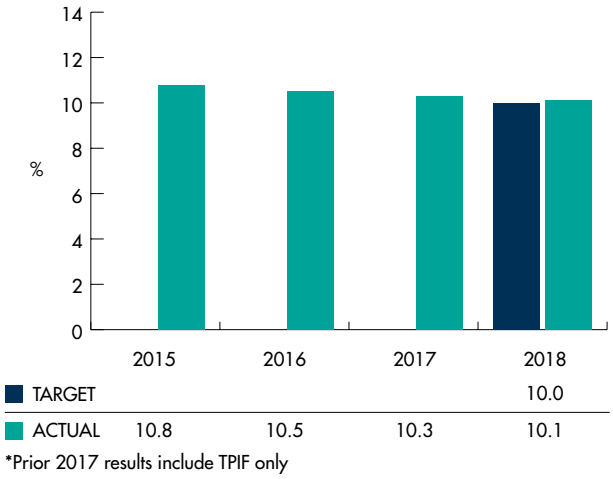
*Prior 2017 results include TPIF only

Comment: WA's motor injury insurance premium price is one of the most affordable in Australia, when measured as a proportion of one week's average weekly earnings in Western Australia.

Efficiency Performance Indicator

Gross Expense Ratio (%) - MII

This KPI calculates total underwriting and administration costs as a percentage of gross written premiums collected. This KPI measures how efficiently the Insurance Commission manages the WA Motor Injury Insurance scheme.



*Prior 2017 results include TPIF only

Comment: The result is marginally above target. While direct administration expenses (6.9%) were lower than budget, the gross written premiums were also lower than forecast (1.1%). This KPI reflects divisional efforts taken to keep Insurance Commission's operating costs low.

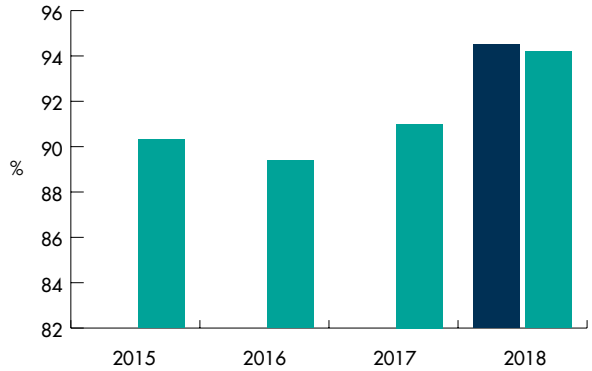
Outcome C

To provide a claims system that treats claimants fairly, delivers equitable compensation and a necessary and reasonable level of care and support

Effectiveness Performance Indicators

Proportion of Claims Payments made for the Direct Benefit of Claimants (%) - MII

This KPI calculates claims payments made for the direct benefit of claimants as a percentage of the total claim payments made in a financial year. Claims payments that do not go to the direct benefit of the claimant include the Insurance Commission's claims management, legal and investigation costs ordinarily incurred (approximately 10%). This KPI reflects the Motor Injury Insurance Division's effectiveness in minimising the financial hardship of claimants and delivering equitable compensation.



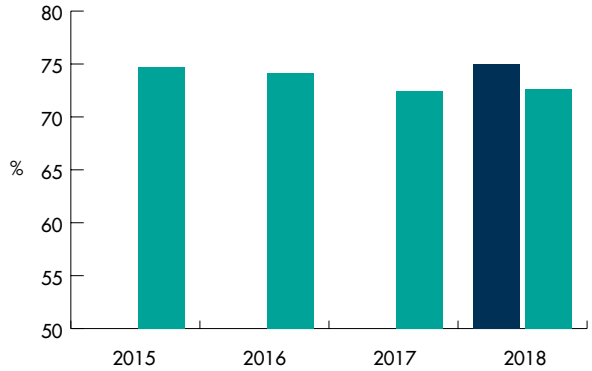
	2015	2016	2017	2018
TARGET				94.5
ACTUAL*	90.3	89.4	91.0	94.2

*Prior 2017 results include TPIF only

Comment: The result is marginally lower than target. The payments to claimants in 2018 are $51.7 million less than 2017, however the operations and legal fees amount has remained steady. This has caused a proportional percentage increase in operational costs resulting in the measure being marginally lower than target.

Timeliness of Liability Determination (%) - MII

This KPI calculates the timeliness of liability decisions for Motor Injury Insurance claims. The target requires that a decision be made on claims within 25 days from the date of lodgement of the claim to ensure claimants are treated fairly.



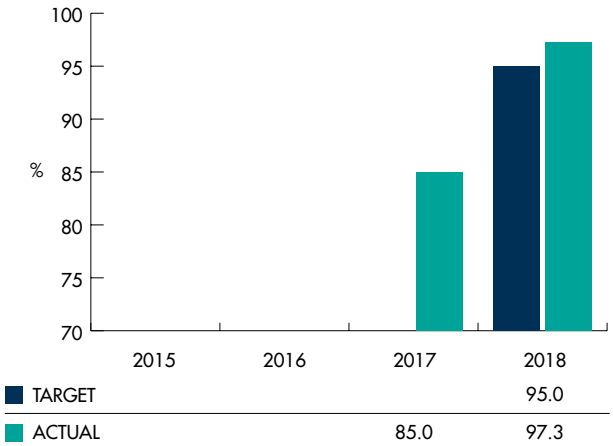
	2015	2016	2017	2018
TARGET				75.0
ACTUAL*	74.7	74.1	72.4	72.6

*Prior 2017 results include TPIF only

Comment: This measure is slightly better than the 2017 result but below target. The result was impacted by an increase in the number of claims that require greater scrutiny and more involved investigations arising from suspected claims harvesting activities.

Timeliness of Initial Contact with Treating Health Team (%) - MII

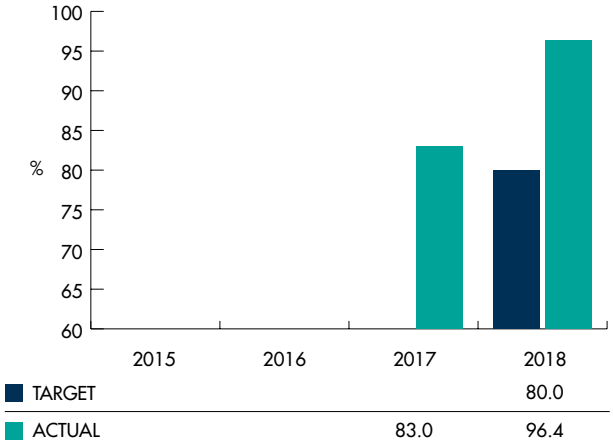
This KPI calculates the timeliness of the initial contact with the injured party's treating health team and requires contact be made within three business days from receipt of a catastrophic injury notification.



Comment: This result is better than target. During the financial year, in 97.3% of cases, the treating health team for potentially catastrophically injured parties, were contacted within three business days of the Insurance Commission being notified of the injury.

Catastrophically Injured Claimant Satisfaction with the Level of Care and Support Services Provided (%) - MII

This KPI measures the effectiveness of services provided and is determined by client survey.

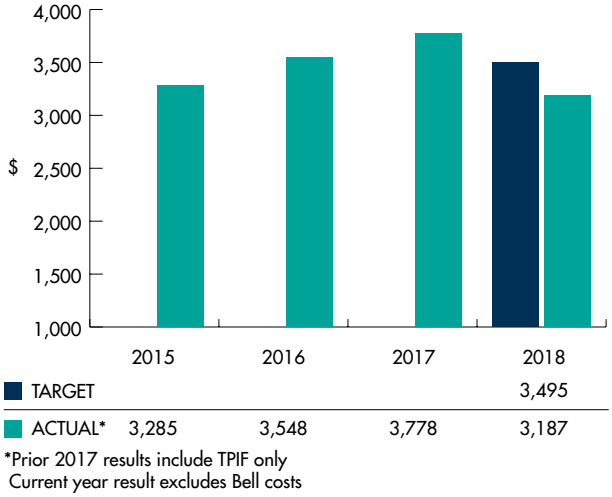


Comment: The result is significantly above target. 96.4% of respondents indicated they were satisfied or extremely satisfied with the level of care and support services provided by the Insurance Commission.

Efficiency Performance Indicators

Claims Administration Costs per Claim Administered ($) - MII

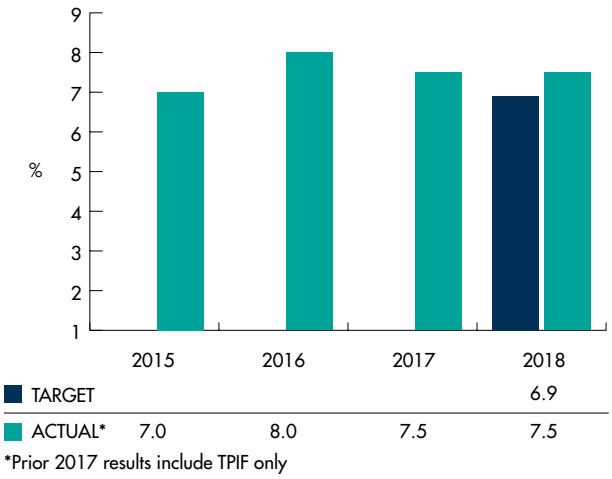
This KPI calculates claims administration costs divided by the number of claims administered in the period. This KPI measures the efficiency of claims administration.



Comment: The result is better than target, driven by lower than forecast claims administration costs (5.5%) and higher than forecast number of claims administered (3.6%) arising from lower than expected claims finalisations.

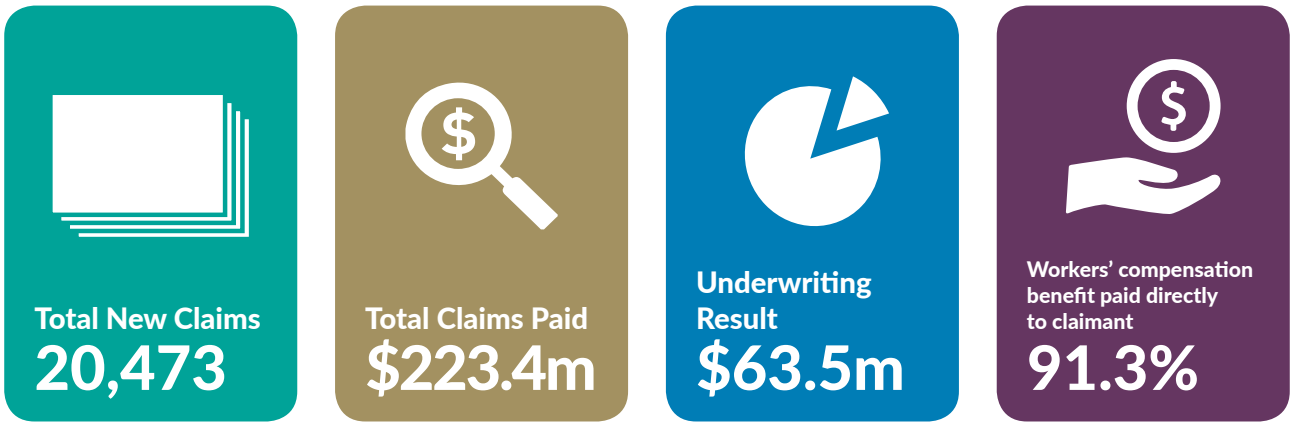
Claim Administration Costs as a Ratio of Gross Claims Paid (%) - MII

This KPI calculates claims administration costs as a percentage of the gross claims paid. This KPI measures the efficiency of claims administration.



Comment: The result is worse than target. While claims administration costs were 5.5% lower than budget, claims payments were 12.8% lower than forecast as a result of a number of claims on which in-principle settlement has been agreed but require Court approval and have not yet been paid.

3.3 RiskCover



Positive underwriting and investment results during 2018 drove the RiskCover Fund to a strong profit of $159.2 million in 2018, above its 2017 profit of $154.3 million.

The underwriting result for the RiskCover Fund was $63.5 million. This result further improved on the underwriting result of $52.5 million delivered in 2017.

Stronger than anticipated investment market conditions delivered a $95.7 million investment return for RiskCover, which was $31.5 million greater than forecast.

This was the fourth consecutive year that RiskCover has delivered a positive underwriting result. Underwriting and administration expenses have consistently reduced over the past five financial years, led by releases in the outstanding claims provision. This demonstrates that line of the Insurance Commission's business is being managed sustainably as it is not reliant on investment returns to fund service delivery and claims costs.

It was only four years ago in 2014, that RiskCover reported its fifth consecutive underwriting loss (a cumulative total underwriting loss of $237.1 million from 2010 to 2014). Agencies had also raised concerns about premium increases at that time.

Claims

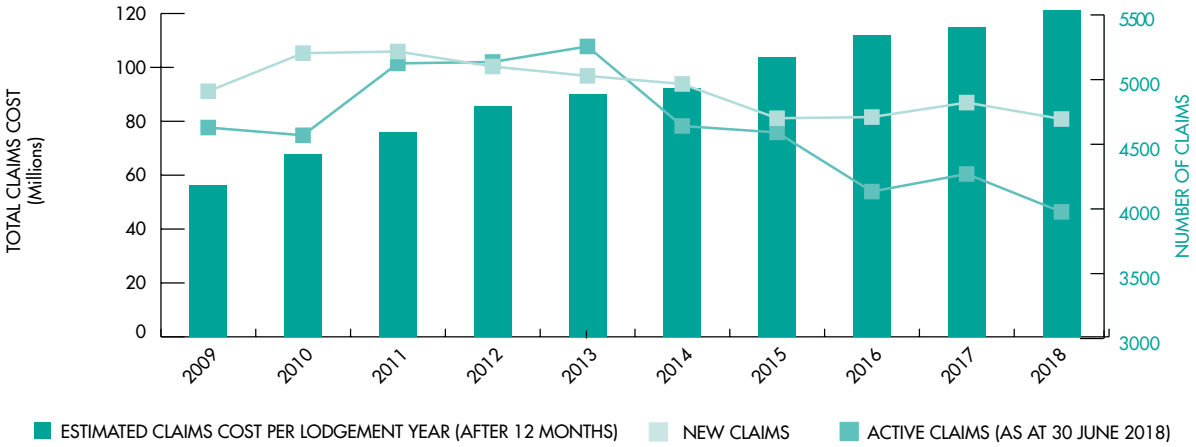
The RiskCover Fund administered 20,033 claims (excluding low value property claims) during 2018, which was within 0.04% of the number of claims (20,041) administered during 2017. This stability in claims administered numbers is a good result and indicates Government agencies are managing their risks so that we are not seeing an increasing number of people being injured at work or making insurance claims compared to the prior year.

RiskCover received 11,685 new insurance claims during the year, which was 174 fewer new claims than were received in 2017 (excluding low value property claims). There were 4,704 new workers' compensation claims received in 2018, a reduction of 127 claims compared to the prior year. The reduction in the number of new workers' compensation claims appears to reflect government agencies' commitment to occupational health and safety and reduced growth of the public sector workforce.

RiskCover continues to work with government agencies to identify where and how injuries occur, which guides preventative occupational health and safety initiatives delivered by those agencies.

The graph on the following page shows the number of workers' compensation claims received and managed by RiskCover has fallen considerably since the high-claim period of 2010 to 2013 and are the lowest levels experienced over the last ten years.

Workers' Compensation Claims Trends



There was also a reduction of new property claims received for 2018, reducing from 4,208 received in 2017 to 4,079 in 2018. The RiskCover Fund also processed 8,788 (2017: 6,637) low value property claims managed externally by Building Management and Works, Department of Finance.

RiskCover staff continued their successful efforts of the previous two years to again reduce the number of open claims managed by the Division in 2018. The number of open RiskCover Fund claims at 30 June 2018 was 6,722 which was 303 (or 4.3%) fewer open claims compared to 30 June 2017 (7,025). An active claims finalisation approach by staff and stability in new claims numbers both helped to deliver that result.

John's RiskCover Claims Experience

In 2010, John* was injured at work during cardiopulmonary resuscitation training in Forrestfield. He overstretched and felt a sharp pain in his back. John injured one of the discs in his lower back which caused sciatic nerve pain.

John made a workers' compensation claim with his employer, the Department of Fire and Emergency Services. RiskCover, as the Department's insurer, funded John's back surgery operations, physiotherapy treatment and pilates. RiskCover also paid John's loss of wages.

"RiskCover funded my two back operations which allowed me to return to 95% full fitness and resume my position as a Fire Service instructor.

"The combination of the efforts of my injury management department and RiskCover has enabled me to continue my work … at the Fire and Rescue Training Academy."

After a number of years, John returned to full-time work as a Fire Service instructor with the WA Fire and Emergency Services Academy.

*Name has been changed for privacy reasons.

Costs

RiskCover made $223.4 million in claims payments during 2018, which was an increase on the $205.9 million in payments made in 2017. Higher claim payments are a product of more claims being finalised in 2018. Workers' compensation payments of $154.9 million were made in 2018.

While there are 111 agencies insured by the RiskCover Fund, the Education and General Government sectors (due to their size and scope of activities) lodge the majority of new workers' compensation claims. Each sector is made up of multiple agencies.

2018 Workers' Compensation Costs by Government Sector

Education	General Government	Health
1,901 New Claims	**1,596** New Claims	**1,207** New Claims
$39.9m Payments	**$61.4m** Payments	**$53.6m** Payments
61,954 Paid Days Lost	**81,050** Paid Days Lost	**78,276** Paid Days Lost

The estimated average cost per new claim during 2018 for the education sector ($21,000) was considerably lower when compared to the $44,500 for the health sector and $38,500 for the general government. The education sector has a low average cost due to a lower proportion of high cost mental stress and body stress claims within its portfolio compared to the other two sectors.

Higher average wages paid to health professionals and challenges returning workers to pre-injury duties contribute to the higher average claims cost in the health sector.

The average cost per claim in the general government sector is higher than the education sector due to the type of services delivered by staff within agencies in that sector, which include prison officers, firefighters and providers of child protection and disability services.

The graphic also illustrates that 221,280 days were lost to government agencies due to staff absences following a workplace injury in 2018. This is an increase on the number of days lost in 2017 (213,907). In 2018, this represented 962 full-time equivalent employees being absent from work for the year due to an injury sustained at work.

The Insurance Commission incurred $200.6 million in costs associated with workers' compensation claims from injured public sector workers that were finalised in 2018. Twenty-nine percent of all claims finalised were within the cost band of $0 - $1,000 but accounted for only 0.3% of all claims costs. Claims with a total cost between $200,000 and $500,000 represent the largest proportion of costs incurred on claims finalised during the year (see table over the page).

Finalised 2018 Workers' Compensation Claims by Cost Band

Band	Total Claims	Total Costs	Average Cost of Claims
$0 - $1,000	1,717	$671,367	$391
$1,001 - $2,000	629	$912,045	$1,450
$2,001 - $5,000	752	$2,379,915	$3,165
$5,001 - $10,000	508	$3,656,437	$7,198
$10,001 - $20,000	485	$6,916,264	$14,260
$20,001 - $50,000	663	$21,533,649	$32,479
$50,001 - $100,000	467	$33,555,737	$71,854
$100,001 - $200,000	340	$47,917,889	$140,935
$200,001 - $500,000	274	$73,887,853	$269,664
Greater than $500,000	11	$9,134,676	$830,425
Total	5,846	$200,565,832	$34,308

Proportion of Injured Workers Returned to Work

Finalised claims that received weekly payments for lost time

3,754
Number of claims

86%
Return to work %

Of the 5,846 workers' compensation claims finalised in 2018, 36% were for medical expenses only. A focus on capacity for work and innovation to support recovery in the workplace is crucial to achieving greater return to work rates. Of the 3,754 finalised claims that received weekly payments for lost time during 2018, 86% of those claimants had returned to work at 30 June 2018.

Although mental stress claims represent 9.1% of new workers' compensation claims in 2018, the estimated cost of mental stress claims for WA public sector agencies was 23.2% of the total estimated claims cost. The average estimated cost of mental stress claims received by RiskCover in 2018 was approximately $65,882 compared to $56,319 in 2017 (2016: $50,000). The cost of mental stress claims continue to increase and is well above the average cost of other workers' compensation claims due to the complexities of the injury and of returning an individual to the work environment.

Public sector workers across Australia continue to lodge mental stress workers' compensation claims at rates well above the private sector. The difference between the private and public sector is noteworthy and it would appear that public sector agencies and their staff across Australia still have more work to do to prevent incidents that give rise to mental stress claims.

The infographic overleaf provides further detail on mental stress claims.

Workers' Compensation Mental Stress Claims

Stress claims are twice the cost of physical injury claims and have longer durations

Approximately **50%** of mental stress claims in WA are lodged through RiskCover despite public sector employees only accounting for 10% of WA's workforce

$28.1m
Cost of mental stress claims lodged with RiskCover in 2018

Male
149
new claims
$9.6m

Female
278
new claims
$18.5m

The most common mental stress cause for both genders was exposure to trauma.

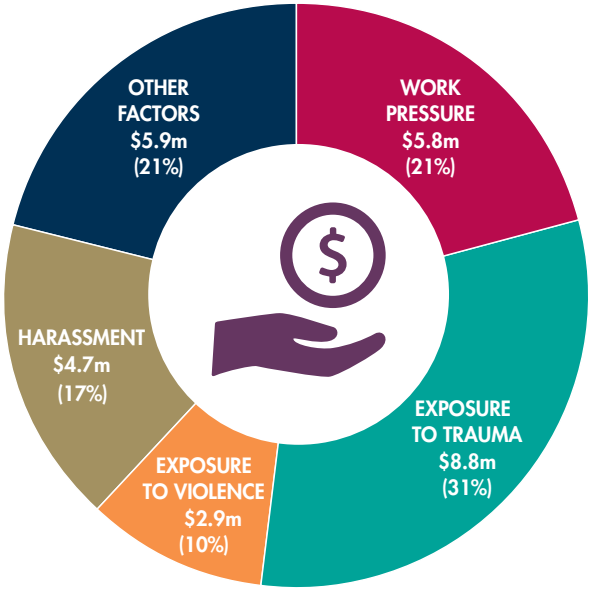
Ages 41-50
$71,422
average cost per claim

Ages 30 and under
$35,238
average cost per claim

Injured workers with mental stress claims took an average of 133 days off work in 2018 compared to 69 days for all other lost time injury claims

In 2018, mental stress claims made up 9% of new claims in the RiskCover Fund but 23% of the cost

Cost Breakdown



2018 Profile - Mental Stress Claims

	All Claims	Mental Stress
Number of claims	4,704	427 (9.1%)
LTI claims	2,963	347 (11.7%)
Severe claims	1,065	219 (20.6%)
Total estimated claims cost	$121,350,121	$28,131,684 (23.2%)
Average claim cost	$25,797	$65,882
Total days lost	203,669	46,009 (22.6%)
Average days lost per LTI	68.7	132.6

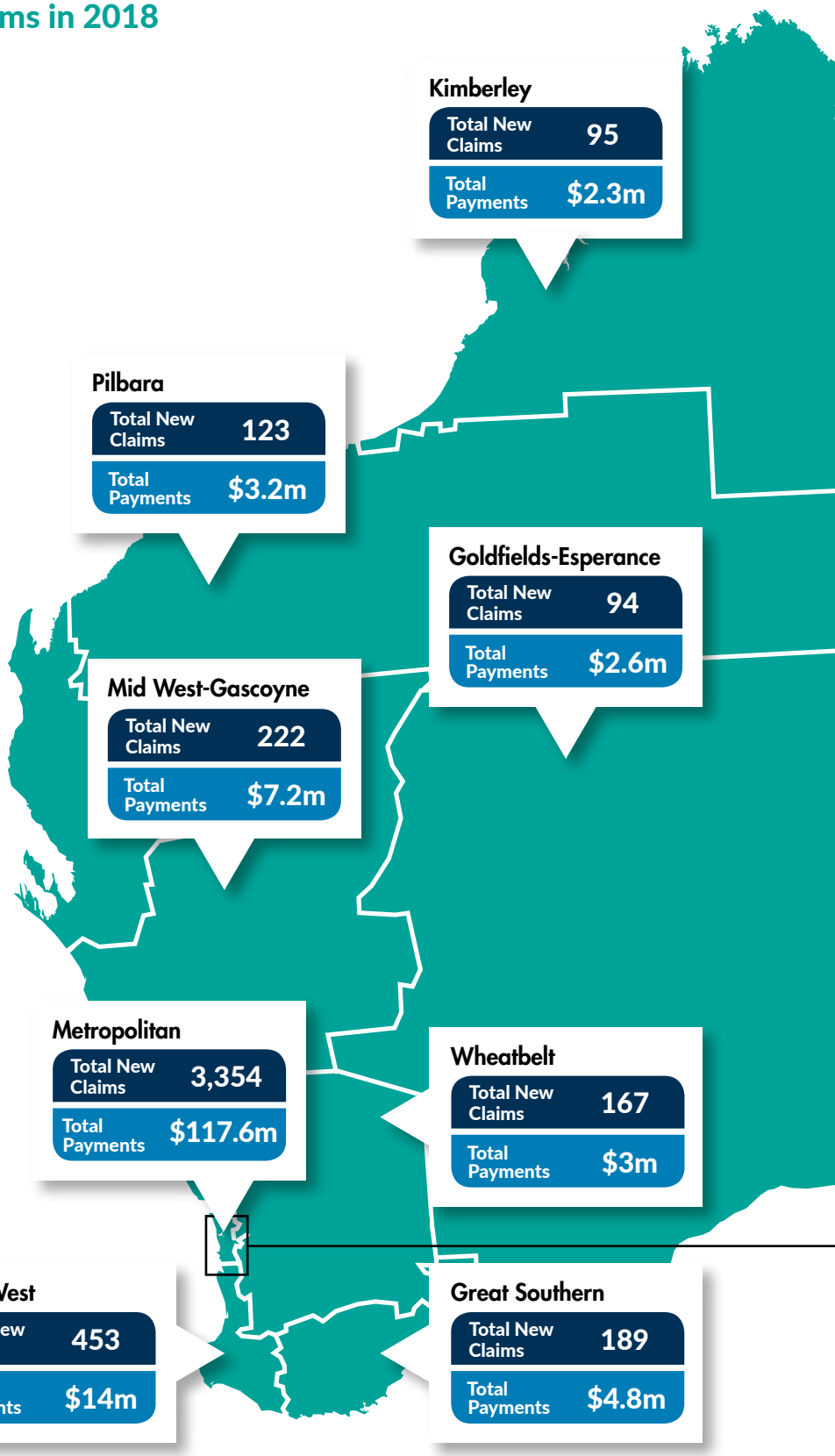
LTI - Lost Time Injury
Severe is greater than 60 days

Claim Geography

The maps on the next two pages show workers' compensation injury locations across the WA regions by number of new claims lodged and total payments made (includes previous year claims). The metropolitan Perth area recorded the highest number of workers' compensation claims (3,354) and total payments of $117.4 million, which is expected given the majority of public sector workplaces and the clients they service are in metropolitan areas.

