



**Insurance Commission
of Western Australia**

2023

End of Year Performance Report

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END-OF-YEAR PERFORMANCE REPORT

The Insurance Commission's end-of-year performance report presents unaudited financial and non-financial information to transparently provide our stakeholders with an early indication of performance for the 2022-23 financial year (herein referred to as 2023).

The Insurance Commission generated \$2 billion in revenue and earnings in 2023. We received over 40,000 new insurance claims during the financial year and managed claims valued at \$5.5 billion. This includes payments of \$870.8 million to individuals, service providers and agencies, and estimated future claims liabilities of \$4.6 billion.

The Insurance Commission's core operations (excluding the RiskCover Fund) recorded a profit before tax of \$681 million, compared to the \$79.4 million profit recorded in 2022. The 2023 profit was the result of a sizeable net investment income of \$503.6 million and the underwriting performance of the motor injury insurance funds. In contrast to the negative investment returns in 2022, the Insurance Commission's investment portfolio has performed strongly and delivered investment income of \$529.1 million in 2023 (compared to last year's loss of \$214.1 million). The after-tax result was a profit of \$509.4 million.

The Insurance Commission recorded a core underwriting profit of \$249 million this year. This favourable outcome was largely due to an increase in discount rates (based on Government Bonds) resulting in lower than expected future claims costs and fewer new catastrophic injury claims than expected.

The RiskCover Fund recorded an operating loss of \$21.2 million, following an underwriting loss of \$94.9 million partly offset by investment income of \$73.7 million. The Fund's underwriting loss reflects increased claims costs in the property insurance class.

The strong financial performance has resulted in a solvency level of 139.8% for the Insurance Commission. The Insurance Commission's equity (net assets) increased from \$1.7 billion at 1 July 2022 to over \$2.1 billion at 30 June 2023.

The unaudited end-of-year financial statements are included as part of this report. The full audited 2023 Annual Report will be tabled in Parliament in September and published on the Insurance Commission's website.

Investments

The 2023 financial year was marked by global inflation peaking at 10.4% in November 2022, as prices were boosted by continued high levels of demand and pandemic induced supply chain bottlenecks. Central banks acted to curb inflation by increasing interest rates at the fastest pace in four decades, in the hope of reducing demand. The US Federal Reserve increased interest rates from close to zero to 5.25%. In combination with similar responses from most central banks, global growth has since slowed, as has the rate of inflation to 6.5% by 30 June 2023. However, inflation remains stubbornly high and monetary policy is likely to remain tight for some time, leading to growing fears of recession in some economies.

This macroeconomic environment resulted in volatile financial markets over the year. Growth Assets outperformed Defensive Assets, largely due to the strong performance of listed Equities. The Insurance Commission's diversified investment portfolio delivered an 8.2% return over the financial year.

The Insurance Commission's longer term investment performance objective continued to be achieved with Main Fund outperforming its CPI+3% rolling seven-year target return of 4.8%, returning 6.5%. The Motor Vehicle (Catastrophic Injuries) Fund (MVCIF), reported its first rolling seven-year return of 4.8%, slightly below MVCIF's CPI+3.25% target of 5%. This

underperformance was due to the phased approach to investing in growth assets in the Fund's initial years.

The investment returns for the year resulted in an increase in the total value of investment assets held by the Insurance Commission, from \$6.3 billion at 1 July 2022 to \$7 billion at 30 June 2023. The total value of assets held by the Insurance Commission at 30 June 2023 was \$7.5 billion.

Motor Injury Insurance

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

The policy provides owners and drivers of WA registered vehicles with an unlimited indemnity against personal injury claims for injuries they cause to others in motor vehicle crashes, known as Compulsory Third Party (CTP) insurance. The Insurance Commission provides compensation to claimants where the fault of a third party in a crash causing injury can be identified.

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

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

The Insurance Commission received \$940.9 million in MII premium revenue for approximately 3.2 million insured vehicles (including caravans and trailers) in 2023. We managed car crash claims valued at \$3.8 billion, consisting of \$511.5 million in claim payments to people injured in motor vehicle crashes (mostly from prior years) and \$3.3 billion in anticipated future claims expenses at 30 June 2023.

The TPIF is the fund for the CTP scheme, and the MVCIF is the fund for the CIS scheme.

