



**Insurance Commission  
of Western Australia**

# Mid-Year Performance Report 2019-20

Insurance Commission  
of Western Australia

# MID-YEAR PERFORMANCE REPORT

In the first half of the 2019-20 financial year (1 July 2019 to 31 December 2019), the Insurance Commission of Western Australia (Insurance Commission) and RiskCover Fund managed insurance claims valued at \$3.8 billion (including payments of \$382.1 million to individuals and agencies and estimated future claims liabilities of \$3.4 billion).

The profit before tax for the Insurance Commission's total operations was \$275.8 million. We generated \$778.5 million in revenue and earnings for the period. The Insurance Commission's core profit before tax was \$242.2 million, which was \$146.1 million better than budget. This positive result was mainly driven by the strong investment return of \$231.2 million. The RiskCover Fund recorded a profit of \$33.6 million. The unaudited half-year financial statements are included in this Report.

## Investments

Global investment markets experienced a positive six months, albeit receiving various setbacks due to rising geopolitical concerns. Further easing in monetary policy by central banks, including the US Federal Reserve and the Reserve Bank of Australia, buoyed expectations for a recovery in global growth and helped to push stock markets higher. However, US-China trade talks combined with Brexit uncertainty to provide various setbacks to financial markets.

At the end of December, the Insurance Commission's investment portfolio delivered a strong total net investment income of \$231.2 million, which was \$84.5 million (57.6%) above budget. The Insurance Commission's main investment fund delivered an investment return of 4.3% for the first half of 2019-20 outperforming against market benchmarks by 0.7%. This was mainly due to outperformance in Australian Equities (3.3% above benchmark) and Alternative Assets (1.1% above benchmark).

In the 12 months to 31 December 2019, the main fund returned 15.35% and the MVCIF 14.16%. The Main Fund and the MVCIF outperformed the benchmark by 1.8% and 0.56% respectively. These results were largely due to Global and Australian equities returning 26.79% and 23.77% respectively.

The total value of the investment funds held by the Insurance Commission to offset insurance liabilities grew from \$5.5 billion at 1 July 2019 to \$5.7 billion at 31 December 2019. The total value of assets held by the Insurance Commission at 31 December was \$6.1 billion.

The 7-year rolling investment return of 8.6% for the main fund is 3.2% per annum above the target of 5.4% (CPI + 3.5%/3.25% for MVCIF).

The results set out in this report reflect compound investment returns over 7.5 years of 91.1%.

## Motor Injury Insurance

In the first half of the year, the Insurance Commission collected \$413.6 million in motor injury insurance premium revenue for approximately 2.9 million insured vehicles.

Over the same period, the Insurance Commission managed car crash claims expected to cost \$3 billion, consisting of \$243.7 million in claim payments to people injured in

motor vehicle crashes, mostly from prior years, and estimated future claims liabilities of \$2.7 billion.

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

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

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

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

The combination of CTP and CIS insurance cover is known as motor injury insurance. The cost of the two motor injury insurance policies in WA continues to be more affordable than most schemes in Australia. The annual cost of motor injury insurance for a family car, at \$444 from 1 July 2019 in Western Australia, is substantially cheaper than similar insurance in Victoria (\$532), New South Wales (\$533), Northern Territory (\$561), and the Australian Capital Territory (\$569).

The Third Party Insurance Fund (TPIF) is the fund for the CTP scheme, and the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) is the fund for the CIS scheme.

The TPIF recorded a half-year underwriting profit of \$13.8 million, compared to the budget of \$5.9 million. The TPIF recorded a profit before tax of \$173 million, after a strong investment income of \$159.1 million.

The MVCIF recorded an underwriting profit of \$37 million for the first half of the year. The underwriting profit was largely due to a favourable movement in claims provisions caused by fewer people being catastrophically injured on the road than expected. The MVCIF recorded a profit before tax of \$63.6 million following an investment income of \$26.6 million.

### **RiskCover Fund**

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

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

The RiskCover Fund recorded a half-year underwriting loss of \$6 million compared to a forecast loss of \$7.3 million. The RiskCover Fund recorded a half-year profit of \$33.6 million, after an investment income of \$39.5 million. The Insurance Commission invests RiskCover funds under the same arrangements used for the investment of other funds managed by the Insurance Commission.

In the first half of the year, the RiskCover Fund received 10,248 new insurance claims, 728 more than the same period in 2019 (9,520).

### **Contributions to Government**

The Board's Dividend Policy and the *Insurance Commission of Western Australia Act 1986* balance the Insurance Commission's objective of delivering efficient and equitable insurance services to Western Australian motorists while providing a basis to deliver a dividend to the WA Government as the Insurance Commission's sole shareholder.

