ANNUAL REPORT 2020

Insurance Commission of Western Australia

WELCOME TO THE 2020 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 2020[1].

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.

DELVE DEEPER ONLINE

Our 2020 Annual Report is complemented this year by an interactive microsite where you can gain a deeper insight into insurance claims statistics and trends.

We have enabled this capability as a customer engagement and transparency initiative.

icwa.wa.gov.au/2020.

1 The year ended 30 June 2020 is referred to herein as 2020. Similar terminology applies for other years referred to in this annual report.

CONTENTS

1 OVERVIEW 2

1.1 Chairman's Report 5

1.2 Chief Executive's Report 6

1.3 Performance Numbers 8

1.4 About Us 10

2 PERFORMANCE 12

2.1 Insurance Commission 14

2.2 Motor Injury Insurance 19

2.3 Government Insurance 35

2.4 Investments 49

2.5 Corporate Support 58

3 GOVERNANCE 66

3.1 People 68

3.2 Compliance 77

3.3 Significant Issues 79

4 FINANCIAL STATEMENTS 82

4.1 Statement of Compliance 84

4.2 Financial Statements Index 89

1 OVERVIEW

1

OVERVIEW **2**

1.1 Chairman's Report 5

1.2 Chief Executive's Report 6

1.3 Performance Numbers 8

1.4 About Us 10

$1.1B

IN DIVIDENDS AND CAPITAL RETURNS TO OUR SHAREHOLDER, THE WA GOVERNMENT, SINCE 2013

"THIS YEAR THE TEAM DELIVERED A NEW DIGITAL PAYMENT CHANNEL FOR HEALTH PROVIDERS AND CLAIMANTS.

FRANK COOPER AO
CHAIRMAN

1.1 CHAIRMAN'S REPORT

THE YEAR 2020 WILL BE REMEMBERED FOR THE COVID-19 PANDEMIC THAT CHANGED ALL OF OUR LIVES. FOR THE INSURANCE COMMISSION, IT WILL ALSO BE REMEMBERED AS A TIME OF GREAT ADAPTATION TO CHANGE AND ENHANCED FOCUS ON THE CUSTOMER.

In this Annual Report we detail the way in which 400 Insurance Commission staff worked from home for an extended period while continuing to deliver critical services to our customers. The Report describes the important support and advice the organisation was asked to provide to help Government manage the impact of, and response to, the pandemic.

Also included is a description of the successful implementation of an initiative to pay service providers within 24 hours for pre-approved health treatment services delivered to our claimants recovering from injury. I commend the organisation on its commitment to deliver a more contemporary digital payment channel for the health treatment providers that assist our injured customers.

The Insurance Commission delivered a small loss after tax of $2.9 million in 2020, mostly as a result of lower than forecast investment returns. This is a good result given the significant negative impact that the pandemic had on financial markets and our investment returns. The Insurance Commission's main investment portfolio returned -2.6% for the full year.

While this result is the first negative investment return for the Insurance Commission in 11 years, the loss may have been greater had it not been for the diversity and quality of the Insurance Commission's investment assets to protect the portfolio from the significant financial market disruption.

Total assets held to offset insurance liabilities were $5.7 billion at 30 June 2020.

This year, we returned $254.1 million in dividends and capital returns (related to 2019 financial results) to the shareholder, the WA Government, in addition to paying $91.3 million in insurance duty, $65.1 million in tax and a $22.9 million interim dividend. We recognise the importance of these contributions to the Government as revenue source declines challenge the ability of Government to deliver important public services to Western Australians.

On behalf of the Board, I would like to thank all Insurance Commission staff for their commitment and focus on delivering these positive outcomes. They have all met the challenges of the year with tenacity and resilience, which I am grateful to report as Chairman.

Thank you and well done.

Sincerely

Frank Cooper AO
Chairman

1.2 CHIEF EXECUTIVE'S REPORT

I AM PLEASED TO PRESENT OUR 2020 ANNUAL REPORT TO OUR SHAREHOLDER, THE WESTERN AUSTRALIAN GOVERNMENT, AND OUR WIDER COMMUNITY OF CUSTOMERS AND STAKEHOLDERS.

FINANCIAL PERFORMANCE

The Insurance Commission's core operations delivered an underwriting profit of $121.5 million in 2020. The decline in bond rates (discount rates) during the year had the effect of inflating outstanding claim liabilities. However, that increase in liabilities was offset by reductions in inflation forecasts.

The Insurance Commission's main investment portfolio saw a gross loss of -2.6% for the full year, substantially down from a gross profit at the half year point of 4.3%. This reflects our first annual investment loss since the -7.3% loss in the Global Financial Crisis. Our investment results were affected by the underperformance against benchmarks by investment managers in the March 2020 quarter, due to the COVID-19 crisis and resultant Government restrictions on the economy. Some property and infrastructure assets were also challenged in 2020.

The Insurance Commission recorded a loss before tax of $17.3 million. The after tax result was a small loss of $2.9 million.

The RiskCover Fund, which is managed by the Insurance Commission on behalf of Government, recorded a loss of $51.2 million.

Our organisation received over 32,000 new insurance claims during the financial year. The total insurance premium paid by customers for products and services delivered by the Insurance Commission in 2020 was $1.1 billion. We incurred claims expenses of almost $1 billion which includes physical payments of $752.8 million to individuals, service providers and customers for injury, loss and damage claims.

We estimate the need to pay a further $3.6 billion in the future for all the claims that have occurred and/or have been received at 30 June 2020.

Dividend and capital payments made to the Government since 2013 now total over $1.1 billion. This year, the Insurance Commission's payment contribution to Government included $254.1 million in dividend and return of capital payments related to 2019 financial results and a $22.9 million interim dividend. In addition, $91.3 million of insurance duty and $65.1 million of tax equivalent payment were paid making a total of $433.4 million returned to Government.

24-HOUR DIGITAL PAYMENTS

Our organisation delivered a significant innovation project during the year that we understand is an Australian-first initiative for a motor injury or workers' compensation insurer.

Insurance Commission claimants, injured on the road or at work, will now receive a text message with a Treatment Number that can be given to their health practitioner for entry into a HICAPS terminal if the service provider has one.

The Insurance Commission will then pay for pre-approved treatment within 24 hours.

This project will, importantly, facilitate early access to medical treatment for our injured claimants. Claimants and treatment providers will have improved clarity about the services that are to be funded by the Insurance Commission. This digital payment process also eliminates manual invoice generation, transmission and processing.

We expect this will take some of the administration work out of our organisation and allow staff to have more time to service customers.

This project and other related initiatives are part of our broader efforts to improve the outcomes delivered for customers. We are lifting the priority of treatment for claimants to return them to work and/or their prior condition faster, and engaging more closely with claimants and treatment providers. We aim to introduce more automated payment channels next year.

We are confident that we can do more to take frictional costs out of personal injury insurance and improve claimant outcomes.

BELL LITIGATION

The Bell litigation appears to have finally drawn to a close. On 12 August 2020, various Bell Group companies and their creditors agreed to liquidation settlement scheme arrangements. On 20 August 2020, the Supreme Court of Western Australia made orders approving the settlement. Those orders were lodged with the Australian Securities and Investments Commission on 20 August 2020 at which point the schemes became effective. On 11 September 2020, the Insurance Commission received a settlement amount of $665.4 million.

These outcomes are a very welcome end to a long-running distraction for the Insurance Commission. Cessation of the Insurance Commission's involvement in that litigation offers the opportunity to devote more executive resources to enhance our core business and to improve service delivery.

STAFF CONTRIBUTION

I would like to acknowledge the efforts of all our staff for their sustained delivery of critical insurance services during the pandemic disruption thus far. Almost all our staff transitioned rapidly to working from home. We continued to deliver the same volume of services while collaborating to effectively implement projects such as the automated payments functionality.

Sincerely

Rod Whithear
Chief Executive Officer

" I WOULD LIKE TO ACKNOWLEDGE THE EFFORTS OF ALL OUR STAFF FOR THEIR CONTINUED DELIVERY OF CRITICAL INSURANCE SERVICES.

1.3 PERFORMANCE NUMBERS

UNDERWRITING PROFIT	$121.5M
PREMIUM REVENUE	$831.7M
LOSS BEFORE TAX	-$17.3M
LOSS AFTER TAX	-$2.9M
TOTAL ASSETS	$5.7B
TOTAL EQUITY	$1.2B
SOLVENCY	126.7%

32,333

TOTAL NEW CLAIMS#

$752.8M

TOTAL CLAIMS PAYMENTS#

CONTRIBUTION TO SHAREHOLDER | CUSTOMERS

$3.8B	$207.5M	$91.3M	$69.5M	$65.1M
ASSETS HELD TO REDUCE STATE NET DEBT	DIVIDENDS*	INSURANCE DUTY	RISKCOVER FUND RETURN OF CAPITAL^	TAX PAID

2,937,228	1,879,275	111	118,544	$55.3B
INSURED VEHICLES	INSURED DRIVERS	GOVERNMENT AGENCIES COVERED	GOVERNMENT EMPLOYEES COVERED	VALUE OF INSURED GOVERNMENT ASSETS

* PAID FROM THE THIRD PARTY INSURANCE FUND.

^ THE AMOUNTS PAID RELATE TO THE PREVIOUS FINANCIAL YEAR.

INCLUDES RISKCOVER FUND.

1 OVERVIEW

1.4 ABOUT US

THE INSURANCE COMMISSION IS A GOVERNMENT TRADING ENTERPRISE AND STATUTORY CORPORATION OWNED BY THE GOVERNMENT OF WESTERN AUSTRALIA.

Its 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; Aboriginal Affairs; Lands.

The Insurance Commission is primarily responsible for:

- managing motor injury insurance;
- managing the self-insurance arrangements of Government;
- investing and managing funds to provide assets to meet insurance liabilities; and
- advising Government about insurance and liability matters.

The Insurance Commission manages and underwrites the following:

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

The Insurance Commission also manages but does not underwrite the:

- RiskCover Fund;
- Government Insurance Fund; and
- Indian Ocean Territories Motor Injury Insurance Scheme (for the Commonwealth).

The Insurance Commission also manages the claims (but not the fund) for the following:

- Employers' Indemnity Supplementation Fund (for WorkCover WA); and
- Former Police Officers' Medical Benefit Scheme (for the WA Police Force).

1.4.1 BOARD OF COMMISSIONERS

The Insurance Commission's Board oversees the organisation's functions and responsibilities. The Chief Executive is responsible for the day-to-day management of the Insurance Commission.

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

1.4.2 EXECUTIVE TEAM

Standing from left: Rod Whithear (Chief Executive), Rick Howe (Deputy Chief Executive), Glenn Myers (Chief Information Officer), Fab Zanuttigh (General Manager Motor Injury Insurance) and Julie O'Neill (Chief Investment Officer).

Seated from left: Janice Gardner (General Manager Government Insurance), Kane Blackman (Commission Secretary), Damon de Nooyer (Chief Finance Officer) and Bruce Meredith (General Counsel).

2 PERFORMANCE

2

2	**PERFORMANCE**	**12**
2.1	Insurance Commission	14
2.2	Motor Injury Insurance	19
2.3	Government Insurance	35
2.4	Investments	49
2.5	Corporate Support	58

2.1 INSURANCE COMMISSION

2.1.1 WHAT WE DO

THE INSURANCE COMMISSION DELIVERS INVESTMENTS AND INSURANCE SERVICES THROUGH ITS MOTOR INJURY INSURANCE AND GOVERNMENT INSURANCE DIVISIONS. THE CORPORATE SUPPORT AREAS HELP THE ORGANISATION TO DELIVER ITS FUNCTIONS.

This section presents the financial and operational performance of the Insurance Commission. The following sections provide equivalent information for the insurance areas, investments and corporate support.

2.1.2 WHAT WE DELIVERED

The Insurance Commission's loss before income tax (excluding the RiskCover Fund) was $17.3 million in 2020, which was $211.9 million worse than budget. The loss after income tax (excluding the RiskCover Fund) was $2.9 million.

In 2020, total insurance premium revenue received increased by $34.1 million to $831.7 million. Total claims payments increased by $32.2 million to $490.9 million, due mostly to a higher number of Compulsory Third Party (CTP) compensation claims finalised in 2020 compared to 2019.

The Insurance Commission delivered an underwriting profit of $121.5 million in 2020 compared to a forecast underwriting loss of $21.1 million. This underwriting profit was assisted by declines in forecast inflation rates resulting in a decrease in outstanding liabilities (future claims costs) across all insurance classes. The decline in inflation rates was partially offset by discount rates (based on Government Bond rates) declining by a further 0.56% and increasing liabilities.

The total value of assets held by the Insurance Commission was $5.7 billion at 30 June 2020.

Outstanding claims liabilities increased by almost $200 million in 2020 to $3.2 billion. This increase is largely attributed to new Catastrophic Injuries Support (CIS) scheme claims lodged in the year, which have liabilities that last the lifetime of the participants in that scheme.

The solvency level for the Insurance Commission dropped from 132% at 1 July 2019 to 121.1% at 31 March 2020 at the peak of the pandemic in Australia before rebounding to 126.7% at 30 June 2020. The Insurance Commission's equity (net assets) dropped from $1.4 billion at 1 July 2019 to $971 million at 31 March 2020 before rising back to $1.2 billion at 30 June 2020.

The Insurance Commission's investment portfolio comprises two investment funds – the Main Fund and the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF). Each fund has an asset allocation designed to meet its insurance liability term profile. The Main Fund and MVCIF delivered returns of –2.6% and –2.5% respectively in 2020. The total investment loss for the year of $137.5 million was $448.3 million below the budget of $310.8 million investment return.

Global equity markets started the calendar year strongly, rising to historic highs in February 2020, before falling because of the COVID-19 pandemic. The resulting shutdowns of economies to limit the spread of the virus resulted in a large demand and supply shock that initiated the sharpest sell-off in global equity and credit markets since the Global Financial Crisis.

The easing of COVID-19 infection rates in many countries, combined with further fiscal and monetary stimulus and a gradual re-opening of economies, pushed investment markets higher in the last quarter of the financial year.

INTRODUCING AUTOMATED PAYMENTS

The Insurance Commission introduced automated payments for pre-approved health treatment services in July 2020.

Claimants will now be sent a text message with a Treatment Number, which is given to the service provider to obtain real-time approval and payment the next day via HICAPS terminals if they have one.

This initiative is an Australian-first for a workers' compensation or motor injury insurer to use HICAPS to deliver automated payments for pre-approved treatment.

The move to automated payments follows earlier actions by the Insurance Commission to simplify the payment process:

- 98% of insurance claims payments during 2020 were made via EFT. In 2014, only 45% of payments were made via EFT.
- In 2017, a 20-day invoice payment policy was introduced (State Government policy was 30 days).

Thousands of small WA businesses had the automated payments capability enabled for these treatment services in July this year, including:

- physiotherapy;
- general practitioner services;
- chiropractor services;
- osteopathy; and
- medical specialist services.

These services were chosen due to the high-volume of injured motorists and Government employees that access them.

The Insurance Commission worked closely with health associations and providers to trial and then roll-out the automated payment capability. Consultation took place at Federal and State levels. Engagement occurred with the Small Business Commission, Chamber of Commerce and Industry, Royal Australian College of General Practitioners, Australian Medical Association, Australian Physiotherapy Association, Osteopathy Australia and the Australian Chiropractors Association.

Providers and association feedback has highlighted the following benefits of the initiative for practices, but also for claimants and the Insurance Commission:

- early access to treatment without worrying about payment, which enhances rehabilitation outcomes and return to independence;
- faster payment for services delivered (within 24-48 hours);
- improved cash-flow for small businesses;
- simplified invoice and payment process for patients and providers;
- fewer documents manually handled by staff; and
- increase in staff time spent on claims management rather than administration.

HICAPS technology is well known to most service providers and their customers as it has been used for years by private health insurance funds and Medicare.

HICAPS is the first digital payment channel implemented by the Insurance Commission, with others to follow as further service providers enable the capability.

TOP 10 SERVICES FUNDED

99,822
PHYSIOTHERAPY SESSIONS

88,101
DOCTOR APPOINTMENTS

35,794
CHEMIST EXPENSES

30,754
EXERCISE PROGRAMS

22,255
X-RAYS AND SCANS

17,703
PSYCHOLOGIST AND PSYCHIATRIST APPOINTMENTS

12,408
OCCUPATIONAL THERAPY APPOINTMENTS

8,148
CHIROPRACTOR APPOINTMENTS

7,400
AMBULANCE TRIPS

5,976
ANAESTHETICS ADMINISTERED

"IT IS NICE TO KNOW OUR INVESTMENT PORTFOLIO DIRECTLY HELPS INJURED WESTERN AUSTRALIANS.

TRISTAN MORIARTY-WRIGHT
INVESTMENT ANALYST – INVESTMENTS

2.1.3 HOW WE ARE MEASURED

The Department of Treasury approved minor changes to the Insurance Commission's Performance Management Framework during the year. The changes streamline the descriptions of the organisation's services and outcomes, and simplify the key performance indicators (KPIs) to better focus on performance at an insurance class level. The Office of the Auditor General audits the Insurance Commission's KPIs annually.

PERFORMANCE MANAGEMENT FRAMEWORK

The Insurance Commission contributes to Government goal *Sustainable Finances – Responsible financial management and better service delivery.*

The table below links the Insurance Commission's services, desired outcomes and KPIs.

Services	Outcomes	KPIs
Investing and managing funds to provide assets to meet insurance liabilities.	Sufficient financial resources to meet our objectives	**Effectiveness measure** • Solvency Level (section 2.1.3) • Investment Rolling 7-Year Return (section 2.4.3) • Annual Investment Rate of Return (section 2.4.3) **Efficiency measure:** • Investment Management Expense Ratio (section 2.4.3)
Underwriting and management of motor injury insurance.	Fully funded Third Party Insurance Fund and Motor Vehicle (Catastrophic Injuries) Fund.	**Effectiveness measure** • Solvency Level (section 2.2.3) **Efficiency measure** • Net Loss Ratio (section 2.2.3) • Net Expense Ratio (section 2.2.3) • Net Combined Ratio (section 2.2.3)
	Provide efficient, timely and affordable motor injury insurance services that delivers care and compensation to claimants.	**Effectiveness measure** • Affordability Index (section 2.2.3) • Proportion of Claim Payments made for the Direct Benefit of Claimants (section 2.2.3) • Timeliness of Liability Determination (section 2.2.3) **Efficiency measure** • Claims Administration Costs as a Ratio of Gross Claims Paid (section 2.2.3)
Assessing and managing the risk and cost of claims made against the RiskCover Fund, the self-insurance arrangements for Government assets and employees.	Fully funded RiskCover Fund.	**Effectiveness measure** • Solvency Level (section 2.3.3) **Efficiency measure** • Net Loss Ratio (section 2.3.3) • Net Expense Ratio (section 2.3.3) • Net Combined Ratio (section 2.3.3)
	Provide efficient, timely and affordable insurance services that delivers care and/or compensation to RiskCover Fund agencies and claimants.	**Effectiveness measure** • Affordability Index (section 2.3.3) • Proportion of Claim Payments made for the Direct Benefit of Claimants (section 2.3.3) • Timeliness of Liability Determination (section 2.3.3) **Efficiency measure** • Claims Administration Costs as a Ratio of Gross Claims Paid (section 2.3.3)

Note: These KPIs are reported in the sections indicated above.

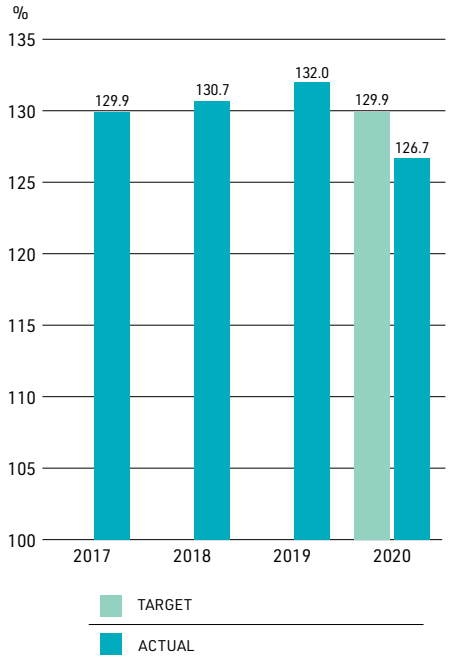
2.1.3 HOW WE ARE MEASURED

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 126.7% is below the target of 129.9% for the financial year. This outcome was predominantly driven by the decrease in investment assets due to a lower than forecast investment performance.



2.2 MOTOR INJURY INSURANCE

2.2.1 WHAT WE DO

THE INSURANCE COMMISSION DELIVERS MOTOR INJURY INSURANCE TO ALMOST TWO MILLION WESTERN AUSTRALIAN MOTORISTS. TWO INSURANCE PRODUCTS MAKE UP THE MOTOR INJURY INSURANCE POLICY: COMPULSORY THIRD PARTY (CTP) AND CATASTROPHIC INJURIES SUPPORT (CIS).

The CTP product provides owners and drivers of WA-registered vehicles with cover for the costs incurred in the event they cause a crash which results in an injury to another person.

The CIS product provides lifetime treatment, care and support to all people if they are catastrophically injured in a crash in WA and are unable to claim against CTP.

The *Motor Vehicle (Third Party Insurance) Act 1943* and the *Motor Vehicle (Catastrophic Injuries) Act 2016* set out the arrangements for the CTP and CIS products respectively.

Owners, when registering their vehicles, purchase the insurance policy from the Department of Transport, who act as the Insurance Commission's retail-arm.

As at 30 June 2020, insurance policies had been issued for 2.9 million WA-registered vehicles.

Revenue is collected into the Third Party Insurance Fund (TPIF) for the CTP product and into the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) for the CIS product. Together with investment income, this revenue is used to pay claims, meet long-term liabilities and administer the motor injury insurance scheme.

The Insurance Commission also receives revenue from the Commonwealth Government to deliver motor injury insurance to motorists in the Indian Ocean Territories.

CTP PRODUCT

A person injured due to the negligent driving of a WA-registered vehicle anywhere in Australia can make a claim against the CTP product for the cost of:

- treatment, care and support; and
- compensation for:
  - past and future economic loss; and
  - pain and suffering.

People injured in 'hit and run' vehicle crashes can also claim against the CTP product, and the Insurance Commission acts as the Nominal Defendant for those claims.

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

A minor injury claim is where a claimant has a minor crash related injury caused by another driver and requires medical treatment. These claims are usually paid and settled quickly.

A compensation claim is where a claimant has sustained more significant crash related injuries and is eligible to claim damages against the negligent driver. These claims typically take longer to settle as recovery and rehabilitation of more serious injuries take time.

CIS PRODUCT

A person catastrophically injured in any vehicle crash involving a WA-registered vehicle, who either caused the crash or is unable to find another person who caused the crash, can make a claim under the CIS product for lifetime treatment, care and support. Catastrophic injuries are spinal cord injuries, traumatic brain injuries, multiple amputations, severe burns and permanent traumatic blindness.

REGISTERED VEHICLES IN WESTERN AUSTRALIA AT 30 JUNE 2020

1,606,789
CARS

559,185
CARAVANS AND TRAILERS

515,682
GOODS VEHICLES

126,343
MOTORCYCLES

129,229
FARM VEHICLES AND OTHERS

2.2.2 WHAT WE DELIVERED

The Insurance Commission received $831.6 million in motor injury insurance premium revenue in 2020 from vehicle owners for their 2.9 million insured vehicles. This was $34.1 million higher than the $797.5 million collected in 2019.

The Insurance Commission made $479.7 million in claims payments in 2020, and expects to make a further $2.8 billion in payments for claims in future years for claims that were open at 30 June 2020.

Outstanding claims liabilities increased by $176.5 million during the year due mostly to increased future claims costs.

Claims payments for the year were $31.2 million higher than the $448.5 million paid in 2019. The increase in claim payments is largely a result of the following:

- 17.6% increase in the number of new CTP compensation claims received in 2020 (3,952 compared to 3,360 in 2019);
- 12.9% increase in the number of finalised claims in 2020 (3,640 compared to 3,224 for 2019); and
- 41 large loss claims finalised in 2020 at an average cost of $3.8 million, compared to 38 large loss claims finalised in 2019 for a similar average cost.

Minor injury claims also increased by approximately 6.8% compared to the prior year (8,461 in 2020 and 7,920 in 2019).

During 2020, the Insurance Commission received 25 new CIS scheme claims.

As at 30 June 2020, the Insurance Commission was managing 6,630 CTP compensation claims.

CTP INSURANCE

The Insurance Commission's CTP scheme (and associated TPIF) recorded an underwriting profit of $85.2 million for 2020 compared to an underwriting profit of $0.7 million in 2019.

The underwriting profit is mainly the result of a lower than expected increase in future claims costs (outstanding claims liabilities) of $23 million to $2.25 billion. This was driven by a forecast rate of inflation over the short term that is 1.3% lower than the same estimate at June 2019.

The lower inflation rate was marginally offset by a further reduction in the discount rate used by the actuary. Discount rates used to discount future cash flows are based on government bond rates.

The Insurance Commission recorded a loss before tax of $23.3 million for its CTP scheme, which was $228.6 million lower than expected and $234.1 million lower than the result achieved in 2019 ($210.8 million profit). An investment loss of $89.5 million was the major reason for this result, which occurred because of investment market reactions to the pandemic.

The Insurance Commission made CTP claim payments of $468.7 million in 2020.

The increase in new compensation claims received this year is a continuation of a recent trend that has seen the number of compensation claims received grow by 30.5% over the last four years. This trend stands in contrast to the long term trend towards fewer compensation claims. In the 13 years prior to that period, the number of compensation claims received had decreased by 42.6%.

Legal representation and minor injuries appear to be the most common attributes of the higher claims volumes being received. The Insurance Commission has also received evidence of people being contacted by overseas call centres to encourage them to make a legally-represented claim. Steps are being evaluated and pursued to address these concerning recent trends as scheme costs rise.

The Insurance Commission incurs greater administration costs to manage higher new claims volumes. Equivalent increases in claims payments have not yet arisen, which is a sign that not all the new claims being made are eligible for a compensation payment. This is generally because the injuries are minor and therefore compensation is not required.

Upward trends in new claims volumes have the potential to impact the future affordability of insurance premiums paid by vehicle owners.

CIS INSURANCE

The Insurance Commission's CIS scheme (and associated MVCIF) recorded an underwriting profit of $39.2 million for 2020, which was an increase on the underwriting profit of $15.2 million delivered in 2019.

The Insurance Commission delivered a profit before tax of $16.1 million for its CIS scheme in 2020.

These positive financial results were able to be delivered despite a $20.4 million investment loss for the scheme.

The value of CIS claims to the Insurance Commission was $591.9 million in 2020. This includes $580.9 million that the Insurance Commission expects to pay in the future, for claims that last a person's lifetime, and $11 million that was paid during the year.

There was an increase to the estimated future costs of $153.3 million in 2020. This could have been higher had it not been for the lower than expected number of new CIS claims (25) that were received during the year.

It is an excellent outcome when fewer people are catastrophically injured on the road. The number of people catastrophically injured on the road can vary significantly from year to year. One reason for this is the fine line between being killed or catastrophically injured in a crash. The extent of the variation is expected to materially impact the financial performance of the scheme in its early years until it reaches a state of maturity, which could take many decades.

CIS Scheme Participants

Interim participants*	60
Lifetime participants	20
Suspended#	14
Deceased	2
Exited the scheme as injuries improved to no longer be catastrophic	16
Total	**112**

* Participants are accepted as 'lifetime' status generally after two years.

\# Suspended because a person left Australia or did not participate in eligibility assessments and other CIS scheme requirements.

"BEING INJURED IN A CRASH CAN BE STRESSFUL SO IT'S A NICE FEELING WHEN OUR CLAIMANTS THANK US FOR ASSISTING IN THEIR RECOVERY.

CADILA RAMDIANEE
CLAIMS OFFICER – MOTOR INJURY INSURANCE

Since the CIS scheme commenced on 1 July 2016, the Insurance Commission has assessed 180 people as eligible for treatment, care and support via either the CIS or CTP schemes due to their catastrophic injuries.

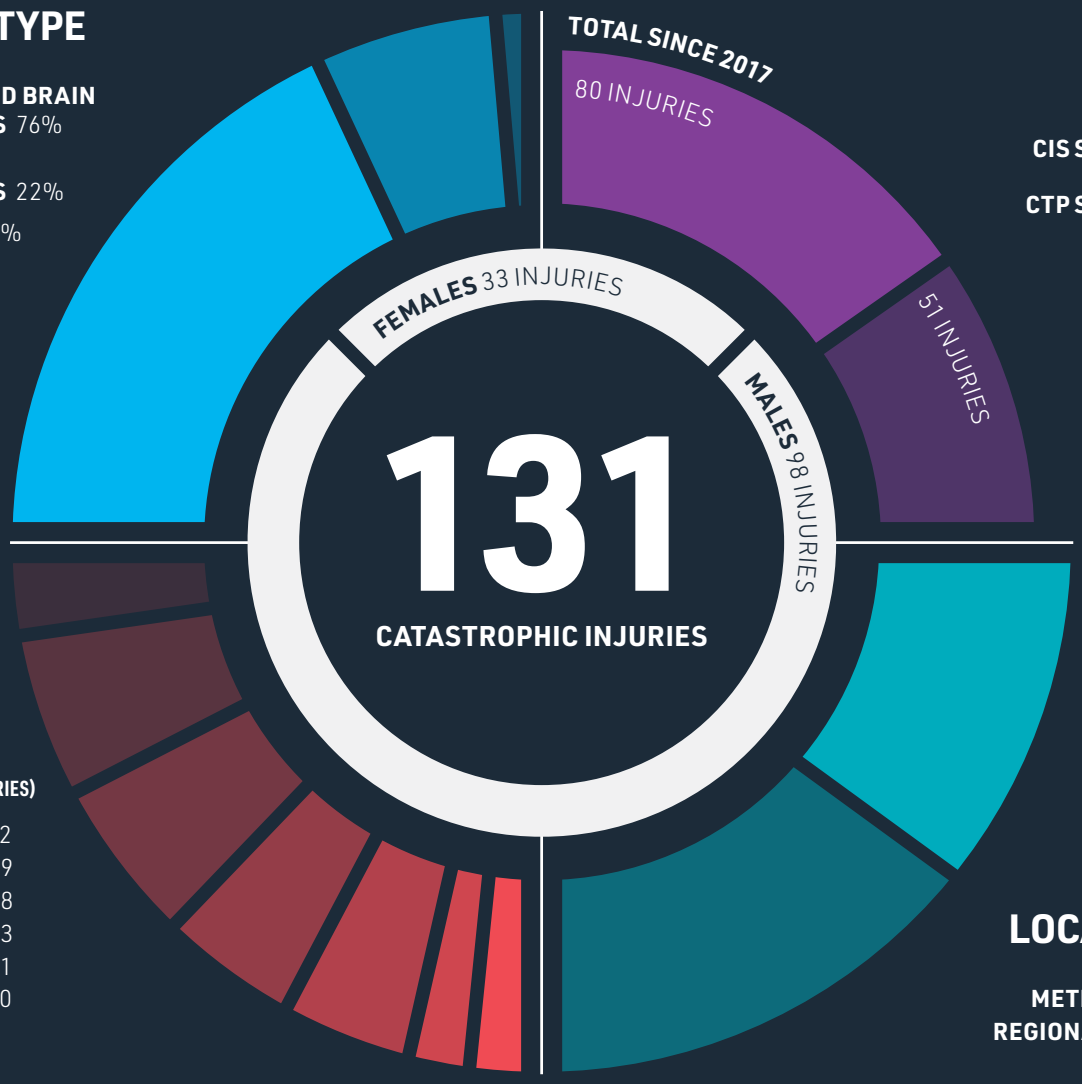
The CIS scheme has had 112 participants since inception, 16 of those participants had exited the scheme as their injuries improved to no longer be catastrophic, and two participants had died. There were therefore 94 participants remaining in the scheme at 30 June 2020.

