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Annual Report 2018

Insurance Commission

of Western Australia

**Welcome to the 2018 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 2018[[1]](#footnote-1).

This report and previous annual reports are available on the Insurance Commission’s website: [icwa.wa.gov.au](http://icwa.wa.gov.au).

On request, this report can be made available in alternative formats.

**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 2018.

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 of Western Australia, passed on 11 September 2018.

Frank Cooper AO Rod Whithear

**Chairman Chief Executive**

11 September 2018 11 September 2018

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1. Introduction  
   1. Chairman’s Report

It is my pleasure to present the Insurance Commission’s Annual Report for the financial year ended 30 June 2018.

On behalf of the Board of Commissioners of the Insurance Commission, I would like to express my appreciation to the staff and Executive team for another set of excellent results in 2018.

In 2018, the Insurance Commission, excluding the RiskCover Fund that it manages on behalf of the Government, reported a profit after tax of $277.7 million. Due to another year of strong investment performance, the total assets of the Insurance Commission at 30 June 2018 grew to $5.6 billion.

Service Delivery

The Insurance Commission delivers motor injury insurance services to over 1.8 million motorists in Western Australia and I am proud to report that we continue to deliver these services at a rate which is more affordable than equivalent cover in most other Australian jurisdictions.

The Catastrophic Injuries Support (CIS) scheme is in its second year and continues to operate well. It is pleasing to see that Management’s efforts to deliver the scheme with a person-centred approach is being reflected in the early rehabilitation gains of many clients and in the positive feedback received from clients, their families and service providers.

The Insurance Commission has a number of initiatives underway to further improve its customer service delivery in line with the recommendations of the Government’s Service Priority Review. These initiatives include the planned introduction of online claims for the 10,000 people who lodge motor injury insurance claims each year, which follows a similar initiative introduced by the RiskCover Division for online workers’ compensation claims during the year.

I applaud the staff at the Insurance Commission for striving to continuously improve its services to meet the needs of the consumer.

Shareholder Return

As a Government Trading Enterprise, the Insurance Commission continues to deliver significant returns to its shareholder, the State Government. In 2018, dividends of $149.3 million were paid to Government from the investment returns achieved for the Third Party Insurance Fund.

The Insurance Commission also paid $84.8 million in insurance duty and $40.7 million in tax to Government in 2018.

I am pleased to report the Insurance Commission contributed a further $498.7 million towards reducing State Net Debt in 2018, measured by the consolidation of Insurance Commission finances in whole of Government financial reporting.

The positive financial results achieved in 2018 enabled the Insurance Commission to return capital of $162.3 million from the RiskCover Fund to the Consolidated Account of Government.

At the same time, State Government agencies have had their aggregate premium costs reduced to level last seen in 2012.

The Board and I look forward to continuing to oversee the delivery of critical insurance services to motorists and Government agencies over the next 12 months.



**Frank Cooper AO**

Chairman

1.2 Chief Executive Report

2018 has been another excellent year for the Insurance Commission. We have delivered affordable, efficient and equitable insurance services to WA motorists and Government agencies, while at the same time, generating returns for our shareholder as a result of strong investment income.

The Insurance Commission, including the RiskCover Fund, received over 32,000 new insurance claims during the year, and managed claims valued at $3.6 billion (claims paid and future claims liabilities).

The Insurance Commission, including RiskCover, generated more than $1.5 billion in revenue and earnings in 2018.

Our profit before tax result, excluding RiskCover, was $382.7 million, which is a $119.7 million improvement on the $263 million profit before tax result delivered in 2017.

The profit after tax result for 2018 was $277.7 million for the Insurance Commission.

The Insurance Commission’s main investment portfolio delivered a gross return of 9.4% for 2018. This return comprises investments in the Third Party Insurance Fund, RiskCover Fund, Insurance Commission General Fund, Government Insurance Fund and Compensation (Industrial Diseases) Fund. The total investment return for the Insurance Commission was 9.1% for the year, which is lower than the Main Fund as a high proportion of cash held in the Motor Vehicle (Catastrophic Injuries) Fund has not yet been deployed in other asset classes.

This investment return is an encouraging result as the Insurance Commission has allocated 40% to Equities, which is materially lower than the allocation to Equities utilised by most superannuation funds.

We have made further inroads in 2018 to improve the quality of our communication and engagement with our customers and stakeholders. This Annual Report demonstrates that progress as it includes a deeper look into our operations and data in a form that we believe can be more readily understood by all. I am pleased to present these 2018 financial and operational results to you.

Motor Injury Insurance

In 2018, the Insurance Commission received $769.5 million in revenue in motor injury insurance premium payments for over 2.9 million insured vehicles.

Premium revenue in 2018 was $82.9 million higher than revenue collected in 2017 as 2018 was the first full year that all motorists paid insurance premiums for Catastrophic Injuries Support (CIS) cover. Last year, some motorists did not have to pay for the full additional cover they received in the first year of the new cover. The Insurance Commission absorbed that cost in 2017 by making a capital transfer to the CIS scheme Fund. That fund transfer was made possible as the sale of the Forrest Centre in 2016 released a significant asset revaluation reserve held against that building.

Premium revenue is collected to pay the cost of claims made by WA motorists. We made $391 million in claims payments to people injured in crashes (mostly in prior years), and have booked anticipated future claims expenses of $2.4 billion. Motor injury insurance claims liabilities increased by $244.6 million in 2018, reflecting additional future claims payments.

Motor injury insurance claims involve a range of costs paid to help a person recover and return back to work following an injury sustained in a car crash. It is therefore no surprise that the largest proportion of the Insurance Commission’s costs are for health and disability services provided to our clients by service providers. During 2018, we paid for almost 100,000 physiotherapy and doctor visits for people injured in crashes.

Given the volume of those payments, the Insurance Commission is working more closely with the health and disability sector so service providers better understand the claims process and how to best engage with the organisation. For example in 2018, the Insurance Commission attended the WA Physiotherapist Forum to speak directly with physiotherapists that treat Insurance Commission clients. We also held two workshops for service providers to our CIS scheme, hosted by National Disability Services WA.

Another customer service initiative delivered by the Motor Injury Insurance Division during 2018 was the establishment of a long-duration claims settlement team. At the start of 2018, there were almost 400 Compulsory Third Party (CTP) compensation claims that remained open where the claim was lodged in, or prior to 2014. Claims can remain open for long periods if the claimant is a child or if an injury is complex and it will take time before the extent of the injury and the required compensation is fully known. The new team finalised 40 of those claims in their first two months, and their ongoing efforts should help reduce the average amount of time for all claims to be finalised. That will mean people with crash-related injuries should see shorter average timeframes for insurance claims to be settled.

We received 11,818 motor injury insurance claims in 2018, of which 3,191 were CTP compensation claims, 8,588 were minor injury claims and 39 were CIS catastrophic injury claims.

I am pleased to report the total number of new CTP compensation claims received in 2018 was 179 less than the 3,370 claims received in 2017. This is an important result as 2017 represented the first year that the number of CTP compensation claims had grown in almost 10 years, and it was not clear if this was the start of a new trend. Fewer claims received means fewer people have been injured on our roads which is the best outcome for all parties. Fewer claims also means less pressure on insurance premium increases.

We are unfortunately still seeing an over-representation of vulnerable road users being injured in vehicle crashes. Vulnerable road users are motorcyclists, pillion passengers, cyclists and pedestrians. This cohort of road users represented 40% of our total claims payments in 2018 despite only representing 17.8% of total claims received. This trend can put pressure on insurance premiums so it’s important for all road users to respect each other on the road.

Claims payment amounts for large claims were lower than expected during the year, which contributed to a $71 million reduction in claims payments (2018: $391 million) from the $462 million paid out in 2017.

As we received fewer claims, made lower claims payments and had an increase in revenue, we delivered an underwriting profit for both our motor injury insurance funds.

The Third Party Insurance Fund (TPIF) for the CTP scheme recorded a small underwriting profit of $26 million. This is equivalent to 4.4% of premium revenue or 1.1% of outstanding claims liabilities.

The Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) for the CIS scheme recorded an underwriting profit of $37.6 million in 2018.

This is an excellent result as it means our core business is financially sustainable and we have sufficient revenue to continue to pay claims and deliver insurance services. It also means that we are not reliant on investment returns to make claims payments or run the business. The price of insurance is not determined by a good investment return in the prior year. Investment returns will vary year to year and cannot be relied upon as the source of revenue to pay current and future claims.

Motorists paid $99 in additional motor injury insurance premium for broader cover to include no-fault lifetime care cover for catastrophic injuries from a crash after 1 July 2016. The cost of catastrophic insurance at 1 July 2018 was $104, which reflects wage inflation. The overall cost of motor injury insurance at 1 July 2018 was $431 for a family vehicle.

Our Annual Report also presents details and data from our CIS scheme which is now two years old. It is an excellent outcome that 49 people with catastrophic injuries in our CIS scheme have been able to return home following treatment after their crash. It is also very pleasing that 28 people have either returned back to work, are in return to work programs or are studying.

RiskCover

Agencies insured by the RiskCover Fund paid their lowest aggregate insurance premium in 2018 when compared to the last five years. Gross written premium received from agencies was $299.8 million in 2018, whereas gross written premium revenue has ranged between $308.1 million and $332.1 million since 2013. This is a great outcome for agencies as it means their insurance premiums are at the most affordable levels in five years. We have also been able to deliver that outcome for agencies while increasing the financial return delivered to our shareholder, the State Government, paid from investment income.

The RiskCover Fund, which the Insurance Commission manages on behalf of the Government, recorded a profit of $159.2 million, which was in line with its profit of $154.3 million in 2017.

A positive underwriting result of $63.5 million was achieved in 2018.

The positive underwriting performance for the year was due to net claims incurred being $65.9 million less than budget, led by better than expected claims experience in the workers’ compensation ($33.6 million) and liability ($31.4 million) insurance classes.

This year was the fourth consecutive year that RiskCover has delivered a positive underwriting result. This demonstrates the business is being managed sustainably as it is not reliant on investment returns to fund service delivery and claims costs. It was only four years ago in 2014, that RiskCover reported its fifth consecutive underwriting loss (a cumulative total underwriting loss of $237.1 million from 2010 to 2014).

RiskCover received 20,473 new insurance claims during the year. There were 4,704 new workers’ compensation claims received in 2018, a reduction of 127 new claims received from the prior year. The reduction in the number of new workers’ compensation claims can be attributed to government agencies’ commitment to occupational health and safety and reduced growth of the public sector workforce.

The RiskCover Fund also received stronger than anticipated investment income of $95.7 million ($31.5 million greater than budget) for the year. The Insurance Commission invests RiskCover funds under the same arrangements used for the investment of most other funds managed by the Insurance Commission.

As a result of our positive 2018 financial results, we are able to return capital of $162.3 million from the RiskCover Fund to the Consolidated Account of Government. This will be paid in September 2018. This return of capital is provided for in the RiskCover Fund's financial statements.

Staff in the RiskCover Division also assisted the Government deliver its first round of Machinery of Government changes, which consolidated the number of affected agencies from 41 to 25. Our staff worked with agencies impacted by the changes to ensure they had the required insurance cover, reports and insurance premiums in place. This made sure continuity of cover was delivered for those agencies.

Investments

The total value of the investment funds held by the Insurance Commission to offset insurance liabilities grew from $4.9 billion at 1 July 2017 to $5.3 billion at 30 June 2018. The total value of Insurance Commission assets at 30 June was over $5.6 billion.

The growth in investment assets off the back of several years of strong investment returns has enabled the Insurance Commission to deliver significant dividends to the State Government. The dividends are only determined after the Insurance Commission has allocated investment returns to meet increases in insurance liabilities.

Our investment return for 2018 was a very positive 9.1% or $446.7 million (9.4% for the majority of investment assets in our Main Fund). We have been able to deliver an average 8.4% annual investment return over the past seven years and driven long-term growth in the Insurance Commission’s investment assets.

We completed the sale of the Westralia Square asset ($216.3 million sale price) during the year and reinvested the sale proceeds in Global Listed Real Estate Investment Trusts and Australian Unlisted Retail Property. The divestment of all directly held property assets by the Insurance Commission has further diversified our investment portfolio by reducing the Property strategic asset allocation from 25% in 2015 to 15% in 2018. We also increased our infrastructure investments by new positions taken in Global Listed Infrastructure securities and Global Unlisted Infrastructure funds, and now have a 16% strategic asset allocation to Alternative Assets.

We also continued our active investment management approach by regularly reviewing external manager performance and replacing managers where required. This has contributed to out-performance against both short and long term investment objectives.

Culture

For the first time our Annual Report highlights the experience of some claimants with our services. Having a car crash or an injury at work is a stressful and painful time for people. Dealing with our organisation should not be. That is why our Annual Report attempts to better highlight the services we deliver and the impact we have on people’s lives. Our latest Strategic Plan is available on our website and lists a suite of planned initiatives to improve people’s interactions with us; I look forward to reporting our progress on those next year.

It is pleasing to see that ‘better customer service’ is a recommendation of the Government’s Service Priority Review, as that is the outcome we are seeking to achieve. To help deliver that, we refreshed our corporate culture during the year by placing greater focus on our external environment, which includes improving customer and stakeholder engagement.

The Insurance Commission also contributed to Government objectives in 2018 by actively participating in the Voluntary Targeted Separation Scheme (VTSS) to assist with the renewal of the public sector. As a Government Trading Enterprise, the Insurance Commission had not participated in past sector wide voluntary separation schemes.

Fifty-three of our employees (13% of the workforce) subsequently accepted the offer of voluntary severance. As a proportion of the total staff of the entity, this represented one of the highest workforce reductions of any Government entity.

This has reduced total salary costs and staff leave liabilities for the organisation. The Insurance Commission has subsequently funded some workforce renewal strategies and other initiatives to improve service delivery following these changes.

I am pleased to report that out operating costs of $54.6 million in 2018 are the lowest they have been in nine years (excluding Bell expenses and once-off costs for the VTSS, property divestment process and CIS scheme implementation). This an excellent outcome and a measure of the efficiency with which we manage the business.

The Insurance Commission also undertook a review of our senior management level structure and as a consequence implemented organisational and personnel changes. This has resulted in a leaner and flatter senior executive service (SES) structure. These changes met the Government’s objective to reduce the cost and size of our SES equivalent cohort by 20%.

Our staff have approached these cultural transformation and workforce changes in a highly engaged manner which has helped the Insurance Commission enhance the outcomes it delivers. The work we have done in the last couple of years has also been timely given the recent focus on the culture within some financial institutions.

I want to thank our staff for continuing to do their jobs well to serve the people of Western Australia and our shareholder, the Government of Western Australia. Even after we saw the departure of some of our colleagues following the VTSS, our staff continued to constructively deliver results for the Insurance Commission. I would also like to thank the Executive team and the Board for their contribution towards the Insurance Commission’s successful performance in 2018.