As a result of the strong financial performance in 2018-19, the Insurance Commission paid a final dividend of \$30 million and a special dividend of \$154.5 million to the Government.

In the first half of this year, the Insurance Commission paid tax of \$37 million and insurance duty of \$45.9 million to the WA Government.

In September 2019, the Insurance Commission also paid a return of capital to Government from the RiskCover Fund of \$69.5 million in light of its positive 2018-19 financial results.

As a result of these dividend, return of capital and tax payments, the Insurance Commission has contributed \$336.9 million (2018-19 full year: \$470.4 million) to the State Government. At the end of December, the Insurance Commission held assets that improve State Net Debt by \$3.7 billion. The Treasurer has announced these funds as one of the sources to be used by the Government for Consolidated Account debt repayment.

Barring further significant disruption in investment markets, the Insurance Commission considers that it is on target to have delivered after the end of the financial year:

- \$1 billion in dividends and returns from its investment functions that support CTP and RiskCover insurance functions since 2013-14.
- With tax and insurance duty included, \$2 billion to the State Government since 2013-14.
- Approaching \$4 billion reduction in State Net Debt through the substantial growth in Insurance Commission investment funds despite the significant dividends and tax paid.



**ROD WHITEHEAR**  
**CHIEF EXECUTIVE**

## Actual Performance Compared to Budget as at 31 December 2019

### - Insurance Commission only

	Actual \$'000	Budget \$'000	Variance \$'000
Net Premium Revenue	410,653	414,645	(3,992)
Net Claims Incurred	(329,643)	(397,149)	67,506
Other Underwriting and Administration Expenses	(31,068)	(38,802)	7,734
<b>Underwriting Profit/(Loss)</b>	<b>49,942</b>	<b>(21,306)</b>	<b>71,248</b>
Investment Income	241,269	165,544	75,725
Investment Expenses	(10,113)	(18,895)	8,782
RiskCover Fund Investment Return	(39,508)	(30,015)	(9,493)
Other	622	744	(122)
<b>Profit Before Tax Equivalent</b>	<b>242,212</b>	<b>96,072</b>	<b>146,140</b>
Income Tax Equivalent Expense	(72,530)	(28,822)	(43,708)
<b>Profit After Tax Equivalent</b>	<b>169,682</b>	<b>67,250</b>	<b>102,432</b>
<b>Total Comprehensive Income After Tax Equivalent</b>	<b>169,682</b>	<b>67,250</b>	<b>102,432</b>
<b>Total Equity (as per Balance Sheet)</b>	<b>1,405,163</b>		

	Actual	Budget	Variance
Annual Investment Rate of Return (%) - Main Fund	4.3	2.8	1.5
Annual Investment Rate of Return (%) - MVCIF	4.1	2.9	1.2
Solvency Level (%)*	129.8	129.9	(0.1)
Investment Rolling 7-Year Return (%) - Main Fund*	8.6	5.4	3.2

\* Annual Target in lieu of YTD Target

## Actual Performance Compared to Budget as at 31 December 2019

### - RiskCover Fund

	Actual \$'000	Budget \$'000	Variance \$'000
Premium Revenue	146,182	143,361	2,821
Reinsurance and Other Adjustments	(10,152)	(10,122)	(30)
Net Claims Incurred	(126,129)	(123,358)	(2,771)
Other Underwriting and Administration Expenses	(15,857)	(17,184)	1,327
<b>Underwriting Loss</b>	<b>(5,956)</b>	<b>(7,303)</b>	<b>1,347</b>
Investment Income	39,508	30,015	9,493
<b>Profit</b>	<b>33,552</b>	<b>22,712</b>	<b>10,840</b>

**Total Equity (as per Balance Sheet)**

**277,022**

	Actual	Budget	Variance
Net Loss Ratio (%)	92.7	92.6	(0.1)
Net Expense Ratio (%)	11.7	12.9	1.2
Net Combined Ratio (%)	104.4	105.5	1.1

## Insurance Commission Financial Statements

### Statement of Comprehensive Income at 31 December 2019

	2020 YTD \$'000	2019 \$'000
Net Premium Revenue	410,653	788,883
Net Claims Incurred	(329,643)	(736,539)
Net Movement in Unexpired Risk	-	(15,062)
Other Underwriting and Administration Expenses	(31,068)	(71,950)
<b>Underwriting Profit/(Loss)</b>	<b>49,942</b>	<b>(34,668)</b>
Investment Income	241,269	350,459
Investment Expenses	(10,113)	(18,822)
RiskCover Fund Investment Return	(39,508)	(54,264)
Other	622	30,154
<b>Profit Before Tax Equivalent</b>	<b>242,212</b>	<b>272,859</b>
Income Tax Equivalent Expense	(72,530)	(69,094)
<b>Profit After Tax Equivalent</b>	<b>169,682</b>	<b>203,765</b>