The CIS scheme continues to deliver lifetime treatment, care and support to people with catastrophic injuries resulting from vehicle crashes. Pleasingly, the CIS scheme has also delivered positive economic outcomes in employment and accommodation.

At 30 June 2020, 67% of participants that were working or studying prior to incurring their catastrophic injury had returned to work, study or were in rehabilitation/return-to-work programs. Only 28% of participants were newly accessing Commonwealth Centrelink support, as a result of their injuries.

The CIS scheme provides funding for home modifications and transitional support to help people with catastrophic injuries return home following their discharge from hospital. At 30 June 2020, 88% of scheme participants had returned home. That is an excellent outcome as it means there is currently very little demand for public housing from participants.

ACTIVE CATASTROPHIC CLAIMS



INJURY TYPE

- ACQUIRED BRAIN INJURIES 76%
- SPINAL INJURIES 22%
- OTHER 2%

CIS SCHEME

CTP SCHEME

AGE

(YEARS OLD, INJURIES)

0-14	12
15-24	29
25-34	28
35-44	23
45-54	21
55-64	10
65+	8

CRASH LOCATIONS

- METRO 52%
- REGIONAL 48%

88% CIS scheme participants returned home following treatment after their crash

67% of CIS scheme participants had returned to work, study or were in rehabilitation/ return-to-work programs following treatment after their crash.

ALL DATA EXCLUDES 14 SUSPENDED CIS SCHEME PARTICIPANTS.

THE IMPORTANCE OF EARLY INTERVENTION

The Insurance Commission's Care Service Coordinators perform a critical role in facilitating access to early intervention and rehabilitation services for a person catastrophically injured in a vehicle crash. Coordinators engage with the person, their family, and their treating health team to establish and implement a funded plan that strives to maximise the independence of the injured person.

This approach is available to all people with catastrophic injuries from a vehicle crash irrespective of their eligibility to make a CIS or CTP claim.

The following independence checks are done to determine a person's treatment, care and support needs, and to measure the effectiveness of a person's rehabilitation and recovery from injury:

1. Functional Independence Measure (FIM) assesses the assistance a person requires to complete a task.
2. Functional Assessment Measure (FAM) assesses a person's ability to perform various functional tasks.
3. Care and Needs Scale (CANS) assesses the care and support levels required by people with traumatic brain injuries.
4. American Spinal Injury Association (ASIA) assesses the sensory and motor functions for people with spinal cord injuries.

A person's independence is maximised when they participate in early intervention. Increased independence for a person also translates into lower care costs for the Insurance Commission, which is important given the average lifetime cost of care is approximately $4 million per person.

The Insurance Commission will continue to pursue actions that deliver independence gains for all its clients.

CLIENT FOCUS

Ebonny McGann was injured in a vehicle crash in 2017.

She received a T3 spinal cord injury, multiple fractures of her vertebra and injuries to her patella and ulna. These injuries initially impacted Ebonny's ability to live independently.

The Insurance Commission funded an extensive rehabilitation program for Ebonny including physiotherapy, occupational therapy, specialist postural training and psychology.

The Insurance Commission also funded a range of modifications to Ebonny's home to make her kitchen and bathroom functional, and to facilitate easier access around the home.

As a result of this support, Ebonny could return home to live independently. We continue to provide ongoing support for Ebonny to strive towards her goals which include returning to work and driving.

MOTORING COSTS

The graph below compares WA's 1 July 2020 premium rate for a family car to premium rates for equivalent motor injury 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.

Premium Rate Comparison and Affordibility

Motor injury insurance premiums in WA remain affordable at $444 for a family vehicle, which compares favourably to premiums that range up to $561 for a motor vehicle driver in other parts of Australia.

COSTS

Receiving an injury in a vehicle crash can have profound impacts on a person. To support that injured person, the Insurance Commission pays for their treatment and if eligible, compensation.

Current and Outstanding Claims Costs

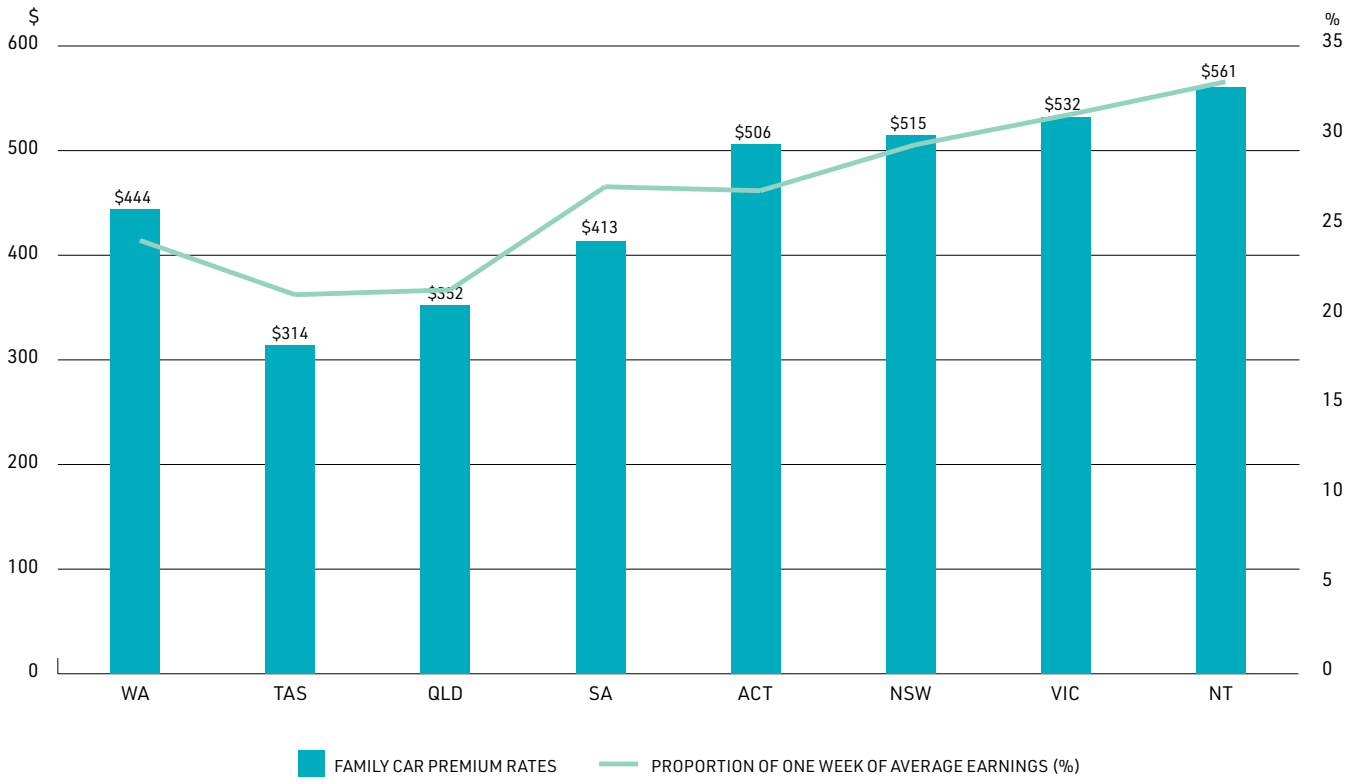
Thetotal value of all outstanding motor injury insurance claims to the Insurance Commission during 2020 was $3.3 billion. That represents $479.7 million in claims payments during the year, and anticipated future payments of $2.8 billion for claims the Insurance Commission was managing at 30 June 2020.

Ninety-five per cent of claims payments made in 2020 were for the direct benefit of claimants. The remainder make up the Insurance Commission's claims management expenses.

Thirty-nine per cent ($187.5 million) of payments in 2020 were made to service providers who delivered care, hospital, medical, rehabilitation and equipment services to claimants. Forty-two per cent ($200.1 million) of payments in 2020 were made to claimants to compensate them for time off work and for pain and suffering.

Of the estimated future payments for current claims, 44% ($1.26 billion) is for treatment and care expected to be provided for claimants. The table on the next page displays the breakdown of payments made and estimated future payments by major cost category at 30 June 2020.

Motor Injury Insurance Premium Rate Comparisons and Affordability at 1 July 2020



Current and Outstanding Claims Costs

	Payments	Estimates	Total
Health			
Care	$95.2m	$1.26b	$1.35b
Medical and Equipment	$50.9m	$244.8m	$295.7m
Hospital	$41.4m	$75.4m	$116.8m
Compensation			
Economic Loss	$120.6m	$433.4m	$554m
Pain and Suffering	$79.5m	$345m	$424.5m
Other			
Other	$92.1m	$481.2m	$573.3m
TOTAL	**$479.7m**	**$2.83b**	**$3.31b**

Claims costs vary depending on the severity of the injuries sustained in a crash. The graphic on the next page shows vulnerable people (motorcyclists, pillion passengers, pedestrians and cyclists) represented 33.8% of total claims payments in 2020 despite only representing 15.5% of total claims.

The other 66.2% of claims payments were made to drivers and passengers injured in crashes. As drivers and passengers have seatbelts and are generally more protected by the car body in a crash, it is understandable that their injuries are often not as severe as those sustained by vulnerable road users.

CRASH CLAIM FREQUENCY TRENDS

The number of registered vehicles in WA, including trailers and caravans, has grown from 1.6 million in 1998 to 2.9 million in 2020. Positive vehicle growth was maintained again during 2020 at 0.9% (over 27,000 new registered vehicles).

The Insurance Commission received 37,872 crash reports during the year. Most of those reports did not relate to an injury as they were for property damage only.

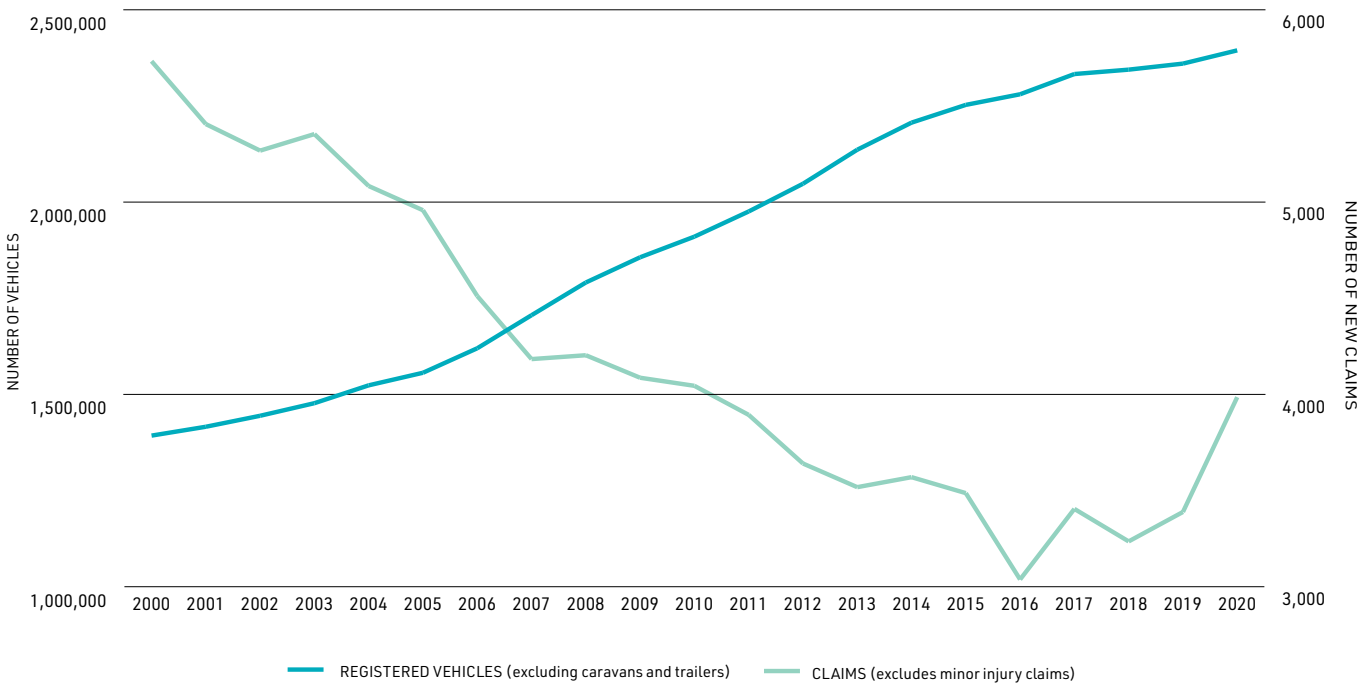
Approximately 28 crashes occur each day on WA roads. People are most likely to be injured in a crash on a Tuesday afternoon between 3pm and 6pm, although Fridays are the most common days for any crash. Crash rates on weekends are lower due to fewer vehicles on the road as schools and many businesses are closed.

The number of new CTP compensation claims received has grown by 30.5% in the past four years (2017-20), despite the long-term trend of fewer crashes, injuries and new claims received:

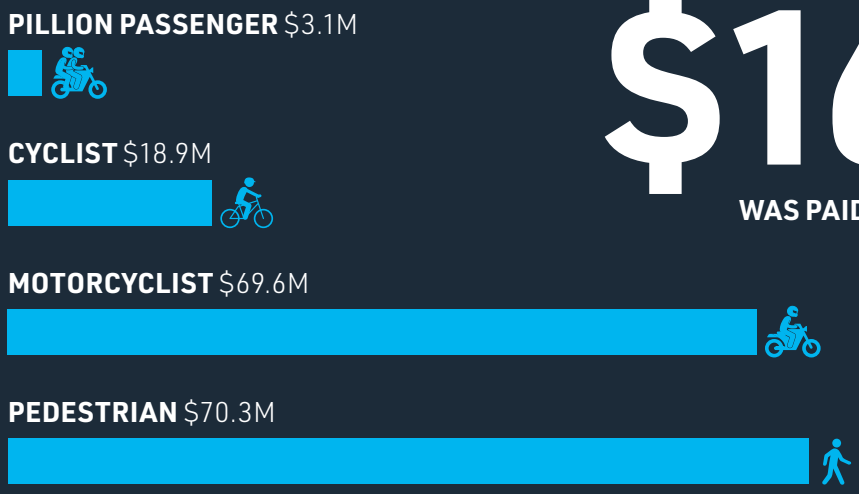
- vehicle crashes reported reduced by 29% from 2011 to 2020;
- the rate of death and serious injuries resulting from vehicle crashes has declined by 11% since 2013; and
- new claims received reduced by 42.6% from 2000 to 2016.

The figure below shows the CTP compensation claims trend over the past two decades against the number of registered vehicles.

Vehicle Growth and Claims



VULNERABLE ROAD USERS



$161.9m

WAS PAID TO VULNERABLE ROAD USERS IN 2020

Vulnerable road users represented 33.8% of total claims payments in 2020. However, vulnerable road user claims only represented 15.5% of total claims in 2020.

305

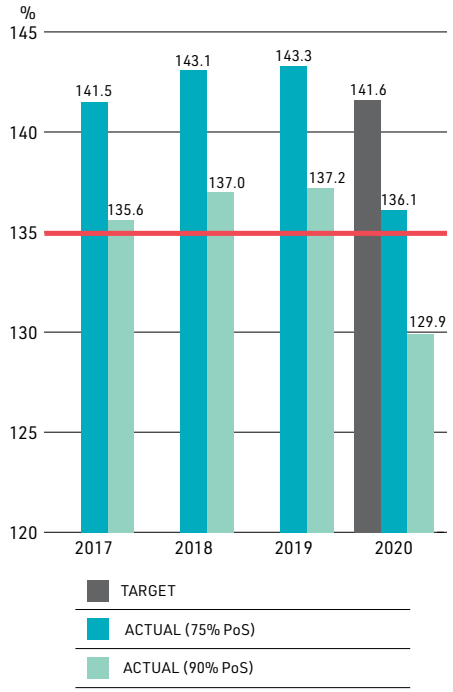
HIT AND RUN CLAIMS
IN 2020

2.2.3 HOW WE ARE MEASURED

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 an optimum level of 135% for the TPIF.

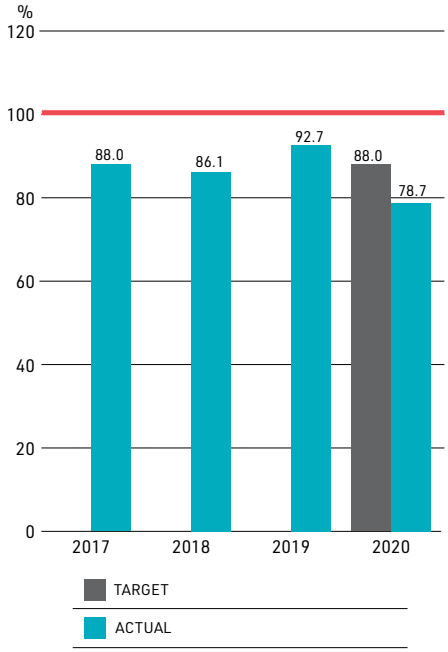
TPIF outstanding claims liabilities are calculated based on a 75% Probability of Sufficiency (PoS). The PoS takes into account potential uncertainties relating to various actuarial assumptions and statistical modelling techniques.



Comment:
The solvency level of 136.1% is below the annual target of 141.6%, but above its long-term target of 135%. This outcome reflects the Fund's better than expected underwriting performance, offset by the negative investment returns for the financial year. The Fund's underwriting profit of $85.2 million in 2020 was largely due to a lower than forecast increase in outstanding claims provisions given lower than expected inflation, partly offset by a decline in discount rates.

Net Loss Ratio (%) – TPIF

This KPI calculates net claims incurred (claims payments and movement in outstanding claims provisions) 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.



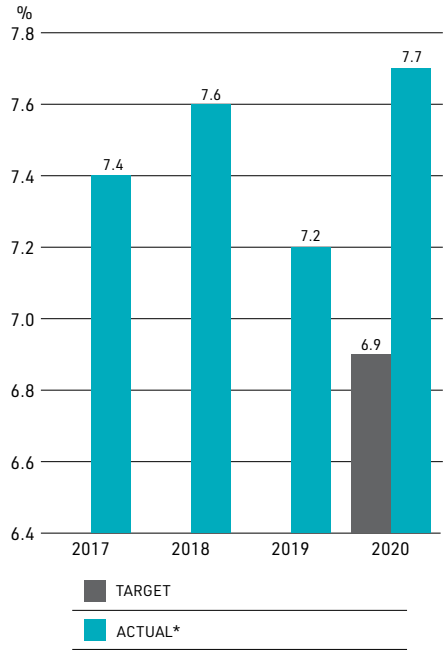
Comment:
The 2020 net loss ratio is better than target and prior years. The increase in the outstanding claims provision was $62.3 million (71.3%) lower than forecast driven by lower than expected inflation, partly offset by a decline in discount rates.

Net Expense Ratio (%) – TPIF

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

Comment:

The net expense ratio is worse than target reflecting higher than forecast premium collection costs of $4.2 million (21.8%). The higher than forecast premium collection costs reflects changes in policy renewal patterns with approximately 45% of customers now opting for quarterly renewals, when historically a higher proportion of vehicle owners renewed annually.



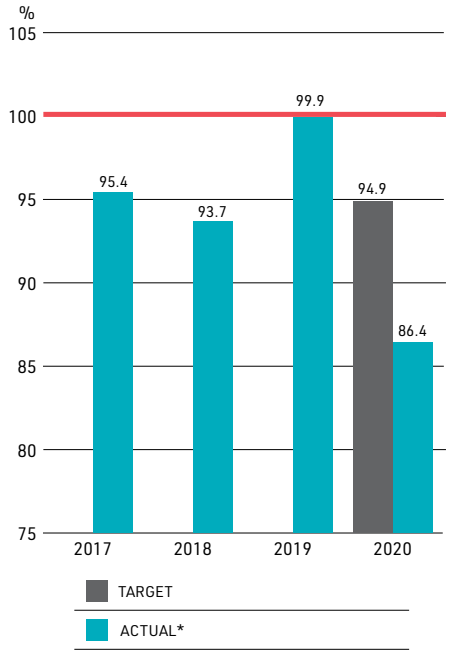
*Prior year results have been restated to exclude Bell Costs

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 2020 result is better than target and prior years, reflecting the Fund's underwriting profit of $85.2 million compared to a budgeted profit of $32 million. This profit is largely attributable to the lower than expected increase in the outstanding claims provision of $62.3 million resulting from lower than expected inflation, partially offset by a decline in discount rates.

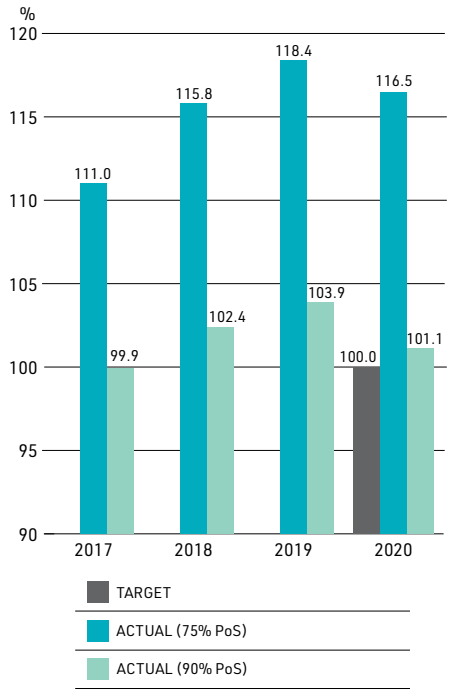


*Prior year results have been restated to exclude Bell Costs

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. The Fund's 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.

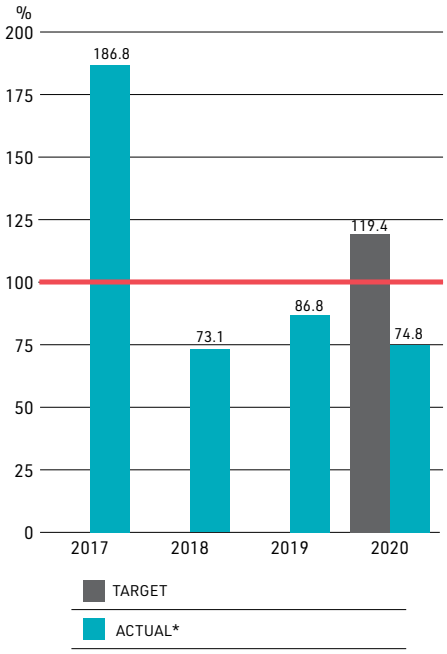
Comment:
The solvency level of 116.5% for the MVCIF is better than target at 30 June 2020, reflecting the better than expected underwriting result.



Net Loss Ratio (%) – MVCIF

This KPI calculates net claims incurred (claims payments and movement in outstanding claims provisions) 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.

Comment:
The net loss ratio is better than target. This result is predominantly due to the increase in the outstanding claims provision being $66.3 million (29.1%) lower than forecast driven by a lower than expected inflation rate, partly offset by a decline in discount rates.



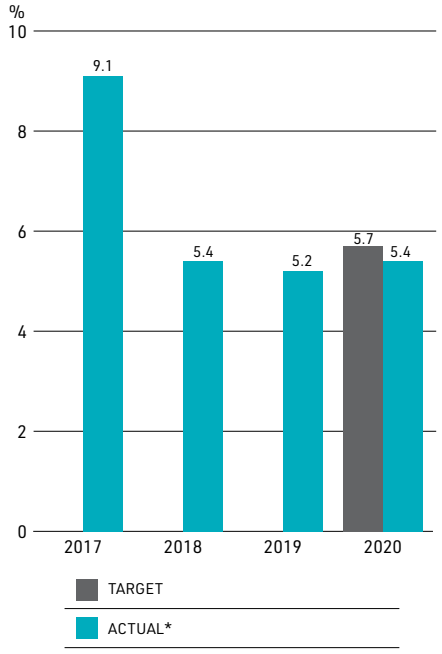
*Prior year results have been restated to include the Net Movement in Unexpired Risk Liability

Net Expense Ratio (%) – MVCIF

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

Comment:

The net expense ratio of 5.4% is below the target of 5.7%, reflecting administration expenses being 5.4% below budget.



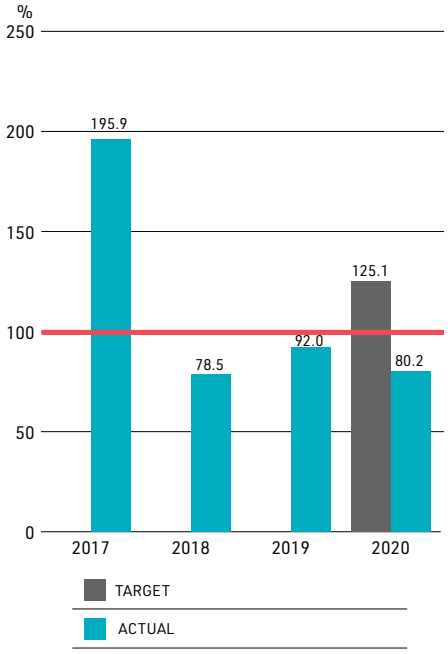
*Prior year results have been restated to exclude Net Movement in Unexpired Risk Liability

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:

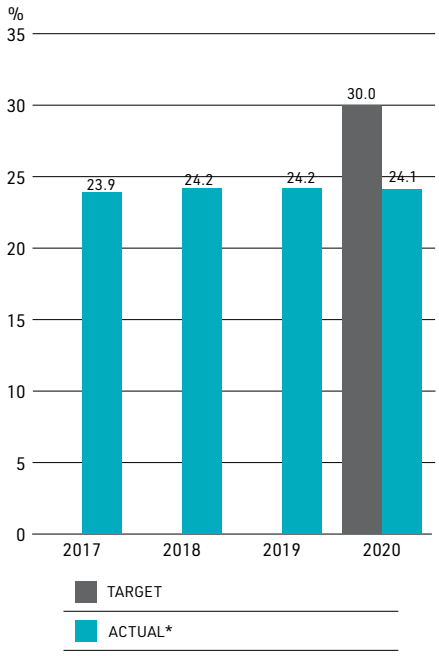
The 2020 result is better than target, which reflects an underwriting profit of $39.2 million for the MVCIF compared to a budgeted loss of $50 million. This is primarily due to the increase in the outstanding claims provision being $66.3 million (29.1%) lower than forecast resulting from lower than expected inflation, partially offset by a decline in discount rates.



Affordability Index (%) – MII

The Affordability Index calculates the Motor Injury Insurance (MII) premium (including 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 30% of one week's worth of WA's average weekly earnings.

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

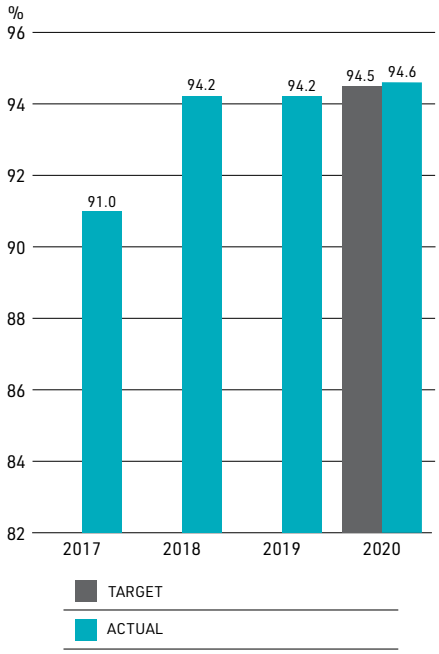


*Prior year results have been restated to include GST and insurance duty

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. This KPI reflects the Insurance Commission's effectiveness in minimising the financial hardship of claimants and delivering equitable compensation.

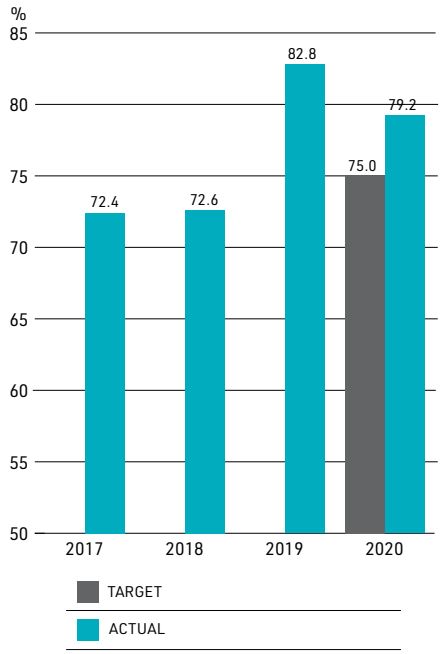
Comment:
The result marginally exceeded the target in 2020. Payments to claimants were $31.2 million more than last year, reflecting more claims finalisations than the previous year (416 more than 2019).



Timeliness of Liability Determination (%)

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

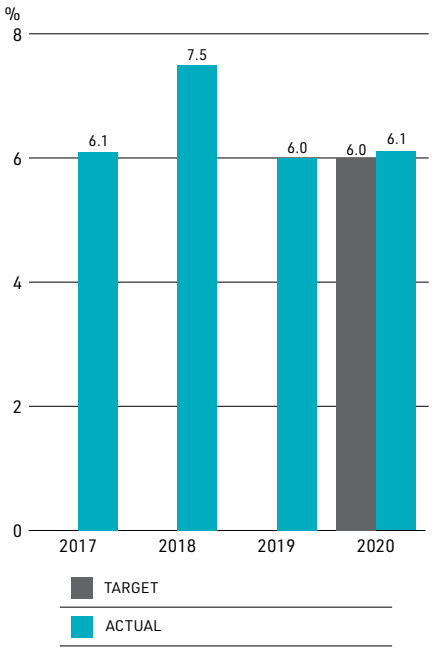
Comment:
This indicator is significantly better than target. That outcome is a result of continued efforts to make timely liability decisions.



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 marginally above target reflecting lower than expected claims payments, principally resulting from a lower than forecast number of participants in the CIS scheme.



2.3 GOVERNMENT INSURANCE

2.3.1 WHAT WE DO

THE INSURANCE COMMISSION MANAGES AND ADMINISTERS A NUMBER OF INSURANCE FUNCTIONS FOR THE STATE GOVERNMENT.

SELF-INSURANCE FOR GOVERNMENT

The Insurance Commission manages the following covers for most public sector agencies' insurable risk exposures:

- workers' compensation;
- loss or damage to property;
- liability cover;
- cyber risks; and
- travel and personal accident.

Revenue for these covers is collected from public sector agencies into the Insurance Commission's RiskCover Fund.

The Insurance Commission also continues to manage the WA Government's historic self-insurance arrangements in run-off via the Government Insurance Fund (GIF) in run-off. The government has financial responsibility for the liabilities and any deficit in the GIF.

