

Annual Report 2019

Insurance Commission

of Western Australia

**Welcome to the 2019 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 2019[[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 2019.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006,* the *Insurance Commission of Western Australia Act 1986,* and a resolution of the Board of Commissioners of the Insurance Commission, passed on 11 September 2019.

**Frank Cooper AO Rod Whithear**

Chairman Chief Executive

11 September 2019 11 September 2019

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1. Introduction
   1. Chairman’s Report

This annual report for the Insurance Commission sets out our performance for the financial year ended 30 June 2019.

Along with the rest of the Board, I would like to acknowledge the efforts of the employees and executive team who continue to deliver efficient and effective insurance services for Western Australian motorists and Government agencies.

In 2019, the Insurance Commission reported a profit after tax of $203.8 million. Despite declines in investment markets in the first half of the year, the Insurance Commission’s investment portfolio returned 7% for the full year.

Total assets held to offset insurance liabilities were $5.9 billion at 30 June 2019.

**Delivering Value**

The Insurance Commission recognises the importance of its role as a Government Trading Enterprise to deliver financial services to customers at the same time as returning value to its shareholder (the Western Australian Government, represented by the Treasurer).

I am pleased to report the Insurance Commission delivered solid results against both these outcomes during the year.

We provided motor injury insurance to 1.9 million motorists in 2019 at rates more affordable than equivalent cover in most other Australian jurisdictions. Over 11,000 injured road users claimed against our insurance policies during the year, and   
$448.5 million was paid to people injured in crashes and the service providers delivering their care and support.

Self-insurance managed by the Insurance Commission this year supported 120,000 state government employees at 111 agencies to deliver critical services to the community. Insurance compensates those agencies and their employees when injury and adverse events occur. During the year, the Insurance Commission paid   
$244.6 million to people working for or with our insured agencies to help them recover from insurable events.

In 2019, the Insurance Commission had total investment assets of $5.5 billion, generating investment income of $350.5 million. We returned $264.9 million in dividends and capital returns to the shareholder, in addition to paying $87.7 million in insurance duty and $117.8 million in tax.

I am pleased to report the Insurance Commission also contributed a further   
$124.3 million towards reducing State Net Debt in 2019. The reduction in State Net Debt is measured by the consolidation of Insurance Commission finances in whole-of-government financial reporting.

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

Sincerely



**Frank Cooper AO**

Chairman

* 1. Chief Executive’s Report

It is my pleasure to present our 2019 performance results to our shareholder, the Western Australian Government, and our wider community of customers and stakeholders.

**Headline View**

The profit before tax for the Insurance Commission’s total operations was   
$303.7 million. The Insurance Commission’s core profit before tax was $272.9 million in 2019, which was $67.7 million better than budget. The RiskCover Fund, which is managed by the Insurance Commission on behalf of the Western Australian State Government, recorded a profit of $30.8 million.

We generated more than $1.5 billion in revenue and earnings in 2019.

Our insurance businesses received over 30,600 new claims during the year.

In 2019, we made payments of $703.4 million to individuals, service providers and agencies associated with claims for injury, loss and damage. We estimate the need to pay over $3.3 billion in the future for all the claims on our books as at   
30 June 2019.

The Insurance Commission’s total operations delivered an underwriting loss of   
$58.2 million. This underwriting loss was mainly caused by a decline in discount rates (based on declining Government Bond rates) resulting in an increase in outstanding liabilities (future claims costs), and higher expenses as a result of Government’s commitment to address historic child sexual abuse claims. The cost of these abuse claims are met by the State Government and the RiskCover Fund.

The Insurance Commission delivered a core underwriting loss of $34.7 million compared to a forecast underwriting profit of $7.5 million. The RiskCover Fund recorded an underwriting loss of $23.5 million.

The total value of assets held by the Insurance Commission was $5.9 billion at   
30 June 2019.

The Insurance Commission’s investment portfolio delivered a gross return of 7% for 2019. A 7% return is pleasing given that we had recorded an investment loss of   
$167 million at 31 December 2018. Investment markets rebounded sharply from the beginning of the 2019 calendar year, resulting in a turnaround of $517.5 million for our full investment portfolio. Total investment income received for the year was $350.5 million.

The Insurance Commission contributed $264.9 million to Government in 2019 in dividends and RiskCover Fund return of capital payments. This included amounts that relate to 2018.

As a result of our positive 2019 financial results, we are also able to return capital of $69.5 million from the RiskCover Fund to Government. This return of capital is provided for in the RiskCover Fund’s 2019 financial statements and will be paid in September 2019. The final 2019 dividend for the Insurance Commission will be declared towards the end of the 2019 calendar year.

The Insurance Commission has contributed $795.7 million to Government in dividend and return of capital payments over the past five years, and $2.2 billion in net debt reduction.

The Insurance Commission has delivered the above results while keeping its operating costs flat. Pleasingly, our administration costs of $56.3 million for 2019 are comparable to our 2012 costs of $56.0 million.

**Product Affordability**

The Insurance Commission continues to provide a motor injury insurance product that is more affordable than most comparable products in Australia. Over three-quarters (77.2%) of the vehicles on Australian roads are registered in jurisdictions where the motor injury insurance premium for a family vehicle varies from $532 to $569 (Victoria, New South Wales, Northern Territory and the Australian Capital Territory). I am pleased to report the cost of Western Australia’s motor injury insurance was $444 in 2019.

We have also maintained affordable insurance product pricing for the 111 WA Government agencies covered by our self-insurance arrangements. Fund contributions charged to agencies are at their lowest level since 2012 at   
$288.2 million in 2019. That is an excellent result considering the breadth of cover provided to agencies has been extended significantly over that time.

**Culture**

The Insurance Commission delivers insurance services to almost two million motorists, agencies and companies.

As a financial services organisation, we pay close attention to public and commercial sector issues that are relevant to our operations and customers. This includes assessing our operations against topical matters such as the Australian Prudential Regulation Authority reviews of governance, accountability and culture, and the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations. Those assessments reinforce the effectiveness of our operations.

The final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, delivered in February 2019, identified the need for improvements in corporate culture across the commercial financial services sector.

A strong organisational culture has long been recognised by the Insurance Commission as integral to ‘how we do business’. In 2017, we set out on a cultural transformation program to define, and move towards, our desired corporate culture. We are committed to a high performance culture that values accountability, professional integrity and respect. This annual report contains multiple examples of our actions to achieve that goal.

The effectiveness of the cultural transformation program is measured in part through annual employee engagement and culture surveys. The 2019 survey reported a desired shift to a more innovative, market-focused and less process-driven culture.

The survey results also reflect the high commitment and engagement levels of our employees. Insurance Commission staff are highly motivated to improve the efficiency of some our longer-standing business processes, so they can spend more time on claims management rather than basic claims administration.

The motivation of our employees for change is also evident in the feedback received in the many workshops held, and improvement suggestions reviewed, by the Executive. We recognise that the makeup of our workforce influences its culture, so we continue to strive for a diverse and talented workforce that best represents the community it serves.

We still have a significant amount of work ahead to transform the organisation into the contemporary financial services entity we aspire it to be.

We aim to implement technological and operational reform to achieve efficiency gains in our longer-tail personal injury insurance claims areas that are observed in the private health insurance sector. Material progress towards achieving these efficiencies is expected to be made in 2020.

I want to thank our employees for their ongoing efforts to deliver quality services to our customers, and for their commitment towards our cultural and business transformation programs. I would also like to acknowledge the Board and the Executive for their leadership and support during 2019.

Sincerely



**Rod Whithear**

Chief Executive

1.3 Performance Highlights

|  |  |  |
| --- | --- | --- |
| Third Party Insurance Fund | Motor Vehicle (Catastrophic Injuries) Fund | RiskCover Fund  (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 Fund** |
| **Profit/(Loss) Before Tax** | $272.9m | $210.8m | $56.1m | $30.8m |
| **Premium Revenue** | $797.6m | $604.0m | $193.5m | $288.2m |
| **Underwriting (Loss)/Profit** | ($34.7m) | ($16.5m) | $15.2m | ($23.5m) |
| **Total Assets** | $5.9b | $4.0b | $695.4m | $939.1m |
| **Total Equity** | $1.4b | $1.2b | $108.2m | $243.5m\* |
| **Solvency** | 132% | 143.3% | 118.4% | 135%\* |
| See the Financial Statements for the performance of other Funds.  \*RiskCover Fund’s Total Equity was $313 million with a Solvency Level of 150% prior to the provision for a Return of Capital of $69.5 million. | | | | |

Customers

**2,910,027** total insured vehicles

**1,857,107** total insured drivers

**111** total government agencies covered

**119,825** total government employees covered

**$55b** total value of government assets covered

Insurance Claims

including RiskCover Fund

**30,628** Total New Claims

**$703.4m** Total Paid

Contribution to the State in 2019

Net Debt Reduction - $124.3m

RiskCover Fund Return of Capital^ - $162.3m

Tax Paid - $117.8m

Dividends\* - $102.6m

Insurance Duty - $87.7m

^RiskCover Fund Return of Capital payments commenced in 2017. The amounts paid are in respect of the previous financial year

\*Paid from the Third Party Insurance Fund

Contribution to the State 2015 to 2019

**$2.2b**

Five-Year Net Debt Reduction

**$1.5b**

Five-Year Payments to Government^

^Dividend, RiskCover Fund Return of Capital, tax and duty

2. Overview

2.1 Who We Are

The Insurance Commission of Western Australia is a Government Trading Enterprise and a statutory corporation owned by the Government of Western Australia.

Its enabling legislation is the *Insurance Commission of Western Australia Act 1986*.

The Insurance Commission administers the *Motor Vehicle (Third Party Insurance) Act 1943* and the *Motor Vehicle (Catastrophic Injuries) Act 2016*.

The responsible Minister is the Hon. Ben Wyatt MLA, Treasurer; Minister for Finance; Aboriginal Affairs; Lands.

2.2 What We Do

The Insurance Commission is primarily responsible for:

* underwriting and managing motor injury insurance;
* assessing and managing the risk and cost of claims made against the RiskCover Fund, 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 and liability matters.

The Insurance Commission manages and underwrites the following:

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

The Insurance Commission also manages but does not underwrite the:

* RiskCover Fund;
* Government Insurance Fund;
* Employers’ Indemnity Supplementation Fund (on behalf of WorkCover WA);
* Former Police Officers’ Medical Benefit Scheme (on behalf of WA Police Force); 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 for government agencies;
* 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 Government on insurance and liability 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.

**Enhancing the customer experience**

The Insurance Commission recognises the importance of ensuring its services are delivered to customers efficiently, effectively and in a contemporary manner.

In the past 12 months, the following customer-focused projects were progressed:

* Online claim initiation.
  + People injured in vehicle crashes had to call the Insurance Commission to obtain a paper claim form. Crash claimants can now use the existing Online Crash Reporting Facility to make an injury insurance claim.
  + Government agencies can submit a claim online for workplace accidents by using the eClaims system. Online claims are processed up to three days faster than claims initiated via the traditional paper forms, resulting in reduced administration costs for organisations and more rapid access to treatment for injured workers. As at 30 June 2019, 36 agencies insured by the Insurance Commission were using the eClaims system.
* Payment term consistency. An 82% success rate was achieved during the year for valid invoices to be paid within 20 calendar days of the received date. This provides greater payment certainty for service providers. Further work is planned to improve these rates.
* Electronic payments. Significant and overdue gains were achieved during the year to convert service provider payments from cheque to Electronic Funds Transfer (EFT). Ninety-four per cent of payments to service providers during 2019 were made via EFT. In 2014, only 45% of payments were made via EFT and 55% via cheque. Payments via EFT are processed more quickly at a lower transactional cost.

2.4 Operational Structure

The Insurance Commission delivers services through four primary functions and groups:

1. Motor Injury Insurance;
2. Government Insurance;
3. Investments; and
4. Corporate Support.

2.4.1 Motor Injury Insurance Division

The Insurance Commission is the sole underwriter of motor injury insurance in 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 insurance cover against the cost of medical treatment, compensation and legal action, if a claim is made against them by an injured party in a motor vehicle crash.

The policy also provides cover for the cost of care for any person catastrophically injured in a crash in WA who is unable to establish the fault of another driver.

The policy is issued to motorists along with their vehicle licence (known as registration or colloquially as “rego”) by the Department of Transport and its agents, who collect premium payments on behalf of the Insurance Commission.

At 30 June 2019, there were approximately 2.9 million registered motor vehicles in WA (including 549,976 registered caravans and trailers).

*Registered vehicles in Western Australia at 30 June 2019*

* Cars 1,598,606
* Caravans and trailers 549,976
* Goods vehicles 506,291
* Farm vehicles and others 127,858
* Motorcycles 127,296

Motor injury insurance includes Compulsory Third Party (CTP) and Catastrophic Injuries Support (CIS) cover.

The Insurance Commission has delivered CTP insurance in WA for over seven decades, providing compensation to people injured in vehicle crashes. The Insurance Commission also provides CIS insurance to meet the lifetime care costs of people catastrophically injured in vehicle crashes in WA.

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

Compulsory Third Party Scheme

A person injured as a consequence of the negligent driving of a Western Australia-registered motor vehicle anywhere in Australia is able to pursue a claim for personal injury compensation under the CTP scheme. The Insurance Commission compensates people for the cost of injuries sustained where a driver injures another person, including:

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

The Insurance Commission also incurs costs for claims management expenses, including the cost of legal action (if any) on a claim.

In addition, the Insurance Commission pays claims costs for people injured in ‘hit and run’ vehicle crashes as part of its role as a ‘Nominal Defendant’ under the *Motor Vehicle (Third Party Insurance) Act 1943*.

Catastrophic Injuries Support Scheme

Any person that is catastrophically injured in a crash (from 1 July 2016) involving a WA-registered vehicle, 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 for CIS services and scheme administration costs.

Indian Ocean Territories Motor Injury Insurance Scheme

The Insurance Commission, on behalf of the Commonwealth Government, manages the Indian Ocean Territories Motor Injury Insurance Scheme, on a fee-for-service basis.

2.4.2 Government Insurance Division

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

The Division’s core responsibilities include insuring the assets and liabilities and managing the claims made against government agencies in the RiskCover Fund.

RiskCover Fund

The RiskCover Fund is the self-insurance arrangement for WA Government agencies. The fund 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 the RiskCover Fund. The GIF is in run-off and the Insurance Commission manages claims received against it on behalf of the WA government.

The 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 made 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 (that are 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. The Insurance Commission’s own assets are held within the ICGF.

WorkCover WA Funds

WorkCover WA is responsible for 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 Government Insurance Division also manages claims lodged against WorkCover WA’s General Account, mainly for injured workers of uninsured employers.