Sincerely



**Rod Whithear**

Chief Executive

1.3 Performance Highlights

|  |  |  |
| --- | --- | --- |
| Third Party Insurance Fund | Motor Vehicle (Catastrophic Injuries) Fund | RiskCover  Not Consolidated into Insurance Commission Finances |
| Insurance Commission | | |
| Insurance Commission General Fund | Compensation (Industrial Diseases) Fund | Government Insurance Fund |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Insurance Commission** (Total) | **Third Party Insurance Fund** | **Motor Vehicle (Catastrophic Injuries) Fund** | **RiskCover** |
| **Profit/Loss Before Tax** | $382.7m | $331.2m | $52.6m | $159.2m |
| **Premium Revenue** | $769.6m | $590.8m | $178.7m | $299.8m |
| **Underwriting Profit** | $33.8m | $26m | $37.6m | $63.5m |
| **Total Assets** | $5.6b | $3.8b | $484.7m | $1.1b |
| **Total Equity** | $1.3b | $1.2b | $66.3m | $282.1m\* |
| **Solvency** | 130.7% | 143.1% | 115.8% | 135%\* |
| See the Financial Statements for the performance of other Funds.  \*RiskCover’s Total Equity was $444.4 million with a Solvency Level of 169% prior to the provision for a Return of Capital of $162.3 million. | | | | |

Customers

**2,885,603** total insured vehicles

**1,836,702** total insured drivers

**111** total government agencies covered

**119,054** total government employees covered

**$46b** total value of government assets covered

Insurance Claims

including RiskCover

**32,426** total new claims

**$628.3**m total paid

Contribution to the State in 2018

Net Debt Reduction - $498.7m

RiskCover Return of Capital+ - $97.7m

Tax Paid - $40.7m

Dividends\* - $149.3m

Insurance Duty - $84.8m

+RiskCover Return of Capital in respect to 2017.

\*Interim and Special Dividends paid from the Third Party Insurance Fund for 2018 performance.

2. Overview

2.1 What We Do

The Insurance Commission is primarily responsible for:

* underwriting and managing motor injury insurance;
* managing RiskCover, the self-insurance arrangements for Government assets and employees;
* investing and managing funds to provide assets to meet insurance liabilities; and
* advising Government about insurance matters.

The Insurance Commission manages and underwrites the following:

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

The Insurance Commission also manages but does not underwrite the:

* RiskCover Fund;
* Insurance Commission General Fund;
* Government Insurance Fund;
* Employers’ Indemnity Supplementation Fund (administers funds on behalf of WorkCover WA);
* Former Police Officers’ Medical Benefit Scheme; and
* Indian Ocean Territories Motor Injury Insurance Scheme (on behalf of the Commonwealth).

2.3 Our Approach

Our approach to what we do is reflected in our vision, mission and what we value.

Vision

A Government Trading Enterprise delivering efficient and equitable insurance services to WA motorists and government departments and authorities.

Mission

To provide high quality and efficient:

* motor injury insurance for WA motorists;
* self-insurance fund management (RiskCover) for Government Departments and Authorities;
* industrial diseases insurance to the mining sector and management of the Insurance Commission General Fund, Employers’ Indemnity Supplementation Fund and Government Insurance Fund; and
* advice to the Government on insurance matters.

What We Value

We are committed to a high performance culture which values accountability, professional integrity and respect.

To achieve this we strive to:

* be open to change and continuous improvement;
* collaborate to deliver the best possible outcomes;
* respond to clients and stakeholders; and
* drive efficient processes.

2.4 Operational Structure

The Insurance Commission delivers services through four primary functions:

1. Motor Injury Insurance;
2. RiskCover;
3. Investments; and
4. Corporate Services.

2.4.1 Motor Injury Insurance Division

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

The insurance policy provides owners and drivers of WA registered vehicles with an unlimited indemnity against personal injury claims for the injuries they cause to others in motor vehicle crashes.

The policy also provides cover to any person catastrophically injured in a crash in WA.

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.

At 30 June 2018, there were approximately 2.9 million registered motor vehicles in WA (including 541,228 registered caravans and trailers).

*Infographic – Registered vehicles in Western Australia at 30 June 2018*

Cars 1,594,983

Caravans and trailers 541,228

Goods vehicles 498,216

Motorcycles 129,245

Farm vehicles and others 121,931

The Insurance Commission has delivered Compulsory Third Party (CTP) insurance in WA for over seven decades, providing compensation to claimants where a motorist in a crash causes injury to that claimant. Since 1 July 2016, the Insurance Commission has also delivered Catastrophic Injuries Support (CIS) insurance to cover the lifetime care costs of people catastrophically injured in a vehicle crash in WA.

The combination of CTP and CIS insurance cover is known as motor injury insurance.

The Third Party Insurance Fund (TPIF) is the fund that supports the CTP scheme, and the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) is the fund that supports the CIS scheme. The Motor Injury Insurance Division manages claims against both funds.

The annual cost of motor injury insurance for a family car in WA from 1 July 2017 to 30 June 2018 was $421.

Compulsory Third Party Scheme

A third party injured as a consequence of the negligent driving of a Western Australian registered motor vehicle anywhere in Australia is able to pursue a claim for personal injury compensation under the CTP scheme. The Insurance Commission pays for the cost of personal injuries where a driver injures another person.

If fault by another party can be established by an injured claimant, interim payments for medical costs are generally made. There is no legal requirement for the Insurance Commission to pay costs before a claim is settled but this payment policy aims to alleviate financial hardship and minimise inconvenience to claimants and their families.

The Insurance Commission also assumes the role of a ‘Nominal Defendant’ under the *Motor Vehicle (Third Party Insurance) Act 1943* where, for example, a third party is injured in a motor vehicle crash with another vehicle and the driver or the vehicle is either uninsured or cannot be identified.

Catastrophic Injuries Support Scheme

From 1 July 2016, any person that is catastrophically injured in a crash involving a registered motor vehicle in WA and is either at fault in the crash or unable to find another person at fault, can access lifetime treatment, care and support through the CIS scheme. Catastrophic injuries are defined as spinal cord injuries, traumatic brain injuries, multiple amputations, severe burns and permanent traumatic blindness.

Insurance premium revenue for the CIS scheme is paid into the MVCIF. Together with investment income, this revenue is used to provide for the long term liabilities to pay CIS claims and scheme administration costs.

Indian Ocean Territories Motor Injury Insurance Scheme

The Insurance Commission, under a Service Delivery Arrangement with the Commonwealth Government, manages the Indian Ocean Territories Motor Injury Insurance Scheme, on a fee-for-service basis.

2.4.2 RiskCover Division

The RiskCover Division manages and administers a number of insurance functions for the State Government.

The Division’s core responsibilities include underwriting and managing claims on behalf of government agencies in the RiskCover Fund. The Division manages the reinsurance arrangements for the RiskCover Fund, Third Party Insurance Fund and Motor Vehicle (Catastrophic Injuries) Fund.

Financial assets are invested by the Insurance Commission on behalf of Government to meet insurance liabilities.

RiskCover Fund

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

* workers’ compensation;
* loss or damage to property;
* legal liability cover for general, professional and medical treatment;
* cyber risks; and
* personal accidents.

Government Insurance Fund

The Government Insurance Fund (GIF) is the Government’s superseded self-insurance arrangement that preceded RiskCover. The Fund is in run-off and RiskCover manages claims received against it on behalf of Government.

The WA Government has financial responsibility for any deficit in the GIF and its liabilities via a Right of Indemnity Agreement.

Compensation (Industrial Diseases) Fund

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

Insurance Commission General Fund

The Insurance Commission General Fund (ICGF) caters for the run-off of non-government liabilities of the former SGIO. No policies have been issued since 1987. Liabilities relate to workers' compensation and public liability claims, including claims against the mining industry for asbestos related diseases (not covered by the CIDF).

The ICGF acts as the operating fund of the Insurance Commission. Investment assets are held within the ICGF and then allocated to other funds. Insurance Commission assets for its own use are held within the ICGF.

WorkCover WA Funds

WorkCover WA manages the Employers’ Indemnity Supplementation Fund (EISF). The Insurance Commission manages claims against this Fund in the event that an authorised workers’ compensation insurer goes into liquidation. WorkCover WA invokes a levy on workers’ compensation policyholders to fund EISF liabilities. The majority of existing EISF liabilities arose from the collapse of the HIH Group of companies in 2001.

The RiskCover Division also manages claims lodged against WorkCover WA’s General Fund, mainly for injured workers of uninsured employers.

Former Police Officers’ Medical Benefit Scheme

The *Police (Former Officers' Medical and Other Expenses) Act 2008* was enacted to cater for medical and other expenses incurred post-separation by former Police Officers and Aboriginal Police Liaison Officers who sustained a work-related injury or disease during service and have since left the Western Australia Police Force. Medical and other benefits provided under the Scheme largely mirror those of the *Workers’ Compensation and Injury management Act 1981*. The Police Commissioner is liable for medical and other expenses incurred, and appointed the Insurance Commission to manage claims on behalf of the Western Australia Police Force.

2.4.3 Investments

The Insurance Commission, assisted by its independent investment consultant, determines a strategy to assist it invest in assets to meet its insurance liabilities in line with prudential guidelines approved by the Treasurer.

The Insurance Commission’s investment objectives for 2018 were to:

* achieve an investment performance target of the Consumer Price Index (CPI) plus 3.5% (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 level of liquidity that is sufficient at all times to meet insurance payments; and
* assist the Insurance Commission maintain a fully-funded position.

During 2018, the Insurance Commission’s investment advisor recommended the Main Fund investment objective be reduced from an investment return of CPI plus 3.5% to CPI plus 3% over a rolling seven-year period, as a result of the higher target of return being more difficult to achieve over the next five years. The main reason for the recommendation is that high asset values have driven recent strong returns (including bringing forward of future returns) and consequently future returns are likely to be lower. The revised Main Fund investment objective applies to the 2019 financial year.

The Insurance Commission uses external investment managers and directly manages some assets.

The Investments Division invests RiskCover funds and other monies it holds on behalf of the Government in its investment portfolio under the same arrangements used for the investment of Insurance Commission funds. The Motor Vehicle (Catastrophic Injuries) Fund uses the same arrangements, but has a different allocation to investment assets.

2.4.4 Corporate Services

The two insurance divisions (Motor Injury Insurance and RiskCover) and the Investments Division are supported by the Executive, Corporate Services and Information Technology areas. Legal Services has a primary function to protect and pursue the Insurance Commission’s interests in the Bell Group litigation and recovery, and provides some other minor legal services to the business. The two insurance divisions are also supported by the business functions of Investigations and Intelligence and Business Services. The Investigations and Intelligence function is to identify potentially fraudulent behaviour against our insurance operations. Business Services assists the organisation deal with the volume of interactions with stakeholders (see below).

*Infographic - Incoming Communications for 2018*

The Insurance Commission received over 2.6 million emails, phone calls and claims documents in 2018.

170,000 Phone Calls

1.4 million Emails

1.1 million Claims Documents

2.4.5 Stakeholder Engagement

The Insurance Commission recognises the importance of engaging with stakeholders and the need to demonstrate corporate social responsibility.

During 2018, the Insurance Commission hosted two workshops for service providers to people with catastrophic injuries in the CTP and CIS schemes. At each workshop, the Insurance Commission presented the performance results of the CIS scheme as it approached the end of its second year, and sought feedback on how service delivery efficiency and effectiveness could be monitored and improved.

Claims staff from the Insurance Commission also met with over 150 physiotherapists at the Australian Physiotherapy Symposium in WA during the year to explain the claims processes for the motor injury insurance and workers’ compensation schemes run by the Insurance Commission.

During the year, RiskCover delivered injury management sessions for over 200 agency line managers to enhance their knowledge and skills when managing employees with injuries.

As part of its stakeholder engagement program, Insurance Commission staff either presented at or chaired the following events in 2018:

|  |  |  |
| --- | --- | --- |
| **Event** | **Presented** | **Chaired** |
| Actuaries Institute Injury and Disability Scheme Seminar | ✓ |  |
| Australian Insurance Law Association Seminar | ✓ |  |
| Australian Insurance Law Association Young Professionals Seminar |  | ✓ |
| International Driverless Vehicle Summit (Adelaide) | ✓ | ✓ |
| Monash University Accident Research Centre’s Executive Leadership Management Program | ✓ |  |
| National Disability Services’ State Conference | ✓ |  |
| National Risk and Governance Conference (WA) |  | ✓ |
| WA Public Sector Governance Forum |  | ✓ |

The Insurance Commission also engages with the community through various initiatives and research that aim to:

* increase the independence of individuals injured in vehicle crashes and workplace accidents;
* reduce effort for carers and burden on families;
* promote public awareness about the prevention of motor vehicle crashes;
* educate the community about how to sustain fewer and less serious injuries when involved in motor vehicle crashes, leading to fewer insurance claims incurring lower costs; and
* keep insurance premiums affordable for Western Australian drivers and Government agencies.

The Insurance Commission has also continued to support research with the Neurotrauma Research Program and the National Centre for Asbestos Related Diseases.

In 2018, the Insurance Commission announced a three-year Belt Up partnership with Football West to complement its existing community partnerships with the WA Country Football League, Netball WA and Rugby WA. The Football West partnership will see over 2,000 Belt Up branded soccer balls distributed throughout the state.

The Insurance Commission’s Belt Up campaign supports grassroots community sport in Western Australia as a mechanism to educate people to wear seatbelts and minimise the risk and cost of injury in a crash.

The year 2018 marked the 20th anniversary of the Belt Up campaign, of which the WA Country Football League was the first partner. There is now a 12% less chance of being killed or seriously injured in a car crash as a result of not wearing your seatbelt, compared with 20 years ago. Unfortunately, in 2017, 71 people who were killed or seriously injured in Western Australian crashes were not wearing a seatbelt. As people are still not wearing seatbelts, we aim to push the Belt Up message harder.

Improving Client Independence

In 2018, the Insurance Commission commenced a 16-month research study examining and trialling assistive toileting technologies for clients with catastrophic injuries.

The research project aims to increase client independence by reducing the amount of care required while toileting, which can result in lower care costs and increased dignity for the individual.

The Insurance Commission spends approximately $3.8 million per year on toileting care and support for its clients with catastrophic injuries from car crashes.

The project is being delivered in partnership with the Brightwater Care Group, who provide rehabilitation and support services to people with acquired brain injuries.

The research is led by Dr Angelita Martini, Director of the Brightwater Research Centre, Annelize Prinsloo, President of the WA Continence Foundation, and a team of health specialists, carers and researchers.

This research project complements the Insurance Commission’s other research-led projects in the care and disability sector.

This includes a three-year partnership with the Neurotrauma Research Program, announced in 2017, aimed at improving rehabilitation and independence for people with catastrophic injuries.

Now in its second year, four one-year grants of $100,000 have been provided to successful projects focused on neurotrauma research.

The Insurance Commission also continues to fund research via the National Centre for Asbestos Related Diseases into the early detection, prevention and treatment of diseases caused by asbestos and mesothelioma.

2.5 Governance

2.5.1 Board of Commissioners

The Insurance Commission’s Board is responsible for providing effective governance and performing the functions and duties required of it under the *Insurance Commission of Western Australia Act 1986*.

The Chief Executive, who is a Commissioner *ex officio*, is responsible for managing the operations of the Insurance Commission.

*Graphic – Governance Framework*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| RISK MANAGEMENT AND COMPLIANCE | ASSURANCE | Governance Framework | Treasurer | |
| Audit and Risk Committee | Board of Commissioners | |
| External Audit | Delegation | Accountability |
| Internal Audit | Chief Executive | |
| Internal Policies and Procedures | Executive Team | |

****

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

2.5.2 Executive Team

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**Back row from left:** Glenn Myers (Chief Information Officer), Fab Zanuttigh (General Manager Motor Injury Insurance), Julie O’Neill (Chief Investment Officer), Bruce Meredith (General Counsel), Grant Speight (General Manager Human Resources), Kane Blackman (Commission Secretary), Rick Howe (Deputy Chief Executive) and Damon de Nooyer (Chief Finance Officer).