The TPIF recorded an underwriting profit of \$78.9 million for the financial year, compared to the \$195.2 million profit in 2022. The result was primarily due to a lower than expected increase in claims costs driven by an increase in discount rates (partially offset by an increase in inflation) and a lower number of outstanding claims at year-end compared to 2022. The TPIF's profit before tax was \$393.5 million, after investment income of \$329.3 million. The Fund's after-tax result was a profit of \$292.3 million.

The MVCIF recorded an underwriting profit of \$145.4 million, compared to the \$64.2 million profit in 2022. The result was largely due to the favourable movement in claims liabilities arising from an increase in the long-term discount rate and fewer new scheme participants with catastrophic injuries than anticipated. This outcome was partly offset by higher than forecast medical and care costs inflation. The MVCIF delivered a profit before tax of \$242.1 million (\$173.9 million post-tax profit), after investment income of \$101.4 million.

RiskCover Fund

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

- workers' compensation;
- loss or damage to property;

- cyber risk;
- legal liability cover for general, professional and medical treatment; and
- personal accidents.

The RiskCover Fund recorded an underwriting loss of \$94.9m in 2023. The underwriting loss was mainly attributable to higher than expected claims costs in the property class of insurance, arising from an atypical number of large losses during the year.

The RiskCover Fund recorded an operating loss of \$21.2 million for the year, after investment income of \$73.7 million. The Insurance Commission invests RiskCover funds under the same arrangements used for the investment of most other funds managed by the Insurance Commission. The Fund's solvency level at 30 June 2023 was 105.3%.

Contributions to Government

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

In June 2023, the Insurance Commission paid an interim dividend to Government of \$63.5 million in respect of 2023 financial year. The Insurance Commission also recommended transfers of \$146 million and \$55.2 million from the Third Party Insurance Fund to the Government Insurance and RiskCover Funds respectively. These transfers are to fund historic child sexual abuse claims that would otherwise have to be funded from the Government's Consolidated Account. The transfer to the Government Insurance Fund will effectively eliminate a liability that had been drawing from the Consolidated Account. The Government Insurance Fund is now in a positive net asset position.

During the period, the Insurance Commission has also paid \$103.8 million in insurance duty and \$137.8 million of tax equivalents to the WA Government.

As a result of these payments and recommended transfers, the Insurance Commission will contribute \$506.3 million to the State Government in respect of 2023.

At 30 June 2023, the Insurance Commission held assets that contribute to a State net debt reduction of almost \$4.8 billion.

Sincerely,



ROD WHITHEAR
CHIEF EXECUTIVE

Actual Performance Compared to Budget at 30 June 2023

Insurance Commission

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Net Premium Revenue	931,662	909,504	22,158
Net Claims Incurred	(615,159)	(870,405)	255,246
Underwriting and Administration Expenses	(67,534)	(69,374)	1,840
Underwriting Profit/(Loss)	248,969	(30,275)	279,244
Investment Income	529,109	331,517	197,592
Investment Expenses	(25,513)	(30,836)	5,323
RiskCover Fund Investment Return	(73,665)	(50,164)	(23,501)
Other Income	3,624	140	3,484
Other Expenses	(1,500)	-	(1,500)
Profit Before Tax Equivalent	681,024	220,382	460,642
Income Tax Equivalent Expense	(171,632)	(66,115)	(105,517)
Profit After Tax Equivalent	509,392	154,267	355,125
Other Comprehensive Expense After Tax Equivalent	(125)	-	(125)
Total Comprehensive Income After Tax Equivalent	509,267	154,267	355,000
Total Equity (as per Balance Sheet)	2,144,622		

	Actual	Budget	Variance
Investment Rolling 7-Year Return (%) - Main Fund	6.5	4.8	1.7
Investment Rolling 7-Year Return (%) - MVCIF	4.8	5.0	(0.2)
Annual Investment Rate of Return (%) - Main Fund	8.2	4.6	3.6
Annual Investment Rate of Return (%) - MVCIF	8.2	5.1	3.1
Solvency Level (%)	139.8	133.2	6.6

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

Actual Performance Compared to Budget at 30 June 2023

RiskCover Fund

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Net Premium Revenue	407,083	378,615	28,468
Net Claims Incurred	(460,672)	(361,788)	(98,884)
Underwriting and Administration Expenses	(41,281)	(36,053)	(5,228)
Underwriting Loss	(94,870)	(19,226)	(75,644)
Investment Income	73,665	50,164	23,501
(Loss)/Profit	(21,205)	30,938	(52,143)
Total Equity (as per Balance Sheet)	58,184		