Former Police Officers’ Medical Benefit Scheme

Former Police Officers and Aboriginal Police Liaison Officers who sustain work-related injury or disease during service and have since left the WA Police Force can claim for medical and other expenses under the *Police (Medical and Other Expenses for Former Officers) Act 2008*.

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 engages the Insurance Commission to manage claims on behalf of the WA Police Force.

2.4.3 Investments

The Insurance Commission invests in assets to meet its insurance liabilities in line with prudential guidelines approved by the Treasurer.

The Insurance Commission’s investment objectives for 2019 were to:

* achieve an investment performance target of the Consumer Price Index (CPI) plus 3% (Main Fund) and CPI plus 3.25% (MVCIF) annualised over rolling seven-year periods;
* achieve a rate of return for each asset class that exceeds the relevant performance benchmark over rolling three-year periods;
* maintain a sufficient level of liquidity to meet insurance payments; and
* assist the Insurance Commission maintain a fully-funded position.

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

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

2.4.4 Corporate Support

The two insurance divisions (Motor Injury Insurance and Government Insurance) 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 settlement recovery efforts, 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 the insurance operations. Business Services assists the organisation deal with the volume of interactions with stakeholders (see below).

*Incoming Communications for 2019*

* 3 million emails, phone calls and claims documents received in 2019 (11% increase in external communications since 2018):
  + 160,000 phone calls
  + 1.5 million emails
  + 1.3 million claims documents

2.4.5 Stakeholder Engagement

The Insurance Commission regularly engages with its stakeholders to improve awareness of its insurance products and services, to contribute to policy matters impacting its operations and to provide professional development opportunities for employees.

The enhanced engagement efforts of the Insurance Commission over the past year are part of a strategic shift to develop a more external-facing culture, better service customers and be active participants in changes in its external environment.

An example of enhanced engagement during 2019 is the effort to increase awareness of the CIS scheme among trauma and allied health staff at Fiona Stanley and Joondalup hospitals. Staff at those hospitals often notify the Insurance Commission about people who may be catastrophically injured and eligible for care services under the CIS scheme. They liaise with the Insurance Commission’s care services team about the discharge and rehabilitation of injured clients.

Other examples of Insurance Commission engagement during 2019 are listed on the next page.

|  |  |  |
| --- | --- | --- |
| **Engagement Subject and Event** | **Presented** | **Chaired** |
| Search for Commercial Purpose: Australian Insurance Law Association |  |  |
| Young Public Speaking Competition: Australian Insurance Law Association |  |  |
| WA Parliamentary Inquiry into WA’s Automotive Smash Repair Industry |  |  |
| Public Sector Governance Forum |  |  |
| Catastrophic Injuries Support Scheme Two Years In: Personal Injury and Disability Management National Conference |  |  |
| Climate Change / Parametric Insurance: Australian Insurance Law Association National Conference |  |  |
| Insurance and Autonomous Vehicles: Australian Insurance Law Association National Conference |  |  |
| Road Safety Strategy Renewal – Delivering Zero: Regional (Bunbury) - Research Forum |  |  |
| Consulting the Crystal Ball – 2019 Emerging Issues: Australian Insurance Law Association |  |  |
| Perth launch of National Road Safety Week |  |  |
| Resilience – Governance and Risk Management Forum: Governance Institute of Australia |  |  |
| Can Technology Save Capitalism: Insurance Investment Forum 2019 |  |  |
| CIS Scheme: Fiona Stanley Hospital and Joondalup Hospital |  |  |
| ICWA-funded Brightwater continence research project:   * World Congress on Brain Injury * ASSBI/NZRA Inaugural Trans-Tasman Conference * Annual Continence Foundation, WA State Conference * Occupational Therapy Australia National Conference | ✓  ✓  ✓  ✓ |  |

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

* increase the independence of individuals injured on the road and at work;
* reduce effort for carers and burden on families;
* promote road safety to reduce vehicle crashes and road trauma, leading to fewer insurance claims incurring lower costs; and
* keep insurance premiums affordable for WA drivers and Government agencies.

**Belt Up Road Safety Campaign**

The Belt Up campaign supports grass-roots community sport in WA as a mechanism to educate people to wear seat belts and minimise the risk and cost of injury in a crash. The Insurance Commission has supported and funded the campaign since 1997.

Netball WA is a Belt Up partner. During the year, it held its annual NAIDOC Netball Carnival – one of the largest indigenous sporting events in Australia – involving over 110 teams and more than 3,000 people. As an Insurance Commission initiative, a competition was held among the netball community to design a NAIDOC-themed, Belt Up-branded netball for the event. An indigenous Narrogin school student won the competition with her design featuring emu and kangaroo footprints and the Aboriginal symbol for meeting places.

Every year people continue to be killed or seriously injured on WA roads as a result of not wearing a seat belt (71 in 2018) with a higher incidence among young men in regional areas. However, from 2007 to 2017, there was an 80% reduction in the number of people killed or seriously injured who were not wearing a seat belt on Western Australian roads (Road Safety Commission). Despite the improvement, in recent years nearly a fifth of all fatalities on Australian roads involve no seat belt being worn (Transport Accident Commission). The fact remains that you are 10 times more likely to be killed in a road crash if you’re not wearing a seatbelt in a car.

A serious injury can significantly reduce someone’s independence and cost the Insurance Commission millions of dollars in claims expenses. Therefore, there remains an ongoing need for initiatives like the Belt Up campaign to ensure road safety gains are not lost.

Improving client independence

The Insurance Commission spends around $3.8 million annually across its CTP and CIS schemes for carers to assist injured people use the bathroom.

In 2019, the Insurance Commission-funded continence research project with Brightwater Care Group concluded. It examined and trialled assistive toileting technologies for people with acquired brain injuries.

The research aimed to see if technology or a service delivery approach could reduce the number of carers involved with the toileting process. This would increase the independence of the individual and reduce the amount and cost of care required.

The key findings of the research were that the development and implementation of a continence management plan and provision of assistive toileting products and technology:

* reduced toileting care hours of an estimated 4.3 hours (or $633) per client per week;
* reduced the average daily cost of consumable continence products over the study period of $9.91 per client per day; and
* improved client independence and dignity in activities of daily living.

Further work is planned to communicate the results of this research and embed the enhanced continence management processes into the care plans of other Insurance Commission clients with continence difficulties.

**Allied Health Research**

During the year, the Insurance Commission announced $200,000 in research funding for WA physiotherapists and occupational therapists to improve client independence, reduce claims costs and lessen the burden on carers and families.

In 2019, the Insurance Commission paid for over 110,000 physiotherapy and occupational therapy sessions for claimants across its motor injury insurance and workers’ compensation schemes.

The successful applicants for the funding will be announced next year.

*Insurance Commission Key Stakeholders*

* **Claimants**
  + Individual, agency or company suffering injury, loss or damage that is covered by the Insurance Commission
* **Policyholders**
  + Vehicle owner
  + WA government agency
  + Non-government entity
* **External Providers**
* Health professionals and hospitals
* Lawyers
* Assessors
* Reinsurers
* Builders and repairers
* **Internal to Government**
  + Employees and Board
  + Treasurer
  + WorkCover WA
  + Department of Treasury
  + Department of Transport
  + Other government agencies

**Stakeholder Feedback**

The Insurance Commission recognises the importance of stakeholder feedback to help it continuously enhance service delivery. Its stakeholders include over 30,000 new claimants annually, 111 agencies, policyholders, service providers and the WA government.

Feedback is provided via:

* a public website form;
* employee intranet form;
* phone, email or letter;
* Insurance Commission social media;
* in person;
* claimants’ local Member of Parliament; or
* the Treasurer, as minister responsible for the Insurance Commission.

During 2019, feedback processes were enhanced to:

* simplify the process of giving feedback;
* enable employees to record feedback delivered via email or telephone; and
* make provision for data and trend analysis of stakeholder feedback.

A new Stakeholder Feedback Policy was published on the Insurance Commission website to explain how to give feedback and how it will be responded to. Additional customer service training was also delivered to staff.

As a result of these changes, there was a 162% increase in the volume of feedback received during 2019 (60 complaints and 45 compliments) compared to last year. Feedback related to motor injury insurance (70%), government insurance (27%), and other areas of Insurance Commission functions (3%).

Most complaints were about dissatisfaction with insurance processes, such as:

* complexity of the claims process;
* length of time to finalise a claim; and
* decisions not to fund certain items (pre-existing injuries, unnecessary and unreasonable care costs are excluded).

Most compliments highlighted the high level of customer service and compassion claimants experienced dealing with Insurance Commission employees.

While the number of complaints is very low (0.6%) when compared to the 1.9 million policyholders and 30,000 claimants serviced annually by the Insurance Commission, further service delivery improvements will continue to be delivered.

2.5 Governance

2.5.1 Board of Commissioners

The Insurance Commission’s Board governs and oversees the organisation’s functions and duties under the *Insurance Commission of Western Australia Act 1986*.

The Chief Executive, who is a Commissioner ex officio, is responsible for the day-to-day management of the Insurance Commission.

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

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

**Australasian Reporting Awards**

The Insurance Commission received a silver award for its 2018 annual report during the year at the Australasian Reporting Awards (ARA). The ARA reviews annual reports of public and private sector organisations across Australia.

The 2018 annual report had an enhanced focus on claimant case studies and use of data and analytics to explain operational performance, which should help make insurance more understandable for readers.

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;
* provide timely, equitable and efficient RiskCover Fund 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 premium rates 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 Fund agencies;
* a RiskCover Fund 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 2019, this fee was $4.33 per transaction. The total amount paid to DoT in 2019 was $26 million.

The partnership between the Insurance Commission and DoT provides WA motorists with a ‘one-step’ process to licence their vehicle and purchase motor injury insurance in a convenient 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, the Insurance Commission also manages claims lodged against WorkCover WA’s General Account.

Western Australia Police Force

**Online Crash Reporting**

The Online Crash Reporting Facility (OCRF) is a joint initiative of the Insurance Commission and the WA 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 an insurance claim, saving customer/claimant time and police resources.

As well as providing a more efficient, convenient and customer-focused means to report 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 WA and the Road Safety Commission.

The Insurance Commission is not aware of any other Australian jurisdiction having an online crash reporting facility.

**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 profit before income tax (excluding RiskCover Fund) was $272.9 million in 2019, which was $67.7 million better than budget. The profit after income tax (excluding the RiskCover Fund) was $203.8 million.

In 2019, the Insurance Commission received over $1.2 billion in total revenue and earnings (excluding the RiskCover Fund). Premium revenue in 2019 increased by   
$28.0 million to $797.6 million.

The Insurance Commission delivered an underwriting loss of $34.7 million compared to a forecast underwriting profit of $7.5 million. This underwriting loss was caused by the decline in discount rates (based on Government Bond rates) resulting in an increase in outstanding liabilities (future claims costs) and $22.8 million in additional claims costs against the Government Insurance Fund, as a result of the Government’s commitment to address historic child sexual abuse claims. The cost of these abuse claims will be met by the State Government.

Claims payments increased by $53.8 million in 2019 to $458.7 million, as a result of a higher number of new Compulsory Third Party compensation claims and large loss claims finalised compared to 2018.

The Insurance Commission’s investment portfolio delivered a gross return of 7.0% for 2019. This return reflects total investment returns for two investment funds, the Main Fund and the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF). Each fund has an asset allocation designed to meet its insurance liability term profile. The Main Fund and MVCIF delivered returns of 6.9% and 7.8% respectively.

Following a downturn in global investment markets in the first six months of the financial year, the Insurance Commission recorded an investment loss of   
$167.0 million at 31 December 2018. Since then investment markets rebounded sharply with the full investment portfolio delivering a turnaround of $517.5 million. The total investment income for the year of $350.5 million was $73.7 million above the budget of $276.8 million.

The total value of assets held by the Insurance Commission was $5.9 billion at   
30 June 2019.

Outstanding claims liabilities increased by $310.1 million in 2019 to $3 billion. This increase is largely attributed to discount rates (based on Government Bond rates) declining by 1.2%, which added $200 million to outstanding claims costs.

3.1.1 Insurance Commission Key Performance Indicators

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 (per year) 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% investment objective (Main Fund) and CPI plus 3.25% (MVCIF).

\*MVCIF results will be reported after 30 June 2023, due to the 1 July 2016 inception date of that Fund.

**Comment:** The Main Fund investment rolling 7-year return was 9%, above the target estimate of 5.5% and above the actual CPI +3% outcome of 4.6%.

**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, property and cash indices.

**Comment:** The Main Fund's annual investment rate of return for 2019 was 6.9%, above its target of 5.5%. The MVCIF's annual investment rate of return was 7.8%, above its target of 4.8%. Above target performance for each fund was predominantly due to returns in Alternative Assets (15.5%), Global Equities (7.5%), Property (7%) and Fixed Interest (4.3%) all being stronger than forecast. Australian Equities (5.8%) and Cash (2.3%) returns were below the forecast returns.

**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 132% is above the target of 129.2% 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 two) 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 $272.9 million was above the target profit of $205.2 million. Average total assets increased by $339.8 million (6.3%) since 2018, predominantly due to an increase in investment assets accumulated through strong investment returns. The Insurance Commission holds assets to meet current and future claims costs.

**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.

**Comment:** The result of 93.4% is worse than target, driven by net claims incurred being $5.2 million (0.7%) and net premium revenue being $26 million (3.2%) lower than budget.

**Net Expense Ratio (%)**

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

\*Excludes RiskCover Fund administration expenses

**Comment:** The net expense ratio of 11% is worse than the target of 9.3%. This is primarily due to the $15 million negative movement arising from the unearned premium provision being insufficient to meet anticipated future claims, despite other underwriting and administration expenses being 14.5% below target.

**Net Combined Ratio (%)**

This KPI calculates underwriting and administration expenses and net claims incurred as a percentage of net premium revenue. This KPI measures underwriting profitability 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.

\*Excludes RiskCover Fund administration expenses

**Comment:** The net combined ratio of 104.4% is worse than the target of 99.1%. This reflects the Insurance Commission's underwriting loss of $34.7 million compared to the budgeted profit of $7.5 million. The underwriting loss has been driven by a decline in discount rates and the addition of $22.8 million in historic child abuse claims in the Government Insurance Fund (GIF).

**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 measure of the Insurance Commission's efficiency in managing its investments.

**Comment:** The investment management expense ratio for the Main Fund was 0.58% and for the MVCIF was 0.4%. The MVCIF had a lower expense ratio due to the phased implementation of its investment strategy during 2019. Both were below their respective targets for the year, due to lower than expected fees.

3.2 Motor Injury Insurance

**New Claims: 11,300**

**Claim Payments: $448.5 million**

**Division Underwriting Result: $1.3 million loss**

**Increase in CTP Compensation Claims Received: 5.3%**

The Insurance Commission received $797.5 million in motor injury insurance premium revenue in 2019 for 2.9 million insured vehicles.