**Seated from left:** Janice Gardner (General Manager RiskCover) and Rod Whithear (Chief Executive).

2.6 Performance Management Framework

2.6.1 Outcome Based Management Framework

The Insurance Commission contributes to the following Government goal:

**Sustainable Finances: Responsible financial management and better service delivery**

**Insurance Commission Services**

* Provide efficient administration, underwriting and management of the statutory motor injury insurance scheme;
* provide timely, equitable and efficient motor injury insurance claims management service;
* provide agencies with high quality insurance advice and efficient administration, underwriting and management of self-insurance via the RiskCover Division;
* provide timely, equitable and efficient RiskCover claims management services; and
* perform fund management and investment functions to manage monies and other property to provide assets to meet insurance liabilities.

**Insurance Commission Outcomes**

* Fully-funded Third Party Insurance Fund and Motor Vehicle (Catastrophic Injuries) Fund;
* affordable premiums for Western Australian vehicle owners;
* a motor injury insurance claims system that treats claimants fairly and delivers equitable compensation;
* fully-funded RiskCover Fund;
* sustainable fund contributions (premiums) to RiskCover agencies;
* a RiskCover claims system that treats agencies and claimants fairly and delivers equitable compensation; and
* sufficient financial resources to be able to meet commitments.

2.6.2 Shared Responsibilities with other Public Authorities

Department of Transport

The Department of Transport (DoT) and its agents issue motor injury insurance policies and collect insurance premiums on behalf of the Insurance Commission. In exchange for this service, the Insurance Commission pays a fee to DoT per transaction. For 2018, this fee was $4.09 per transaction. The total amount paid to DoT in 2018 was $24.4 million.

The partnership between the Insurance Commission and DoT provides WA motorists a ‘one-step’ process to register their vehicle and purchase motor injury insurance in an efficient and cost-effective manner.

Indian Ocean Territories

The Insurance Commission, via a Service Delivery Arrangement with the Commonwealth Government, manages the Indian Ocean Territories Motor Injury Insurance Scheme on a fee-for-service basis.

WorkCover WA

The Insurance Commission manages claims from the *Employers’ Indemnity Supplementation Fund Act 1980*, *Workers’ Compensation and Injury Management (Acts of Terrorism) Act 2001* and *Waterfront Workers’ (Compensation for Asbestos Related Diseases) Act 1986*.

Claims management expenses and claims payments made, which predominantly stem from the collapse of the HIH Group of Companies in 2001, are reimbursed by WorkCover under the *Employers’ Indemnity Supplementation Fund Act 1980*.

On behalf of WorkCover WA, RiskCover also manages claims lodged against WorkCover WA’s General Fund.

Western Australia Police Force

**Online Crash Reporting**

The Online Crash Reporting Facility (OCRF) is a joint initiative of the Insurance Commission and the Western Australia Police Force. The Insurance Commission provides customers with an efficient and convenient online process to report motor vehicle crashes in WA.

The facility is a good example of inter-agency cooperation. No police station visit is required to report a car crash to initiate insurance claims, saving time and police resources.

As well as providing a more efficient, convenient and customer focused means of reporting crashes, the improved reliability, accuracy and completeness of crash data delivered by the OCRF provides better data to inform road safety strategies in WA.

This joint initiative also involves data sharing with DoT, Main Roads and the Road Safety Commission.

The Insurance Commission is not aware of any other Australian jurisdiction having a customer service initiative of this type.

In 2018, the OCRF was enhanced to make it fully accessible on mobile devices, providing motorists with an improved user interface to enable early and convenient reporting of crashes.

**Former Police Officers**

The Insurance Commission manages claims lodged by former Police Officers and Aboriginal Police Liaison Officers under the *Police (Medical and Other Expenses for Former Officers) Act 2008.*

3. Performance

3.1 Insurance Commission

The Insurance Commission’s main investment portfolio delivered a gross return of 9.4% for 2018. This return comprises investments in the Third Party Insurance Fund, RiskCover Fund, Insurance Commission General Fund, Government Insurance Fund and Compensation (Industrial Diseases) Fund. The total investment return for the Insurance Commission was 9.1% for the year, which is lower than the Main Fund as a higher proportion of cash is held in the Motor Vehicle (Catastrophic Injuries) Fund.

This investment return is an encouraging result as the Insurance Commission has allocated only 40% to Equities which is materially lower than the allocation to Equities utilised by most superannuation funds.

The Insurance Commission’s profit before income tax (excluding RiskCover) was $382.7 million in 2018. The profit after income tax (excluding RiskCover) was $277.7 million for 2018.

The total value of assets held by the Insurance Commission was $5.6 billion at 30 June 2018.

In 2018, the Insurance Commission received over $1.2 billion in total revenue and earnings (excluding RiskCover). Premium revenue in 2018 increased by $82.9 million to $769.6 million, as 2018 represented the first full year that insurance premiums were paid for the Catastrophic Injuries Support (CIS) scheme.

Outstanding claims liabilities increased by $251.3 million in 2018 to $2.7 billion, reflecting increases in claims exposure. Claims payments reduced by $68.2 million in 2018 to $404.9 million. This reduction was largely due to the number of new Compulsory Third Party compensation claims received in 2018 being 179 lower than received in 2017.

3.1.1 Insurance Commission

The Office of the Auditor General audits the Insurance Commission’s key performance indicators (KPIs) annually. Other important indicators providing a broader perspective of the Insurance Commission’s performance are also included in this report.

The Insurance Commission has a combination of effectiveness and efficiency KPIs to measure its performance against the following outcome.

**Outcome A - That the Insurance Commission has sufficient financial resources to be able to meet its commitments.**

**Effectiveness Performance Indicators**

**Investment Rolling 7-Year Return (%)**

This KPI calculates the long-term investment performance, measured over a rolling 7-year period as a percentage (on a per annum basis) of the amount of money invested. This KPI measures whether investment returns have achieved the Board's long-term Consumer Price Index (CPI) plus 3.5% investment objective (Main Fund) and CPI plus 3.25% (MVCIF).

**Comment:** The investment rolling 7-year return was 8.4%, above the target estimate of 5.5% and above the actual CPI +3.5% outcome of 5.6%.

**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 and property indices.

**Comment:** The Insurance Commission annual investment rate of return for 2018 of 9.1% was above the target of 6.2% predominantly due to double-digit returns in Australian Equities (15.4%), Global Equities (13.6%), Property (14.7%) and strong returns in Alternative Assets (7%) and Fixed Interest (3.5%) which were all ahead of budget. The Cash (2.2%) return was below budget.

**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 130.7% is close to the target of 130.9% for the financial year.

**Return on Total Assets (%)**

This KPI is calculated as the Insurance Commission's profit/(loss) before income tax (expense)/benefit divided by its total assets (sum of total assets at start of financial year and end of financial year divided by 2) and is expressed as a percentage. This KPI measures how well the Insurance Commission is using its assets to produce income.

**Comment:** The profit before income tax of $382.7 million was well above the target profit of $228.7 million. Average total assets increased by $468.1 million (9.5%) since 2017, predominantly due to a significant increase in investment assets through strong investment returns.

**Efficiency Performance Indicators**

**Net Loss Ratio (%)**

This KPI calculates net claims incurred (claims payments and movements in outstanding claims provision) 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 Insurance Commission received sufficient net premium revenue to meet the net cost of claims incurred. A ratio greater than 100% indicates net premium revenue was insufficient to meet the net cost of claims incurred.

**Comment:** The result of 85.7% is better than target, resulting from lower net claims incurred of $22.5 million (3.3%) offset by marginally lower net premium revenue than budget of $2.5 million (0.3%).

**Net Expense Ratio (%)**

This KPI calculates 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 9.9% is better than the target of 10.3%. This favourable result is driven by underwriting and administration expenses being $3.3 million (4.2%) below budget.

**Net Combined Ratio (%)**

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 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 95.6% is better than the target of 98.7%. This reflects the Insurance Commission's underwriting profit of $33.8 million compared to the budgeted profit of $10.5 million, which was largely driven by the performance of the Motor Vehicle (Catastrophic Injuries) Fund.

**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 twelve month end valuations) of the Insurance Commission's investment portfolio. This KPI is a standard industry measure of the Insurance Commission's efficiency in managing its investments.

**Comment:** The investment management expense ratio of 0.47% for the year was below the target of 0.59% due predominantly to lower than expected investment manager performance fees.

3.2 Motor Injury Insurance

Total New Claims: 11,818

Total Claims Payments: $391.5 million

Underwriting Result: $63.6 million

Decrease in New CTP Compensation Claims Received: 5.3%

The Insurance Commission received $769.5 million in motor injury insurance premium revenue in 2018 for 2.9 million insured vehicles.

Premium revenue in 2018 was higher than the $686.6 million of revenue collected in 2017 as 2018 was the first full year that insurance premium was paid by all motorists for Catastrophic Injuries Support (CIS) cover.

Compared to the budget of $783.7 million for 2018, premium revenue received slightly below expectations.

The Insurance Commission managed motor injury claims valued at nearly $2.8 billion in 2018, consisting of $391 million in claims payments to people injured in crashes (mostly in prior years), and anticipated future claims expenses of $2.4 billion. Motor injury insurance claims liabilities increased by $244.6 million in 2018 reflecting additional future claims payments.

Claims payments for the year were $71 million lower than claims paid in 2017, which were $462.4 million. The reduction in the value of claim payments is largely a result of the following:

* fewer new Compulsory Third Party (CTP) compensation claims received in 2018 (3,191) compared to 2017 (3,370); and
* fewer large loss claims finalised at lower values (28 large loss claims were finalised in 2018 at an average cost of $3.2 million, compared to 35 in 2017 at an average cost of $4.9 million).

**Third Party Insurance Fund**

The Third Party Insurance Fund (TPIF) is the fund associated with the CTP insurance scheme, which represents the majority of motor injury insurance claims and costs for the Insurance Commission.

The TPIF recorded an underwriting profit of $26 million for 2018 compared to $20 million in 2017.

Prior to 2018, the TPIF had only made an underwriting profit in five of the past 20 years (2001, 2003, 2005, 2013 and 2017). This reflects that motor injury insurance premium revenues have generally been insufficient to meet the cost of claims payments and management of the scheme.

The underwriting profit of $26 million is equivalent to 4.4% of premium revenue or 1.1% of outstanding claims liabilities. Movements in actuarial valuations of claims liabilities can have a significant impact on the underwriting position. A 1% movement in discount or inflation rates would increase the TPIF’s outstanding claims liabilities (and reduce the Fund’s underwriting result) by approximately $78 million.

The TPIF profit before tax was $331.2 million in 2018 which was $11.4 million lower than the $342.6 million result achieved in 2017. The TPIF’s strong financial performance was primarily due to investment income received of $325.8 million.

The outstanding claims provision (estimated cost of future claims) for the TPIF grew to over $2.2 billion at 30 June 2018 which was a $126.5 million increase from 30 June 2017.

The number of new CTP compensation claims received in 2018 was 3,191, which was 179 fewer new claims received in 2017. The 2017 new claims received result was the first time in 10 years that the number of new claims had increased. The 2018 result suggests the increase of new claims in 2017 was not the start of a multi-year trend.

The number of minor injury claims received in 2018 was 8,588.

Mary’s CTP Claims Experience

Mary\* was injured when her vehicle was struck from behind at high speed in Victoria Park. She was taken to Royal Perth Hospital via ambulance. Her injuries included whiplash, vertebrae misalignment, soft-tissue damage, blurred vision and chronic lower spine pain.

Mary contacted the Insurance Commission to make a Compulsory Third Party (CTP) motor injury insurance claim. The Insurance Commission paid for Mary’s hospital and subsequent rehabilitation costs. Mary also claimed compensation for time off work.

Mary provided feedback to the Insurance Commission on her claims experience.

*“As the claimant you must work towards rehabilitation and your CTP claims officer is there to support you through the claims process.*

*“I had a positive attitude and with CTP assistance I have been able to follow a treatment plan.*

*“The Insurance Commission’s employees were always compassionate and kind. They treated me with dignity, as a person not a number.*

*“I would not have been able to fund the treatments I have had without the help from the CTP scheme.”*

Mary is currently engaged in an injury rehabilitation program to help her return to work later in the year.

*\*Name has been changed for privacy reasons.*

Motor Vehicle (Catastrophic Injuries) Fund

The Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) is the Fund associated with the Catastrophic Injuries Support (CIS) scheme. The CIS scheme was introduced on 1 July 2016 to provide lifetime care and support to people catastrophically injured in crashes who are ineligible for CTP cover.

The MVCIF recorded an underwriting profit of $37.6 million in 2018, compared to an underwriting loss of $98.1 million in its first year. The principal reason for the underwriting loss last year is that premium revenue was not collected from motorists in advance of the CIS start date, which meant some motorists did not pay the full cost of the additional cover they received in the first year. In 2018, premium revenue was collected in full from motorists.

The deficit in the MVCIF as a result of the 2017 underwriting loss was remedied through a $95.9 million capital transfer to the MVCIF from the Insurance Commission General Fund. This was able to be achieved as the sale of the Forrest Centre in 2016 freed up a significant asset revaluation reserve held against that building.

A number of people with catastrophic injuries have experienced improvements in independence and functionality since returning home from hospital and participating in early rehabilitation paid for by the Insurance Commission. The improvement in the health of CIS participants and the resulting actuarial adjustments were the main reason for the MVCIF’s positive underwriting result.

In 2018, the Insurance Commission managed CIS claims valued at $297.4 million, consisting of $10.2 million paid for care and support costs to people injured in crashes, and anticipated future claims expenses of $287.2 million. Outstanding claims liabilities increased by $118.1 million in 2018, $66.6 million lower than the increase in 2017 ($184.7 million). In 2018, the actuarial valuation provided for improvements in the health of some people catastrophically injured, who initially were assessed as having more significant and high cost injuries following the crash.

The MVCIF delivered a profit before tax of $52.6 million in 2018. Net investment income received for the Fund in 2018 was $15 million.

The MVCIF is expected to experience significant volatility in its financial results until a stage when the fund reaches a relative state of maturity. The CIS scheme was established only two years ago, and in its infancy variations from forecasts for number of claimants and their cost of care can have a material impact on the financial performance of the fund.

Motorists paid $99 in additional motor injury insurance premium for broader cover to include lifetime care for catastrophic injuries from a crash from 1 July 2016. The cost of catastrophic insurance at 1 July 2018 was $104, which reflects wage inflation.

Since the CIS scheme’s inception, 106 people have been assessed as eligible for treatment, care and support via either the CIS or CTP schemes. 65 of those people were eligible for the CIS scheme as there was no other driver identified at fault in the crash, and 41 people were eligible for the CTP scheme as their injuries were caused by the fault of another driver. One of those people has subsequently died and three people with CTP compensation claims settled.

Five CIS scheme participants had their participation suspended, either because they moved overseas or chose not to participate. One CIS scheme participant is currently imprisoned; the Department of Corrective Services is responsible for the care and support costs for that person.

The CIS scheme has been able to achieve better economic outcomes than was initially anticipated in the areas of return to work and accommodation. For example, at 30 June 2018, 28 CIS scheme participants had returned to work, were in return-to-work programs, or were studying following their crash. That is an exceptional outcome given many of those people received a catastrophic injury from a car crash less than two years ago.

Only two CIS scheme participants were newly accessing Commonwealth Centrelink services as a result of injuries sustained in the crash. The CIS scheme provides funding for home modifications and transitional support to help people with catastrophic injuries return home from hospital following emergency treatment after the crash. At 30 June 2018, 49 CIS scheme participants had returned home from hospital, and only one participant was newly accessing public housing.

A summary of scheme performance and statistics is shown on the following page.

