



**Insurance Commission  
of Western Australia**

# 2021 End of Year Performance Report

Insurance Commission  
of Western Australia

# END OF YEAR PERFORMANCE REPORT

The Insurance Commission's end-of-year performance report presents unaudited financial and non-financial information to transparently provide our stakeholders with an early indication of performance for the 2020-21 financial year (herein referred to as 2021).

2021 has been an excellent year for the Insurance Commission.

The Insurance Commission generated more than \$2.8 billion in revenue and earnings in 2021. We received over 33,000 new insurance claims during the financial year and managed claims valued at over \$4.9 billion. This includes payments of \$783.3 million to individuals, service providers and agencies, and estimated future claims liabilities of almost \$4.2 billion.

The Insurance Commission's core operations (excluding the RiskCover Fund) recorded a profit before tax of \$1.6 billion, compared to the \$17.3 million loss before tax result recorded in 2020. This profit was mainly driven by very strong investment returns of \$1 billion together with the receipt of Bell settlement proceeds (\$666.5 million). The after tax result was a profit of \$1.1 billion. The RiskCover Fund recorded a small profit of \$3 million, after the strong investment returns of \$144 million for the year.

The Insurance Commission delivered a core underwriting profit of \$78 million, while the RiskCover Fund recorded an underwriting loss of \$141 million. The RiskCover Fund's underwriting loss reflects the rising claims costs in the Liability and Workers' Compensation classes.

The strong Insurance Commission financial performance in 2021 resulted in a solvency level of 144.5% at 30 June 2021. The Insurance Commission's equity (net assets) increased from \$1.2 billion at 1 July 2020 to \$2.3 billion at 30 June 2021.

The unaudited end-of-year financial statements are included as part of this report. The full audited 2021 Annual Report will be tabled in Parliament and published on the Insurance Commission's website.

## Investments

The 2020-21 financial year was marked by continued financial market recovery from the COVID-19 pandemic. The Insurance Commission's investment portfolio performed very strongly over the period, outperforming its benchmark. The Main Fund delivered a one-year return to 30 June 2021 of 17.65%, outperforming its benchmark by 4.54%. The Motor Vehicle (Catastrophic Injury) Fund (MVCIF) delivered a return of 17.76%, outperforming its benchmark by 4.62%.

The Insurance Commission's long-term performance objective continued to be achieved, with Main Fund outperforming its CPI+3.0% over rolling 7-years return objective, returning 7.5% versus the CPI+3% target return of 5.1%. Total investment income for the year was \$1 billion, compared to a budget of \$289 million.

The strong investment returns and receipt of the Bell settlement funds resulted in an increase of over \$1.7 billion in the total value of investment funds held by the Insurance Commission, from \$5.2 billion at 30 June 2020 to \$7 billion at 30 June 2021. The total value of Insurance Commission assets at 30 June 2021 was \$7.6 billion.

### **Bell Settlement**

As reported in 2020, 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. In September 2020, the Insurance Commission received settlement amounts totalling \$666.5 million.

In August 2021, a further \$37.1 million was received as part of the settlement process. This brings the overall amount received from the Bell settlement to \$703.6 million.

These outcomes are a very welcome end to a long running distraction for the Insurance Commission. It also allows all of the organisation's resources to now be deployed to its core business of delivering critical insurance services for customers and claimants, and performing its investment functions.

### **Motor Injury Insurance**

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

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

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

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

The combination of CTP and CIS insurance cover is known as motor injury insurance (MII). At 1 July 2021, the annual cost of MII premium remains affordable at \$458 for a family vehicle in Western Australia. This compares favourably to premium rates for similar insurance in Northern Territory (\$576), Victoria (\$539), New South Wales (\$515) and the Australian Capital Territory (\$499).

The Insurance Commission generated \$851.6 million in MII premium revenue for approximately three million insured vehicles (including caravans and trailers) in 2021. This is the first time that the number of registered vehicles that we insure has reached over three million, and is the result of strong vehicle growth in the year. We managed car crash claims valued at over \$3.5 billion, which consists of \$484.8 million in payments to people injured in vehicle crashes (mostly from prior years) and over \$3 billion in anticipated future claims expenses at 30 June 2021.

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 an underwriting profit of \$28.4 million in 2021. The TPIF's profit before tax result was \$1.4 billion, compared to the \$23.3 million loss recorded in 2020. This year's result was largely due to investment income of \$712.4 million and the Bell settlement proceeds received during the year.

The MVCIF recorded an underwriting profit of \$63.3 million, which was \$24.1 million better than last year. This favourable result was driven by the increase in discount rate and fewer new CIS scheme participants than anticipated, resulting in a decrease in future claims costs. The MVCIF delivered a profit before tax of \$210.9 million, after higher than forecast investment income of \$151.2 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;
- liability;
- personal accidents; and
- cyber risk.