Premium revenue in 2019 was higher than the $769.5 million collected in 2018.

Compared to the budget of $820.8 million for 2019, premium revenue received was $23.3 million below expectations.

The Insurance Commission managed motor injury claims valued at approximately   
$3.1 billion in 2019, consisting of $448.5 million in claims payments to people injured in crashes (including in prior years) and to service providers, and anticipated future claims expenses of $2.7 billion.

Motor injury insurance claims liabilities increased by $257 million in 2019 reflecting estimated costs of future claims payments. The main reason for the increase in outstanding claims liabilities is the reduction of the discount rates (the rate of return used to discount future cash flows) used in both the Third Party Insurance Fund (TPIF) and the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF).

Claims payments for the year were $57.1 million higher than the $391.4 million paid in 2018. The increase in claim payments is largely a result of the following:

* 5.3% increase in the number of new CTP compensation claims received in 2019 (3,360) compared to 2018 (3,191); and
* more large loss claims (claims over $1 million) finalised at higher values   
  (38 large loss claims were finalised in 2019 at an average cost of $3.8 million, compared to 28 in 2018 at an average cost of $3.2 million).

There was also a 7.8% decrease in the number of minor injury claims received in 2019 (7,920) compared to 2018 (8,588).

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 loss of $16.5 million for 2019 compared to an underwriting profit of $26 million in 2018.

The underwriting loss is mainly the result of a 1.2% reduction in the discount rate used by the actuary to estimate the present value of the outstanding claims liabilities (future claims costs). Discount rates are based on Government Bonds.

The reduction in the discount rate was the key driver for an increase in the outstanding claims liability of the TPIF (estimated cost of future claims), which grew to over  
$2.2 billion at 30 June 2019. The discount rate reduction accounted for $104 million of a total increase of $116 million from 30 June 2018. The discount rate of 1.25% at   
30 June 2019 was at a historic low.

There have been seven underwriting losses recorded in the TPIF in the past ten years but only one in the past three years (the last recorded was a small $5.2 million underwriting loss in 2016).

The Insurance Commission’s pricing approach, covered in Section 4.2.1 of this report, seeks to ensure 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.

The TPIF recorded a profit before tax of $210.8 million, which was $120.4 million lower than the $331.2 million result achieved in 2018. The profit before tax was achieved despite an underwriting loss in the fund, as net investment income received was $227.3 million.

The value of claims payments made from the TPIF to people injured in crashes (including in prior years) and to service providers in 2019 was $439.2 million.

The number of new CTP compensation claims received in 2019 was 3,360, which was 169 (5.3%) more than the 3,191 new claims received in 2018. This is the second time in three years that new CTP compensation claim volumes have increased. Prior to 2016, there had only been one occasion (in 2008) in 14 years where new claims received by the Insurance Commission had increased from the prior year (and that was a marginal increase of 0.5%).

Generally, the average number of CTP compensation claims received has declined by three per cent each financial year. This long-term declining trend follows a similar long-term declining trend of fewer vehicle crashes (over the ten years to 30 June 2018, the number of reported crashes decreased by 24%).

While fewer crashes are occurring and less injuries are arising from those crashes, there has been a 25% increase in the likelihood of a CTP compensation claim being made in 2019 compared to 2013.

The growth in the propensity to claim corresponds with a growth in legal representation by certain law firms of crash claimants, specifically for claims with relatively low compensation values. From 2010 to 2019, the number of such claims that were legally represented doubled. The Insurance Commission is monitoring the impact of these developments on scheme efficiency.

Stephen’s CTP Claim Experience

Stephen\* was injured when his vehicle was struck as he turned right on a green arrow at a Bunbury intersection. He developed shoulder pain, which worsened over time. He was diagnosed with impingement syndrome, which required surgery.

Stephen contacted the Insurance Commission to make a CTP compensation claim. The Insurance Commission paid for his operation, rehabilitation program and compensation for future medical costs.

Stephen provided feedback to the Insurance Commission on his claim experience:

*“My case officers were always efficient, courteous and understanding.*

*“They were also willing to explain the process involved in simple terms that helped with my own decision making.*

*“I recall that on a couple of occasions, the exercise physiotherapist required clarification from the Insurance Commission about my case. I was pleasantly surprised by the speed of their responses, so that treatment could continue without delay.*

*“The professional and kind way in which they handled my case was much appreciated.”*

After 18 months, Stephen fully recovered from his injuries and his claim was finalised.

*\*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 as they were unable to identify another driver at fault in the crash.

The MVCIF recorded an underwriting profit of $15.2 million in 2019, compared to an underwriting profit of $37.6 million in 2018.

The positive underwriting result was due to fewer people being catastrophically injured on the road during 2019, and the resultant lower current and future claims costs.

It is an excellent outcome when fewer people are catastrophically injured on the road. The number of people catastrophically injured on the road can vary significantly from year to year. One reason for this is the fine line between being killed or catastrophically injured in a crash. The average annual number of people killed in crashes on WA roads over the last five years is 205.

In 2019, the Insurance Commission managed CIS claims valued at $437 million ($427.7 million estimated for future claims costs and $9.3 million paid for care and support for scheme participants). Outstanding claims liabilities increased by   
$140.5 million in 2019.

The MVCIF delivered a profit before tax of $56.1 million in 2019, largely as net investment income for the fund was $40.9 million.

Since the CIS scheme commenced on 1 July 2016, the Insurance Commission has received 819 notifications of people with possible catastrophic injuries. There have been 139 people assessed as eligible for treatment, care and support via either the CIS or CTP schemes due to their catastrophic injuries in the past three years. Eighty-three of those people were eligible for the CIS scheme as there was no other driver identified at fault in the crash. The table below shows the participation status of those 83 people.

|  |  |
| --- | --- |
| **CIS Scheme Participant Status at 30 June 2019** | **Number** |
| Interim participants\* | 61 |
| Lifetime participants | 9 |
| Suspended# | 8 |
| Deceased | 1 |
| Not eligible as lifetime (injuries improved to no longer be catastrophic and therefore they exited the scheme) | 4 |
| **Total** | **83** |

\*Participants are accepted as ‘lifetime’ status generally after two years.

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

The other 56 people with catastrophic injuries are eligible for compensation through the CTP scheme as their injuries were caused by the fault of another driver.

The number of people catastrophically injured in crashes will vary year to year, and the extent of the variation is expected to materially impact the performance of the MVCIF in its early years until the fund reaches a state of maturity, which could take up to 90 years.

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

At 30 June 2019, 66% of scheme participants that were working or studying prior to incurring their catastrophic injury had returned to work, study or were in rehabilitation/return-to-work programs. Only 16% of scheme participants were newly accessing Commonwealth Centrelink support as a result of their injuries.

The CIS scheme provides funding for home modifications and transitional support to help people with catastrophic injuries return home from hospital following emergency treatment after the crash. At 30 June 2019, 62 scheme participants had returned home. No new demand for public housing has been generated by claimants suffering catastrophic injury in vehicle crashes.

A summary of scheme performance and statistics is below.

*Number of People with Catastrophic Injuries Managed or Funded at 30 June 2019*

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

**Catastrophic injuries**

Total (since 2017): 116

2019: 31

**CIS scheme**

Total (since 2017): 70

2019: 20

**CTP scheme**

Total (since 2017): 46

2019: 11

Acquired brain injury: 75%

Spinal injuries: 25%

**Catastrophic injury – gender**

Male: 82

Female: 34

**Crash locations**

48% of catastrophic injuries occurred in regional areas but only 34% of people catastrophically injured live in regional areas. The South West had the highest claim volume in WA with 21 crashes resulting in catastrophic injury.

**Returning to work**

66% of CIS scheme participants had returned to work, study or were in rehabilitation/return-to-work programs following treatment after their crash.

**Accommodation**

100% of CIS scheme participants have returned home following treatment after their crash.

**Catastrophic injury – age**

0-14 years – 11

15-24 years – 23

25-34 years – 26

35-44 years – 19

45-54 years – 14

55-64 years – 9

65+ years – 14

Working together to improve client independence

The Insurance Commission has paid over 900 service suppliers to provide treatment, care and support to clients catastrophically injured in road crashes since the CIS scheme was introduced in 2016. Suppliers range from hospitals to physiotherapists to house modification specialists, located throughout WA.

Optimal Living Therapy is one provider delivering occupational therapy services to Insurance Commission clients within the CIS scheme. Lauren Hart, director of the firm, talks about working with the Insurance Commission and how the CIS scheme delivers better outcomes for clients:

*“Our role as occupational therapists is to maximise independence and quality of life, whether through one-to-one rehabilitation, modifying the home or prescribing the right equipment, while working to reduce the burden on carers.*

*The funding from the Insurance Commission is comprehensive and seeks to optimise a client’s independence. Importantly, its funding parameters are goal-driven and independence-focused, which fosters better client outcomes than having to prove disability and dependence.*

*We really enjoy the interface between ourselves as community therapists and the CIS scheme care coordinators. Having a dedicated professional to communicate with about therapy funding and client requests is much more efficient and effective.*

*In our experience, the care and rehabilitation outcomes of CIS scheme clients have been significant. The ability to access funding for intensive therapy, home modifications, equipment, and even home automation, has meant our clients’ independence and quality of life are immeasurably better than they would have been prior to the CIS scheme.*

*Without it, many would have likely been discharged to a nursing home or been in a home much less equipped to support them.”*

*Services Provided – Motor Injury Insurance*

The Insurance Commission has a significant role and relationship with the health sector, which provides treatment to its clients for injuries sustained in vehicle crashes.

The Insurance Commission paid for the following services provided to people injured in vehicle crashes in 2019 across both its CTP and CIS schemes:

54,906 physiotherapy sessions

36,335 doctor appointments

17,374 chemist expenses

12,860 exercise programs

12,100 X-rays

8,338 occupational therapy appointments

7,857 chiropractor and osteopath appointments

6,920 ambulance trips

6,692 psychologist and psychiatrist appointments

2,015 anaesthetics administered

1,384 hydrotherapy sessions

1,301 pilates classes

1,014 massage appointments

896 speech pathology appointments

711 prostheses fitted

**Joan’s CIS scheme experience**

Joan, an 80-year-old grandmother and Pinjarra local, was driving home on the Kwinana Freeway in June 2018 when she blacked out and crashed, suffering a traumatic brain injury, incomplete spinal cord injury and multiple broken bones.

Joan was eligible for lifetime treatment, care and support from the CIS scheme.

She participated in a rehabilitation program to maximise her independence, which included occupational therapy, physiotherapy and in-home support. The Insurance Commission also funded modifications to her home to continue her independent living. To enable Joan to access the community, the Insurance Commission funded a walker, electric wheelchair and a back-up manual wheelchair.

The physical, psychological and financial consequences of catastrophic injuries can be enormous on the injured person, their family and the community – and last a lifetime.

However, for clients like Joan, the CIS scheme means that families don’t have to carry the financial burden. Joan credits the scheme with allowing her to stay in her own home:

*“I was in Fiona Stanley [Hospital] for three months and I had to sort of learn to walk and get out of bed and do all the normal things that I hadn’t been able to do.*

*“I believe that the Insurance Commission has helped me to gain my independence and to be able to live alone here with the help that they’ve given me, much quicker than I would have done on my own.”*

Catastrophic injuries resulting from crashes can happen to anyone. Although the Insurance Commission had 14 catastrophically-injured clients aged 65 and over, including Joan, at 30 June 2019, the younger cohort is overrepresented with 60 clients aged 34 or under, reflecting the higher likelihood for young people to be injured in a crash.

Tragically this includes 12 children, four of whom are aged five or under with the youngest child just three years old at 30 June 2019. Most of the children received catastrophic injuries while passengers in vehicles driven by their parents.

**Motoring Costs**

The table below compares WA’s 1 July 2019 premium rate for a family car to premium rates for equivalent motor injury insurance products in other states and territories. It 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.

*Motor Injury Insurance Premium Comparisons and Affordability at 1 July 2019*

|  |  |  |
| --- | --- | --- |
| **State** | **Injury Insurance premium\*** | **Proportion of average weekly earnings** |
| **WA** | $444 | 25.0% |
| **TAS** | $314 | 22.1% |
| **QLD** | $351 | 22.3% |
| **VIC** | $532 | 33.1% |
| **SA** | $412 | 27.9% |
| **NT** | $561 | 33.2% |
| **NSW** | $533 | 32.1% |
| **ACT** | $569 | 31.4% |

\*Premiums include GST and Insurance Duty

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 on the next page for a small family vehicle in each jurisdiction.

*Motoring costs comparison at 1 July 2019*

|  |  |  |  |
| --- | --- | --- | --- |
| **State** | **Injury Insurance premium** | **Registration** | **Total** |
| **WA** | $444 | $253 | $697 |
| **TAS** | $314 | $254 | $568 |
| **QLD** | $351 | $386 | $737 |
| **VIC** | $532 | $302 | $834 |
| **SA** | $412 | $234\* | $646 |
| **NT** | $561 | $154 | $715 |
| **ACT** | $569 | $343 | $912 |
| **NSW** | $533 | $282 | $815 |

\*Includes an additional $60 for Stamp Duty on Insurance, separate to CTP Stamp Duty

Motor injury insurance and vehicle registration costs in WA are the third most affordable in Australia at $697 for a small family vehicle. Similar insurance and registration costs are significantly higher in the Australian Capital Territory ($911), Victoria ($835) and New South Wales ($815).

**Claims**

The Motor Injury Insurance Division received 11,300 new motor injury insurance claims in 2019.

CTP Compensation Claims: 3,360

CTP Minor Injury Claims: 7,920

CIS Scheme Claims: 20

Total Claims: 11,300

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 7,920 minor injury claims received in 2019, which was a 7.8% decrease (668 less claims) in minor injury claims received in 2018.

A CTP compensation claim is where a claimant has sustained more significant crash injuries and is eligible to claim compensation. These claims typically take longer to settle as recovery and rehabilitation take time. There were 3,360 compensation claims received in 2019, of which 2,100 related to crashes from that year and 1,260 related to crashes from prior years. The number of new compensation claims received in 2019 increased by 5.3% (169 claims) compared to the 3,191 new compensation claims received in 2018.

There is only one category of CIS scheme claims received by the Insurance Commission. During 2019, the Insurance Commission received 20 new CIS scheme claims.

As at 30 June 2019, the Motor Injury Insurance Division was managing 6,172 open CTP compensation claims. This was 138 more claims than the 6,034 open CTP compensation claims it was managing 12 months earlier. The higher open claim number reflects the increase of 169 new CTP compensation claims received in 2019 compared to the previous year.