Over the next 12 months, a number of scheme clients will reach the end of their two year interim participation period and, as required by the *Motor Vehicle (Catastrophic Injuries) Act 2016*, will need to be assessed for eligibility for lifetime participation in the CIS scheme. It is anticipated that a number of clients will have recovered to a point where they are no longer catastrophically injured, which is an excellent outcome for them, and therefore they will no longer qualify for participation in the CIS scheme.

*Infographic - Number of People with Catastrophic Injuries Managed or Funded at 30 June 2018*

Catastrophic injuries are defined as spinal cord injuries, traumatic brain injuries, multiple amputations, severe burns and permanent traumatic blindness.

Catastrophic Injuries

Total (since 2017) – 102

2018 – 58

CIS scheme

Total (since 2017) – 64

2018 – 39

CTP scheme

Total (since 2017) – 38

2018 - 19

14 potential catastrophic injury cases were awaiting eligibility assessments at 30 June 2018.

Acquired brain injury – 79%

Spinal injuries – 19%

Other – 2%

Catastrophic injury – Gender

Male – 76

Female – 26

Crash locations

48% of catastrophic injuries occurred in regional areas but only 38% of people catastrophically injured live there. The South West had the highest claim frequency, with 16 crashes resulting in catastrophic injury.

Returning to Work

14 CIS participants have returned to work (full or part-time).

14 CIS participants were in return-to-work programs or studying.

15 CIS participants were engaged in early rehabilitation with the objective to enable a return to work.

Accommodation

49 CIS participants have returned home following treatment after their crash.

Catastrophic injury – Age

0-14 years – 7

15-24 years – 28

25-34 years – 24

35-44 years – 13

45-44 years – 10

55-64 years – 8

65+ years – 12

Working together with our service providers

The Insurance Commission invited over 300 service providers to its two Motor Vehicle Catastrophic Injuries Support (CIS) scheme workshops during 2018. The purpose of the workshops was to update service providers on scheme performance and to seek feedback on the scheme after almost two years.

The workshops were held in partnership with National Disability Services WA, an organisation that was a key advocate for the introduction of the CIS scheme.

The workshops were held around the two-year anniversary of the scheme that commenced on 1 July 2016. The scheme ensures that all people catastrophically injured in crashes can access lifetime care and support.

Overall, feedback from service providers is positive and they appreciated the opportunity to engage face-to-face with Insurance Commission staff to ensure quality outcomes are maintained for its clients.

Providers identified some opportunities for improvement in the areas of billing and administration. The Insurance Commission undertaking work to further improve efficiencies of invoicing to the payment process.

These workshops continue the engagement program with the health and disability community, initiated during consultation to introduce the CIS scheme.

Further opportunities to engage with service providers to the CIS scheme, and other insurance products delivered by the Insurance Commission, will be delivered as part of a broader initiative of the organisation to be more customer focused.

*Infographic – Services Provided*

Across all motor injury insurance claims (CTP and CIS scheme) paid during 2018, the following sets out the volume of services provided to claimants and paid by the Insurance Commission.

61,452 physiotherapy sessions

36,774 doctor appointments

13,366 exercise programs

10,480 x-rays

8,113 chiropractic appointments

7,637 occupational therapy appointments

7,441 ambulance trips

6,085 psychologist appointments

2,190 times anaesthetic administered

1,866 pilates classes

Positive feedback from CIS participants

The introduction of the Catastrophic Injuries Support (CIS) scheme on 1 July 2016 fundamentally changed the way the Insurance Commission engaged with some of its clients.

As the scheme provides lifetime care to people with catastrophic injuries from vehicle crashes, a lifelong relationship with clients and their families is required. Prior to the scheme, most Insurance Commission claims were settled with finality for both parties after a short time, or a few years for severe injuries, following a crash.

The Insurance Commission collects feedback from CIS scheme clients and their families four weeks post discharge from hospital. Face-to-face review meetings are also held regularly with Care Services Coordinators to capture feedback on the CIS scheme and its service providers.

Feedback collected via these initiatives has been overwhelmingly positive.

*“It has been wonderful dealing with professionals close to home, not having to travel to the hospital all the time.”*

*“Personal tailoring of my recovery rehabilitation plan is important and has been positive.”*

*“I would just like to say I am very thankful for the help I am receiving. And a big thank you to our Care Service Coordinator for her support and always following though.”*

Kenny’s CIS Scheme Experience

In 2017, Kenny was riding his motorcycle in Albany with two friends when he hit a bump, went over the handle bars and landed on his head. He knew something was not right when he heard a pop in his spine.

Kenny was flown to Royal Perth Hospital where he underwent surgery and spent a week in intensive care. He then spent three months in rehabilitation at the Fiona Stanley Hospital. The crash left Kenny with a paraplegic spinal cord injury.

Kenny explains the catastrophic injury has had a significant impact on his life and the CIS scheme has helped him regain his independence:

*“Getting dressed, showering and going to the bathroom all take their time which is something I took for granted.*

*“The CIS scheme has been such a huge part of my recovery. I would not have been able to achieve goals I’ve wanted to without the CIS scheme.*

*“I’ve built a great relationship with my Care Service Coordinator (CSC) whose physiotherapy background has been key to my rehabilitation. As a practising physiotherapist, my CSC is up to date with the latest rehabilitation techniques which assists in tailoring the care and support I receive. I appreciate their interest and focus to help me through my rehabilitation.”*

Kenny is currently applying for his building registration and aims to compete as a swimmer in a future Paralympics.

Note: Kenny was covered under the CIS scheme as he was riding a registered or registrable motorcycle. If he was riding an un-registrable motorcycle he would not have been covered by the CIS scheme.

**Motoring Costs**

The graph above compares WA’s 1 July 2018 premium rate for a family car to premium rates for CTP and CIS 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.

*Infographic – Motor Injury Insurance Premium Comparisons and Affordability at 1 July 2018*

|  |  |  |
| --- | --- | --- |
|  | **Insurance premium** | **Proportion of average weekly earnings** |
| **WA** | $431 | 24.7% |
| **TAS** | $314 | 22.8% |
| **QLD** | $350 | 22.7% |
| **VIC** | $521 | 33.7% |
| **SA** | $522 | 36.1% |
| **NT** | $552 | 33.1% |
| **NSW** | $574 | 32.5% |
| **ACT** | $588 | 35.7% |

Motor injury insurance is paid at the time of vehicle registration so many motorists are familiar with the total motoring cost. That cost is presented below for a small family vehicle in each jurisdiction.

Motor injury insurance and vehicle registration costs in WA are the second most affordable in Australia at $678 for a small family vehicle. Similar insurance and registration costs are significantly higher in Victoria ($816), NSW ($851) and the ACT ($931).

*Infographic – Motoring Costs Comparison at 1 July 2018*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Injury insurance premium** | **Registration** | **TOTAL** |
| **WA** | $431 | $247 | $678 |
| **TAS** | $314 | $248 | $562 |
| **QLD** | $350 | $377 | $727 |
| **VIC** | $521 | $295 | $816 |
| **SA** | $522 | $225 | $747 |
| **NT** | $552 | $150 | $702 |
| **ACT** | $588 | $343 | $931 |
| **NSW** | $574 | $277 | $851 |

**Claims**

The Motor Injury Insurance Division received 11,818 new motor injury insurance claims in 2018.

CTP Compensation Claims – 3,191

CTP Minor Injury Claims – 8,588

CIS Scheme Claims - 39

Total Claims – 11,818

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

A minor injury claim is where a claimant has a minor crash injury caused by another driver and is seeking reimbursement for a medical bill. These claims are usually paid and settled quickly. There were 8,588 minor injury claims received in 2018.

A compensation claim is where a claimant sustained more significant crash injuries and is eligible to claim additional compensation. These claims typically take longer to settle as recovery and rehabilitation takes time. There were 3,191 compensation claims received in 2018.

There is only one category of CIS scheme claims received by the Insurance Commission. In 2018, the Insurance Commission received 37 new CIS scheme claims. At 30 June 2018, the Insurance Commission was managing an additional 39 people with catastrophic injuries in the MVCIF, in addition to those remaining from the previous year.

As at 30 June 2018, the Motor Injury Insurance Division was managing 6,034 open compensation claims. This was 82 claims more than the 5,952 open compensation claims at 1 July 2017. As the number of new compensation claims received in 2018 decreased by 179 claims compared to 2017, the higher open claim rate is due to fewer claims being finalised during the year. A number of claims on which settlement has been agreed at 30 June 2018 are yet to be paid.

An initiative implemented in 2018 was the establishment of a ‘long-duration’ claims team in the Motor Injury Insurance Division. At the start of 2018, there were almost 400 compensation claims that remained open for claims lodged in 2014 or earlier. Two major reasons why a claim may stay open this long are that:

* the claimant is a child and the extent of their injuries may not be known until further development; or
* the claimant has complex injuries where the recovery and rehabilitation process may take a long time before the extent of the injury and required compensation is known.

The new long-duration claims team was established in April 2018, and has since finalised 40 long-duration claims. The establishment of this team is a customer service initiative of the Motor Injury Insurance Division to reduce the time it takes for long-duration claims to be finalised.

**Costs**

The Motor injury Insurance Division managed motor injury claims valued at nearly $2.8 billion in 2018, consisting of $391.5 million in claims payments to people injured in crashes (mostly in prior years), and anticipated future claims expenses of $2.4 billion.

Forty-six percent or $1.1 billion of estimated costs are for future care to be provided to people injured in car crashes. The table below displays the breakdown of payments made and estimated future payments by major cost category at 30 June 2018.

*Infographic – Current and Outstanding Claims Costs*

|  |  |  |
| --- | --- | --- |
|  | **Payments made** | **Estimated future payments** |
| Care | $70.4m | $1.1b |
| Economic loss | $98.6m | $388.7m |
| Pain and suffering | $67.7m | $266.6m |
| Hospital | $40m | $41.1m |
| Medical and equipment | $40.3m | $218.1m |
| Other | $74.5m | $435.7 |
| **TOTAL** | **$391.5m** | **$2.4b** |

Claims costs are directly related to the severity of the injuries sustained in a crash and the role of the injured person in the crash. This is highlighted in the graphic below that shows vulnerable people (motorcyclists, pillion passengers, pedestrians and cyclists) represented 40% of total claims payments in 2018 despite only representing 17.8% of total claims. The other 60% of claims payments were made to drivers and passengers injured in a crash. As drivers and passengers have seatbelts and are protected by the car body in the crash, it is understandable that their injuries are often not as severe as those sustained by vulnerable road users.

*Infographic – Vulnerable Road Users Claims Cost (including Outstanding Estimates)*

Pedestrian - $128.1m

Motorcyclist - $99.1m

Cyclist - $58.5m

Pillion Passenger - $10.6m

$157.6m was paid to vulnerable road users in 2018

Vulnerable road users represented 40% of total claims payments for 2018, but only 17.8% of total claims received.

282 hit and run claims were received in 2018

$1.6m was paid against these claims

$13.8m outstanding to be paid

The most common motor injury insurance claim received is a minor injury claim. These represent 73% of new claims received but represent less than 6% of the cost paid by the Insurance Commission as the injuries are often minor and people can recover quickly after treatment. CTP compensation claims represent 27% of new claims received and represent 92% of the cost. CIS scheme claims make up the remainder of claims received and paid in a year.

The table below highlight average claim costs within bands of claims finalised by the Insurance Commission during 2018. A finalised claim is a CTP compensation claim that the claimant and the Insurance Commission both agree can be closed as the claimant's injuries have stabilised and/or the amount of compensation payable is known. The most common type of CTP compensation claim finalised in 2018 was a claim between $20,000 and $50,000.

*Table - Finalised 2018 Motor Injury Insurance Claims by Cost Band*

|  |  |  |  |
| --- | --- | --- | --- |
| **BAND** | **TOTAL CLAIMS** | **TOTAL PAYMENTS** | **AVERAGE COST OF CLAIMS** |
| $0 - $1,000 | 417 | $ 94,828 | $ 227 |
| $1,001 - $2,000 | 133 | $ 194,753 | $ 1,464 |
| $2,001 - $5,000 | 225 | $ 756,007 | $ 3,360 |
| $5,001 - $10,000 | 183 | $ 1,299,450 | $ 7,101 |
| $10,001 - $20,000 | 228 | $ 3,441,246 | $ 15,093 |
| $20,001 - $50,000 | 695 | $ 24,849,051 | $ 35,754 |
| $50,001 - $100,000 | 557 | $ 39,393,707 | $ 70,725 |
| $100,001 - $200,000 | 343 | $ 47,159,554 | $ 137,491 |
| $200,001 - $500,000 | 222 | $ 67,461,098 | $ 303,879 |
| $500,001 - $1,000,000 | 69 | $ 45,455,407 | $ 658,774 |
| $1,000,001 - $2,000,000 | 26 | $ 35,315,814 | $ 1,358,301 |
| $2,000,001 - $5,000,000 | 10 | $ 26,007,087 | $ 2,600,709 |
| Greater than $5,000,000 | 4 | $ 29,319,277 | $ 7,329,819 |
| **Total** | **3,112** | **$ 320,747,279** | **$ 103,068** |

\*Excludes minor injury claims

The map on the following page shows the crash locations across the WA regions by number of new CTP compensation claims (excluding minor injury claims) and the claims payments for crashes in that region. The metropolitan area recorded the highest number of crashes (9,335) and payments of $293.5 million in 2018.

*Infographic – Crash Claims Paid including Minor Injury Claims (total payments and estimates are irrespective of accident year)*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total New Claims** | **Total Payments** | **Total Estimates** |
| Total - WA Regions | 11,818 | $391.5m | $2.4b |
| Great Southern | 236 | $7.4m | $83.7m |
| South West | 1,118 | $30.4m | $258.6m |
| Goldfields-Esperance | 168 | $6.5m | $66.6m |
| Kimberley | 93 | $13.4m | $113.8m |
| Metropolitan | 9,337 | $293.5m | $1.4b |
| Wheatbelt | 461 | $17.6m | $208.8m |
| Pilbara | 124 | $9.7m | $86.8m |
| Mid West-Gascoyne | 194 | $6.7m | $83m |
| Interstate | 87 | $6.3m | $50.6m |

|  |  |  |  |
| --- | --- | --- | --- |
| **Top Local Government Areas** | **New Claims** | **Total Payments** | **Total Estimates** |
| Stirling | 1,307 | $44.8m | $139m |
| Swan | 778 | $19.2m | $96.9m |
| Perth | 553 | $14.2m | $46.9m |
| Wanneroo | 619 | $17.9m | $153.3m |
| Joondalup | 615 | $13.3m | $73.7m |
| Canning | 592 | $13.5m | $59.7m |
| Bayswater | 394 | $9.6m | $49.7m |
| Cockburn | 575 | $27.5m | $97.4m |
| Gosnells | 382 | $14.1m | $100.8m |
| Rockingham | 409 | $17.2m | $100.9m |
| Melville | 351 | $11.9m | $48.4m |
| Victoria Park | 291 | $14.2m | $56.5m |
| Armadale | 350 | $13.3m | $40.8m |
| Mandurah | 240 | $7.2m | $60.6m |
| Derby-West Kimberley | 19 | $2.5m | $59.3m |

The Insurance Commission is using data analytics to examine the type of injuries sustained by motorists and how those injuries relate to the cost of a claim. This information can claims officers to enhance their assessment of a claim. Further work will be performed in this area during 2019.

The infographic below shows the number of significant injuries sustained in car crashes and compensation payments made for those injuries, excluding minor injury claims. One claim can involve multiple injuries.