Seventy-one percent of claims are from the metropolitan area. The Insurance Commission dealt with 13 workers' compensation claims that occurred outside WA in 2018.

Workers' Compensation Claims in 2018



Total - WA Regions

4,704
Total New Claims

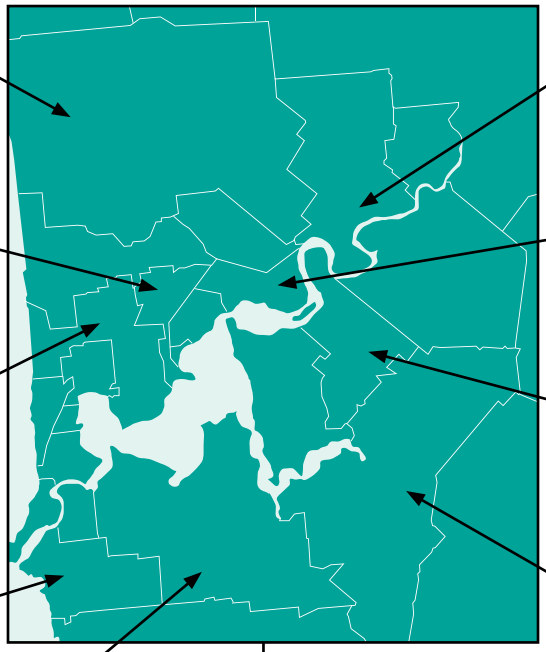
$154.9m
Total Payments

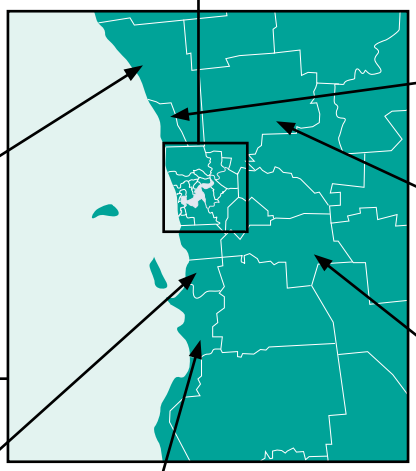
Interstate

Total New Claims	7
Total Payments	$156.6k

Metropolitan Areas

Total New Claims	3,354
Total Payments	$117.6m





Stirling

Total New Claims	178
Total Payments	$5.3m

Subiaco

Total New Claims	145
Total Payments	$4.9m

Nedlands

Total New Claims	231
Total Payments	$9.5m

Fremantle

Total New Claims	130
Total Payments	$6.5m

Melville

Total New Claims	129
Total Payments	$6.7m

Wanneroo

Total New Claims	167
Total Payments	$4.5m

Kwinana

Total New Claims	139
Total Payments	$6.5m

Rockingham

Total New Claims	209
Total Payments	$7.1m

All other metro

Total New Claims	466
Total Payments	$14.5m

Bayswater

Total New Claims	86
Total Payments	$1.4m

Perth

Total New Claims	554
Total Payments	$17m

Victoria Park

Total New Claims	84
Total Payments	$5.6m

Canning

Total New Claims	310
Total Payments	$11.4m

Joondalup

Total New Claims	178
Total Payments	$4.9m

Swan

Total New Claims	186
Total Payments	$6.7m

Armadale

Total New Claims	162
Total Payments	$5.1m

Maps from Wikimedia Commons

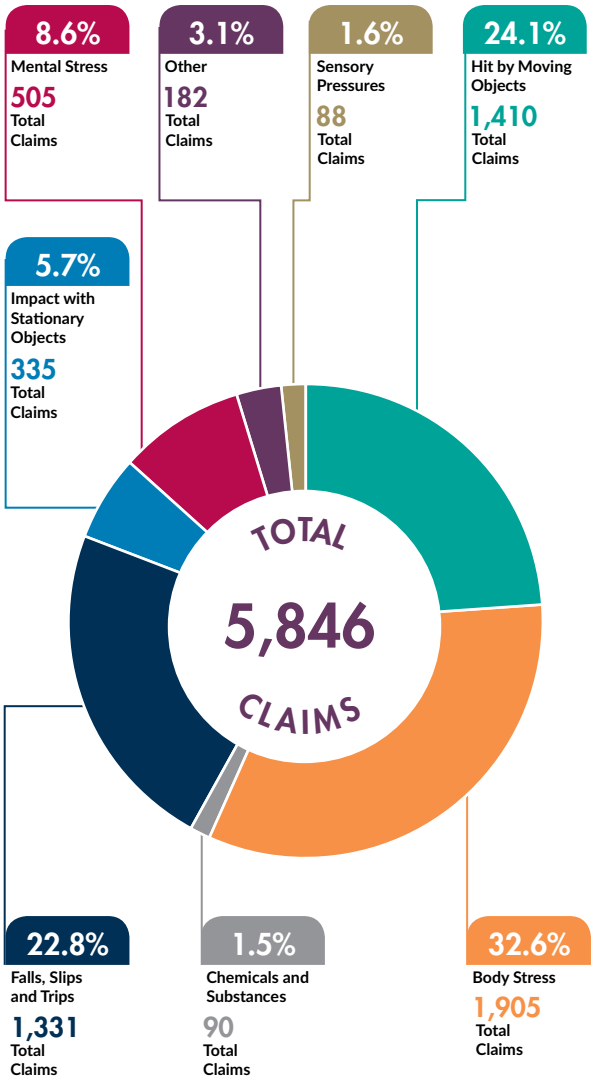
Each new workers' compensation claim received by RiskCover is categorised by injury type (mechanism), as this helps to identify trends for agencies seeking to address the cause of injury. This information is set out below along with the number and cost of claims finalised during 2018, regardless of the year of lodgement.

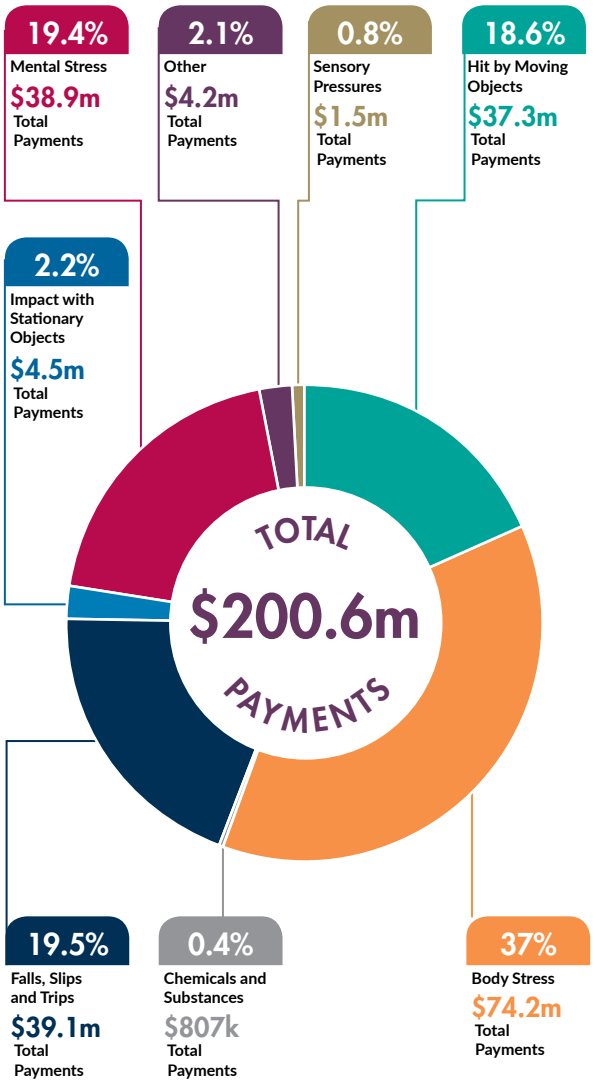
The average cost of finalised mental stress claims in 2018 was $77,000 compared to the average cost of a 'being hit by a moving object' claim of $26,000.

Mental stress claims also contribute a significantly higher proportion of the payments (19.4%) when compared to the proportion of claims finalised (8.6%) for that category.

Body stress claims represented the highest number finalised (1,905) and value ($74.2 million) during 2018 at an average cost of $39,000 per claim. Body stress claims are defined as injuries or disease from strain placed on muscles, tendons, ligaments or bones.

Finalised Workers' Compensation Claims - Injury Causes





RiskCover also records the body part injured in each workers' compensation claim. This information is useful as people with common injuries should receive similar treatment, and therefore claims costs should be relatively consistent apart from wage differences if it is a lost-time injury claim.

In 2018, RiskCover finalised 1,708 claims for injuries to upper limbs, which represented $52.7 million or 26% of total finalised workers' compensation claims costs. The graphic below shows the number and cost of claims finalised during 2018, regardless of the year of lodgement, for workers' compensation injuries by body part.

Finalised Workers' Compensation Claims - Number and Cost of Injuries by Body Part

Neck

Number of Injuries	148
Total Costs	$3.1m

Upper Limbs

Number of Injuries	1,708
Total Costs	$52.7m

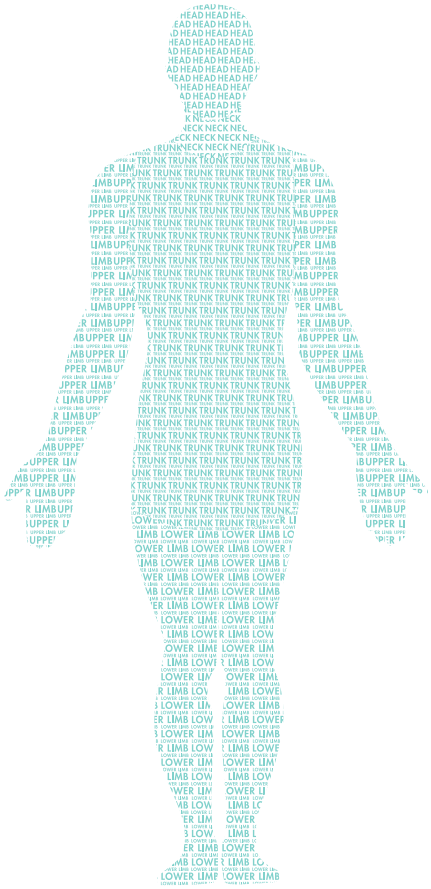
Lower Limbs

Number of Injuries	1,214
Total Costs	$39.2m

Total

5,846
Total of Injuries

$200.6m
Total Costs



Head

Number of Injuries	556
Total Costs	$8.5m

Trunk and Back

Number of Injuries	975
Total Costs	$33m

Mental Stress

Number of Injuries	514
Total Costs	$40.1m

Multiple and Other Locations

Total Finalised Claims	731
Total Costs	$24m

Machinery of Government Changes

In 2017, the Government announced Machinery of Government (MOG) changes to consolidate the number of departments from 41 to 25 to help create a more efficient public sector, and deliver on its election commitment.

As at 1 July 2017, RiskCover insured 137 agencies. At 30 June 2018, RiskCover now insures 111 agencies.

During 2018, RiskCover engaged with the agencies impacted by the MOG changes, to identify and understand the impact to their insurance cover.

RiskCover ensured cover was in place for each new entity, recalculated insurance premiums for the new entities, developed new reports for entities and made the required system changes. Significant efforts were also made to ensure agency Directors and Officers Liability covers were amended with the private market to ensure continuity of cover.

Liabilities

The outstanding claims liability for the RiskCover Fund declined by $36.2 million in 2018 to $533.1 million at 30 June 2018. This decline is principally due to 295 more claims being finalised this year, compared to 2017, as RiskCover staff continue to increase their focus on the timely management and resolution of claims, which therefore leaves fewer future claims to pay. There were also reductions in the estimated cost of claims received in prior years which reduced liabilities in 2018.

The improvement in the outstanding claims liability position was led by the workers' compensation and liability insurance classes. Workers' compensation outstanding claims liabilities represent $248.8 million or 53.4% of RiskCover's 2018 outstanding claims liability.

The outstanding claims liability position has consistently reduced in each of the past five years, having reduced 21% since 2013 when the balance was $678.2 million.

Agencies insured by the RiskCover fund paid their lowest insurance collective premium in 2018 compared to the last five years. Gross written premium received from agencies was $299.8 million in 2018, whereas gross written premiums have varied between $308.1 million and $332.1 million since 2013. This is a great outcome for agencies as it means their insurance premiums are at the most affordable levels in five years.

We have also been able to deliver that outcome for agencies while increasing the return delivered to our shareholder, the State Government.

Above: RiskCover covers the liability of 11 ports in Western Australia.

Below: Western Australia's Transperth bus network is covered for property and liability by RiskCover.

Shareholder Return

In 2017, it was agreed with the Department of Treasury that RiskCover would return capital to the Consolidated Account of Government in the event that it had funds in excess of its 135% solvency target.

The solvency of the RiskCover Fund at 30 June 2018 was 169%. The solvency level reduced to 135% after providing for a return of capital of $162.3 million. This represented a $64.6 million increase in shareholder return compared to $97.7 million returned in 2017.

The final solvency position, after future payments, following the return of capital enables RiskCover to maintain a prudential reserve of $61.5 million and protect the RiskCover Fund against circumstances such as a one-off large event, multiple large events in any one cover period, or events covered by the Fund for which reinsurance has not been obtained or is unobtainable.

As at 30 June 2018, RiskCover's net assets total $282.1 million. This is close to the $285.2 million of net assets recorded at 30 June 2017.

3.3.1 RiskCover

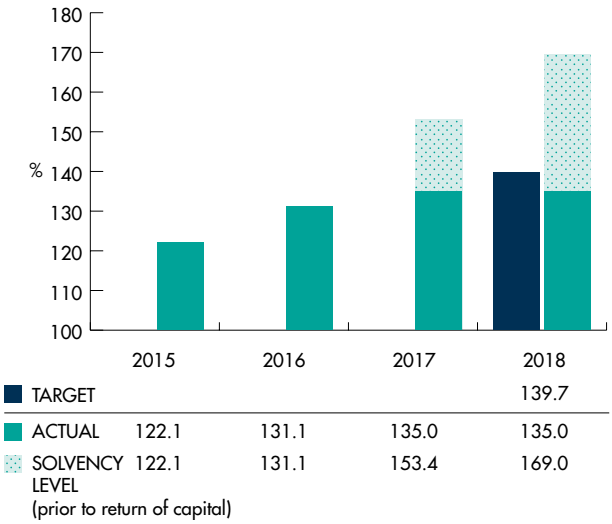
The RiskCover Fund has a combination of efficiency and effectiveness KPIs to measure its performance against three outcomes.

Outcome A **To ensure the Fund is fully funded**

Effectiveness Performance Indicator

Solvency Level (%)

This KPI calculates Total Assets as a percentage of Total Liabilities in the RiskCover Fund. This KPI measures the ability of the RiskCover Fund to meet its long-term financial obligations as they fall due.

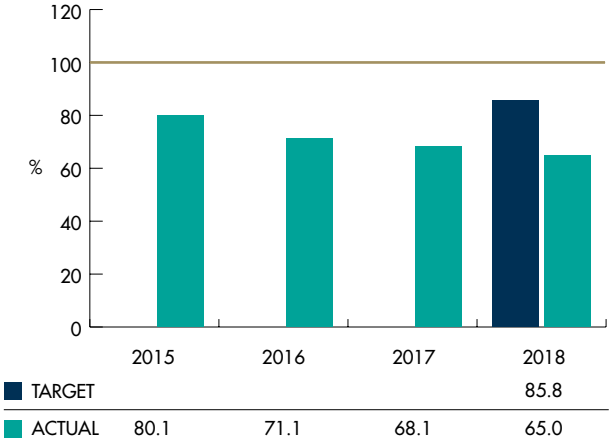


Comment: RiskCover's solvency level increased to 169% in 2018 which was higher than target (139.7%). It was agreed with the Department of Treasury that RiskCover would return capital to the Consolidated Account of Government in the event that it had funds in excess of its 135% solvency target. RiskCover's solvency subsequently reduced to 135% after providing for a return of capital of $162.3 million. This solvency position enables RiskCover to protect the RiskCover Fund against multiple large losses in any one cover period and for events which are not covered by reinsurance.

Efficiency Performance Indicators

Net Loss Ratio (%)

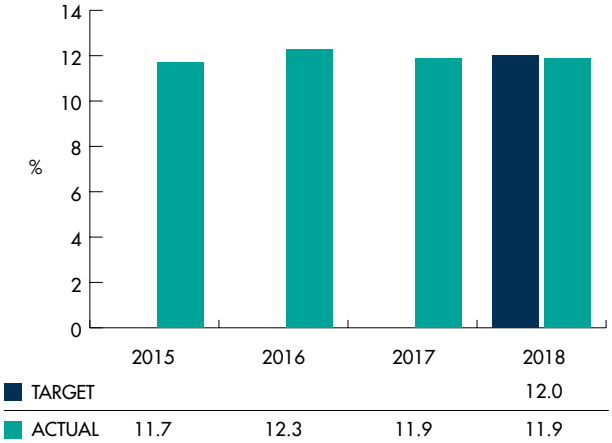
This KPI calculates net claims incurred (claims payments and movements in outstanding claims provision) as a percentage of net premium revenue. This KPI measures the sufficiency of premium revenue compared to the cost of claims incurred. A ratio below 100% indicates RiskCover received sufficient net premium revenue to meet the net cost of claims incurred. A ratio greater than 100% indicates net premium revenue was insufficient to meet the net cost of claims incurred.



Comment: The net loss ratio is better than target due to lower net claims incurred of $65.9 million (26.9%) partly offset by lower net premium revenue of $10.3 million (3.6%). The majority of these variances are due to improved claims experience in the workers' compensation ($33.6 million) and liability ($31.4 million) classes of insurance. The lower net claims incurred in the workers' compensation class leads to premium adjustments (refunds to agencies) which reduce net premium revenue.

Net Expense Ratio (%)

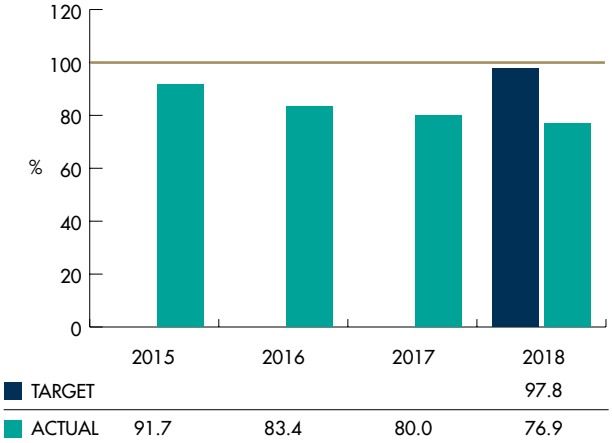
This KPI calculates underwriting and administration expenses as a percentage of net premium revenue. This KPI is a measure of operational efficiency. A lower expense ratio would contribute to higher profits or lower losses being generated.



Comment: The net expense ratio at 11.9% is slightly better than the target of 12% due to underwriting and administration expenses being $1.4 million (4.2%) below target. This was partly offset by net premium revenue being $10.3 million (3.6%) lower than target as premium adjustments (refunds to agencies) were provided for in the accounts to reflect the improving trend in claims costs, mainly for workers' compensation. The improvement in this class resulted in a $7.3 million premium adjustment (refunds to agencies) attributable to current and prior years.

Net Combined Ratio (%)

This KPI calculates underwriting and administration expenses and net claims incurred as a percentage of net premium revenue. This KPI is a measure of underwriting profitability used to indicate how well the Fund is performing. It is the combined result of the Net Loss Ratio and the Net Expense Ratio. A ratio below 100% indicates that an underwriting profit has been made, whereas a ratio above 100% indicates an underwriting loss.



Comment: The net combined ratio of 76.9% is better than target and prior years, and reflects an underwriting profit of $63.5 million compared to a budgeted profit of $6.4 million. Total underwriting and administration expenses were $67.4 million (24.2%) below target largely due to a positive movement in outstanding claims of $54.6 million (296.4%) and gross claims paid being $7.3m (3.2%) lower than target. The movement in outstanding claims was most prominent in the workers' compensation and liability classes of insurance with a combined favourable movement of $44.7 million instead of an anticipated adverse movement of $18.4 million. This favourable movement was a result of improved claims experience in these lines of insurance.

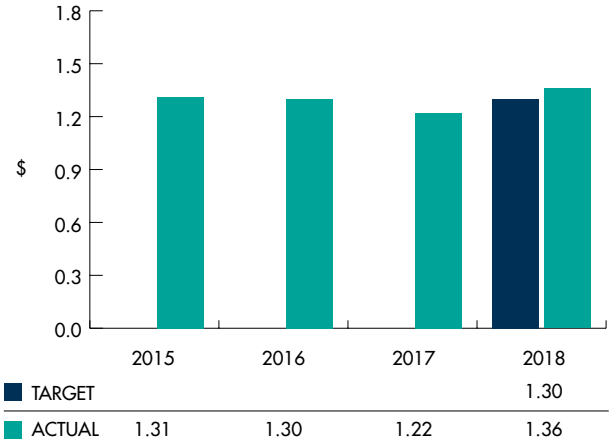
Outcome B

To provide sustainable fund contributions (premiums) to agencies insured

Effectiveness Performance Indicator

Workers' Compensation Claims Incurred per $100 Wage Roll ($)

This KPI calculates the actuarial forecast cost of claims incurred in the renewal period adjusted to their present day value x 100 divided by the total wages declared by all clients, adjusted to their present day value. This KPI measures the effectiveness of the RiskCover Division in keeping the cost of workers' compensation claims low.

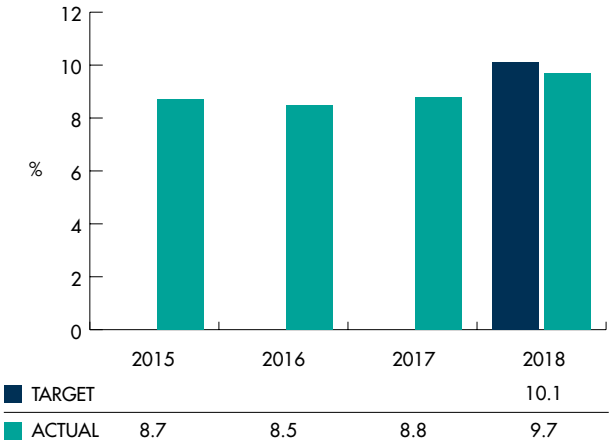


Comment: The indicator is higher than target and prior years. The result is due to wages of public sector agencies insured by RiskCover reducing by $283.3 million (2.2%), while the actuarial forecast cost of claims incurred increased by $13.4 million (8.5%) since 2017. This notable change in public sector wages can be attributed to the Machinery of Government and Voluntary Targeted Separation Scheme (VTSS) initiatives.

Efficiency Performance Indicator

Management Fees as a Percentage of Contributions (%)

This KPI calculates the RiskCover management fee as a percentage of Fund contributions. This KPI measures the efficiency with which the RiskCover Division manages the RiskCover self-insurance scheme.



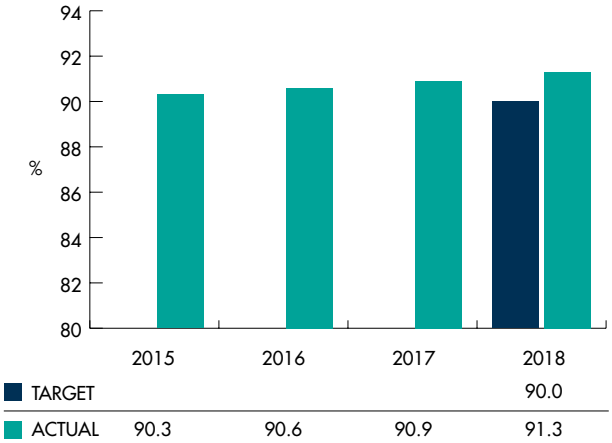
Comment: The favourable 2018 result compared to target is due to the combined impact of lower than expected management fees of $1.4 million (4.7%) offset by lower fund contributions of $1.6 million (0.5%).

Outcome C To provide a claims system that treats agencies and claimants fairly and delivers equitable compensation

Effectiveness Performance Indicators

Proportion of Workers' Compensation Claims Payments made for the Direct Benefit of Claimants (%)

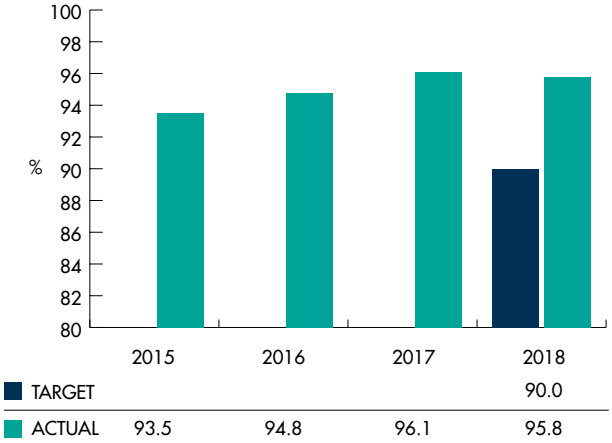
This KPI is calculated as workers' compensation claims payments made for the direct benefit of claimants as a percentage of total workers' compensation claims payments made during the financial year. Claims payments that do not go to the direct benefit of the claimant include RiskCover's claims management, legal and investigation costs incurred. This KPI measures RiskCover's effectiveness in minimising the financial hardship of claimants and delivering equitable compensation.



Comment: The 2018 result is better than target due to a continued focus on claims management practices and delivering against the strategic objective to provide fair and equitable compensation. While payments not for the direct benefit of the claimant (e.g. legal and investigation expenses) increased by 3.4%, the increase in total workers' compensation payments was notably higher at 8.2% from 2017.

Workers' Compensation Timeliness of Liability Determination (%)

This KPI calculates the timeliness of liability decisions for workers' compensation claims. WorkCover WA's best practice guideline for insurers and self-insurers requires that a decision be made on new and ongoing claims within 17 days from the date of lodgement with the employer to ensure claimants are treated fairly.

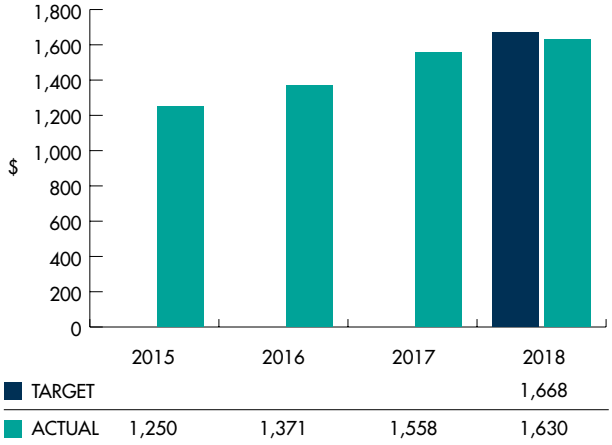


Comment: The 2018 result is better than target as a result of continued efforts and improvements to process controls to ensure timely liability decisions.