*CTP Compensation and CIS Scheme Claims by Role, Gender and Age*

|  |  |  |
| --- | --- | --- |
| **Role in Crash** | **Number of Claimants** | **%** |
|
| Driver | 1,975 | 58.4% |
| Passenger | 799 | 23.6% |
| Motorcyclist | 197 | 5.8% |
| Pedestrian | 186 | 5.5% |
| Cyclist | 132 | 3.9% |
| Witness and other | 73 | 2.2% |
| Pillion passenger | 18 | 0.5% |
| **Total** | **3,380** |  |

|  |  |
| --- | --- |
| **Gender of Claimant** | **Number of Claimants** |
|
| Female (52%) | 1,771 |
| Male (48%) | 1,609 |
| **Total** | **3,380** |

|  |  |  |
| --- | --- | --- |
| **Age of Claimant** | **Number of Claimants** | **%** |
|
| 0-4 | 21 | 0.6% |
| 5-18 | 229 | 6.8% |
| 19-24 | 300 | 8.9% |
| 25-34 | 656 | 19.4% |
| 35-44 | 630 | 18.6% |
| 45-54 | 668 | 19.8% |
| 55-64 | 476 | 14.1% |
| 65+ | 400 | 11.8% |
| **Total** | **3,380** |  |

**Settling claims in remote WA**

People injured in vehicle crashes who live in remote parts of the state sometimes have to travel great distances to access specialist medical treatment and/or legal services for their serious injuries and related insurance claims.

The settlement of a CTP compensation claim can also be challenging, especially if people are unfamiliar with the claims process and do not have access to explanatory resources or Insurance Commission claims staff.

The Insurance Commission continued its efforts to help claimants in remote areas by sending members of its claims team to those areas to engage face-to-face.

Two regional customer service visits were undertaken in 2019: one to the Kimberley and Pilbara, and another to the Goldfields.

The Kimberley and Pilbara visit covered over 3,000 km by road from Newman to Kununurra via eight other towns and communities.

The Goldfields visit covered over 2,600 km and included Kalgoorlie-Boulder, the Warburton Ranges Mirlirrtjarra Community (between the Gibson and Great Victoria Deserts) and the Mantamaru Community in Jameson.

Both trips were a success as they resulted in 53 people being seen face-to-face to finalise their insurance claims and/or receive medical treatment and compensation for injuries caused by the actions of another driver. The Insurance Commission paid   
$3.1 million in claims expenses to people as a result of those visits.

Feedback from people seen on the two trips was overwhelmingly positive as they appreciated the ability to engage directly with the insurer and support services in their local area. The Insurance Commission also received positive media resulting from these efforts.

**Targeting Long-Duration Claims**

The Insurance Commission established a ‘long-duration’ claims team in 2018 to focus on finalising claims that had been open for more than four years.

This was a customer service initiative to reduce the time it takes for some claims to be finalised. A claim that takes a long time to finalise is frustrating for the claimant and their family, and can incur additional costs for the Insurance Commission which can increase premium rates for motorists.

Reasons some claims remain open for longer can include that the claimant:

* is a child and the full extent of their injuries may not be established for some time; and
* has complex injuries where the recovery and rehabilitation process takes several years and, therefore, the extent of the injury and required future care and compensation is not immediately known.

In 2019, the team closed 265 claims, which resulted in final payments to people injured in crashes of $62.1 million. Most of those claims arose from crashes that occurred prior to 2015. As the team continues to close long-duration claims, the average claim duration across all open claims will reduce.

*Open Claims by Crash Year as at 30 June 2019*

|  |  |  |  |
| --- | --- | --- | --- |
| **Crash Year** | **Open Claims** | **Percentage of Total Open Claims** | **Percentage Open in Crash Year** |
| Pre-2000 | 6 | 0.1% |  |
| 2000-2005 | 22 | 0.4% |  |
| 2006-2010 | 57 | 0.9% |  |
| 2011 | 16 | 0.3% | 0.4% |
| 2012 | 23 | 0.4% | 0.6% |
| 2013 | 59 | 0.9% | 1.6% |
| 2014 | 89 | 1.4% | 2.5% |
| 2015 | 243 | 3.9% | 7.2% |
| 2016 | 588 | 9.4% | 18.4% |
| 2017 | 1,206 | 19.3% | 35.7% |
| 2018 | 1,999 | 32.0% | 66.3% |
| 2019 | 1,946 | 31.1% | 92.0% |
| **Total** | **6,254** |  |  |

**Helping a former soldier return to work**

Stuart\* is a former soldier who re-entered the workforce after retiring from service.

Unfortunately, he suffered severe injuries when his motorcycle was struck by another vehicle in 2014. These included fractures to his femur, tibia, fibula and foot. He also dislocated his knee, ruptured his anterior and posterior cruciate ligaments, and had multiple open wounds and abrasions over his body.

The Insurance Commission paid for Stuart’s emergency transport and treatment at Royal Perth Hospital. Given the extent of Stuart’s injuries caused by the actions of another driver, he was eligible to make a CTP compensation claim.

Stuart participated in rehabilitation, funded by the Insurance Commission, for 18 months. Stuart’s positive attitude and commitment to recovery saw him return to fly-in-fly-out work only two years after the crash.

At the conclusion of the claim, Stuart said he was *“…grateful that the Insurance Commission had made the claims experience easy to navigate. The support provided by the Insurance Commission during my recovery enabled me to successfully return to work. I am positive about my future.”*

Stuart’s claim is an example of a long-duration claim the Insurance Commission settled during 2019.

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

**Online claims facility goes live**

In 2019, the Insurance Commission launched an online claims mechanism for motor injury insurance claims. This customer service initiative was aimed at simplifying the claims process.

Previously, motorists involved in a crash had to telephone the Insurance Commission to notify it of their injuries and to initiate a claim.

The Insurance Commission enhanced its existing driver/owner Online Crash Reporting Facility (OCRF) to allow all motorists, irrespective of their role in the crash, to provide their injury details, and request and make a claim online.

The online claims mechanism means that thousands of people every year will not be required to telephone the Insurance Commission or obtain a paper CTP compensation claim form.

Additionally, the changes allow all claimants who are injured in a vehicle crash to report their injuries online. The Insurance Commission uses those reports to help it assess the claim and enable payments to be made to over 11,000 claimants and their service providers each year.

This customer service initiative also means claims officers no longer have to manually transcribe substantial volumes of data each year from claims that are not lodged online.

This is an example of re-purposing an existing online system to enhance its functionality and assist a larger cohort of people. The initiative is consistent with the WA Government’s approach to make more services available online.

The Insurance Commission plans to make further changes to the OCRF to make the crash reporting and insurance claims process even more streamlined for motorists.

**Costs**

The Motor Injury Insurance Division managed motor injury claims valued at nearly   
$3.1 billion in 2019, consisting of $448.5 million in claims payments to people injured in crashes (including in prior years), and anticipated future claims expenses of   
$2.7 billion.

Ninety-four per cent of claims payments made in 2019 were for the direct benefit of the claimant. The other 6% included the Insurance Commission’s claims management, legal and investigation costs associated with running the CTP and CIS schemes.

Forty-three percent ($194.8 million) of payments in 2019 were made to claimants to compensate them for pain and suffering as a result of their injury and for time off work.

Thirty-seven per cent ($167.7 million) of payments in 2019 were made to service providers who delivered care, hospital, medical, rehabilitation and equipment services to claimants.

Of the estimated future payments for current claims, 42% ($1.12 billion) is for care expected to be provided for claimants. The table below displays the breakdown of payments made and estimated future payments by major cost category at   
30 June 2019.

*Current and Outstanding Claims Costs*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Payments** | **Estimates** | **Total** |
| Care | $88.1m | $1.12b | $1.2b |
| Compensation: | | | |
| * Economic loss | $116.1m | $431.6m | $547.7m |
| * Pain and suffering | $78.7m | $329.4m | $408.1m |
| Hospital | $37.2m | $63.8m | $101.0m |
| Medical and equipment | $42.4m | $245.9m | $288.3m |
| Other | $86.0m | $465.7m | $551.7m |
| **TOTAL** | **$448.5m** | **$2.7b** | **$3.1b** |

Claims costs are 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 box below that shows vulnerable people (motorcyclists, pillion passengers, pedestrians and cyclists) represented 39% of total claims payments in 2019 despite only representing 16% of total claims. The other 61% of claims payments were made to drivers and passengers injured in crashes. 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.

*Vulnerable road users claims cost (including outstanding estimates)*

Pedestrian: $103.6m

Motorcyclist: $120.6m

Cyclist: $42.4m

Pillion Passenger: $18.0m

* $176.6m was paid to vulnerable road users in 2019;
* Vulnerable road users represented 39.4% of total claims payments in 2019;
* However, vulnerable road user claims only represented 15.8% of total claims received in 2019;
* 244 hit-and-run claims were received in 2019;
* $2.6m was paid on hit-and-run claims in 2019; and
* $14.4m remains outstanding to be paid.

The most common motor injury insurance claim received is a minor injury claim. These claims represented 70% of all claims received during 2019 but represented less than 5% of the costs paid by the Insurance Commission.

CTP compensation claims represented 30% of claims received and represented 95% of the cost.

The table below highlights the average claim costs within bands of claims finalised by the Insurance Commission during 2019. 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.

*Finalised 2019 Motor Injury Insurance Claims by Cost Band*

|  |  |  |  |
| --- | --- | --- | --- |
| **Band** | **Claims** | **Payments** | **Average Cost** |
| $0 - $1,000 | 418 | $122,173 | $292 |
| $1,001 - $2,000 | 118 | $176,377 | $1,495 |
| $2,001 - $5,000 | 230 | $760,283 | $3,306 |
| $5,001 - $10,000 | 214 | $1,568,678 | $7,330 |
| $10,001 - $20,000 | 264 | $4,038,864 | $15,299 |
| $20,001 - $50,000 | 710 | $24,804,701 | $34,936 |
| $50,001 - $100,000 | 652 | $46,226,600 | $70,900 |
| $100,001 - $200,000 | 388 | $53,106,183 | $136,872 |
| $200,001 - $500,000 | 257 | $78,353,668 | $304,878 |
| $500,001 - $1,000,000 | 96 | $64,948,655 | $676,548 |
| $1-2 million | 32 | $42,276,718 | $1,321,147 |
| $2-5 million | 10 | $28,045,893 | $2,804,589 |
| >$5 million | 10 | $74,999,747 | $7,499,975 |
| **Total** | **3,399** | **$419,428,539** | **$123,398** |

\*Excludes minor injury claims closed in 2019

The tables on the following page show the crash locations across the WA regions by number of new motor injury insurance claims (CTP compensation and minor injury, and CIS scheme) and the claims payments for crashes in that region. The metropolitan area recorded the highest number of crashes (8,903 and payments of $330.4 million in 2019, which is expected given 79% of the population live in metropolitan Perth.

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Region** | **New Claims** | **Payments** | **Estimates** |
| Great Southern | 205 | $8.1m | $86.0m |
| Peel and South West | 1,063 | $44.8m | $281.3m |
| Goldfields-Esperance | 179 | $7.2m | $70.4m |
| Kimberley | 149 | $8.4m | $87.6m |
| Perth Metropolitan | 8,903 | $330.4m | $1.63b |
| Wheatbelt | 470 | $26.0m | $224.3m |
| Pilbara | 86 | $5.9m | $104.4m |
| Mid West and Gascoyne | 211 | $9.0m | $108.5m |
| Interstate | 34 | $8.7m | $62.5m |
| **Total - WA Regions** | **11,300** | **$448.5** | **$2.7b** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Top Local Government Areas** | **New Claims** | **Payments** | **Estimates** |
| Stirling | 1,157 | $40.8m | $168.1m |
| Swan | 774 | $21.5m | $98.2m |
| Joondalup | 634 | $22.5m | $71.0m |
| Wanneroo | 603 | $31.5m | $150.5m |
| Canning | 548 | $12.1m | $50.2m |
| Cockburn | 531 | $22.0m | $72.1m |
| Perth | 491 | $19.0m | $32.6m |
| Melville | 435 | $16.2m | $47.7m |
| Rockingham | 385 | $19.4m | $119.5m |
| Gosnells | 372 | $23.6m | $115.1m |
| Bayswater | 361 | $11.3m | $42.5m |
| Belmont | 281 | $11.3m | $42.0m |
| Armadale | 272 | $6.3m | $45.2m |
| Victoria Park | 261 | $7.9m | $55.1m |
| Mandurah | 248 | $7.4m | $63.4m |

The tables on the next page list the top metropolitan and regional WA roads for crashes reported to the Insurance Commission in 2019. Where the road covers more than one local government area, the primary one is listed for identification purposes (excluding some highways and freeways).

*Top Metropolitan and Regional Roads for Crashes in 2019*

**Perth Metropolitan**

|  |  |
| --- | --- |
| **Road and  Local Government Area** | **Number of Crashes** |
| Kwinana Freeway | 216 |
| Great Eastern Highway | 122 |
| Mitchell Freeway | 98 |
| Armadale Road, Armadale | 82 |
| Albany Highway | 67 |
| Tonkin Highway | 65 |
| Ranford Road, Canning | 56 |
| Joondalup Drive, Joondalup | 53 |
| Wanneroo Road, Wanneroo | 50 |
| Ocean Reef Road, Joondalup | 39 |
| West Swan Road, Swan | 39 |
| Reid Highway | 38 |
| Whitfords Avenue, Joondalup | 37 |
| Hester Avenue, Wanneroo | 33 |
| Canning Highway | 32 |
| Gnangara Road, Wanneroo | 31 |
| Marmion Avenue, Wanneroo | 31 |
| Mirrabooka Avenue, Stirling | 31 |
| Walcott Street, Stirling | 31 |
| Hutton Street, Stirling | 30 |
| Orrong Road, Canning | 30 |
| South Street, Melville | 30 |

**Regional WA**

|  |  |
| --- | --- |
| **Road and  Local Government Area** | **Number of Crashes** |
| Mandurah Road, Mandurah | 66 |
| Bussell Highway | 55 |
| Pinjarra Road, Mandurah | 41 |
| Old Coast Road, Mandurah | 34 |
| Albany Highway | 33 |
| Forrest Highway, Harvey | 22 |
| South Coast Highway, Albany | 17 |
| Eyre Highway, Dundas | 14 |
| North West Coastal Highway | 14 |
| Blair Street, Bunbury | 12 |
| Chester Pass Road, Albany | 11 |
| Parade Road, Bunbury | 10 |

The table below shows the number of key injuries sustained in car crashes and CTP compensation payments made for those injuries. One claim can involve multiple injuries.

*Number and cost of crash injuries by body part*

|  |  |  |
| --- | --- | --- |
| **Body part** | **Number of injuries** | **Payments** |
| Spine and neck | 4,333 | $130.1m |
| Upper limbs | 1,397 | $58.5m |
| Lower limbs | 1,342 | $80.7m |
| Burns and other | 493 | $7.0m |
| Chest | 460 | $38.3m |
| Head | 400 | $95.5m |
| Psychological | 147 | $3.2m |
| Face | 130 | $4.3m |
| Abdomen and pelvis | 110 | $5.2m |

Excludes minor injury claims.