INDUSTRIAL DISEASES INSURANCE

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

NON-GOVERNMENT LIABILITIES

The Insurance Commission continues to manage non-government liabilities of the former SGIO for policies that are in run-off, as no policies have been issued since 1987.

The liabilities are held in the Insurance Commission General Fund (ICGF) and relate to workers' compensation and public liability claims, including claims against the mining industry for asbestos related diseases that are not covered by industrial diseases insurance.

The ICGF also acts as the operating fund of the Insurance Commission. Investment assets are held within the ICGF and then allocated to other funds. The Insurance Commission's own assets are held within the ICGF.

SERVICES FOR WORKCOVER WA

The Insurance Commission manages claims on behalf of WorkCover WA if a workers' compensation insurer goes into liquidation.

WorkCover WA invokes a levy on workers' compensation policyholders to fund those claims and liabilities, and the levy is collected into the Employers' Indemnity Supplementation Fund (EISF). The majority of existing EISF liabilities arose from the collapse of the HIH Group of companies in 2001.

The Insurance Commission also manages claims lodged against WorkCover WA's General Account, mainly for injured workers of uninsured employers.

FORMER POLICE OFFICERS' MEDICAL BENEFITS

The Insurance Commission manages claims from former police officers and aboriginal police liaison officers who sustain a work-related injury or disease during their service and have since left the WA Police Force.

Former officers can claim for medical and other expenses under the *Police (Medical and Other Expenses for Former Officers) Act 2008*. Claim entitlements largely mirror those of the *Workers' Compensation and Injury Management Act 1981*. The Police Commissioner is liable for medical and other expenses incurred.

2.3.2 WHAT WE DELIVERED

The Insurance Commission manages self-insurance cover and insurance for 111 government agencies and specified private sector entities via its Government Insurance Division. Across the breadth of these functions, the Insurance Commission received 19,895 new claims and made $273.1 million in payments.

The largest function performed by the Division is to manage claims made against the RiskCover Fund, which is the current self-insurance arrangements for the WA Government.

RISKCOVER FUND

The RiskCover Fund recorded a $51.2 million loss for 2020. This was the first loss for the fund since 2012, and was due to a $27 million underwriting loss and an investment loss of $24.2 million.

The underwriting loss is primarily a result of an increase in workers' compensation, general liability and property claims liabilities arising from an increase in claim size. Claims liabilities for the fund increased by $43.5 million in 2020 to $587.8 million.

The amounts paid by WA Government agencies for their insurance cover totalled $289.6 million during the year.

The administration expenses incurred to manage the fund were $32.6 million or 11.3% of the revenue received from agencies. Administration expenses were 4.6% or $1.6 million below budget.

Claims

The Insurance Commission received 19,791 new claims in 2020 for the RiskCover Fund which was a 4.7% increase in new claims compared to the prior year.

The increase in new claims was primarily due to 1,005 new property claims received from the Department of Finance, who manage numerous buildings for public agencies. The Department's property claims are lodged in batches, so the numbers can vary significantly year to year based on the timing of lodgement. Claims numbers for all other insurance classes did not vary materially compared to the previous year.

The Insurance Commission made $261.9 million in claims payments from the RiskCover Fund during 2020, which represented a $17.3 million (7.1%) increase on claims payments made in 2019. The higher claims payments were due to an increase in new claims, an increase in the number and severity of lost time injury (LTI) workers' compensation claims, and the efforts of staff to finalise more long-duration and complex claims.

The table below sets out finalised claims numbers for the year.

Finalised Claims

	Number of claims	Total cost	Average cost
Property	12,535	$30.1m	$2,405
Workers' Compensation	5,611	$205.3m	$36,597
Motor	2,252	$9.2m	$4,091
Liability	450	$58.1m	$129,107
Miscellaneous	178	$4.6m	$26,068

There were 6,837 active claims at 30 June 2020 in the fund, which was very close to the 6,833 active claims recorded at 30 June 2019.

Workers' Compensation

The Insurance Commission helps agencies to identify the cause of workplace injuries, and to facilitate the rehabilitation and return to work of their staff. These services are provided in an attempt to reduce the occurrence, and cost, of the injury.

In 2020, the workers' compensation team commenced using a new data analytics tool as part of these services to inform claims cost estimation, treatment types and return-to-work durations. The tool complements the person-centred approach that staff use when engaging with claimants.

The Insurance Commission received 4,693 new workers' compensation claims in 2020 compared to 4,684 in 2019. New claims numbers were on track to increase by 5% from the prior year until the pandemic, which led to a reduction in new claims received in April and May 2020. During this time, many Government employees worked from home, reducing travel for work and other exposures that give rise to injuries and claims. Fewer injuries and a reduction in new claims are good outcomes for all parties.

The figure below depicts new and open claims and costs over the past ten years. The downward trend of open claims reflects the ongoing efforts of the workers' compensation team to facilitate injured people returning to work, allowing the claim to be closed.

Workers' Compensation Claims Trends

Whilst new claims received have been stable in recent years, claim duration and severity have increased. In 2020, 70% of workplace injuries resulted in time off work, compared to only 65% in 2016. The number of severe lost time injury claims (60 days or more off work) increased over the same five year period from 19% to 24%.

Wages and medical costs are high when people are off work for a long period, and there is an increased likelihood that someone will not return to their former role. Management of those longer-duration claims can also consume considerable agency and insurer resources.

This is why the Insurance Commission focuses on early treatment and rehabilitation, to get people safely back to work as soon as practicable.

The infographic on the next page shows claims information for the three sectors (Education, Health and General Government) that make up those agencies that the Insurance Commission covers via the RiskCover Fund.

WORKERS' COMPENSATION BY SECTOR

GOVERNMENT SECTOR

EDUCATION | GENERAL GOVERNMENT | HEALTH

NEW CLAIMS

EDUCATION	GENERAL GOVERNMENT	HEALTH
1,894	1,663	1,136

FINALISED CLAIMS

EDUCATION	GENERAL GOVERNMENT	HEALTH
2,211	1,959	1,441

PAYMENTS MADE

EDUCATION	GENERAL GOVERNMENT	HEALTH
$57.2M	$76.4M	$71.7M

PAID DAYS LOST

EDUCATION	GENERAL GOVERNMENT	HEALTH
68,802	108,439	86,768

FTE STAFF ABSENT FROM WORK FOR A FULL YEAR

EDUCATION	GENERAL GOVERNMENT	HEALTH
287	451	362

Workers' Compensation Claims by Job Type

Education		General Government		Health	
Education Assistant	657	Prison Officer	547	Nurse	401
Secondary School Teacher	327	Fire Fighter	226	Care/Nurse Assistants	191
Primary School Teacher	274	Clerk	80	Clerk	71
Cleaner	144	Social Worker	66	Cleaner	48
School Principal	82	Residential Care Officer	60	Security Officer	41
Special Needs Teacher	68	Jockey	44	Mental Health Nurse	34
Gardener	67	Train Driver	40	Midwife	29

Workplace injuries have a significant impact on Government as a whole, as last year 264,009 days were lost due to government employees being off work. This represented the equivalent of 1,100 full-time employees being absent from the workforce for the entire year.

The average cost per finalised claim in 2020 was $36,597, which was an 8.7% increase on the previous year. The Education sector had a significantly lower average cost per claim at $25,854, compared to $49,773 for Health and $39,060 for General Government. This is due to a higher average wage in Health, and an increased challenge structuring return to work programs in the General Government sector since it includes agencies with frontline service roles such as social workers, emergency workers and prison officers.

The cost of claims finalised in 2020 was $205.3 million, a 10.2% increase from 2019. This was partly due to a 1.3% increase in the number of finalised claims, an increase in wage and medical treatment costs, and inflation.

1,100

EQUIVALENT FULL-TIME EMPLOYEES ABSENT FROM THE WORKFORCE FOR THE ENTIRE YEAR.

General Government had the highest proportion of mental stress injuries, while Health had the highest proportion of body stress injuries. All three sectors had a large proportion of slips, trips and falls.

Mental stress claims remain overrepresented in the WA Government. Despite the public sector representing only 8.5% of the State's workforce, its workers lodged 51% of the total mental stress claims in the state during 2020.

There were 458 new mental stress claims lodged in 2020, up from 444 in the previous year. Mental stress claims on average cost two and half times more than physical injury claims and present greater challenges returning the person to their former work environment.

Recognising this impact, the Insurance Commission convened a panel of psychologists in 2020 to engage with workers and obtain critical claims information. This approach has enhanced the Insurance Commission's management of mental stress claims.

Over the last four years, 92% of government workers, who lost time from work, returned to work following their injury. This compares favourably to non-government employers, who had an average return to work rate of 88% in 2020. This positive outcome is a reflection of the resources and expertise employed by agencies in facilitating the return to work of their staff.

WORKERS' COMPENSATION MENTAL STRESS CLAIMS

COST BREAKDOWN

EXPOSURE TO TRAUMA	$8.5M
WORK PRESSURE	$8.3M
HARRASSMENT	$6.6M
OTHER FACTORS	$5.9M
EXPOSURE TO VIOLENCE	$2.8M

♀

265

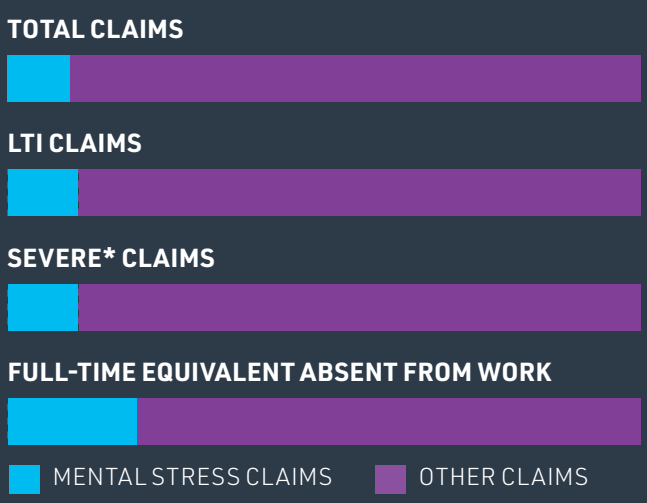
NEW FEMALE CLAIMS
MOST COMMONLY FROM HARRASSMENT

♂

193

NEW MALE CLAIMS
MOST COMMONLY FROM EXPOSURE TO TRAUMA

NEW CLAIMS COMPARISON



	ALL NEW CLAIMS	NEW MENTAL STRESS CLAIMS
NUMBER OF CLAIMS	4,693	458
LTI CLAIMS	3,303	373
SEVERE* CLAIMS	1,133	232
ESTIMATED AVERAGE CLAIMS COST^	$36,600	$70,100
ESTIMATED TOTAL CLAIMS COST^	$171.8M	$32.1M
FULL-TIME EQUIVALENT ABSENT FROM WORK	939	192
AVERAGE DAYS LOST PER LTI	68.3	123.5

LTI: LOST TIME INJURY
*SEVERE IS GREATER THAN 60 DAYS
^BASED ON FINALISED CLAIM COSTS

A FIREFIGHTER'S RETURN TO WORK

Peter*, a firefighter, injured his lower back in 2017 and lodged a workers' compensation claim with the Department of Fire and Emergency Services. The Insurance Commission accepted the claim and paid for his medical treatment and loss of wages during his recovery. He was able to return to his full duties in his previous role within a few weeks.

In 2020, Peter experienced pain in his lower back in the region of his earlier injury, and was recommended to have urgent surgery by a specialist.

The Insurance Commission promptly funded a telehealth appointment (due to the pandemic) with an independent specialist that showed the new injury was related to the original one. This was critical as a reoccurring injury sustained at work is eligible for cover via workers' compensation.

This meant that Peter was not left out-of-pocket for the surgery he required and received the necessary support.

Peter has fully recovered and is back to work.

*Claimant's name has been changed

Workers' Compensation Dispute Resolution

In 2020, there were 289 disputes lodged for conciliation about workers' compensation claims managed by the Insurance Commission. The dispute rate increased slightly from 3% in 2019 to 3.3% in 2020, remaining below the WA workers' compensation scheme average of 4.4% in 2020 of all claims managed.

Only 81 (28%) disputes made in 2020 proceeded to arbitration, which is the next step if agreement between a worker and their employer/insurer cannot be reached at conciliation. The average rate of disputes proceeding to arbitration for the entire WA workers' compensation scheme was 31.4% in 2020.

This indicates that the Insurance Commission reaches agreement with workers when they have a dispute without the need for arbitration or legal action more frequently than most other workers' compensation insurers.

Liability

The RiskCover Fund's Liability Portfolio contains three sub-classes: general liability, professional indemnity and medical treatment liability.

The Insurance Commission received 371 new liability claims in 2020. While liability claims only represented 2% of claims finalised in the fund in 2020, they accounted for 19% of all finalised claims costs.

The total cost of liability claims finalised was $58.1 million for the year. This amount was $18.3 million higher than the prior year due to the finalisation of two large claims.

The outstanding claims liability as at 30 June 2020 for medical treatment was $149.9 million, general liability was $61.6 million, and professional indemnity was $4.5 million.

Other Classes

The RiskCover Fund also provides self-insurance cover for Miscellaneous, Motor Vehicle and Property risks. Most claims in these portfolios are high incidence, low quantum and short duration. In 2020, these classes of cover accounted for 71% of finalised claims (14,965 claims) but only 14% of total cost ($44 million).

Miscellaneous cover includes Personal Accident and Travel. The Insurance Commission received a large number of travel (loss of deposit) claims from schools who had trips that had to be cancelled due to the pandemic, increasing claims payments to a total of $4.6 million.

Claims experience in the Motor Vehicle class was at a six year low, with claim numbers down 21% since 2014 to 2,122 claims in 2020. The large decrease of vehicle claims in 2020 was due to the large number of people working from home during the pandemic, and therefore, not required to drive for work.

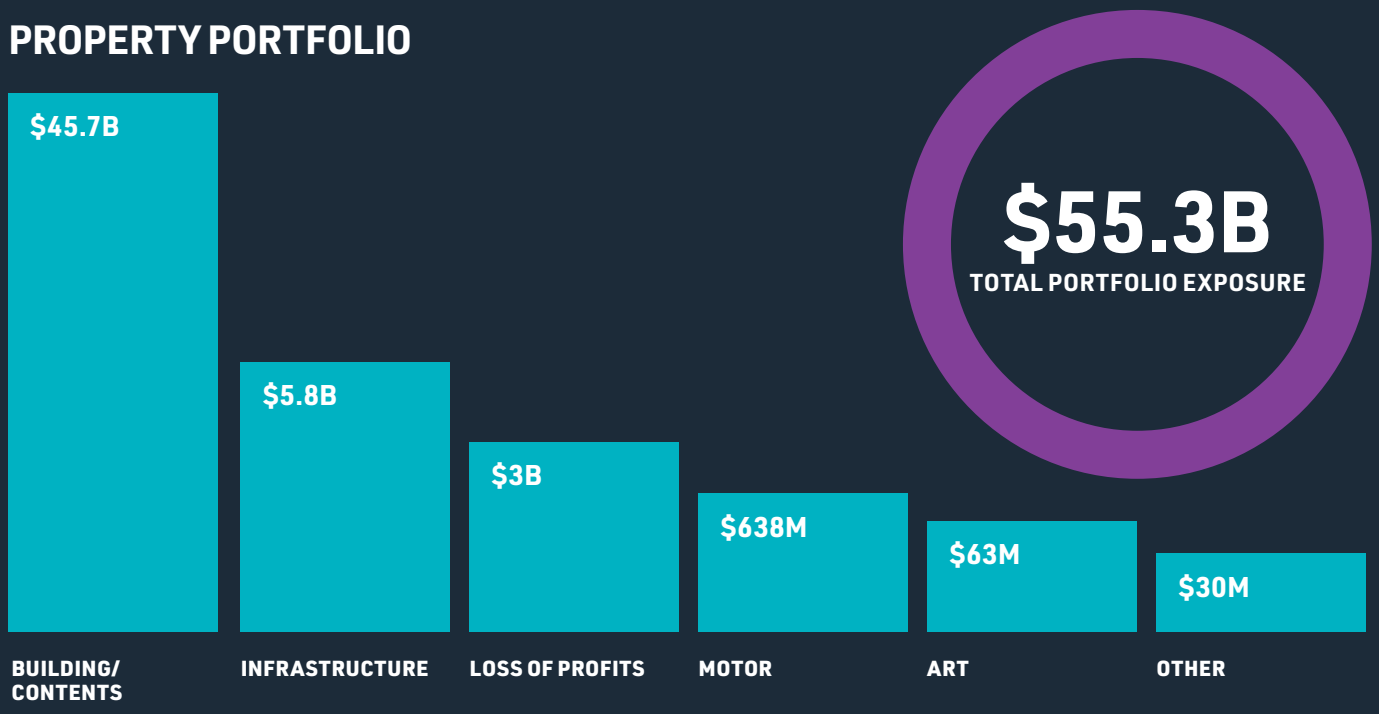
There were 12,455 new property claims received in 2020, a 7.5% increase on the previous year. General loss/damage claims were the most common (8,575 or 69% of new claims) followed by accidental damage (809 or 6.5% of new claims) and graffiti (647 or 5.2% of new claims). There was a 102% increase for storm related damage claims and a 57.1% increase for break and entry claims in 2020, reversing the downward trend in recent times for both of these loss types.

Two new large loss claims each with an estimate of $5 million were primarily responsible for outstanding liabilities increasing from $19.6 million in 2019 to $30.1 million in 2020.

$55.3B

THE TOTAL INSURED VALUE OF PROPERTIES INSURED BY THE RISKCOVER FUND FOR THE PUBLIC SECTOR AT 30 JUNE 2020.

PROPERTY PORTFOLIO



Shareholder Return

The Insurance Commission returns capital to its shareholder, the WA Government, when the RiskCover Fund has exceeded its 135% solvency target at the end of a financial year.

The solvency of the fund at 30 June 2020 was 129.8%, and therefore no capital return will be made.

As at 30 June 2020, RiskCover Fund net assets total $192.3 million, down $51.2 million from 30 June 2019 mostly as a result of a $44.4 million increase in outstanding claim liabilities.

The Fund maintains a prudential reserve of $65.4 million. This reserve allows the fund to protect itself against 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.

THE TOTAL RETURN OF CAPITAL FROM THE FUND TO GOVERNMENT IN THE PAST FOUR YEARS HAS BEEN $329.5 MILLION.

OTHER ACTIVITIES

Historical Child Sexual Abuse Claims

The Royal Commission into Institutional Responses to Child Sexual Abuse recommended legislative reform to remove statutory limitations so that survivors of child sexual abuse could sue for civil damages. The WA Government subsequently enacted the *Civil Liability Legislation Amendment (Child Sexual Abuse Actions) Act 2018 (WA)*, which lifted the statute of limitations for these claims. The Insurance Commission manages civil liability claims for the government and is managing these child sexual abuse claims as they are lodged. To date, the Insurance Commission has received 134 claims relating to abuse at facilities operated by government entities or former entities at the time when the incidents occurred.

Former Police Officers' Medical Benefits Scheme

The Insurance Commission, on behalf of the WA Police Force, managed 10 new and 17 reopened former police officer claims for the year. As at 30 June 2020, the Insurance Commission was managing 237 open claims under the scheme.

A FORMER POLICE OFFICER RECOVERS FROM INJURY

Jacob* lodged a claim for injuries he sustained as a police officer through the Former Police Officers' Medical Benefits Scheme (a scheme to reimburse former officers of the cost of medical treatment for injuries sustained in the line of duty).

Jacob had a violent encounter with an offender and suffered severe post-traumatic stress disorder (PTSD), which led to his medical retirement.

The Insurance Commission has supported Jacob to recover from the injury. Our claims staff spent time with Jacob to understand the challenges he faces as a result of his experience.

The Insurance Commission funded a specialised therapy program for Jacob designed for emergency services workers who have PTSD. He found this program helpful to challenge his perceptions and to allow him to open up about events that impacted him.

"I had some very positive outcomes attending the Trauma Recovery Program and cannot thank and praise the team at the hospital enough for helping me understand PTSD and how to cope in my day to day recovery.

"After all the years of suffering, I feel I have the tools to accept and deal with PTSD.

"Thank you to all the Insurance Commission staff I have dealt with, in particular to my claims officer for caring and understanding."

Jacob's claim is a good example of how the Insurance Commission works with claimants and service providers to help achieve a person's recovery goals.

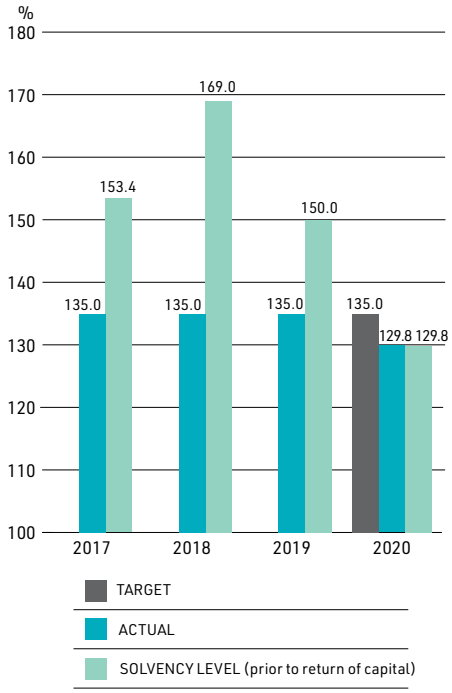
*Claimant's name has been changed

2.3.3 HOW WE ARE MEASURED

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.

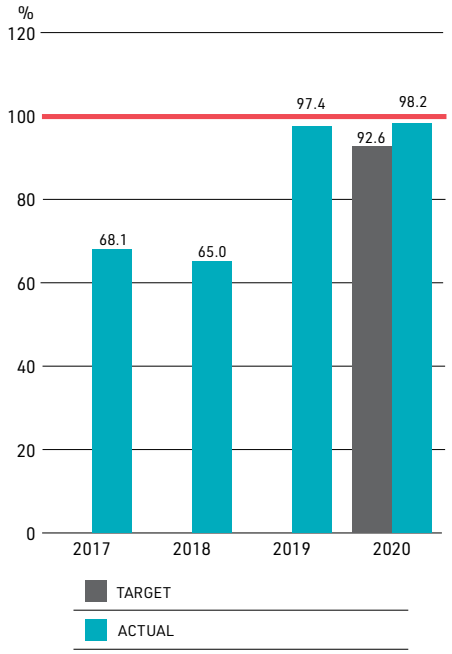
Comment:
The solvency level of the RiskCover Fund was 129.8% at 30 June 2020. This outcome is below the reserve level target of 135%, due largely to lower than forecast investment returns. As the solvency level is below 135%, no return of capital to the Government will be paid for performance related to the financial year.



Net Loss Ratio (%)

This KPI calculates net claims incurred (claims payments and movement in outstanding claims provisions) 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 RiskCover Fund received sufficient net premium revenue to meet the net cost of claims incurred.

Comment:
The net loss ratio of 98.2% is worse than the target, due to a higher than expected increase in outstanding claims provisions ($28.9 million) and payments ($23.2 million). The increase is a result of larger settlements and a higher claims finalisation rate and claims costs associated with a higher proportion of time lost and severity in the workers' compensation class.

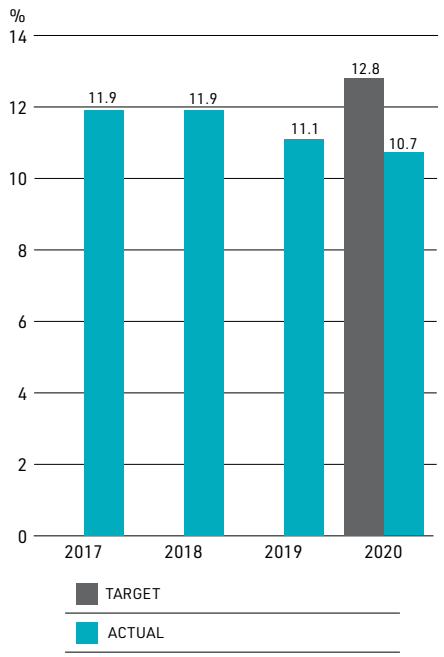


Net Expense Ratio (%)

This KPI calculates RiskCover Fund 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 10.7% is better than the target and prior years. The favourable result is due to net premium revenue being $38.4 million (14.4%) above budget, while underwriting and administration expenses were $1.6 million (4.6%) lower than target. The higher premium revenue is required to meet higher claims costs mainly for for the workers' compensation class, which led to an additional $35.5 million contribution (by agencies) for that insurance cover.

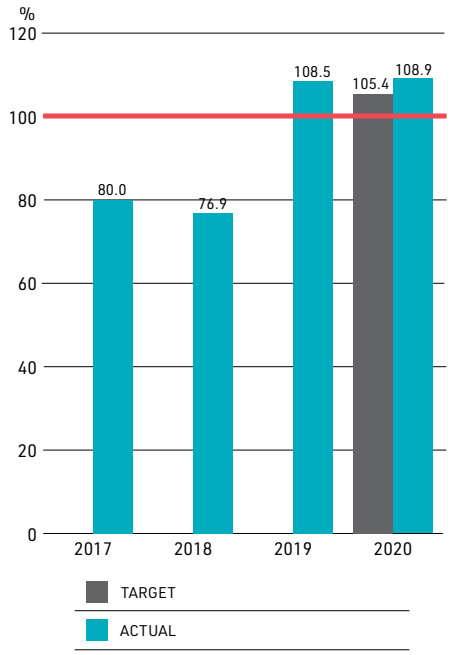


Net Combined Ratio (%)

This KPI calculates RiskCover Fund 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:

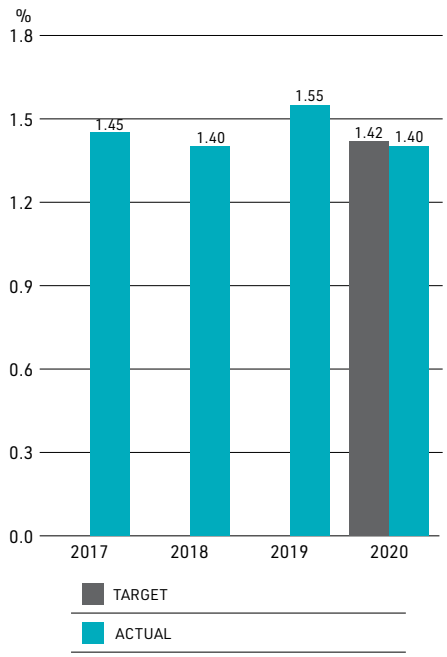
The net combined ratio of 108.9% is worse than target and reflects an underwriting loss of $27 million compared to a budgeted loss of $14.4 million. This is largely due to claims expenses being higher than budget, following a higher than expected increase in outstanding claims ($28.9 million) and claims payments being $23.2 million higher than budget. The increase in claims costs were partly offset by higher premium revenue resulting from the $35.5 million premium adjustment (contribution by agencies).



Affordability Index (%)

This KPI measures the affordability of the workers' compensation self-insurance cover provided through the RiskCover Fund. This KPI is calculated as workers' compensation agency contributions (premiums) as a percentage of total agency wages.

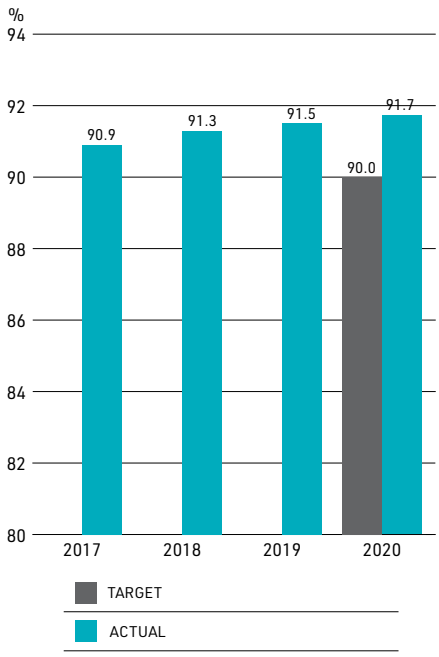
Comment:
The result is better than target and in line with prior year results.



Proportion of 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 by the RiskCover Fund during the financial year. Claims payments that do not go to the direct benefit of the claimant include claims management, legal and investigation costs incurred. This KPI measures the Insurance Commission's effectiveness in minimising the financial hardship of claimants and delivering equitable compensation.

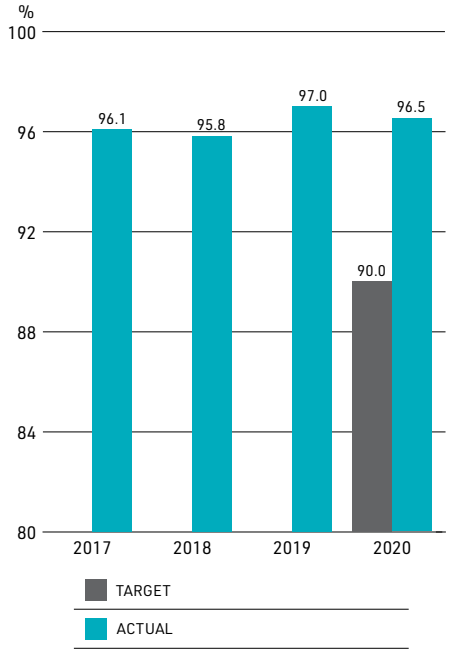
Comment:
This indicator exceeded the target and prior years, with 91.7% of payments made for the direct benefit of claimants.



Timeliness of Liability Determination (%)

This KPI calculates the timeliness of all RiskCover Fund liability decisions for workers' compensation claims. WorkCover WA's legislation *(Workers' Compensation and Injury Management Act 1981)* for self-insurers requires that a decision be made on income claims within 17 days from the date of lodgement with the employer to ensure claimants are treated fairly.

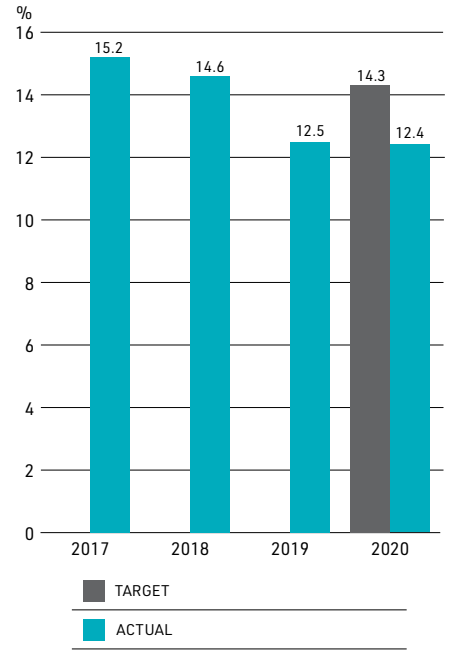
Comment:
The 2020 result is better than target and consistent with prior year results, reflecting the organisation's commitment to determine liability promptly.



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

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

Comment:
The 2020 result is better than target and prior years, driven by the combined impact of claims administration costs being $1.6 million (4.6%) below target and claims payments being $23.2 million (9.7%) above target. The increase in gross claims paid was largely attributable to the workers' compensation ($19.9 million) and liability ($10.4 million) classes, partly offset by a decrease in property ($6.8 million) and motor ($1.8 million) classes.