Efficiency Performance Indicators

Claims Administration Costs per Claim Administered ($)

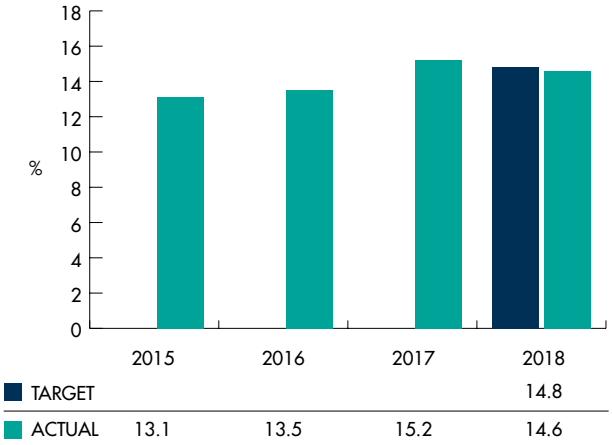
This KPI calculates claims administration costs divided by the number of claims administered in the period. This KPI measures the efficiency of claims administration.



Comment: The claims administration cost per claim administered is $38 (2.3%) below target, due to the combined impact of claims administration costs being $1.4 million (4.2%) below target and the number of claims administered being 413 (2%) less than target. The reduction in claims administered is largely attributable to the short-tail property class (1,200 below budget) offset by an increase in the longer tail workers' compensation class (990 above budget).

Claims Administration Costs as a Ratio of Gross Claims Paid (%)

This KPI calculates claims administration costs as a percentage of the gross claims paid. This KPI measures the efficiency of claims administration.



Comment: The 2018 result was slightly better than target due to claims administration costs being $1.4 million (4.2%) below target and gross claims paid being $7.3 million (3.2%) below target. The reduction in gross claims paid was led by the short-tail property class of insurance ($8.9 million).

3.4 Investments

Total Investment Assets
$5.3 billion

Investment Return
9.1%

The Insurance Commission's main investment portfolio delivered a gross return of 9.4% for 2018. This return comprises investments in the Third Party Insurance Fund, RiskCover Fund, Insurance Commission General Fund, Government Insurance Fund and Compensation (Industrial Diseases) Fund. The total investment return for the Insurance Commission was 9.1% for the year, which is lower than the Main Fund as a high proportion of cash is held in the Motor Vehicle (Catastrophic Injuries) Fund.

This investment return is an encouraging result as the Insurance Commission has allocated 40% to Equities which is materially lower than the asset allocation to Equities of most superannuation funds.

The Main Fund return of 9.4% exceeded the market benchmark by 0.1%. Australian Equities (15.4%), Property (14.7%), Alternative Assets (7.0%), Fixed Interest (3.5%) and Cash (2.2%) returns were all above benchmark. Global Equities performance was a strong 13.6% but underperformed the benchmark by 1.4%.

The MVCIF return was 4.6%, which reflects the Insurance Commission's phased approach to implement that Fund's investment strategy. It is expected the long-term asset allocation for the MVCIF will be completed by 2019. The MVCIF investment strategy is different to the Main Fund investment strategy due to the longer-tail duration of MVCIF liabilities for care costs incurred over the lifetime of a CIS scheme claimant compared to shorter duration Main Fund claims.

The Insurance Commission's rolling seven-year return was 8.4%, which was 2.9% above the Consumer Price Index plus 3.5% performance objective. The total value of investment funds held by the Insurance Commission to offset insurance liabilities has grown from $4.4 billion at 30 June 2015 to $5.3 billion at 30 June 2018, an increase of $900 million. Over this period, the strong growth in the investment portfolio has supported dividend payments of $398 million and a $97.7 million return of capital from the RiskCover Fund.

Financial Market Overview

The 2018 financial year started strongly for financial markets due to strong global economic growth, positive corporate earnings results and the announcement of United States tax reform more than offsetting geopolitical tensions. Global Equities performed strongly for the first seven months of the year, which led the Morgan Stanley Composite Indices All Country World Index (an index measuring equity returns in 23 developed and 24 emerging markets internationally) to peak at 550.32 on 26 January 2018. A large portion of this gain was unwound by a sell-off in February 2018, sparked by increased volatility resulting from rising tensions between the United States and North Korea and increasing global trade tensions. Despite tensions between both nations receding, the trade rhetoric increased throughout the remainder of the year and Global Equity markets ended 30 June broadly unchanged from their February levels. Notwithstanding this, there were some equity markets, including Australia, that performed well during this period.

For the year ended 30 June 2018, Global Equity markets were up 15%, the Australian Equity market was up 13.3% and Property markets were up 12%. At the same time, Global Bond markets returned 1.9%, the Australian Bond market returned 3.1% and Cash returned 1.8%.

Despite signs of the rate of global economic growth cooling (potentially due to rising trade tensions between the United States and China/Europe), the absolute rate of growth is anticipated to continue to be robust over the next 12 months. That growth is expected to drive an expansion in corporate earnings, valuations and asset prices. Central Banks are expected to tighten monetary policy.

With the Australian inflation rate at or below the lower bound of the Reserve Bank of Australia's range (2-3%), the bank is not expected to increase interest rates in the short term.

In this environment, the Insurance Commission's asset portfolio is expected to produce a 5.5% return over the coming 12 months.

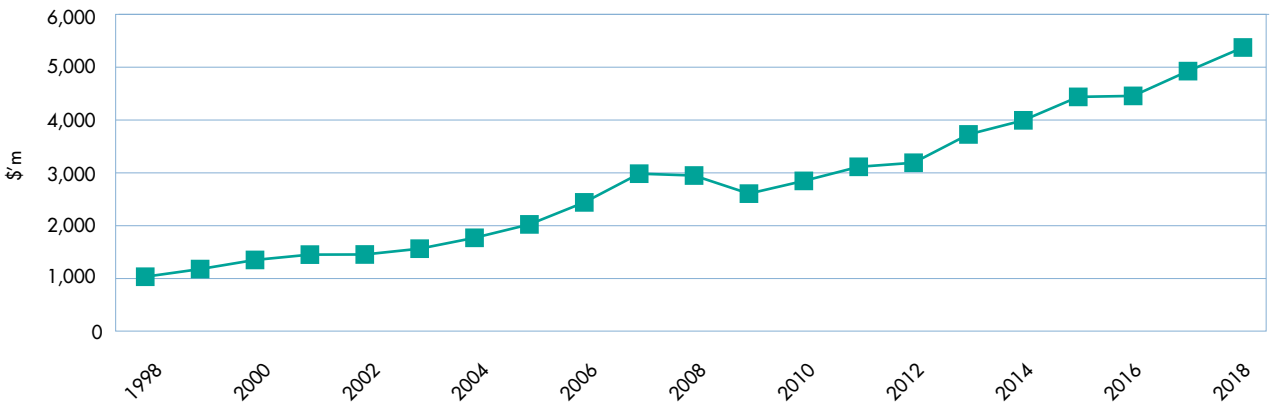
Main Fund Asset Class Performance over Rolling Three Year Period to 30 June 2018

Compound Returns for the Main Fund

5-year return	6-year return
48.8%	70.9%
($1.8 billion)	($2.2 billion)

Compound returns have helped drive long-term growth in the Insurance Commission's investment assets, and reflects the quality of the investment portfolio and the investment strategy.

Growth in Insurance Commission Investment Assets (Net of Dividends) from 1998 to 2018



Asset Allocation

The Main Fund neutral strategic allocation to growth and defensive assets of 68% and 32% respectively was broadly maintained during 2018 due to active portfolio management. Following the sale of Westralia Square, the last directly held property asset of the Insurance Commission, the proceeds were reinvested into a diversified portfolio of externally-managed global and Australian property assets.

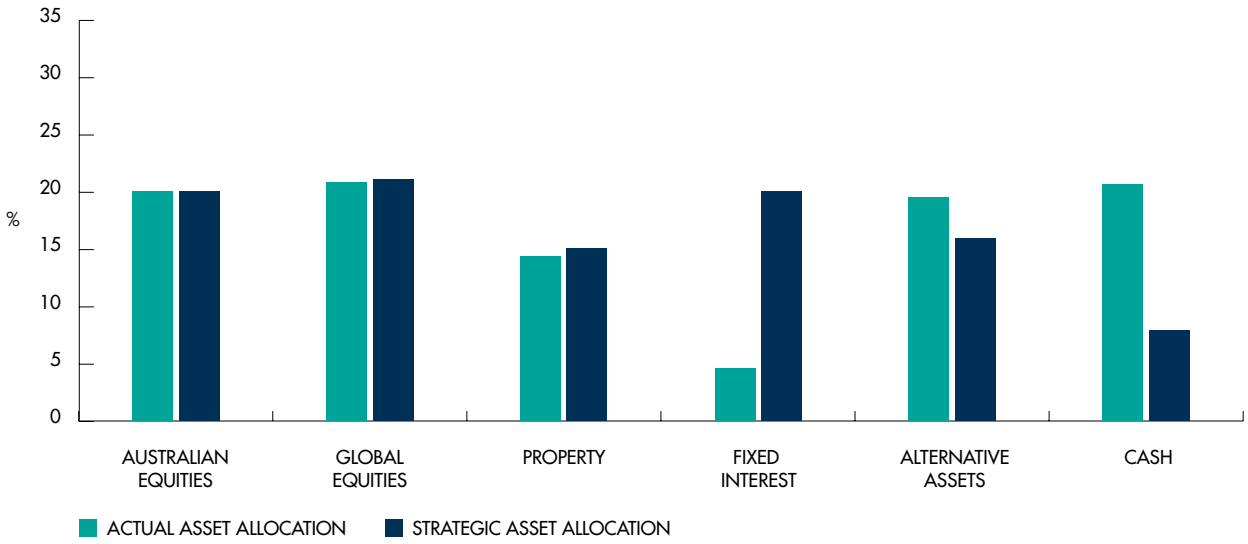
Additional Main Fund investments over the year included a further allocation to a multi-strategy fund and listed infrastructure.

The MVCIF continued its phased approach to its full strategic asset allocation, increasing its exposure to growth assets in two stages over the course of the year. This phased investment approach will continue in 2019.

The Insurance Commission's Main Fund remains overweight in Cash (20.6% against the 8% benchmark). This is a tactical decision pending changes to Bond markets and new investment opportunities. This overweight position is primarily countered by an underweight to fixed interest assets of 15.3%. The overweight position in Cash is slightly more conservative than other diversified portfolios.

The Main Fund actual asset allocation relative to the strategic benchmark, and the value of each asset class and its percentage of investment funds are shown in the charts below and overleaf.

Main Fund Asset Allocation as at 30 June 2018



Environmental, Social and Governance

The Insurance Commission considers environmental, social and governance (ESG) matters when appointing and reviewing the performance of its external investment managers. This approach helps to assess risk and generate sustainable, long-term returns.

The Insurance Commission requires its external investment managers to demonstrate how ESG matters are identified, assessed and incorporated into investment decision making.

Investment managers regularly report ESG performance (including proxy voting) to the Insurance Commission. Bi-annual review meetings are also held with investment managers at which ESG performance is discussed.

Asset Class	Market Value $m	% of Fund
Global Equities	1,016.5	20.9
Cash	1,002.2	20.6
Australian Equities	976.3	20.0
Alternative Assets	948.9	19.5
Property	697.8	14.3
Fixed Interest	229.8	4.7
Main Fund Investment Assets	**4,871.5**	**100.0**
MVCIF Investment Assets	448.4	
Unsettled Purchases	6.3	
Non-Investment Assets	297.9	
Total Assets	**5,624.1**	

Portfolio Positioning

The table below shows the Main Fund portfolio exposures by geography.

Geography	Market Value $m	% of Fund
Australia	3,062.7	62.9
United States	628.2	12.9
Europe ex United Kingdom	356.3	7.3
Asia ex Japan	250.5	5.1
United Kingdom	218.1	4.5
Japan	57.8	1.2
Other	297.9	6.1
Main Fund Investment Assets	**4,871.5**	**100.0**
MVCIF Investment Assets	448.4	
Unsettled Purchases	6.3	
Non-Investment Assets	297.9	
Total Assets	**5,624.1**	

3.5 Investigations and Intelligence

The Investigations and Intelligence section seeks to identify and stop false and misleading claims that undermine the integrity of insurance products delivered by the Insurance Commission for its customers.

During the year, 773 motor injury insurance and workers' compensation claims were assessed as potentially being fraudulent. These claims were identified by integrated data analytics, fraud modelling and notifications received from our insurance divisions.

There were 149 cases that were investigated and resolved in 2018, resulting in avoided claims costs of approximately $17.9 million.

Ten prosecutions were pursued against claimants who made false statements or exaggerated the extent of their injuries for personal injury compensation.

In 2018, five referrals were made to the Legal Practitioners Complaints Committee (LPCC) seeking investigations into unethical conduct by plaintiff law firms who were involved in claims made to the Insurance Commission. The LPCC is working with the Office of the Legal Services Commissioner in New South Wales as a number of these law firms are based in New South Wales.

The Insurance Commission continues to enhance its ability to use data analytics to identify potentially fraudulent claims and prevent them from undermining the integrity of insurance schemes managed by the Insurance Commission.

Claims Harvesting Increases

Western Australia has experienced an increase in past years of a concerning activity known as claims harvesting of motor injury insurance claims.

Claims harvesting is the practice of unethically pursuing accident victims to encourage them to lodge a motor injury insurance claim. Victims can be encouraged to exaggerate or even lodge false claims. Some people have been called up to 50 times. Others have had their signatures forged.

The number of suspected harvested claims received by the Insurance Commission has increased from an estimated 60 claims lodged in 2016 to 306 claims lodged in 2018. This year, suspected harvested claims represented almost 10% of new CTP compensation claims received by the Insurance Commission.

In the last 12 months, the practice has gained national attention as some state and territory governments have highlighted the problem in the media and taken steps to prevent it impacting the affordability of insurance premiums for motorists.

The Insurance Commission uses data analytics to identify if a new claim is harvested. Those claims are managed rigorously as many of them may not be legitimate claims.

This approach is working as 71% of harvested claims received in 2018 were rejected. The financial reward for third parties and law firms involved in this practice is not significant, and there has not been any impact on motor injury insurance premiums for motorists as yet.

Consumer Protection and the Insurance Commission provided community alerts on this practice during the year to encourage motorists not to give out their personal details to claims harvesters.

4. Significant Issues

4.1 Bell Group Litigation

The Bell litigation continues, and continues to expand, causing the Insurance Commission to incur increased litigation costs.

Significant resources and expenditure were also devoted towards attempting to achieve a settlement of Bell matters up to the balance date for the 2018 financial year.

Centralisation of Policy Resources

One of the key functions of the Insurance Commission is to provide advice to government on insurance matters. In 2018, the Insurance Commission established a policy unit to improve its capability to deliver this function. Existing policy resources across the organisation were brought together to form the policy unit.

The policy unit provides advice and analysis on policy issues it is called upon to deal with. Three examples of such issues are listed below.

Automated Vehicles

Automated vehicles hold out the prospect of fewer vehicle crashes and fewer insurance claims. Changes to insurance laws could be required to ensure liability for injuries caused by the technical failure of an automated driving system remains the responsibility of the manufacturer and supplier. Work is underway to identify what insurances should be held by vehicle manufacturers and suppliers, along with the claims process that should be in place for the injured party to access compensation. The Insurance Commission remains engaged with transport and insurance entities in the State and Commonwealth on this matter.

Industrial Diseases Insurance

The Insurance Commission has provided industrial diseases insurance to mining and exploration companies for decades as private insurers did not cover that risk. Western Australia is the only state in Australia where this risk remains still insured by government. The private insurance sector offers cover for those risks, which is why the Government committed to amend workers' compensation legislation in 2018 to exit government provision of industrial diseases insurance. The Insurance Commission is working with WorkCover WA and the Government to deliver on that commitment.

Law Reform Commission – Provisional Damages and Damages for Gratuitous Services

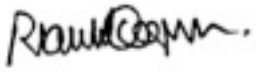
The Law Reform Commission proposed reforms to provisional damages and damages for gratuitous services. Those reforms if enacted would have material financial consequences to the price paid for insurance in Western Australia. The Insurance Commission has provided financial analysis and policy advice to Government on the proposed reforms.

5. Financial Statements

5.1 Statements of Compliance

The accompanying financial statements have been prepared in accordance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for 2018 and the financial position as at 30 June 2018.

At the date of signing, we are not aware of any circumstances that would render the particulars included in the financial statements misleading or inaccurate.



Frank Cooper AO
Chairman

11 September 2018

Rod Whithear
Chief Executive

11 September 2018

Damon De Nooyer
Chief Finance Officer

11 September 2018

Key Performance Indicators

We hereby certify that the Key Performance Indicators are based on proper records, are relevant and appropriate for assisting users to assess the Insurance Commission of Western Australia's performance, and fairly represent the performance of the Insurance Commission of Western Australia for the financial year ended 30 June 2018.

Frank Cooper AO
Chairman

11 September 2018

Rod Whithear
Chief Executive

11 September 2018

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA

Report on the Financial Statements

Opinion

I have audited the financial statements of the Insurance Commission of Western Australia which comprise the Balance Sheet as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Insurance Commission of Western Australia for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Commission in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Commission for the Financial Statements

The Commission is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Commission determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commission is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Commission.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commission.

- Conclude on the appropriateness of the Commission's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Insurance Commission of Western Australia. The controls exercised by the Commission are those policies and procedures established by the Commission to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Insurance Commission of Western Australia are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2018.

The Commission's Responsibilities

The Commission is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Page 2 of 4

Auditor General's Responsibilities
As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Limitations of Controls
Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion
I have undertaken a reasonable assurance engagement on the key performance indicators of the Insurance Commission of Western Australia for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Insurance Commission of Western Australia are relevant and appropriate to assist users to assess the Commission's performance and fairly represent indicated performance for the year ended 30 June 2018.

The Commission's Responsibility for the Key Performance Indicators
The Commission is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Commission determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Commission is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility
As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Insurance Commission of Western Australia for the year ended 30 June 2018 included on the Commission's website. The Commission's management is responsible for the integrity of the Commission's website. This audit does not provide assurance on the integrity of the Commission's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
11 September 2018

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5.2 Financial Statements

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Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Premium Revenue	2.1	769,625	686,714
Reinsurance Premium Expense	2.2	(8,564)	(8,421)
Reinsurance Commission Revenue	2.1	854	839
Net Premium Revenue		761,915	679,132
Claims Expense	2.2	(656,611)	(706,618)
Reinsurance and Other Recoveries	2.1	3,676	21,479
Net Claims Incurred	2.3	(652,935)	(685,139)
RiskCover Administration Cost Reimbursement	2.1	29,356	27,237
Movement in Unexpired Risk Liability		(6,526)	(14,432)
Recoveries on Unexpired Risk Liability		652	3,081
Net Movement in Unexpired Risk	3.2.3(f)	(5,874)	(11,351)
Premium Collection Costs	2.2	(24,451)	(24,106)
Other Underwriting and Administration Expenses	2.2	(74,182)	(67,069)
Underwriting Profit/(Loss)		33,829	(81,296)
Investment Income	4.1	446,741	468,430
Investment Expenses	4.2	(21,454)	(24,151)
RiskCover Investment Return	4.2	(95,656)	(101,788)
Other Income	9.2	19,297	1,814
Other Expenses		(18)	(1)
Profit Before Tax Equivalent		382,739	263,008
Income Tax Equivalent Expense	7.1	(105,050)	(69,873)
Profit After Tax Equivalent		277,689	193,135
Items That Will Not Be Reclassified To Profit/(Loss)			
Re-measurement Gain on Defined Benefit Plans		669	-
Related Income Tax Equivalent Effect	7.1	(200)	-
Other Comprehensive Profit After Tax Equivalent		469	-
Total Comprehensive Income After Tax Equivalent		278,158	193,135

The Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $'000	2017 $'000
Assets			
Current Assets			
Cash and Cash Equivalents	9.8	6,434	11,004
Receivables	2.7	52,311	55,030
Investments	4.3	4,542,145	4,073,713
Deferred Premium Collection Costs	2.6	4,837	4,933
Other Assets		2,419	2,189
Total Current Assets		4,608,146	4,146,869
Non-Current Assets			
Receivables	2.7	225,176	213,770
Investments	4.3	784,072	619,823
Plant and Equipment	9.3	1,959	2,285
Investment Property	5.1	-	195,617
Intangibles	9.4	4,708	5,318
Total Non-Current Assets		1,015,915	1,036,813
Total Assets		5,624,061	5,183,682
Liabilities			
Current Liabilities			
Payables	2.8	33,549	36,560
Financial Liabilities - RiskCover Investments	4.4	1,054,785	1,066,680
Current Tax Payable		70,631	4,603
Outstanding Claims	2.4	463,754	444,989
Unearned Premium	2.5	291,350	285,792
Unexpired Risk Liability	3.2.3(f)	20,958	14,432
Provisions	9.6	9,173	8,548
Total Current Liabilities		1,944,200	1,861,604
Non-Current Liabilities			
Outstanding Claims	2.4	2,243,527	2,010,944
Provisions	9.6	7,031	9,290
Deferred Tax Liabilities	7.2	107,922	109,358
Total Non-Current Liabilities		2,358,480	2,129,592
Total Liabilities		4,302,680	3,991,196
Net Assets		1,321,381	1,192,486
Equity			
Compensation (Industrial Diseases) Fund Reserve		23,192	22,088
Retained Earnings		1,298,189	1,170,398
Total Equity		1,321,381	1,192,486

The Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Summary of Changes in Equity			
Balance of Equity at Start of the Year		1,192,486	1,116,294
Profit after Tax Equivalent		277,689	193,135
Re-measurement on Defined Benefit Plans after Tax Equivalent		469	-
Total Comprehensive Income after Tax Equivalent		278,158	193,135
Dividends Paid	9.7	(149,263)	(116,943)
Balance of Equity at End of the Year		1,321,381	1,192,486
Reserves			
Compensation (Industrial Diseases) Fund Reserve			
Balance at Start of the Year		22,088	20,865
Transfer from Retained Earnings		1,104	1,223
Balance at End of the Year		23,192	22,088
Retained Earnings			
Balance at Start of the Year		1,170,398	1,095,429
Profit after Income Tax Equivalent Expense		277,689	193,135
Re-measurement on Defined Benefit Plans after Income Tax Equivalent		469	-
Dividends Paid	9.7	(149,263)	(116,943)
Transfer to Compensation (Industrial Diseases) Fund Reserve		(1,104)	(1,223)
Balance at End of the Year		1,298,189	1,170,398

The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash Flow From Operating Activities			
Premium Revenue Received		854,250	824,292
Insurance Duty Received		84,494	79,460
Right of Indemnity Receipts - Government Insurance Fund		4,062	3,914
Right of Indemnity Receipts - WorkCover WA		427	1,250
Interest Received		37,362	59,486
Property Income Received		13,454	39,365
Dividends Received		136,013	94,279
Reinsurance and Other Recoveries Received		6,166	8,293
Management Fees Received		31,761	27,393
Outwards Reinsurance Commission Received		939	923
Other Receipts		602	724
Claims Paid		(432,207)	(503,687)
RiskCover Investment Return		(95,656)	(101,788)
Outwards Reinsurance Paid		(8,856)	(9,233)
Premium Collection Costs Paid		(26,800)	(25,726)
Set-up Costs Paid		3,779	2,995
Underwriting and Administration Expenses Paid		(55,363)	(56,967)
Bell Litigation Costs Paid		(14,500)	(10,208)
Property Expenses Paid		(3,609)	(10,410)
Goods and Services Tax Paid		(45,940)	(39,497)
Insurance Duty Paid		(84,761)	(79,759)
Other Payments		(19,188)	(14,989)
Net Cash Flow From Operating Activities	9.8	386,429	290,110
Cash Flow From Investing Activities			
RiskCover Investment Funds (Paid)/Received		(11,895)	145,139
Payments for Purchase of Investments		(1,576,407)	(1,546,907)
Payments for Development of Investment Property		(10)	(407)
Proceeds from Sale of Investments and Property Assets Held for Sale		1,320,845	1,085,334
Payments for Purchase of Plant and Equipment		(2,357)	(3,466)
Proceeds from Sale of Plant and Equipment		388	409
Net Cash Flow From Investing Activities		(269,436)	(319,898)
Cash Flow To State Government			
Dividends Paid		(149,264)	(116,943)
Income Tax Equivalent Paid		(40,658)	(119,864)
Net Cash Flow To State Government		(189,922)	(236,807)
Net Decrease In Cash And Cash Equivalents		(72,929)	(266,595)
Cash And Cash Equivalents At Start Of The Year		1,299,801	1,566,396
Cash And Cash Equivalents At End Of The Year	9.8	1,226,872	1,299,801

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

1. About This Report

1.1 Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and as applied by the Treasurer's Instructions.

Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. Such modifications are intended to provide certainty and ensure consistency and appropriate reporting across the public sector.

Where modification is required and has a material or significant effect upon the reported results, details of that modification and the resulting financial effect are disclosed in individual notes to the financial statements.

The *Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

1.2 Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities which are measured at fair value.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000), unless otherwise stated.

The judgements made in the process of applying the Insurance Commission's accounting policies, that have the most significant effect on the amounts recognised in the financial statements, are disclosed in the applicable notes.

Key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of outstanding claims liabilities within the next financial year are disclosed at Note 2.4, 'Actuarial Assumptions and Methods'.

1.3 Disclosure of Prior Period Restatement, Changes in Presentation and Changes in Accounting Policy or Estimates

There are no mandatory or voluntary prior period restatements, changes in presentation or changes in accounting policies which impact on the financial statements.

1.4 Basis of Consolidation

The financial statements at 30 June 2018 relate to the Insurance Commission.

The financial statements of the RiskCover Fund are not consolidated as its assets are controlled by the Government of Western Australia and not by the Insurance Commission.

In 2015 the Insurance Commission set up two subsidiaries, BACL (ICWA) Pty Ltd and BAM (ICWA) Pty Ltd, as part of the Bell recovery action. The BACL and BAM subsidiaries did not have any assets, liabilities, revenues or expenses during the previous financial year and they are not expected to have transactions in the foreseeable future financial year.

2. Insurance Activities

2.1 Revenue

	Notes	2018 $'000	2017 $'000
Premium Revenue	(i)		
Premium Collected		775,183	752,343
Movement in Unearned Premium		(5,558)	(65,629)
		769,625	686,714
Reinsurance Commission		854	839
Reinsurance and Other Recoveries Revenue	(ii)		
Reinsurance Recoveries Received		1,255	8,920
Movement in Reinsurance Recoveries Receivable		(6,122)	7,214
Other Recoveries Received		3,959	2,175
Movement in Other Recoveries Receivable		4,584	3,170
		3,676	21,479
RiskCover Administration Cost Reimbursement	(iii)	29,356	27,237
Total Revenue		803,511	736,269

(i) Premium revenue, including unclosed business, is recognised in the Statement of Comprehensive Income when it has been earned and is calculated from the attachment date over the period of the policy. The pattern of recognition over the policy period is based on time, which closely approximates the pattern of risks underwritten.