**Crash Claim Frequency Trends**

The number of registered vehicles in WA, including trailers and caravans, has grown from 1.6 million in 1998 to 2.9 million in 2019. Positive vehicle growth was maintained during 2019 at 0.9% (over 20,000 new registered vehicles).

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

|  |  |  |
| --- | --- | --- |
| **Year** | **Registered vehicles** | **CTP comp. claims** |
| 1999 | 1,379,679 | 5,558 |
| 2000 | 1,392,871 | 5,724 |
| 2001 | 1,415,893 | 5,397 |
| 2002 | 1,444,446 | 5,259 |
| 2003 | 1,477,161 | 5,345 |
| 2004 | 1,523,578 | 5,075 |
| 2005 | 1,556,272 | 4,949 |
| 2006 | 1,619,936 | 4,503 |
| 2007 | 1,705,914 | 4,175 |
| 2008 | 1,790,922 | 4,195 |
| 2009 | 1,856,486 | 4,078 |
| 2010 | 1,910,138 | 4,036 |
| 2011 | 1,975,602 | 3,885 |
| 2012 | 2,047,643 | 3,632 |
| 2013 | 2,136,143 | 3,509 |
| 2014 | 2,206,604 | 3,561 |
| 2015 | 2,252,759 | 3,478 |
| 2016 | 2,280,346 | 3,029 |
| 2017 | 2,332,947 | 3,396 |
| 2018 | 2,344,375 | 3,227 |
| 2019 | 2,360,051 | 3,380 |

Excludes minor injury claims and Class 6 vehicles (trailers and caravans).

In 2019, WA had approximately 14.7% of Australia’s total number of registered vehicles despite having only 10.4% of the population.

The total number of people that reported vehicle crashes in WA via the Online Crash Reporting Facility during 2019 was 41,826. The majority of those crashes were for property damage only and some crashes will result in multiple reports if more than one vehicle is involved. The box below shows the number of reported crashes cascading down into the number of injury insurance claims lodged with the Insurance Commission.

*Motor Injury Insurance – From Crash Report to Claim*

**41,826** crash reports

🡻

**14,911** people injured in **10,687** crashes involving injury

🡻

**11,300** motor injury insurance claims:

* **7,920** CTP minor injury claims
* **3,360** CTP compensation claims
* **20** CIS scheme claims

Approximately 30 crashes occurred each day on WA roads that resulted in motor injury insurance claims. **People are most likely to be injured in a crash in WA on a Friday afternoon between 3pm and 6pm**. The table below presents the number of crashes resulting in injury insurance claims and the day of the week they occurred. Crash rates on weekends are lower due to fewer vehicles on the road as schools and many businesses are closed on Saturday and Sunday.

*Daily Breakdown of Crashes resulting in Motor Injury Claims in 2019*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Monday** | **Tuesday** | **Wednesday** | **Thursday** | **Friday** | **Saturday** | **Sunday** | **TOTAL** |
| **Number of Crashes** | 1,509 | 1,647 | 1,621 | 1,701 | 1,808 | 1,350 | 1,051 | 10,687 |
| **Percentage (%)** | 14% | 15% | 15% | 16% | 17% | 13% | 10% | 100% |

On-demand transport reform

In October 2018, the *Transport (Road Passenger Services) Act* *2018* (Act) was passed by the WA Parliament to deliver on-demand transport reforms. The Act replaced the *Taxi Act 1994* and parts of the *Transport Co-ordination Act 1966* that related to country taxi, car and bus licences.

The Act allows all taxis to operate state-wide, removing access restrictions around where taxis can operate. The Insurance Commission took the opportunity to review and develop the right insurance pooling and pricing solution for on-demand vehicles, bearing in mind the objectives of the Act to regulate the entire road passenger transport industry.

The new Motor Injury Insurance (MII) premiums effective from 1 July 2019 introduced:

* Consistent premium rates for metro and country taxis, hire vehicles and vehicles used for hire, fare and reward; and
* Premium rate changes for other related vehicle insurance groups to better reflect their claims history.

As a result of these changes, approximately:

* 1,700 metro-taxi owners had their annual MII premiums (inclusive of GST and insurance duty) reduced from $1,603.05 to $603.50;
* 1,500 country-area buses had MII premium reductions from $774.45 to $358.45;
* 1,900 metro-area buses had MII premium increases from $2,029.05 to $2,122.85; and
* 300 country-area taxi owners and 33,000 hire vehicles saw a rise from $516.40 to $603.50.

Prior to the reform, there was significant disparity in MII premium rates charged between taxis and other on-demand vehicles. The new approach ensures vehicles used for similar purposes are charged the same MII premium rate. The table below shows how the 2019 WA MII premium rate compares to the 2018 interstate premiums for metropolitan area taxis:

**MII Premium Rate for Metropolitan Area Taxis 2019 (including GST and Insurance Duty)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **WA** | **VIC** | **TAS** | **NT** | **QLD** | **SA** | **NSW** | **ACT** |
| **($)** | **($)** | **($)** | **($)** | **($)** | **($)** | **($)** | **($)** |
| 604 | 521 | 1,028 | 1,552 | 4,124 | 5,243 | 5,862 | 7,947 |

It remains significantly more affordable to insure a taxi for motor injury insurance in WA ($604) at 1 July 2019 than in almost all other states and territories.

3.2.1 Motor Injury Insurance Key Performance Indicators

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 143.3% is above the target of 141.2%. 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 me asure of the solvency position of the Insurance Commission. At a 90% PoS, the TPIF solvency level would reduce to 137.2%.

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.

Comment: The 2019 net loss ratio is worse than target, primarily due to net premium revenue being $19 million (3.1%) lower than expected, reflecting a lower than forecast rate of vehicle growth (0.9% actual compared to 2.2% forecast).

Net Expense Ratio (%) – TPIF

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

Comment: The net expense ratio is marginally better than target. While underwriting and administration expenses are 4.5% lower than budget, this was offset by lower than forecast net premium revenue (3.1%).

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 worse than target, reflecting the Fund's underwriting loss of $16.5 million compared to the forecast profit of $5.6 million for the financial year. This loss is largely attributable to premium revenue being $19 million lower than expected and marginally higher than expected underwriting and administration costs (0.5% above budget).

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 118.4% for the MVCIF reflects the better than expected underwriting performance and investment returns for the financial year. The Fund's underwriting profit of $15.2 million in 2019 was due to a lower than forecast increase in outstanding claims provisions. This was driven by a lower than expected number of participants being partially offset by a decrease in discount rates. 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.

Comment: The net loss ratio is better than target. This result is driven by a favourable movement in the outstanding claims provision (13.6%) as a result of a lower than expected number of participants, partially offset by a decrease in discount rates.

Net Expense Ratio (%) – MVCIF

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

Comment: The net expense ratio of 13.1% is above the target of 5.6%. This is due to premium held to meet anticipated related future claims being insufficient, despite other underwriting and administration expenses being 10.5% 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 $15.2 million for the MVCIF compared to budget of $4.3 million. This is primarily due to the favourable movement in the outstanding claims provisions.

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.

\*Prior 2017 year results include TPIF only

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

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 Motor Injury Insurance (made up of the CTP and CIS schemes).

\*Prior 2017 year results include TPIF only

Comment: The result is higher than target. While the administration expenses (9.1%) were lower than budget, the gross written premiums collected were also lower than forecast (2.2%) reflecting a lower than forecast rate of vehicle growth.

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

Timeliness of Initial Contact with Treating Health Team (%) - MVCIF

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: The 2019 result exceeded the target. During the financial year, in 96.4% 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 Injured Claimant Satisfaction with the Level of Care and Support Services Provided (%) - MVCIF

This KPI measures the effectiveness of services provided and is determined by a survey for clients with catastrophic injuries and their families.

Comment: The result is better than target. Ninety percent of respondents indicated they were satisfied or extremely satisfied with the level of care and support services provided by the Insurance Commission.

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

\*Prior 2017 year results include TPIF only

Comment: The result is marginally lower than target but in line with the 2018 result. The payments to claimants are $53.2 million more than last year, due to an increase in finalised claims compared to 2018 and a higher proportion of large loss   
(>$2 million) claim settlements. The operational costs including legal fees have also proportionally increased.

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.

\*Prior 2017 year results include TPIF only

Comment: This indicator is significantly better than target and the prior years. The satisfactory outcome results from continuing efforts to streamline the claims management process with particular focus on ensuring timely liability decisions.

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.

Comment: The result is significantly better than target due to the combined impact of lower claims administration costs (6.8%) and a higher number of claims administered (4.5%) than forecast, as more claims were received and finalised in 2019 compared to the prior year.

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

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

\*Prior 2017 year results include TPIF only.

Comment: The result is better than target due to lower than forecast claims administration costs (6.8%) while claims payments were 3.3% higher than expected. The increase in claims payments is a result of more claims finalisations including a higher volume of large claims payments in 2019 compared to the prior year.

3.3 Government Insurance

**New Claims: 19,328**

**Claim Payments: $254.9 million**

The RiskCover Division changed its name to the Government Insurance Division at the end of 2019. The change in division name was made to better reflect the breath of government insurance services delivered in addition to managing the RiskCover Fund.

The division renewed or issued the following policies during the year:

* renewed 111 annual self-insurance policies to WA Government agencies insured by the RiskCover Fund;
* renewed 2,261 three-year Compensation (Industrial Diseases) Fund (CIDF) policies to employers engaged in mining in WA; and
* issued 471 new CIDF policies to employers engaged in mining in WA.

The division received 19,328 new claims in 2019, administered 27,322 claims and made payments of $254.9 million to claimants, service providers and agencies across all its funds and schemes.

The WA Government introduced the *Civil Liability Legislation Amendment (Child Sexual Abuse Actions) Act 2018* on 1 July 2018 to remove the statute of limitations for civil actions relating to child sexual abuse. The change of legislation has resulted in 87 new claims of historic child sexual abuse being made against agencies. The State Government or the RiskCover Fund will meet the cost of these claims, which are managed by the Insurance Commission.

The largest function performed by the division is to manage claims made against the RiskCover Fund, the self-insurance arrangements of the WA Government.

RiskCover Fund

New Claims – 19,141

Claim Payments – $244.6 million

Underwriting Result – $23.5 million loss

Workers’ compensation paid for the direct benefit of claimant – 91.5%

The RiskCover Fund recorded a $30.8 million profit before tax for 2019 compared to a $159.2 million profit in 2018. This is the seventh consecutive year the fund has recorded a profit. The positive 2019 result was due mostly to strong investment returns of $54.3 million, which offset the $23.5 million underwriting loss.

The underwriting loss is the first for the fund since 2014, and represents an $87 million decline in performance compared to the 2018 underwriting profit of $63.5 million. The underwriting loss is largely the result of an increase in the fund’s outstanding claims liabilities due to a decline in discount rates and an increase in the number of large claims in the property and miscellaneous classes of insurance. The net outstanding claims liability for the RiskCover Fund increased by $30 million in 2019 to   
$544.4 million at 30 June 2019. This is the first increase to the fund’s liabilities since 2015, when the net outstanding liability balance was $600.3 million.

Despite the increase in outstanding claims liabilities, fund contributions charged to WA government agencies are at their lowest levels since 2012 at $288.2 million in 2019. Fund contributions remained low even though the cover provided to government agencies was expanded during the year to cover environmental impairment, loss or damage caused by chemical, biological, radiological and nuclear substances. This also follows extension of cover for agencies in prior years to include cyber-attacks.

Administration expenses incurred to manage the fund were $30.6 million, which was $2.1 million less than administration expenses incurred in 2018, and which represent the lowest costs incurred since 2014.

**Claims**

The RiskCover Fund received 19,141 new claims during the year, 1,332 less than 2018. Total claims administered (open and finalised) of 26,735 was 7.5% lower than the number of claims (28,821) administered during 2018.

The large reduction in new claims received in 2019 was primarily due to 1,118 fewer low-value property claims received from the Department of Finance’s Building Management and Works (BMW) division. Property claims from BMW are received in bulk files. The number of property claims processed in a year can fluctuate due to timing of when the files are received.

The workers’ compensation and liability classes of cover experienced minor increases in new claim volumes (43 and 42 claims respectively) in 2019, which reverses the longer-term trend of fewer new claims being made.

The continued reduction in total new claims is a desired outcome, as it indicates Government agencies are managing their risks.

The fund made $244.6 million in claims payments during 2019, which was a 9.5% increase on the $223.4 million in payments made in 2018. The increase in claim payments was across most insurance classes, led by workers’ compensation and liability claims, which were $8.8 million and $7.8 million higher respectively. The increase in the liability class was due to a few large medical treatment liability claims paid for incidents occurring at public hospitals.

The number of open RiskCover Fund claims at 30 June 2019 was 6,833.

**eClaims simplifies the claims journey**

In 2017, the Insurance Commission launched an online workers’ compensation claim form as part of the eClaims service available to insured agencies.

Injured employees can submit workers’ compensation claims and supporting documentation to their employer and track progress of their claim.

During 2019, two additional agencies commenced using the eClaims system, taking the number to 36 (or 32% of agencies insured by the RiskCover Fund).

In 2019, most injured workers and agencies using the eClaims system:

* had workers’ compensation claims received by the Insurance Commission in one day compared to five days for paper claim forms; and
* received a liability decision in under four days on average compared to over six days for paper forms.

Feedback from agencies using the eClaims system is that the process is simple to follow, eliminates duplication and reduces paper handling and data entry.

The Insurance Commission will continue to engage with agencies to promote the use of the eClaims system to strive for a more efficient and effective claims process.

**Workers’ Compensation**

The RiskCover Fund received 4,747 new workers’ compensation claims in 2019, a small increase of 43 claims compared to the prior year. Despite the minor increase in new claims, the number of open claims at 30 June 2019 remained stable.

The current number of open claims (4,019) is comparable to 2018 (3,987). The table on the next page shows the consistent reduction in open claims since 2013. These results reflect the ongoing commitment and investment in occupational safety and health by government agencies, and the effectiveness of the Insurance Commission at finalising claims in a timely manner.

The Insurance Commission continues to work with agencies to identify where and how workplace injuries occur, in an effort to guide the preventative occupational health and safety initiatives delivered by those agencies. The purpose of those efforts is to avoid circumstances that give rise to workers’ compensation claims and their resultant cost, so fund contributions remain affordable for agencies.

Despite the number of new and open claims being maintained near historic low levels, the estimated cost of claims (per year of lodgement) continues to increase. This is because a higher proportion of the total claims portfolio relates to more complex long-duration claims, as well as inflationary pressures such as wage and medical cost increases.