	Actual	Budget	Variance
Solvency Level (%)	105.3	126.6	(21.3)
Net Loss Ratio (%)	113.2	95.6	(17.6)
Net Expense Ratio (%)	10.1	9.5	(0.6)
Net Combined Ratio (%)	123.3	105.1	(18.2)

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Financial Statements

Statement of Comprehensive Income at 30 June 2023

	Insurance Commission		Third Party Insurance Fund		Motor Vehicle (Catastrophic Injuries) Fund		RiskCover Fund	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Premium Revenue	931,662	882,133	710,659	669,580	220,852	212,435	407,083	388,957
Net Claims Incurred	(615,159)	(599,716)	(578,173)	(430,911)	(63,509)	(152,721)	(460,672)	(438,469)
Net Movement in Unexpired Risk	-	14,043	-	-	-	14,043	-	-
Underwriting and Administration Expenses	(67,534)	(55,013)	(53,611)	(43,496)	(11,928)	(9,526)	(41,281)	(33,196)
Underwriting Result	248,969	241,447	78,875	195,173	145,415	64,231	(94,870)	(82,708)
Investment Income/(Loss)	529,109	(214,142)	329,278	(140,007)	101,369	(38,594)	73,665	(33,113)
Investment Expenses	(25,513)	(28,019)	(16,287)	(19,381)	(4,753)	(4,404)	-	-
RiskCover Fund Investment Return	(73,665)	33,113	-	-	-	-	-	-
Other Income	3,624	47,048	2,064	41,604	31	30	-	-
Other Expenses	(1,500)	-	(475)	-	-	-	-	-
Profit/(Loss) Before Tax Equivalent	681,024	79,447	393,455	77,389	242,062	21,263	(21,205)	(115,821)
Income Tax Equivalent Expense	(171,632)	(15,876)	(101,154)	(16,823)	(68,138)	(4,958)	-	-
Profit/(Loss) After Tax Equivalent	509,392	63,571	292,301	60,566	173,924	16,305	(21,205)	(115,821)
Other Comprehensive (Expense)/Income after Tax Equivalent	(125)	(99)	-	-	-	-	-	-
Total Comprehensive Income/(Loss) After Tax Equivalent	509,267	63,472	292,301	60,566	173,924	16,305	(21,205)	(115,821)

Balance Sheet at 30 June 2023

	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Cash and Cash Equivalents	20,554	83,100	-	-	7,774	13,992	11,194	6,426
Receivables	454,428	457,300	201,497	195,791	49,163	54,280	204,869	183,071
Current Tax Receivable	12,913	-	45,129	-	-	-	-	-
Investments	7,008,144	6,271,942	4,310,421	3,989,948	1,461,208	1,184,092	941,320	873,755
Deferred Tax Assets	-	16,523	-	3,074	-	9,739	-	-
Deferred Premium Collection Costs	7,522	7,106	6,080	5,729	1,442	1,377	-	-
Right of Use Lease Assets	8,399	11,463	1,549	2,243	176	251	-	-
Plant and Equipment	2,120	1,506	-	-	-	-	-	-
Intangibles	12,881	9,434	-	-	-	-	-	-
Other Assets	4,553	3,469	-	-	-	-	-	-
Total Assets	7,531,514	6,861,843	4,564,676	4,196,785	1,519,763	1,263,731	1,157,383	1,063,252
Liabilities								
Payables	46,865	39,882	14,358	20,463	5,066	4,930	41,285	68,917
Financial Liabilities - RiskCover Fund Investments	941,320	873,755	-	-	-	-	-	-
Current Tax Payable	-	100,189	-	87,814	32,551	14,541	-	-
Outstanding Claims	3,871,040	3,767,439	2,601,481	2,499,622	920,827	874,217	1,057,914	914,945
Unearned Premium	365,443	347,060	279,178	262,989	86,093	83,817	-	-
Provisions	21,496	20,858	-	-	-	-	-	-
Lease Liabilities	10,351	13,805	1,923	2,706	220	305	-	-
Deferred Tax Liabilities	130,377	-	115,743	-	15,161	-	-	-
Total Liabilities	5,386,892	5,162,988	3,012,683	2,873,594	1,059,918	977,810	1,099,199	983,862
Net Assets / Equity	2,144,622	1,698,855	1,551,993	1,323,191	459,845	285,921	58,184	79,390

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