2.4 INVESTMENTS

2.4.1 WHAT WE DO

THE INSURANCE COMMISSION INVESTS IN ASSETS TO MEET ITS INSURANCE LIABILITIES IN LINE WITH PRUDENTIAL GUIDELINES APPROVED BY THE TREASURER.

The Insurance Commission's investment objectives for 2020 were to:

- achieve an investment performance target of the Consumer Price Index (CPI) plus 3% (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 sufficient level of liquidity to meet insurance payments; and
- assist the Insurance Commission to maintain a fully-funded position.

The Insurance Commission uses an independent investment consultant to guide its investment strategy. Assets are mostly managed by external investment managers with the exception of the cash portfolio, which is managed internally.

The Insurance Commission invests RiskCover Fund and other monies it holds on behalf of the Government under the same arrangements used for the investment of Insurance Commission monies. The MVCIF uses the same arrangements but has a different investment asset allocation to meet that fund's very long-tail liabilities.

2.4.2 WHAT WE DELIVERED

The Insurance Commission's investment portfolio was on-track to deliver its investment objectives in the first half of the financial year (1 July to 31 December 2019). In that time, the Main Fund returned 4.29%, outperforming its benchmark by 0.71%. The MVCIF returned 4.09%, outperforming its benchmark by 0.45%. The total investment income received by both funds was $241.3 million for the six months to 31 December 2019.

The dramatic events related to COVID-19 and the resulting market correction reversed the positive performance of both funds in the March 2020 quarter. From 1 January to 31 March 2020, the Main Fund returned -10.75%, underperforming its benchmark by -4.28%. The MVCIF returned -10.23%, underperforming its benchmark by -3.93%. The total investment loss during the quarter was $600.1 million.

As markets rebounded strongly in the June 2020 quarter, so did the Insurance Commission's investment portfolio.

The full year result for the Main Fund was a gross return (before fees and expenses) of -2.63% which underperformed its benchmark by 3.79%. The full-year gross return for the MVCIF was -2.51%, underperforming its benchmark by 3.91%.

The total investment loss for the year was $137.5 million.

The underperformance for both funds was due to a combination of factors including negative returns from Unlisted Property and Infrastructure assets, underweight Australian Fixed Interest and Inflation Linked Bonds, and underperformance of value style equity managers.

Strong performance was recorded by growth style equity managers and one emerging markets equity manager, and in listed infrastructure investments, Australian fixed income investments, the Absolute Bond Return Strategy and Cash. The strongest performing asset class was Australian Fixed Interest, returning 4.73%, while the weakest was Property, returning -16.88%.

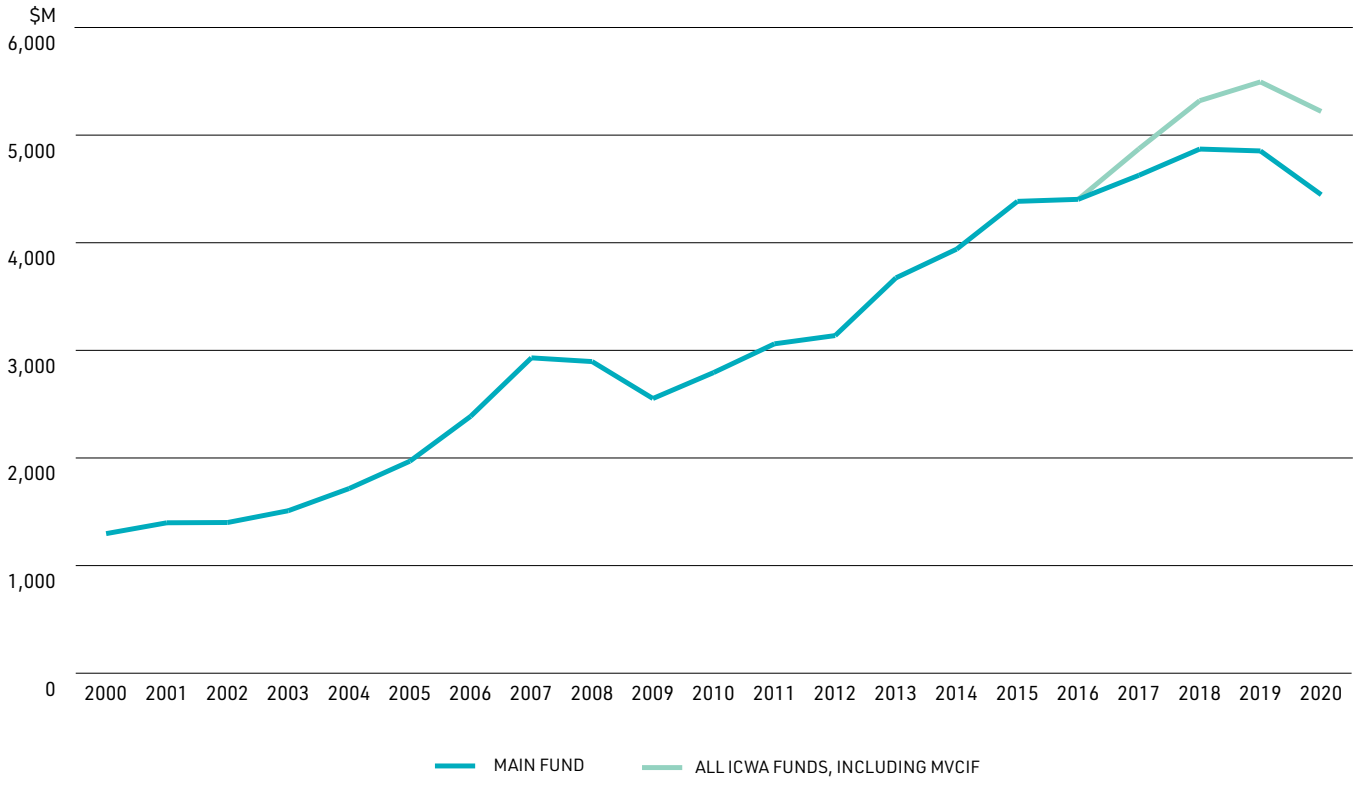
The Insurance Commission made well-timed tactical asset allocation decisions during the year to increase allocations to both Global and Australian Fixed Interest, to change the allocations to Equities, and to alter the foreign exchange hedge ratio. Those decisions contributed to the strong performance of both funds in the first half of the year, and reduced the extent of the negative performance in the second half.

The Insurance Commission focuses on delivering long-term growth in investment assets in order to meet its insurance claims liabilities. The rolling seven-year Main Fund return was 6.51% per annum which was 1.62% per annum above the actual CPI plus 3% performance objective.

The total value of investment funds held by the Insurance Commission at 30 June 2020 was $5.3 billion, which was lower than the $5.5 billion held at 30 June 2019. This change reflects investment losses caused by the pandemic and the return of capital and dividend payments to the shareholder, the WA Government. The total value of assets held by the Insurance Commission at 30 June 2020 was $5.7 billion.

The significant market disruption due to the pandemic had a reduced impact on the Insurance Commission's investment assets as the organisation maintains a diverse portfolio of quality investment assets which it invests as part of a long-term strategy. This has enabled the Insurance Commission to maintain a strong financial position to cover rises in future claims costs.

Growth in Insurance Commission Investment Assets (Net of Dividends) from 2000 to 2020



FINANCIAL MARKET OVERVIEW

The year was marked by extreme market movements as a result of the pandemic shock. The first half of the year experienced steadily rising equity markets assisted by supportive Government policy settings and the expectation of improving prospects for global economic growth into 2020.

The escalation of the rate of infections in China during January 2020 and the economic lockdown also initially failed to dent market sentiment, until signs of global spread of the virus started to emerge. By mid-February, market sentiment turned dramatically negative once the virus spread internationally. The virus was classified as a global pandemic by the World Health Organisation on 11 March. Global Equity markets lost more than a third of their value from February to March.

Governments instituted lockdowns to halt the spread, and introduced extensive monetary and fiscal support to shield economic participants from the worst of the lockdown impact. Although a global economic recession was assured, these actions were seen as limiting the extent of the recession and importantly, averting a global depression.

The combined effects of the monetary and fiscal stimulus, expectations that further support would be provided if required, and signs of initial success in halting the virus spread, resulted in a sharp recovery in equity markets. From March to June 2020, Global Equity markets had regained most of the losses, with some markets attaining new highs.

The short, sharp market crash and dramatic recovery contrasted with the economic cost of the virus, where lockdowns created significant gains and losses in different asset classes and sectors. For example, while the healthcare and online retail sectors benefited, the travel, hospitality and retail property sectors did not.

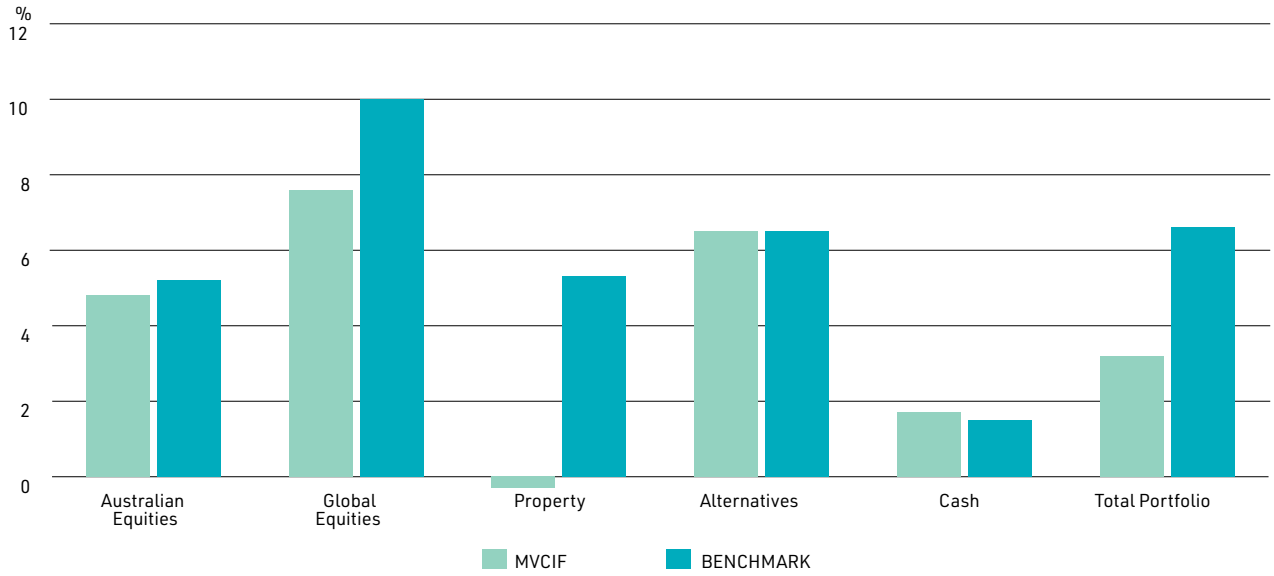
For the year ended 30 June 2020, Growth Assets provided mixed returns. The Global Equity market (in AUD) was up 4.07%, the Australian Equity market was down 7.61%, Property was down 2.66% and Growth Alternatives were up 5.85%. Defensive Assets produced positive returns, with Global Bond markets (in AUD) up 5.18%, the Australian Bond market up 4.18%, Defensive Alternatives up 3.85% and Cash up 0.85%.

A level of uncertainty and therefore further economic costs remain as second waves of virus infections occur in some countries. Despite this, the expectation for both monetary and fiscal support well into the future provide some confidence. There are positive signs of a turnaround in economic activity as economies have reopened. Financial market conditions for the next six to twelve months are likely to remain volatile until a vaccine is found or the virus is contained.

Amidst this uncertainty, global central banks are expected to continue to provide accommodative monetary policy and governments are expected to continue to provide fiscal support to both business and workers negatively affected by the pandemic. In this environment the Insurance Commission's investment portfolio is expected to produce a low to modest positive return in 2021.

Main Fund Asset Class Performance over Rolling Three Year Period to 30 June 2020

MVCIF Asset Class Performance over Rolling Three Year Period to 30 June 2020



ASSET ALLOCATION

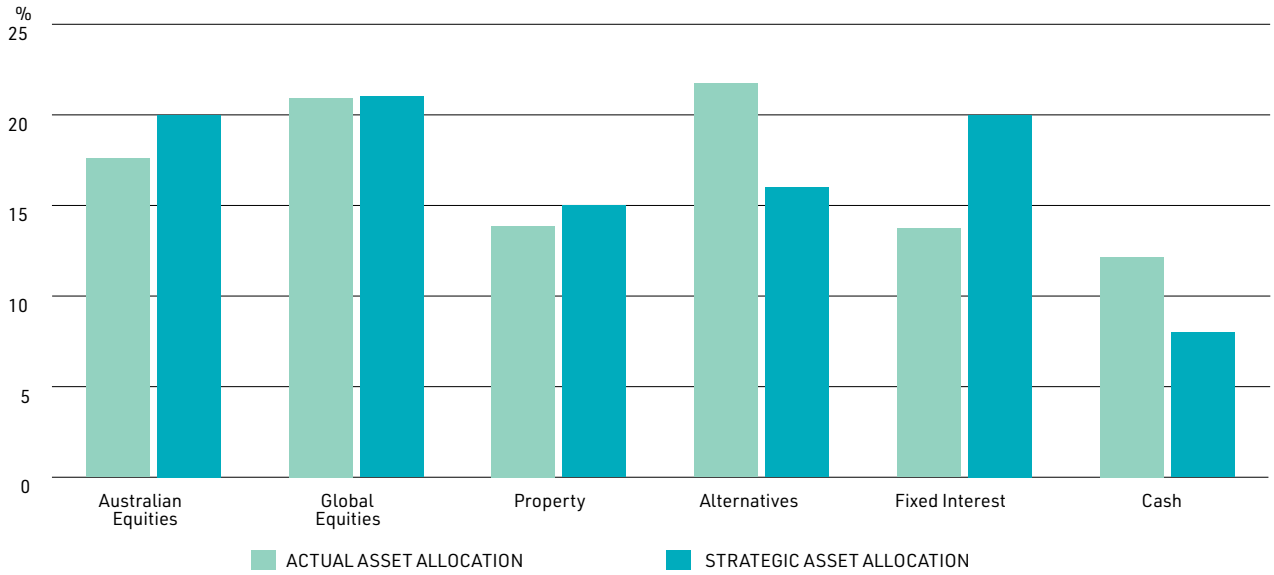
The Main Fund neutral strategic allocation to growth and defensive assets is 68% and 32% respectively. The MVCIF neutral strategic allocation to growth and defensive assets is 75% and 25% respectively. The MVCIF has a higher target allocation to growth assets to reflect the investment return required to meet the longer duration of insurance liabilities for catastrophic injury claims in that fund.

The neutral strategic allocation of both funds was broadly maintained during 2020 through active portfolio management. Key Main Fund investments over the year included allocations to an Absolute Return Bond Strategy, Global Fixed Interest and Australian Fixed Interest.

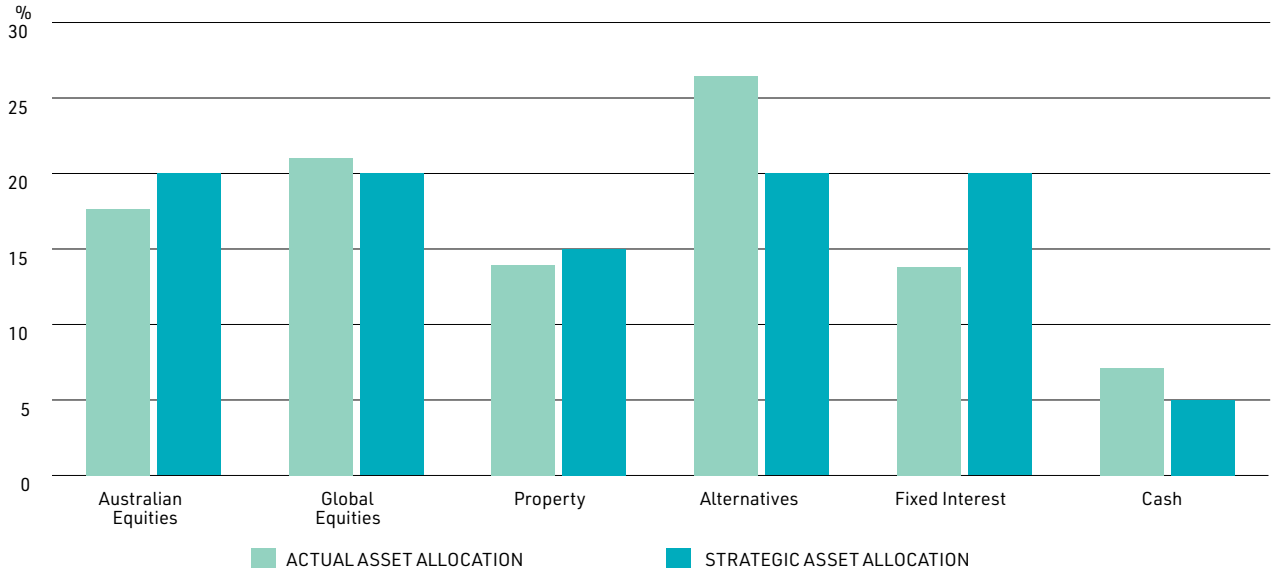
The currency hedge ratio of the Global Equity portfolio going into the COVID-19 crisis, was increased from 25% to 50% in late March 2020, before being reduced to 25% at AUD/USD 0.6510 in mid-May. One Global Equities manager was replaced during the year.

Both funds' actual asset allocations relative to the strategic benchmark, and the value of each asset class and its percentage of investment are shown below and overleaf. Both funds are underweight Australian Equities, Property and Fixed Interest, and overweight Alternatives and Cash as new investment opportunities are considered.

Main Fund Asset Allocation as at 30 June 2020



MVCIF Asset Allocation as at 30 June 2020



Sector Exposure

Asset Class	Main Fund ($M)	Main Fund (%)	MVCIF ($M)	MVCIF (%)
Australian Equities	781.5	17.6	136.6	17.7
Global Equities	930.6	20.9	162.7	21.0
Alternatives	966.1	21.7	204.9	26.5
Fixed Interest	610.9	13.7	106.8	13.8
Property	616.9	13.9	107.9	13.9
Cash	540.1	12.2	55.1	7.1
Total Investment Assets	**4,446.1**	**100**	**774**	**100**
Unsettled Purchases	97.3		16.9	
Total Investment Assets	**4,543.4**		**790.9**	
Main Fund	**4,543.4**			
MVCIF	**790.9**			
Non-Investment Assets	404.4			
Total ICWA Assets	**5,738.7**			

Portfolio Positioning

Geography	Main Fund ($M)	Main Fund (%)	MVCIF ($M)	MVCIF (%)
Australia	2,797.1	62.9	494.8	63.9
United States	586.3	13.2	112.6	14.5
Europe ex United Kingdom	286.4	6.4	46.5	6.0
Asia ex Japan	236	5.3	40.0	5.2
United Kingdom	179.5	4.0	19.9	2.6
Japan	68.8	1.5	12.5	1.6
Other	292	6.7	47.7	6.2
Total Investment Assets	**4,446.1**	**100**	**774**	**100**
Unsettled Purchases	97.3		16.9	
Total Investment Assets	**4,543.4**		**790.9**	
Main Fund	**4,543.4**			
MVCIF	**790.9**			
Non-Investment Assets	404.4			
Total ICWA Assets	**5,738.7**			

INVESTING IN WESTERN AUSTRALIA

The Insurance Commission has a diverse investment portfolio designed to meet its insurance liabilities.

The Infrastructure asset class sits within Alternatives and represents 10% of the strategic asset allocation for the Main Fund.

One of the Insurance Commission's Infrastructure investments is in the QIC Global Infrastructure Fund (QGIF). The QGIF provides access to investment returns through long-term exposure to a diversified portfolio of ten global infrastructure assets.

The assets owned by QGIF in Western Australia include Pacific Energy, which supplies competitively priced and highly reliable off-grid electricity, including owning and operating 40 remote power stations.

In 2020, Pacific Energy acquired Hybrid Systems Australia, a solar and battery microgrid specialist based in Perth. Hybrid Systems make standardised solar, battery and backup power systems (SPS).

This acquisition strengthened Pacific Energy's capabilities in the emerging integrated renewables market.

Hybrid Systems is currently working with Western Power to provide 47 SPS units to its regional and remote customers. It is anticipated that up to 6,000 regional and remote customers in WA will transition to SPS over the coming decades.

Hybrid Systems is also providing larger scale systems to Meekatharra, Onslow, Carnarvon and Mt Magnet.

In 2022, a large scale renewable system from Hybrid Systems will supply a renewable power solution for the town of Esperance. Hybrid Systems will facilitate Western Australian regional communities and mining customers reduce their carbon footprint.

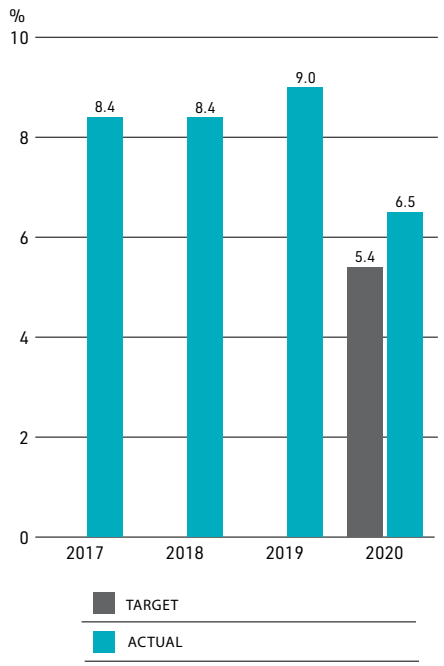
2.4.3 HOW WE ARE MEASURED

Investment Rolling 7-Year Return (%)

This KPI calculates the long-term investment performance, measured over a rolling 7-year period as a percentage (per year) of the amount of money invested. This KPI measures whether investment returns have achieved the Insurance Commission's long-term Consumer Price Index (CPI) plus 3% investment objective (Main Fund) and CPI plus 3.25% investment objective (MVCIF).

Comment:

The Main Fund investment rolling 7-year return was 6.5%, above the target of 5.4% and above the actual CPI +3% outcome of 4.9%. The 7-year MCVIF results will be reported after 30 June 2023, when the fund is 7-years old.

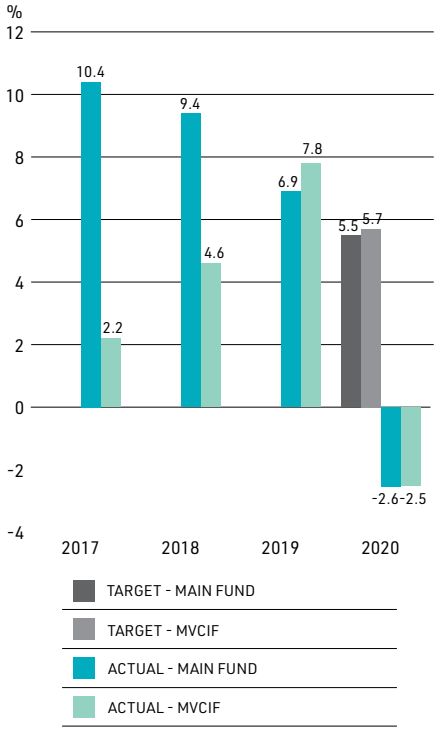


Annual Investment Rate of Return (%)

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, property and cash indices.

Comment:

The Main Fund's annual investment rate of return for 2020 was -2.6%, below its target of 5.5%. The MVCIF's annual investment rate of return was -2.5%, which was also below its target of 5.7%. Each Funds' performance was negatively impacted by the pandemic and resultant economic shutdowns. All asset classes delivered below target returns: Global Equities (2.0%), Cash (1.6%), Fixed Interest (0.6%), Alternative Assets (-0.7%), Australian Equities (-5.5%) and Property (-16.9%).

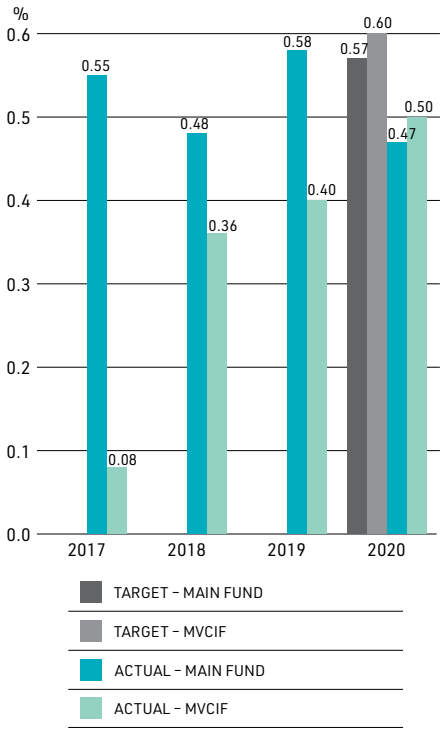


Investment Management Expense Ratio (%)

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 financial year-end valuations) of the Insurance Commission's investment portfolio. This KPI is a measure of the Insurance Commission's efficiency in managing its investments.

Comment:

The investment management expense ratio for the Main Fund was 0.47% and for the MVCIF, it was 0.50%. Both were lower than their respective targets for the year, due to lower than expected performance fees.



2.5 CORPORATE SUPPORT

2.5.1 INVESTIGATIONS AND INTELLIGENCE

THE INSURANCE COMMISSION'S INVESTIGATIONS AND INTELLIGENCE TEAM SUPPORTS OPERATIONAL AREAS TO IDENTIFY AND STOP FALSE AND MISLEADING CLAIMANT AND SERVICE PROVIDER ACTIVITIES.

The team uses data analytics with automated alerts, behaviour models, video evidence and publically available information including 'tip-offs' to support its work.

During the year, 639 personal injury compensation claims were assessed as potentially being fraudulent. Following assessment, 125 cases were further investigated, resulting in avoided claims costs for motorists of $15.5 million.

Where the Insurance Commission finds evidence of alleged criminal behaviour, it engages with the State Solicitor's Office who have responsibility for prosecutions.

Eight claimants were prosecuted during the year for making false statements for financial reward, as part of the insurance claims process. Some of those claimants made a false statement about their capacity to work or exaggerated their injury to a medical practitioner.

Consequences include penalties and criminal conviction.

TARGETING FALSE OR MISLEADING CLAIMS

In 2020, the Insurance Commission has investigated 88 motor injury insurance claims for false or misleading information. Eight have been prosecuted, seven convictions handed down, and, as a result, the Insurance Commission has avoided costs for motorists of over $2.6 million.

There was significant media interest in the prosecuted cases, which helps to act as a deterrent for others from making a false or misleading statement to the Insurance Commission.

The *Motor Vehicle (Third Party Insurance) Act 1943* makes it an offence to provide false or misleading information to the Insurance Commission. It can result in a criminal conviction and a fine of up to $10,000.

The cases include claimants attempting to claim lost wages for time off work while they were actually working and exaggerating the extent of their injuries.

ONE PERSON TRIED TO CLAIM HER INJURIES HAD LEFT HER UNABLE TO PARTICIPATE IN ANY PHYSICAL WORK, INCLUDING SPORT. VIDEO SURVEILLANCE SHOWED THE CLAIMANT PARTICIPATING IN 26 SOCCER GAMES OVER THE COURSE OF THE YEAR.

In one case, a person claimed to his doctor that he was unable to work. An investigation showed that the person ran a cafe and worked as a taxi driver.

Western Australia's motor injury insurance scheme is designed to provide care and reasonable compensation to people injured in car crashes when someone else is at fault.

If compensation is paid to people who fake or exaggerate injuries for financial reward, insurance premiums may increase for all motorists to cover the cost.

2.5.2 POLICY RESEARCH

The Insurance Commission undertakes analysis on policy issues and provides advice to government on insurance and liability matters. Below are some of the issues examined during the year.

INSURANCE MARKET

Insurance provides an essential mechanism for transferring risk across the economy. A safe, stable insurance industry builds confidence in economic and social activities.

Globally, insurance markets are hardening, resulting from a withdrawal of capacity, a changing view on risk, and recent high global insured losses. This, combined with local factors, is:

- increasing insurance premiums;
- causing insurers to broaden exclusions in insurance policies; and
- making some insurance cover more difficult to secure.

Recent reports since the onset of the pandemic suggest that liability insurance products are even more difficult for some businesses to secure than before.

The Insurance Commission continues to advise Government on matters affecting the availability, affordability and suitability of insurance that is required by Western Australian community groups, businesses, individuals and governments.

AUTOMATED VEHICLE INSURANCE AND LIABILITY

The introduction of automated vehicles is expected to fundamentally change the future of our transport industry.

While long-term anticipated benefits include improved road safety with a corresponding decrease in the number of vehicle crashes, injuries and insurance claims, these benefits are unlikely to be realised in the near future.

The Insurance Commission remains focused on ensuring suitable insurance arrangements are in place so that compensation is available where people are injured or killed by automated vehicle technology.

The Insurance Commission continues to highlight that manufacturers and suppliers of automated vehicles must be held accountable and carry the right insurance for the performance of their products, and that the cost of their failures should not be borne by motorists.

The Insurance Commission is working with the Department of Treasury and other stakeholders to identify a solution that achieves that outcome.

CLAIMS TRENDS

WA's CTP Insurance Scheme is one of the most effective motor injury schemes in Australia, measured on premium affordability, care and compensation paid and financial performance.

Like any demand-driven scheme involving risk events, market forces and changing liabilities, some intrinsic issues warrant ongoing monitoring and periodic change. Some concerning trends have been identified:

- an increase in compensation claims numbers by 17.6% in 2020 against the long-term trend;
- compensation claims are now 56% more likely to be made following a crash than they were in 2013, despite the long-term trend showing fewer reported crashes and fewer medical interventions from those crashes;
- the proportion of claims involving minor injuries where the claimant is legally represented rose from 22% in 2014 to 58% in 2020; and
- legal costs for minor injury claims far exceed the compensation paid to the injured person (131% of total compensation paid).

The Insurance Commission continues to evaluate performance trends and issues to address those challenges.

2.5.3 COMMUNITY ENGAGEMENT

The Insurance Commission recognises the importance of contributing to the community in which it operates.

Our community engagement initiatives aim to prevent or minimise the injuries insured by the Insurance Commission and improve the rehabilitation, care and service outcomes of Insurance Commission customers. This helps the Insurance Commission to manage the cost of claims and to keep insurance premiums affordable.

These initiatives cover three key areas: road safety, independence and engagement.

ROAD SAFETY

The Insurance Commission promotes initiatives that encourage road safety awareness throughout the community to help reduce the number and severity of injuries sustained in vehicle crashes.

The Insurance Commission is also represented on the WA Road Safety Council.

Belt Up

The Belt Up campaign supports grassroots community sport in WA to promote the important message of wearing a seatbelt.

In 2019, 95 people were killed or seriously injured in a crash on WA roads while not wearing a seatbelt.

The Insurance Commission added community cricket as a Belt Up partner this year. The Insurance Commission is providing over 2,000 Belt Up branded helmets to community cricketers to reduce the risk of head injury on and off the pitch, as well as providing independence-enabling equipment to people with disability who play cricket in the State's Integrated Cricket League. That program aligns with our focus on supporting people with disabilities acquired from an accident to participate in the community and increase their independence.