*Infographic – Number and cost of crash injuries by body part*

|  |  |  |
| --- | --- | --- |
|  | **Number of injuries** | **Total payments** |
| Head | 406 | $80.5m |
| Face | 143 | $3.4m |
| Spine and neck | 4,121 | $111.5m |
| Trunk | 439 | $30.4m |
| Lower limbs | 1,314 | $66.8m |
| Mental stress | 129 | $2.6m |
| Upper limbs | 1,397 | $52.6m |
| Abdomen and pelvis | 128 | $6.6m |
| Burns and other | 442 | $7.5m |

*Excludes minor injury claims.*

**Crash Claim Frequency Trends**

The number of registered vehicles in WA has grown from 1.6 million in 1998 to 2.9 million in 2018. Positive vehicle growth was again maintained during 2018 at 0.9%.

In 2018, WA had approximately 15.1% of Australia’s total number of registered vehicles despite having only 8.6% of the population.

Despite an increasing number of vehicles on WA roads, the number of new motor injury insurance claims continues to decline from 5,912 in 1998 to 3,191 in 2018 (excluding minor injury claims). This is a key reason why the affordability of motor injury insurance premium rates have been able to be maintained in Western Australia.

During 2018, 31 crashes occurred each day that resulted in motor injury insurance claims. People are most likely to be injured in a crash in Western Australia between 3pm and 6pm on any weekday. The table on the next page presents the number of crashes resulting in injury insurance claims and the day of the week they occurred.

*Graph – Vehicle Growth and Claim Numbers in Western Australia’s Motor Injury Insurance Scheme*

|  |  |  |
| --- | --- | --- |
| **Year** | **Registered vehicles** | **Claims** |
| 1998 | 1,623,902 | 5,912 |
| 1999 | 1,669,827 | 5,558 |
| 2000 | 1,691,250 | 5,724 |
| 2001 | 1,721,548 | 5,397 |
| 2002 | 1,755,979 | 5,259 |
| 2003 | 1,801,443 | 5,345 |
| 2004 | 1,858,925 | 5,075 |
| 2005 | 1,910,312 | 4,949 |
| 2006 | 1,988,065 | 4,503 |
| 2007 | 2,092,748 | 4,175 |
| 2008 | 2,196,781 | 4,195 |
| 2009 | 2,276,803 | 4,078 |
| 2010 | 2,344,770 | 4,036 |
| 2011 | 2,425,242 | 3,885 |
| 2012 | 2,514,285 | 3,632 |
| 2013 | 2,620,471 | 3,509 |
| 2014 | 2,706,971 | 3,561 |
| 2015 | 2,767,428 | 3,478 |
| 2016 | 2,804,703 | 3,029 |
| 2017 | 2,865,885 | 3,396 |
| 2018 | 2,885,603 | 3,226 |

*Excludes minor injury claims.*

*Infographic - Daily Breakdown of Crashes resulting in Motor Injury Claims in 2018*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Sunday** | **Monday** | **Tuesday** | **Wednesday** | **Thursday** | **Friday** | **Saturday** | **TOTAL** |
| **Number of Crashes** | 1,098 | 1,588 | 1,807 | 1,720 | 1,844 | 1,828 | 1,325 | 11,210 |
| **Percentage (%)** | 10% | 14% | 16% | 15% | 17% | 16% | 12% | 100% |

Growth of On Demand Vehicles

There are 20 classes of registered vehicles in Western Australia, with each class matching the type of vehicle, the purpose for which it is used and how we insure these vehicles.

Class 3F is for cars used for hire, fare and reward, or more commonly known as ‘on-demand transport’. There are multiple on-demand vehicle companies operating in Western Australia, where passengers can use smartphones to book their trip.

Since 2013, the number of vehicles registered in Class 3F has increased from 1,162 to 12,132 in 2018, representing 944% growth in five years.

The Insurance Commission has engaged with the Department of Transport and other stakeholders to ensure on-demand vehicles are being registered in the correct Class 3F. The significant increase in the vehicle numbers in that class suggests the Insurance Commission’s communication efforts have been successful.

If on-demand vehicles are not registered in Class 3F and are involved in a crash causing injury to others, the driver of the vehicle is responsible for the cost of injuries to others and can be pursued for its repayment.

3.2.1 Motor Injury Insurance

Motor Injury Insurance has a combination of efficiency and effectiveness KPIs to measure its performance against the outcomes.

Outcome A – To ensure the Fund is fully funded

Effectiveness Performance Indicator

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 a target 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 143.1% is in line with the target of 143%. Increasing the PoS of the outstanding claims liabilities to 90% would reduce the likelihood of not having a sufficient outstanding claims provision from one in four years to one in 10 years and is therefore a higher confidence measure of the solvency position of the Insurance Commission. At a 90% PoS, the TPIF solvency level would reduce to 137%.

Efficiency Performance Indicators

Net Loss Ratio (%) – TPIF

This KPI calculates net claims incurred (claims payments and movements in outstanding claims provision) 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. A ratio greater than 100% indicates net premium revenue was insufficient to meet the net cost of claims incurred.

Comment: The 2018 net loss ratio is marginally better than target. This is primarily driven by the lower than forecast claims expense (2%) resulting from lower than budget claims payments of $60 million, offset by a higher than expected movement in outstanding claims provisions of $49.8 million. Lower than forecast claims payments resulted from fewer new claims received in 2018 than expected and fewer claims settlements. Lower than expected claims settlements increases outstanding claims provisions.

Net Expense Ratio (%) – TPIF

This KPI calculates 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 is better than target, driven by lower than budget underwriting and administration expenses (8.6%) offset by slightly lower than forecast net premium revenue (1.6%).

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 result is better than target, reflecting the Fund's underwriting profit of $26 million compared to the forecast profit of $17.6 million for the financial year. The Fund's underwriting profit is equivalent to 4.4% of its premium revenue or 1.1% of its outstanding claims liabilities.

Effectiveness Performance Indicator

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.

MVCIF 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 115.8% for the MVCIF reflects the better than expected performance of the Fund's underwriting result and investment returns for the financial year. The Fund's underwriting profit of $37.6 million in 2018 was a large improvement on the underwriting loss of $98.1 million in 2017. The main reason for the 2017 loss was that premium revenue was not collected from motorists in advance of the CIS scheme start date. The improved underwriting result in 2018 was also due to a lower than expected increase in outstanding claims provisions, arising from the actuarial assessment of improvements in the level of disability in catastrophically injured people. Given the long-tail nature of the liabilities in this Fund, considerable volatility is expected, particularly in the early years.

Efficiency Performance Indicators

Net Loss Ratio (%) – MVCIF

This KPI calculates net claims incurred (claims payments and movements in outstanding claims provision) 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. A ratio greater than 100% indicates net premium revenue was insufficient to meet the net cost of claims incurred.

Comment: The net loss ratio is better than target. This result is driven by a lower than expected increase in outstanding claims provisions (34.7%). This is largely due to a reduction in the actuarial assessment of future costs estimates for a number of scheme participants, resulting from improvements in the level of injury (in some cases substantial) during the past twelve months.

Net Expense Ratio (%) – MVCIF

This KPI calculates 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 8.7% is above the target of 5.4%. This is due to the unearned premium of the MVCIF being insufficient to meet related future claims, despite other underwriting and administration expenses being 6.9% below target.

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 result is better than target, which reflects the better than expected underwriting result of $37.6 million for the MVCIF. This is primarily due to the favourable movement in the outstanding claims provisions as previously explained.

Outcome B – To provide affordable premiums to owners of Western Australian vehicles

Effectiveness Performance Indicator

Affordability Index (%) – MII

The 'Affordability Index' calculates the Motor Injury Insurance (MII) premium (excluding 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 25% of one week’s worth of WA’s average weekly earnings.

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

Efficiency Performance Indicator

Gross Expense Ratio (%) – MII

This KPI calculates total underwriting and administration costs as a percentage of gross written premiums collected. This KPI measures how efficiently the Insurance Commission manages the WA Motor Injury Insurance scheme.

Comment: The result is marginally above target. While direct administration expenses (6.9%) were lower than budget, the gross written premiums were also lower than forecast (1.1%). This KPI reflects divisional efforts taken to keep Insurance Commission's operating costs low.

Outcome C – To provide a claims system that treats claimants fairly, delivers equitable compensation and a necessary and reasonable level of care and support

Effectiveness Performance Indicators

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 ordinarily incurred (approximately 10%). This KPI reflects the Motor Injury Insurance Division's effectiveness in minimising the financial hardship of claimants and delivering equitable compensation.

Comment: The result is marginally lower than target. The payments for claimant benefit for 2018 are $51.7 million less than 2017, however the operations and legal fees amount has remained steady. This has caused a proportional percentage increase in operational costs resulting in the measure being marginally lower than target.

Timeliness of Liability Determination (%) - MII

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

Comment: This measure is slightly better than the 2017 result but below target. The result was impacted by an increase in the number of claims that require greater scrutiny and more involved investigations arising from suspected claims harvesting activities.

Timeliness of Initial Contact with Treating Health Team (%) – MII

This KPI calculates the timeliness of the initial contact with the injured party’s treating health team and requires contact be made within three business days from receipt of a catastrophic injury notification.

Comment: This result is better than target. During the financial year, in 97.3% of cases, the treating health team for potentially catastrophic injured parties, were contacted within three business days of the Insurance Commission being notified of the injury.

Catastrophically Injuried Claimant Satisfaction with the Level of Care and Support Services Provided (%) – MII

This KPI measures the effectiveness of services provided and is determined by client survey.

Comment: The result is significantly above target. 96.4% of respondents indicated they were satisfied or extremely satisfied with the level of care and support services provided by the Insurance Commission.

Efficiency Performance Indicators

Claims Administration Costs per Claim Administered ($) - MII

This KPI calculates claims administration costs divided by the number of claims administered in the period. This KPI measures the efficiency of claims administration.

\*Prior 2017 year results include TPIF only. Current year result excludes Bell costs.

Comment: The result is better than target, driven by lower than forecast claims administration costs (5.5%) and higher than forecast number of claims administered (3.6%) arising from lower than expected claims finalisations.

Claims 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. \*Prior 2017 year results include TPIF only

Comment: The result is worse than target. While claims administration costs were 5.5% lower than budget, claims payments were 12.8% lower than forecast as a result of a number of claims on which in-principle settlement has been agreed but require Court approval and have not yet been paid.

3.3 RiskCover

Total New Claims – 20,473

Total Claims Paid – $223.4 million

Underwriting Result – $63.5 million

Workers’ compensation benefit paid directly to claimant – 91.3%

Positive underwriting and investment results during 2018 drove the RiskCover Fund to a strong profit of $159.2 million in 2018, above its 2017 profit of $154.3 million.

The underwriting result for the RiskCover Fund was $63.5 million. This result further improved on the underwriting result of $52.5 million delivered in 2017.

Stronger than anticipated investment market conditions delivered a $95.7 million investment return for RiskCover, which was $31.5 million greater than forecast.

This was the fourth consecutive year that RiskCover has delivered a positive underwriting result. Underwriting and administration expenses have consistently reduced over the past five financial years, led by releases in the outstanding claims provision. This demonstrates that line of the Insurance Commission’s business is being managed sustainably as it is not reliant on investment returns to fund service delivery and claims costs.

It was only four years ago in 2014, that RiskCover reported its fifth consecutive underwriting loss (a cumulative total underwriting loss of $237.1 million from 2010 to 2014). Agencies had also raised concerns about premium increases at that time.

**Claims**

The RiskCover Fund administered 20,033 claims (excluding low value property claims) during 2018, which was within 0.04% of the number of claims (20,041) administered during 2017. This stability in claims administered numbers is a good result and indicates Government agencies are managing their risks so that we are not seeing an increasing number of people being injured at work or making insurance claims compared to the prior year.

RiskCover received 11,685 new insurance claims during the year, which was 174 fewer new claims than were received in 2017 (excluding low value property claims). There were 4,704 new workers’ compensation claims received in 2018, a reduction of 127 claims compared to the prior year. The reduction in the number of new workers’ compensation claims appears to reflect government agencies’ commitment to occupational health and safety and reduced growth of the public sector workforce.

RiskCover continues to work with government agencies to identify where and how injuries occur, which guides preventative occupational health and safety initiatives delivered by those agencies.

The graph below shows the number of workers’ compensation claims received and managed by RiskCover has fallen considerably since the high-claim period of 2010 to 2013 and are the lowest levels experienced over the last ten years.

*Graph – Workers’ Compensation Claims Trends*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **New claims** | **Active claims (as at 30 June 2018)** | **Estimated claims cost per lodgement year (after 12 months)** |
| 2009 | 4,918 | 4,638 | $56,312,395 |
| 2010 | 5,213 | 4,578 | $67,801,498 |
| 2011 | 5,226 | 5,134 | $75,821,881 |
| 2012 | 5,110 | 5,145 | $85,477,520 |
| 2013 | 5,037 | 5,265 | $89,947,065 |
| 2014 | 4,975 | 4,650 | $92,190,213 |
| 2015 | 4,710 | 4,600 | $103,732,033 |
| 2016 | 4,719 | 4,143 | $111,878,788 |
| 2017 | 4,831 | 4,279 | $114,879,785 |
| 2018 | 4,704 | 3,986 | $121,350,121 |

There was also a reduction of new property claims received for 2018, reducing from 4,208 received in 2017 to 4,079 in 2018. The RiskCover Fund also processed 8,788 (2017: 6,637) low value property claims managed externally by Building Management and Works, Department of Finance.

RiskCover staff continued their successful efforts of the previous two years to again reduce the number of open claims managed by the Division in 2018. The number of open RiskCover Fund claims at 30 June 2018 was 6,722 which was 303 (or 4.3%) fewer open claims compared to 30 June 2017 (7,025). An active claims finalisation approach by staff and stability in new claims numbers both helped to deliver that result.

John’s RiskCover Claims Experience

In 2010, John\* was injured at work during cardiopulmonary resuscitation training in Forrestfield. He overstretched and felt a sharp pain in his back. John injured one of the discs in his lower back which caused sciatic nerve pain.

John made a workers’ compensation claim with his employer, the Department of Fire and Emergency Services. RiskCover, as the Department’s insurer, funded John’s back surgery operations, physiotherapy treatment and pilates. RiskCover also paid John’s loss of wages.

*"RiskCover funded my two back operations which allowed me to return to 95% full fitness and resume my position as a Fire Service instructor.*

*“The combination of the efforts of my injury management department and RiskCover has enabled me to continue my work … at the Fire and Rescue Training Academy.”*

After a number of years, John returned to full-time work as a Fire Service instructor with the WA Fire and Emergency Services Academy.

*\*Name has been changed for privacy reasons.*

**Costs**

RiskCover made $223.4 million in claims payments during 2018, which was an increase on the $205.9 million in payments made in 2017. Higher claim payments are a product of more claims being finalised in 2018. Workers’ compensation payments of $154.9 million were made in 2018.

While there are 111 agencies insured by the RiskCover Fund, the Education and General Government sectors (due to their size and scope of activities) lodge the majority of new workers’ compensation claims. Each sector is made up of multiple agencies.

*Graphic – 2018 Workers’ Compensation Costs by Government Sector*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Education** | **General Government** | **Health** |
| **New claims** | 1,901 | 1,596 | 1,207 |
| **Payments** | $39.9m | $61.4m | $53.6m |
| **Paid days lost** | 61,954 | 81,050 | 78,276 |

The estimated average cost per new claim during 2018 for the education sector ($21,000) was considerably lower when compared to the $44,500 for the health sector and $38,500 for the general government. The education sector has a low average cost due to a lower proportion of high cost mental stress and body stress claims within its portfolio compared to the other two sectors.

Higher average wages paid to health professionals and challenges returning workers to pre-injury duties contribute to the higher average claims cost in the health sector.