*Workers’ Compensation Claims Trends*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **New claims** | **Open claims at 30 June** | **Estimated cost of new claims at 30 June per year** |
| 2010 | 5,214 | 4,578 | $67,801,498 |
| 2011 | 5,224 | 5,134 | $75,821,881 |
| 2012 | 5,106 | 5,145 | $85,477,520 |
| 2013 | 5,041 | 5,265 | $89,947,065 |
| 2014 | 4,979 | 4,650 | $92,190,213 |
| 2015 | 4,704 | 4,600 | $103,732,033 |
| 2016 | 4,722 | 4,143 | $111,878,788 |
| 2017 | 4,831 | 4,279 | $114,879,785 |
| 2018 | 4,704 | 3,987 | $120,370,865 |
| 2019 | 4,747 | 4,019 | $128,075,892 |

**Ben’s workers’ compensation claims experience**

Ben\*, a child protection worker at the Department of Communities, works with children and their families in often stressful and emotional environments. Following a serious incident at work in 2018, Ben sustained a psychological injury, diagnosed as an adjustment disorder with post-traumatic anxiety and depression.

Ben lodged an initial workers’ compensation claim with his employer and then an additional claim when his symptoms reoccurred. The Insurance Commission’s Government Insurance Division managed both claims.

The Insurance Commission has funded Ben’s treatment to enable his recovery and return to work. Funding has also been provided for medication, medical and psychologist appointments, as well as his compensation for lost wages.

Commenting on the support he received from the Insurance Commission, Ben says: *“Your claims officer has been amazing to work with – she is quick to action payments, organise appointments and provide guidance* *without being overbearing.*

*“Really cannot fault her service, as I know how challenging the role of a workers’ compensation case manager can be. She’s definitely a great worker!”*

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

While there are 111 agencies insured by the RiskCover Fund, workers’ compensation claims are grouped functionally into three sectors: Education, Health and General Government. Each sector includes multiple agencies.

*2019 Workers’ Compensation Summary by Government Sector*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Education** | | **General Government** | | | | **Health** | |
| **New Claims** | 1,933 | | 1,669 | | | | 1,145 | |
| **Finalised Claims** | 2,174 | | 1,919 | | | | 1,446 | |
| **Payments** | $42.0m | | $65.3m | | | | $54.5m | |
| **Paid Days Lost** | 68,032 | | 95,075 | | | | 82,929 | |
| **Full-Time Equivalent Staff Absent from Work for the Year** | 283 | | 396 | | | | 346 | |
| **2019 Workers' Compensation Claims by Job Type** | **Occupation** | **New Claims** | | **Occupation** | **New Claims** | **Occupation** | | **New Claims** |
| Education Assistant | 652 | | Prison Officer | 539 | Nurse | | 406 |
| Primary School Teacher | 326 | | Fire Fighter | 204 | Personal Care and Nursing Assistants | | 201 |
| Secondary School Teacher | 322 | | Social and Community Workers | 94 | Security Officer | | 55 |
| Commercial Cleaner | 146 | | Residential Care Officer | 61 | Commercial Cleaner | | 55 |
| Special Needs Teacher | 80 | | Guard and Security Officer | 54 | General Clerk | | 49 |
| School Principal | 78 | | General Clerk | 50 | Midwife | | 30 |
| General Gardener | 65 | | Jockey | 41 | Mental Health Nurse | | 30 |
| Education Officer | 60 | | Train Driver | 20 | Kitchen Hand | | 16 |
| General Clerk | 39 | | Conservation Officer | 19 | Medical Scientist | | 16 |
| University Lecturer | 27 | | Forestry Worker | 17 | Nurse Manager | | 13 |

The average cost for a workers’ compensation claim finalised in 2019 was $33,700. This was lower than the average cost of claims finalised in 2018 at $34,300 per claim. The education sector has a significantly lower average cost per claim ($20,000) than the other two sectors (Health: $46,600 and General Government: $39,400). The General Government sector has a higher proportion of mental stress claims. The Health sector has a higher portion of body stress claims and the Education sector has a higher proportion of ‘hit by moving object’ claims.

The table on the previous page also illustrates that 246,036 working days were lost to government agencies due to staff absences following a workplace injury in 2019. This is an 11% increase on the number of working days lost in 2018. In 2019, this represented 1,025 full-time equivalent employees being absent from work for the year in the public sector due to an injury sustained at work.

Over the last four years the average return to work rate for injured government workers in the RiskCover Fund was 92%. This compares favourably to the overall WA scheme (made up mostly of non-government entities), which had an average return to work rate of 86% in 2019. This is a positive result as it means most people return back to work following injury.

The RiskCover Fund incurred $186.4 million in costs for workers’ compensation claims that were finalised in 2019. This reduced 5% from 2018 ($200.6 million), as a result of fewer claims being finalised in 2019.

Twenty-eight 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 following table). One reason why there were less workers’ compensation claims finalised in 2019 was due to the higher proportion of severe long-duration claims than experienced in prior years.

*Finalised 2019 Workers’ Compensation Claims by Cost Band*

|  |  |  |  |
| --- | --- | --- | --- |
| **Band** | **Claims** | **Total Cost** | **Average Cost of Claims** |
| $0 - $1,000 | 1,539 | $607,260 | $395 |
| $1,001 - $2,000 | 572 | $834,227 | $1,458 |
| $2,001 - $5,000 | 771 | $2,490,673 | $3,230 |
| $5,001 - $10,000 | 491 | $3,529,955 | $7,189 |
| $10,001 - $20,000 | 493 | $7,054,673 | $14,310 |
| $20,001 - $50,000 | 655 | $21,166,646 | $32,315 |
| $50,001 - $100,000 | 424 | $30,869,878 | $72,806 |
| $100,001 - $200,000 | 342 | $49,604,786 | $145,043 |
| $200,001 - $500,000 | 245 | $65,407,131 | $266,968 |
| Greater than $500,000 | 7 | $4,846,214 | $692,316 |
| **Total** | **5,539** | **$186,411,442** | **$33,654** |

Within the workers’ compensation portfolio the number of new mental stress claims increased in 2019 to 454 compared to 427 in 2018. The proportion of new mental stress claims in the portfolio has also increased slightly from approximately 9% in the past three years to 9.6% in 2019. The cost of mental stress claims for WA public sector agencies is higher than other claim types and represents 21.6% of total estimated costs.

The estimated average cost of mental stress claims received in 2019 was $76,000, which is more than double the next highest category of injury. This is due to the complexities of mental stress injuries and the challenges of returning an individual back to their pre-injury duties and/or work environment.

Public sector workers in WA continue to lodge mental stress workers’ compensation claims at rates well above the private sector. The difference is noteworthy and is reflective of the many complex and challenging frontline services delivered to the community by public sector employees.

The box below provides further detail on mental stress claims.

*Workers’ Compensation Mental Stress Claims*

* Stress claims are more than twice the cost of physical injury claims and have longer durations;
* Approximately 56% of mental stress claims in WA are lodged through the RiskCover Fund despite public sector employees only accounting for 10% of WA’s workforce;
* $34.5m: Estimated cost of mental stress claims lodged in 2019;
* Male: 188 new claims, $14.4m estimated cost;
* Female: 266 new claims, $20.1m estimated cost;
  + The most common mental stress claim causes were exposure to trauma (men) and harassment (women);
* Ages 30 and under: $71,600 average cost per claim;
* Ages 41-50: $84,900 average cost per claim;
* Injured workers with mental stress claims took an average of 123 days off work in 2019 compared to 67 days for all other lost time injury claims; and
* In 2019, mental stress claims made up 9.6% of new claims in the RiskCover Fund and 21.6% of the cost.

|  |  |  |
| --- | --- | --- |
| **Cost Breakdown** | **Cost** | **%** |
| **Work Pressure** | $8.1m | 30% |
| **Exposure to Trauma** | $6.2m | 23% |
| **Exposure to Violence** | $2.7m | 10% |
| **Harassment** | $6.4m | 23% |
| **Other Factors** | $4.0m | 14% |

|  |  |  |
| --- | --- | --- |
| **2019 Profile Comparison** | | |
|  | **All New Claims** | **New Mental Stress Claims** |
| **Number of claims** | 4,747 | 454 (9.6%) |
| **Lost Time Injury claims** | 3,157 | 374 (11.8%) |
| **Severe\* claims** | 1,121 | 235 (21.0%) |
| **Estimated average claim cost^** | $33,700 | $76,000 |
| **Estimated total claims cost^** | $160.0m | $34.5m (21.6%) |
| **Full-time equivalent absent from work** | 875 | 192 |
| **Average days lost per Lost Time Injury** | 66.5 | 123.2 |

\*Severe is greater than 60 days

^Based on finalised claim costs

Working in partnership to improve PTSD outcomes

In 2018, the Department of Fire and Emergency Services (DFES) gave evidence at a Commonwealth Parliament Senate inquiry into the mental health conditions experienced by first responders in Australia.

DFES described its collaborative relationship with the Insurance Commission in the management of psychological claims, including post-traumatic stress disorder (PTSD) in Western Australia:

*"I understand that, in some jurisdictions and services, workers have reported that the process of making a [PTSD] claim has been adversarial, invasive and traumatic.*

*“DFES have worked closely with our insurer, RiskCover [the Insurance Commission], over the last six to seven years to minimise the stress and anxiety for workers making a claim for PTSD. Since 2010, our insurer has accepted liability for all PTSD claims lodged by first-responder workers. Our insurer will also fund preventative therapies on a without-prejudice basis before determining liability.”*

The Insurance Commission continues to support DFES and other agencies who provide complex and challenging frontline services.

*Services Provided – Government Insurance*

70,112 vocational rehabilitation sessions

43,951 doctor appointments

42,740 physiotherapy sessions

18,748 chemist expenses

17,969 exercise programs

7,891 psychologist and psychiatrist appointments

7,754 aids, appliances and equipment

7,573 hospital appointments

6,542 X-rays

5,237 occupational therapy appointments

2,960 anaesthetics administered

1,148 chiropractor appointments

1,147 hydrotherapy sessions

661 massage appointments

110 ambulance trips

**Dispute Resolution**

In 2019, there were 259 disputes lodged for conciliation related to active workers’ compensation claims managed by the Insurance Commission. The dispute rate reduced slightly from 3.1% in 2018 to 3.0% in 2019, remaining below the WA workers’ compensation scheme average of 4.4% in 2019 of all claims active.

Only 72 (27.8%) disputes made in 2019 proceeded to arbitration, which is required if agreement between a worker and their employer or insurer cannot be reached at conciliation. That is a pleasing result as it indicates agreements can be reached to the satisfaction of both parties for most disputes without the need and cost of legal arbitration. The average rate of disputes proceeding to arbitration for the entire WA workers’ compensation scheme was 30.1% in 2019.

**Claim Geography**

The tables below report by WA region the number of new workers’ compensation claims lodged, total payments made and estimates outstanding in 2019. As expected, metropolitan Perth experienced the highest number (3,443) and proportion (73%) of workers’ compensation claims and payments of $123.6 million aligning with the metropolitan location of public sector workplaces and client base.

During the year, the Fund received 15 workers’ compensation claims that occurred outside WA.

*Workers’ Compensation Claims in 2019 (total payments and estimates are irrespective of accident year)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Region** | **New Claims** | **Payments** | **Outstanding Estimate** |
| Perth Metropolitan | 3,443 | $123.6m | $211.7m |
| Goldfields-Esperance | 90 | $2.3m | $5.2m |
| Great Southern | 187 | $5.1m | $8.5m |
| Kimberley | 113 | $3.0m | $5.2m |
| Mid West and Gascoyne | 189 | $6.9m | $16.3m |
| Pilbara | 97 | $2.9m | $5.1m |
| Peel and South West | 492 | $14.2m | $30.1m |
| Wheatbelt | 121 | $3.6m | $5.6m |
| Interstate and International | 15 | $203.4k | $217.8k |
| **Total – All Areas** | **4,747** | **$161.8m** | **$288.0m** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Local Government Area** | **New Claims** | **Payments** | **Outstanding Estimate** |
| Perth | 490 | $18.4m | $33.3m |
| Canning | 307 | $11.8m | $22.4m |
| Nedlands | 287 | $10.9m | $16.9m |
| Rockingham | 222 | $6.9m | $12.5m |
| Stirling | 206 | $5.6m | $10.4m |
| Swan | 195 | $7.1m | $15.8m |
| Kwinana | 187 | $8.2m | $9.1m |
| Armadale | 184 | $5.9m | $8.0m |
| Joondalup | 169 | $4.6m | $9.6m |
| Wanneroo | 163 | $4.1m | $8.7m |
| Melville | 147 | $6.7m | $10.5m |
| Fremantle | 105 | $5.6m | $7.1m |
| Victoria Park | 86 | $4.9m | $7.0m |
| Bayswater | 78 | $1.7m | $3.4m |
| Subiaco | 77 | $5.4m | $8.2m |
| All other metro | 540 | $15.8m | $28.8m |
| **Metropolitan Areas** | **3,443** | **$123.6m** | **$211.7m** |

Workers’ compensation claims are categorised by injury type (mechanism) to help 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 2019, regardless of the year of claim lodgement.

Body stress has been the predominant cause of work-related injuries for the past five years. In 2019, body stress claims represented the highest number of finalised claims (1,768) at a total cost of $62.4 million and an average cost of $35,000 per claim. It is pleasing to report that the number of body stress claims finalised has decreased 15% since 2015 from 2,074 to 1,768 claims.

Mental stress claims constitute 22% of payments but only 10% of claims finalised. The average cost of a finalised mental stress claim in 2019 was $76,000, a 27% increase since 2015.

Although not a high proportion of claims costs, it is noteworthy that claims for exposure to chemicals and other substances have increased 186% over the past five years.

*Finalised Workers' Compensation Claims - Injury Causes*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Injury Type** | **Claims** | **Costs** | **% Claims** | **% Costs** |
| Body Stress | 1,768 | $62.4m | 31.9% | 33.5% |
| Hit by Moving Object | 1,325 | $32.3m | 23.9% | 17.3% |
| Falls, Slips and Trips | 1,247 | $41.5m | 22.5% | 22.3% |
| Mental Stress | 520 | $39.5m | 9.4% | 21.2% |
| Impact with Stationary Object | 316 | $5.2m | 5.7% | 2.8% |
| Chemicals and Substances | 99 | $0.9m | 1.8% | 0.5% |
| Sensory Pressures | 22 | $0.8m | 0.4% | 0.4% |
| Other | 242 | $3.8m | 4.4% | 2.0% |
| **Total** | **5,539** | **$186.4m** |  |  |

The Insurance Commission also captures data on the body part injured by each workers’ compensation claimant. This information is useful to guide claims management decision-making, treatment plans and agency injury preventions.

In 2019, 2,781 claims for injuries to limbs (upper and lower) were finalised, which represented $83.8 million or 45% of finalised workers’ compensation claims costs. The table on the next page shows the number and cost of claims finalised during 2019, regardless of the year of lodgement, for workers’ compensation injuries by body part.