WA Regional Achievement and Community Awards

The Insurance Commission sponsors the Regional Safety Award at the WA Regional Achievement and Community Awards to promote safe road practices in regional communities to encourage fewer and less serious injuries from vehicle crashes.

A Kimberley-based company, Boab Health Services, won the award this year for its travel safety systems that support its staff to reach clients living in remote communities.

WA Disability Support Awards

The Insurance Commission sponsors the Excellence in Innovation Award at the WA Disability Support Awards to encourage novel approaches to improve the quality of life and community participation of people living with disability.

The award was presented jointly to the Autism Cricket Project and Monique Ziegelaar from VisAbility. Both projects enhance the inclusion of people with disability in sport and education, respectively.

INDEPENDENCE RESEARCH

The Insurance Commission supports initiatives that aim to increase the independence of people that have been injured in a vehicle crash or at work. The enhanced independence of a person can help reduce insurance costs.

Continence

The Insurance Commission spends over $4 million annually in care to assist injured claimants to use the bathroom. The Insurance Commission is aiming to boost the continence independence of its clients with catastrophic injury through the commencement of an applied research study that builds on the successful outcomes of a pilot study that concluded last year.

Allied Health

The Insurance Commission has partnered with the national allied health physiotherapy and occupational therapy associations to improve rehabilitation outcomes and reduce care costs for people with acquired injuries.

Three Insurance Commission-funded projects commenced during the year:

1. Use of interactive virtual reality simulation to improve upper limb motor function in people with an incomplete spinal cord injury. This novel technology allows rehabilitation to occur daily in the home, maximises opportunities for brain recovery and minimises therapy costs.
2. Delivery of integrated physiotherapy and psychology treatments, known as cognitive functional therapy to improve functional recovery of people with high risk neck and back injuries.
3. Returning people back to work following injury through personal coaching to build better health self-management, work readiness and positive work expectations. Work is regarded as a primary indicator of successful rehabilitation and an important marker of recovery and improved self-worth for an injured individual.

IN 2020, THE INSURANCE COMMISSION MADE PAYMENTS OF $752.8 MILLION TO CUSTOMERS FOR INJURY, LOSS AND DAMAGE CLAIMS. OUR COMMUNITY PROGRAMS AIM TO REDUCE THE INCIDENCE AND COST OF THOSE CLAIMS.

Neurotrauma

The Insurance Commission funds translatable research with the goal of increasing the independence of people injured on the road and at work.

The Insurance Commission funded two projects during the year via the State's Neurotrauma Research Program:

1. Project to reprogram cells that form scar tissue surrounding the spinal cord injury into nerve cells that can potentially form new circuits to restore function in people with those injuries (the research team is shown in the photo above).
2. Project to reduce pressure injuries for people using wheelchairs through a new wheelchair re-positioning system.

ENGAGEMENT

Events

During the year, Insurance Commission staff either presented or chaired the following events as a mechanism to increase the awareness of stakeholders and customers of the functions and outcomes delivered by the organisation.

Event
Road Safety Consultation Forums across metropolitan and regional WA
Catastrophic Injuries Support Scheme – Social Work Department, Fiona Stanley Hospital
Helping People Injured in Crashes and at Work – General Practice Conference and Exhibition
Public Sector OSH and Injury Management – WA Public Sector Information Session
Helping People Injured in Crashes and at Work – National Disability Service Risk Forum
Public Sector Governance Forum
Continence Independence – Community Workshop
Continence and Acquired Brain Injury – National Conference on Incontinence
Life after Catastrophic Injury in a Car Crash – State Trauma Symposium
WA Road Safety Research Forum

Volunteering

The Insurance Commission recognises the critical role of not-for-profit entities that help vulnerable people, including many of our customers in the community.

Staff are encouraged to participate in employee volunteering initiatives with community organisations that make a difference to people's lives.

This year, ten Insurance Commission staff volunteered at Ronald McDonald House where they prepared dinner for families of children with injuries and disease who were undergoing treatment at Perth Children's Hospital. Some of the Insurance Commission's clients are children and stay at the House with their families.

During the height of the pandemic, 37 Insurance Commission staff also volunteered with Foodbank.

2.5.4 CUSTOMER SERVICE

The Insurance Commission is committed to providing a high standard of service based on:

- Communication
  Communicate openly and efficiently to provide clear and accurate information and advice.
- Responsiveness
  Respond in a reliable and timely manner.
- Respect
  Manage claims in a respectful, fair and transparent manner.
- Accountability
  Accept responsibility for our actions and address issues if they arise.
- Continuous Improvement
  Continually improve the efficiency and effectiveness of services.

STAKEHOLDERS

Claimants

Insured individuals, agencies or companies suffering injury, loss or damage.

Policyholders

Vehicle owners

WA government agencies

Non-government entities

External Providers

Health practitioners and hospitals

Lawyers

Assessors

Reinsurers

Builders and repairers

Government

Employees and Board

Treasurer

WorkCover WA

Department of Treasury

Department of Transport

Other government agencies

CONTEMPORARY COMMUNICATION WITH CUSTOMERS

The Insurance Commission commenced sending text messages to claimants during the year to communicate more quickly, efficiently and in a form preferred by our claimants.

An additional benefit of the text-message capability is that claimants can be sent a Treatment Number early. Claimants can now give that number to their health practitioner to have their treatment automatically paid by the Insurance Commission (via the HICAPS terminal at the health practice if it has one). This gives the claimant and practice the confidence that treatment will be funded by the Insurance Commission.

Text messages are also now being sent to advise claimants about various steps in the claims process such as when a medical appointment has been booked, when further information is required and when a payment has been made.

The use of text messages to communicate with claimants is intended to replace the need to send tens of thousands of letters in the mail each year and the resultant cost of that manual process.

The cost of sending a text message is 60c compared to approximately $1.43 for a letter (plus staff time), so there is a compelling financial case to move toward that more contemporary form of communication.

Feedback from claimants when receiving text messages has been positive:

"It was so helpful to get an instant message about my claim rather than wait for a letter in the mail".

"Getting the Treatment Number sent to my phone means I can give it straight to my physiotherapist, and I won't be left out-of-pocket for the treatment."

Regional Focus

People injured in crashes who live in remote parts of the state have to travel great distances to access specialist medical treatment and/or legal services. The settlement of a motor injury insurance claim can also be challenging if claimants do not have access to resources or claims staff.

The Insurance Commission visits remote locations within the state annually in an effort to deliver a personalised customer service focused on finalising the claim, which allows the claimant to move forward with their life.

This year a claims team visited Kununurra, Halls Creek, Fitzroy Crossing, Derby, Broome and Port Hedland. Thirty-five claims were settled during that visit with approximately $2.2 million paid to claimants.

3 GOVERNANCE

3

3	**GOVERNANCE**	**66**
3.1	People	68
3.2	Compliance	77
3.3	Significant Issues	79

3.1 PEOPLE

424 DEDICATED EMPLOYEES PROVIDED CRITICAL INSURANCE AND SUPPORT SERVICES TO CUSTOMERS OF THE INSURANCE COMMISSION DURING THE YEAR. THIS REPRESENTED A FULL-TIME EQUIVALENT (FTE) AT 30 JUNE 2020 OF 391.8 EMPLOYEES.

WORKFORCE PLANNING

Employees are appointed under the *Insurance Commission of Western Australia Act 1986*. Remuneration and working conditions are determined by the Insurance Commission, subject to the Government Officers (Insurance Commission of Western Australia) Award 1987 and General Agreement 2019.

The Chief Executive is appointed under the *Public Sector Management Act 1994* with remuneration and terms of employment determined by the Salaries and Allowances Tribunal.

The Insurance Commission's Human Resources Blueprint sets the workforce strategy to deliver the organisation's functions and strategic objectives.

Workforce supply and demand forecasts are completed to ensure the organisation has the necessary resources when it requires them.

A RECORD HIGH ENGAGEMENT RATE OF 85% IN OUR 2020 EMPLOYEE SURVEY REFLECTS OUR EMPLOYEES' STRONG COMMITMENT TO THE SUCCESS OF THE INSURANCE COMMISSION.

The Insurance Commission aims to attract, retain and develop a diverse and talented workforce. The Insurance Commission strives to maintain an inclusive workforce to increase the representation of women in senior leadership roles, Aboriginal and Torres Strait Islanders, youth and people with disability.

ORGANISATIONAL CULTURE

Since 2017, we have actively taken steps to move towards our desired corporate culture. We are committed to a high performance culture that values accountability, professional integrity and respect.

The effectiveness of the cultural change program is measured through our corporate culture model incorporated in the annual employee engagement and culture survey.

The corporate culture model includes four dimensions (innovative, market driven, people centric and process driven).

The survey, which was conducted during the COVID-19 restrictions, indicated that 94% of employees are open to change plans and priorities as circumstances change and evolve. This demonstrates a flexible workforce reflective of the direction we want our corporate culture to take.

PEOPLE DEVELOPMENT

The Insurance Commission's learning and development strategies equip employees with the required skills, knowledge and capabilities to effectively undertake their current roles and develop and sustain organisational capabilities for the future.

Workforce learning and professional development programs are delivered across three levels: all employees, leadership group and people managers, and are supported by learning through business activities, project work, mentoring and coaching.

Employees have access to online interactive learning. Some of the courses delivered during the year via the online platform and face-to-face include customer service, resilience, information technology, workplace diversity and inclusion, compliance and various operational training programs.

A second cohort of senior leaders completed a 360-degree performance feedback process during the year. The process is designed to assess people's management and leadership capabilities, and enhance those capabilities through 1:1 leadership coaching sessions.

All employees participate in performance and development discussions, and are encouraged to take accountability for their career development.

ABORIGINAL AND TORRES STRAIT ISLANDER TRAINEESHIP PROGRAM

The Insurance Commission introduced an Aboriginal and Torres Strait Islander Traineeship Program as part of our long-term commitment to improve youth and Aboriginal and Torres Strait Islander representation in our workforce. In partnership with for-purpose charity Nudge, we have employed two trainees who commenced 12-month traineeships in March 2020. This provides the opportunity to complete a Certificate III in Government while working full-time. The trainees learn a range of skills in the workplace, undertake training and development programs, and receive mentoring from Nudge and their managers throughout the traineeship.

"I WANT MY TEAM TO GROW INDIVIDUALLY AND COLLECTIVELY TO BE THE BEST THEY CAN BE.

CHRIS SANTA MARIA
CLIENT RELATIONSHIP MANAGER

EMPLOYEE DEMOGRAPHICS

WORKPLACE DIVERSITY

63% WOMEN

37% MEN

41.9%
WOMEN IN LEADERSHIP ROLES (LEVEL 5 AND ABOVE)

25.5%
CULTURALLY & LINGUISTICALLY DIVERSE

6.4%
YOUTH (<25)

2.6%
PEOPLE WITH DISABILITY

1%
INDIGENOUS AUSTRALIANS

11 yrs
AVERAGE LENGTH OF SERVICE

44 yrs
AVERAGE AGE

75%
RETURNED FROM MATERNITY LEAVE (5-YEAR AVERAGE)

WORKING ARRANGEMENTS

80.7%

FULL-TIME

WOMEN

44.6%

MEN

36.1%

19.3%

PART-TIME

WOMEN

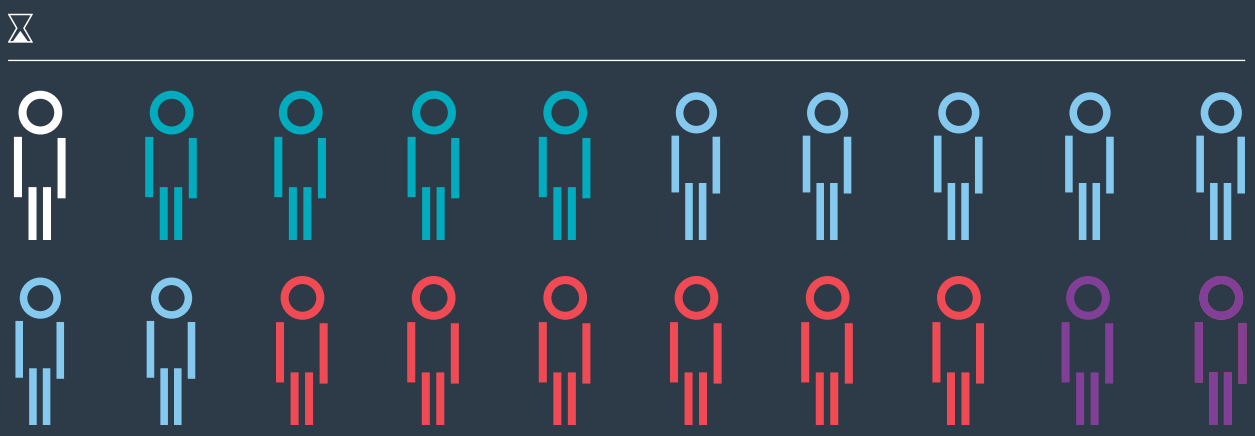
18.4%

MEN

0.5%

GENERATIONAL PROFILE

- 0.5% VETERAN (1922-45)
- 20.1% BABY BOOMER (1946-64)
- 38.2% GEN X (1965-79)
- 34.4% GEN Y (1980-94)
- 6.8% GEN Z (1995 –)



"I LIKE THAT BOTH MY ROLE AND THE WORKFORCE IS DIVERSE AND ENCOURAGES GROWTH. I FEEL LIKE I'M CONTRIBUTING TO THE BIGGER PICTURE AND THAT IS REALLY REWARDING.

LAUREN AINSLIE
SENIOR BUSINESS SERVICES OFFICER – BUSINESS SERVICES

OUR RESPONSE TO COVID-19

The pandemic brought great change to the way most people worked and lived. For the Insurance Commission, we made a number of changes in a short period to ensure the continued delivery of critical insurance services to customers.

Almost 100% of Insurance Commission employees in roles that could be performed from home commenced working from home during the pandemic. This represented 88% (or 358 employees) working from home in mid-April based on total headcount.

It is a testament to our staff that they adapted to their changed working conditions so quickly. Pleasingly, the Insurance Commission's work productivity levels were maintained at pre-pandemic levels, therefore allowing critical services to customers to continue to be delivered.

Two customer service enhancements were made during the pandemic. The first was the introduction of a 24-hour payment process for invoices following certification, allowing small businesses providing treatment and care services to claimants to be paid more quickly. The second was reducing the volume of hard copy correspondence sent to claimants and increasing the use of electronic communications.

To facilitate a smooth transition to the home working environment, the following key actions were taken:

- Extended the 'working span of hours' to provide staff with the flexibility to complete their work around home commitments such as caring for family.
- Encouraged staff to take home their office equipment to support ergonomic working conditions.
- Our IT Help Desk supported staff operating in 400 different home environments.
- Introduced new audio and video capabilities to keep staff connected to each other and their customers.
- Provided regular and clear communications to keep staff informed.

- Promoted the Employee Assistance Program for any staff suffering from anxiety arising from the pandemic. The program is a free, confidential service available to employees and immediate family members.
- Provided free access to parking for the small number of employees who continued to work in the office for tasks including the handling of mail.

Office health and safety practices were also enhanced. Staff were provided with antiseptic hand wash, telephone cleaning sachets and personal hygiene information. Twice-daily cleaning was introduced of door handles, lift buttons, photocopiers and visitor chairs. Self-standing hand sanitiser units and non-contact thermometers were also placed on each floor.

The Commonwealth and State Government response to the pandemic introduced new rules for entities and their staff in areas such as workplace management, occupational hygiene, travel, security of information, finance controls, corporate governance and reporting. The Insurance Commission ensured it met each new obligation as part of its ongoing compliance commitments.

GIVING BACK

The pandemic impacted the not-for-profit sector significantly due to shortages in volunteer numbers and the loss of revenue for some organisations.

Recognising these impacts, the Insurance Commission partnered with Foodbank WA and facilitated 37 of its staff to spend a day packing emergency food hampers which were sent to vulnerable Western Australians.

3.1.1 ACCESS AND INCLUSION

The Insurance Commission is committed to increasing employee awareness of access and inclusion issues and improving its service delivery to the community through implementation of its Disability Access and Inclusion Plan (DAIP) 2018-23.

The Insurance Commission is also committed to ensuring an accessible, diverse and inclusive work environment enabling people with disability to participate fully in all aspects of employment.

In 2020, the Insurance Commission was one of only a few Government agencies selected to participate in a public sector led project to enhance workplace inclusivity and accessibility, and increase the representation of people with disability. That work is ongoing and will be reported on next year.

Each DAIP outcome and corresponding 2020 action is listed below:

OUTCOME 1

People with disability have the same opportunities as other people to access the services and events organised by the Insurance Commission.

Action

Ensured training venues utilised by the Insurance Commission were accessible. Updated the Insurance Commission's Accessible Events and Venues Guidelines.

OUTCOME 2

People with disability have the same opportunity as other people to access the buildings and facilities of the Insurance Commission.

Action

Completed audit of automatic doors to meet safety and accessibility standards, and addressed any findings.

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

Completed audit that certified the Insurance Commission's website met the Government's Accessibility and Inclusivity Standard (i.e., WCAG 2.0 Level AA criteria).

Published Accessible Information Guidelines to increase employee awareness and assist our clients on how to receive information in alternative formats.

OUTCOME 4

People with disability receive the same level and quality of service as other people from Insurance Commission employees.

Action

People with disability presented to employees to enhance their understanding of access and inclusion challenges, and improve customer service.

Delivered disability awareness training to all employees.

OUTCOME 5

People with disability have the same opportunities as other people to make complaints to the Insurance Commission.

Action

Enhanced the Insurance Commission's collection of stakeholder feedback to obtain more information about service delivery improvement opportunities.

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

Received and considered feedback from clients and service providers on the effectiveness of the Insurance Commission's service delivery.

No formal public consultation was undertaken during 2020.

OUTCOME 7

People with disability have the same opportunities as other people to obtain and maintain employment with the Insurance Commission.

Action

Implemented a Reasonable Adjustment Policy to enhance awareness and participation of current and prospective employees with disability.

Participated in a public sector led project to enhance workplace inclusivity and accessibility, and increase the representation of people with disability.

Partnered with Job Access (a disability employment provider) to review the employment process and policies to identify any barriers which could prevent the employment of people with disability.

OUTCOME 8

Improve disability outcomes for claimants and clients of the organisation by effectively managing insurance schemes that provide care and compensation to people injured in motor vehicle crashes and at work.

Action

Provided care and compensation to almost 10,000 people injured in vehicle crashes and at work in 2020.

Supported people with catastrophic injuries from vehicle crashes to return home following emergency treatment and rehabilitation and to return to work and community participation.

Funded neurotrauma and care innovation research to improve the independence of people with catastrophic injuries.

INSURANCE COMMISSION STAFF PARTICIPATED IN THE ANNUAL CORPORATE WHEELCHAIR BASKETBALL CHALLENGE TO CELEBRATE INTERNATIONAL DAY OF PEOPLE WITH A DISABILITY.

3.1.2 HEALTH AND SAFETY

The Insurance Commission has a proactive and positive safety culture.

All new employees receive information and training on occupational safety and health (OSH) and injury management responsibilities, and the organisation's OSH processes.

The Insurance Commission's OSH Committee engages employees on OSH matters and involved them to develop the OSH and Wellbeing Management Plan.

Two online training programs in OSH and injury management were created and delivered to people managers in 2020.

As an OSH initiative during the year, the Insurance Commission organised an independent review of its:

- procedures for manual handling of boxes containing off-site records; and
- risk mitigation strategies to prevent its employees being bullied by claimants.

Liability was accepted for three workers' compensation claims during the year, one of which involved a lost-time injury. The injured employee is currently participating in a graduated return to work program.

	Actual Results			Results Against Target	
Measure	**2018**	**2019**	**2020**	**Target**	**Comment**
Number of fatalities	0	0	0	0	Achieved
Lost time injury and/or disease incidence rate	0.58	0	0.25	0 or 10% reduction	Not Achieved
Lost time injury and/or disease severity rate	0	0	100%	0 or 10% reduction	Not Achieved
Percentage of injured workers returned to work: (i) within 13 weeks (ii) within 26 weeks	50%	100%	100%	Actual Result	Achieved
	50%	100%	100%	≥ 80% within 26 weeks	Achieved
Percentage of managers trained in OSH and injury management	78%	93%	93%	≥ 80%	Achieved

HEALTH AND WELLBEING

The Insurance Commission proactively manages the health and wellbeing of its employees by providing:

- access to end-of-trip facilities including to a gym and exercise classes;
- independent counselling for employees and their families;
- eyesight and skin cancer screening;
- assessments for blood pressure, blood glucose and cholesterol;
- resilience training for people managers;
- mental health training for all employees;
- flu vaccinations;
- information about health and wellbeing; and
- complimentary fruit.

Employees evaluated these initiatives during the year as 'excellent, a valuable service, and grateful for the program'.

3.2 COMPLIANCE

STRONG GOVERNANCE AND PROACTIVE RISK AND COMPLIANCE MANAGEMENT IS INTEGRAL TO THE INSURANCE COMMISSION'S DECISION-MAKING AND PERFORMANCE OF ITS FUNCTIONS. THE INSURANCE COMMISSION EXPECTS DECISIONS TO BE MADE IN LINE WITH ITS CULTURE, VALUES AND STRATEGY.

Employees are responsible for day-to-day risk and compliance management. This includes identifying emerging risks, and implementing, monitoring and testing risk mitigation actions. An Audit and Risk Committee assists the Board to monitor and oversee risk and compliance activities. An internal audit function provides assurance of the organisation's risk and compliance management approach and independently validates risk mitigation actions in operational areas. An external audit function provides a further level of assurance on risk and compliance management.

The Insurance Commission aligns its approach to best practice standards AS/ISO 31000 and AS/ISO 19600, and to public sector guidelines.

During the year, the Insurance Commission continued to refine its risk and compliance management capability. Those activities included:

- compliance and risk management frameworks reviews;
- risk appetite and tolerance review;
- communication of the importance of considering risks when making decisions;
- enhanced risk and compliance training and awareness activities;
- better identification and management of compliance obligations; and
- enhanced monitoring and reporting of risk and compliance data.

An independent internal audit of the Insurance Commission's risk and compliance processes was completed during the year. The audit demonstrated that the Insurance Commission continues to improve its risk and compliance maturity and identified refinement opportunities that have been actioned.

Board and Audit and Risk Committee performance is regularly assessed to enhance the effectiveness of these key oversight bodies.

Existing controls provide reasonable assurance of compliance with legislation, public sector standards and ethical codes. The Insurance Commission's Code of Conduct is integrated into its staff training about accountable and ethical decision making and is available to employees via the Insurance Commission intranet and online learning platform.

No breach of standard claims or ministerial directions were received during the year.

See Note 5 of the Financial Statements for further information on risk management.

3.2.1 BOARD DISCLOSURES

NAME	POSITION	BOARD ATTENDANCE AT 10 MEETINGS	AUDIT AND RISK COMMITTEE ATTENDANCE AT 7 MEETINGS	GROSS ANNUAL REMUNERATION*
Frank Cooper AO	Chairman	9	5	$98,273
John Scott	Deputy Chairman, Chairman of Audit and Risk Committee	10	7	$73,696
Andrea Hall	Commissioner, Member of Audit and Risk Committee	9	5	$49,137
Carol Dolan	Commissioner, Member of Audit and Risk Committee	10	7	$49,137
Rob Bransby	Commissioner	10	5	$49,137
Yasmin Broughton	Commissioner, Member of Audit and Risk Committee	10	6	$49,137
Rod Whithear	Chief Executive, Commissioner ex officio	10	7	$416,600

* Includes superannuation and Fringe Benefits Tax.

3.2.2 ADVERTISING EXPENDITURE

The Insurance Commission spent $49,145 in 2020 to advertise job vacancies, supplier panel arrangements, motor injury insurance premium rates, to survey injured workers to improve customer service and to communicate the Insurance Commission's new 24-hour payment terms for pre-approved treatment.

Expenditure

Type	Organisation	Total
Advertising Agencies	Initiative Media and State Law Publisher	$11,391
Media Advertising	Sensis, Australia Medical Association, Osteopathy Australia	$6,754
Market Research	Painted Dog Research	$31,000
Total*		$49,145

*No costs for polling or direct mail organisations.

3.2.3 RECORDKEEPING

The Insurance Commission's Recordkeeping Plan and Retention and Disposal Authority were reviewed in 2020.

The Plan sets out the recordkeeping arrangements, training program and reporting. The Authority outlines how long different classes of documents must be kept.

Recordkeeping training continues to be undertaken by all new employees at induction. Recordkeeping information is available to all staff on the Insurance Commission's Intranet.

Routine reporting is undertaken on the performance of recordkeeping arrangements and training delivered.

During the year, the Insurance Commission reduced the number of records it holds off-site by 28% (4,325 records boxes) in line with the Authority. These efforts help to reduce the cost of external storage.

3.3 SIGNIFICANT ISSUES

3.3.1 COVID-19 IMPACTS AND PANDEMIC RESPONSE

THE INSURANCE COMMISSION ACTED SWIFTLY AND PRUDENTLY TO SUPPORT MOTORISTS AND AGENCIES COVERED BY ITS INSURANCE PRODUCTS AND SERVICES DURING THE COVID-19 PANDEMIC. CONTINUITY OF SERVICE DURING THIS TIME WAS AN INSURANCE COMMISSION PRIORITY.

We continued to deliver services during the pandemic by maintaining regular video and telephone communication (including the use of telehealth) with customers, agencies and service providers. Pleasingly, the Insurance Commission maintained its productivity and service standards during the pandemic and the resultant restrictions on work and travel.

MOTOR INJURY INSURANCE

Government advice for people to work from home and limit their travel during the pandemic led to fewer vehicles on Western Australian roads for that period. There were 25.4% (or 727) fewer reported crashes between 1 April and 30 June 2020 compared to the same period in 2019. As a result, injury claim numbers fell 3% (27 less) compared to the same time last year. That was a good result for motorists.

Insurance premiums are set to meet the long-term cost of injuries sustained by motorists. A short-term drop in the number of claims in 2020 does not materially impact the premium rate in future years as:

- injury claim numbers for the full year were 6.8% (or 541) higher than in 2019, as a result of a higher than average claim rate prior to the pandemic;
- any reduction in claims costs is more than offset by the forecast $61.3 million drop in revenue to the Insurance Commission by 2023-24 as a result of the Government decision to freeze the premium rate until at least 1 July 2021 for motorists in an effort to provide financial relief to Western Australian households; and
- bond rates declined by 1.8% from 1 July 2018 to 30 June 2020, causing an increase of approximately $277 million in provisions for future motor injury claims costs.

WORKERS' COMPENSATION

Prior to the pandemic, most of the 119,000 Government employees that the Insurance Commission covers via workers' compensation travelled each day to a Government workplace. Responding to Government advice during the pandemic, a large proportion of those employees remained home where they continued to work.

Workers' compensation contributions are set by considering the activities undertaken by agencies, agency claim experience and claim trends.

When setting those contributions for 2020, it was not contemplated that many Government employees would be required to work from home.

As an insurer, the Insurance Commission was concerned that it had not adequately priced the risk associated with high volumes of people working from home.

Pleasingly, no workers' compensation claims were received from Government employees while working from home during the pandemic. This excellent result reflects the commitment of agencies that were able to support staff to work from home.

The Insurance Commission trusts that will continue to be the case. In the event that claims and injuries at home increase, consideration may need to be given to relief for employers from OSH and workers' compensation obligations in environments that employers cannot oversee.

The following were some actions taken by agencies to support staff to work from home:

- ergonomic assessments;
- issue of safety guidelines and advice;
- access to equipment such as chairs and computers;
- information technology support to remotely connect to the work environment;
- video and audio conferencing facilities;
- extension of flexible working hours; and
- promotion of employee assistance programs for mental health support.

TRAVEL COVER

Effective 1 July 2019, the Insurance Commission expanded the Travel Cover it provides to schools for students on international trips with the same cover as the accompanying Department of Education staff.

With the travel restrictions imposed due to the pandemic, numerous interstate and international school trips were cancelled, and the Insurance Commission experienced an influx of claims for loss of deposits. To expedite the processing of these claims, each trip was treated as a single claim. This precluded the need to assess thousands of individual claims, and minimised disruption to the affected students and staff. As at 30 June 2020, we received 75 claims from 57 schools (24 international and 51 domestic trips) and two small claims from other agencies for international trips by individuals. To date, the Insurance Commission has paid $1.24 million for claims involving 2,370 travellers, including two claims for international school trips totalling $444,000.

ADVICE TO GOVERNMENT

The Insurance Commission supported Government during the pandemic by providing insurance advice on a range of critical matters.

The Insurance Commission provided agencies with clear guidance on the scope of their existing insurance covers, how to make claims and their continuing insurance obligations to employees in home office environments.

Government also specifically requested the Insurance Commission provide advice on key aspects of its pandemic response and recovery plans, including:

- public patient support in the private hospital sector;
- temporary private accommodation for returning travellers, people without accommodation and people required to isolate;
- secondment of Telethon Kids Institute staff to support COVID-19 call centres; and
- purchasing and warehousing of critical COVID-19 pharmaceutical products.

3.3.2 BELL GROUP LITIGATION

The Insurance Commission has devoted considerable financial and human resources to pursue its interests in the Bell Group liquidations, including funding the Liquidator of the Bell companies since the early 1990s. During the year, increased efforts were made to settle the myriad disputes between creditors.

On 12 August 2020, various Bell Group companies and their creditors agreed to liquidation settlement scheme arrangements.

On 20 August 2020, the Supreme Court of Western Australia made orders approving the settlement. Those orders were lodged with the Australian Securities and Investments Commission on 20 August 2020 at which point the schemes became effective.

On 11 September 2020, the Insurance Commission received a settlement amount of $665.4 million.

4 FINANCIAL STATEMENTS

4

4	**FINANCIAL STATEMENTS**	**82**
4.1	Statement of Compliance	84
4.2	Financial Statements Index	89

4.1 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 2020.

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, passed on 16 September 2020.

Frank Cooper AO
Chairman

16 September 2020

Rod Whithear
Chief Executive

16 September 2020

FINANCIAL STATEMENTS

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 2020 and the financial position as at 30 June 2020.

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

16 September 2020

Rod Whithear
Chief Executive

16 September 2020

Damon de Nooyer
Chief Finance Officer

16 September 2020

KEY PERFORMANCE INDICATORS

We certify 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 for the financial year ended 30 June 2020.

Frank Cooper AO
Chairman

16 September 2020

Rod Whithear
Chief Executive

16 September 2020

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 2020, 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 2020 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.

Emphasis of matter – Events occurring after reporting period

I draw attention to note 8.14 of the financial statements, which describes events occurring after the reporting period relating to the liquidation settlement scheme arrangement agreed between the Bell group companies and their creditors, and the Supreme Court of Western Australia orders approving the settlement. My opinion is not modified with respect to this matter.

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 Responsibility 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 entity'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.

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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.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

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 2020.

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.

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 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 non-compliance 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 2020. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and 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 2020.

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 entity'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 2020 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 contact the entity to confirm the information contained in the website version of the financial statements and key performance indicators.

CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
17 September 2020

Page 4 of 4

4.2 FINANCIAL STATEMENTS INDEX

Statement of Comprehensive Income;

Balance Sheet;

Statement of Changes in Equity; and

Statement of Cash Flows.

NOTE 1 ABOUT THIS REPORT 94

1.1 Statement of Compliance 94

1.2 Basis of Preparation 94

1.3 Disclosure of Prior Period Restatement, Changes in Presentation and Changes in Accounting Policy or Estimates 94

1.4 Basis of Consolidation 94

NOTE 2 INSURANCE ACTIVITIES 95

2.1 Revenue 95

2.2 Expenses 95

2.3 Net Claims Incurred 96

2.4 Outstanding Claims 97

2.5 Unearned Premium 98

2.6 Deferred Premium Collection Costs 98

2.7 Receivables 99

2.8 Payables 100

NOTE 3 INSURANCE ACTIVITIES – FUND LEVEL 101

3.1 Third Party Insurance Fund 101

3.2 Motor Vehicle (Catastrophic Injuries) Fund 106

3.3 Compensation (Industrial Diseases) Fund 111

3.4 Government Insurance Fund 113

3.5 Insurance Commission General Fund 116

3.6 RiskCover Fund 121

NOTE 4 INVESTMENTS 125

4.1 Investment Income 125

4.2 Investment Expenses 125

4.3 Investment Assets 126

4.4 Financial Liabilities – RiskCover Fund Investments 129

4.5 Investment Commitments 129

4.6 Derivative Instruments 130

NOTE 5 RISK MANAGEMENT 131

5.1 Overview 131

5.2 Insurance Risk Management 131

5.3 Financial Risk Management 132

NOTE 6 TAX 139

6.1 Income Tax Equivalent 139

6.2 Deferred Tax Equivalent 140

NOTE 7 EXPLANATORY STATEMENT 141

NOTE 8 OTHER 143

8.1 Other Accounting Policies 143

8.2 Plant and Equipment 144

8.3 Leases 145

8.4 Intangibles 146

8.5 Contingencies 147

8.6 Provisions 147

8.7 Notes to the Statement of Cash Flows 148

8.8 Other Income and Expenses 149

8.9 Compensation of Key Management Personnel 149

8.10 Related Parties 150

8.11 Dividends 150

8.12 Loss Through Theft, Default and Other Causes 151

8.13 Tax Contributions 152

8.14 Events Occurring After Reporting Period 152

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Premium Revenue	2.1	831,672	797,601
Reinsurance Premium Expense	2.2	(9,729)	(9,693)
Reinsurance Commission Revenue	2.1	1,022	975
Net Premium Revenue		822,965	788,883
Claims Expense	2.2	(691,391)	(766,645)
Reinsurance and Other Recoveries	2.1	34,188	59,753
Net Claims Incurred	2.3	(657,203)	(706,892)
Movement in Unexpired Risk Liability		16,854	(16,007)
Recoveries on Unexpired Risk Liability		(699)	945
Net Movement in Unexpired Risk	3.2.3(f)	16,155	(15,062)
Premium Collection Costs	2.2	(29,228)	(25,976)
RiskCover Fund Administration Cost Reimbursement	2.1	30,455	27,952
Other Underwriting and Administration Expenses	2.2	(61,643)	(56,702)
Underwriting Profit		**121,501**	**12,203**
Investment (Loss)/Income	4.1	(137,523)	350,459
Investment Expenses	4.2	(22,808)	(18,822)
RiskCover Fund Investment Return	4.2	24,172	(54,264)
Other Income	8.8	325	518
Other Expenses	8.8	(2,947)	(17,235)
(Loss)/Profit Before Tax Equivalent		**(17,280)**	**272,859**
Income Tax Equivalent Benefit/(Expense)	6.1	14,373	(69,094)
(Loss)/Profit After Tax Equivalent		**(2,907)**	**203,765**
Items that will not be reclassified to Profit/(Loss):			
Re-measurement (Loss) on Defined Benefit Plans		(354)	(413)
Related Income Tax Equivalent Effect	6.1	106	124
Other Comprehensive (Expense) After Tax Equivalent		(248)	(289)
Total Comprehensive Income After Tax Equivalent		**(3,155)**	**203,476**

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

BALANCE SHEET
AS AT 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Assets			
Cash and Cash Equivalents	8.7	17,235	12,997
Receivables	2.7	356,597	331,030
Investments	4.3	5,334,224	5,505,835
Deferred Premium Collection Costs	2.6	3,458	5,163
Other Assets		2,788	2,685
Deferred Tax Assets	6.2	667	-
Right of Use Lease Assets	8.3.1	17,641	-
Plant and Equipment	8.2	1,556	1,891
Intangibles	8.4	4,522	4,375
Total Assets		**5,738,688**	**5,863,976**
Liabilities			
Payables	2.8	131,514	34,249
Financial Liabilities - RiskCover Fund Investments	4.4	760,078	908,449
Current Tax Payable		50,159	5,106
Outstanding Claims	2.4	3,216,652	3,017,352
Unearned Premium	2.5	310,043	298,131
Unexpired Risk Liability	3.2.3(f)	20,111	36,965
Provisions	8.6	19,971	16,771
Lease Liabilities	8.3.2	20,108	-
Deferred Tax Liabilities	6.2	-	124,658
Total Liabilities		**4,528,636**	**4,441,681**
Net Assets		**1,210,052**	**1,422,295**
Equity			
Compensation (Industrial Diseases) Fund Reserve		22,702	23,471
Retained Earnings		1,187,350	1,398,824
Total Equity		**1,210,052**	**1,422,295**

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 2020

	Notes	2020 $'000	2019 $'000
Summary of Changes in Equity			
Balance of Equity at Start of the Year		1,422,295	1,321,381
Adjustment on Adoption of new Lease Accounting Standard	8.1.1	(2,223)	-
Deferred Tax Asset on Adoption of new Lease Accounting Standard	8.1.1	666	-
Adjusted Balance as at 1 July 2019		1,420,738	1,321,381
(Loss)/Profit after Tax Equivalent		(2,907)	203,765
Re-measurement on Defined Benefit Plans after Tax Equivalent		(248)	(289)
Total Comprehensive (Loss)/Profit after Tax Equivalent		(3,155)	203,476
Dividends Paid	8.11	(207,531)	(102,562)
Balance of Equity at End of the Year		**1,210,052**	**1,422,295**
Reserves			
Compensation (Industrial Diseases) Fund Reserve			
Balance at Start of the Year		23,471	23,192
Transfer (to)/from Retained Earnings		(769)	279
Balance at End of the Year		**22,702**	**23,471**
Retained Earnings			
Balance at Start of the Year		1,398,824	1,298,189
Adjustment on Adoption of new Lease Accounting Standard	8.1.1	(2,223)	-
Deferred Tax Asset on Adoption of new Lease Accounting Standard	8.1.1	666	-
Adjusted Balance as at 1 July 2019		1,397,267	1,298,189
(Loss)/Profit after Income Tax Equivalent Benefit/(Expense)		(2,907)	203,765
Re-measurement on Defined Benefit Plans after Income Tax Equivalent		(248)	(289)
Dividends Paid	8.11	(207,531)	(102,562)
Transfer from/(to) Compensation (Industrial Diseases) Fund Reserve		769	(279)
Balance at End of the Year		**1,187,350**	**1,398,824**

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 2020

	Notes	2020 $'000	2019 $'000
Cash Flow From Operating Activities			
Premium Revenue Received		928,023	883,620
Insurance Duty Received		91,923	87,616
Right of Indemnity Receipts - Government Insurance Fund		5,010	6,116
Right of Indemnity Receipts - WorkCover WA		1,333	642
Interest Received		32,385	36,794
Dividends Received		103,171	114,122
Reinsurance and Other Recoveries Received		595	3,805
Management Fees Received		30,487	27,984
Outwards Reinsurance Commission Received		1,125	1,072
Other Receipts		798	674
Claims Paid		(524,212)	(488,986)
Finance Costs - RiskCover Fund Investment Loss/(Return) to RiskCover Fund		24,172	(54,264)
Outwards Reinsurance Paid		(10,546)	(10,712)
Premium Collection Costs Paid		(30,445)	(28,899)
Underwriting and Administration Expenses Paid		(63,763)	(60,897)
Bell Litigation Costs Paid		(2,948)	(17,387)
Goods and Services Tax Paid		(43,433)	(43,089)
Insurance Duty Paid		(91,267)	(87,672)
Other Payments		(22,691)	(19,875)
Net Cash Flow From Operating Activities	8.7	**429,717**	**350,664**
Cash Flow From Investing Activities			
RiskCover Fund Investment Funds Paid		(148,371)	(146,336)
Payments for Purchase of Investments		(5,509,128)	(1,470,898)
Proceeds from Sale of Investments		4,999,354	1,462,561
Payments for Purchase of Plant and Equipment		(2,587)	(2,678)
Proceeds from Sale of Plant and Equipment		132	490
Net Cash Flow From Investing Activities		**(660,600)**	**(156,861)**
Cash Flow From Financing Activities			
Payments for Principal of Lease Liabilities		(2,870)	-
Net Cash Flow From Financing Activities		**(2,870)**	**-**
Cash Flow To State Government			
Dividends Paid		(207,531)	(102,561)
Income Tax Equivalent Paid		(65,126)	(117,759)
Net Cash Flow To State Government		**(272,657)**	**(220,320)**
Net Decrease In Cash And Cash Equivalents		(506,410)	(26,517)
Cash And Cash Equivalents At Start Of The Year		1,200,355	1,226,872
Cash And Cash Equivalents At End Of The Year	8.7	**693,945**	**1,200,355**

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 of 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, or are measured at fair value.

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

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, 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 were two voluntary changes made in presentation for the 2020 financial year (and 2019 comparatives) which impact the financial statements:

1. The Government Insurance Fund Right of Indemnity (Refer Note 2.7) has been restated from Other Income to Reinsurance and Other Recoveries Revenue. The insurance expense and its recovery are now both classified under underwriting activities.
2. Bell Litigation expenses have been restated from Other Underwriting and Administration Expenses to Other Expenses, as these expenses are not directly related to underwriting activities.

There is no impact on Profit, Other Comprehensive Income or Net Assets as a result of the above presentation changes.

1.4 Basis of Consolidation

The financial statements at 30 June 2020 relate to the Insurance Commission.

The financial statements of the RiskCover Fund are not consolidated in the Insurance Commission's accounts as the Government of Western Australia is responsible for any shortfall of its self insurance arrangements.

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 or current financial years.

NOTES TO THE FINANCIAL STATEMENTS

2. INSURANCE ACTIVITIES

2.1 REVENUE

	Notes	2020 $'000	2019 $'000
Premium Revenue	(i)		
Premium Collected		843,584	804,381
Movement in Unearned Premium		(11,912)	(6,780)
		831,672	797,601
Reinsurance Commission Revenue		1,022	975
Reinsurance and Other Recoveries Revenue	(ii)		
Reinsurance and Other Recoveries Received		532	2,016
Movement in Reinsurance and Other Recoveries Receivable		6,481	28,090
Right of Indemnity - Government Insurance Fund	(iii)	27,175	29,647
		34,188	59,753
RiskCover Fund Administration Cost Reimbursement	(iv)	30,455	27,952
Total Revenue		**897,337**	**886,281**

(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) The Insurance Commission has the right of reimbursement from the Government of Western Australia for all expenses and payments in the Government Insurance Fund.

(iv) RiskCover Fund administration cost reimbursement relates to the costs of 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 cost.

2.2 EXPENSES

	Notes	2020 $'000	2019 $'000
Claims Expenses			
Claims Paid		490,918	458,710
Movement in Outstanding Claims		200,473	307,935
		691,391	766,645
Reinsurance Premium Expense	(i)	9,729	9,693
Net Movement in Unexpired Risk Liability		(16,155)	15,062
Premium Collection Costs	(ii)	29,228	25,976
Other Underwriting and Administration Expenses			
Accident Prevention and Research		1,550	1,420
Remuneration Payable to the Auditor General		362	377
Board of Commissioners' Fees		337	337
Contractors and Consultants		2,636	1,904
Amortisation Intangible Assets		1,762	1,697
Depreciation		3,677	651
Employee Benefits		42,556	39,278
IT Hardware and Software		4,251	3,760
Occupancy		1,333	4,473
Interest Expense for Lease Assets		513	-
Other		2,666	2,805
		61,643	56,702
Total Expenses		**775,836**	**874,078**

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

2.3 NET CLAIMS INCURRED

	2020		
	Current Year (i) $'000	Prior Years (ii) $'000	Total $'000
Current Year			
Gross Claims - Undiscounted	1,014,145	(337,776)	676,369
Discount and Discount Movement	(218,391)	233,413	15,022
Gross Claims - Discounted	795,754	(104,363)	691,391
Reinsurance and Other Recoveries - Undiscounted	(23,840)	(3,523)	(27,363)
Discount and Discount Movement	8,126	(14,951)	(6,825)
Reinsurance and Other Recoveries - Discounted	(15,714)	(18,474)	(34,188)
Net Claims Incurred	**780,040**	**(122,837)**	**657,203**

	2019		
	Current Year (i) $'000	Prior Years (ii) $'000	Total $'000
Previous Year			
Gross Claims - Undiscounted	862,969	(332,363)	530,606
Discount and Discount Movement	(141,192)	377,231	236,039
Gross Claims - Discounted	721,777	44,868	766,645
Reinsurance and Other Recoveries - Undiscounted	(18,811)	(27,326)	(46,137)
Discount and Discount Movement	5,754	(19,370)	(13,616)
Reinsurance and Other Recoveries - Discounted	(13,057)	(46,696)	(59,753)
Net Claims Incurred	**708,720**	**(1,828)**	**706,892**

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

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

NOTES TO THE FINANCIAL STATEMENTS

2.4 OUTSTANDING CLAIMS

	2020 $'000	2019 $'000
Central Estimate	3,242,492	3,093,967
Discount to Present Value	(398,379)	(418,607)
	2,844,113	2,675,360
Claims Management Expenses (discounted)	113,626	113,495
	2,957,739	2,788,855
Risk Margin	258,913	228,497
Gross Outstanding Claims	3,216,652	3,017,352
Current	546,364	521,928
Non-Current	2,670,288	2,495,424
	3,216,652	**3,017,352**

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.

Any impacts of the COVID-19 pandemic have been assessed and have been reflected in the outstanding claims liability at 30 June 2020.

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 risk margin.

Processes Used to Determine Assumptions

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

Inflation Rates: based on Deloitte Access Economic projections for short-term rates. Long-term inflation rates are based on independent actuarial advice.

Discount Rates: risk-free rates derived from the market yields on traded Commonwealth Treasury Bonds at 30 June 2020. Long-term discount rates are based on independent actuarial advice.

NOTES TO THE FINANCIAL STATEMENTS

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 exceed, or are estimated to exceed, 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 not earned in the Statement of Comprehensive Income, is recognised on a pro-rata basis.

	2020 $'000	2019 $'000
Unearned Premium at Start of the Year	(298,131)	(291,350)
Earning of Premiums Collected in Previous Periods	298,131	291,350
Premium Collected in the Period	(843,584)	(804,381)
Earning of Premiums Collected in the Period	533,541	506,250
Unearned Premium at End of the Year	**(310,043)**	**(298,131)**

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.

	2020 $'000	2019 $'000
Balance at Start of the Year	5,163	4,837
Premium Collection Costs paid to Department of Transport	27,523	26,302
Amount recognised as Expense	(26,005)	(24,732)
Write Down for Premium Deficiency	(3,223)	(1,244)
Balance at End of the Year	**3,458**	**5,163**

NOTES TO THE FINANCIAL STATEMENTS

2.7 RECEIVABLES

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

Current	Notes	2020 $'000	2019 $'000
Premiums Receivable		6,705	6,602
Discounted Value of Expected Future Reinsurance and Other Recoveries		37,210	35,562
Recoveries on Unexpired Risk Liability	3.2.3(f)	3,979	4,678
Right of Indemnity			
Government Insurance Fund	(i)	11,605	7,981
WorkCover WA	(ii)	972	1,858
		12,577	9,839
Other Receivables		605	608
Total Current		**61,076**	**57,289**
Non-Current			
Discounted Value of Expected Future Reinsurance and Other Recoveries		199,119	194,361
Right of Indemnity			
Government Insurance Fund	(i)	85,684	67,096
WorkCover WA	(ii)	10,718	12,284
		96,402	79,380
Total Non-Current		**295,521**	**273,741**
Total Receivables		**356,597**	**331,030**

(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.

(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. Under AASB 9, the 12 month's expected credit loss model has been used to determine any potential impairment of financial assets. Under this model an allowance for impairment is considered regardless of whether a credit event has occurred.

NOTES TO THE FINANCIAL STATEMENTS

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.

Current	Notes	2020 $'000	2019 $'000
Trade Creditors		11,439	18,612
Reinsurance Creditors		648	493
Accrued Employee Benefits		470	144
Investment Payables		114,155	11,342
Goods and Services Tax Liability	(i)	4,802	3,658
		131,514	34,249

(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.

NOTES TO THE FINANCIAL STATEMENTS

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. Eligible claimants 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 2020

	2020 $'000	2019 $'000
Premium Revenue	629,959	604,025
Reinsurance Premium Expense	(5,729)	(5,603)
Reinsurance Commission Revenue	614	565
Net Premium Revenue	624,844	598,987
Claims Expense		
Claims Paid	(468,713)	(439,197)
Movement in Outstanding Claims	(25,017)	(138,318)
Other Recoveries Revenue	1,920	22,549
Net Claims Incurred	(491,810)	(554,966)
Premium Collection Costs	(23,387)	(20,400)
Other Underwriting and Administration Expenses	(24,482)	(22,893)
Underwriting Profit	**85,165**	**728**
Investment (Loss)/Income	(89,505)	243,469
Investment Expenses	(16,176)	(16,309)
Other Income	93	92
Other Expenses	(2,916)	(17,224)
(Loss)/Profit Before Tax Equivalent	**(23,339)**	**210,756**
Income Tax Equivalent Benefit/(Expense)	14,493	(53,369)
(Loss)/Profit After Tax Equivalent	**(8,846)**	**157,387**

NOTES TO THE FINANCIAL STATEMENTS

3.1 THIRD PARTY INSURANCE FUND (CONTINUED)

3.1.2 FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet as at 30 June 2020

	2020 $'000	2019 $'000
Assets		
Receivables	188,065	186,207
Current Tax Receivable	-	18,295
Investments	3,551,283	3,796,613
Deferred Premium Collection Costs	3,458	5,163
Right of Use Lease Assets	3,440	-
Total Assets	**3,746,246**	**4,006,278**
Liabilities		
Payables	35,198	18,138
Current Tax Payable	27,707	-
Outstanding Claims	2,436,982	2,411,965
Unearned Premium	234,788	225,742
Lease Liabilities	3,927	-
Deferred Tax Liabilities	13,140	139,245
Total Liabilities	**2,751,742**	**2,795,090**
Net Assets / Equity	**994,504**	**1,211,188**

3.1.3 FINANCIAL DISCLOSURES

(a) Outstanding Claims

	2020 $'000	2019 $'000
Central Estimate	2,287,534	2,318,287
Discount to Present Value	(64,436)	(123,228)
	2,223,098	2,195,059
Claims Management Expenses (discounted)	66,693	76,827
	2,289,791	2,271,886
Risk Margin	147,191	140,079
Gross Outstanding Claims	**2,436,982**	**2,411,965**

(b) Reconciliation of Movement in Discounted Outstanding Claims

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2019	2,411,965	181,159	2,230,806
Effect of Changes in Assumptions/Experience	(95,232)	(4,208)	(91,024)
Expected Claims Incurred/Recoveries During Year	622,306	37,017	585,289
Incurred Claims Recognised in the Statement of Comprehensive Income	527,074	32,809	494,265
Claim Payments/Recoveries During Year	(502,057)	(31,027)	(471,030)
Total Outstanding Claims at 30 June 2020	**2,436,982**	**182,941**	**2,254,041**

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Gross Ultimate Claims Cost Estimate:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At End of Accident Year	465,178	473,855	462,637	512,234	501,892	479,249	547,862	566,085	567,270	586,503	
One Year Later	463,545	449,693	483,024	487,242	480,993	494,136	563,010	539,749	531,335		
Two Years Later	427,448	462,605	474,228	490,863	511,782	501,489	556,612	519,770			
Three Years Later	446,669	461,711	451,120	527,342	499,470	523,384	542,615				
Four Years Later	446,898	454,348	467,326	518,133	476,691	523,410					
Five Years Later	430,957	463,447	446,976	493,393	461,231						
Six Years Later	457,365	453,178	433,404	486,811							
Seven Years Later	447,920	438,123	427,459								
Eight Years Later	433,638	439,667									
Nine Years Later	432,523										
Current Estimate of Net Ultimate Claims Costs	432,523	439,667	427,459	486,811	461,231	523,410	542,615	519,770	531,335	586,503	4,951,324
Cumulative Payments	(411,482)	(403,504)	(363,573)	(403,481)	(383,272)	(378,186)	(284,205)	(172,898)	(88,771)	(53,376)	(2,942,748)
Outstanding Claims Undiscounted	21,041	36,163	63,886	83,330	77,959	145,224	258,410	346,872	442,564	533,127	2,008,576
Discount (on Accident Years 2011 and Later)											(52,474)
Claims Handling Expenses (on Accident Years 2011 and Later)											58,683
Claims 2010 and Prior											275,006
Risk Margin											147,191
Gross Outstanding Claims											**2,436,982**

NOTES TO THE FINANCIAL STATEMENTS

3.1 THIRD PARTY INSURANCE FUND (CONTINUED)

3.1.3 FINANCIAL DISCLOSURES (CONTINUED)

(c) Claims Development Tables (continued)

Net Claims Development Table

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Net Ultimate Claims Cost Estimate:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At End of Accident Year	435,494	443,567	426,289	480,464	469,804	448,612	514,207	531,121	532,246	550,381	
One Year Later	428,762	420,859	452,884	456,019	450,172	463,792	528,348	506,452	498,593		
Two Years Later	399,988	433,522	443,766	459,377	480,426	470,677	522,344	487,736			
Three Years Later	418,399	432,054	422,119	495,234	468,929	491,248	509,270				
Four Years Later	418,242	425,171	438,921	486,629	447,633	491,291					
Five Years Later	403,332	435,431	419,899	462,252	433,213						
Six Years Later	426,605	425,835	407,221	456,020							
Seven Years Later	421,111	411,767	401,654								
Eight Years Later	407,750	413,206									
Nine Years Later	406,708										
Current Estimate of Net Ultimate Claims Costs	406,708	413,206	401,654	456,020	433,213	491,291	509,270	487,736	498,593	550,381	4,648,072
Cumulative Payments	(387,027)	(379,380)	(341,898)	(379,447)	(360,293)	(355,456)	(267,566)	(163,287)	(84,641)	(51,720)	(2,770,715)
Outstanding Claims Undiscounted	19,681	33,826	59,756	76,573	72,920	135,835	241,704	324,449	413,952	498,661	1,877,357
Discount (on Accident Years 2011 and Later)											(49,032)
Claims Handling Expenses (on Accident Years 2011 and Later)											58,683
Claims 2010 and Prior											219,842
Risk Margin											147,191
Total Outstanding Claims Net of Reinsurance and Other Recoveries											**2,254,041**

NOTES TO THE FINANCIAL STATEMENTS

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:

	2020	2019
Inflation Rate	Varies from 1% for 2021, 0.9% for 2022, 1.1% for 2023, then gradually increases to 2.4% by 2036	Varies from 2.3% for 2020, 2.8% for 2021, 3% for 2022, then gradually decreases to the long-term rate of 2.5%
Discount Rate	Varies from 0.2% for 2021, 0.3% for 2022, 0.3% for 2023, then gradually increases to the long-term rate of 3%. Note that the last cash flow occurs in 2051	Varies from 1% for 2020, 0.9% for 2021, 0.9% for 2022, then gradually increases to the long-term rate of 3.3%. Note that the last cash flow occurs in 2050
Claims Management Expenses	3% of gross claim payments	3.5% of gross claim payments
Reinsurance Recoveries	1.8% of gross claim payments	1.8% 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	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 3,740 for accident year	Approximately 3,420 for accident year
Average Claim Size	Approximately $127,800 for accident year	Approximately $132,500 for accident year
Average Term to Settlement	4 years	4.2 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%	(60,074)	(63,745)
Inflation	-1%	55,993	59,407
Discount	+1%	59,761	65,949
Discount	-1%	(44,570)	(49,369)
Superimposed Inflation	+1%	(24,617)	(26,158)
Superimposed Inflation	-1%	23,686	25,169
Claims Incurred But Not Reported (IBNR)	+10%	(13,113)	(13,934)
Claims Incurred But Not Reported (IBNR)	-10%	13,126	13,947
Small Claims Average Size	+10%	(96,808)	(102,868)
Small Claims Average Size	-10%	96,808	102,868
Higher Large Case Estimate Savings (+1,000 basis points)	+1,000	27,748	29,503
Lower Large Case Estimate Savings (-1,000 basis points)	-1,000	(27,748)	(29,503)
1 Extra Claim per Accident Half-Year from Dec-16	+1	(24,742)	(26,290)
1 Fewer Claim per Accident Half-Year from Dec-16	-1	24,742	26,290

(f) Unexpired Risk Liability

A Liability Adequacy Test was performed for the Third Party Insurance Fund and resulted, after writing down deferred premium collection costs of $1,924,000, in a nil position (2019: net surplus) and therefore a Nil Unexpired Risk Liability (2019: Nil)

NOTES TO THE FINANCIAL STATEMENTS

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.

3.2.2 FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 30 June 2020

	2020 $'000	2019 $'000
Premium Revenue	201,609	193,487
Reinsurance Premium Expense	(4,000)	(4,090)
Reinsurance Commission Revenue	408	410
Net Premium Revenue	198,017	189,807
Claims Expense		
Claims Paid	(10,976)	(9,258)
Movement in Outstanding Claims	(161,471)	(148,046)
Other Recoveries Revenue	8,189	7,541
Net Claims Incurred	(164,258)	(149,763)
Gross Movement in Unexpired Risk Liability	16,854	(16,007)
Reinsurance and Other Recoveries on Unexpired Risk Liability	(699)	945
Net Movement in Unexpired Risk	16,155	(15,062)
Premium Collection Costs	(5,841)	(5,576)
Other Underwriting and Administration Expenses	(4,868)	(4,228)
Underwriting Profit	**39,205**	**15,178**
Investment (Loss)/Income	(20,365)	42,740
Investment Expenses	(2,751)	(1,853)
Other Income	29	29
Profit Before Tax Equivalent	**16,118**	**56,094**
Income Tax Equivalent Expense	(3,433)	(14,204)
Profit After Tax Equivalent	**12,685**	**41,890**

NOTES TO THE FINANCIAL STATEMENTS

3.2 MOTOR VEHICLE (CATASTROPHIC INJURIES) FUND (CONTINUED)

3.2.2 FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet as at 30 June 2020

	2020	2019
Assets	$'000	$'000
Cash and Cash Equivalents	9,939	6,761
Receivables	60,523	30,460
Investments	773,491	641,307
Deferred Tax Assets	10,607	16,875
Right of Use Lease Assets	404	-
Total Assets	**854,964**	**695,403**
Liabilities		
Payables	4,628	4,618
Current Tax Payable	21,564	22,675
Outstanding Claims	612,256	450,785
Unearned Premium	75,142	72,208
Unexpired Risk Liability	20,111	36,965
Lease Liabilities	460	-
Total Liabilities	**734,161**	**587,251**
Net Assets / Equity	**120,803**	**108,152**

3.2.3 FINANCIAL DISCLOSURES

(a) Outstanding Claims

	2020	2019
	$'000	$'000
Central Estimate	823,453	649,144
Discount to Present Value	(324,401)	(281,699)
	499,052	367,445
Claims Management Expenses (discounted)	37,429	27,558
	536,481	395,003
Risk Margin	75,775	55,782
Gross Outstanding Claims	**612,256**	**450,785**

NOTES TO THE FINANCIAL STATEMENTS

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 2019	450,785	23,127	427,658
Effect of Changes in Assumptions/Experience	(109,506)	(5,664)	(103,842)
Increase in Expected Claims Incurred/Recoveries During Year	282,708	14,504	268,204
Incurred Claims Recognised in the Statement of Comprehensive Income	173,202	8,840	164,362
Claim Payments/Recoveries During Year	(11,731)	(652)	(11,079)
Total Outstanding Claims at 30 June 2020	**612,256**	**31,315**	**580,941**

(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
	2019	674,496	632,093
	2020	860,536	806,660
Current Estimate of Cumulative Claims Costs		860,536	806,660
Cumulative Payments		(37,083)	(34,863)
Outstanding Claims Undiscounted		823,453	771,797
Discount		(324,401)	(304,060)
Claims Management Expenses		37,429	37,429
Risk Margin		75,775	75,775
Outstanding Claims		**612,256**	**580,941**

NOTES TO THE FINANCIAL STATEMENTS

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:

	2020	2019
Inflation Rate	Varies from 1% for 2021, 0.9% for 2022, 1.1% for 2023, then gradually increases to 2.4% by 2036	Varies from 2.3% for 2020, 2.8% for 2021, 3% for 2022, then 2.5% for subsequent periods
Discount Rate	Varies from 0.2% for 2021, 0.3% for 2022, 0.3% for 2023, then gradually increases to the long-term rate of 3%.	Varies from 1% for 2020, 0.9% for 2021, 0.9% for 2022, then gradually increases to the long-term rate of 3.3%
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
Average Claim Size	$3.5 million per claim for 2020 (excludes claims handling costs and risk margin)	$3.1 million per claim for 2019 (excludes claims handling costs and risk margin)
Average Term to Claim Finalisation	23 years	23 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%	(109,066)	(114,939)
Inflation	-1%	78,169	82,377
Discount	+1%	78,217	82,428
Discount	-1%	(111,725)	(117,741)
Attendant Care Costs	+10%	(31,961)	(33,630)
Attendant Care Costs	-10%	31,844	33,508
Bed Day Rate	+10%	(3,758)	(3,954)
Bed Day Rate	-10%	2,432	2,559
One Additional Claim Incurred But Not Reported (IBNR)	+1	(4,608)	(4,856)
One Fewer Claim Incurred But Not Reported (IBNR)	-1	4,608	4,856
Reduction in CANS*	-1	56,913	59,930

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

NOTES TO THE FINANCIAL STATEMENTS

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.