### Balance Sheet at 31 December 2019

	2020 YTD \$'000	2019 \$'000
<b>Assets</b>		
Cash and Cash Equivalents	199	12,997
Receivables	363,281	331,030
Investments	5,722,876	5,505,835
Deferred Premium Collection Costs	5,163	5,163
Plant and Equipment	20,803	1,891
Intangibles	3,928	4,375
Other Assets	2,520	2,685
<b>Total Assets</b>	<b>6,118,770</b>	<b>5,863,976</b>
<b>Liabilities</b>		
Payables	76,051	34,249
Financial Liabilities - RiskCover Fund Investments	966,958	908,449
Current Tax Payable	-	5,106
Outstanding Claims	3,101,347	3,017,352
Unearned Premium	296,793	298,131
Unexpired Risk Liability	36,965	36,965
Provisions	17,250	16,771
Other Liabilities	21,575	-
Deferred Tax Liabilities	196,668	124,658
<b>Total Liabilities</b>	<b>4,713,607</b>	<b>4,441,681</b>
<b>Net Assets</b>	<b>1,405,163</b>	<b>1,422,295</b>
<b>Equity</b>		
Compensation (Industrial Diseases) Fund Reserve	24,205	23,471
Retained Earnings	1,380,958	1,398,824
<b>Total Equity</b>	<b>1,405,163</b>	<b>1,422,295</b>

## RiskCover Fund Financial Statements

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

### Statement of Comprehensive Income at 31 December 2019

	2020 YTD \$'000	2019 \$'000
Premium Revenue	146,182	288,228
Reinsurance and Other Adjustments	(10,152)	(12,182)
Net Claims Incurred	(126,129)	(268,946)
Other Underwriting and Administration Expenses	(15,857)	(30,556)
<b>Underwriting Loss</b>	<b>(5,956)</b>	<b>(23,456)</b>
Investment Income	39,508	54,264
<b>Profit</b>	<b>33,552</b>	<b>30,808</b>

### Balance Sheet at 31 December 2019

	2020 YTD \$'000	2019 \$'000
<b>Assets</b>		
Cash and Cash Equivalents	199	13,146
Receivables	20,743	17,501
Investments	966,958	908,449
Other Assets	10,471	-
<b>Total Assets</b>	<b>998,371</b>	<b>939,096</b>
<b>Liabilities</b>		
Payables	18,389	134,140
Outstanding Claims	559,130	561,486
Unearned Premium	143,398	-
Other Liabilities	432	-
<b>Total Liabilities</b>	<b>721,349</b>	<b>695,626</b>
<b>Net Assets / Equity</b>	<b>277,022</b>	<b>243,470</b>



## Funds' Financial Statements

### Statement of Comprehensive Income at 31 December 2019

Net Premium Revenue  
Net Claims Incurred  
Net Movement in Unexpired Risk  
Other Underwriting and Administration Expenses  
**Underwriting Profit/(Loss)**

Investment Income  
Investment Expenses  
RiskCover Fund Investment Return  
Other  
**Profit Before Tax Equivalent**  
Income Tax Equivalent Expense  
**Profit After Tax Equivalent**

	Third Party Insurance Fund		Motor Vehicle (Catastrophic Injuries) Fund		Compensation (Industrial Diseases) Fund		Government Insurance Fund		Insurance Commission General Fund	
	2020 YTD \$'000	2019 \$'000	2020 YTD \$'000	2019 \$'000	2020 YTD \$'000	2019 \$'000	2020 YTD \$'000	2019 \$'000	2020 YTD \$'000	2019 \$'000
Net Premium Revenue	311,791	598,987	98,812	189,807	50	89	-	-	-	-
Net Claims Incurred	(273,152)	(554,966)	(56,563)	(149,763)	-	(900)	-	(29,276)	71	(1,636)
Net Movement in Unexpired Risk	-	-	-	(15,062)	-	-	-	-	-	-
Other Underwriting and Administration Expenses	(24,808)	(60,516)	(5,254)	(9,804)	(158)	(533)	(430)	(371)	(418)	(726)
<b>Underwriting Profit/(Loss)</b>	<b>13,831</b>	<b>(16,495)</b>	<b>36,995</b>	<b>15,178</b>	<b>(108)</b>	<b>(1,344)</b>	<b>(430)</b>	<b>(29,647)</b>	<b>(347)</b>	<b>(2,362)</b>
Investment Income	166,168	243,469	27,803	42,740	1,209	1,839	(31)	(114)	46,120	62,525
Investment Expenses	(7,074)	(16,309)	(1,192)	(1,853)	(52)	(120)	-	-	(1,795)	(540)
RiskCover Fund Investment Return	-	-	-	-	-	-	-	-	(39,508)	(54,264)
Other	47	92	15	29	-	-	461	29,761	99	272
<b>Profit Before Tax Equivalent</b>	<b>172,972</b>	<b>210,757</b>	<b>63,621</b>	<b>56,094</b>	<b>1,049</b>	<b>375</b>	<b>-</b>	<b>-</b>	<b>4,569</b>	<b>5,631</b>
Income Tax Equivalent Expense	(51,789)	(53,369)	(19,059)	(14,204)	(314)	(95)	-	-	(1,368)	(1,426)
<b>Profit After Tax Equivalent</b>	<b>121,183</b>	<b>157,388</b>	<b>44,562</b>	<b>41,890</b>	<b>735</b>	<b>280</b>	<b>-</b>	<b>-</b>	<b>3,201</b>	<b>4,205</b>