The average cost per claim in the general government sector is higher than the education sector due to the type of services delivered by staff within agencies in that sector, which include prison officers, firefighters and providers of child protection and disability services.

The graphic also illustrates that 221,280 days were lost to government agencies due to staff absences following a workplace injury in 2018. This is an increase on the number of days lost in 2017 (213,907). In 2018, this represented 962 full-time equivalent employees being absent from work for the year due to an injury sustained at work.

The Insurance Commission incurred $200.6 million in costs associated with workers’ compensation claims from injured public sector workers that were finalised in 2018. Twenty-nine percent of all claims finalised were within the cost band of $0 - $1,000 but accounted for only 0.3% of all claims costs. Claims with a total cost between $200,000 and $500,000 represent the largest proportion of costs incurred on claims finalised during the year (see table over the page).

*Graph – Finalised 2018 Workers’ Compensation Claims by Cost Band*

|  |  |  |  |
| --- | --- | --- | --- |
| **Band** | **Total Claims** | **Total Costs** | **Average Cost of Claims** |
| $0 - $1,000 | 1,717 | $ 671,367 | $ 391 |
| $1,001 - $2,000 | 629 | $ 912,045 | $ 1,450 |
| $2,001 - $5,000 | 752 | $ 2,379,915 | $ 3,165 |
| $5,001 - $10,000 | 508 | $ 3,656,437 | $ 7,198 |
| $10,001 - $20,000 | 485 | $ 6,916,264 | $ 14,260 |
| $20,001 - $50,000 | 663 | $ 21,533,649 | $ 32,479 |
| $50,001 - $100,000 | 467 | $ 33,555,737 | $ 71,854 |
| $100,001 - $200,000 | 340 | $ 47,917,889 | $ 140,935 |
| $200,0001 - $500,000 | 274 | $ 73,887,853 | $ 269,664 |
| Greater than $500,000 | 11 | $ 9,134,676 | $ 830,425 |
| **Total** | **5,846** | **$ 200,565,832** | **$ 34,308** |

*Infographic – Proportion of injured workers returned to work*

|  |  |
| --- | --- |
|  | **Finalised claims that received weekly payments for lost time** |
| **Number of claims** | 3,754 |
| **Return to work %** | 86% |
|  |  |

Of the 5,846 workers’ compensation claims finalised in 2018, 36% were for medical expenses only. A focus on capacity for work and innovation to support recovery in the workplace is crucial to achieving greater return to work rates. Of the 3,754 finalised claims that received weekly payments for lost time during 2018, 86% of those claimants had returned to work at 30 June 2018.

Although mental stress claims represent 9.1% of new workers’ compensation claims in 2018, the estimated cost of mental stress claims for WA public sector agencies was 23.2% of the total estimated claims cost. The average estimated cost of mental stress claims received by RiskCover in 2018 was approximately $65,882 compared to $56,319 in 2017 (2016: $50,000). The cost of mental stress claims continue to increase and is well above the average cost of other workers’ compensation claims due to the complexities of the injury and of returning an individual to their pre-injury work environment.

Public sector workers across Australia continue to lodge mental stress workers’ compensation claims at rates well above the private sector. The difference between the private and public sector is noteworthy and it would appear that public sector agencies and their staff across Australia still have more work to do to prevent incidents that give rise to mental stress claims.

The infographic overleaf provides further detail on mental stress claims.

*Infographic – Workers’ Compensation Mental Stress Claims*

|  |  |  |
| --- | --- | --- |
| Stress claims are twice the cost of physical injury claims and have longer duration | | |
|  |  |  |
| Approximately 50% of mental stress claims in WA are lodged through RiskCover despite public sector employees only accounting for 10% of WA’s workforce | | |
|  |  |  |
| $28.1m – Cost of mental stress claims lodged with RiskCover in 2017 | | |
|  |  |  |
| Males – 149 new claims, $9.6m | | |
| Females – 278 new claims, $18.5m  The most common mental stress cause for both genders was exposure to trauma. | | |
|  |  |  |
| Ages 41-50 - $71,422 average cost per claim | |  |
| Ages 30 and under - $35,238 average cost per claim | |  |
| Injured workers with mental stress claims took an average of 133 days off work in 2018 compared to 69 days for all other lost time injury claims | | |
|  |  |  |
| In 2018, mental stress claims made up 9% of new claims in the RiskCover Fund but 23% of the cost | | |
|  |  |  |
|  | **Cost** | **%** |
| **Work Pressure** | $5.8m | 21% |
| **Exposure to Trauma** | $8.8m | 31% |
| **Exposure to Violence** | $2.9m | 10% |
| **Harrassment** | $4.7m | 17% |
| **Other Factors** | $5.9m | 21% |
|  |  |  |
| **2018 Profile - Mental Stress Claims** | | |
|  | **All Claims** | **Mental Stress** |
| **Number of claims** | 4,704 | 427 (9.1%) |
| **LTI claims** | 2,963 | 347 (11.7%) |
| **Severe claims** | 1,065 | 219 (20.6%) |
| **Total estimated claims cost** | $121,350,121 | $28,131,684 (23.2%) |
| **Average claim cost** | $25,797 | $65,882 |
| **Total days lost** | 203,669 | 46,009 (22.6%) |
| **Average days lost per LTI** | 68.7 | 132.6 |

LTI – Lost Time Injury

Severe is greater than 60 days

Claim Geography

The maps on the next two pages show workers’ compensation injury locations across the WA regions by number of new claims lodged and total payments made (includes previous year claims). The metropolitan Perth area recorded the highest number of workers’ compensation claims (3,354) and total payments of $117.4 million, which is expected given the majority of public sector workplaces and the clients they service are in metropolitan areas.

Seventy-one percent of claims are from the metropolitan area. The Insurance Commission dealt with 13 workers’ compensation claims that occurred outside WA in 2018.

*Infographic – Workers’ Compensation Claims Paid in 2018*

|  |  |  |
| --- | --- | --- |
| **WA Regions** | **New Claims** | **Total Payments** |
| Great Southern | 189 | $4.8m |
| South West | 453 | $14m |
| Goldfields-Esperance | 94 | $2.6m |
| Kimberley | 95 | $2.3m |
| Metropolitan | 3,354 | $117.6m |
| Wheatbelt | 167 | $3m |
| Pilbara | 123 | $3.2m |
| Mid West-Gascoyne | 222 | $7.2m |
| Interstate | 7 | $ 156,638 |
| **TOTAL** | **4,704** | **$154.9m** |

|  |  |  |
| --- | --- | --- |
| **Top Local Government Areas** | **New Claims** | **Total Payments** |
| Perth | 554 | $17m |
| Canning | 310 | $11.4m |
| Nedlands | 231 | $9.5m |
| Rockingham | 209 | $7.1m |
| Swan | 186 | $6.7m |
| Stirling | 178 | $5.3m |
| Joondalup | 178 | $4.9m |
| Wanneroo | 167 | $4.5m |
| Armadale | 162 | $5.1m |
| Subiaco | 145 | $4.9m |
| Kwinana | 139 | $6.5m |
| Fremantle | 130 | $6.5m |
| Melville | 129 | $6.7m |
| Bayswater | 86 | $1.4m |
| Victoria Park | 84 | $5.6m |
| All other metro | 466 | $14.5m |
| **Total Metropolitan Areas** | **3,354** | **$117.6m** |

Each new workers’ compensation claim received by RiskCover is categorised by injury type (mechanism), as this helps to identify trends for agencies seeking to address the cause of injury. This information is set out below along with the number and cost of claims finalised during 2018, regardless of the year of lodgement.

The average cost of finalised mental stress claims in 2018 was $77,000 compared to the average cost of a ‘being hit by a moving object’ claim of $26,000. Mental stress claims also contribute a significantly higher proportion of the payments (19.4%) when compared to the proportion of claims finalised (8.6%) for that category.

Body stress claims represented the highest number finalised (1,905) and value ($74.2 million) during 2018 at an average cost of $39,000 per claim. Body stress claims are defined as injuries or disease from strain placed on muscles, tendons, ligaments or bones.

*Infographic – Finalised Workers' Compensation Claims - Injury Causes*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Injury Type** | **Total Claims** | **Total Payment** | **% Claims** | **% Payment** |
| Hit by Moving Objects | 1,410 | $37.3m | 24.1 | 18.6 |
| Body Stress | 1,905 | $74.2m | 32.6 | 37 |
| Chemicals and Substances | 90 | $0.8m | 1.5 | 0.4 |
| Falls, Slips and Trips | 1,331 | $39.1m | 22.8 | 19.5 |
| Sensory Pressures | 88 | $1.5m | 1.6 | 0.8 |
| Impact with Stationary Objects | 335 | $4.5m | 5.7 | 2.2 |
| Mental Stress | 505 | $38.9m | 8.6 | 19.4 |
| Other | 182 | $4.2m | 3.1 | 2.1 |
| **Grand Total** | **5,846** | **$200.6m** | **100%** | **100%** |

RiskCover also records the body part injured in each workers’ compensation claim. This information is useful as people with common injuries should receive similar treatment, and therefore claims costs should be relatively consistent apart from wage differences if it is a lost-time injury claim.

In 2018, RiskCover finalised 1,708 claims for injuries to upper limbs, which represented $52.7 million or 26% of total finalised workers’ compensation claims costs. The graphic below shows the number and cost of claims finalised during 2018, regardless of the year of lodgement, for workers’ compensation injuries by body part.

*Infographic – Finalised Workers' Compensation Claims - Number and Cost of Injuries by Body Part*

|  |  |  |
| --- | --- | --- |
|  | **Number of injuries** | **Total Costs** |
| Neck | 556 | $8.5m |
| Upper limbs | 1,708 | $52.7m |
| Trunk and back | 975 | $33m |
| Lower limbs | 1,214 | $39.2m |
| Head | 556 | $8.5m |
| Mental stress | 514 | $40.1m |
| Multiple and other locations | 731 | $24m |
| **TOTAL** | **5,846** | **$200.6m** |

Machinery of Government Changes

In 2017, the Government announced Machinery of Government (MOG) changes to consolidate the number of departments from 41 to 25 to help create a more efficient public sector, and deliver on its election commitment.

As at 1 July 2017, RiskCover insured 137 agencies. At 30 June 2018, RiskCover now insures 111 agencies.

During 2018, RiskCover engaged with the agencies impacted by the MOG changes, to identify and understand the impact to their insurance cover.

RiskCover ensured cover was in place for each new entity, recalculated insurance premiums for the new entities, developed new reports for entities and made the required system changes. Significant efforts were also made to ensure agency Directors and Officers Liability covers were amended with the private market to ensure continuity of cover.

**Liabilities**

The outstanding claims liability for the RiskCover Fund declined by $36.2 million in 2018 to $533.1 million at 30 June 2018. This decline is principally due to 295 more claims being finalised this year, compared to 2017, as RiskCover staff continue to increase their focus on the timely management and resolution of claim, which therefore leaves fewer future claims to pay. There were also reductions in the estimated cost of claims received in prior years which reduced RiskCover liabilities in 2018.

The improvement in the outstanding claims liability position was led by the workers’ compensation and liability insurance classes. Workers’ compensation outstanding claims liabilities represent $284.8 million or 53.4% of RiskCover’s 2018 outstanding claims liability.

The outstanding claims liability position has consistently reduced in each of the past five years, having reduced 21% since 2013 when the balance was $678.2 million.

Agencies insured by the RiskCover fund paid their lowest insurance collective premium in 2018 compared to the last five years. Gross written premium received from agencies was $299.8 million in 2018, whereas gross written premiums have varied between $308.1 million and $314.1 million since 2013. This is a great outcome for agencies as it means their insurance premiums are at the most affordable levels in five years.

We have also been able to deliver that outcome for agencies while increasing the return delivered to our shareholder, the State Government.

**Shareholder Return**

In 2017, it was agreed with the Department of Treasury that RiskCover would return capital to the Consolidated Account of Government in the event that it had funds in excess of its 135% solvency target.

The solvency of the RiskCover Fund at 30 June 2018 was 169%. The solvency level reduced to 135% after providing for a return of capital of $162.3 million. This represented a $64.6 million increase in shareholder return compared to $97.7 million returned in 2017.

The final solvency position, after future payments, following the return of capital enables RiskCover to maintain a prudential reserve of $61.5 million and protect the RiskCover Fund against circumstances such as 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.

As at 30 June 2018, RiskCover’s net assets total $282.1 million. This is close to the $285.2 million of net assets recorded at 30 June 2017.

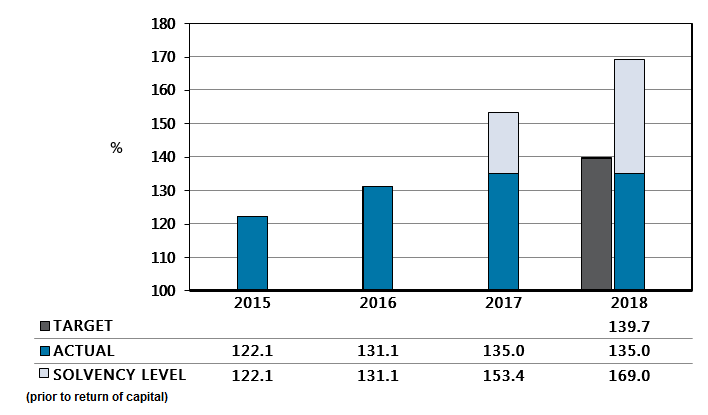
3.3.1 Riskcover

The RiskCover Fund has a combination of efficiency and effectiveness KPIs to measure its performance against three outcomes.

**Outcome A – To ensure the Fund is fully funded**

**Effectiveness Performance Indicator**

**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:** RiskCover’s solvency level increased to 169% in 2018 which was higher than target (139.7%). It was agreed with the Department of Treasury that RiskCover would return capital to the Consolidated Account of Government in the event that it had funds in excess of its 135% solvency target. RiskCover's solvency subsequently reduced to 135% after providing for a return of capital of $162.3 million. This solvency position enables RiskCover to protect the RiskCover Fund against multiple large losses in any one cover period and for events which are not covered by reinsurance.

**Efficiency Performance Indicators**

**Net Loss Ratio (%)**

This KPI calculates net claims incurred (claims payments and movements in outstanding claims provision) 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 RiskCover received sufficient net premium revenue to meet the net cost of claims incurred. A ratio greater than 100% indicates net premium revenue was insufficient to meet the net cost of claims incurred.

**Comment:** The net loss ratio is better than target due to lower net claims incurred of $65.9 million (26.9%) partly offset by lower net premium revenue of $10.3 million (3.6%). The majority of these variances are due to improved claims experience in the workers' compensation ($33.6 million) and liability ($31.4 million) classes of insurance. The lower net claims incurred in the workers' compensation class leads to premium adjustments (refunds to agencies) which reduce net premium revenue.

**Net Expense Ratio (%)**

This KPI calculates 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 at 11.9% is slightly better than the target of 12% due to underwriting and administration expenses being $1.4 million (4.2%) below target. This was partly offset by net premium revenue being $10.3 million (3.6%) lower than target as premium adjustments (refunds to agencies) were provided for in the accounts to reflect the improving trend in claims costs mainly for workers' compensation. The improvement in this class resulted in a $7.3 million premium adjustment (refunds to agencies) attributable to current and prior years.

**Net Combined Ratio (%)**

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 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 76.9% is better than target and prior years, and reflects an underwriting profit of $63.5 million compared to a budgeted profit of $6.4 million. Total underwriting and administration expenses were $67.4 million (24.2%) below target largely due to a positive movement in outstanding claims of $54.6 million (296.4%) and gross claims paid being $7.3m (3.2%) lower than target. The movement in outstanding claims was most prominent in the workers' compensation and liability classes of insurance with a combined favourable movement of $44.7 million instead of an anticipated adverse movement of $18.4 million. This favourable movement was a result of improved claims experience in these lines of insurance.

