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Insurer defends first loss in seven years

■ Neale Prior

Insurance Commission of WA chief executive Rod Whithear had an aura of "I told you so" as he unveiled a \$181.6 million December-half loss.

The boss of the State Government's third party and workers compensation agency blamed investment market falls and some late tweaking by actuaries for its first loss in seven years.

The man who has fended off calls for ICWA to let loose some of its \$5 billion-plus investment portfolio said he expected his agency to incur investment losses once in every five to seven years.

With domestic and international sharemarkets falling in the December half, ICWA recorded losses of \$142.3 million on its main portfolio and losses of \$33.9 million on the RiskCover portfolio it manages for the State Government.

Mr Whithear said the recovery in financial markets over the past six weeks had made up most of the first-half investment losses.

"We're less uncomfortable with it, we're almost at break-even," he said.

"We're hoping that if our investment performance continues, we will be back in the black by the end of this financial year."

ICWA recorded a pre-tax profit of \$382.7 million in 2017-18, helped by a 9 per cent return on its \$5 billion-plus investment portfolio.

But it was a different story in the December half as its main investment fund lost 3.3 per cent and performed below benchmarks for Australian and global shares as well as property.

It can still lay claim to beating its seven-year rolling investment



ICWA chief executive Rod Whithear. Picture: Ross Swanborough

return benchmarks with an annual return of 8.3 per cent, versus a target of 5.5 per cent.

On the underwriting side of its business, the agency posted a \$39.9 million loss for the December half — more than \$43 million below budget.

Mr Whithear said this loss was not the result of any underwriting shocks. Rather actuaries had recommended a change in the discount rate on its underwriting liabilities as the result of shifts in bond markets late last year.

Despite the December-half loss, ICWA has foreshadowed paying an interim dividend of about \$20 million to the State Government after paying about \$149 million in dividends in 2018.

Mr Whithear said the board based dividend payments not just on profit but on the general balance sheet strength of the insurer. He said it was not prudent for insurers to pay dividends based only on profit because they could vary greatly through underwriting stocks or investment losses.