(ii) Reinsurance and other recoveries revenue on paid claims, claims reported but not paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) are recognised as revenue. Recoveries receivable for long-tail classes of insurance are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(iii) RiskCover administration cost reimbursement relates to the amount charged to the Department of Treasury for the costs associated with administering the RiskCover Fund. It is calculated in proportion to the usage of the Insurance Commission's services. A profit element is not included in the fee.

2.2 Expenses

Claims Expenses			
Claims Paid		404,902	473,095
Movement in Outstanding Claims		251,709	233,523
		656,611	706,618
Reinsurance Premium Expense	(i)	8,564	8,421
Net Movement in Unexpired Risk Liability		5,874	11,351
Premium Collection Costs	(ii)	24,451	24,106
Other Underwriting and Administration Expenses			
Accident Prevention and Research		1,414	1,332
Remuneration Payable to the Auditor General		449	362
Board of Commissioners' Fees		337	337
Contractors and Consultants		2,427	2,739
Bell Litigation Costs		13,510	9,590
Amortisation Intangible Assets		1,897	2,503
Depreciation		778	781
Employee Benefits		42,785	38,916
IT Hardware and Software		3,655	3,428
Occupancy		4,333	4,147
Other		2,597	2,934
		74,182	67,069
Total Expenses		769,682	817,565

(i) Premium paid to reinsurers is recognised as an expense over the period to which the cover relates.

(ii) Premium collection costs are amounts paid to the Department of Transport for administering the collection of motor injury insurance premiums. These costs incurred in obtaining insurance business are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to revenue that will be recognised in the Statement of Comprehensive Income in subsequent reporting periods.

2.3 Net Claims Incurred

	2018		
	Current Year (i) $'000	Prior Years (ii) $'000	Total $'000
Current Year			
Gross Claims - Undiscounted	1,082,484	(209,960)	872,524
Discount and Discount Movement	(349,941)	134,028	(215,913)
Gross Claims - Discounted	732,543	(75,932)	656,611
Reinsurance and Other Recoveries - Undiscounted	(33,005)	21,236	(11,769)
Discount and Discount Movement	15,428	(7,335)	8,093
Reinsurance and Other Recoveries - Discounted	(17,577)	13,901	(3,676)
Net Claims Incurred	714,966	(62,031)	652,935

	2017		
	Current Year (i) $'000	Prior Years (ii) $'000	Total $'000
Previous Year			
Gross Claims - Undiscounted	982,225	31,262	1,013,487
Discount and Discount Movement	(327,844)	20,975	(306,869)
Gross Claims - Discounted	654,381	52,237	706,618
Reinsurance and Other Recoveries - Undiscounted	(23,662)	(13,094)	(36,756)
Discount and Discount Movement	13,965	1,312	15,277
Reinsurance and Other Recoveries - Discounted	(9,697)	(11,782)	(21,479)
Net Claims Incurred	644,684	40,455	685,139

(i) **Current Year's** claims relate to risks borne in the current year.

(ii) **Prior Years'** claims relate to a re-assessment of the risks borne in all previous years.

2.4 Outstanding Claims

	2018 $'000	2017 $'000
Central Estimate	3,032,285	2,641,931
Discount to Present Value	(621,479)	(445,217)
	2,410,806	2,196,714
Claims Management Expenses (discounted)	98,937	87,335
	2,509,743	2,284,049
Risk Margin	197,538	171,884
Gross Outstanding Claims	2,707,281	2,455,933
Current	463,754	444,989
Non-Current	2,243,527	2,010,944
	2,707,281	2,455,933

Critical Accounting Judgements and Estimates

The liability for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin.

The expected future payments include the cost of claims incurred but not settled at the end of the reporting period, including the cost of claims incurred but not yet reported (IBNR) and claims incurred but not enough reported (IBNER). Outstanding claims and recoveries take into account factors such as allowances for future wage increases, superimposed inflation, risk-free investment return, claims administration expenses and a risk margin.

Whilst all reasonable steps are taken to ensure that adequate information is obtained on outstanding claims exposures, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability. In particular, the estimation of IBNR claims is generally subject to a greater degree of uncertainty than the estimation of claims already notified, where more information about the claim is usually available. IBNR claims may not be lodged until many years after the events giving rise to the claims.

The estimate of liability for outstanding claims is based upon an independent actuarial valuation which utilises statistical analysis of historical experience and assumes the development pattern of current claims will be consistent with past experience.

Actuarial Assumptions and Methods

The Insurance Commission underwrites a number of insurance classes through its funds. The ultimate liability for outstanding claims is estimated by:

- projecting future claim payments in current values using a variety of actuarial models;
- adjusting the projected claim payments to allow for the effect of future inflation from current values to the date of payment;
- discounting inflated claim payments to allow for an investment return at a risk-free rate;
- deducting the estimated effect of tax credits;
- adding an amount to provide for associated claims management expenses;
- reducing the amount by an allowance for reinsurance and other recoveries; and
- adding an allowance for a prudential risk margin.

Processes Used to Determine Assumptions

A description of the factors used to determine these assumptions is provided below:

Inflation Rates: based on forecasts of an independent research firm.

Discount Rates: risk-free rates derived from the market yields on traded Commonwealth Treasury Bonds at 30 June 2018. Long-term discount rates are based on the discretion of the independent actuarial firm.

2.4 Outstanding Claims (continued)

Claims Management Expenses: derived from past experience and breakdown of expenses.

Reinsurance Recoveries: based on expected recoveries from claims that have exceeded, or are estimated to exceed, the reinsurance retention levels.

Superimposed Inflation: derived from actuarial modelling based on the long-term average of past experience.

Risk Margin:

A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided for to a 75% probability of sufficiency. The RiskCover Fund does not apply a risk margin.

Although not subject to the Australian Prudential Regulation Authority (APRA) regulatory framework, the Insurance Commission has calculated its risk margin in accordance with APRA guidelines. Under this regime the central estimate is derived using risk-free rates based on yields from Commonwealth Government fixed interest securities. The total provision is required to achieve a 75% probability of sufficiency based solely on liability risk (including inflation risk), but with no allowance for asset risk or asset returns above risk-free rates.

The 75% probability of sufficiency is estimated taking into account potential uncertainties relating to various actuarial assumptions, statistical modelling techniques, the underlying data quality, the general insurance and legal environments and changes in social attitudes.

Other Factors: Third Party Recoveries, Number of Claims, Average Claim Size, Average Term to Settlement/Claim Finalisation, IBNR, Development of Case Estimates and Projected Case Estimates Payment Factors are based on past experience.

2.5 Unearned Premium

The proportion of premium received or receivable relating to risks for periods of insurance subsequent to the end of the reporting period and are not earned in the Statement of Comprehensive Income, is recognised on a pro-rata basis.

	2018 $'000	2017 $'000
Unearned Premium at Start of the Year	(285,792)	(220,163)
Earning of Premiums Collected in Previous Periods	285,792	220,163
Premium Collected in the Period	(775,183)	(752,342)
Earning of Premiums Collected in the Period	483,833	466,550
Unearned Premium at End of the Year	(291,350)	(285,792)

2.6 Deferred Premium Collection Costs

At the end of the reporting period, a portion of premium collection costs (refer Note 2.2(ii)) is deferred in recognition that it represents an expense that will give rise to premium revenue that will be recognised in future reporting periods. Deferred premium collection costs are expensed in the following financial year.

Balance at Start of the Year		4,933	5,723
Premium Collection Costs paid to Department of Transport		24,355	23,316
Amount recognised as Expense		(23,256)	(23,097)
Write Down for Premium Deficiency	3.2.3(f)	(1,195)	(1,009)
Balance at End of the Year		4,837	4,933

2.7 Receivables

Receivables are initially recognised at fair value and are subsequently measured at amortised cost less a provision for impairment losses.

	Notes	2018 $'000	2017 $'000
Current			
Premiums Receivable		5,410	6,644
Less: Provision for Impairment		-	(1)
		5,410	6,643
Discounted Value of Expected Future Reinsurance and Other Recoveries Receivable		34,009	37,988
Less: Provision for Impairment		-	(82)
		34,009	37,906
Recoveries on Unexpired Risk Liability	3.2.3(f)	3,733	3,081
Right of Indemnity			
Government Insurance Fund	(i)	5,956	2,996
WorkCover WA	(ii)	1,686	1,185
		7,642	4,181
Other Receivables		1,517	3,219
		52,311	55,030
Non-Current			
Discounted Value of Expected Future Reinsurance and Other Recoveries Receivable		168,736	167,950
Right of Indemnity			
Government Insurance Fund	(i)	45,476	33,590
WorkCover WA	(ii)	10,964	12,230
		56,440	45,820
		225,176	213,770

(i) The Government of Western Australia assumed liability for any accumulated deficit existing in the Government Insurance Fund after Cabinet's decision in June 1996. Indemnity includes movements in outstanding claims provisions and Bell litigation costs.

(ii) The Insurance Commission has the right of reimbursement from WorkCover WA for all payments and expenses paid under the *Employers' Indemnity Supplementation Fund Act 1980*.

Critical Accounting Judgements and Estimates

Estimations are made of all recoveries, including reinsurance recoveries and tax credits. Assets arising from reinsurance contracts are calculated taking into account factors such as allowances for future wage increases, superimposed inflation, risk-free investment return, claim administration expense and a prudential risk margin. In addition, the recoverability of these assets are assessed on a periodic basis to ensure 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 Insurance Commission may not receive amounts due to it and these amounts can be reliably measured.

2.8 Payables

Payables, including accruals not yet billed, are carried at cost and recognised when the Insurance Commission becomes obliged to make future payments as a result of a purchase of assets or services.

	Notes	2018 $'000	2017 $'000
Current			
Trade Creditors		22,833	17,584
Reinsurance Creditors		543	522
Accrued Employee Benefits		132	135
Investment Sundry Payables		6,273	13,580
Goods and Services Tax Liability	(i)	3,768	4,739
		33,549	36,560

(i) Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on the purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of GST. The net amount of GST payable to, or recoverable from, the ATO is included as part of receivables or payables in the Balance Sheet.

3. Insurance Activities - Fund Level

3.1 Third Party Insurance Fund

3.1.1 Overview

The Third Party Insurance Fund (TPIF) is associated with the Compulsory Third Party (CTP) scheme. This fund caters for any injured third party or the dependants of a person killed as a consequence of the negligent driving of a Western Australian registered motor vehicle. They are entitled to damages for personal injury, as long as negligence can be established against the owner or driver of a Western Australian registered motor vehicle.

3.1.2 Financial Statements

Statement of Comprehensive Income for the year ended 30 June 2018	2018 $'000	2017 $'000
Premium Revenue	590,769	580,875
Reinsurance Premium Expense	(4,525)	(4,532)
Reinsurance Commission Revenue	441	468
Net Premium Revenue	586,685	576,811
Claims Expense		
Claims Paid	(381,187)	(457,982)
Movement in Outstanding Claims	(126,537)	(63,820)
Other Recoveries Revenue	2,539	14,393
Net Claims Incurred	(505,185)	(507,409)
Premium Collection Costs	(19,197)	(19,801)
Other Underwriting and Administration Expenses	(36,296)	(29,601)
Underwriting Profit	26,007	20,000
Investment Income	325,802	345,366
Investment Expenses	(20,770)	(22,965)
Other Income	116	163
Profit Before Tax Equivalent	331,155	342,564
Income Tax Equivalent Expense	(90,235)	(93,401)
Profit After Tax Equivalent	240,920	249,163

Balance Sheet as at 30 June 2018		
Assets		
Current Assets		
Receivables	34,292	38,464
Deferred Premium Collection Costs	4,837	4,933
Total Current Assets	39,129	43,397
Non-Current Assets		
Receivables	129,812	128,179
Total Non-Current Assets	129,812	128,179
Investments	3,669,864	3,458,417
Total Assets	3,838,805	3,629,993

3.1 Third Party Insurance Fund (continued)

3.1.2 Financial Statements (continued)

Balance Sheet (continued) as at 30 June 2018	2018 $'000	2017 $'000
Liabilities		
Current Liabilities		
Payables	19,433	14,867
Current Tax Payable	52,758	64,487
Outstanding Claims	430,936	418,160
Unearned Premium	220,712	223,493
Total Current Liabilities	723,839	721,007
Non-Current Liabilities		
Outstanding Claims	1,842,710	1,728,950
Deferred Tax Liabilities	115,896	115,333
Total Non-Current Liabilities	1,958,606	1,844,283
Total Liabilities	2,682,445	2,565,290
Net Assets / Equity	1,156,360	1,064,703

3.1.3 Financial Disclosures

(a) Outstanding Claims

Central Estimate	2,287,953	2,152,386
Discount to Present Value	(219,488)	(198,573)
	2,068,465	1,953,813
Claims Management Expenses (discounted)	72,395	68,383
	2,140,860	2,022,196
Risk Margin	132,786	124,914
Gross Outstanding Claims	2,273,646	2,147,110

(b) Reconciliation of Movement in Discounted Outstanding Claims

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2017	2,147,110	157,825	1,989,285
Effect of Changes in Assumptions/Experience	5,080	(4,631)	9,711
Expected Claims Incurred/Recoveries During Year	529,664	33,840	495,824
Incurred Claims Recognised in the Statement of Comprehensive Income	534,744	29,209	505,535
Claim Payments/Recoveries During Year	(408,208)	(28,068)	(380,140)
Total Outstanding Claims at 30 June 2018	2,273,646	158,966	2,114,680

3.1 Third Party Insurance Fund (continued)

3.1.3 Financial Disclosures (continued)

(c) Claims Development Tables

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent years

Gross Claims Development Table

Accident Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Gross Ultimate Claims Cost Estimate:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At End of Accident Year	402,900	404,768	465,178	473,855	462,637	512,234	501,892	479,249	547,862	566,085	
One Year Later	393,621	419,377	463,545	449,693	483,024	487,242	480,993	494,136	563,010		
Two Years Later	421,265	421,704	427,448	462,605	474,228	490,863	511,782	501,489			
Three Years Later	426,272	410,630	446,669	461,711	451,120	527,342	499,470				
Four Years Later	403,468	428,953	446,898	454,348	467,326	518,133					
Five Years Later	417,150	428,635	430,957	463,447	446,976						
Six Years Later	437,975	463,148	457,365	453,178							
Seven Years Later	440,306	467,687	447,920								
Eight Years Later	433,364	475,241									
Nine Years Later	433,222										
Current Estimate of Net Ultimate Claims Costs	433,222	475,241	447,920	453,178	446,976	518,133	499,470	501,489	563,010	566,085	4,904,724
Cumulative Payments	(384,651)	(393,615)	(405,963)	(385,077)	(329,118)	(338,255)	(270,334)	(175,316)	(96,332)	(45,600)	(2,824,261)
Outstanding Claims Undiscounted	48,571	81,626	41,957	68,101	117,858	179,878	229,136	326,173	466,678	520,485	2,080,463
Discount (on Accident Years 2009 and Later)											(198,976)
Claims Handling Expenses (on Accident Years 2009 and Later)											65,852
Claims 2008 and Prior											193,521
Risk Margin											132,786
Gross Outstanding Claims											**2,273,646**

3.1 Third Party Insurance Fund (continued)

3.1.3 Financial Disclosures (continued)

(c) Claims Development Tables (continued)

Net Claims Development Table

Accident Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Net Ultimate Claims Cost Estimate:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At End of Accident Year	378,224	379,914	435,494	443,567	426,289	480,464	469,804	448,612	514,207	531,121	
One Year Later	369,279	392,496	428,762	420,859	452,884	456,019	450,172	463,792	528,348		
Two Years Later	394,266	394,599	399,988	433,522	443,766	459,377	480,426	470,677			
Three Years Later	398,907	384,215	418,399	432,054	422,119	495,234	468,929				
Four Years Later	377,537	401,652	418,242	425,171	438,921	486,629					
Five Years Later	390,536	401,169	403,332	435,431	419,899						
Six Years Later	409,872	433,466	426,605	425,835							
Seven Years Later	412,067	439,502	421,111								
Eight Years Later	407,244	446,568									
Nine Years Later	407,107										
Current Estimate of Net Ultimate Claims Costs	407,107	446,568	421,111	425,835	419,899	486,629	468,929	470,677	528,348	531,121	4,606,224
Cumulative Payments	(361,674)	(370,215)	(381,864)	(362,134)	(309,655)	(318,373)	(254,597)	(165,577)	(91,821)	(44,264)	(2,660,174)
Outstanding Claims Undiscounted	45,433	76,353	39,247	63,701	110,244	168,256	214,332	305,100	436,527	486,857	1,946,050
Discount (on Accident Years 2009 and Later)											(186,120)
Claims Handling Expenses (on Accident Years 2009 and Later)											65,852
Claims 2008 and Prior											156,111
Risk Margin											132,787
Total Outstanding Claims Net of Reinsurance and Other Recoveries											**2,114,680**

3.1 Third Party Insurance Fund (continued)

3.1.3 Financial Disclosures (continued)

(d) Actuarial Assumptions

The following table provides key actuarial assumptions made in determining the outstanding claims liability:

	2018	2017
Inflation Rate	Varies from 1.7% for 2019, 2.5% for 2020, 2.9% for 2021, then gradually increases to the long-term rate of 3.5%	Varies from 1.7% for 2018, 2.5% for 2019, 3% for 2020, then gradually increases to the long-term rate of 3.5%
Discount Rate	Varies from 1.9% for 2019, 2.1% for 2020, 2.2% for 2021, then gradually increases to the long-term rate of 4.5%. Note that the last cash flow occurs in 2042	Varies from 1.6% for 2018, 1.9% for 2019, 2.3% for 2020, then gradually increases to the long-term rate of 5.5%. Note that the last cash flow occurs in 2041
Claims Management Expenses	3.5% of gross claim payments	3.5% of gross claim payments
Reinsurance Recoveries	1.2% of gross claim payments	1.6% of gross claim payments
Superimposed Inflation	2.8% per annum assumed, although this varies depending on the actuarial model adopted	2.8% per annum assumed, although this varies depending on the actuarial model adopted
Risk Margin	6.7% of central estimated liability for 75% probability of sufficiency	6.7% of central estimated liability for 75% probability of sufficiency
Third Party Recoveries	0.05% of gross claim payments	0.05% of gross claim payments
Number of Claims	Approximately 3,300 for accident year	Approximately 3,200 for accident year
Average Claim Size	Approximately $137,000 for accident year	Approximately $135,000 for accident year
Average Term to Settlement	4 years	3.9 years

(e) Sensitivity Analysis

The following table is an illustration in how changes in key assumptions would impact equity and profit after tax (assumed at a tax rate of 30%). The impact of change in the variables upon outstanding claim liabilities moves opposite to the impact upon profits.

		Profit/(Loss) Increase/(Decrease)	
Variable	Change in Variable	Net of Recoveries $'000	Gross of Recoveries $'000
Inflation	+1%	(54,503)	(58,748)
Inflation	-1%	51,539	55,257
Discount	+1%	55,353	59,430
Discount	-1%	(60,193)	(64,613)
Superimposed Inflation	+1%	(23,028)	(24,465)
Superimposed Inflation	-1%	22,140	23,521
Claims Incurred But Not Reported (IBNR)	+10%	(12,655)	(13,445)
Claims Incurred But Not Reported (IBNR)	-10%	12,655	13,445
Small Claims Average Size	+10%	(87,744)	(93,219)
Small Claims Average Size	-10%	87,744	93,219
Higher Large Case Estimate Savings (+1,000 basis points)	+1,000	34,258	36,445
Lower Large Case Estimate Savings (-1,000 basis points)	-1,000	(34,261)	(36,445)
1 Extra Claim per Accident Half-Year from Dec-14	+1	(24,234)	(25,746)
1 Fewer Claim per Accident Half-Year from Dec-14	-1	24,234	25,746

(f) Unexpired Risk Liability

A Liability Adequacy Test was performed for the Third Party Insurance Fund and resulted in a net surplus (2017: net surplus) and therefore a Nil Unexpired Risk Liability (2017: Nil).

3.2 Motor Vehicle (Catastrophic Injuries) Fund

3.2.1 Overview

The Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) is associated with the Catastrophic Injuries Support (CIS) Scheme. This fund caters for catastrophically injured motorists involving a registered motor vehicle in Western Australia where fault cannot be attributed to a third party. This Fund commenced on 1 July 2016.

3.2.2 Financial Statements

Statement of Comprehensive Income for the year ended 30 June 2018	2018 $'000	2017 $'000
Premium Revenue	178,733	105,744
Reinsurance Premium Expense	(4,039)	(3,889)
Reinsurance Commission Revenue	413	371
Net Premium Revenue	175,107	102,226
Claims Expense		
Claims Paid	(10,238)	(4,417)
Movement in Outstanding Claims	(118,082)	(184,657)
Other Recoveries Revenue	6,103	9,483
Net Claims Incurred	(122,217)	(179,591)
Gross Movement in Unexpired Risk Liability	(6,526)	(14,432)
Reinsurance and Other Recoveries on Unexpired Risk Liability	652	3,081
Net Movement in Unexpired Risk	(5,874)	(11,351)
Premium Collection Costs	(5,254)	(4,305)
Other Underwriting and Administration Expenses	(4,158)	(5,036)
Underwriting Profit/(Loss)	37,604	(98,057)
Investment Income	16,063	3,860
Investment Expenses	(1,083)	(162)
Other Income	34	29
Profit/(Loss) Before Tax Equivalent	52,618	(94,330)
Income Tax Equivalent (Expense)/Benefit	(15,494)	27,571
Profit/(Loss) After Tax Equivalent	37,124	(66,759)

3.2 Motor Vehicle (Catastrophic Injuries) Fund (continued)

3.2.2 Financial Statements (continued)

Balance Sheet as at 30 June 2018	2018 $'000	2017 $'000
Assets		
Current Assets		
Cash and Cash Equivalents	5,351	5,920
Receivables	6,738	6,072
Current Tax Receivable	-	21,259
Total Current Assets	12,089	33,251
Non-Current Assets		
Receivables	14,716	8,899
Deferred Tax Assets	9,474	6,312
Total Non-Current Assets	24,190	15,211
Investments	448,420	245,939
Total Assets	484,699	294,401
Liabilities		
Current Liabilities		
Payables	4,640	3,973
Current Tax Payable	19,461	-
Outstanding Claims	16,898	11,215
Unearned Premium	70,638	62,199
Unexpired Risk Liability	20,958	14,432
Total Current Liabilities	132,595	91,819
Non-Current Liabilities		
Outstanding Claims	285,841	173,442
Total Non-Current Liabilities	285,841	173,442
Total Liabilities	418,436	265,261
Net Assets / Equity	66,263	29,140

3.2.3 Financial Disclosures

(a) Outstanding Claims

Central Estimate	624,155	371,639
Discount to Present Value	(377,379)	(221,121)
	246,776	150,518
Claims Management Expenses (discounted)	18,508	11,290
	265,284	161,808
Risk Margin	37,455	22,849
Gross Outstanding Claims	302,739	184,657

3.2 Motor Vehicle (Catastrophic Injuries) Fund (continued)

3.2.3 Financial Disclosures (continued)

(b) Reconciliation of Movement in Discounted Outstanding Claims

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2017	184,657	9,484	175,173
Effect of Changes in Assumptions/Experience	(93,743)	(4,829)	(88,914)
Increase in Expected Claims Incurred/Recoveries During Year	222,603	11,602	211,001
Incurred Claims Recognised in the Statement of Comprehensive Income	128,860	6,773	122,087
Claim Payments/Recoveries During Year	(10,778)	(671)	(10,107)
Total Outstanding Claims at 30 June 2018	**302,739**	**15,586**	**287,153**

(c) Claims Development Tables

The following table shows the development of gross and net undiscounted outstanding claims since the inception of the Fund.

Estimated Ultimate Claims Cost at 30 June:		Gross $'000	Net $'000
	2017	376,345	352,921
	2018	639,638	599,329
Current Estimate of Cumulative Claims Costs		639,638	599,329
Cumulative Payments		(15,483)	(14,524)
Outstanding Claims Undiscounted		624,155	584,805
Discount		(377,379)	(353,615)
Claims Management Expenses		18,508	18,508
Risk Margin		37,455	37,455
Outstanding Claims		**302,739**	**287,153**

3.2 Motor Vehicle (Catastrophic Injuries) Fund (continued)

3.2.3 Financial Disclosures (continued)

(d) Actuarial Assumptions

The following table provides key actuarial assumptions made in determining the outstanding claims liability:

	2018	2017
Inflation Rate	Varies from 1.7% for 2019, 2.5% for 2020, 2.9% for 2021, then 3.5% for subsequent periods	Varies from 1.7% for 2018, 2.5% for 2019, 3.0% for 2020, then 3.5% for subsequent periods
Discount Rate	Varies from 1.9% for 2019, 2.1% for 2020, 2.2% for 2021, then gradually increases to the long-term rate of 4.5%	Varies from 1.6% for 2018, 1.9% for 2019, 2.3% for 2020, then gradually increases to the long-term rate of 5.5%
Claims Management Expenses	7.5% of gross claim payments	7.5% of gross claim payments
Superimposed Inflation	0.75% per annum assumed and an additional 0.5% per annum for Medical, Hospital and Rehabilitation costs for Brain Injuries	0.75% per annum assumed and an additional 0.5% per annum for Medical, Hospital and Rehabilitation costs for Brain Injuries
Risk Margin	15% of central estimated liability for 75% probability	15% of central estimated liability for 75% probability
Number of Claims	75 (65 actual and a provision for an additional 10 potential claims arising from outstanding eligibility assessments)	36 (28 actual and a provision for an additional 8 potential claims arising from outstanding eligibility assessments)
Average Claim Size	$3 million per claim for 2018 (excludes claims handling costs and risk margin)	$4 million per claim for 2017 (excludes claims handling costs and risk margin)
Average Term to Claim Finalisation	22 years	20 years

(e) Sensitivity Analysis

The following table is an illustration in how changes in key assumptions would impact equity and profit after tax (assumed at a tax rate of 30%). The impact of change in the variables upon outstanding claim liabilities moves opposite to the impact upon profits.

		Profit/(Loss) Increase/(Decrease)	
Variable	Change in Variable	Net of Recoveries $'000	Gross of Recoveries $'000
Inflation	+1%	(51,385)	(54,164)
Inflation	-1%	36,897	38,893
Discount	+1%	36,939	38,937
Discount	-1%	(52,595)	(55,440)
Attendant Care Costs	+10%	(15,011)	(15,795)
Attendant Care Costs	-10%	15,012	15,796
Bed Day Rate	+10%	(2,289)	(2,408)
Bed Day Rate	-10%	2,373	2,497
One Additional Claim Incurred But Not Reported	+1	(3,784)	(3,988)
One Fewer Claim Incurred But Not Reported	-1	3,784	3,988
Reduction in CANS*	-1	36,948	38,916

* Assumes the injury severity of participants with a Brain Injury improves by '1' on the Care and Needs Scale (CANS).