**Outcome B – To provide sustainable fund contribution (premiums) to agencies insured**

**Effectiveness Performance Indicator**

**Workers’ Compensation Claims Incurred per $100 Wage Roll ($)**

This KPI calculates the actuarial forecast cost of claims incurred in the renewal period adjusted to their present day value x 100 divided by the total wages declared by all clients, adjusted to their present day value. This KPI measures the effectiveness of the RiskCover Division in keeping the cost of workers’ compensation claims low.

**Comment:** The indicator is higher than target and prior years. The result is due to wages of public sector agencies insured by RiskCover reducing by $283.3 million (2.2%), while the actuarial forecast cost of claims incurred increased by $13.4 million (8.5%) since 2017. This notable change in public sector wages can be attributed to the Machinery of Government and Voluntary Targeted Separation Scheme (VTSS) initiatives.

**Efficiency Performance Indicator**

**Management Fees as a Percentage of Contributions (%)**

This KPI calculates the RiskCover management fee as a percentage of Fund contributions. This KPI measures the efficiency with which the RiskCover Division manages the RiskCover self-insurance scheme.

**Comment:** The favourable 2018 result compared to target is due to the combined impact of lower than expected management fees of $1.4 million (4.7%) offset by lower fund contributions of $1.6 million (0.5%).

**Outcome C – To provide a claims system that treats agencies and claimants fairly and delivers equitable compensation**

**Effectiveness Performance Indicators**

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

**Comment:** The 2018 result is better than target due to a continued focus on claims management practices and delivering against the strategic objective to provide fair and equitable compensation. While payments not for the direct benefit of the claimant (e.g. legal and investigation expenses) increased by 3.4%, the increase in total workers' compensation payments was notably higher at 8.2% from 2017.

**Workers’ Compensation Timeliness of Liability Determination (%)**

This KPI calculates the timeliness of liability decisions for workers' compensation claims. WorkCover WA's best practice guideline for insurers and self-insurers requires that a decision be made on new and ongoing claims within 17 days from the date of lodgement with the employer to ensure claimants are treated fairly.

**Comment:** The 2018 result is better than target as a result of continued efforts and improvements to process controls to ensure timely liability decisions.

**Efficiency Performance Indicators**

**Claims Administration Costs per Claim Administered ($)**

This KPI calculates claims administration costs divided by the number of claims administered in the period. This KPI measures the efficiency of claims administration.

**Comment:** The claims administration cost per claim administered is $38 (2.3%) slightly below target, due to the combined impact of claims administration costs being $1.4 million (4.2%) below target and the number of claims administered being 413 (2%) less than target. The reduction in claims administered is largely attributable to the short-tail property class (1,200 below budget) offset by an increase in the longer tail workers' compensation class (990 above budget).

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

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

**Comment:** The 2018 result was slightly better than target due to claims administration costs being $1.4 million (4.2%) below target and gross claims paid being $7.3 million (3.2%) below target. The reduction in gross claims paid was led by the short-tail property class of insurance ($8.9 million).

3.4 Investments

Total Investment Assets - $5.3 billion

Investment Return – 9.1%

The Insurance Commission’s main investment portfolio delivered a gross return of 9.4% for 2018. This return comprises investments in the Third Party Insurance Fund, RiskCover Fund, Insurance Commission General Fund, Government Insurance Fund and Compensation (Industrial Diseases) Fund. The total investment return for the Insurance Commission was 9.1% for the year, which is lower than the Main Fund as a high proportion of cash is held in the Motor Vehicle (Catastrophic Injuries) Fund.

This investment return is an encouraging result as the Insurance Commission has allocated 40% to Equities which is materially lower than the asset allocation to Equities of most superannuation funds.

The Main Fund return of 9.4% exceeded the market benchmark by 0.1%. Australian Equities (15.4%), Property (14.7%), Alternative Assets (7.0%), Fixed Interest (3.5%) and Cash (2.2%) returns were all above benchmark. Global Equities performance was a strong 13.6% but underperformed the benchmark by 1.4%.

The MVCIF return was 4.6%, which reflects the Insurance Commission’s phased approach to implement that Fund’s investment strategy. It is expected the long-term asset allocation for the MVCIF will be completed by 2019. The MVCIF investment strategy is different to the Main Fund investment strategy due to the longer-tail duration of MVCIF liabilities for care costs incurred over the lifetime of a CIS scheme claimant compared to shorter duration Main Fund claims.

The Insurance Commission’s rolling seven-year return was 8.4%, which was 2.9% above the Consumer Price Index plus 3.5% performance objective. The total value of investment funds held by the Insurance Commission to offset insurance liabilities has grown from $4.4 billion at 30 June 2015 to $5.3 billion at 30 June 2018, an increase of $900 million. Over this period, the strong growth in the investment portfolio has supported dividend payments of $398 million and a $97.7 million return of capital from the RiskCover Fund.

**Financial Market Overview**

The 2018 financial year started strongly for financial markets due to strong global economic growth, positive corporate earnings results and the announcement of United States tax reform more than offsetting geopolitical tensions. Global Equities performed strongly for the first seven months of the year, which led the Morgan Stanley Composite Indices All Country World Index (an index measuring equity returns in 23 developed and 24 emerging markets internationally) to peak at 550.32 on 26 January 2018. A large portion of this gain was unwound by a sell-off in February 2018, sparked by increased volatility resulting from rising tensions between the United States and North Korea and increasing global trade tensions. Despite tensions between both nations receding, the trade rhetoric increased throughout the remainder of the year and Global Equity markets ended 30 June broadly unchanged from their February levels. Notwithstanding this, there were some equity markets, including Australia, that performed well during this period.

For the year ended 30 June 2018, Global Equity markets were up 15%, the Australian Equity market was up 13.3% and Property markets were up 12%. At the same time, Global Bond markets returned 1.9%, the Australian Bond market returned 3.1% and Cash returned 1.8%.

Despite signs of the rate of global economic growth cooling (potentially due to rising trade tensions between the United States and China/Europe), the absolute rate of growth is anticipated to continue over the next 12 months. That growth is expected to drive an expansion in corporate earnings, valuations and asset prices. Central Banks are expected to tighten monetary policy.

With the Australian inflation rate at or below the lower bound of the Reserve Bank of Australia’s range (2-3%), the bank is not expected to increase interest rates in the short term.

In this environment, the Insurance Commission’s asset portfolio is expected to produce a 5.5% return over the coming 12 months.

**Compound Returns for the Main Fund**

* 5-year return of 48.8% (or $1.8 billion)
* 6-year return of 70.9% (or $2.2 billion)

Compound returns have helped drive long-term growth in the Insurance Commission’s investment assets, and reflects the quality of the investment portfolio and the investment strategy.

**Asset Allocation**

The Main Fund neutral strategic allocation to growth and defensive assets of 68% and 32% respectively was broadly maintained during 2018 due to active portfolio management. Following the sale of Westralia Square, the last directly held property asset of the Insurance Commission, the proceeds were reinvested into a diversified portfolio of externally-managed global and Australian property assets.

Additional Main Fund investments over the year included a further allocation to a multi-strategy fund and listed infrastructure.

The MVCIF continued its phased approach to its full strategic asset allocation, increasing its exposure to growth assets in two stages over the course of the year. This phased investment approach will continue in 2019.

The Insurance Commission’s Main Fund remains overweight in Cash (20.6% against the 8% benchmark). This is a tactical decision pending changes to Bond markets and new investment opportunities. This overweight position is primarily countered by an underweight to fixed interest assets of 15.3%. The overweight position in Cash is slightly more conservative than other diversified portfolios.

The Main Fund actual asset allocation relative to the strategic benchmark, and the value of each asset class and its percentage of investment funds are shown in the charts below and overleaf.

Environmental, Social and Governance

The Insurance Commission considers environmental, social and governance (ESG) matters when appointing and reviewing the performance of its external investment managers. This approach helps to assess risk and generate sustainable, long-term returns.

The Insurance Commission requires its external investment managers to demonstrate how ESG matters are identified, assessed and incorporated into investment decision making.

Investment managers regularly report ESG performance (including proxy voting) to the Insurance Commission. Bi-annual review meetings are also held with investment managers at which ESG performance is discussed.

|  |  |  |
| --- | --- | --- |
|  | | |
| **Asset Class** | **Market Value $m** | **% of Fund** |
| Australian Equities | 976.3 | 20.0 |
| Global Equities | 1,016.5 | 20.9 |
| Alternative Assets | 948.9 | 19.5 |
| Fixed Interest | 229.8 | 4.7 |
| Property | 697.8 | 14.3 |
| Cash | 1,002.2 | 20.6 |
| **Main Fund Investment Assets** | **4,871.5** | **100.0** |
| MVCIF Investment Assets | 448.4 |  |
| Unsettled Purchases | 6.3 |
| Non-Investment Assets | 336.9 |
| **Total Assets** | **5,663.1** |

**Portfolio Positioning**

The table below shows the Main Fund portfolio exposures by geography.

|  |  |  |
| --- | --- | --- |
| **Geography** | **Market Value $m** | **% of Fund** |
| Australia | 3,062.7 | 62.9 |
| United States | 628.2 | 12.9 |
| Asia ex Japan | 250.5 | 5.1 |
| Europe ex United Kingdom | 356.3 | 7.3 |
| United Kingdom | 218.1 | 4.5 |
| Japan | 57.8 | 1.2 |
| Other | 297.9 | 6.1 |
| **Main Fund Investment Assets** | **4,871.5** | **100.0** |
| MVCIF Investment Assets | 448.4 |  |
| Unsettled Purchases | 6.3 |
| Non-Investment Assets | 336.9 |
| **Total Assets** | **5,663.1** |

3.5 Investigations and Intelligence

Claims Assessed – 773

Claims Investigated & Resolved – 149

Total Costs Avoided - $17.9m

The Investigations and Intelligence section seeks to identify and stop false and misleading claims that undermine the integrity of insurance products delivered by the Insurance Commission for its customers.

During the year, 773 motor injury insurance and workers’ compensation claims were assessed as potentially being fraudulent. These claims were identified by integrated data analytics, fraud modelling and notifications received from our insurance divisions.

There were 149 cases that were investigated and resolved in 2018, resulting in avoided claims costs of approximately $17.9 million.

Ten prosecutions were pursued against claimants who made false statements or exaggerated the extent of their injuries for personal injury compensation.

In 2018, five referrals were made to the Legal Practitioners Complaints Committee (LPCC) seeking investigations into unethical conduct by plaintiff law firms who were involved in claims made to the Insurance Commission. The LPCC is working with the Office of the Legal Services Commissioner in New South Wales as a number of these law firms are based in New South Wales.

The Insurance Commission continues to enhance its ability to use data analytics to identify potentially fraudulent claims and prevent them from undermining the integrity of insurance schemes managed by the Insurance Commission.

Claims Harvesting Increases

Western Australia has experienced an increase in past years of a concerning activity known as claims harvesting of motor injury insurance claims.

Claims harvesting is the practice of unethically pursuing accident victims to encourage them to lodge a motor injury insurance claim. Victims can be encouraged to exaggerate or even lodge false claims. Some people have been called up to 50 times. Others have had their signatures forged.

The number of suspected harvested claims received by the Insurance Commission has increased from an estimated 60 claims lodged in 2016 to 306 claims lodged in 2018. This year, suspected harvested claims represented almost 10% of new CTP compensation claims received by the Insurance Commission.

In the last 12 months, the practice has gained national attention as some state and territory governments have highlighted the problem in the media and taken steps to prevent it impacting the affordability of insurance premiums for motorists as yet.

The Insurance Commission uses data analytics to identify if a new claim is harvested. Those claims are managed rigorously as many of them may not be legitimate claims.

This approach is working as 71% of harvested claims received in 2018 were rejected. The financial reward for third parties and law firms involved in this practice is not significant, and there has not been any impact on motor injury insurance premiums for motorists.

Consumer Protection and the Insurance Commission provided community alerts on this practice during the year to encourage motorists not to give out their personal details to claims harvesters.

4. Significant Issues

4.1 Bell Group Litigation

The Bell litigation continues, and continues to expand, causing the Insurance Commission to incur increased litigation costs.

Significant resources and expenditure were also devoted towards attempting to achieve a settlement of Bell matters up to the balance date for the 2018 financial year.

Centralisation of Policy Resources

One of the key functions of the Insurance Commission is to provide advice to government on insurance matters. In 2018, the Insurance Commission established a policy unit to improve its capability to deliver this function. Existing policy resources across the organisation were brought together to form the policy unit.

The policy unit provides advice and analysis on policy issues it is called upon to deal with. Three examples of such issues are listed below.

**Automated Vehicles**

Automated vehicles hold out the prospect of fewer vehicle crashes and fewer insurance claims. Changes to insurance laws could be required to ensure liability for injuries caused by the technical failure of an automated driving system remains the responsibility of the manufacturer and supplier. Work is underway to identify what insurances should be held by vehicle manufacturers and suppliers, along with the claims process that should be in place for the injured party to access compensation. The Insurance Commission remains engaged with transport and insurance entities in the State and Commonwealth on this matter.

**Industrial Diseases Insurance**

The Insurance Commission has provided industrial diseases insurance to mining and exploration companies for decades as private insurers did not cover that risk. Western Australia is the only state in Australia where this risk remains still insured by government. The private insurance sector offers cover for those risks, which is why the Government committed to amend workers’ compensation legislation in 2018 to exit government provision of industrial diseases insurance. The Insurance Commission is working with WorkCover WA and the Government to deliver on that commitment.

**Law Reform Commission – Provisional Damages and Damages for Gratuitous Services**

The Law Reform Commission proposed reforms to provisional damages and damages for gratuitous services. Those reforms if enacted would have material financial consequences to the price paid for insurance in Western Australia. The Insurance Commission has provided financial analysis and policy advice to Government on the proposed reforms.

5. Financial Statements

5.1 Statements of Compliance

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 2018 and the financial position as at 30 June 2018.

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**

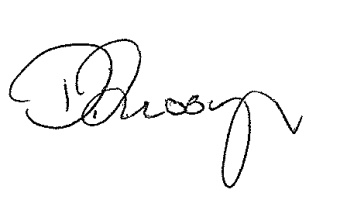
11 September 2018



Rod Whithear

**CHIEF EXECUTIVE**

11 September 2018

Damon de Nooyer

**CHIEF FINANCE OFFICER**

11 September 2018

**Key Performance Indicators**

We hereby certify that 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 of Western Australia for the financial year ended 30 June 2018.



Frank Cooper AO

**CHAIRMAN**

11 September 2018

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Rod Whithear

**CHIEF EXECUTIVE**

11 September 2018

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| Note 8 | Explanatory Statement |
| Note 9 | Other |
| 9.1  9.2  9.3  9.4  9.5  9.6  9.7  9.8  9.9  9.10  9.11  9.12  9.13 | Other Accounting Policies  Other Income  Plant and Equipment  Intangibles  Contingencies (Bell)  Provisions  Dividends  Notes to the Statement of Cash Flows  Expenditure Commitments  Compensation of Key Management Personnel  Related Parties  Loss Through Theft, Default and Other Causes  Events Occurring After the Reporting Period |

6. Disclosures and Legal Compliance

6.1 Ministerial Directions

No Ministerial directions were received during the year.