### Balance Sheet at 31 December 2019

**Assets**  
Cash and Cash Equivalents  
Receivables  
Current Tax Receivable  
Investments  
Deferred Tax Assets  
Deferred Premium Collection Costs  
Plant and Equipment  
Intangibles  
Other Assets  
**Total Assets**  
  
**Liabilities**  
Bank Overdraft  
Payables  
Current Tax Payable  
Financial Liabilities - RiskCover Fund Investments  
Outstanding Claims  
Unearned Premium  
Unexpired Risk Liability  
Provisions  
Other Liabilities  
Deferred Tax Liabilities  
**Total Liabilities**  
**Net Assets / Equity**

	2020 YTD \$'000	2019 \$'000	2020 YTD \$'000	2019 \$'000	2020 YTD \$'000	2019 \$'000	2020 YTD \$'000	2019 \$'000	2020 YTD \$'000	2019 \$'000
Cash and Cash Equivalents	-	-	5,532	6,761	-	-	-	-	158,661	6,236
Receivables	186,626	186,207	32,097	30,460	197	197	76,863	77,987	36,466	37,640
Current Tax Receivable	31,381	18,295	-	-	-	1	-	-	-	-
Investments	3,957,280	3,796,613	734,218	641,307	29,185	28,029	(6,748)	(6,718)	1,008,941	1,046,604
Deferred Tax Assets	-	-	-	16,875	-	-	-	-	-	-
Deferred Premium Collection Costs	5,163	5,163	-	-	-	-	-	-	-	-
Plant and Equipment	3,739	-	440	-	-	-	-	-	16,624	1,891
Intangibles	-	-	-	-	-	-	-	-	3,928	4,375
Other Assets	237	-	618	-	-	-	-	-	1,665	2,685
<b>Total Assets</b>	<b>4,184,426</b>	<b>4,006,278</b>	<b>772,905</b>	<b>695,403</b>	<b>29,382</b>	<b>28,227</b>	<b>70,115</b>	<b>71,269</b>	<b>1,226,285</b>	<b>1,099,431</b>
Bank Overdraft	161,798	-	-	-	656	-	1,540	-	-	-
Payables	8,951	18,138	3,545	4,618	-	221	-	-	63,904	12,733
Current Tax Payable	-	-	-	22,675	-	-	-	-	-	727
Financial Liabilities - RiskCover Fund Investments	-	-	-	-	-	-	-	-	966,958	908,449
Outstanding Claims	2,446,699	2,411,965	505,300	450,785	3,327	3,620	68,575	71,269	77,446	79,713
Unearned Premium	224,918	225,742	71,726	72,208	149	181	-	-	-	-
Unexpired Risk Liability	-	-	36,965	36,965	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	17,250	16,771
Other Liabilities	4,209	-	494	-	-	-	-	-	16,872	-
Deferred Tax Liabilities	190,504	139,245	2,213	-	1,045	734	-	-	2,906	1,554
<b>Total Liabilities</b>	<b>3,037,079</b>	<b>2,795,090</b>	<b>620,243</b>	<b>587,251</b>	<b>5,177</b>	<b>4,756</b>	<b>70,115</b>	<b>71,269</b>	<b>1,145,336</b>	<b>1,019,947</b>
<b>Net Assets / Equity</b>	<b>1,147,347</b>	<b>1,211,188</b>	<b>152,662</b>	<b>108,152</b>	<b>24,205</b>	<b>23,471</b>	<b>-</b>	<b>-</b>	<b>80,949</b>	<b>79,484</b>



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