3.2 Motor Vehicle (Catastrophic Injuries) Fund (continued)

3.2.3 Financial Disclosures (continued)

(f) Unexpired Risk Liability

At the end of the reporting period, unearned premium is assessed to determine whether it is sufficient to pay related future claims. If the present value of the expected future claims exceeds the unearned premium liability (less any related deferred premium collection costs), then the unearned premium liability is deemed to be deficient. The Insurance Commission applies a risk margin to achieve the same probability of sufficiency (75%) for future claims as is achieved by the estimate of the outstanding claims liability.

Unexpired Risk Liability	2018 $'000	2017 $'000
Unexpired Risk Liability at Start of the Year	(14,432)	-
Recognition of Additional Unexpired Risk Liability in the Period	(6,526)	(14,432)
Unexpired Risk Liability at End of the Year	(20,958)	(14,432)
Movement in Deficiency Recognised in the Statement of Comprehensive Income		
Gross Movement in Unexpired Risk Liability	6,526	14,432
Increase in Recoveries on Unexpired Risk Liability	(652)	(3,081)
Net Movement in Unexpired Risk	5,874	11,351
Write-down of Deferred Premium Collection Costs	1,195	1,009
Total Deficiency Recognised in the Statement of Comprehensive Income	7,069	12,360
Unearned Premium Liability Adequacy Test		
Unearned Premium Liability	70,638	62,199
Related Deferred Premium Collection Costs	(1,195)	(1,009)
	69,443	61,190
Central Estimate of Present Value of Expected Future Cash Flows Arising from Future Claims	78,323	67,150
Risk Margin	13,273	9,481
Present Value of Expected Future Cash Inflows Arising from Reinsurance and Other Recoveries on Future Claims	(3,733)	(3,081)
	87,863	73,550
Net Deficiency	(18,420)	(12,360)
Less: Reinsurance Element of Present Value of Expected Future Cash Flows for Future Claims	(3,733)	(3,081)
Gross Deficiency	(22,153)	(15,441)

3.3 Compensation (Industrial Diseases) Fund

3.3.1 Overview

Industrial diseases insurance is compulsory for employers engaged in mining. Liability is limited to workers' compensation payments for the respiratory diseases of pneumoconiosis, lung cancer, mesothelioma and diffuse pleural fibrosis, all of which may arise from exposure to harmful mineral dust in the course of employment. These claims are paid from the Compensation (Industrial Diseases) Fund (CIDF). Under the *Insurance Commission of Western Australia Act 1986*, transfers from the CIDF Reserves may only be used to meet, or assist in meeting, any amounts required to be expended for research into the prevention and treatment of industrial diseases.

3.3.2 Financial Statements

Statement of Comprehensive Income for the year ended 30 June 2018	2018 $'000	2017 $'000
Net Premium Revenue	123	95
Claims Expense		
Claims Paid	(304)	(61)
Movement in Outstanding Claims	600	293
Other Recoveries Revenue	(306)	(44)
Net Claims Incurred	(10)	188
Other Underwriting and Administration Expenses	(927)	(1,043)
Underwriting Loss	(814)	(760)
Investment Income	2,446	2,596
Investment Expenses	(150)	(173)
Profit Before Tax Equivalent	1,482	1,663
Income Tax Equivalent Expense	(379)	(439)
Profit After Tax Equivalent	1,103	1,224

Balance Sheet as at 30 June 2018		
Assets		
Current Assets		
Receivables	299	101
Total Current Assets	299	101
Non-Current Assets		
Receivables	256	569
Total Non-Current Assets	256	569
Investments	26,847	26,170
Total Assets	27,402	26,840
Liabilities		
Current Liabilities		
Payables	119	428
Current Tax Payable	339	191
Outstanding Claims	348	536
Unearned Premium	-	100
Total Current Liabilities	806	1,255

3.3 Compensation (Industrial Diseases) Fund (continued)

3.3.2 Financial Statements (continued)

Balance Sheet (continued) as at 30 June 2018	2018 $'000	2017 $'000
Non-Current Liabilities		
Outstanding Claims	2,631	3,043
Deferred Tax Liabilities	773	454
Total Non-Current Liabilities	3,404	3,497
Total Liabilities	4,210	4,752
Net Assets / Equity	23,192	22,088

3.3.3 Financial Disclosures

(a) Outstanding Claims

Central Estimate	2,367	2,841
Discount to Present Value	(508)	(607)
	1,859	2,234
Claims Management Expenses (discounted)	651	782
	2,510	3,016
Risk Margin	469	563
Gross Outstanding Claims	2,979	3,579

(b) Reconciliation of Movement in Discounted Outstanding Claims

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2017	3,579	669	2,910
Effect of Changes in Assumptions/Experience	(290)	(305)	15
Incurred Claims Recognised in the Statement of Comprehensive Income	(290)	(305)	15
Claim Payments/Recoveries During Year	(310)	(76)	(234)
Total Outstanding Claims at 30 June 2018	2,979	288	2,691

(c) Actuarial Assumptions

The following table provides the key actuarial assumptions made in determining the outstanding claims liability:

	2018	2017
Inflation Rate	Varies from 1.8% for 2019, 2.8% for 2020, 3.0% for 2021 and decreasing to 2.0% by 2034	Varies from 2% for 2018, 2.8% for 2019, 3.3% for 2020 and decreasing to 2.5% by 2033
Discount Rate	Varies from 1.9% for 2019, 2.1% for 2020, 2.2% for 2021 and increasing to 4.5% by 2048	Varies from 1.6% for 2018, increasing to 4.3% by 2033
Claims Management Expenses	35% of gross claim payments	35% of gross claim payments
Risk Margin	18.7% of net outstanding claims for 75% probability of sufficiency	18.7% of net outstanding claims for 75% probability of sufficiency
Third Party Recoveries	9.7% of gross claim payments	18% of gross claim payments
Average Term to Settlement	7.8 years	7.3 years

(d) Unexpired Risk Liability

A Liability Adequacy Test was performed for the Compensation (Industrial Disease) Fund and resulted in a net surplus (2017: net surplus) and therefore a Nil Unexpired Risk Liability (2017: Nil).

3.4 Government Insurance Fund

3.4.1 Overview

The Government Insurance Fund (GIF) is a consolidation of the Western Australian Government's superseded self-insurance arrangements that preceded RiskCover. The liabilities assumed by the GIF relate to claims arising from policies issued to State Government Agencies by the old State Government Insurance Office (SGIO). The GIF is in run-off and no new policies have been issued since 30 June 1997. Claims associated with the GIF were incurred between 1 January 1986 and 30 June 1997. A component of GIF's outstanding claims liabilities arises from asbestos exposure to public sector workers. The Government of Western Australia has the liability for any deficit existing in the Fund.

3.4.2 Financial Statements

Statement of Comprehensive Income for the year ended 30 June 2018	2018 $'000	2017 $'000
Claims Expense		
Claims Paid	(4,041)	(4,350)
Movement in Outstanding Claims	(14,775)	3,891
Reinsurance and Other Recoveries Revenue	394	752
Net Claims Incurred	(18,422)	293
Other Underwriting and Administration Expenses	(380)	(1,576)
Underwriting Loss	(18,802)	(1,283)
Investment Income	(106)	(90)
Other Income	18,908	1,373
	-	-

Balance Sheet as at 30 June 2018		
Assets		
Current Assets		
Receivables	6,306	3,229
Total Current Assets	6,306	3,229
Non-Current Assets		
Receivables	47,683	35,541
Total Non-Current Assets	47,683	35,541
Investments	(7,256)	(6,730)
Total Assets	46,733	32,040
Liabilities		
Current Liabilities		
Payables	4	86
Outstanding Claims	6,305	3,228
Total Current Liabilities	6,309	3,314
Non-Current Liabilities		
Outstanding Claims	40,424	28,726
Total Non-Current Liabilities	40,424	28,726
Total Liabilities	46,733	32,040
Net Assets / Equity	-	-

3.4 Government Insurance Fund (continued)

3.4.3 Financial Disclosures

(a) Outstanding Claims

	2018 $'000	2017 $'000
Central Estimate	41,800	29,870
Discount to Present Value	(8,285)	(6,483)
	33,515	23,387
Claims Management Expenses (discounted)	3,200	2,212
	36,715	25,599
Risk Margin	10,014	6,355
Gross Outstanding Claims	46,729	31,954

(b) Reconciliation of Movement in Discounted Outstanding

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2017	31,954	2,185	29,769
Effect of Changes in Assumptions/Experience	21,525	557	20,968
Incurred Claims Recognised in the Statement of Comprehensive Income	21,525	557	20,968
Claim Payments/Recoveries During Year	(6,750)	(186)	(6,564)
Outstanding Claims at 30 June 2018	**46,729**	**2,556**	**44,173**

(c) Claims Development Tables

This Fund is closed and has been in run-off since 1 July 1997. The long-term nature of the expected term to settlement of these claims is also due to the latency period associated with asbestos-related diseases and the nature of liability insurance. In view of this it is considered that provision of a table referenced to accident years is not appropriate. Consequently, the tables below list developing claim costs over the past five years. There are no remaining claims against the fund other than for workers' compensation and liability insurance.

Estimated Ultimate Claims Cost at 30 June:		Gross $'000	Net $'000
	2014	1,005,146	925,644
	2015	1,010,743	928,394
	2016	1,008,855	927,382
	2017	1,024,578	934,618
	2018	1,043,985	953,505
Current Estimate of Cumulative Claims Costs		1,043,985	953,505
Cumulative Payments		(1,002,185)	(914,181)
Outstanding Claims Undiscounted		41,800	39,324
Discount		(8,285)	(7,794)
Claims Management Expenses		3,200	3,172
Risk Margin		10,014	9,471
Outstanding Claims		**46,729**	**44,173**

3.4 Government Insurance Fund (continued)

3.4.3 Financial Disclosures (continued)

(d) Actuarial Assumptions

The following table provides the key actuarial assumptions made in determining the outstanding claims liabilities:

	2018	2017
Inflation Rate	Varies from 1.8% for 2019, 2.8% for 2020, 3% for 2021 and decreasing to 2% by 2034	Varies from 2% for 2018, 2.8% for 2019, 3.3% for 2020 and decreasing to 2.5% by 2033
Discount Rate	Varies from 1.9% for 2019, 2.1% for 2020, 2.2% for 2021 and increasing to 4.5% by 2048	Varies from 1.6% for 2018, increasing to 4.3% for 2033
Claims Management Expenses	12% of net claim payments for Non-Asbestos liabilities, 10% of net claim payments for Asbestos liabilities, 6% of gross claim payments for public liability	12% of net claim payments for Non-Asbestos liabilities, 10% of net claim payments for Asbestos liabilities, 6% of gross claim payments for public liability
Risk Margin	27.5% of net outstanding claims for a 75% probability of sufficiency for workers compensation, 16.8% of net outstanding claims for a 75% probability of sufficiency for public liability	25% of central estimated liability for 75% probability of sufficiency for workers' compensation, 12.9% of net outstanding claims for a probability of sufficiency for public liability
Third Party Recoveries	0.2% for development year zero, 0.4% for development year one, 1% for development year two, 5% for development year thereafter for Non-Asbestos liabilities, 5.5% of gross claim payments for Asbestos liabilities, 3% of gross claims with estimated size under $1 million and 0% of gross claims with estimated size over $1 million for public liability	0.2% for development year zero, 0.4% for development year one, 0.6% for development year two, 4% for development year thereafter for Non-Asbestos liabilities, 6% of gross claim payments for Asbestos liabilities, 3% of gross claims with estimated size under $1million and 0% of gross claims with estimated size over $1million for public liability
Average Term to Settlement	2.4 years for Non-Asbestos liabilities, 7.5 years for Asbestos liabilities, 3.6 years for public liability	2.4 years for Non-Asbestos liabilities, 8 years for Asbestos liabilities, 3.3 years for public liability

(e) Sensitivity Analysis

The GIF is exempt from the National Tax Equivalent Regime and is indemnified by the Government of Western Australia via a Right of Indemnity, therefore changes in the actuarial assumption variables will have no impact at all upon profit. For disclosure purposes the impact upon outstanding claims liabilities is disclosed instead of the impact upon after tax profit.

		Movement in Outstanding Claims	
Variable	Change in Variable	Net of Recoveries $'000	Gross of Recoveries $'000
Inflation	+1%	3,447	3,257
Inflation	-1%	(3,043)	(2,875)
Future Interest Rate (Non-Asbestos claims)	+1%	(95)	(90)
Future Interest Rate (Non-Asbestos claims)	-1%	102	96
Future Real Discount Rate (Asbestos claims)	+1%	(2,916)	(2,755)
Future Real Discount Rate (Asbestos claims)	-1%	3,374	3,188
Number of Asbestos-Related Claims	+20	7,013	6,626
Number of Asbestos-Related Claims	-20	(7,013)	(6,626)

3.5 Insurance Commission General Fund

3.5.1 Overview

The Insurance Commission General Fund (ICGF) is the operating fund of the Insurance Commission bearing most of the administration costs and then reallocating the costs to other funds. The ICGF also caters for the lengthy run-off of liabilities of the former SGIO and claims made under the *Employees Indemnity Supplementation Act 1980* (EISF). Investment assets are held within the ICGF and then allocated onto other Funds.

3.5.2 Financial Statements

Statement of Comprehensive Income for the year ended 30 June 2018	2018 $'000	2017 $'000
Claims Expense		
Claims Paid	(9,131)	(6,285)
Movement in Outstanding Claims	7,084	10,770
Reinsurance and Other Recoveries Revenue	(5,054)	(3,105)
Net Claims Incurred	(7,101)	1,380
RiskCover Administration Cost Reimbursement	31,015	28,803
Administration Expenses (including RiskCover expenses)	(34,080)	(31,379)
Underwriting Loss	(10,166)	(1,196)
Investment Income	102,536	116,698
Investment Expenses	549	(851)
RiskCover Investment Return	(95,656)	(101,788)
Other Income	239	249
Other Expenses	(18)	(1)
Profit Before Tax Equivalent	(2,516)	13,111
Income Tax Equivalent Benefit/(Expense)	1,058	(3,604)
Profit After Tax Equivalent	(1,458)	9,507
Items That Will Not Be Reclassified To Profit/(Loss)		
Re-measurement Loss on Defined Benefit Plans	669	-
Related Income Tax Equivalent Effect	(200)	-
Other Comprehensive Income After Tax Equivalent	469	-
Total Comprehensive Income After Tax Equivalent	(989)	9,507

Balance Sheet as at 30 June 2018		
Assets		
Current Assets		
Cash and Cash Equivalents	1,083	5,084
Receivables	6,405	9,667
Current Tax Receivable	1,927	38,815
Investments	4,542,145	4,073,713
Other Assets	2,419	2,189
Total Current Assets	4,553,979	4,129,468

3.5 Insurance Commission General Fund (continued)

3.5.2 Financial Statements (continued)

Balance Sheet (continued) as at 30 June 2018	2018 $'000	2017 $'000
Non-Current Assets		
Receivables	32,709	40,582
Investments	784,072	619,823
Deferred Tax Assets	-	117
Plant and Equipment	1,959	2,285
Investment Property	-	195,617
Intangibles	4,708	5,318
Total Non-Current Assets	823,448	863,742
Interfund Investments	(4,137,875)	(3,723,796)
Total Assets	1,239,552	1,269,414
Liabilities		
Current Liabilities		
Payables	11,083	19,709
Financial Liabilities - RiskCover Investments	1,054,785	1,066,680
Outstanding Claims	9,267	11,850
Provisions	9,173	8,548
Total Current Liabilities	1,084,308	1,106,787
Non-Current Liabilities		
Outstanding Claims	71,921	76,783
Provisions	7,031	9,290
Deferred Tax Liabilities	727	-
Total Non-Current Liabilities	79,679	86,073
Total Liabilities	1,163,987	1,192,860
Net Assets / Equity	75,565	76,554

3.5.3 Financial Disclosures

(a) Outstanding Claims

Central Estimate	76,010	85,195
Discount to Present Value	(15,819)	(18,433)
	60,191	66,762
Claims Management Expenses (discounted)	4,183	4,668
	64,374	71,430
Risk Margin	16,814	17,203
Gross Outstanding Claims	81,188	88,633

3.5 Insurance Commission General Fund (continued)

3.5.3 Financial Disclosures (continued)

(b) Reconciliation of Movement in Discounted Outstanding Claims

Insurance Commission General Fund		Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2017		74,781	32,932	41,849
Effect of Changes in Assumptions/Experience		(15,383)	(12,408)	(2,975)
Incurred Claims Recognised in the Statement of Comprehensive Income		(15,383)	(12,408)	(2,975)
Claim Payments/Recoveries During Year		8,714	3,633	5,081
Outstanding Claims at 30 June 2018	**(i)**	**68,112**	**24,157**	**43,955**

Employers' Indemnity Supplementation Act		Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2017		13,623	209	13,414
Effect of Changes in Assumptions/Experience		(148)	(9)	(139)
Incurred Claims Recognised in the Statement of Comprehensive Income		(148)	(9)	(139)
Claim Payments/Recoveries During Year		(634)	(8)	(626)
Outstanding Claims at 30 June 2018	**(ii)**	**12,841**	**192**	**12,649**
Inwards Reinsurance	**(iii)**	**235**	**-**	**235**
ICGF Total Outstanding Claims	**(i)+(ii)+(iii)**	**81,188**	**24,349**	**56,839**

(c) Claims Development Tables

This fund is responsible for the administration of three claim portfolios:

- Run-off claims for Workers' Compensation and Public Liability claims prior to 1 January 1986;
- Workers' Compensation claims to be settled in accordance with the EISF Act specifically relating to the HIH Insurance Group and other failed insurers; and
- Run-off claims in relation to the Inwards Reinsurance written prior to August 1992.

Run-off Claims

The long-term nature of the expected term to settlement of these claims is due to the latency period associated with asbestos-related diseases and the nature of public liability insurance. In view of this, it is considered that provision of a table referenced to accident years is not appropriate. Consequently, the tables list developing claim costs over the past five years. The claims in run-off include an immaterial number of, and values for, potential public liability claims reported as a single class of insurance.

3.5 Insurance Commission General Fund (continued)

3.5.3 Financial Disclosures (continued)

(c) Claims Development Tables (continued)

Estimated Ultimate Claims Cost at 30 June:		Gross $'000	Net $'000
	2014	571,751	446,663
	2015	577,505	451,356
	2016	587,362	455,777
	2017	585,170	456,430
	2018	585,793	462,752
Current Estimate of Cumulative Claims Costs		585,793	462,752
Cumulative Payments		(522,802)	(423,953)
Outstanding Claims Undiscounted		62,991	38,799
Discount		(13,527)	(8,244)
Claims Management Expenses		3,957	3,920
Risk Margin		14,691	9,480
Outstanding Claims		**68,112**	**43,955**
EISF Claims		12,841	12,649
Inwards Reinsurance		235	235
Total ICGF Outstanding Claims		**81,188**	**56,839**

A claims development table has not been produced for the EISF claims as all claims are for events occurring more than ten years ago. Due to the small size of inwards reinsurance related claims, no claims development table has been produced.

(d) Actuarial Assumptions

The following tables provide key actuarial assumptions made in determining the outstanding claims liabilities:

Insurance Commission General Fund

	2018	2017
Inflation Rate	Varies from 1.8% for 2019, 2.8% for 2020, 3% for 2021 and decreasing to 2% by 2034	Varies from 2% for 2018, 2.8% for 2019, 3.3% for 2020 and decreasing to 2.5% by 2033
Discount Rate	Varies from 1.9% for 2019, 2.1% for 2020, 2.2% for 2021 and increasing to 4.5% by 2048	Varies from 1.6% for 2018, increasing to 4.3% by 2033
Claims Management Expenses	8% of gross claim payments	8% of gross claim payments
Risk Margin	27.5% of net outstanding claims for 75% probability of sufficiency	25% of net outstanding claims for 75% probability of sufficiency
Third Party Recoveries	36% of gross claim payments for workers' compensation claims, 2.4% of gross claim payments for public liability claims	44% of gross claim payments for workers' compensation claims, 0% of gross claim payments for public liability claims
Average Term to Settlement	7.8 years for workers' compensation claims, 6.5 years for public liability claims	7.7 years for workers' compensation claims, 6.6 years for public liability claims

3.5 Insurance Commission General Fund (continued)

3.5.3 Financial Disclosures (continued)

Employers' Indemnity Supplementation Act

	2018	2017
Inflation Rate	Varies from 1.8% for 2019, 2.8% for 2020, 3% for 2021 and decreasing to 1.8% by 2034	Varies from 2% for 2018, 2.8% for 2019, 3.3% for 2020 and decreasing to 2.5% by 2033
Discount Rate	Varies from 1.9% for 2019, increasing to 3.5% by 2034	Varies from 1.6% for 2018, increasing to 4.3% for 2033
Claims Management Expenses	10.5% of claim payments	10.5% of claim payments
Superimposed Inflation	1.5% for Asbestos liabilities and 0% for Non-Asbestos liabilities for 2018 and later	1.5% for Asbestos liabilities and 0% for Non-Asbestos liabilities for 2017 and later
Risk Margin	20.4% for Asbestos liabilities and 16.8% for Non-Asbestos liabilities of estimated gross liability	20.4% for Asbestos liabilities and 16.8% for Non-Asbestos liabilities of estimated gross liability

Inwards Reinsurance
Due to the small size of the inwards reinsurance claims, an internal model is used to calculate the outstanding claims liability.

(e) Sensitivity Analysis
The following tables illustrate how changes in key assumptions would impact equity and profit after tax (assumed at a tax rate of 30%).

Note that the impact of change in the variables upon outstanding claim liabilities moves in a direction opposite to the impact upon profits.

Insurance Commission General Fund

		Profit/(Loss) Increase/(Decrease)	
Variable	Change in Variable %	Net of Recoveries $'000	Gross $'000
Decrease in real discount rate	+1	(2,514)	(3,926)
Increase in real discount rate	-1	2,178	3,396
Increase in superimposed inflation from 0% p.a.	+2	(5,225)	(8,223)
Increasing base numbers of mesothelioma claims by 2	+2	(2,856)	(6,103)
Increasing decay rates in annual number of future CSR mesothelioma cases reported every future year	+5	(6,157)	(13,157)
Increasing base numbers of lung claims by 2	+2	(1,558)	(1,649)
Increasing decay rates in annual number of future lung cases reported every future year	+5	(8,502)	(9,003)

3.5 Insurance Commission General Fund (continued)

3.5.3 Financial Disclosures (continued)

EISF liabilities are indemnified by WorkCover WA via a Right of Indemnity (refer Note 2.7), therefore changes in the actuarial assumption variables will have no impact at all upon profit after-tax. For disclosure purposes the impact upon outstanding claims liabilities is disclosed instead of the impact upon after-tax profit.

Employers' Indemnity Supplementation Act

		Movement in Outstanding Claims	
Variable	Change in Variable %	Net of Recoveries $'000	Gross $'000
Inflation	+1	832	906
Inflation	-1	(767)	(834)
Discount	+1	(810)	(881)
Discount	-1	898	978
Superimposed Inflation	+1	835	909
Superimposed Inflation	-1	(767)	(833)
Number of Claim Lodgements	+10	1,143	1,243
Number of Claim Lodgements	-10	(1,171)	(1,271)
Average Claim Size	+10	1,143	1,243
Average Claim Size	-10	(1,171)	(1,271)
Claims Management Expenses	+1	122	132
Claims Management Expenses	-1	(122)	(133)

3.6 RiskCover Fund

3.6.1 Overview

The RiskCover Fund is the Government of Western Australia's self-insurance scheme which is administered by the Insurance Commission. The RiskCover Fund provides cover to the Government of Western Australia's agencies. Workers' compensation is the major class of cover provided to agencies and covers approximately 120,000 full-time equivalent Government employees.

3.6.2 Financial Statements

The financial statements of the RiskCover Fund are not consolidated as its assets are controlled by the Government of Western Australia and not by the Insurance Commission.

Statement of Comprehensive Income for the year ended 30 June 2018	Notes	2018 $'000	2017 $'000
Premium Revenue	3.6.3(a)	299,789	308,113
Premium Adjustment	3.6.3(b)	(8,894)	(30,059)
Reinsurance Premium Expense		(16,739)	(16,599)
Reinsurance Commission Revenue		768	782
Net Premium Revenue		274,924	262,237
Claims Expenses			
Claims Paid		(223,421)	(205,899)
Movement in Outstanding Claims		36,150	26,103
Reinsurance and Other Recoveries Revenue		8,512	1,282
Net Claims Incurred		(178,759)	(178,514)
Administration Expenses		(32,664)	(31,219)
Underwriting Profit		63,501	52,504
Investment Income		95,656	101,788
Total Comprehensive Income		159,157	154,292

Balance Sheet as at 30 June 2018			
Assets			
Current Assets			
Cash and Cash Equivalents		15,637	15,239
Receivables		7,262	8,856
Investments	3.6.3(c)	1,054,785	1,066,680
Total Current Assets		1,077,684	1,090,775
Non-Current Assets			
Receivables		10,487	9,413
Total Non-Current Assets		10,487	9,413
Total Assets		1,088,171	1,100,188

3.6 RiskCover Fund (continued)

3.6.2 Financial Statements (continued)

Balance Sheet (continued) as at 30 June 2018	Notes	2018 $'000	2017 $'000
Liabilities			
Current Liabilities			
Payables		54,698	59,023
Provision for Return of Capital		162,273	97,722
Outstanding Claims	3.6.3(d)	203,570	231,046
Total Current Liabilities		420,541	387,791
Non-Current Liabilities			
Payables		55,974	88,951
Outstanding Claims	3.6.3(d)	329,538	338,212
Total Non-Current Liabilities		385,512	427,163
Total Liabilities		806,053	814,954
Net Assets / Equity		282,118	285,234
Equity			
Retained Earnings		220,631	215,505
Prudential Reserve		61,487	69,729
Total Equity		282,118	285,234

3.6.3 Financial Disclosures

Except as stated below, the significant accounting policies adopted in preparing the RiskCover Fund's financial statements are consistent with those used in preparing the Insurance Commission's financial statements.

As the RiskCover Fund is a State Government self-insurance vehicle, it is not bound by AASB 1023, 'General Insurance Contracts' or by the requirements of the Australian Prudential Regulatory Authority (APRA).

In determining the outstanding claims liability the RiskCover Fund follows the requirements of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. Like AASB 1023 this standard also requires the use of a risk-free discount factor when determining the outstanding claims liability however it differs significantly in that it does not require the inclusion of a prudential margin.