6.2 Other Financial Disclosures

6.2.1 Pricing Policies

The pricing philosophy for the Insurance Commission and RiskCover is based on regular WA inflation-linked average weekly earnings increases. Average weekly earnings is the most relevant index for motor injury insurance and workers’ compensation schemes as the majority of claims costs (i.e. claims for loss of income, medical and allied health costs) are directly linked to wage inflation.

Motor Injury Insurance

Each financial year, the Insurance Commission makes an assessment of the extent to which premium revenue, together with other income expected to be received, will be sufficient to meet the claims costs and other expenses anticipated to arise or be incurred.

From 1 July 2018, motor injury insurance premium rates increased by 2.4%. The increase responds to cost pressures on claims expenses in the CTP and CIS schemes, and is in line with wage inflation forecasts.

Following this change, the annual cost of motor injury insurance in Western Australia for a family vehicle at 1 July 2018 was $431.

RiskCover

Fund contributions are set to ensure sufficient funds are collected to pay liabilities and administration costs. Individual contributions are determined by agency per class of business.

The key outcomes that RiskCover aims to achieve in setting agency contributions are:

* equity for insured agencies;
* transparency in the fund contribution methodology;
* minimum cross-subsidisation;
* protection against major events; and
* incentives for risk management.

6.2.2 Capital Works

In 2018, the Insurance Commission invested in four internal capital works programs.

|  |  |
| --- | --- |
| **Workers’ Compensation External Claims Submission** | |
| **COMPLETION DATE** | July 2017 |
| **FINAL COST** | $310,761 |
| The Insurance Commission has improved the workers’ compensation claims process for WA public sector agencies and injured workers. Changes to the process have been made to allow injured workers to lodge workers’ compensation claims online directly to their nominated workers’ compensation representative. Agency representatives can also log in online to review and approve lodged workers' compensation claims from staff. These changes enable more efficient processing of workers’ compensation claims, reduced paper handling and reduced data entry. | |

|  |  |
| --- | --- |
| **Business Services Common User Interface** | |
| **COMPLETION DATE** | December 2017 |
| **FINAL COST** | $392,080 |
| This project has delivered a common-user interface for the Insurance Commission’s Business Services team to achieve operational efficiencies through consolidation of claim support activities and functions. This project complements the previous introduction of optical character recognition software. | |

|  |  |
| --- | --- |
| **Business Intelligence and Analytics** | |
| **COMPLETION DATE** | April 2018 |
| **FINAL COST** | $490,831 |
| The Insurance Commission has enhanced its ability to analyse motor injury insurance data through the development of a datamart. The project delivers an improved reporting and benchmarking capability to support decision making. | |

|  |  |
| --- | --- |
| **Automated Testing** | |
| **COMPLETION DATE** | May 2018 |
| **FINAL COST** | $184,063 |
| The Insurance Commission established an automated testing regime for software used by the business. Automated testing allows early identification of software defects, reduces the time taken for new system deployment and extends the utility of existing systems. | |

6.3 Governance Disclosures

**6.3.1 Employment and Industrial Relations**

The Insurance Commission operated below the full-time equivalent (FTE) budget throughout the year, and as at 30 June 2018, the total FTE count was 342.9.

Other than the Chief Executive, the Insurance Commission’s workforce is employed under the *Insurance Commission of Western Australia Act 1986*. Remuneration and other working conditions are determined by the Insurance Commission, subject to the Government Officers (Insurance Commission of Western Australia) Award 1987 and the Government Officers (Insurance Commission of Western Australia) General Agreement 2017.

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

*Infographic – Workforce Diversity*

Women 61%

Men 39%

Indigenous Australians 1.1%

People with disability 3%

Youth 3.8%

Cultural diversity 24%

Women in leadership 39%

Staff Profile

The Insurance Commission’s human resource planning process is aligned with the objectives set out in our Statement of Corporate Intent (SCI) and Strategic Development Plan (SDP).

A Workforce and Diversity Plan that is linked to the SCI and SDP forecasts internal labour demand and supply, together with strategies to ensure the right people are recruited with the right skills when the business requires them.

The Insurance Commission aims to attract, retain and develop a diverse and talented workforce, focusing particularly on increasing the representation of women in senior leadership roles, Indigenous Australians and the youth cohort – areas where improvement in workforce diversity is required.

The Insurance Commission participated in the public sector’s Voluntary Targeted Separation Scheme (VTSS) with 53 employees (13% of the workforce) accepting offers of voluntary severance.

Workforce Development

The Insurance Commission’s structured learning and development strategies are designed to equip employees with the required skills and knowledge to effectively undertake their current roles and develop their capabilities for career advancement.

The Insurance Commission runs its workforce development program across three levels: all staff, leadership group and people managers.

A second intake of employees during the year into a formal mentoring program also enhanced employee talent identification and development while supporting workforce diversity initiatives.

Technical and compliance training for the insurance claims officer cohort continues to be an important focus for the insurance divisions.

The Executive Committee undertook a review of the Insurance Commission’s corporate culture and employee values during the year. The corporate culture was reset with an increased emphasis on high performance and innovation, and a stronger focus on customers and stakeholders. Employee values were also refreshed to support the desired cultural shift. Encouraging progress has been achieved and the subsequent findings and recommendations from the Service Priority Review of the Public Sector reinforced the direction of the Insurance Commission’s cultural change program.

Workforce Diversity Initiatives

The Insurance Commission continued to progress initiatives during 2018 to increase the representation of women in senior leadership roles and improve the recruitment and retention of the youth cohort. These initiatives are promoted by an internal Talent Identification Committee and the Human Resources section. Key activities and outcomes achieved in 2018 were:

**Women in Leadership**

* Increased the number of females in leadership roles to 39% from 35% achieved the prior year.
* Improved succession planning so that at least 40% of senior positions have a female and male successor.
* Delivery of women in leadership training to 21 aspiring leaders.
* Delivery of a second formal mentoring program for 16 mentees of whom 50% are female.
* Further promotion of development opportunities across the organisation.
* Continued redaction of references to gender in resumes to reduce unconscious bias. This contributed to females representing 74% of all candidates assessed as being suitable and recommended for advertised vacancies.

**Youth**

* Increased the youth cohort to 3.8% from 2.2% achieved the prior year.
* Continued the graduate program, which gives candidates the opportunity to rotate through different areas of the organisation.
* Revised the recruitment process so that selection panels are informed of diversity outcomes being sought from the process, including increasing our youth cohort.
* Supported youth traineeship programs.

6.3.2 Board and Committee Remuneration and Attendance

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **POSITION** | **NAME** | **BOARD ATTENDANCE AT 8 MEETINGS** | **AUDIT AND RISK COMMITTEE ATTENDANCE AT 7 MEETINGS** | **GROSS ANNUAL REMUNERATION\*** |
| Chairman, Member of Audit and Risk Committee | Frank Cooper AO | 8 | 5 | $98,273 |
| Deputy Chairman, Chairman of Audit and Risk Committee | John Scott | 8 | 7 | $73,696 |
| Commissioner, Member of Audit and Risk Committee | Andrea Hall | 8 | 7 | $49,137 |
| Commissioner | Carol Dolan # | 8 | - | $49,137 |
| Commissioner | Rob Bransby # | 8 | - | $49,137 |
| Commissioner | Yasmin Broughton # | 8 | 4 | $49,137 |
| Chief Executive, Commissioner *ex officio* | Rod Whithear | 8 | 7 | $393,445 |

\* Includes superannuation and Fringe Benefits Tax.

# Not a member of the Audit and Risk Committee.

6.3.3 Compliance with Public Sector Standards and Ethical Codes

The Insurance Commission recognises the value of strong governance and is committed to proactive and prudent risk and compliance management in the performance of its functions.

An Audit and Risk Committee assists the Board of Commissioners to monitor and oversee risk and compliance activities. An Internal Audit function provides assurance of the risk management approach adopted by Management and independently reviews risk mitigation actions in key operational areas. An External Audit function provides another level of assurance on risk and compliance management.

The Insurance Commission recognises ISO 31000 and ISO 19600 as providing guidance on best practice risk and compliance management, and seeks to align its approach to those standards.

During the year, the Insurance Commission continued to develop its risk and compliance management capability. This included an increased focus on strategic and annual planning and accountability, refinement of its risk appetite statement and improved proactive management of risks to support strong performance.

Further risk information is available in Note 6 of the Financial Statements.

Existing controls provide reasonable assurance of compliance with public sector standards and ethical codes. The Insurance Commission’s Code of Conduct (Code) is integrated into its induction program and available to staff through an intranet. Awareness training is undertaken for key aspects of the Code, including Accountable and Ethical Decision Making training.

During the year, there were no claims received for breach of the Public Sector Standards.

Supporting the disability sector

The Insurance Commission sponsored the inaugural Excellence in Innovation Award at the 2018 WA Disability Support Awards to promote innovation in the care sector with the aim of increasing the independence of its clients.

The Insurance Commission presented Koondoola therapist, Ms Holly Bridges, the inaugural Excellence in Innovation Award at the 2018 WA Disability Support Awards.

Ms Bridges won the award for her neuroplasticity work that helps people with disabilities improve their physical and social presentations.

The three other finalists for the Excellence in Innovation Award were the AT Chat Team from the Independent Living Centre WA, the ROAM Project Team from VisAbility and Therapy Professional Services – Children’s Services from Rocky Bay.

6.3.4 Disability Access and Inclusion

The Insurance Commission is committed to increasing awareness of access and inclusion issues and improving our services to the community.

Our Disability Access and Inclusion Plan (DAIP) 2014-17 provides the framework and practical strategies to improve access and inclusion for people with disability who engage with our organisation and its services.

During the year, the Insurance Commission commenced development of its new DAIP for 2018 to 2022. The Plan has an increased focus on services we provide to people with disability and seeks to improve employment outcomes for people with disability.

In 2018, the Insurance Commission partnered with National Disabilities Services WA to create the ‘Excellence in Innovation Award’ at the WA Disability Support Awards (see above).

The seven DAIP outcomes and our 2018 strategies against each outcome are 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**

All training venues utilised by the Insurance Commission are accessible.

Two community workshops were held at National Disability Services WA for providers of care and support services to people with catastrophic injuries within the Catastrophic Injuries Support (CIS) scheme.

**Outcome 2: People with disability have the same opportunity as other people to access the buildings and facilities of the Insurance Commission.**

**Action**

Upgraded key building facilities to improve access including:

* Universal accessible meeting room installed.
* Toilets for people with disability upgraded to comply with access requirements.
* Installation of automatic swing and sliding doors for numerous meeting and other rooms to improve access.

**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**

The Insurance Commission website meets WCAG 2.0 standards and accessibility guidelines. The website has a disability access audit tool for checking content for compliance with these standards and guidelines. Information and documents are available in alternative formats on request.

**Outcome 4: People with disability receive the same level and quality of service as other people from Insurance Commission employees.**

**Action**

Presentations provided by claimants and service providers to our staff to improve customer service, increase awareness of access and inclusion challenges, and highlight key trends and impacts on our business.

Insurance Commission employees participated in the Wheelchair Challenge during the year, organised by Rebound WA, to improve understanding of the access needs and challenges of people with disability to assist in providing better services.

A customer service program conducted for employees of the Motor Injury Insurance Division to enhance our service delivery and improve outcomes for stakeholders.

**Outcome 5: People with disability have the same opportunities as other people to make complaints to the Insurance Commission.**

**Action**

The Complaints Handling Policy and Procedure was reviewed in accordance with Australian Standards and industry best practice. Complaints can be made via website, phone, email or face to face.

The Insurance Commission website is accessible via mobile devices and screen readers.

**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**

Hosted two community workshops for service providers of the CIS scheme. All service providers were invited to provide feedback on the performance of the scheme and identify areas for continued improvement.

**Outcome 7: People with disability have the same opportunities as other people to obtain and maintain employment with the Insurance Commission.**

**Action**

Continued to improve education of recruitment and selection panels to increase employment outcomes for people with disability.

Provided trainee employment opportunities for youth with disability.

Ongoing support services provided to employees with disability.

6.3.5 Recordkeeping Plan

The Insurance Commission maintains a Recordkeeping Plan approved by the State Records Commission. The Recordkeeping Plan sets out the recordkeeping system, training program and reporting for the organisation. Recordkeeping training continues to be undertaken by all new staff via an induction program which details employee roles and responsibilities for compliance with the organisation’s Recordkeeping Plan. The Insurance Commission’s intranet houses the Recordkeeping Plan and related documentation. Routine reporting is undertaken on the performance of recordkeeping systems and training delivered.

**6.3.6 Substantive Equity**

Our employment practices align with the PSC’s Employment Standards and are designed to be transparent and based on the principles of merit and equity.

**6.3.7 Use of Credit Cards**

There have been no instances in 2018 of Insurance Commission credit cards being used for personal use.

**6.3.8 Occupational Safety and Health**

The Insurance Commission has a longstanding high level commitment to maintain a positive safety culture in which our Occupational Safety and Health (OSH) systems do more than just aim for compliance.

Our OSH goal is to ensure no employee, contractor or visitor is harmed at work. An independent auditor was appointed to undertake an assessment of the Insurance Commission’s OSH policies and programs against the WorkSafe Plan. The Auditor assessed the Insurance Commission as operating at the ‘Platinum’ Level recognising the long-term strategic approach to managing our OSH requirements which exceed the legislative responsibilities. It also reflects a positive OSH culture and high levels of employee engagement. However, it is acknowledged that a sustained focus on office ergonomics and hazard identification is required if we are to achieve our goal of no injuries at work.

The Insurance Commission’s OSH Committee performs an important role providing a forum for employees to be engaged on OSH matters.

Six workers' compensation claims were lodged during the year. Three of these are pending a decision on liability by our insurer, two resulted in lost time and there was one with no lost time. Injured employees are supported in their return to work under the *Workers’ Compensation and Injury Management Act 1981.*

Performance against the targets of the PSC’s Circular 2018-03: Code of Practice: OSH in the WA Public Sector is listed below.

***Occupational Safety and Health Reporting***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Actual Results** | | | **Results Against Target** | |
| **Measure** | **2016** | **2017** | **2018** | **Target** | | **Comment on Result** |
| Number of fatalities | 0 | 0 | 0 | 0 | | Achieved |
| Lost time injury and/or disease incidence rate | 0.86 | 0.27 | 0.58 | 0 or 10% reduction | | Not achieved |
| Lost time injury and/or disease severity rate | 0 | 0 | 0 | 0 or 10% reduction | | Achieved |
| Percentage of injured workers returned to work:  (i) within 13 weeks  (ii) within 26 weeks | 100% | 100% | 50% | Actual Result | | - |
| 100% | 100% | 50% | Greater than or equal to 80% within 26 weeks | | Not achieved |
| Percentage of managers trained in OSH and injury management responsibilities | 49% | 88% | 78% | Greater than or equal to 80% | | Not achieved |

**6.3.9 Market Research and Advertising Expenditure**

The Insurance Commission incurred $47,601 expenditure in 2018 to advertise job vacancies, motor injury insurance premium rates and the sale of a commercial office building. Expenditure was also incurred to survey RiskCover customers and to direct people injured in vehicle crashes to the Insurance Commission’s website to make a claim.

***Market Research and Advertising Expenditure***

|  |  |  |
| --- | --- | --- |
| **Type** | **Organisation** | **Total** |
| **Advertising Agencies** | **Adcorp and State Law Publisher** | **$6,747** |
| **Media Advertising** | **Carat and Sensis** | **$24,964** |
| **Market Research** | **Painted Dog Research** | **$15,890** |
| **Total** | | **$47,601** |

\* No expenses incurred for polling or direct mail organisations.

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1. The year ended 30 June 2018 is referred to herein as 2018. Similar terminology applies for other years referred to in this Annual Report. [↑](#footnote-ref-1)