The RiskCover Fund recorded an underwriting loss of \$141 million compared to a budgeted loss of \$16.2 million in 2021. This underwriting loss was primarily attributable to higher than expected claims costs driven by an increase in the number and cost of new claims in the Liability and Workers' Compensation classes of insurance. The increase in the Liability class is mainly a result of more and higher cost claims received in the Medical Treatment class, and also as a result of claims following the Government's decision to waive the statute of limitations for victims of historic sexual abuse.

The RiskCover Fund recorded a small profit of \$3 million, after investment income of \$144 million. The Insurance Commission invests RiskCover funds under the same arrangements used for the investment of other funds managed by the Insurance Commission. The RiskCover Fund's solvency level at 30 June 2021 was 123.3%.

### **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 and RiskCover Fund are exposed to claims arising from this legislative change. To date the Insurance Commission has received 222 claims relating to abuse at facilities operated by government entities (or former entities) at the time when the incidents occurred, including 88 new claims received in 2020-21.

The financial results include provisions for anticipated future claims costs of \$275.2 million in the Government Insurance, RiskCover and Insurance Commission General funds.

## **Shareholder Return**

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

As the RiskCover Fund's solvency level was below the agreed solvency reserve target of 135% at 30 June 2021, no return of capital was payable for 2020-21.

The Insurance Commission has made over \$1.1 billion of dividend and capital return payments to the Government since 2013. This year, the Insurance Commission has also contributed \$252.4 million of tax equivalent payments (largely as a result of the tax payable on the Bell settlement proceeds) and \$93.9 million in insurance duty to the WA Government.

At 30 June 2021, the Insurance Commission held assets that contribute to a State net debt reduction of almost \$4.7 billion.

Sincerely

A handwritten signature in black ink, appearing to read 'Rod Whithear', with a stylized, flowing script.

**ROD WHITHEAR**  
**CHIEF EXECUTIVE**

## Actual Performance Compared to Budget at 30 June 2021

### - Insurance Commission

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Net Premium Revenue	842,849	836,055	6,794
Net Claims Incurred	(701,913)	(820,014)	118,101
Net Movement in Unexpired Risk	2,089	-	2,089
Other Underwriting and Administration Expenses	(65,016)	(62,553)	(2,463)
<b>Underwriting Profit/(Loss)</b>	<b>78,009</b>	<b>(46,512)</b>	<b>124,521</b>
Investment Income	1,037,857	288,952	748,905
Investment Expenses	(27,345)	(20,859)	(6,486)
RiskCover Fund Investment Return	(143,990)	(46,061)	(97,929)
Bell Litigation Settlement	666,516	-	666,516
Other	(11,337)	(2,887)	(8,450)
<b>Profit Before Tax Equivalent</b>	<b>1,599,710</b>	<b>172,633</b>	<b>1,427,077</b>
Income Tax Equivalent Expense	(472,100)	(51,790)	(420,310)
<b>Profit After Tax Equivalent</b>	<b>1,127,610</b>	<b>120,843</b>	<b>1,006,767</b>
<b>Total Equity (as per Balance Sheet)</b>	<b>2,337,721</b>		

	Actual	Budget	Variance
Annual Investment Rate of Return (%) - Main Fund	17.7	5.2	12.5
Annual Investment Rate of Return (%) - MVCIF	17.8	5.5	12.3
Solvency Level (%)	144.5	126.3	18.2
Investment Rolling 7-Year Return (%) - Main Fund	7.5	5.1	2.4

## Actual Performance Compared to Budget at 30 June 2021

### - RiskCover Fund

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Premium Revenue	316,305	314,083	2,222
Reinsurance and Other Adjustments	27,075	(24,543)	51,618
Net Claims Incurred	(452,079)	(272,566)	(179,513)
Other Underwriting and Administration Expenses	(32,337)	(33,174)	837
<b>Underwriting Loss</b>	<b>(141,036)</b>	<b>(16,200)</b>	<b>(124,836)</b>
Investment Income	143,990	46,061	97,929
<b>Profit</b>	<b>2,954</b>	<b>29,861</b>	<b>(26,907)</b>
<b>Total Equity (as per Balance Sheet)</b>	<b>195,210</b>		

	Actual	Budget	Variance
Solvency Level (%)	123.3	133.4	(10.1)
Net Loss Ratio (%)	131.7	94.1	(37.6)
Net Expense Ratio (%)	9.4	11.5	2.1
Net Combined Ratio (%)	141.1	105.6	(35.5)