In 2006, the State Government Expenditure Review Committee (ERC) authorised the RiskCover Fund to maintain a separate Prudential Reserve equivalent in value to an APRA prudential margin sufficient to achieve a 75% likelihood of adequacy for the provision for outstanding claims. In 2018, the Prudential Reserve was calculated to be $61.5 million (2017: $69.7 million).

The RiskCover Fund's assets are not owned by the Insurance Commission and are therefore not consolidated. The investment assets of the RiskCover Fund are however, included in the investment pool of the Insurance Commission, represented by a Floating Rate Promissory Note (refer Note 4.4). The RiskCover Fund earns an investment return or shares investment losses in proportion to its share of the Main Fund's investment pool. Any retained earnings or losses in the RiskCover Fund represent an asset or liability of the Government of Western Australia and not of the Insurance Commission.

This Fund is not liable to pay income tax equivalents under current arrangements with the Department of Treasury.

In 2017, the ERC authorised the transfer of surplus capital above the targeted reserve to the Government of Western Australia. The targeted reserve level is 135% solvency. As at 30 June 2018, the Balance Sheet includes a provision for a $162.3 million return of surplus capital (2017: $97.7 million).

3.6 RiskCover Fund (continued)

3.6.3 Financial Disclosures (continued)

(a) Premium Revenue

When determining the premiums for the Workers' Compensation and Liability classes, the RiskCover Fund relies on claims costs that have been actuarially assessed at the net central estimate.

Premiums initially charged to client agencies at the beginning of each year for the Workers' Compensation and Motor Vehicle classes represent premium deposits. These premiums are subject to adjustment at a later date (two years after the close of the risk period for Workers' Compensation and at the end of the risk period for Motor Vehicle) to take into account the forecast ultimate claims costs, claims administration expenses and reinsurance expenses. This adjustment enables rewards and sanctions to be applied to agency performance. The performance adjustment settled with agencies during 2018 year was a return of $37 million (2017: return of $24.2 million).

(b) Premium Adjustment

Total outstanding premiums are recalculated periodically based on new actuarial data. The updated data allows for a re-estimation of the outstanding premium receivable from or payable to client agencies for all unadjusted years. Premium adjustments reflect the movement in this premium receivable or payable. In 2018, outstanding premium payable to agencies increased by $8.9 million (2017: $30.1 million). This represents continuing improvement of claims experience in the workers' compensation class.

(c) Investments

Represented by a Floating Rate Promissory Note owed to the RiskCover Fund by the Insurance Commission (refer Note 4.4).

(d) Outstanding Claims

	2018 $'000	2017 $'000
Central Estimate	516,124	550,764
Discount to Present Value	(32,304)	(32,057)
	483,820	518,707
Claims Handling Costs	49,288	50,551
Gross Outstanding Claims	533,108	569,258

(e) Reconciliation of Movement in Discounted Outstanding Claims

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2017	569,258	17,958	551,300
Effect of Changes in Assumptions/Experience	(32,713)	6,386	(39,099)
Increase in Expected Claims Incurred/Recoveries During Year	186,438	5,874	180,564
Incurred Claims Recognised in the Statement of Comprehensive Income	153,725	12,260	141,465
Claim Payments/Recoveries During Year	(189,875)	(11,414)	(178,461)
Outstanding Claims at 30 June 2018	533,108	18,804	514,304

3.6 RiskCover Fund (continued)

3.6.3 Financial Disclosures (continued)

(f) Actuarial Assumptions

The following table provides the key actuarial assumptions made in determining the outstanding claims liabilities:

	2018	2017
Inflation Rate	Varies from 1.8% for 2019, 2.8% for 2020, 3.0% for 2021 and decreasing to 2.0% by 2034	Varies from 2% for 2018, 2.8% for 2019, 3.3% for 2020 and decreasing to 2.5% by 2033
Discount Rate	Varies from 1.9% for 2019, 2.1% for 2020, 2.2% for 2021 and increasing to 4.5% by 2048	Varies from 1.6% for 2018, increasing to 4.3% by 2033
Superimposed Inflation	Varies by segment and method for workers compensation. Small claims 2.5% for General Liability and Professional Indemnity, 3.0% for Treatment Risk	Varies by segment and method for workers compensation. Small claims PPCI method: 2.5% for General Liability and Professional Indemnity, 3.0% for Treatment Risk, Small claims PPCF method: 3.3% for General Liability, 4.0% for Professional Indemnity, 3.0% for Treatment Risk
Claims Management Expenses	12.0% of net claim payments for workers compensation, 6.0% of gross claim payments for General Liability and Department of Communities, 9.0% of gross claim payments for Professional Indemnity and Treatment Risk, 13.0% of net claim payments for short tail	12.0% of net claim payments for workers compensation, 6.0% of gross claim payments for General Liability, 9.0% of gross claim payments for Professional Indemnity and Treatment Risk
Average Term to Settlement	2.3 years for workers compensation and 3.7 years for liability, 0.65 years for short tail	2.3 years for workers' compensation, 3.1 years for liability

(g) Sensitivity Analysis

The table below illustrates how changes in key assumptions would impact equity and profit.

The RiskCover Fund is exempt from the National Tax Equivalent Regime.

Note that the impact of change in the variables upon outstanding claim liabilities moves in a direction opposite to the impact upon profits.

		Movement in Outstanding Claims	
Variable	Change in Variable %	Net of Recoveries $'000	Gross of Recoveries $'000
Inflation	+1	(12,789)	(12,369)
Inflation	-1	13,704	13,253
Discount	+1	13,538	13,092
Discount	-1	(12,884)	(12,460)

4. Investments

4.1 Investment Income

Interest revenue is recognised as the interest accrues, based on the effective interest method. Dividends received are recognised when the right to receive payment is established. Foreign exchange gain/(loss) is the difference between the different exchange rates at transaction date and reporting date. Income from property rentals is recognised on a receivable basis.

	Notes	2018 $'000	2017 $'000
Investment Income			
Investment Property		11,299	32,049
Dividends		136,320	95,486
Interest		39,058	61,521
Changes in Fair Values: Unrealised Gain		88,342	162,957
Changes in Fair Values: Realised Gain		136,524	120,584
Gain on Disposal of Investment Property	5.1	16,241	-
Foreign Exchange: Unrealised Gain/(Loss)		26,143	(23,644)
Foreign Exchange: Realised (Loss)/Gain		(7,588)	19,017
Other		402	460
		446,741	468,430

4.2 Investment Expenses

Investment Expenses			
Investment Property		3,160	8,883
Investment Management Costs and Custodian Fees		16,164	12,964
Administration		2,130	2,304
		21,454	24,151
RiskCover Investment Return	(i)	95,656	101,788
		117,110	125,939

(i) Represents the RiskCover Fund's share of gains of the Main Fund's investment pool.

4.3 Investment Assets

Investment assets are considered to back general insurance liabilities of the Insurance Commission. The management of financial assets is closely monitored to ensure that there is always sufficient liquidity in investments to meet cash flows arising from general insurance liabilities and policy liabilities.

	Notes	2018 $'000	2017 $'000
Current Investments			
Fixed and Floating Rate Bonds		14,000	14,000
Fixed Interest Unit Trusts		250,099	319,106
Equities - Listed		2,295,531	2,046,857
Equity Unit Trusts		252,126	222,146
Alternative Assets Unit Trusts		484,769	143,708
Margin Account		127	78
Cash and Cash Equivalent Assets	9.8	1,220,438	1,288,797
Receivables		31,554	34,027
Forward Foreign Exchange Contracts	4.6(c)	(6,499)	4,994
		4,542,145	4,073,713
Non-Current Investments			
Alternative Assets Unit Trusts		254,807	276,154
Property Trust - Unlisted		529,265	340,891
Receivables		-	2,778
		784,072	619,823
		5,326,217	4,693,536

(a) Valuation of Investments

Investment assets are initially recognised at cost and subsequently measured at fair value. The approach to measuring the fair value of investments is described below:

Fixed and Floating Rate Bonds

Bonds are priced using brokers quotes, comparable prices for similar instruments or pricing techniques set by local regulators or exchanges.

Fixed Interest, Equity, Alternative Assets and Property Trusts

Trusts are valued using the current unit price on a bid price basis as advised by the responsible entity, trustee or equivalent. A combination of observable market prices, comparable prices for similar instruments where available or other valuation techniques may be used in determining the current unit price.

Equities-Listed

Listed equities traded in active markets are valued by reference to quoted bid prices.

Margin Account

Cash deposits held at brokers for margins are held at face value of the amount deposited or drawn. The carrying amount of these deposits equates to fair value.

Cash and Cash Equivalent Assets

Cash and Cash Equivalent Assets are held at cost plus accrued interest which equates to fair value.

4.3 Investment Assets (continued)

Investment Receivables
Due to the nature of these receivables, their carrying value is assumed to approximate their fair value.

Forward Foreign Exchange Contracts
The Forward Foreign Exchange Contracts are valued by comparing the contractual rate to the current market rate for a contract with the same remaining period to maturity.

Critical Accounting Judgement and Estimates
The Insurance Commission's investment portfolio includes unlisted items. The valuations of these are subject to estimation. Fair values of units in Fixed Interest, Unlisted Equity and Alternative Assets Trusts are determined using the Net Asset Value (NAV) per unit applicable for redemption on the last day of the financial year. The NAV is calculated by deducting the value of its liabilities from the value of the unlisted unit trust's gross assets. Unit values denominated in foreign currency are converted to Australian dollars at rates of exchange current at the end of the reporting period. Unlisted Property Trusts are valued by the Trustee at market values based upon independent valuations of the properties held. A unit price is advised to unit holders, which forms the basis for the calculation of market value at the end of the reporting period which equates to fair value.

(b) Fair Value Hierarchy

The Fair Value Hierarchy assigns rankings to the level of judgement which is applied in deriving inputs for valuation techniques used to measure fair value. The three levels of the Fair Value Hierarchy are as follows:

Level 1 is the preferred input for valuation and reflects unadjusted quoted prices in active markets for identical assets or liabilities which the economic entity can access at the end of the reporting period. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arms length basis.

Level 2 is the valuation of assets and liabilities either directly or indirectly based upon market observables other than quoted prices. For example: Investments with fair values based on broker quotes, investments in unlisted trusts with fair values obtained via fund managers and assets that are valued using the economic entity's own models whereby the majority of assumptions are market observable.

Level 3 relates to inputs that are unobservable. Unobservable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The following tables detail the valuation of the Insurance Commission's Investments using the Fair Value Hierarchy:

2018	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Current Investments					
Fixed and Floating Rate Bonds		-	14,000	-	14,000
Fixed Interest Unit Trusts		-	250,099	-	250,099
Equities - Listed		2,295,531	-	-	2,295,531
Equity Unit Trusts		-	252,126	-	252,126
Alternative Assets Unit Trusts		-	484,769	-	484,769
Margin Account		-	127	-	127
Cash and Cash Equivalent Assets	9.8	274,065	946,373	-	1,220,438
Receivables		-	31,554	-	31,554
Forward Foreign Exchange Contracts	4.6(c)	-	(6,499)	-	(6,499)
		2,569,596	1,972,549	-	4,542,145
Non-Current Investments					
Alternative Assets Unit Trusts		-	-	254,807	254,807
Property Trust - Unlisted		-	-	529,265	529,265
		-	-	784,072	784,072
		2,569,596	1,972,549	784,072	5,326,217

4.3 Investment Assets (continued)

(b) Fair Value Hierarchy (continued)

2017	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Current Investments					
Fixed and Floating Rate Bonds		-	14,000	-	14,000
Fixed Interest Unit Trusts		-	319,106	-	319,106
Equities - Listed		2,046,857	-	-	2,046,857
Equity Unit Trusts		-	222,146	-	222,146
Alternative Assets Unit Trusts		-	143,708	-	143,708
Margin Account		-	78	-	78
Cash and Cash Equivalent Assets	9.8	299,870	988,927	-	1,288,797
Receivables		-	34,027	-	34,027
Forward Foreign Exchange Contracts	4.6(c)	-	4,994	-	4,994
		2,346,727	1,726,986	-	4,073,713
Non-Current Investments					
Alternative Assets Unit Trusts		-	-	276,154	276,154
Property Trust - Unlisted		-	-	340,891	340,891
Receivables		-	2,778	-	2,778
		-	2,778	617,045	619,823
		2,346,727	1,729,764	617,045	4,693,536

There were no significant transfers between Level 1, 2 or 3 during the year.

The table below provides information about the valuation technique and inputs utilised in fair value measurement (Level 2):

	Valuation Technique	Inputs Utilised
Fixed Interest Bonds	Market Comparison: Quoted prices or comparable prices	Price, Time span, Interest Rates
Fixed Interest Unit Trusts	Quoted prices: Unit price quoted by Manager	Unit Price, Quantity
Equity Unit Trusts	Quoted prices: Unit price quoted by Manager	Unit Price, Quantity
Alternative Assets Unit Trusts	Quoted prices: Unit price quoted by Manager	Unit Price, Quantity
Margin Account	Cost: Face value of amounts deposited/drawn	Face Value
Cash and Cash Equivalents	Cost plus Income	Face Value, Interest Rate, Time span
Receivables	Cost	Carrying Value of Receivables
Forward Foreign Exchange Contracts	Market Comparison: Comparable contract prices	Price, Currency, Time span

The following tables detail the change in value associated with Level 3 Investments:

2018	Opening Balance $'000	Transfers In/(Out) $'000	Unrealised Gain/(Loss) $'000	Realised Gain/(Loss) $'000	Purchases/ (Sales) $'000	Closing Balance $'000
Non-Current Investments						
Alternative Assets Unit Trusts	276,154	(40,949)	(21,347)	40,949	-	254,807
Property Trust - Unlisted	340,891	-	24,701	-	163,673	529,265
	617,045	(40,949)	3,354	40,949	163,673	784,072

4.3 Investment Assets (continued)

(b) Fair Value Hierarchy (continued)

The table below provides information about the valuation technique and inputs utilised in fair value measurement (Level 3):

	Valuation Technique	Inputs Utilised	Range of Unobservable Inputs (Weighted Average)	Relationship of Unobservable Inputs to Fair Value
Alternative Assets Unit Trusts	Quoted prices: Unit Price quoted by Manager	Unit Price	Unit Price+/- 20%	The fair value would increase/ (decrease) if the unit price was higher/(lower)
Property Trust - Unlisted	Quoted prices: Unit Price quoted by Manager	Unit Price	Unit Price+/- 20%	The fair value would increase/ (decrease) if the unit price was higher/(lower)

The table below illustrates the sensitivity of Level 3 fair value to change:

	Fair Value			Fair Value Increase/(Decrease)	
	2018 $'000	2017 $'000	Change %	2018 $'000	2017 $'000
Non-Current Investments					
Alternative Assets Unit Trusts	254,807	276,154	+20	50,961	55,231
			-20	(50,961)	(55,231)
Property Trust - Unlisted	529,265	340,891	+20	105,853	68,178
			-20	(105,853)	(68,178)

4.4 Financial Liabilities - RiskCover Investments

	2018 $'000	2017 $'000
Current		
Floating Rate Promissory Note	1,054,785	1,066,680
	1,054,785	1,066,680

Valuation of the Floating Rate Promissory Note

The Floating Rate Promissory Note represents the RiskCover Fund's share of the Main Fund's investment pool. The RiskCover Fund is allocated its share of the monthly movements in the Main Fund's investment pool through the Floating Rate Promissory Note by means of a valuation model which primarily apportions an amount equal to the Main Fund's earning rate multiplied by the daily balance of the RiskCover Fund.

Fair Value Hierarchy

The fair value of the Floating Rate Promissory Note has been categorised as a Level 2 fair value based on the inputs to the valuation technique used. The hierarchy is explained in more detail in Note 4.3(b).

There were no significant transfers between Level 1, 2 and 3 during the year.

4.5 Investment Commitments

In 2017, the Board committed to invest $122.7 million in an unlisted infrastructure fund. $32.8 million has been invested to date. At 30 June 2018, $89.9 million of the commitment to invest remained.

4.6 Financial Instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to fair value at the reporting date. For derivatives traded in an active market, the fair value of derivatives is determined by reference to quoted market prices. For derivatives that are not traded or which are traded in a market that is not sufficiently active, fair value is determined using generally accepted valuation techniques.

(a) Purpose for which Derivative Transactions are Undertaken

A derivative financial instrument is a contract whose existence is derived from the value of, or changes in the value of, an underlying investment security. The Insurance Commission's external Investment Managers may use derivatives in order to gain access to, or hedge, the investment portfolio in line with the Insurance Commission's investment strategy.

Derivatives are not used in a speculative manner, and Investment Managers are not permitted to leverage the investment portfolio. Derivative instruments are used to economically hedge or minimise risk incurred. Therefore, whenever derivative positions are created, cash or the underlying physical security is held to cover any potential liability. The face value of the underlying security, valued at current market values, is used to determine the equivalent dollar value of the derivative product. At the end of the reporting period, all of the Insurance Commission's derivative positions were matched by cash or the underlying security.

The Insurance Commission has appointed a Currency Overlay Manager to enter into forward foreign exchange contracts to manage the currency risk associated with overseas equity and Global Unlisted Infrastructure exposure. The economic level of the currency hedge varies between 0% and 100% depending on the nature of the underlying equity portfolio. At 30 June 2018, the level of the currency hedge was 25% on the core global equity exposure and 100% on the Global Unlisted Infrastructure exposure.

(b) Futures

	2018 $'000	2017 $'000
At the end of the reporting period, the details of outstanding contracts are:		
Up to 1 year		
Equity Futures		
Notional Principal Amount of Asset	3,228	2,260

The Notional Principal Amount (effective exposure) of the above equity futures is backed by an equal amount of cash. If all futures contracts were exercised at the end of the reporting period, the Insurance Commission could effectively replace the futures with cash holdings. The Notional Principal Amount shown above is not considered to be materially different to their fair value.

(c) Forward Foreign Exchange Contracts

	Assets 2018 $'000	Liabilities 2018 $'000	Notional Amount 2018 $'000	Assets 2017 $'000	Liabilities 2017 $'000	Notional Amount 2017 $'000
Up to 3 months	381,883	(388,382)	381,883	746,549	(741,555)	746,549
Total	381,883	(388,382)	381,883	746,549	(741,555)	746,549

The above contracts are marked to market by comparing the contractual rate to the current market rate for a contract with the same remaining period to maturity. Any unrealised gain or loss is taken to the Statement of Comprehensive Income immediately. At the end of the reporting period, a net unrealised loss on these contracts amounted to $6.5 million (2017: gain of $5 million).

5. Property

5.1 Investment Property

The Insurance Commission sold the Westralia Square property at 141 St Georges Terrace on 27 October 2017.

Reconciliation of Carrying Amount

	2018 $'000	2017 $'000
Freehold Land and Buildings at Fair Value	-	195,617
Balance at End of the Year	-	195,617

Reconciliation:

Freehold Land and Buildings at Fair Value		
Balance at Start of the Year	195,617	224,011
Additions	9	371
Lease Incentives Paid	4,383	-
Proceeds from Sale of Investment Property	(216,250)	-
Realised Gain on Disposal of Investment Property	16,241	-
Revaluation Decrease recognised in Profit or Loss	-	(28,765)
Balance at End of the Year	-	195,617

6. Risk Management

6.1 Overview

(a) Governance Framework

The Insurance Commission strives to achieve best practice, appropriate to the Insurance Commission's size, function and culture in the management of risks that impact on the Insurance Commission, its customers, people, assets, finances, functions, reputation, objectives, operations and stakeholders.

The risks the Insurance Commission manages include strategic, insurance, counterparty, operational, compliance, financial and reputational risks. Financial risks include market, foreign exchange, interest rate, credit, liquidity and asset and liability risks.

Management of risk forms a part of operational and supervisory responsibilities and is integrated into business planning cycles.

The Board has overall responsibility for risk management. The Insurance Commission's Executive Committee determines risk policy, objectives, procedures and guidelines and monitors implementation, practice and performance. The Audit and Risk Committee of the Board supports the Board in its oversight of risk management. Board guidance on acceptable risk is set out in the risk appetite statement. Each business unit is responsible for identifying, analysing and assessing operational and strategic risks.

Internal Audit, which is provided by an independent external provider, assists in the identification, monitoring and evaluation of risk and gives assurance to the Audit and Risk Committee and Board on higher risk categories.

(b) External Regulatory Frameworks and Capital Management

Unlike private insurers, the Insurance Commission is not subject to regulation by the Australian Prudential Regulatory Authority (APRA) due to the *Insurance Act 1973* not being applicable to the Insurance Commission and equivalent state insurers.

Reporting by the Insurance Commission is subject to AASB Standards as amended by Treasurer's Instructions (refer Note 1.1). Many of the AASB standards mirror best practice requirements such as those incorporated in APRA guidelines. Where matters relevant to the Insurance Commission relate to APRA guidelines which are not covered by AASB Standards (such as APRA Prudential Capital Requirements), the Board considers what risk mitigation practices may be required. The Insurance Commission considers its retained earnings as its core capital. A review of movements in capital is undertaken periodically and submitted to the Board for consideration.

6.2 Insurance Risk Management

(a) Objectives in Managing Risks arising from General Insurance Contracts and Policies for Mitigating those Risks

The Insurance Commission's activities primarily involve the issuing of insurance policies and managing claims. In doing this, the Insurance Commission seeks to minimise the cost of risk to the insured and to efficiently manage claims.

The Insurance Commission has a framework for the identification, assessment and management of risks. Key processes for the mitigation of risks faced in business operations of the Insurance Commission include:

- Use of information systems to provide up-to-date, reliable data on the risks the Insurance Commission is exposed to.
- Independent actuarial assessments to monitor claims trends and develop statistical models to predict the outstanding claims liabilities for the various Funds.
- The mix of assets and investment managers in which the Insurance Commission invests is driven by the nature and term of insurance liabilities. Management monitors assets and liabilities to ensure claim payments can be met when required.

(b) Concentration Risk

Third Party Insurance Fund (TPIF) and Motor Vehicle (Catastrophic Injuries) Fund (MVCIF)
The motor injury insurance policy provides an unlimited indemnity to the owner or driver of a Western Australian registered vehicle in respect to the death or bodily injury to any other person directly caused by, or by the driver of that vehicle within Australia. The policy also provides cover on a no-fault basis to any person catastrophically injured by the registered motor vehicle, who cannot establish a liability for negligence on any other party. Most of the risk is concentrated within Western Australia.

6.2 Insurance Risk Management (continued)

Compensation (Industrial Diseases) Fund (CIDF)
The CIDF has an exposure to concentration risk as it is restricted to one class of business and operates solely within Western Australia. This risk is mitigated by the surplus held by the Fund and the decreased exposure to harmful mineral dust in modern mining operations, resulting in lower incidence rates.

Government Insurance Fund (GIF)
During the years that GIF contracts of insurance were issued, exposure to significant concentration risk was mitigated by having a diversified portfolio across the large geographic area of Western Australia. As this fund has been in run-off for a considerable time, the concentration risk has increased as the majority of outstanding liabilities at the end of the reporting period arise from risks associated with common law liability and long-tail workers' compensation claims. The Insurance Commission has an indemnification from the Government of Western Australia for Fund deficits from the run-off of the GIF.

Insurance Commission General Fund (ICGF)
During the years ICGF contracts of insurance were issued, exposure to significant concentration risk was mitigated by having a diversified portfolio across the large geographic area of Western Australia. As this fund has been in run-off for a considerable time, the concentration risk has increased as the majority of outstanding liabilities at the end of the reporting period arise from risks associated with common law liability and long-tail workers' compensation claims.

To mitigate the risk contained in the ICGF, the majority of which stems from the common law liability resulting from asbestos mining activities at Wittenoom between 1943 and 1966, a Deed of Agreement exists between the Insurance Commission, CSR Limited and Midalco Pty Ltd providing the Insurance Commission with a reimbursement for a set proportion of losses incurred from these activities.

Employers' Indemnity Supplementation Fund (EISF)
At the end of the reporting period, all claims made against the Insurance Commission under the EISF result from insurance contracts associated with the workers' compensation class of business and as a result there is considerable concentration risk. This risk is mitigated by a requirement under the EISF that the Insurance Commission has a right of reimbursement from WorkCover WA for all costs associated with the run-off of claims under this Fund.

(c) Development of Outstanding Claims Liability

The majority of insurance contracts under the management of the Insurance Commission deal with classes of insurance where the estimate of liability is subject to material change following the close of the contract period. Claims Development Tables have been provided (refer Note 3) which detail outstanding claims estimates for underwriting years at successive year-ends.

To ensure the adequacy of outstanding claims provisions all active claims have estimates placed by a Claims Officer, and independent actuaries review the outstanding claims provisions at least annually. The Insurance Commission has adopted a prudential margin which is sufficient to achieve a 75% level of adequacy based solely on liability risk (i.e. with no allowance for asset risk or asset returns above risk-free rates). The central claims estimate is first discounted to present value using risk-free rates. The prudential margin is then added to this to arrive at the provision for outstanding claims liability.

Nevertheless the provision for outstanding claims liability is subject to significant uncertainty, related to:
- Future trends in claim frequency;
- Future changes in social and judicial attitudes;
- Changes in legislation; and
- Changes in economic conditions (e.g. inflation, investment returns).

6.3 Financial Risk Management

The Insurance Commission is subject to a number of key financial risks which include market risk, liquidity risk, interest rate risk, foreign exchange risk and credit risk. To minimise exposure to these risks, which can affect assets and liabilities backing insurance contracts, the Insurance Commission's investment decisions are undertaken in accordance with Prudential Guidelines for Investments (PGIs) approved by the Treasurer of Western Australia.

The PGIs set out the authorised investments which the Insurance Commission may hold in its investment portfolio along with minimum credit rating requirements for Cash, Fixed Interest and over-the-counter derivative instruments. The PGIs also set out the Insurance Commission's investment powers, investment objectives and asset allocation.

6.3 Financial Risk Management (continued)

The Board, in consultation with its independent asset consultant and input from the Investments Division, determines investment strategy, asset allocation mix, investment manager configuration and recommends investment manager appointments to the Treasurer of Western Australia. The allocation of assets between the various types of financial instruments is determined to achieve each Fund's investment objectives. Divergence from target asset allocations and the composition of the portfolios are monitored by the Chief Investment Officer.

The Insurance Commission's investing activities expose it to market risk, credit risk and liquidity risk from its use of financial instruments. The Board has overall responsibility for the establishment and oversight of the Insurance Commission's risks for its investment activities.

The Insurance Commission has two investment Funds, Main Fund and MVCIF. In order to return the most efficient investment operation possible for all of the Insurance Commission's funds, the Board has approved pooling the investments and calculating MVCIF's investment portfolio value on a pro rata basis. The total investment portfolio is managed by a combination of external and internal investment managers. The Investments Division is responsible for managing the Main Fund and MVCIF Cash portfolios. Managers with discrete portfolios have investment mandates which set out risk parameters restricting their investment activities. Managers of pooled investment vehicles are selected having regard to the risk parameters of each Trust Deed.