	2020	2019
Unexpired Risk Liability	$'000	$'000
Unexpired Risk Liability at Start of the Year	(36,965)	(20,958)
Movement of Unexpired Risk Liability in the Period	16,854	(16,007)
Unexpired Risk Liability at End of the Year	**(20,111)**	**(36,965)**
Movement in Deficiency Recognised in the Statement of Comprehensive Income		
Gross Movement in Unexpired Risk Liability	(16,854)	16,007
Decrease/(Increase) in Recoveries on Unexpired Risk Liability	699	(945)
Net Movement in Unexpired Risk	**(16,155)**	15,062
Write-down of Deferred Premium Collection Costs	1,299	1,244
Total Deficiency Recognised in the Statement of Comprehensive Income	**(14,856)**	**16,306**
Unearned Premium Liability Adequacy Test		
Unearned Premium Liability	75,142	72,208
Related Deferred Premium Collection Costs	(1,299)	(1,244)
	73,843	**70,964**
Central Estimate of Present Value of Expected Future Cash Flows arising from Future Claims	81,448	93,352
Risk Margin	13,805	15,821
Present Value of Expected Future Cash Inflows Arising from Reinsurance and Other Recoveries on Future Claims	(3,979)	(4,678)
	91,274	104,495
Net Deficiency	(17,431)	(33,531)
Less: Reinsurance Element of Present Value of Expected Future Cash Flows for Future Claims	(3,979)	(4,678)
Gross Deficiency	**(21,410)**	**(38,209)**

NOTES TO THE FINANCIAL STATEMENTS

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 2020

	2020 $'000	2019 $'000
Net Premium Revenue	104	89
Claims Expense		
Claims Paid	(315)	(168)
Movement in Outstanding Claims	290	(641)
Other Recoveries Revenue	(115)	(91)
Net Claims Incurred	(140)	(900)
Other Underwriting and Administration Expenses	(315)	(533)
Underwriting Loss	**(351)**	**(1,344)**
Investment (Loss)/Income	(705)	1,839
Investment Expenses	(120)	(120)
(Loss)/Profit Before Tax Equivalent	**(1,176)**	**375**
Income Tax Equivalent Benefit/(Expense)	407	(95)
(Loss)/Profit After Tax Equivalent	**(769)**	**280**

Balance Sheet as at 30 June 2020

Assets	2020 $'000	2019 $'000
Receivables	82	197
Current Tax Receivable	-	1
Investments	26,389	28,029
Deferred Tax Assets	373	-
Total Assets	**26,844**	**28,227**
Liabilities		
Payables	358	221
Current Tax Payable	341	-
Outstanding Claims	3,330	3,620
Unearned Premium	113	181
Deferred Tax Liabilities	-	734
Total Liabilities	**4,142**	**4,756**
Net Assets / Equity	**22,702**	**23,471**

NOTES TO THE FINANCIAL STATEMENTS

3.3 COMPENSATION (INDUSTRIAL DISEASES) FUND (CONTINUED)

3.3.3 FINANCIAL DISCLOSURES

(a) Outstanding Claims

	2020 $'000	2019 $'000
Central Estimate	2,286	2,543
Discount to Present Value	(208)	(284)
	2,078	2,259
Claims Management Expenses (discounted)	727	791
	2,805	3,050
Risk Margin	525	570
Gross Outstanding Claims	**3,330**	**3,620**

(b) Reconciliation of Movement in Discounted Outstanding Claims

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2019	3,620	198	3,422
Effect of Changes in Assumptions/Experience	(605)	(117)	(488)
Incurred Claims Recognised in the Statement of Comprehensive Income	(605)	(117)	(488)
Claim Payments/Recoveries During Year	315	-	315
Total Outstanding Claims at 30 June 2020	**3,330**	**81**	**3,249**

(c) Actuarial Assumptions

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

	2020	2019
Inflation Rate	Varies from 1% for 2021, 0.9% for 2022, 1.1% for 2023 and increasing to 2.4% by 2036	Varies from 2.3% for 2020, 2.8% for 2021, 3% for 2022 and decreasing to 1.6% by 2035
Discount Rate	Varies from 0.2% for 2021, 0.3% for 2022, 0.3% for 2023 and increasing to 3% by 2050	Varies from 1% for 2020, 0.9% for 2021, 0.9% for 2022 and increasing to 3.3% by 2049
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	2.4% of gross claim payments	5.5% of gross claim payments
Average Term to Settlement	7.6 years	7.2 years

(d) Unexpired Risk Liability

A Liability Adequacy Test was performed for the Compensation (Industrial Disease) Fund and resulted in a net surplus (2019: net surplus) and therefore a Nil Unexpired Risk Liability (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS

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 the RiskCover Fund. 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. The GIF's outstanding claims liabilities include historic public sector workers asbestos exposure and historic child sexual abuse claims. The Government of Western Australia has the liability for any deficit existing in the Fund.

A component of the GIF's outstanding claims liabilities arises from known historic child sexual abuse claims. Based on the evidence available it has been determined that a reliable estimate of the claims incurred but not yet reported and claims incurred but not enough reported cannot be made (refer Note 8.5).

3.4.2 FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 30 June 2020

	2020 $'000	2019 $'000
Claims Expense		
Claims Paid	(7,259)	(5,106)
Movement in Outstanding Claims	(18,176)	(24,540)
Reinsurance and Other Recoveries Revenue	26,293	30,017
Net Claims Incurred	858	371
Other Underwriting and Administration Expenses	(858)	(371)
Underwriting Profit	-	-
Investment (Loss)/Income	(47)	(114)
Other Income	47	114
Operating Result	-	-

Balance Sheet as at 30 June 2020

	2020 $'000	2019 $'000
Assets		
Receivables	99,400	77,987
Investments	(9,946)	(6,718)
Total Assets	**89,454**	**71,269**
Liabilities		
Payables	9	-
Outstanding Claims	89,445	71,269
Total Liabilities	**89,454**	**71,269**
Net Assets / Equity	-	-

NOTES TO THE FINANCIAL STATEMENTS

3.4 GOVERNMENT INSURANCE FUND (CONTINUED)

3.4.3 FINANCIAL DISCLOSURES

(a) Outstanding Claims

	2020 $'000	2019 $'000
Central Estimate	68,229	56,416
Discount to Present Value	(3,738)	(5,076)
	64,491	51,340
Claims Management Expenses (discounted)	4,995	4,285
	69,486	55,625
Risk Margin	19,959	15,644
Gross Outstanding Claims	**89,445**	**71,269**

(b) Reconciliation of Movement in Discounted Outstanding Claims

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2019	71,269	2,910	68,359
Effect of Changes in Assumptions/Experience	25,668	(914)	26,582
Incurred Claims Recognised in the Statement of Comprehensive Income	25,668	(914)	26,582
Claim Payments/Recoveries During Year	(7,492)	32	(7,524)
Outstanding Claims at 30 June 2020	**89,445**	**2,028**	**87,417**

(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 the inclusion of a table referenced to accident years is not required. Consequently, the tables below list developing claim costs over the past five years. Claims that remain against the fund are only for workers' compensation and liability (including abuse claims) insurance.

Estimated Ultimate Claims Cost at 30 June:		Gross $'000	Net $'000
	2016	1,008,855	927,382
	2017	1,024,578	934,618
	2018	1,043,985	953,505
	2019	1,058,071	967,726
	2020	1,077,803	988,347
Current Estimate of Cumulative Claims Costs		1,077,803	988,347
Cumulative Payments		(1,009,574)	(921,872)
Outstanding Claims Undiscounted		68,229	66,475
Discount		(3,738)	(3,571)
Claims Management Expenses		4,995	4,967
Risk Margin		19,959	19,546
Outstanding Claims		**89,445**	**87,417**

NOTES TO THE FINANCIAL STATEMENTS

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:

	2020	2019
Inflation Rate	Varies from 1% for 2021, 0.9% for 2022, 1.1% for 2023 and increasing to 2.4% by 2036	Varies from 2.3% for 2020, 2.8% for 2021, 3% for 2022 and decreasing to 1.6% by 2035
Discount Rate	Varies from 0.2% for 2021, 0.3% for 2022, 0.3% for 2023 and increasing to 3% by 2050	Varies from 1% for 2020, 0.9% for 2021, 0.9% for 2022 and increasing to 3.3% by 2049
Claims Management Expenses	10% of net claim payments for Non-Asbestos liabilities, 10% of net claim payments for Asbestos liabilities, 6% of gross claim payments for public liability	10% 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, 30% of net outstanding claims for a 75% probability of sufficiency for public liability and abuse claims	27.5% of net outstanding claims for a 75% probability of sufficiency for workers compensation, 30% of net outstanding claims for a 75% probability of sufficiency for public liability and abuse claims
Third Party Recoveries	1.6% of net outstanding claims for Non-Asbestos liabilities, 4.5% 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	1.6% of net outstanding claims 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
Average Term to Settlement	4.6 years for Non-Asbestos liabilities, 8.6 years for Asbestos liabilities, 3.7 years for public liability	4.6 years for Non-Asbestos liabilities, 8.6 years for Asbestos liabilities, 3.8 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 on profit. For disclosure purposes the impact on outstanding claims liabilities is disclosed instead of the impact on after tax profit.

		Movement in Outstanding Claims	
Variable	Change in Variable	Net of Recoveries $'000	Gross of Recoveries $'000
Inflation	+1%	4,834	5,002
Inflation	-1%	(4,176)	(4,316)
Future Interest Rate (Non-Asbestos claims)	+1%	(1,132)	(1,129)
Future Interest Rate (Non-Asbestos claims)	-1%	1,190	1,186
Future Real Discount Rate (Asbestos claims)	+1%	(3,038)	(3,180)
Future Real Discount Rate (Asbestos claims)	-1%	3,734	3,910
Number of Asbestos-Related Claims	+20	7,277	7,618
Number of Asbestos-Related Claims	-20	(7,101)	(7,434)

NOTES TO THE FINANCIAL STATEMENTS

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 *Employers' Indemnity Supplementation Fund 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 2020

	2020 $'000	2019 $'000
Claims Expense		
Claims Paid	(3,655)	(4,982)
Movement in Outstanding Claims	3,901	3,609
Reinsurance and Other Recoveries Revenue	(2,099)	(263)
Net Claims Incurred	(1,853)	(1,636)
RiskCover Fund Administration Cost Reimbursement	32,264	29,500
Administration Expenses (including RiskCover Fund expenses)	(32,929)	(30,225)
Underwriting Loss	**(2,518)**	**(2,361)**
Investment (Loss)/Income	(26,901)	62,525
Investment Expenses	(3,761)	(540)
Finance Costs - RiskCover Fund Investment Return	24,172	(54,264)
Other Income	158	283
Other Expenses	(31)	(11)
(Loss)/Profit Before Tax Equivalent	**(8,881)**	**5,632**
Income Tax Equivalent Benefit/(Expense)	2,906	(1,426)
(Loss)/Profit After Tax Equivalent	**(5,975)**	**4,206**
Items that will not be reclassified to Profit/(Loss):		
Re-measurement Loss on Defined Benefit Plans	(354)	(413)
Related Income Tax Equivalent Effect	106	124
Other Comprehensive Income After Tax Equivalent	(248)	(289)
Total Comprehensive Income After Tax Equivalent	**(6,223)**	**3,917**

Balance Sheet as at 30 June 2020

Assets	2020 $'000	2019 $'000
Cash and Cash Equivalents	7,296	6,236
Receivables	32,430	37,640
Investments	993,007	1,046,604
Deferred Tax Assets	2,827	-
Other Assets	2,788	2,685
Right of Use Lease Assets	13,797	-
Plant and Equipment	1,556	1,891
Intangibles	4,522	4,375
Total Assets	**1,058,223**	**1,099,431**

NOTES TO THE FINANCIAL STATEMENTS

3.5 INSURANCE COMMISSION GENERAL FUND (CONTINUED)

3.5.2 FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet as at 30 June 2020 (CONTINUED)

Liabilities	2020 $'000	2019 $'000
Payables	115,224	12,733
Current Tax Payable	547	727
Financial Liabilities - RiskCover Fund Investments	760,078	908,449
Outstanding Claims	74,639	79,713
Provisions	19,971	16,771
Lease Liabilities	15,721	-
Deferred Tax Liabilities	-	1,554
Total Liabilities	986,180	1,019,947
Net Assets / Equity	**72,043**	**79,484**

3.5.3 FINANCIAL DISCLOSURES

(a) Outstanding Claims

	2020 $'000	2019 $'000
Central Estimate	60,990	67,577
Discount to Present Value	(5,596)	(8,320)
	55,394	59,257
Claims Management Expenses (discounted)	3,782	4,034
	59,176	63,291
Risk Margin	15,463	16,422
Gross Outstanding Claims	**74,639**	**79,713**

(b) Reconciliation of Movement in Discounted Outstanding Claims

Insurance Commission General Fund		Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2019		65,103	22,250	42,853
Effect of Changes in Assumptions/Experience		(4,906)	(2,885)	(2,021)
Incurred Claims Recognised in the Statement of Comprehensive Income		(4,906)	(2,885)	(2,021)
Claim Payments/Recoveries During Year		2,330	392	1,938
Outstanding Claims at 30 June 2020	(i)	**62,527**	**19,757**	**42,770**

Employers' Indemnity Supplementation Act		Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2019		14,355	213	14,142
Effect of Changes in Assumptions/Experience		(1,041)	11	(1,052)
Incurred Claims Recognised in the Statement of Comprehensive Income		(1,041)	11	(1,052)
Claim Payments/Recoveries During Year		(1,461)	(59)	(1,402)
Outstanding Claims at 30 June 2020	(ii)	**11,853**	**165**	**11,688**
Inwards Reinsurance	(iii)	**259**	-	**259**
ICGF Total Outstanding Claims	(i)+(ii)+(iii)	**74,639**	**19,922**	**54,717**

NOTES TO THE FINANCIAL STATEMENTS

3.5 INSURANCE COMMISSION GENERAL FUND (CONTINUED)

3.5.3 FINANCIAL DISCLOSURES (CONTINUED)

(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 under the *EISF Act* 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 the inclusion 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.

Estimated Ultimate Claims Cost at 30 June:		Gross $'000	Net $'000
	2016	587,362	455,777
	2017	585,170	456,430
	2018	585,793	462,752
	2019	581,487	460,353
	2020	579,943	461,365
Current Estimate of Cumulative Claims Costs		579,943	461,365
Cumulative Payments		(529,678)	(428,303)
Outstanding Claims Undiscounted		50,265	33,062
Discount		(4,857)	(3,115)
Claims Management Expenses		3,628	3,593
Risk Margin		13,491	9,230
Outstanding Claims		62,527	42,770
EISF Claims		11,853	11,688
Inwards Reinsurance		259	259
Total ICGF Outstanding Claims		**74,639**	**54,717**

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.

NOTES TO THE FINANCIAL STATEMENTS

3.5 INSURANCE COMMISSION GENERAL FUND (CONTINUED)

3.5.3 FINANCIAL DISCLOSURES (CONTINUED)

(d) Actuarial Assumptions

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

Insurance Commission General Fund

	2020	2019
Inflation Rate	Varies from 1% for 2021, 0.9% for 2022, 1.1% for 2023 and increasing to 2.4% by 2036	Varies from 2.3% for 2020, 2.8% for 2021, 3% for 2022 and decreasing to 1.6% by 2035
Discount Rate	Varies from 0.2% for 2021, 0.3% for 2022, 0.3% for 2023 and increasing to 3% by 2050	Varies from 1% for 2020, 0.9% for 2021, 0.9% for 2022 and increasing to 3.3% by 2049
Claims Management Expenses	8% of gross claim payments and 6% for abuse claims	8% of gross claim payments
Risk Margin	27.5% of net outstanding claims for 75% probability of sufficiency for non-abuse claims and 30% for abuse claims	27.5% of net outstanding claims for 75% probability of sufficiency
Third Party Recoveries	32.3% of gross claim payments for workers' compensation claims, 2.4% of gross claim payments for public liability claims	34.7% of gross claim payments for workers' compensation claims, 2.4% of gross claim payments for public liability claims
Average Term to Settlement	8.1 years for workers' compensation claims, 6.3 years for public liability claims and 3 years for abuse claims	8.4 years for workers' compensation claims, 6.5 years for public liability claims

Employers' Indemnity Supplementation Act

	2020	2019
Inflation Rate	Varies from 1.25% for 2021, 2% for 2022, 2.5% for 2023 and decreasing to 1.5% by 2036	Varies from 2.3% for 2020, 2.8% for 2021, 3% for 2022 and decreasing to 1.6% by 2035
Discount Rate	Varies from 0.2% for 2021, increasing to 2.4% by 2036	Varies from 1% for 2020, increasing to 2.5% by 2035
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 2020 and later	1.5% for Asbestos liabilities and 0% for Non-Asbestos liabilities for 2019 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.

NOTES TO THE FINANCIAL STATEMENTS

3.5 INSURANCE COMMISSION GENERAL FUND (CONTINUED)

3.5.3 FINANCIAL DISCLOSURES (CONTINUED)

(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

Variable	Change in Variable	Profit/(Loss) Increase/(Decrease) Net of Recoveries $'000	Profit/(Loss) Increase/(Decrease) Gross of Recoveries $'000
Discount rate	+1%	2,017	3,044
Discount rate	-1%	(2,584)	(3,835)
Superimposed inflation	+2%	(5,537)	(8,224)
Increasing base numbers of mesothelioma claims by 2	+2	(3,210)	(6,672)
Increasing decay rates in annual number of future CSR mesothelioma cases reported every future year	+5%	(5,779)	(12,161)
Increasing base numbers of lung claims by 2	+2	(2,001)	(2,092)
Increasing decay rates in annual number of future lung cases reported every future year	+5%	(10,482)	(10,779)

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 on profit after tax. For disclosure purposes the impact on outstanding claims liabilities is disclosed instead of the impact on after tax profit.

Employers' Indemnity Supplementation Act

Variable	Change in Variable	Movement in Outstanding Claims Net of Recoveries $'000	Movement in Outstanding Claims Gross of Recoveries $'000
Inflation	+1%	780	852
Inflation	-1%	(718)	(785)
Discount	+1%	(767)	(838)
Discount	-1%	851	931
Superimposed Inflation	+1%	775	847
Superimposed Inflation	-1%	(713)	(779)
Number of Claim Lodgements	+10	1,104	1,206
Number of Claim Lodgements	-10	(1,124)	(1,227)
Average Claim Size	+10	1,104	1,206
Average Claim Size	-10	(1,124)	(1,227)
Claims Management Expenses	+1%	114	124
Claims Management Expenses	-1%	(114)	(124)

NOTES TO THE FINANCIAL STATEMENTS

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 119,000 full-time equivalent Government employees.

3.6.2 FINANCIAL STATEMENTS

The financial statements of the RiskCover Fund are not consolidated in the Insurance Commission's accounts as the Government of Western Australia is responsible for any shortfall in its self-insurance arrangements.

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Premium Revenue	3.6.3(a)	289,609	288,228
Premium Adjustment	3.6.3(b)	35,465	5,889
Reinsurance Premium Expense		(21,068)	(18,884)
Reinsurance Commission Revenue		877	813
Net Premium Revenue		304,883	276,046
Claims Expense			
Claims Paid		(261,909)	(244,632)
Movement in Outstanding Claims		(44,328)	(28,378)
Reinsurance and Other Recoveries Revenue		6,904	4,064
Net Claims Incurred		(299,333)	(268,946)
Other Underwriting and Administration Expenses		(32,592)	(30,556)
Underwriting Loss		**(27,042)**	**(23,456)**
Investment (Loss)/Income		(24,172)	54,264
(Loss)/Profit		**(51,214)**	**30,808**

Balance Sheet as at 30 June 2020

Assets	Notes	2020 $'000	2019 $'000
Cash and Cash Equivalents		14,518	13,146
Receivables		61,738	17,501
Investments	3.6.3(c)	760,078	908,449
Total Assets		**836,334**	**939,096**
Liabilities			
Payables		38,241	64,683
Provision for Return of Capital		-	69,457
Outstanding Claims	3.6.3(d)	605,837	561,486
Total Liabilities		**644,078**	**695,626**
Net Assets		**192,256**	**243,470**
Equity			
Retained Earnings		126,846	183,242
Prudential Reserve		65,410	60,228
Total Equity		**192,256**	**243,470**

NOTES TO THE FINANCIAL STATEMENTS

3.6 RISKCOVER FUND (CONTINUED)

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.

The RiskCover Fund maintains a 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 2020, the Prudential Reserve was $65.4 million (2019: $60.2 million).

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 State Government Expenditure Review Committee authorised the transfer of surplus capital above the targeted reserve to the Government of Western Australia. The targeted reserve level is 135% solvency, as the Fund solvency is below 135% (129.8%) at 30 June 2020, there is no provision for a return of surplus capital (2019: $69.5 million).

A component of the RiskCover Fund's outstanding claims liabilities arises from known historic child sexual abuse claims. Based on the evidence available it has been determined that a reliable estimate of the claims incurred but not yet reported and claims incurred but not enough reported cannot be made (refer Note 8.5).

(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, reinsurance expenses and net investment income. This adjustment enables rewards and sanctions to be applied to agency performance. The performance adjustment settled with agencies during the 2020 year was a return of $33.2 million (2019: return of $41.4 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 2020, outstanding premium receivable from agencies increased by $35.5 million (2019: increase of $5.9 million). This represents a deterioration of claims experience in the workers' compensation class.

NOTES TO THE FINANCIAL STATEMENTS

3.6 RISKCOVER FUND (CONTINUED)

3.6.3 FINANCIAL DISCLOSURES (CONTINUED)

The table below shows opening and closing balance for premium adjustment for Workers' Compensation and Motor Vehicle Classes.

	2020 $'000	2019 $'000
Opening Balance	(50,235)	(97,533)
Prior Year performance obligation released	35,465	5,889
Current Year performance obligation	33,180	41,409
Closing Balance	**18,410**	**(50,235)**

(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

	2020 $'000	2019 $'000
Central Estimate	563,389	528,185
Discount to Present Value	(7,963)	(16,478)
	555,426	511,707
Claims Handling Costs	50,411	49,779
Gross Outstanding Claims	605,837	561,486
Current	242,786	218,649
Non-Current	363,051	342,837
	605,837	**561,486**

(e) Reconciliation of Movement in Discounted Outstanding Claims

	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims at 1 July 2019	561,486	17,178	544,308
Effect of Changes in Assumptions/Experience	27,499	3,263	24,236
Increase in Expected Claims Incurred/Recoveries During Year	239,576	7,438	232,138
Incurred Claims Recognised in the Statement of Comprehensive Income	267,075	10,701	256,374
Claim Payments/Recoveries During Year	(222,724)	(9,799)	(212,925)
Outstanding Claims at 30 June 2020	**605,837**	**18,080**	**587,757**

NOTES TO THE FINANCIAL STATEMENTS

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:

	2020	2019
Inflation Rate	Varies from 1% for 2021, 0.9% for 2022, 1.1% for 2023 and increasing to 2.4% by 2036	Varies from 2.3% for 2020, 2.8% for 2021, 3% for 2022 and decreasing to 1.6% by 2035
Discount Rate	Varies from 0.2% for 2021, 0.3% for 2022, 0.3% for 2023 and increasing to 3% by 2050	Varies from 1% for 2020, 0.9% for 2021, 0.9% for 2022 and increasing to 3.3% by 2049
Superimposed Inflation	Varies by segment and method for workers compensation. Small claims 2.5% for General Liability and Professional Indemnity, 3% for Treatment Risk	Varies by segment and method for workers compensation. Small claims 2.5% for General Liability and Professional Indemnity, 3% for Treatment Risk
Claims Management Expenses	10% of net claim payments for workers compensation, 6% of gross claim payments for General Liability and Abuse Claims, 9% of gross claim payments for Professional Indemnity and Treatment Risk, 10.5% of net claim payments for short tail claims	11% of net claim payments for workers compensation, 6% of gross claim payments for General Liability and Abuse Claims, 9% of gross claim payments for Professional Indemnity and Treatment Risk, 12% of net claim payments for short tail claims
Average Term to Settlement	2.1 years for workers compensation and 4 years for liability, 0.7 years for short tail claims	2.1 years for workers compensation and 3.8 years for liability, 0.7 years for short tail claims

(g) Sensitivity Analysis

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

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

		Profit/(Loss) Increase/(Decrease)	
Variable	Change in Variable %	Net of Recoveries $'000	Gross of Recoveries $'000
Inflation	+1	(13,990)	(13,653)
Inflation	-1	15,035	14,671
Discount	+1	14,708	14,353
Discount	-1	(13,968)	(13,632)

NOTES TO THE FINANCIAL STATEMENTS

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 exchange rate at the transaction and reporting date.

	2020 $'000	2019 $'000
Dividends	97,185	114,513
Interest	25,271	34,066
Changes in Fair Values: Unrealised (Loss)/Gain	(345,813)	26,873
Changes in Fair Values: Realised Gain	50,892	135,779
Foreign Exchange: Unrealised (Loss)/Gain	(59,487)	35,720
Foreign Exchange: Realised Gain	93,814	3,025
Other	615	483
Investment (Loss)/Income	**(137,523)**	**350,459**

4.2 INVESTMENT EXPENSES

	Notes	2020 $'000	2019 $'000
Investment Management Costs and Custodian Fees		20,773	17,021
Administration		2,035	1,801
		22,808	18,822
RiskCover Fund Investment Return	(i)	(24,172)	54,264
		(1,364)	**73,086**

(i) Represents the RiskCover Fund's share of the (loss)/gain of the Main Fund's investment pool.

NOTES TO THE FINANCIAL STATEMENTS

4.3 INVESTMENT ASSETS

Investment assets are considered to back the 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 insurance liabilities.

Current Investments	Notes	2020 $'000	2019 $'000
Fixed and Floating Rate Bonds		711,739	108,326
Fixed Interest Unit Trusts		248,474	258,720
Equities - Listed		2,309,401	2,515,497
Equity Unit Trusts		235,833	279,025
Alternative Assets Unit Trusts		298,137	291,766
Margin Account		456	558
Cash and Cash Equivalent Assets	8.7	676,710	1,187,358
Receivables		77,813	34,411
Forward Foreign Exchange Contracts	4.6	18,904	4,127
		4,577,467	4,679,788
Non-Current Investments			
Alternative Assets Unit Trusts		340,554	288,712
Property Trust - Unlisted		416,203	537,335
		756,757	826,047
		5,334,224	**5,505,835**

(a) Valuation of Investments

Investment assets are initially recognised at cost and subsequently measured at fair value, and are measured as follows:

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 by brokers for margins are recorded 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

Any impacts of the COVID-19 pandemic have been reflected in the investment valuations at 30 June 2020.

(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 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 or investments in unlisted trusts with fair values obtained via fund managers.

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:

2020	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Current Investments					
Fixed and Floating Rate Bonds		299	711,440	-	**711,739**
Fixed Interest Unit Trusts		-	248,474	-	**248,474**
Equities - Listed		2,309,401	-	-	**2,309,401**
Equity Unit Trusts		-	235,833	-	**235,833**
Alternative Assets Unit Trusts		-	298,137	-	**298,137**
Margin Account		-	456	-	**456**
Cash and Cash Equivalent Assets	8.7	343,330	333,380	-	**676,710**
Receivables		-	77,813	-	**77,813**
Forward Foreign Exchange Contracts	4.6	-	18,904	-	**18,904**
		2,653,030	**1,924,437**	**-**	**4,577,467**
Non-Current Investments					
Alternative Assets Unit Trusts		-	-	340,554	**340,554**
Property Trust - Unlisted		-	-	416,203	**416,203**
		-	**-**	**756,757**	**756,757**
		2,653,030	**1,924,437**	**756,757**	**5,334,224**

NOTES TO THE FINANCIAL STATEMENTS

4.3 INVESTMENT ASSETS (CONTINUED)

(b) Fair Value Hierarchy (continued)

2019	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Current Investments					
Fixed and Floating Rate Bonds		-	108,326	-	**108,326**
Fixed Interest Unit Trusts		-	258,720	-	**258,720**
Equities - Listed		2,515,497	-	-	**2,515,497**
Equity Unit Trusts		-	279,025	-	**279,025**
Alternative Assets Unit Trusts		-	291,766	-	**291,766**
Margin Account		-	558	-	**558**
Cash and Cash Equivalent Assets	8.7	199,128	988,230	-	**1,187,358**
Receivables		-	34,411	-	**34,411**
Forward Foreign Exchange Contracts	4.6	-	4,127	-	**4,127**
		2,714,625	1,965,163	-	**4,679,788**
Non-Current Investments					
Alternative Assets Unit Trusts		-	-	288,712	**288,712**
Property Trust - Unlisted		-	-	537,335	**537,335**
		-	-	826,047	**826,047**
		2,714,625	**1,965,163**	**826,047**	**5,505,835**

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:

2020	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	288,712	(3,322)	(13,606)	-	68,770	**340,554**
Property Trust - Unlisted	537,335	(7,915)	(121,132)	-	7,915	**416,203**
	826,047	**(11,237)**	**(134,738)**	**-**	**76,685**	**756,757**

NOTES TO THE FINANCIAL STATEMENTS

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 / 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)	
	2020	2019	Change %	2020	2019
Non-Current Investments	$'000	$'000		$'000	$'000
Alternative Assets Unit Trusts	**340,554**	288,712	+20	**68,111**	57,742
			-20	**(68,111)**	(57,742)
Property Trust - Unlisted	**416,203**	537,335	+20	**83,241**	107,467
			-20	**(83,241)**	(107,467)

4.4 FINANCIAL LIABILITIES - RISKCOVER FUND INVESTMENTS

	2020	2019
Current	$'000	$'000
Floating Rate Promissory Note	760,078	908,449
	760,078	**908,449**

Valuation of the Floating Rate Promissory Note

The Floating Rate Promissory Note represents the RiskCover Fund's share of the Main Fund investment pool. The RiskCover Fund is allocated its share of the monthly movements in the Main Fund investment pool through the Floating Rate Promissory Note by means of a valuation model which primarily apportions an amount equal to the Main Fund 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. $107 million has been invested to date. At 30 June 2020, $15.7 million of the commitment to invest remained.

NOTES TO THE FINANCIAL STATEMENTS

4.6 DERIVATIVE INSTRUMENTS

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.

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.

The Insurance Commission's external Investment Managers may use derivatives to gain access to or hedge the investment portfolio in line with the Insurance Commission's investment strategy. Derivative instruments entered into include futures, forwards, swaps and options in the interest rate, foreign exchange, credit and equity markets.

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. At 30 June 2020, the level of the currency hedge was 25%.

	2020			2019		
	Fair Value Assets $'000	Fair Value Liabilities $'000	Notional Amount $'000	Fair Value Assets $'000	Fair Value Liabilities $'000	Notional Amount $'000
Forward Foreign Exchange Contracts	24,573	(5,669)	18,954	4,531	(404)	4,019
Futures	397	(98)	(7,388)	113	-	33,813
Options	30	(123)	(25,358)	13	(1)	2,076
Swaps	2,303	(2,085)	83,635	-	-	-
Total	**27,303**	**(7,975)**	**69,843**	**4,657**	**(405)**	**39,908**

The Notional Amount (effective exposure) of the above futures are 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 Forward Foreign Exchange 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 recognised in the Statement of Comprehensive Income immediately.

NOTES TO THE FINANCIAL STATEMENTS

5. RISK MANAGEMENT

5.1 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 its 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 and liquidity.

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 and procedures, 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 strategic and operational 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.

5.2 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 the 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 driving of that vehicle within Australia. The policy also provides cover on a no-fault basis to any person catastrophically injured by a registrable motor vehicle in a Western Australian crash, who cannot establish a liability for negligence on any other party. Most of the risk is concentrated within Western Australia.

NOTES TO THE FINANCIAL STATEMENTS

5.2 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 (including abuse claims) 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 adopts 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.

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).

5.3 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. These risks are managed in line with the Board approved risk appetite statement and implemented in accord 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 investment objectives and asset allocation for Main Fund and MVCIF. The latter have been formulated following asset and liability analysis of each Fund, undertaken by the asset consultant.