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

|  |  |  |
| --- | --- | --- |
|  | **Number of injuries** | **Costs** |
| Upper Limbs | 1,661 | $46.8m |
| Lower Limbs | 1,120 | $37.0m |
| Trunk and Back | 864 | $28.2m |
| Multiple and Other Locations | 739 | $23.1m |
| Mental Stress | 550 | $40.3m |
| Head | 474 | $7.2m |
| Neck | 131 | $3.8m |
| **Total** | **5,539** | **$186.4m** |

Liability

The RiskCover Fund Liability Portfolio contains three sub-classes: general liability, professional indemnity and medical treatment liability. In 2019, new claims within the Liability portfolio represented 2% of total claims made against the Fund. However, due to the high cost and complexity of liability claims, these represented 19% of total claims payments across the Fund.

The number of new medical treatment liability claims received in 2019 increased by 12% (384 new claims) against 342 new claims received in 2018.

The number and cost of liability claims can vary significantly year to year as some liability claims can be complex and require significant investigation. In 2019, the total cost of liability claims finalised was $39.8 million, compared to $19.5 million in 2018. The reason for the higher 2019 costs compared to the previous year was the number of large liability claims finalised during the year.

The following table shows the breakdown of claims payments within the liability portfolio by sub-class.

*Liability Portfolio Claims Costs*

|  |  |  |
| --- | --- | --- |
| **Liability Sub-Class** | **Claims Cost** | **Percentage** |
| Medical Treatment | $33.7m | 85.0% |
| General Liability | $5.4m | 13.5% |
| Professional Indemnity | $659k | 1.5% |

Further to the claims costs paid in 2019, the outstanding claims liability at   
30 June 2019 by sub-class was: medical treatment $149.1 million; general liability   
$55.6 million; and professional indemnity $3.5 million. Included in the general liability class is an outstanding claims provision of $4.3 million for historic child sexual abuse claims.

Other Classes

The other insurance classes of the RiskCover Fund include Miscellaneous, Motor and Property risks. While there are some long-duration claims within these portfolios, in general they represent high frequency, low value and short duration claims. In 2019, these classes accounted for 73% of finalised claims (14,018 claims) and 12% of total payments ($30.5 million) in the Fund.

*RiskCover Fund Classes Finalised Claims in 2019*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Finalised Claims** | **Total Cost** | **Average Cost** |
| Workers’ compensation | 5,539 | $186.4m | $33,654 |
| Liability | 349 | $39.8m | $113,981 |
| Motor | 2,268 | $9.6m | $4,236 |
| Property | 11,640 | $19.6m | $1,687 |
| Miscellaneous | 110 | $1.3m | $12,055 |
| **Total** | **19,906** | **$256.7m** |  |

The Miscellaneous portfolio within the RiskCover Fund covers a number of minor classes with the two main categories being Personal Accident and Travel. During 2019, the Miscellaneous portfolio received several large personal accident claims from volunteer firefighters. Since its introduction in January 2017, the*Firefighters and Emergency Volunteers Legislation Amendment (Compensation) Act 2016* has enabled volunteer and former career firefighters to claim compensation for injuries sustained, in addition to those made by state-employed firefighters.

Claims experience in the Motor Vehicle class has been favourable and at a five-year low, with losses sustained to government-owned/leased motor vehicles down 21% from 2,750 claims in 2015 to 2,171 claims in 2019. A significant proportion of claims related to accidents where the government agency driver was at fault (873 claims), followed by 207 general windscreen damage claims.

Property claims represent the most significant volume of claims managed for the Fund. Claims result from causes such as fire, vandalism, theft, lightning strike and storm. The Insurance Commission facilitates repairs and/or replacement of insured assets in these circumstances.

There were 11,595 new property claims received in 2019, which is a five-year low compared to the 13,156 new claims received in 2015. General loss/damage claims are the most common property claim received (8,466 or 73% of new claims) followed by accidental damage (795 or 6.8% of new claims) and graffiti (629 or 5.4% of new claims).

There has been a 32% reduction of new claims received in 2019 due to graffiti placed on insured government assets. Pleasingly, there has also been a 21% reduction in break and entry claims resulting from the intrusion into Government assets received by the Insurance Commission.

As a result of these claims reductions, there was $4.7 million less in property claims payments made ($24.5 million) compared to a forecast of $29.2 million for the year.

The total value of properties insured by the RiskCover Fund totalled $55 billion in 2019. The following data illustrates how the exposure in the property portfolio is distributed across asset category, industry type and region.

*RiskCover Fund Property Portfolio Profile*

Total property value insured $55 billion:

* $44.9 billion Buildings/Contents
* $5.7 billion Infrastructure
* $3.6 billion Loss of Profits
* $649 million Motor
* $59 million Art
* $33 million Other

*Property Values By Industry Type*

Education and Health property assets comprise 56% of the total property values.

|  |  |  |
| --- | --- | --- |
| **Industry Type** | **Property Value** | **Percentage** |
| Education | $18.4b | 33.5% |
| Health | $12.5b | 22.7% |
| General Services | $14.2b | 25.8% |
| Sea/Water | $5.2b | 9.5% |
| Other | $4.7b | 8.5% |

*RiskCover Fund Property By CRESTA Zone\**

Sixty-seven per cent of the property portfolio is located in Perth.

|  |  |  |
| --- | --- | --- |
| **CRESTA Zone** | **Property Value** | **Percentage** |
| Perth | $36.8b | 66.8% |
| Bunbury/Albany | $5.2b | 9.4% |
| Central WA | $4.5b | 8.2% |
| Dampier | $3.5b | 6.4% |
| Geraldton/Carnarvon | $3.0b | 5.4% |
| Wyndham | $2.1b | 3.8% |
| Other (NT and Overseas) | $28.2m | 0.05% |
| **Total** | **$55.1 billion** |  |

\*CRESTA Zones (Catastrophe Risk Evaluating and Standardising Target Accumulations) are part of an international geographic zoning system which helps brokers and reinsurers manage natural hazard risk

Combustible cladding

In June 2017, a fire occurred at the 24-storey Grenfell Tower block of public housing flats in West London, which resulted in multiple fatalities and multiple severe injuries. The fire is suspected to have been accelerated by the building’s exterior cladding, which was a combustible aluminum product. The Grenfell apartment fire has raised awareness and focused attention on the potential dangers associated with combustible cladding material on buildings.

Following the Grenfell incident, the WA Department of Mines, Industry Regulation and Safety (DMIRS) coordinated an audit of government owned/leased buildings to assess the prevalence and risk of combustible cladding. Several agencies also conducted their own audits and commissioned assessments by qualified fire engineers of buildings suspected of potentially containing combustible cladding.

The Insurance Commission insures over 8,500 government buildings and structures. Of the buildings requiring assessment due to their characteristics, only ten buildings require some form of remediation action, of which two buildings have had that remediation action completed by the building owners at 30 June 2019.

The Insurance Commission continues to work with DMIRS and agencies to monitor progress of assessments and remedial actions.

Shareholder Return

As agreed with the Department of Treasury, the Insurance Commission Board policy is that, where the RiskCover Fund has funds in excess of its 135% solvency target, a return of capital can be made to the Consolidated Account of Government.

The solvency of the RiskCover Fund at 30 June 2019 was 150%. Implementation of the Board policy for return of capital from the RiskCover Fund provides for a return of capital of $69.5 million.

This payment will bring the total return of capital from the RiskCover Fund to Government to $329.5 million since shareholder returns from that Fund commenced in 2017.

The final solvency position following the return of capital ensures the fund maintains a prudential reserve of $60.2 million. This reserve allows the fund to protect itself against a one-off large event, multiple large events in any one cover period, or events covered by the fund for which reinsurance has not been obtained or is unobtainable.

As at 30 June 2019, RiskCover Fund net assets total $243.5 million.

3.3.1 RiskCover Fund Key Performance Indicators

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.

(prior to return of capital)

**Comment:** RiskCover’s solvency level was 150% as at 30 June 2019, which was higher than target (135%). This was subsequently reduced to 135% after providing for a return of capital of $69.5 million to the Consolidated Account of Government.

**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 RiskCover Fund received sufficient net premium revenue to meet the net cost of claims incurred.

**Comment:** The net loss ratio is below target. This is due to a higher than expected increase in outstanding claims provisions ($14.4 million) and payments ($11.4 million) predominantly due to larger settlements and a higher claims finalisation rate for liability and workers' compensation claims, offset partially by fewer settlements of property claims.

**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 11.1% is better than the target and prior years. The favourable result is due to net premium revenue being $7.7 million (2.9%) above budget, while underwriting and administration expenses were $2.7 million (8%) lower than target. The higher premium revenue is required to meet higher claims costs mainly for workers' compensation, which led to an additional $7.4 million adjustment (contribution by agencies) for that insurance cover.

**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 108.5% is worse than target. This reflects an underwriting loss of $23.5 million compared to a budgeted loss of $5.8 million, predominantly due to claims expenses being higher than budget following a negative movement in outstanding claims of $14.4 million (102.9%) and claims payments being $11.4 million (4.9%) higher than target. The unfavourable movement in outstanding claims is largely driven by the short-tail property ($10.6 million) class of insurance. The decline in discount rates also resulted in a higher than expected movement in outstanding claims for the workers' compensation class 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 Insurance Commission 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 the RiskCover Fund increasing by   
$326.4 million (2.6%) and the actuarial forecast cost of claims incurred increasing by $16.7 million (9.8%) since 2018.

**Efficiency Performance Indicator**

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

This KPI calculates the RiskCover Fund's administration costs as a percentage of Fund contributions. This KPI measures the efficiency with which the Insurance Commission manages the RiskCover Fund.

**Comment:** The 2019 result is favourable to target, mainly due to administration expenses being $2 million (6.9%) lower than expected. The improvement in this indicator reflects management's ongoing efforts to improve operational efficiencies.

**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 claims management, legal and investigation costs incurred. This KPI measures the Insurance Commission's effectiveness in minimising the financial hardship of claimants and delivering equitable compensation.

**Comment:** This indicator exceeded target with 91.5% of payments made for the direct benefit of claimants.

**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 claims within 17 days from the date of lodgement with the employer to ensure claimants are treated fairly.

**Comment:** The 2019 result is better than target and prior years, reflecting 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.

\*Results prior to 2019 results have been restated to include Building Management and Works property claims

**Comment:** The claims administration cost per claim administered is $114 (9.1%) better than target. This is due to claims administration costs being $2.7 million (8%) below target, despite the number of claims administered being 309 (1.2%) higher than target. The increase in claims administered is largely attributable to the longer-tail workers' compensation class (852 above budget), offset by a reduction in short-tail property claims (325 below 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 2019 result was better than target due to the combined impact of claims administration costs being $2.7 million (8%) below target and claims paid being $11.4 million (4.9%) above target. The increase in gross claims paid was led by the workers' compensation ($8.9 million) and liability ($7.8 million), offset by a decrease in property ($4.7 million) and motor ($1.1 million) classes of insurance.

3.4 Investments

**Total Investment Assets: $5.5 billion**

**Investment Return: 7.0%**

The Insurance Commission’s investment portfolio delivered a gross return (before fees and expenses) of 7% (6.4% net) for 2019.

This reflects total investment returns for the Main Fund and the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF). Each fund has an asset allocation developed to meet its insurance liabilities. The same investment managers are used for both funds.

The Main Fund return of 6.9% underperformed its benchmark by 1.9%. This was due to being underweight Australian Fixed Interest and Inflation Linked Bonds, resulting in Fixed Interest underperforming its benchmark by 4.5%, and underperformance by the Insurance Commission’s Australian and Global Equities managers. Australian Equities underperformed by 5.7% and Global Equities by 3.8%. The strongest performing asset class was Alternative Assets, returning 15.5% and outperforming by 9%. Global infrastructure investments, in both listed and unlisted assets, were the key reason for this strong return.

The MVCIF return was 7.8%, underperforming its benchmark by 1.2%. That Fund’s return was boosted by well-timed increases in allocation to equities in early January 2019 and early May 2019. The three-year phased implementation of the investment strategy for the MVCIF is in its final stages.

The Insurance Commission focuses on delivering long-term growth in investment assets in order to meet its insurance claims liabilities. The rolling seven-year Main Fund return was 9%, which was 3.5% above the Consumer Price Index (CPI) plus 3% performance objective.

The total value of investment funds held by the Insurance Commission grew from   
$5.3 billion at 30 June 2018 to $5.5 billion at 30 June 2019. The total value of assets held by the Insurance Commission at 30 June 2019 was $5.9 billion.

**The compound gross returns for the Main Fund in recent times have been very strong:**

* **5-year return of 44.3%; and**
* **7-year return of 83.2%.**

**The Insurance Commission’s investment assets have increased $1.1 billion in the past three years and $2.9 billion over the last ten years.**

This growth reflects the successful implementation of the Insurance Commission’s investment strategy focused on a long-term outlook across a diverse portfolio of quality investment assets. This has enabled the Insurance Commission to maintain a strong financial position to cover rises in future claims costs.

**Financial Market Overview**

The 2018-19 financial year was a tale of two halves. Financial markets started the year strongly but were halted in September 2018 as US-China trade tensions and interest rate hikes by the United States Federal Reserve (Fed) weighed on investor sentiment.

By 31 December 2018, Global Equity markets had erased earlier gains to be 4.2% lower than six months prior (at 30 June 2018) and 10-year-US bond yields had decreased from 2.9% to 2.7%. The decline in investment markets in December was perceived to be due to concerns about a number of global factors, including Brexit, US-China trade tensions and the U.S. Fed increasing interest rates again in December 2018 to 2.5%.

The effect of declining investment markets in the first six months of the 2018-19 financial year was a total investment loss to the Insurance Commission of $167 million.

A marked reversal in Fed commentary towards an easier monetary policy (lower interest rates) and progress on US-China trade talks restored some confidence towards a positive global growth outlook. Consequently, markets rebounded sharply from the beginning of the calendar year.

For the year ended 30 June 2019, Global Equity markets were up 11.3%, the Australian Equity market was up 11.4%, Property was up 7.2% and Alternative Assets were up 6.5%. At the same time, Global Bond markets returned 7.2%, the Australian Bond market returned 9.6% and Cash returned 2.0%.

The size of the turnaround in investment income for the Insurance Commission at   
30 June 2019, compared to six months earlier on 31 December 2018, was   
$517.5 million.

Despite signs of the rate of global economic growth slowing, positive global economic growth is expected to continue due to supportive monetary policy and country-specific fiscal policy initiatives. It is anticipated that geopolitical uncertainty will continue to dampen global business activity, which is likely to result in slowing global corporate earnings growth.