Compliance monitoring is undertaken on a daily basis by the external Custodian. The Custodian reports to the Investments Division on compliance of discrete portfolios with respect to each individual investment mandate. This includes compliance with authorised investments, limits on allocations relating to the size of individual investments, issuers or sectors and credit rating requirements as set out in the PGIs. Any findings/breaches are immediately confirmed with the external investment manager and steps are taken to rectify. All material compliance incidents are reported to the Audit and Risk Committee.

External investment managers provide the Investments Division with a Risk Management Statement which sets out their processes and procedures for managing derivatives. Derivatives are not used in the internally managed investment portfolios. Each external investment manager is requested on an annual basis to provide the Investments Division with an audit sign-off relating to adherence with its internal policies and procedures. The Insurance Commission's internal auditors review the policies and procedures relating to internally managed investment portfolios.

All investment managers are required to meet performance targets based on market indices (benchmarks) for their respective asset classes. The Investments Division continually monitors the performance of all managers including its own performance.

(a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Insurance Commission's income or the value of its holdings of financial instruments. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates); interest rate risk (due to fluctuations in market interest rates); and price risk (due to fluctuations in market prices). The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on investments.

Currency Risk

The Insurance Commission is exposed to currency risk of net foreign currency exposures and this is managed as follows:

- A currency overlay is used to passively hedge 25% (2017: 50%) core Global Equities exposures.
- Alternative Assets Unit Trusts are fully hedged by the Investment Manager or via a currency overlay.
- Global Listed Infrastructure Assets are 25% hedged by the Investment Manager (2017: 100%).
- Global Unlisted Infrastructure Assets are fully hedged via a currency overlay.
- Global Fixed Interest Unit Trust assets are fully hedged by the Investment Manager.
- Global Listed Property assets are 25% hedged by the Investment Manager (2017: 100%).
- Where possible, unit trust investments domiciled in Australian dollars are utilised.

The Investments Division is responsible for providing the Currency Overlay Manager with updated portfolio values to be hedged. The effectiveness of the currency management processes and the related use of derivatives are actively monitored by the Chief Investment Officer and the external Custodian.

6.3 Financial Risk Management (continued)

The analysis below demonstrates the impact on profit after tax (assumed at a tax rate of 30%) and equity of a movement in foreign currency exchange rates against the Australian dollar on major currency exposures within the investment portfolio at the end of the reporting period. The analysis shows the total currency exposure before the currency hedge overlay (where applicable) has been applied:

	Exposure		Change in Currency Rate		Profit/(Loss) and Equity Increase/(Decrease)	
	2018 $'000	2017 $'000	2018 %	2017 %	2018 $'000	2017 $'000
United States Dollars	652,936	565,951	+20	+20	91,411	79,233
			-20	-20	(91,411)	(79,233)
Euros	201,970	168,125	+20	+20	28,276	23,538
			-20	-20	(28,276)	(23,538)
Great British Pounds	111,258	120,458	+20	+20	15,576	16,864
			-20	-20	(15,576)	(16,864)
Japanese Yen	79,412	55,594	+20	+20	11,118	7,783
			-20	-20	(11,118)	(7,783)
Canadian Dollars	41,315	28,883	+20	+20	5,784	4,044
			-20	-20	(5,784)	(4,044)
Swiss Franc	41,217	54,186	+20	+20	5,770	7,586
			-20	-20	(5,770)	(7,586)

These figures are inclusive of RiskCover Fund's share of the Main Fund's investment pool of the Insurance Commission. The RiskCover Fund's share is offset by a liability in the accounts of the Insurance Commission (refer Note 4.4).

Interest Rate Risk

The Insurance Commission invests in short and long-dated fixed interest securities. Cash and cash equivalents are invested in short-term securities with a maturity of less than one year.

The analysis below demonstrates the impact on profit after tax (assumed at a tax rate of 30%) and equity of movements in interest rates in relation to the base value of interest-bearing investments:

	Exposure		Change in Interest Rate		Profit/(Loss) and Equity Increase/(Decrease)	
	2018 $'000	2017 $'000	2018 %	2017 %	2018 $'000	2017 $'000
Cash and Cash Equivalents	6,434	11,004	+1	+1	45	77
			-1	-1	(45)	(77)
Investments - Current						
Fixed Interest Bonds	14,000	14,000	+1	+1	98	98
			-1	-1	(98)	(98)
Fixed Interest Unit Trusts	250,099	319,106	+1	+1	1,091	941
			-1	-1	(1,091)	(941)
Cash and Cash Equivalents	1,220,438	1,288,797	+1	+1	8,543	9,022
			-1	-1	(8,543)	(9,022)

6.3 Financial Risk Management (continued)

Price Risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to the individual investment, its issuer or other factors broadly affecting all instruments in the market. Since the majority of investments are reported at fair value, a change in market conditions will directly affect net investment income.

Price risk is mitigated by the Insurance Commission holding a diversified investment portfolio. Diversification is achieved across instruments, issuers, asset classes, geographies and investment managers.

At 30 June 2018, 43% (2017: 42%) of the Insurance Commission's investment assets were listed equities and 33% (2017: 20.2%) were unlisted trusts. The analysis below demonstrates the impact on profit after tax (assumed at a tax rate of 30%) and equity of movements in the price of listed equities and unlisted trusts:

	Exposure		Change in Market Price		Profit/(Loss) and Equity Increase/(Decrease)	
	2018 $'000	2017 $'000	2018 %	2017 %	2018 $'000	2017 $'000
ASX	1,065,597	954,077	+20	+20	149,184	133,571
				-20	(149,184)	(133,571)
Dow Jones	463,766	412,102	+20	+20	64,927	57,694
				-20	(64,927)	(57,694)
NASDAQ	180,686	147,758	+20	+20	25,296	20,686
				-20	(25,296)	(20,686)
FTSE	110,249	120,268	+20	+20	15,435	16,838
				-20	(15,435)	(16,838)
Tokyo	78,861	52,971	+20	+20	11,041	7,416
				-20	(11,041)	(7,416)
Frankfurt	71,819	34,475	+20	+20	10,055	4,827
				-20	(10,055)	(4,827)
Euronext Paris S.A	49,293	63,474	+20	+20	6,901	8,887
				-20	(6,901)	(8,887)
SIX Swiss Exchange	41,189	52,507	+20	+20	5,767	7,351
				-20	(5,767)	(7,351)
Unlisted Trusts	1,775,551	982,899	+20	+20	248,577	137,606
				-20	(248,577)	(137,606)

The figures shown are inclusive of the RiskCover Fund's share of the Main Fund's investment pool of the Insurance Commission. The RiskCover Fund's share is offset by a liability in the accounts of the Insurance Commission (refer Note 4.4).

6.3 Financial Risk Management (continued)

(b) Credit Risk

Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations resulting in financial loss to the Insurance Commission. The Insurance Commission's credit policy is contained in the PGIs and sets out the minimum credit rating requirements for cash, fixed interest and over-the-counter derivatives. Credit risk in these securities is mitigated by predominantly investing in rated instruments issued by rated counterparties with credit ratings of at least 'A2-' or better as determined by Standard and Poor's for securities up to 12 months maturity and 'BBB-' for securities more than 12 months to maturity.

The average credit rating of holdings within the overseas fixed interest unit trusts is monitored quarterly by the Investments Division. Breaches of the credit rating policy are rectified immediately. All credit rating breaches are reported to the Audit and Risk Committee.

Emerging market fixed interest securities are restricted to 20% of the total overseas fixed interest exposure and must be securities issued by Sovereign Governments.

Credit risk arising on transactions with brokers is managed by investment managers. The investment managers minimise concentration risk by transacting with numerous brokers.

The Insurance Commission has the following significant credit risk exposures to single counterparties with similar characteristics: National Australia Bank 11%; Westpac Banking Corporation 7%; Commonwealth Bank 6%. The Insurance Commission also has 62.9% (2017: 74.4%) of its recognised investments in Australia.

The carrying amount of the Insurance Commission's investments is the best representation of the maximum credit risk exposure.

The following table relates to the market values of officially rated bonds, short-term discount securities and deposits at call as per Standard and Poor's ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB- are classified as below investment grade. The table excludes listed and unlisted equities, non-fixed interest unit trusts and alternative assets which are subject to market risk rather than credit risk. In addition, this table excludes reinsurance and other recoveries which are shown separately later in this Note. Right of Indemnities (refer Note 2.7) with government agencies are also excluded from this analysis.

	2018 $'000	2017 $'000
AAA to AAA- rating	1,151	4,081
AA+ to AA- rating	12,778	18,753
A+ to A- ratings	22,252	39,671
BBB+ to BBB- ratings	54,364	88,788
Below Investment Grade	166,516	173,068
A1 to A2 (short-term) rating	1,220,438	1,288,797
Credit Risk Exposure	1,477,499	1,613,158

Insurance and Reinsurance Related Credit Risk

The Insurance Commission also has exposure to credit risk for the reinsurance and other recovery arrangements it enters into to offset insurance contract risk. The Insurance Commission reinsures to protect capital and reduce volatility in the event of catastrophic loss. The strategy used for the selection, approval and monitoring of reinsurance arrangements is as follows:

- Reinsurance is approved and placed in accordance with Board delegations and authorisations, which include minimum financial credit ratings for reinsurance counterparties.
- The Department of Treasury annually endorses the retention limits and the limit of reinsurance cover purchased for the RiskCover Fund.
- Reinsurance arrangements are reviewed annually to monitor their effectiveness and suitability of coverage, based on changes in risk exposures, historical losses and the potential for future losses. The financial capacity of the Funds to withstand loss and the cost of reinsurance protection are factors taken into account in determining the level of risk retention.
- The credit quality of current and past reinsurance counterparties is actively monitored.

6.3 Financial Risk Management (continued)

The following tables provide information about the quality of the Insurance Commission's and the RiskCover Fund's credit risk exposure for reinsurance and other recoveries on claims already paid and claims which remained outstanding at the end of the reporting period, but not yet 'invoiced' or claimed from the relevant party. The analysis classifies the assets according to Standard and Poor's counterparty credit ratings. AAA is the highest possible rating. Ratings that fall outside the range AAA to BBB and those which cannot be reliably rated, such as estimates of unknown third party recoveries, are classified as speculative grade. Input tax credits recoverable from the Australian Taxation Office have all been classified as AAA rating.

	2018 ($'000)					
Insurance Commission	**AAA**	**AA**	**A**	**BBB**	**Speculative Grade**	**Total**
Reinsurance and Other Recoveries						
Third Party Insurance Fund	132,432	13,471	9,764	-	3,300	**158,967**
Motor Vehicle (Catastrophic Injuries) Fund	15,586	-	-	-	-	**15,586**
Compensation (Industrial Diseases) Fund	16	-	-	272	-	**288**
Government Insurance Fund	452	-	-	-	2,104	**2,556**
Insurance Commission General Fund	627	-	-	22,537	1,185	**24,349**
Total Reinsurance and Other Recoveries	**149,113**	**13,471**	**9,764**	**22,809**	**6,589**	**201,746**
RiskCover Fund						
Total Reinsurance and Other Recoveries	**6,627**	**481**	**1,865**	**-**	**9,831**	**18,804**

	2017 ($'000)					
Insurance Commission	**AAA**	**AA**	**A**	**BBB**	**Speculative Grade**	**Total**
Reinsurance and Other Recoveries						
Third Party Insurance Fund	125,223	16,400	12,500	-	3,702	157,825
Motor Vehicle (Catastrophic Injuries) Fund	9,483	-	-	-	-	9,483
Compensation (Industrial Diseases) Fund	17	-	-	652	-	669
Government Insurance Fund	303	-	-	-	1,882	2,185
Insurance Commission General Fund	625	-	-	30,240	2,276	33,141
Total Reinsurance and Other Recoveries	**135,651**	**16,400**	**12,500**	**30,892**	**7,860**	**203,303**
RiskCover Fund						
Total Reinsurance and Other Recoveries	**6,945**	**453**	**1,720**	**-**	**8,839**	**17,957**

6.3 Financial Risk Management (continued)

(c) Liquidity Risk

Liquidity risk refers to the risk that the Insurance Commission and the RiskCover Fund will not be able to meet their financial obligations as they fall due. The Main Fund and MVCIF Cash Portfolios are managed to meet the day-to-day liquidity requirements of the insurance business. The target cash allocation is 8% of the Main Fund and 5% of the MVCIF. Cash flows are monitored daily. Cash requirements are met by redeeming investments with the Insurance Commission's Equity and/or Fixed Interest managers. These securities are considered to be liquid.

At 30 June 2018, the mean term to maturity of the Cash Portfolio was 106 days (2017: 125 days). The following tables detail the maturity profile of the Insurance Commission's and the RiskCover Fund's gross undiscounted outstanding claims liability and certain other key financial liabilities, at the end of the reporting period:

	2018 ($'000)				
	Maturity in				
Insurance Commission	**Less than 1 Year**	**1 to 2 Years**	**2 to 5 Years**	**More than 5 Years**	**Total**
Outstanding Claims					
Third Party Insurance Fund	436,222	442,984	859,964	775,765	2,514,935
Motor Vehicle (Catastrophic Injuries) Fund	17,182	11,505	29,150	707,871	765,708
Compensation (Industrial Diseases) Fund	351	304	786	2,353	3,794
Government Insurance Fund	6,358	5,701	12,914	33,320	58,293
Insurance Commission General Fund	9,209	7,868	21,192	64,338	102,607
Total Outstanding Claims	469,322	468,362	924,006	1,583,647	3,445,337
Other Financial Liabilities					
Payables	33,549	-	-	-	33,549
Financial Liabilities - RiskCover Investments	1,054,785	-	-	-	1,054,785
Total	1,557,656	468,362	924,006	1,583,647	4,533,671
RiskCover Fund					
Total	200,695	108,783	148,187	106,922	564,587

	2017 ($'000)				
	Maturity in				
Insurance Commission	**Less than 1 Year**	**1 to 2 Years**	**2 to 5 Years**	**More than 5 Years**	**Total**
Outstanding Claims					
Third Party Insurance Fund	423,034	415,538	617,485	909,279	2,365,336
Motor Vehicle (Catastrophic Injuries) Fund	11,487	8,737	21,352	414,350	455,926
Compensation (Industrial Diseases) Fund	540	413	943	2,656	4,552
Government Insurance Fund	3,243	3,571	9,128	24,871	40,813
Insurance Commission General Fund	11,617	9,537	23,079	68,704	112,937
Total Outstanding Claims	449,921	437,796	671,987	1,419,860	2,979,564
Other Financial Liabilities					
Payables	36,560	-	-	-	36,560
Financial Liabilities - RiskCover Investments	1,066,680	-	-	-	1,066,680
Total	1,553,161	437,796	671,987	1,419,860	4,082,804
RiskCover Fund					
Total	230,944	107,879	156,688	108,949	604,460

7. Tax

The Insurance Commission operates within the National Tax Equivalent Regime (NTER). All Funds of the Insurance Commission are subject to the NTER, except for the Government Insurance Fund. Tax is calculated by reference to the amount of tax equivalent payable or recoverable, to or from the Department of Treasury as calculated under the rules of the NTER. These rules (with limited exceptions) follow the Income Tax legislation and utilise tax rates effective at the end of the reporting period. As a consequence the Insurance Commission is required to comply with AASB 112, 'Income Taxes'.

7.1 Income Tax Equivalent

The income tax expense or benefit represents the tax payable or receivable on the current year's taxable income based on the prevailing income tax rate adjusted for changes in deferred tax assets and liabilities.

	2018 $'000	2017 $'000
Income Tax Equivalent Expense		
Current Income Tax		
Current Income Tax Equivalent Expense	109,482	45,391
Adjustments in Respect of Current Income Tax of Previous Years	(2,995)	-
Deferred Income Tax		
Relating to Origination and Reversal of Temporary Differences	(1,437)	24,482
Income Tax Equivalent Expense Recognised in the Statement of Comprehensive Income	105,050	69,873
Amount Recognised in Other Comprehensive Income		
Re-measurement of Gain on Defined Benefit Plans	(200)	-
Reconciliation of Income Tax to Prima Facie Tax Payable		
Profit Before Tax Equivalent	382,739	263,008
Tax at the Statutory Income Tax Rate of 30%	114,822	78,902
Tax-Free Dividends and Utilisation of Foreign Tax Offsets	(9,564)	(8,309)
Adjustments Recognised in the Current Year in Relation to Prior Years	21	-
Current Year - Building Amortisation	(234)	(722)
Miscellaneous Items	5	2
Income Tax Equivalent Expense	105,050	69,873

7.2 Deferred Tax Equivalent

Deferred tax is accounted for using the balance sheet liability method for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates that are expected to apply when the assets and liabilities are realised or settled, based on tax rates that have been enacted or substantially enacted by reporting date.

Deferred tax assets are recognised to the extent it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset as the Insurance Commission settles its current tax assets and liabilities on a net basis.

Deferred Tax Equivalent Expense	**Balance Sheet**		**Statement of Comprehensive Income**	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred Income Tax				
Deferred Income Tax at 30 June relates to the following:				
Deferred Tax Liabilities				
Revaluations of Investment Properties to Fair Value	-	(22,351)	(22,351)	(15,085)
Investments	(155,694)	(126,892)	28,802	49,731
Property Receipts - Other	(3)	(1,569)	(1,566)	(2,016)
Other	-	(1)	(1)	-
	(155,697)	(150,813)		
Deferred Tax Assets				
Depreciable Plant and Equipment	1,133	1,262	129	143
Trust Income	8,773	6,360	(2,413)	(2,288)
Indirect Claims Settlement Costs	28,652	25,474	(3,178)	(2,591)
Provisions - Various	9,217	8,359	(858)	(3,412)
	47,775	41,455		
Net Deferred Income Tax Liability	(107,922)	(109,358)		
Deferred Income Tax Equivalent (Benefit)/Expense			(1,436)	24,482

8. Explanatory Statement

	Notes	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Profit Increase/(Decrease) From Actual 2018 To: Budget 2018 $'000	Budget 2018 %	Actual 2017 $'000	Actual 2017 %
Premium Revenue	2.1	769,625	771,718	686,714	(2,093)	(0.3)	82,911	12.1
Reinsurance Premium Expense	2.2	(8,564)	(8,100)	(8,421)	(464)	(5.7)	(143)	(1.7)
Reinsurance Commission Revenue	2.1	854	806	839	48	6.0	15	1.8
Net Premium Revenue		761,915	764,424	679,132	(2,509)	(0.3)	82,783	12.2
Claims Expense	2.2	(656,611)	(708,171)	(706,618)	51,560	7.3	50,007	7.1
Reinsurance and Other Recoveries Revenue	2.1	3,676	32,701	21,479	(29,025)	(88.8)	(17,803)	(82.9)
Net Claims Incurred	2.3	(652,935)	(675,470)	(685,139)	22,535	3.3	32,204	4.7
RiskCover Administration Cost Reimbursement	2.1	29,356	30,515	27,237	(1,159)	(3.8)	2,119	7.8
Gross Movement in Unexpired Risk Liability		(6,526)	-	(14,432)	(6,526)	-	7,906	54.8
Recoveries on Unexpired Risk Liability		652	-	3,081	652	-	(2,429)	(78.8)
Net Movement in Unexpired Risk	3.2.3(f)	(5,874)	-	(11,351)	(5,874)	-	5,477	48.3
Premium Collection Costs	2.2	(24,451)	(27,800)	(24,106)	3,349	12.0	(345)	(1.4)
Other Underwriting and Administration Expenses	2.2	(74,182)	(81,199)	(67,069)	7,017	8.6	(7,113)	(10.6)
Underwriting Profit		33,829	10,470	(81,296)	23,359	223.1	115,125	141.6
Investment Income	4.1	446,741	307,181	468,430	139,560	45.4	(21,689)	(4.6)
Investment Expenses	4.2	(21,454)	(27,287)	(24,151)	5,833	21.4	2,697	11.2
RiskCover Investment Return	4.2	(95,656)	(64,163)	(101,788)	(31,493)	(49.1)	6,132	6.0
Other Income	9.2	19,297	2,482	1,814	16,815	677.5	17,483	963.8
Other Expenses		(18)	-	(1)	(18)	-	(17)	(1,700.0)
Profit Before Tax Equivalent		382,739	228,683	263,008	154,056	67.4	119,731	45.5

8. Explanatory Statement (continued)

Explanations are provided below for significance variances between 2018 actual results, 2018 budget and 2017 actual results. Significant variances are considered to be those greater than $10 million to 2018 budget.

Comparison of 2018 Actual Results to 2018 Budget and 2017 Actual

Profit before Tax Equivalent

The Insurance Commission delivered a profit before tax equivalent of $382.7 million, which is $154.1 million (67.4%) better than the budgeted profit of $228.7 million, and $119.7 million better than last year's profit of $263 million (45.5%).

Premium Revenue

The Insurance Commission received $769.6 million in insurance premium revenue, $82.9 million (12.1%) higher than last year's revenue of $686.7 million. The increase reflects the full collection of premium revenue for the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) during the 2018 financial year.

Claims Expense

The Insurance Commission incurred $656.6 million in claims expenses, which is $50 million (7.1%) lower than the previous year. The reduction is largely due to fewer new claims received in 2018 compared to 2017.

Reinsurance and Other Recoveries

Reinsurance and other recoveries for 2018 is $3.7 million, which is $29 million lower than budget of $32.7m and $17.8 million lower than last year's revenue of $21.5 million. Recoveries were inflated in 2017 as a result of two large motor injury reinsurance recoveries being received.

Underwriting Profit

The Insurance Commission recorded an underwriting profit of $33.8m, which is $23.4 million better than the budgeted profit of $10.5m and $115.1m better than last year's result of $81.3 million loss. The positive outcome is largely driven by the underwriting performance of the MVCIF in 2018.

Investment Income

Investment Income of $446.7 million is $139.5 million (45.4%) better than budget of $307.2 million and $21.7 million (4.6%) lower than last year's return of $468.4 million.

The Investment Income rate of return was higher than budget due to the higher returns in Australian Equities (15.4% against target 9.9%), Global Equities (13.6% against target 8.2%), Property (14.7% against target 7.1%), Alternative Assets (7% against target 6.4%) and Fixed Interest (3.5% against target 2.7%) which were all ahead of budget. The Cash (2.2% against target 2.7%) return was below budget.

RiskCover Investment Return

RiskCover investment return represents the RiskCover's Fund share of returns of the investment pool of the Insurance Commission. In 2018, the RiskCover Fund received an investment return of $95.7 million, which is $31.5 million (49.1%) above the budget return of $64.2 million. The Insurance Commission's higher than expected investment return has resulted in the RiskCover Fund receiving a higher investment return.

Other Income

Other income of $19.3 million is significantly higher this year, reflecting an increase in the expected right of indemnity recoveries from the WA Department of Treasury following an increase in the outstanding claims provision for the Government Insurance Fund.

9. Other

9.1 Other Accounting Policies

9.1.1 Initial Application of an Australian Accounting Standard

The Insurance Commission has reviewed all new Australian Accounting Standards and Interpretations effective for the annual reporting period beginning 1 July 2017. None of these Standards or Interpretations are considered to have a material impact on the Insurance Commission's financial statements.

9.1.2 Future Impact of Australian Accounting Standards not yet Operative

The Insurance Commission cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by Treasurer's Instruction 1101. This Treasurer's Instruction has not mandated the early adoption of any Australian Accounting Standards or Interpretations. The following summary outlines the future Standards which may have an impact on the Insurance Commission:

Title	Operative Date
AASB 9 Financial Instruments	1 January 2018
AASB 15 Revenue from Contracts with Customers	1 January 2018
AASB 16 Leases	1 January 2019
AASB 17 Insurance Contracts	1 January 2021

The Insurance Commission will apply the standards and amendments detailed above for the reporting periods beginning on the operative dates set out above. An initial assessment of the financial impact of the standards and amendments has been undertaken. AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers are not expected to have a material impact on the financial statements or accounting policies.

The application of AASB 16 will result in the recognition of all leases on the Balance Sheet in the form of a right-of-use asset and a corresponding lease liability. As a result, the new standard is expected to effect the treatment of the Insurance Commission's office space lease.

AASB 17 (for-profit entities) was issued in July 2017 and will replace the current Insurance Standards. AASB 17 is expected to be expanded to include non-profit entities in late 2018 and include 'insurance-like' arrangements that are created by statute rather than contractual arrangement.

AASB 17 is not expected to have a material impact overall on the financial statements of the Insurance Commission however it is anticipated that there will be significant disclosure changes.

The inclusion of 'insurance-like' arrangements may have a material impact on the RiskCover Fund which currently applies AASB 137 Provisions, Contingent Liabilities and Contingent Assets. If the RiskCover Fund is classed as 'insurance-like' then it will be required to include a risk margin on its outstanding claims liabilities and there will be significant disclosure changes. Once AASB 17 for non-profit entities has been finalised a full review of the impacts on the RiskCover Fund will be undertaken by management.

9.2 Other Income

	Notes	2018 $'000	2017 $'000
Right of Indemnity - Government Insurance Fund	(i)	18,908	1,373
Interest		187	151
Net Gains Arising from Disposal of Plant and Equipment		-	23
Sundry		202	267
		19,297	1,814

(i) The Government of Western Australia assumed liability for any accumulated deficit existing in the Government Insurance Fund after Cabinet's decision in June 1996. This amount represents the movement through profit or loss in the right of indemnity agreement.

9.3 Plant and Equipment

Plant and equipment is carried at cost less accumulated depreciation and any impairment in value. All Plant and Equipment is depreciated using the straight line method over the asset's estimated useful life. The estimated useful life is between three and eight years for all classes. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Reconciliation of Carrying Amount

	2018 ($'000)					
Current Year	**Plant and Equipment**	**Furniture and Fittings**	**Computer Hardware**	**Motor Vehicles**	**Leasehold Improvements**	**Total**
Cost or Valuation						
Balance at Start of the Year	795	171	7,206	1,252	4,039	**13,463**
Additions	-	5	349	285	215	**854**
Disposals	(16)	(22)	(1,413)	(510)	-	**(1,961)**
Balance at End of the Year	779	154	6,142	1,027	4,254	**12,356**
Accumulated Depreciation						
Balance at Start of the Year	667	123	6,210	251	3,927	**11,178**
Depreciation Expense for the Year	35	3	541	169	61	**809**
Disposals	(15)	(22)	(1,413)	(140)	-	**(1,590)**
Balance at End of the Year	687	104	5,338	280	3,988	**10,397**
Carrying Amount at End of the Year	**92**	**50**	**804**	**747**	**266**	**1,959**

	2017 ($'000)					
Prior Year						
Cost or Valuation						
Balance at Start of the Year	687	168	6,898	1,298	4,039	13,090
Additions	112	3	594	492	-	1,201
Disposals	(4)	-	(286)	(538)	-	(828)
Balance at End of the Year	795	171	7,206	1,252	4,039	13,463
Accumulated Depreciation						
Balance at Start of the Year	647	121	5,981	239	3,859	10,847
Depreciation Expense for the Year	24	2	515	202	68	811
Disposals	(4)	-	(286)	(190)	-	(480)
Balance at End of the Year	667	123	6,210	251	3,927	11,178
Carrying Amount at End of the Year	128	48	996	1,001	112	2,285

All Plant and Equipment is held within the Insurance Commission General Fund. Non-current assets are not carried at an amount above their recoverable amount. Where the carrying value of an asset exceeds the recoverable amount, the asset is written down. The recoverable amount is the higher of fair value, less cost to sell and value in use. In assessing value in use, estimated future net cash flows are, where applicable, discounted to their present value using a market-determined risk-adjusted discount rate.