NOTES TO THE FINANCIAL STATEMENTS

5.3 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 document 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 arising from transactions denominated in foreign currencies. This foreign currency exposure is held for portfolio diversification and risk mitigation. Risk mitigation is provided through access to defensive currencies that provide returns and liquidity in times of market stress when the Australian dollar weakens.

Net foreign currency exposures are managed as follows:

- A currency overlay is used to passively hedge 25% (2019: 25%) of Global Equities exposures excluding Emerging Market trusts.
- Unit Trusts are managed in accordance with relevant Trust Deeds.

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.

NOTES TO THE FINANCIAL STATEMENTS

5.3 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)	
	2020 $'000	2019 $'000	2020 %	2019 %	2020 $'000	2019 $'000
United States Dollars	549,719	565,336	+20	+20	76,961	79,147
			-20	-20	(76,961)	(79,147)
Euros	164,873	172,430	+20	+20	23,082	24,140
			-20	-20	(23,082)	(24,140)
Japanese Yen	70,049	61,963	+20	+20	9,807	8,675
			-20	-20	(9,807)	(8,675)
Great British Pounds	55,065	77,081	+20	+20	7,709	10,791
			-20	-20	(7,709)	(10,791)
Swiss Franc	33,939	28,964	+20	+20	4,751	4,055
			-20	-20	(4,751)	(4,055)
Hong Kong Dollars	29,728	53,105	+20	+20	4,162	7,435
			-20	-20	(4,162)	(7,435)
Canadian Dollars	19,296	30,824	+20	+20	2,701	4,315
			-20	-20	(2,701)	(4,315)

These figures are inclusive of the Main Fund (including the RiskCover Fund's share) and the MVCIF. 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 term 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)	
	2020 $'000	2019 $'000	2020 %	2019 %	2020 $'000	2019 $'000
Cash and Cash Equivalents	17,235	12,997	+1	+1	121	91
			-1	-1	(121)	(91)
Investments						
Fixed Interest Bonds	711,739	108,326	+1	+1	17,103	3,769
			-1	-1	(17,103)	(3,769)
Fixed Interest Unit Trusts	248,474	258,720	+1	+1	1,063	1,112
			-1	-1	(1,063)	(1,112)
Cash and Cash Equivalents	676,710	1,187,358	+1	+1	4,737	8,312
			-1	-1	(4,737)	(8,312)

NOTES TO THE FINANCIAL STATEMENTS

5.3 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 2020, 44% (2019: 46%) of the Insurance Commission's investment assets were listed equities and 29% (2019: 30%) 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)	
	2020 $'000	2019 $'000	2020 %	2019 %	2020 $'000	2019 $'000
ASX	959,351	1,098,411	+20	+20	134,309	153,778
			-20	-20	(134,309)	(153,778)
Dow Jones	522,363	568,857	+20	+20	73,131	79,640
			-20	-20	(73,131)	(79,640)
NASDAQ	232,151	196,869	+20	+20	32,501	27,562
			-20	-20	(32,501)	(27,562)
Tokyo	101,751	89,167	+20	+20	14,245	12,483
			-20	-20	(14,245)	(12,483)
FTSE	88,445	110,739	+20	+20	12,382	15,503
			-20	-20	(12,382)	(15,503)
German Xetra	66,761	77,656	+20	+20	9,347	10,872
			-20	-20	(9,347)	(10,872)
Euronext Amsterdam	48,417	37,506	+20	+20	6,778	5,250
			-20	-20	(6,778)	(5,250)
Euronext Paris	43,400	50,627	+20	+20	6,076	7,088
			-20	-20	(6,076)	(7,088)
Unlisted Trusts	1,539,200	1,658,481	+20	+20	215,488	232,187
			-20	-20	(215,488)	(232,187)

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

NOTES TO THE FINANCIAL STATEMENTS

5.3 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. The credit policy does not apply to absolute bond return strategies that form part of alternative assets. These strategies aim to diversify away from traditional equity and fixed interest market risk factors and exhibit low risk characteristics. 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 credit risk exposures to single counterparties with similar characteristics: National Australia Bank 6%; Commonwealth Bank 6% and Westpac Banking Corporation 1%. The Insurance Commission also has 61.7% (2019: 63.3%) 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 unit trust 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.

	2020 $'000	2019 $'000
AAA to AAA- rating	224,712	965
AA+ to AA- rating	77,427	96,604
A+ to A- ratings	89,833	27,678
BBB+ to BBB- ratings	194,899	69,706
Below Investment Grade	372,922	167,082
A1 to A2 (short-term) rating	676,710	1,187,358
Credit Risk Exposure	**1,636,503**	**1,549,393**

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.

5.3 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.

	2020 ($'000)					
Insurance Commission	AAA	AA	A	BBB	Speculative Grade	Total
Reinsurance and Other Recoveries						
Third Party Insurance Fund	142,133	26,868	10,919	-	3,021	182,941
Motor Vehicle (Catastrophic Injuries) Fund	31,315	-	-	-	-	31,315
Compensation (Industrial Diseases) Fund	19	-	-	62	-	81
Government Insurance Fund	520	-	-	-	1,508	2,028
Insurance Commission General Fund	584	-	-	18,753	585	19,922
Total Reinsurance and Other Recoveries	174,571	26,868	10,919	18,815	5,114	236,287
RiskCover Fund						
Total Reinsurance and Other Recoveries	8,542	6	23	-	9,509	18,080

	2019 ($'000)					
Insurance Commission	AAA	AA	A	BBB	Speculative Grade	Total
Reinsurance and Other Recoveries						
Third Party Insurance Fund	140,733	23,120	14,220	-	3,086	181,159
Motor Vehicle (Catastrophic Injuries) Fund	23,127	-	-	-	-	23,127
Compensation (Industrial Diseases) Fund	21	-	-	177	-	198
Government Insurance Fund	792	-	-	-	2,118	2,910
Insurance Commission General Fund	638	-	-	21,085	740	22,463
Total Reinsurance and Other Recoveries	165,311	23,120	14,220	21,262	5,944	229,857
RiskCover Fund						
Total Reinsurance and Other Recoveries	7,275	219	851	-	8,833	17,178

NOTES TO THE FINANCIAL STATEMENTS

5.3 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 2020, the mean term to maturity of the Cash Portfolio was 40 days (2019: 130 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:

	2020 ($'000)				
	Maturity in				Total
Insurance Commission	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years	
Outstanding Claims					
Third Party Insurance Fund	504,722	474,553	833,851	694,383	**2,507,509**
Motor Vehicle (Catastrophic Injuries) Fund	23,284	19,737	52,105	915,119	**1,010,245**
Compensation (Industrial Diseases) Fund	489	362	789	2,023	**3,663**
Government Insurance Fund	11,875	11,607	33,429	37,782	**94,693**
Insurance Commission General Fund	8,021	6,965	17,818	49,421	**82,225**
Total Outstanding Claims	**548,391**	**513,224**	**937,992**	**1,698,728**	**3,698,335**
Other Financial Liabilities					
Payables	131,514	-	-	-	**131,514**
RiskCover Fund Investments	760,078	-	-	-	**760,078**
Total	**1,439,983**	**513,224**	**937,992**	**1,698,728**	**4,589,927**
RiskCover Fund					
Total	**237,859**	**122,536**	**152,104**	**96,951**	**609,450**

	2019 ($'000)				
	Maturity in				Total
Insurance Commission	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years	
Outstanding Claims					
Third Party Insurance Fund	488,274	445,573	846,070	752,318	**2,532,235**
Motor Vehicle (Catastrophic Injuries) Fund	22,161	14,584	37,905	723,818	**798,468**
Compensation (Industrial Diseases) Fund	597	424	886	2,169	**4,076**
Government Insurance Fund	8,307	8,153	23,372	38,628	**78,460**
Insurance Commission General Fund	7,818	6,787	19,021	57,343	**90,969**
Total Outstanding Claims	**527,157**	**475,521**	**927,254**	**1,574,276**	**3,504,208**
Other Financial Liabilities					
Payables	34,249	-	-	-	34,249
RiskCover Fund Investments	908,449	-	-	-	908,449
Total	**1,469,855**	**475,521**	**927,254**	**1,574,276**	**4,446,906**
RiskCover Fund					
Total	**214,289**	**113,242**	**141,606**	**105,172**	**574,309**

NOTES TO THE FINANCIAL STATEMENTS

6. 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'.

6.1 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.

	2020 $'000	2019 $'000
Income Tax Equivalent Expense		
Current Income Tax		
Current Income Tax Equivalent Expense	111,590	64,609
Adjustments for Current Income Tax from Prior Years	(638)	(12,251)
Deferred Income Tax		
Origination and Reversal of Temporary Differences	(125,325)	16,736
Income Tax Equivalent (Benefit)/Expense Recognised in the Statement of Comprehensive Income	**(14,373)**	**69,094**
Amount Recognised in Other Comprehensive Income		
Re-measurement of Gain on Defined Benefit Plan	106	124
Amount Recognised Directly in Equity		
Initial Recognition of Right of Use Assets	666	-
Reconciliation of Income Tax to Prima Facie Tax Payable:		
(Loss)/Profit Before Tax Equivalent	(17,280)	272,859
Tax at the Statutory Income Tax Rate of 30%	(5,184)	81,858
Tax-Free Dividends and Utilisation of Foreign Tax Offsets	(9,073)	(12,618)
Adjustments Recognised in the Current Year in relation to Prior Years	(116)	(146)
Income Tax Equivalent (Benefit)/Expense	**(14,373)**	**69,094**

The Insurance Commission was in a tax benefit position in 2020, therefore the effective tax rate was Nil (2019: 25.3%).

NOTES TO THE FINANCIAL STATEMENTS

6.2 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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred Income Tax				
Deferred Income Tax at 30 June relates to the following:				
Deferred Tax Liabilities				
Investments	(43,389)	(168,269)	(124,880)	12,575
Property Receipts	-	-	-	(3)
	(43,389)	(168,269)		
Deferred Tax Assets				
Depreciable Plant and Equipment	663	1,078	415	55
Trust Income	(176)	(4,115)	(3,939)	12,888
Indirect Claims Settlement Costs	32,543	32,686	143	(4,034)
Provisions - Various	10,287	13,962	3,675	(4,745)
Right of Use Assets	739	-	(739)	-
	44,056	43,611		
Net Deferred Income Tax Asset/(Liability)	**667**	**(124,658)**		
Deferred Income Tax Equivalent (Benefit)/Expense			**(125,325)**	**16,736**

7. EXPLANATORY STATEMENT

	Notes	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000	Profit Increase/(Decrease) From Actual 2020 To Budget 2020 $'000	%	Actual 2019 $'000	%
Premium Revenue	2.1	831,672	836,220	797,601	(4,548)	(0.5)	34,071	4.3
Reinsurance Premium Expense	2.2	(9,729)	(7,700)	(9,693)	(2,029)	(26.4)	(36)	(0.4)
Reinsurance Commission Revenue	2.1	1,022	770	975	252	32.7	47	4.8
Net Premium Revenue		822,965	829,290	788,883	(6,325)	(0.8)	34,082	4.3
Claims Expense	2.2	(691,391)	(807,580)	(766,645)	116,189	14.4	75,254	9.8
Reinsurance and Other Recoveries Revenue	2.1	34,188	14,635	59,753	19,553	133.6	(25,565)	(42.8)
Net Claims Incurred	2.3	(657,203)	(792,945)	(706,892)	135,742	17.1	49,689	7.0
Movement in Unexpired Risk Liability		16,854	-	(16,007)	16,854	-	32,861	205.3
Recoveries on Unexpired Risk Liability		(699)	-	945	(699)	-	(1,644)	(174.0)
Net Movement in Unexpired Risk	3.2.3(f)	16,155	-	(15,062)	16,155	-	31,217	207.3
Premium Collection Costs	2.2	(29,228)	(25,500)	(25,976)	(3,728)	(14.6)	(3,252)	(12.5)
RiskCover Fund Administration Cost Reimbursement	2.1	30,455	30,356	27,952	99	0.3	2,503	9.0
Other Underwriting and Administration Expenses	2.2	(61,643)	(62,326)	(56,702)	683	1.1	(4,941)	(8.7)
Underwriting Profit/(Loss)		**121,501**	**(21,125)**	**12,203**	**142,626**	**675.2**	**109,298**	**895.7**
Investment (Loss)/Income	4.1	(137,523)	310,820	350,459	(448,343)	(144.2)	(487,982)	(139.2)
Investment Expenses	4.2	(22,808)	(18,895)	(18,822)	(3,913)	(20.7)	(3,986)	(21.2)
RiskCover Fund Investment Return	4.2	24,172	(56,282)	(54,264)	80,454	142.9	78,436	144.5
Other Income	8.8	325	133	518	192	144.4	(193)	(37.3)
Other Expenses	8.8	(2,947)	(20,001)	(17,235)	17,054	85.3	14,288	82.9
(Loss)/Profit Before Tax Equivalent		**(17,280)**	**194,650**	**272,859**	**(211,930)**	**(108.9)**	**(290,139)**	**(106.3)**

NOTES TO THE FINANCIAL STATEMENTS

7. EXPLANATORY STATEMENT (CONTINUED)

Explanations are provided below for significant variances between 2020 actual results, 2020 budget and 2019 actual results. Significant variances are considered to be those greater than $10 million to the 2020 Budget.

Comparison of 2020 Actual Results to 2020 Budget and 2019 Actual

Profit before Tax Equivalent

The Insurance Commission recorded a small loss before tax equivalent of $17.3 million in 2020. The loss is significantly below than the budgeted profit of $194.7 million and last year's profit of $272.9 million, due to a worse than expected investment performance.

Premium Revenue

The Insurance Commission received $831.7 million in insurance premium revenue, which is $34.1 million (4.3%) higher than last year's revenue of $797.6 million. This was due to the 1 July 2019 premium rate increase coupled with a higher number of registered vehicles in 2020.

Claims Expense

The Insurance Commission incurred $691.4 million in claims expenses, which is $75.3 million (9.8%) lower than the previous year. Outstanding claims liabilities increased by $200 million which was $107.5 million lower than the increase in the previous year. The increase in outstanding claims liabilities is reflective of new claims exposure, current year claims experience and the impact of economics factors (inflation and discount rates). Claims payments increased by $32.2 million to $490.9 million, largely due to a higher number of CTP compensation claims being finalised during the year.

Reinsurance and Other Recoveries

Recoveries primarily reflect an actuarial assessment of projected future recoveries as a percentage of outstanding claims liabilities. Reinsurance and other recoveries revenue for 2020 is $34.2 million, which is $25.6 million (42.8%) lower than last year.

Net Movement in Unexpired Risk

At the end of the reporting period, unearned premium is assessed to determine whether it is sufficient to pay related future claims. In 2020, the unearned premium for the MVCIF was in excess of the expected future claims but had declined from the prior year amount resulting in a $16.9 million reduction in the Unexpired Risk Liability. The net movement in unexpired risk of $16.2 million was recognised in the Statement of Comprehensive Income.

Underwriting Result

The Insurance Commission delivered an underwriting profit of $121.5 million compared to the budgeted loss of $21.1 million. The underwriting profit was primarily a result of the decline in inflation rates, though this was partially offset by a decline in discount rates (based on Government Bond rates).

Investment (Loss)/Income

The Insurance Commission recorded an investment loss of $137.5 million, which is $448.3 million worse than the budgeted income of $310.8 million and $488 million lower than last year's return of $350.5 million.

The investment returns for both Main Fund and MVCIF were lower than target due to the negative impact on asset prices of the COVID-19 shutdowns. All asset classes delivered below budgeted returns: Global Equities (2.0% against target 6.3%), Cash return (1.6% against target 2.7%), Fixed Interest (0.6% against target 2.8%), Alternative Assets (-0.7% against target 6.3%), Australian Equities return (-5.5% against target 7.6%) and Property (-16.9% against target 6.2%).

RiskCover Fund Investment Return

RiskCover Fund investment return represents the Fund's share of its losses/income of the Insurance Commission Main Fund's investment pool. In 2020, the RiskCover Fund recorded an investment loss of $24.2 million which is $78.4 million lower than last year's positive return of $54.3 million. The Insurance Commission's investment loss has resulted in the RiskCover Fund receiving a negative investment return this year.

Other Expenses

Other expenses of $2.9 million is significantly lower than last year and budget. This is due to reduced expenditure in Bell litigation costs.

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER

8.1 OTHER ACCOUNTING POLICIES

8.1.1 INITIAL APPLICATION OF AN AUSTRALIAN ACCOUNTING STANDARD

AASB 15 – Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers (not for profit) was operative on 1 January 2019. This standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time, or over time. The model features a contract based five step analysis of transaction to determine whether, how much and when revenue is recognised.

This standard does not have a material impact on the financial statements or accounting policies, apart from minor disclosure requirements for the RiskCover Fund (Refer Note 3.6.3).

AASB 16 – Leases

AASB 16 was issued in January 2016 and replaces AASB 117. It introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless an exemption is applied for low value assets. The new standard has impacted the treatment of the Insurance Commission operating leases (Office space lease, motor vehicle and leased IT Asset).

In the balance sheet, right-of-use lease assets and lease liabilities were recognised on 1 July 2019, increasing the total assets and total liabilities by $ 20.7 million and $22.9 million respectively. These were measured as the present value of future lease payments, discounted using the current incremental borrowing rate (rates provided by the Western Australia Treasury Corporation). The incremental borrowing rate is applied specific to each lease based on the lease term (aside the State Fleet lease). The modified retrospective approach has been used and has resulted in an adjustment to the opening balance of retained earnings (refer Statement of Changes in Equity).

The impact of the changes in the statement of comprehensive income was not material. The lease costs of low value assets (i.e. unregistered car bays), depreciation charge associated with right-of-use lease assets and interest expenses associated with lease liabilities are recognised in Other Underwriting and Administration Expenses (refer note 2.2).

An impairment assessment has been performed on the right-of-use lease assets at initial recognition with no impairment write-down required.

The Insurance Commission has reviewed all other Australian Accounting Standards and Interpretations effective for the annual reporting period beginning 1 July 2019. None of these Standards or Interpretations have a material impact on the Insurance Commission's financial statements.

8.1.2 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 17 Insurance Contracts	1 January 2022

The Insurance Commission will apply the standard and amendment detailed above for the reporting periods beginning on the operative dates set out above. An initial assessment of the financial impact of the standard and amendment has been undertaken.

AASB 17 - Insurance Contracts

AASB 17 (for-profit entities) was issued in July 2017 and will replace the current Insurance Standards. The IASB released an exposure draft with proposed amendments to IFRS 17 in June 2019 and it is expected these amendments, once agreed, will be adopted into AASB 17.

AASB 17 is expected to be expanded to include non-profit entities 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 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', a risk margin will be required on its outstanding claims liabilities and there will be significant disclosure changes. Once the exposure draft amendments and the inclusion of non-profit entities have been finalised a full review of the impacts will be undertaken by management.

8.2 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 carrying amount is greater than its estimated recoverable amount.

Reconciliation of Carrying Amount	2020 ($'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	688	126	6,024	1,060	4,456	**12,354**
Additions	2	2	195	206	-	**405**
Disposals	(29)	(3)	-	(220)	(3,278)	**(3,530)**
Balance at End of the Year	661	125	6,219	1,046	1,178	**9,229**
Accumulated Depreciation						
Balance at Start of the Year	597	76	5,569	158	4,063	**10,463**
Depreciation Expense for the Year	41	4	315	142	87	**589**
Disposals	(29)	(2)	-	(71)	(3,277)	**(3,379)**
Balance at End of the Year	609	78	5,884	229	873	**7,673**
Carrying Amount at End of the Year	**52**	**47**	**335**	**817**	**305**	**1,556**

Prior Year	2019 ($'000)					
Cost or Valuation						
Balance at Start of the Year	779	154	6,142	1,027	4,254	**12,356**
Additions	37	4	90	739	202	**1,072**
Disposals	(128)	(32)	(208)	(706)	-	**(1,074)**
Balance at End of the Year	688	126	6,024	1,060	4,456	**12,354**
Accumulated Depreciation						
Balance at Start of the Year	687	104	5,338	280	3,988	**10,397**
Depreciation Expense for the Year	36	3	439	128	75	**681**
Disposals	(126)	(31)	(208)	(250)	-	**(615)**
Balance at End of the Year	597	76	5,569	158	4,063	**10,463**
Carrying Amount at End of the Year	**91**	**50**	**455**	**902**	**393**	**1,891**

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.

NOTES TO THE FINANCIAL STATEMENTS

8.3 LEASES

8.3.1 RIGHT OF USE LEASE ASSETS

Additional information on the right of use assets by class of asset is as follows:

Reconciliation of Carrying Amount	2020 ($'000)				
Current Year	Office Building	Car Bays	Motor Vehicles	IT Asset	Total
Cost or Valuation					
Balance at Start of the Year	19,094	1,494	24	146	20,758
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at End of the Year	19,094	1,494	24	146	20,758
Accumulated Depreciation					
Balance at Start of the Year	-	-	-	-	-
Depreciation Expense for the Year	2,829	221	12	55	3,117
Disposals	-	-	-	-	-
Balance at End of the Year	2,829	221	12	55	3,117
Carrying Amount at End of the Year	**16,265**	**1,273**	**12**	**91**	**17,641**

8.3.2 LEASE LIABILITIES

Leased liabilities are presented in the Balance Sheet as follows:

	2020		
	Current	Non-Current	Total
	$'000	$'000	$'000
Office Building	2,789	15,796	18,585
Car Bays	218	1,201	1,419
Motor Vehicles	11	-	11
IT Asset	55	38	93
Other Liabilities	**3,073**	**17,035**	**20,108**

Financial Lease Liabilities	2020		
Lease liabilities are payable as follows:	< 1 Year	1 - 5 Years	> 5 Years
	$'000	$'000	$'000
Future minimum lease payments	3,517	15,256	2,786
Interest components	(444)	(982)	(25)
Present value of minimum lease payments	**3,073**	**14,274**	**2,761**

8.3.3 RECONCILIATION OF LEASE EXPENDITURE COMMITMENTS 30 JUNE 2019 TO LEASE LIABILITIES

	$'000
Total Operating Lease commitments disclosed as at 30 June 2019	**25,373**
Adjusted with:	
Discounted using incremental borrowing rate	(1,966)
Recognition exemption - Leases of low value assets	(426)
Total Lease Liabilities recognised under AASB 16 as at 1 July 2019	**22,981**

NOTES TO THE FINANCIAL STATEMENTS

8.3 LEASES (CONTINUED)

8.3.4 AMOUNT RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

The following amount relating to leases has been recognised in the Statement of Comprehensive Income:

	2020 $'000	2019 $'000
Depreciation expense of right-of-use assets	3,117	-
Interest expense for lease asset	513	-
Low value lease	100	-
Total amount recognised in the Statement of Comprehensive Income	**3,730**	**-**

8.4 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.

	2020 $'000	2019 $'000
Software at Cost	34,595	34,373
Work in Progress	1,494	564
Accumulated Amortisation	(31,567)	(30,562)
Carrying Amount at End of the Year	**4,522**	**4,375**
Reconciliation:		
Software at Cost		
Balance at Start of the Year	34,373	33,189
Additions	979	1,184
Disposals	(757)	-
Balance at End of the Year	34,595	34,373
Work in Progress		
Balance at Start of the Year	564	384
Additions	1,496	1,024
Completed and Transferred to Software at Cost	(525)	(614)
Impairment	(41)	(230)
Balance at End of the Year	1,494	564
Accumulated Amortisation		
Balance at Start of the Year	(30,562)	(28,865)
Amortisation Expense for the Year	(1,762)	(1,697)
Disposals	757	-
Balance at End of the Year	(31,567)	(30,562)

NOTES TO THE FINANCIAL STATEMENTS

8.5 CONTINGENCIES

Bell

At 30 June 2020, the Insurance Commission considered that it had a contingent asset that would eventually materialise from the Bell Liquidation distribution process. At the time the total amount of the recoveries it will ultimately receive and the timing of receipt could not 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 recommencing, it is not feasible to estimate potential costs upon the Insurance Commission at the end of the reporting period.

Child Sexual Abuse Claims

Effective 1 July 2018, the *Civil Liability Act 2002* was amended to remove the statute of limitations for child sexual abuse claims. The Insurance Commission through the Government Insurance Fund, Insurance Commission General Fund and the RiskCover Fund is exposed to claims arising from this legislative change.

The number of claims and the size of these claims incurred but not yet reported (IBNR) and claims incurred but not enough reported (IBNER) is highly uncertain. Based on the evidence available it has been determined that a reliable estimate of the IBNR/IBNER claims cannot be made and included with known claims in the outstanding claims liabilities at 30 June 2020. An actuarial assessment has estimated that the range of the IBNR/IBNER claims may lie between $25.6 million and $77.3 million.

Costs arising from these claims against the Government Insurance Fund will be met by the Government of Western Australia.

8.6 PROVISIONS

Provisions are recognised when the Insurance Commission has a present expected obligation as a result of a past event of which a reliable estimate can be made.

	Notes	2020 $'000	2019 $'000
Current			
Employee Benefits	(i)	5,217	4,594
On-Costs Relating to Employee Benefits	(ii)	296	257
Investments		5,466	3,797
Sundry		749	767
Total Current		**11,728**	**9,415**
Non-Current			
Employee Benefits	(iii)	7,959	7,124
On-Costs Relating to Employee Benefits	(ii)	284	232
Total Non-Current		**8,243**	**7,356**
Total Provisions		**19,971**	**16,771**

(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 Judgements 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.

NOTES TO THE FINANCIAL STATEMENTS

8.7 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	2020 $'000	2019 $'000
Reconciliation of Profit after Tax Equivalent to Net Cash Flow from Operating Activities:			
Profit after Tax Equivalent		(2,907)	203,765
Non-Cash Items			
Depreciation and Amortisation		5,468	2,380
Investments Foreign Exchange Movement		59,487	(35,720)
Decrease/(Increase) in Fair Value of Investments		345,813	(26,873)
Movement in Income Tax Provisions		(125,325)	16,736
Other		31	11
Tax Payment to State Government			
Income Tax Equivalent Paid		65,126	117,759
Amounts Recognised Directly in Equity		419	(289)
Decrease/(Increase) in Assets			
Current Receivables		3,440	(2,275)
Fair Value of Investments Realised		(144,706)	(138,804)
Deferred Premium Collection Costs		1,705	(326)
Other Current Assets		(103)	(266)
Non-Current Receivables		(15,793)	(48,956)
Increase/(Decrease) in Liabilities			
Current Payables		(4,206)	(4,188)
Current Tax Payable		45,053	(65,525)
Current Outstanding Claims		24,436	58,174
Current Unearned Premium		11,912	6,781
Current Unexpired Risk Liability		(16,854)	16,007
Current Provisions		644	39
Current Other Liabilities		326	12
Non-Current Outstanding Claims Liability		174,864	251,897
Non-Current Provisions		887	325
Net Cash Flow from Operating Activities		**429,717**	**350,664**
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		17,235	12,997
Investments	4.3	676,710	1,187,358
		693,945	**1,200,355**

NOTES TO THE FINANCIAL STATEMENTS

8.8 OTHER INCOME AND EXPENSES

	2020 $'000	2019 $'000
Interest	142	234
Other	183	284
Other Income	**325**	**518**
Net Losses Arising from Disposal of Plant and Equipment	31	11
Bell Litigation Costs	2,916	17,224
Other Expenses	**2,947**	**17,235**

8.9 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 are found in the Annual Report on State Finances.

Total compensation for key management personnel (including any redundancy payments) for the reporting period are presented within the following bands:

	Key Management Personnel	
Income Band ($)	2020	2019
40,001 - 50,000	4	4
70,001 - 80,000	1	1
90,001 - 100,000	1	1
240,001 - 250,000	-	1
250,001 - 260,000	3	3
260,001 - 270,000	2	1
280,001 - 290,000	1	-
290,001 - 300,000	2	3
410,001 - 420,000	1	1
420,001 - 430,000	-	1

	$'000	$'000
Short-Term Employee Benefits	2,711	3,120
Post Employment Benefits	240	239
Other Long-Term Benefits	84	64
Total Compensation	**3,035**	**3,423**

At 30 June 2020, no key management personnel (2019: Nil) were members of the State Pension Scheme.

NOTES TO THE FINANCIAL STATEMENTS

8.10 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 the RiskCover Fund include:

- all Ministers, their close family members, and their controlled or jointly controlled entities;
- all key management personnel (refer Note 8.9), 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 Fund 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 8.11);
- 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 Fund services (refer Note 3.6);
- Claims Costs paid on behalf of Government Agencies from the RiskCover Fund (refer Note 3.6);
- Superannuation payments to GESB of $5.4 million (2019: $5.4 million); and
- RiskCover Fund return of surplus capital made to Department of Treasury (refer Note 3.6.3).

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.

8.11 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:

	2020 $'000	2019 $'000
Final Dividend payment for the prior year	30,038	24,489
Special Dividend payment	154,546	58,896
Interim Dividend payment for current year	22,947	19,177
	207,531	102,562

In light of its strong investment performance in 2018-19, the Insurance Commission paid a $154.5 million special dividend in December 2019.

NOTES TO THE FINANCIAL STATEMENTS

8.12 LOSS THROUGH THEFT, DEFAULT AND OTHER CAUSES

	2020 $'000	2019 $'000
Write-Off of Revenue and Debt	-	-

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.

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 2020 financial year are shown net of recoveries received from negligent owners or drivers of $135,851 (2019: $147,195). In accordance with Section 48 of the *Financial Management Act 2006,* potential recoveries were submitted for write-off from the following:

	Notes	2020 $'000	2019 $'000
Third Party Insurance Fund		37,034	36,565
Amounts Written-Off by the Board		15,651	23,406
Amounts Written-Off by the Minister		2,310	8,642
Amounts Written-Off by the Governor		19,073	4,517
		37,034	36,565
RiskCover Fund - Amounts Written-off by the Board	(i)	29	8

(i) Recoveries arise where the RiskCover Fund seeks to recover the costs of a claim paid from a third party or the insured.

NOTES TO THE FINANCIAL STATEMENTS

8.13 TAX CONTRIBUTIONS

The Insurance Commission adheres to all tax laws and regulations applicable and has an open and constructive relationship with all relevant tax authorities.

The Insurance Commission paid the following direct and flow-through tax amounts to Federal and State Governments:

	2020 $'000	2019 $'000
Direct Tax		
Income Tax Equivalent	65,126	117,759
Payroll Tax	2,348	2,175
Fringe Benefits Tax	302	314
	67,776	120,248
Flow-Through Tax		
Insurance Duty	91,267	87,672
Goods and Services Tax	43,433	43,089
	134,700	130,761
Total	**202,476**	**251,009**

8.14 EVENTS OCCURRING AFTER REPORTING PERIOD

On 12 August 2020, various Bell Group companies and their creditors agreed to liquidation settlement scheme arrangements. On 20 August 2020, the Supreme Court of Western Australia made orders approving the settlement. Those orders were lodged with the Australian Securities and Investments Commission on 20 August 2020 at which point the schemes became effective. On 11 September 2020, the Insurance Commission received a settlement amount of $665.4 million.

The Insurance Commission had a potential exposure to costs of litigation and indemnities associated with funding the Liquidators' action. Whilst the Insurance Commission's exposure under the indemnities cannot be eliminated entirely, discontinuance of the Bell related litigation following settlement completion is likely to significantly reduce such exposure.

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