# Financial Statements

## Statement of Comprehensive Income at 30 June 2021

	Insurance Commission		Third Party Insurance Fund		Motor Vehicle (Catastrophic Injuries) Fund		RiskCover Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Premium Revenue	842,849	822,965	639,829	624,844	202,860	198,017	343,380	304,883
Net Claims Incurred	(701,913)	(657,203)	(560,532)	(491,810)	(129,913)	(164,258)	(452,079)	(299,333)
Net Movement in Unexpired Risk	2,089	16,155	-	-	2,089	16,155	-	-
Other Underwriting and Administration Expenses	(65,016)	(60,416)	(50,934)	(47,869)	(11,724)	(10,709)	(32,337)	(32,592)
<b>Underwriting Result</b>	<b>78,009</b>	<b>121,501</b>	<b>28,363</b>	<b>85,165</b>	<b>63,312</b>	<b>39,205</b>	<b>(141,036)</b>	<b>(27,042)</b>
Investment Income/(Loss)	1,037,857	(137,523)	712,438	(89,505)	151,213	(20,365)	143,990	(24,172)
Investment Expenses	(27,345)	(22,808)	(18,622)	(16,176)	(3,614)	(2,751)	-	-
RiskCover Fund Investment Return	(143,990)	24,172	-	-	-	-	-	-
Bell Litigation Settlement	666,516	-	656,656	-	-	-	-	-
Other	(11,337)	(2,622)	(1,682)	(2,823)	30	29	-	-
<b>Profit/(Loss) Before Tax Equivalent</b>	<b>1,599,710</b>	<b>(17,280)</b>	<b>1,377,153</b>	<b>(23,339)</b>	<b>210,941</b>	<b>16,118</b>	<b>2,954</b>	<b>(51,214)</b>
Income Tax Equivalent (Expense)/Benefit	(472,100)	14,373	(406,695)	14,493	(62,127)	(3,433)	-	-
<b>Profit/(Loss) After Tax Equivalent</b>	<b>1,127,610</b>	<b>(2,907)</b>	<b>970,458</b>	<b>(8,846)</b>	<b>148,814</b>	<b>12,685</b>	<b>2,954</b>	<b>(51,214)</b>
Other Comprehensive Income/(Expense) after Tax Equivalent	59	(248)	-	-	-	-	-	-
<b>Total Comprehensive Income After Tax Equivalent</b>	<b>1,127,669</b>	<b>(3,155)</b>	<b>970,458</b>	<b>(8,846)</b>	<b>148,814</b>	<b>12,685</b>	<b>2,954</b>	<b>(51,214)</b>

## Balance Sheet at 30 June 2021

	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>								
Cash and Cash Equivalents	19,450	17,235	-	-	8,235	9,939	8,163	14,518
Receivables	567,699	356,597	203,743	188,065	53,133	60,523	118,291	61,738
Investments	6,979,371	5,245,093	4,829,088	3,551,283	1,065,090	773,491	905,068	760,078
Deferred Tax Assets	-	667	-	-	-	10,607	-	-
Deferred Premium Collection Costs	236	3,458	236	3,458	-	-	-	-
Right of Use Lease Assets	14,524	17,641	2,842	3,440	329	404	-	-
Plant and Equipment	1,905	1,556	-	-	-	-	-	-
Intangibles	4,503	4,522	-	-	-	-	-	-
Other Assets	3,058	2,788	-	-	-	-	-	-
<b>Total Assets</b>	<b>7,590,746</b>	<b>5,649,557</b>	<b>5,035,909</b>	<b>3,746,246</b>	<b>1,126,787</b>	<b>854,964</b>	<b>1,031,522</b>	<b>836,334</b>
<b>Liabilities</b>								
Payables	42,840	42,383	24,520	35,198	4,915	4,628	48,318	38,241
Financial Liabilities - RiskCover Fund Investments	905,068	760,078	-	-	-	-	-	-
Current Tax Payable	109,092	50,159	102,236	27,707	7,666	21,564	-	-
Outstanding Claims	3,651,626	3,216,652	2,548,846	2,436,982	732,021	612,256	787,994	605,837
Unearned Premium	327,509	310,043	248,150	234,788	79,359	75,142	-	-
Unexpired Risk Liability	18,151	20,111	-	-	18,151	20,111	-	-
Provisions	21,612	19,971	-	-	-	-	-	-
Lease Liabilities	17,037	20,108	3,338	3,927	387	460	-	-
Deferred Tax Liabilities	160,090	-	143,856	13,140	14,671	-	-	-
<b>Total Liabilities</b>	<b>5,253,025</b>	<b>4,439,505</b>	<b>3,070,946</b>	<b>2,751,742</b>	<b>857,170</b>	<b>734,161</b>	<b>836,312</b>	<b>644,078</b>
<b>Net Assets / Equity</b>	<b>2,337,721</b>	<b>1,210,052</b>	<b>1,964,963</b>	<b>994,504</b>	<b>269,617</b>	<b>120,803</b>	<b>195,210</b>	<b>192,256</b>





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