9.4 Intangibles

Intangible Assets are non-monetary assets with no physical substance that are separately identifiable, controlled by the Insurance Commission and have future economic benefits. Acquisitions of intangible assets over $1,000 are capitalised. Internally generated intangible assets that qualify for recognition are capitalised. The intangible assets reported primarily relate to computer software which is not of an essential nature required to operate specific items of hardware. Intangible assets include amounts relating to work in progress on designing and implementing computer software. This software is amortised over four years and tested for impairment whenever there is an indication that the asset may be impaired.

	2018 $'000	2017 $'000
Software at Cost	33,190	31,557
Work in Progress	382	728
Accumulated Amortisation	(28,864)	(26,967)
Carrying Amount at End of the Year	4,708	5,318
Reconciliation:		
Software at Cost		
Balance at Start of the Year	31,557	27,940
Additions	1,633	3,617
Balance at End of the Year	33,190	31,557
Work in Progress		
Balance at Start of the Year	728	2,396
Additions	994	1,294
Completed and Transferred to Software at Cost	(1,340)	(2,962)
Balance at End of the Year	382	728
Accumulated Amortisation		
Balance at Start of the Year	(26,967)	(24,464)
Amortisation Expense for the Year	(1,897)	(2,503)
Balance at End of the Year	(28,864)	(26,967)

9.5 Contingencies (Bell)

The Insurance Commission considers that it has a contingent asset that will eventually materialise from the Bell Liquidation distribution process. The total amount of the recoveries it will ultimately receive cannot yet be ascertained.

The Insurance Commission has a potential exposure to costs of litigation and indemnities associated with funding the Liquidators' action. Due to the uncertainty of litigation outcomes, it is not practical to estimate the potential financial effect of these indemnities upon the Insurance Commission at the end of the reporting period.

9.6 Provisions

Provisions are recognised when the Insurance Commission has a present expected obligation (legal or constructive) as a result of a past event of which a reliable estimate can be made.

	Notes	2018 $'000	2017 $'000
Current			
Employee Benefits	(i)	4,632	4,872
On-Costs Relating to Employee Benefits	(ii)	255	248
Investments		3,594	3,332
Sundry		692	96
		9,173	8,548
Non-Current			
Employee Benefits	(iii)	6,826	9,044
On-Costs Relating to Employee Benefits	(ii)	205	246
		7,031	9,290

(i) Liabilities for employee entitlements which are expected to be settled within twelve months of the end of the reporting period, are measured at their nominal amounts using the salary rates expected to be paid when the liability is settled.

(ii) The provision of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation, payroll tax and workers' compensation premiums. The associated expense is included under Employee Benefits (within Other Underwriting and Administration Expenses).

(iii) Liabilities for employee entitlements (long service leave) which are not expected to be settled within twelve months of the end of the reporting period are measured at the present value of their future estimated cash outflows. In determining the liability, consideration has been given to future increases in salary rates, experience with staff departures and periods of service.

The Insurance Commission has two defined benefit superannuation schemes, the Pension Scheme and the pre-transfer benefits for employees who transferred to the Gold State Superannuation Scheme. The value of any excess of accrued superannuation benefits over the net fair value of assets is recorded as a liability of the Insurance Commission. This liability is brought to account on the basis that there is no pre-funding of the employer's liability for benefits under these schemes.

Critical Accounting Judgement and Estimates

The Pension Scheme and the pre-transfer benefit for employees who transferred to the Gold State Superannuation Scheme are unfunded and the liability for future payments is provided for at the end of the reporting period. The present value of the liabilities is determined following an independent actuarial assessment on behalf of the Government Employees Superannuation Board.

9.7 Dividends

Dividends are only paid from the Third Party Insurance Fund and are recognised as a liability in the period in which they are declared. The following dividends were declared and paid by the Insurance Commission to the Government of Western Australia during the year ended 30 June:

Final Dividend payment for the prior year	21,882	-
Special Dividend payment	104,708	95,374
Interim Dividend payment for current year	22,673	21,569
	149,263	116,943

In light of its strong investment performance, the Insurance Commission paid a $54.3 million special dividend in December 2017 and $50.4 million in June 2018.

9.8 Notes to the Statement of Cash Flows

Cash and cash equivalents are carried at the face value of the amounts deposited or drawn. The carrying amounts of cash assets approximate to their fair value.

For the purpose of the Statement of Cash Flows, cash includes cash assets on hand and in banks, net of any bank account liability, together with short-term discount securities and deposits at call, which are investments integral to the Insurance Commission's general insurance activities (all of which are readily convertible to cash and are subject to an insignificant risk of change in value).

	Notes	2018 $'000	2017 $'000
Reconciliation of Profit after Tax Equivalent to Net Cash Flow from Operating Activities:			
Profit after Tax Equivalent		277,689	193,135
Non-Cash Items			
Depreciation and Amortisation		2,706	3,315
Impairment of Receivables		(83)	-
Investments Foreign Exchange Movement		(26,143)	23,644
Increase in Fair Value of Investments		(88,342)	(162,957)
Movement in Income Tax Provisions		(1,436)	24,482
Other		17	(23)
Amounts Recognised Directly in Equity		469	-
Decrease/(Increase) in Assets			
Current Receivables		40,157	39,042
Fair Value of Investments Realised		(145,177)	(139,601)
Deferred Premium Collection Costs		96	790
Other Current Assets		(230)	(12)
Non-Current Receivables		(8,935)	(7,062)
Increase/(Decrease) in Liabilities			
Current Payables		3,912	536
Current Tax Payable		69,653	4,603
Current Outstanding Claims		18,765	(33,079)
Current Unearned Premium		5,558	65,629
Current Unexpired Risk Liability		6,526	14,432
Current Provisions		363	(196)
Current Other Liabilities		540	39
Non-Current Outstanding Claims Liability		232,583	264,175
Non-Current Provisions		(2,259)	(782)
Net Cash Flow from Operating Activities		386,429	290,110
Reconciliation of Cash			
Cash and Cash Equivalents at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Cash and Cash Equivalents		6,434	11,004
Investments	4.3	1,220,438	1,288,797
		1,226,872	1,299,801

9.9 Expenditure Commitments

Lease Expenditure Commitments

On 10 March 2016, the Insurance Commission signed a 10-year operating lease to rent commercial offices within the Forrest Centre at 221 St Georges Terrace.

	2018 $'000	2017 $'000
Less than 1 Year	3,281	3,170
1 - 5 Years	14,390	13,911
Greater than 5 Years	10,894	14,721
	28,565	31,802

9.10 Compensation of Key Management Personnel

The Insurance Commission has determined that key management personnel include members of the Board of Commissioners and the Executive Team. The Insurance Commission does not incur expenditure for the compensation of Ministers and those disclosures can be found in the Annual Report on State Finances.

Total compensation for key management personnel for the reporting period are presented within the following bands.

Income Band ($)	Key Management Personnel	
	2018	2017
40,001 - 50,000	4	4
70,001 - 80,000	1	1
90,001 - 100,000	1	1
100,001 - 110,000	-	1
240,001 - 250,000	1	1
250,001 - 260,000	3	4
260,001 - 270,000	1	-
280,001 - 290,000	-	1
290,001 - 300,000	3	3
370,001 - 380,000	1	-
390,001 - 400,000	1	1

	$'000	$'000
Short Term Employee Benefits	3,003	3,000
Post Employment Benefits	282	281
Other Long Term Benefits	(258)	56
Total Compensation	3,027	3,337

At 30 June 2018, no key management personnel (2017: Nil) were members of the State Pension Scheme.

9.11 Related Parties

The Insurance Commission is a statutory authority of the Government of Western Australia. The RiskCover Fund is underwritten by the Government of Western Australia and is managed by the Insurance Commission on behalf of the Government.

Related parties of the Insurance Commission and RiskCover include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all key management personnel (refer Note 9.10), their close family members and their controlled or jointly controlled entities;
- other statutory authorities and Government departments, including their related bodies, that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Significant transaction with Government-related entities:

- RiskCover Administration Cost Reimbursement received for its use of Insurance Commission's services (refer Note 2.1);
- Premium collection costs paid to Department of Transport (refer Note 2.2);
- Claims and administration costs reimbursement from WorkCover WA for the Employers Indemnity Supplementation Fund (refer Statement of Cash Flows);
- Claims and administration costs reimbursement from Department of Treasury, Water Corporation and Public Transport Authority for the Government Insurance Fund (refer Statement of Cash Flows);
- Dividend payments made to Department of Treasury (refer Note 9.7);
- Income Tax Equivalent payments made to Department of Treasury (refer Statement of Cash Flows);
- Insurance Duty paid to the Office of State Revenue (refer Statement of Cash Flows);
- Premium Income received from Government Agencies for RiskCover services (refer Note 3.6);
- Claims Costs paid on behalf of Government Agencies from RiskCover (refer Note 3.6);
- Costs paid to State Solicitors Office for the Bell litigation of $1.2 million (2017: $1.1 million); and
- Superannuation payments to GESB of $5.9 million (2017: $6 million).

Material transactions with related parties:

Outside of general citizen type transactions, the Insurance Commission had no other related party transaction with Ministers, key management personnel or their close family members or their controlled or jointly controlled entities.

9.12 Loss Through Theft, Default and Other Causes

	Notes	2018 $'000	2017 $'000
Write-Off of Revenue and Debt	(i)	98	-
Recovery of Losses	(ii)	-	1

(i) Comprises Reinsurance Debt of $82,218, CIDF Debt of $1,430 and Investment Debt of $14,255 (2017: Nil).

(ii) Recoveries of Losses of $Nil (2017: $1,217).

Potential Claims Recoveries Written-Off

For the Third Party Insurance Fund, the Insurance Commission has a statutory obligation to pay a third party claim. Where the negligent driver of a vehicle was in breach of the warranties of the policy, the vehicle was uninsured or where a third party was at fault, the Insurance Commission seeks to recover the costs of the claim from the driver or the third party.

9.12 Loss Through Theft, Default and Other Causes (continued)

In accordance with Australian Accounting Standards, potential recoveries are assessed with regard to the ability of the debtors to meet their obligations. These recoveries have not been brought to account as income because the amount to be recovered could not be reliably measured and consequently the write-off of these debts has not been charged as an expense in the Statement of Comprehensive Income.

The Third Party Insurance Fund debt write-offs below for the 2018 financial year are shown net of recoveries received from negligent owners or drivers of $124,107 (2017: $132,716). In accordance with Section 48 of the *Financial Management Act 2006,* potential recoveries were submitted for write-off from the following:

	Notes	2018 $'000	2017 $'000
Third Party Insurance Fund		23,965	67,880
Amounts Written-Off by the Board		22,378	24,956
Amounts Written-Off by the Minister		1,587	1,974
Amounts Written-Off by the Governor		-	40,950
		23,965	67,880
RiskCover Fund - Amounts Written-off by the Board	(i)	112	-

(i) Recoveries arise from instances where the RiskCover Fund seeks to recover the costs of a claim paid from a third party or the insured.

9.13 Events Occurring after the Reporting Period

Effective 1 July 2018, the *Civil Liability Act 2002* was amended to remove the statute of limitations for child sexual abuse claims. It is expected that the Insurance Commission through the Government Insurance Fund and the RiskCover Fund will be exposed to claims arising from this legislative change.

Outstanding claims provisions held at 30 June 2018 have not been adjusted to reflect the additional claims exposure as the number and quantum of potential claims cannot yet be reliably estimated.

6. Disclosures and Legal Compliance

6.1 Ministerial Directions

No Ministerial directions were received during the year.

6.2 Other Financial Disclosures

6.2.1 Pricing Policies

The pricing philosophy for the Insurance Commission and RiskCover is based on regular WA inflation-linked average weekly earnings increases. Average weekly earnings is the most relevant index for motor injury insurance and workers' compensation schemes as the majority of claims costs (i.e. claims for loss of income, medical and allied health costs) are directly linked to wage inflation.

Motor Injury Insurance

Each financial year, the Insurance Commission makes an assessment of the extent to which premium revenue, together with other income expected to be received, will be sufficient to meet the claims costs and other expenses anticipated to arise or be incurred.

From 1 July 2018, motor injury insurance premium rates increased by 2.4%. The increase responds to cost pressures on claims expenses in the CTP and CIS schemes, and is in line with wage inflation forecasts.

Following this change, the annual cost of motor injury insurance in Western Australia for a family vehicle at 1 July 2018 was $431.

RiskCover

Fund contributions are set to ensure sufficient funds are collected to pay liabilities and administration costs. Individual contributions are determined by agency per class of business.

The key outcomes that RiskCover aims to achieve in setting agency contributions are:

- equity for insured agencies
- transparency in the fund contribution methodology;
- minimum cross-subsidisation;
- protection against major events; and
- incentives for risk management.

6.2.2 Capital Works

In 2018, the Insurance Commission invested in four internal capital works programs.

Workers' Compensation External Claims Submission	
COMPLETION DATE	July 2017
FINAL COST	$310,761

The Insurance Commission has improved the workers' compensation claims process for WA public sector agencies and injured workers. Changes to the process have been made to allow injured workers to lodge workers' compensation claims online directly to their nominated workers' compensation representative. Agency representatives can also log in online to review and approve lodged workers' compensation claims from staff. These changes enable more efficient processing of workers' compensation claims, reduced paper handling and reduced data entry.

Business Services Common User Interface	
COMPLETION DATE	December 2017
FINAL COST	$392,080

This project has delivered a common-user interface for the Insurance Commission's Business Services team to achieve operational efficiencies through consolidation of claim support activities and functions. This project complements the previous introduction of optical character recognition software.

Business Intelligence and Analytics	
COMPLETION DATE	April 2018
FINAL COST	$490,831

The Insurance Commission has enhanced its ability to analyse motor injury insurance data through the development of a datamart. The project delivers an improved reporting and benchmarking capability to support decision making.

Automated Testing	
COMPLETION DATE	May 2018
FINAL COST	$184,063

The Insurance Commission established an automated testing regime for software used by the business. Automated testing allows early identification of software defects, reduces the time taken for new system deployment and extends the utility of existing systems.

6.3 Governance Disclosures

6.3.1 Employment and Industrial Relations

The Insurance Commission operated below the full-time equivalent (FTE) budget throughout the year, and as at 30 June 2018, the total FTE count was 342.9.

Other than the Chief Executive, the Insurance Commission's workforce is employed under the *Insurance Commission of Western Australia Act 1986*. Remuneration and other working conditions are determined by the Insurance Commission, subject to the Government Officers (Insurance Commission of Western Australia) Award 1987 and the Government Officers (Insurance Commission of Western Australia) General Agreement 2017.

The Chief Executive is appointed under the *Public Sector Management Act 1994* with remuneration and other terms of employment determined by the Salaries and Allowances Tribunal.

Workforce Diversity

61% Women

39% Men

1.1% Indigenous Australians

3% People with disability

39% Women in leadership

3.8% Youth

24% Cultural diversity

Staff Profile

The Insurance Commission's human resource planning process is aligned with the objectives set out in our Statement of Corporate Intent (SCI) and Strategic Development Plan (SDP).

A Workforce and Diversity Plan that is linked to the SCI and SDP forecasts internal labour demand and supply, together with strategies to ensure the right people are recruited with the right skills when the business requires them.

The Insurance Commission aims to attract, retain and develop a diverse and talented workforce, focusing particularly on increasing the representation of women in senior leadership roles, Indigenous Australians and the youth cohort – areas where improvement in workforce diversity is required.

The Insurance Commission participated in the public sector's Voluntary Targeted Separation Scheme (VTSS) with 53 employees (13% of the workforce) accepting offers of voluntary severance.

Workforce Development

The Insurance Commission's structured learning and development strategies are designed to equip employees with the required skills and knowledge to effectively undertake their current roles and develop their capabilities for career advancement.

The Insurance Commission runs its workforce development program across three levels: all staff, leadership group and people managers.

A second intake of employees during the year into a formal mentoring program also enhanced employee talent identification and development while supporting workforce diversity initiatives.

Technical and compliance training for the insurance claims officer cohort continues to be an important focus for the insurance divisions.

The Executive Committee undertook a review of the Insurance Commission's corporate culture and employee values during the year. The corporate culture was reset with an increased emphasis on high performance and innovation, and a stronger focus on customers and stakeholders. Employee values were also refreshed to support the desired cultural shift. Encouraging progress has been achieved and the subsequent findings and recommendations from the Service Priority Review of the Public Sector reinforced the direction of the Insurance Commission's cultural change program.

Workforce Diversity Initiatives

The Insurance Commission continued to progress initiatives during 2018 to increase the representation of women in senior leadership roles and improve the recruitment and retention of the youth cohort. These initiatives are promoted by an internal Talent Identification Committee and the Human Resources section. Key activities and outcomes achieved in 2018 were:

Women in Leadership

- Increased the number of females in leadership roles to 39% from 35% achieved the prior year.
- Improved succession planning so that at least 40% of senior positions have a female and male successor.
- Delivery of women in leadership training to 21 aspiring leaders.
- Delivery of a second formal mentoring program for 16 mentees of whom 50% are female.
- Further promotion of development opportunities across the organisation.
- Continued redaction of references to gender in resumes to reduce unconscious bias. This contributed to females representing 74% of all candidates assessed as being suitable and recommended for advertised vacancies.

Youth

- Increased the youth cohort to 3.8% from 2.2% achieved the prior year.
- Continued the graduate program, which gives candidates the opportunity to rotate through different areas of the organisation.
- Revised the recruitment process so that selection panels are informed of diversity outcomes being sought from the process, including increasing our youth cohort.
- Supported youth traineeship programs.

6.3.2 Board and Committee Remuneration and Attendance

Position	Name	Board attendance at 8 meetings	Audit and Risk Committee attendance at 7 meetings	Gross annual remuneration*
Chairman, Member of Audit and Risk Committee	Frank Cooper AO	8	5	$98,273
Deputy Chairman, Chairman of Audit and Risk Committee	John Scott	8	7	$73,696
Commissioner, Member of Audit and Risk Committee	Andrea Hall	8	7	$49,137
Commissioner	Carol Dolan #	8	-	$49,137
Commissioner	Rob Bransby #	8	-	$49,137
Commissioner	Yasmin Broughton #	8	4	$49,137
Chief Executive, Commissioner *ex officio*	Rod Whithear #	8	7	$393,445

#Not a member of the Audit and Risk Committee.

6.3.3 Compliance with Public Sector Standards and Ethical Codes

The Insurance Commission recognises the value of strong governance and is committed to proactive and prudent risk and compliance management in the performance of its functions.

An Audit and Risk Committee assists the Board of Commissioners to monitor and oversee risk and compliance activities. An Internal Audit function provides assurance of the risk management approach adopted by Management and independently reviews risk mitigation actions in key operational areas. An External Audit function provides another level of assurance on risk and compliance management.

The Insurance Commission recognises ISO 31000 and ISO 19600 as providing guidance on best practice risk and compliance management, and seeks to align its approach to those standards.

During the year, the Insurance Commission continued to develop its risk and compliance management capability. This included an increased focus on strategic and annual planning and accountability, refinement of its risk appetite statement and improved proactive management of risks to support strong performance.

Further risk information is available in Note 6 of the Financial Statements.

Existing controls provide reasonable assurance of compliance with public sector standards and ethical codes. The Insurance Commission's Code of Conduct (Code) is integrated into its induction program and available to staff through an intranet. Awareness training is undertaken for key aspects of the Code, including Accountable and Ethical Decision Making training.

During the year, there were no claims received for breach of the Public Sector Standards.

Supporting the Disability Sector

The Insurance Commission sponsored the inaugural Excellence in Innovation Award at the 2018 WA Disability Support Awards to promote innovation in the care sector with the aim of increasing the independence of its clients.

The Insurance Commission presented Koondoola therapist, Ms Holly Bridges, the inaugural Excellence in Innovation Award at the 2018 WA Disability Support Awards.

Ms Bridges won the award for her neuroplasticity work that helps people with disabilities improve their physical and social presentations.

The three other finalists for the Excellence in Innovation Award were the AT Chat Team from the Independent Living Centre WA, the ROAM Project Team from VisAbility and Therapy Professional Services – Children's Services from Rocky Bay.

6.3.4 Disability Access and Inclusion

The Insurance Commission is committed to increasing awareness of access and inclusion issues and improving our services to the community.

Our Disability Access and Inclusion Plan (DAIP) 2014-17 provides the framework and practical strategies to improve access and inclusion for people with disability who engage with our organisation and its services.

During the year, the Insurance Commission commenced development of its new DAIP for 2018 to 2022. The Plan has an increased focus on services we provide to people with disability and seeks to improve employment outcomes for people with disability.

In 2018, the Insurance Commission partnered with National Disabilities Services WA to create the 'Excellence in Innovation Award' at the WA Disability Support Awards (see above).

The seven DAIP outcomes and our 2018 strategies against each outcome are listed on the next page.

Outcome 1: People with disability have the same opportunities as other people to access the services and events organised by the Insurance Commission.

Action: All training venues utilised by the Insurance Commission are accessible.

Two community workshops were held at National Disability Services WA for providers of care and support services to people with catastrophic injuries within the Catastrophic Injuries Support (CIS) scheme.

Outcome 2: People with disability have the same opportunity as other people to access the buildings and facilities of the Insurance Commission.

Action: Upgraded key building facilities to improve access including:

- Universal accessible meeting room installed.
- Toilets for people with disability upgraded to comply with access requirements.
- Installation of automatic swing and sliding doors for numerous meeting and other rooms to improve access.

Outcome 3: People with disability receive information from the Insurance Commission in a format that will enable them to access the information as readily as other people are able to access it.

Action: The Insurance Commission website meets WCAG 2.0 standards and accessibility guidelines. The website has a disability access audit tool for checking content for compliance with these standards and guidelines. Information and documents are available in alternative formats on request.

Outcome 4: People with disability receive the same level and quality of service as other people from Insurance Commission employees.

Action: Presentations provided by claimants and service providers to our staff to improve customer service, increase awareness of access and inclusion challenges, and highlight key trends and impacts on our business.

Insurance Commission employees participated in the Wheelchair Challenge during the year, organised by Rebound WA, to improve understanding of the access needs and challenges of people with disability to assist in providing better services.

A customer service program was conducted for employees of the Motor Injury Insurance Division to enhance our service delivery and improve outcomes for the stakeholders.

Outcome 5: People with disability have the same opportunities as other people to make complaints to the Insurance Commission.

Action: The Complaints Handling Policy and Procedure was reviewed in accordance with Australian Standards and industry best practice. Complaints can be made via website, phone, email or face to face.

The Insurance Commission website is accessible via mobile devices and screen readers.

Outcome 6: People with disability have the same opportunities as other people to participate in any public consultation that the Insurance Commission may undertake.

Action: Hosted two community workshops for service providers of the CIS scheme. All service providers were invited to provide feedback on the performance of the scheme and identify areas for continued improvement.

Outcome 7: People with disability have the same opportunities as other people to obtain and maintain employment with the Insurance Commission.

Action: Continued to improve education of recruitment and selection panels to increase employment outcomes for people with disability. Provided trainee employment opportunities for youth with disability.

Ongoing support services provided to employees with disability.

6.3.5 Recordkeeping Plan

The Insurance Commission maintains a Recordkeeping Plan approved by the State Records Commission. The Recordkeeping Plan sets out the recordkeeping system, training program and reporting for the organisation. Recordkeeping training continues to be undertaken by all new staff via an induction program which details employee roles and responsibilities for compliance with the organisation's Recordkeeping Plan. The Insurance Commission's intranet houses the Recordkeeping Plan and related documentation. Routine reporting is undertaken on the performance of recordkeeping systems and training delivered.

6.3.6 Substantive Equity

Our employment practices align with the PSC's Employment Standards and are designed to be transparent and based on the principles of merit and equity.

6.3.7 Use of Credit Cards

There have been no instances in 2018 of Insurance Commission credit cards being used for personal use.

6.3.8 Occupational Safety and Health

The Insurance Commission has a longstanding high level commitment to maintain a positive safety culture in which our Occupational Safety and Health (OSH) systems do more than just aim for compliance.

Our OSH goal is to ensure no employee, contractor or visitor is harmed at work. An independent auditor was appointed to undertake an assessment of the Insurance Commission's OSH policies and programs against the WorkSafe Plan. The Auditor assessed the Insurance Commission as operating at the 'Platinum' Level recognising the long-term strategic approach to managing our OSH requirements which exceed the legislative responsibilities. It also reflects a positive OSH culture and high levels of employee engagement. However, it is acknowledged that a sustained focus on office ergonomics and hazard identification is required if we are to achieve our goal of no injuries at work.

The Insurance Commission's OSH Committee performs an important role providing a forum for employees to be engaged on OSH matters.

Six workers' compensation claims were lodged during the year. Three of these are pending a decision on liability by our insurer, two resulted in lost time and there was one with no lost time. Injured employees are supported in their return to work under the *Workers' Compensation and Injury Management Act 1981*.

Performance against the targets of the PSC's Circular 2018-03: Code of Practice: OSH in the WA Public Sector is listed on the next page.

Occupational Safety and Health Reporting

	Actual Results			Results Against Target	
Measure	**2016**	**2017**	**2018**	**Target**	**Comment on Result**
Number of fatalities	0	0	0	0	Achieved
Lost time injury and/or disease incidence rate	0.86	0.27	0.58	0 or 10% reduction	Not achieved
Lost time injury and/or disease severity rate	0	0	0	0 or 10% reduction	Achieved
Percentage of injured workers returned to work: (i) within 13 weeks	100%	100%	50%	Actual Result	-
(ii) within 26 weeks	100%	100%	50%	≥ 80% within 26 weeks	Not achieved
Percentage of managers trained in OSH and injury management responsibilities	49%	88%	78%	≥ to 80%	Not achieved

6.3.9 Market Research and Advertising Expenditure

The Insurance Commission incurred $47,601 expenditure in 2018 to advertise job vacancies, motor injury insurance premium rates and the sale of a commercial office building. Expenditure was also incurred to survey RiskCover customers and to direct people injured in vehicle crashes to the Insurance Commission's website to make a claim.

Market Research and Advertising Expenditure

Type	Organisation	Total
Advertising Agencies	Adcorp and State Law Publisher	$6,747
Media Advertising	Carat and Sensis	$24,964
Market Research	Painted Dog Research	$15,890
Total		$47,601

* No expenses incurred for polling or direct mail organisations.

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