With the Australian inflation rate below the lower bound of the Reserve Bank of Australia’s (RBA) range (2-3%) and an unemployment rate that remains above the RBA’s new view of full employment (around 4.5%), the bank is expected to continue its recent trend of monetary policy easing over the coming 12 months. In this environment, the Insurance Commission’s asset portfolio is expected to produce a low to modest positive return in 2020.

**Asset Allocation**

The Main Fund neutral strategic allocation to growth and defensive assets of 68% and 32% respectively was broadly maintained during 2019 through active portfolio management. Key Main Fund investments over the year included allocations to an Absolute Return Strategy, Australian Fixed Interest and the replacement of an existing Emerging Market Equities manager.

The MVCIF continued its phased approach to achieve its neutral strategic asset allocation, increasing its exposure to growth assets in January and May 2019. The three-year phased implementation of MVCIF’s investment strategy is in its final stages. At 30 June 2019, the MVCIF had an actual allocation of 74.3% to growth assets and 25.7% to defensive assets. This is in line with its 75% growth assets / 25% defensive assets neutral strategic asset allocation. The MVCIF has a slightly higher target allocation to growth assets to reflect the investment return required to meet the longer duration of insurance liabilities in the catastrophic injuries fund.

Actual asset allocation relative to each fund’s respective strategic benchmark, and the value of each asset class and its percentage of investment are shown in the following charts. At year end, both Funds were underweight in Fixed Interest and overweight in Cash, pending new investment opportunities.

*Sector Exposure Table*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ASSET CLASS** | **MAIN FUND ($M)** | **MAIN FUND (%)** | **MVCIF ($M)** | **MVCIF (%)** |
| Australian Equities | 938.5 | 19.3 | 116.4 | 18.1 |
| Global Equities | 1,044.7 | 21.5 | 129.5 | 20.2 |
| Alternatives | 829.8 | 17.1 | 129.4 | 20.2 |
| Fixed Interest | 341.2 | 7.0 | 31.3 | 4.9 |
| Property | 719.5 | 14.8 | 106.4 | 16.6 |
| Cash | 979.3 | 20.3 | 128.5 | 20.0 |
| **Investment Assets** | **4,853.0** | **100.0** | **641.5** | **100.0** |
| Unsettled Purchases | 10.1 |  | 1.2 |  |
| **Total Investment Assets** | **4,863.1** |  | **642.7** |  |

|  |  |
| --- | --- |
| Main Fund | **4,863.1** |
| MVCIF | **642.7** |
| Non-Investment Assets | **358.2** |
| **Total ICWA Assets** | **5,864.0** |

Infrastructure Investment

The Insurance Commission has a diverse investment portfolio designed to meet its insurance liabilities. One of the asset classes within the portfolio is Infrastructure.

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

One of the Insurance Commission’s Infrastructure investments is in the QIC Global Infrastructure Fund (QGIF).

The QGIF is a pooled unlisted investment vehicle that seeks to provide institutional investors (like the Insurance Commission) with access to attractive, risk-adjusted returns through long-term exposure to a diversified portfolio of global infrastructure assets.[[2]](#footnote-2)

The assets include Lochard Energy (which owns and operates the Iona Gas Plant), the Powering Australian Renewables Fund (PARF, a joint investment with AGL and other investment clients) and the Port of Melbourne.

One example of a renewable energy investment in QGIF (through PARF) is the Silverton Wind Farm in the Barrier Ranges, New South Wales. At the site, 58 wind turbines are being built to produce 780,000 MWh of renewable energy annually. At completion (expected 2020), it will be the sixth largest wind farm in Australia, producing enough energy for approximately 136,000 Australian homes.[[3]](#footnote-3)

The Insurance Commission supports QIC’s approach to invest in quality infrastructure assets, and its efforts to manage environmental, social and governance matters that relate to the assets.

**Portfolio Positioning**

The table below shows the portfolio exposures by geography. 63.3% of the Insurance Commission’s assets are invested within Australia.

*Geographical Exposure Table*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **GEOGRAPHY** | **MAIN FUND ($M)** | **MAIN FUND (%)** | **MVCIF ($M)** | **MVCIF (%)** |
| Australia | 3,045.8 | 62.8 | 433.6 | 67.6 |
| United States | 735.6 | 15.1 | 82.8 | 12.9 |
| Europe ex United Kingdom | 294.4 | 6.1 | 32.2 | 5.0 |
| Asia ex Japan | 267.1 | 5.5 | 33.4 | 5.2 |
| United Kingdom | 181.2 | 3.7 | 15.8 | 2.5 |
| Japan | 61.1 | 1.3 | 9.3 | 1.4 |
| Other | 267.8 | 5.5 | 34.4 | 5.4 |
| **Investment Assets** | **4,853.0** | **100.0** | **641.5** | **100.0** |
| Unsettled Purchases | 10.1 |  | 1.2 |  |
| **Total Investment Assets** | **4,863.1** |  | **642.7** |  |

|  |  |
| --- | --- |
| Main Fund | **4,863.1** |
| MVCIF | **642.7** |
| Non-Investment Assets | **358.2** |
| **Total ICWA Assets** | **5,864.0** |

3.5 Investigations and Intelligence

**Claims Assessed: 721**

**Claims Investigated and Resolved: 132**

**Total Costs Avoided: $19.2m**

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.

The team of intelligence analysts and investigators, together with commercial investigation firms, detect and disrupt false and misleading personal injury claims and potential fraud by claimants and service providers.

During the year, 721 personal injury compensation claims were assessed as potentially being fraudulent, including 123 identified by internal data analytical tools. Following assessment, 132 cases were further investigated, resulting in savings to motorists of $19.2 million in avoided claims costs.

There are serious consequences for people who make false statements for financial reward, as part of the insurance claims process. The consequences can include rejection of the claim and hearing of the matter in public court, which may result in financial penalties and criminal conviction.

Ten claimants in 2019 received fines and criminal convictions for making false statements or exaggerating the extent of their injuries.

**Targeting false and misleading claims**

Providing false and misleading information in a motor injury insurance claim to the Insurance Commission can result in a criminal conviction and a fine of up to $10,000.

Western Australia’s motor injury insurance scheme provides care and reasonable compensation to people injured in crashes. If compensation is paid to people who falsify or exaggerate injuries for financial reward, insurance premiums may increase for all motorists to cover the higher cost.

The Insurance Commission’s Investigations and Intelligence section identifies potentially fraudulent behaviour against its insurance operations. Should an investigation produce evidence a criminal offence may have been committed, the Insurance Commission refers the case to the State Solicitor’s Office for prosecution.

Cases include claimants attempting to claim lost wages while they were working and/or exaggerating the extent of their injuries.

In one case a claimant claimed to the doctor that he ‘*was [in] constant need of neck brace, two walking sticks and a Gopher’* when video footage showed him using none of those aids the day prior to his doctor’s appointment.

Another claimant tried to claim compensation for loss of wages from the Insurance Commission as a result of a car crash on three occasions. His employer subsequently advised the Insurance Commission that the claimant was on an international holiday and/or at work on each occasion (read more below).

***Example One***

***Excerpt from the Transcript of Proceedings in the Magistrates Court of Western Australia (Criminal) – October 2018***

*The claimant pleaded guilty to four charges of providing false and misleading information about injuries he sustained in a car crash in May 2017. Between September and November 2017, he made three requests for lost-wage payments. However during that time, he was working for a taxi company and also took an international holiday. He was fined $1,000 for each false request. He was also fined $1,000 for falsely advising his doctor that he had been unable to work since the car crash.*

***Example Two***

***Excerpt from the Transcript of Proceedings in the Magistrates Court of Western Australia (Criminal) – November 2018***

*The claimant pleaded guilty to providing false and misleading information about his motor injury insurance claim. At a medical examination almost two years post-crash, he told the doctor that “…he had lower and mid back pain to such an extent that he had not worked since October 2015, that he had difficulty with tasks that involved manual handling or mobility, and that he was no longer able to go fishing, camping and four-wheel driving.” Video footage showed that four days later, he went fishing and completed many strenuous tasks. Upon seeing the video footage, the doctor concluded the injuries were “…nowhere near as severe as he had claimed”.*

4. Disclosures and Legal Compliance

4.1 Ministerial Directions

No ministerial directions were received during the year.

4.2 Other Financial Disclosures

4.2.1 Pricing Policies

The insurance product pricing philosophy for the Insurance Commission is based on regular WA inflation-linked average weekly earnings increases. Average weekly earnings is the most relevant pricing 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 assesses 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.

The box below sets out the key inputs that are considered during the assessment of motor injury insurance premium rates.

*Calculating motor injury insurance premium rates*

* Number of registered vehicles;
* Claim experience;
* Injury severity;
* Interest rates;
* Average weekly earnings;
* Risk and expense margins; and
* Reinsurance costs.

From 1 July 2019, motor injury insurance premium rates increased by 3.1%. The increase responds to cost pressures on motor injury insurance claims expenses, and is in line with prior wage inflation forecasts. Following this change, the annual cost of motor injury insurance in Western Australia for a family vehicle at 1 July 2019 was $444.

Motor injury insurance premium rates are communicated to motorists in their vehicle registration renewals, on the Insurance Commission and Department of Transport websites and via the WA Government Gazette.

RiskCover Fund

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 the Insurance Commission 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.

The box below sets out the key inputs that are considered during the assessment of fund contributions for agencies.

*Calculating RiskCover Fund contributions*

* Agency wages and number of employees;
* Business activities (agency risks);
* Asset values;
* Vehicle numbers;
* Economic factors;
* Risk types (workers’ compensation, property and business interruption, liability, personal accident, motor, cyber and travel);
* Risk location;
* Investment returns and administration; and
* Claims experience.

4.2.2 Capital Works

The Insurance Commission’s 2019 major capital works program included:

|  |  |
| --- | --- |
| **IT Security and Integrity** | |
| **COMPLETION DATE** | November 2018 |
| **FINAL COST** | $453,383 |
| Strengthened the Insurance Commission’s IT security capability by enhancing:   * corporate network security by restricting traffic traversing the development, test and production technical environments; and * capability to log, monitor and analyse network traffic of suspicious activities. This capability generates real-time alerts and allows prompt issue resolution. | |

|  |  |
| --- | --- |
| **Catastrophic Injury Support Scheme - Claims Estimation System** | |
| **COMPLETION DATE** | March 2019 |
| **FINAL COST** | $228,367 |
| Replaced a manual data entry process with an automated process to estimate claims costs for clients with catastrophic injuries in the Insurance Commission’s Catastrophic Injuries Support scheme. The automated process leverages actuarial algorithms of injury profiles to deliver detailed estimation analysis. | |

|  |  |
| --- | --- |
| **Systems Logging and Tracking** | |
| **COMPLETION DATE** | May 2019 |
| **FINAL COST** | $175,768 |
| Enabled logging/alerting of user access to claims, staff and legal information, to enable forensic analysis where required. This functionality is now enabled in the core insurance and other support systems. | |

|  |  |
| --- | --- |
| **Online Claims for Motor Injury Insurance** | |
| **COMPLETION DATE** | May 2019 |
| **FINAL COST** | $250,833 |
| This initiative improved claimant experience by allowing online motor injury insurance claims submission. The project allowed:   * non-owners and drivers to notify the Insurance Commission of the crash; * injured parties to request and lodge an electronic Notice of Intention to Claim form for CTP compensation claims; * medical authorities to be provided electronically; and * enhanced communications to claimants to explain the claims process. | |

|  |  |
| --- | --- |
| **Business Intelligence and Analytics** | |
| **COMPLETION DATE** | June 2019 |
| **FINAL COST** | $474,750 |
| This project enhanced Insurance Commission claims management by establishing:   * a Business Intelligence and Analytics (BIA) capability for the Government Insurance Division; * improvements to the Motor Injury Insurance Division’s BIA capability; * enhanced data collection/use to enable claims reporting, analytics and decisions; * a self-service data analytics tool; and * management reporting dashboards. | |

4.3 Governance Disclosures

**4.3.1 Employment and Industrial Relations**

The Insurance Commission operated below the full-time equivalent (FTE) budget throughout the year and, as at 30 June 2019, the total FTE count was 372.3 and headcount was 404.

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

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

**Staff Profile**

The Insurance Commission’s key human resource plans (HR Blueprint and Diversity Action Plan) support delivery of the strategy set out in the Statement of Corporate Intent and Strategic Development Plan.

Workforce supply and demand forecasts that are linked to these plans manage internal resource needs, 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. We are focused on building a more inclusive workforce, which is why we have actions underway to increase the representation of women in senior leadership roles, Indigenous Australians, youth and people with disability, within the business.

*Employee Demographics*

**Workforce Diversity**

* Women 62%
* Men 38%
* Women in leadership roles 41.6%
* Culturally and linguistically diverse 25.4%
* Youth (<25) 4.4%
* People with disability 2.7%
* Indigenous Australians 0.7%
* Average length of service 11 years
* Average age 44 years
* Returned from maternity leave (5 year average) 77%

**Generational Profile** (\* based upon McCrindle Research)

|  |  |  |  |
| --- | --- | --- | --- |
| **Group\*** |  | **Employee percentage** | **Average length of service (years)** |
| Veteran  (1922-1945) |  | 0.5% | 38 |
| Baby Boomer  (1946-1964) |  | 21.0% | 20 |
| Gen X  (1965-1979) |  | 39.4% | 12 |
| Gen Y  (1980-1994) |  | 33.7% | 6 |
| Gen Z  (1995- ) |  | 5.4% | 1 |

**Working Arrangements**

|  |  |
| --- | --- |
|  | **Employee percentage** |
| **Full-time** | **81.2%** |
| Women | 45.1% |
| Men | 36.1% |
| **Part-time** | **18.8%** |
| Women | 17.1% |
| Men | 1.7% |

**Organisational Culture**

The Insurance Commission continues its multiple streams of work to embed its preferred corporate culture. It is committed to a high performance culture that values accountability, professional integrity and respect.

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

The corporate culture model includes four dimensions (innovation, market, people and process). In 2019, it shifted to a slightly more innovative, market-focused and less process-driven one.

The 2019 survey results reflect the high commitment and engagement levels of employees highlighting the positive progress of the culture transformation and embedding of the desired values.

The results also indicate that further work is required to improve the efficiency of some business processes so more time can be spent on claims management rather than claims administration.

**Workforce Development**

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

Workforce development programs are delivered across three levels: all employees, leadership group and people managers.

To support its emerging and current leaders, the Insurance Commission offers leadership development across all levels. Eighty-six per cent of people managers have completed the management and leadership development program.

The senior leadership cohort participated in a 360-degree feedback process during the year to assess their leadership capabilities, which included 1:1 leadership coaching. All employees participate in performance and development discussions, and are encouraged to take accountability for their career development.

Employee training and professional development programs were refined during the year to help deliver the desired high performance culture. Specific programs were also delivered on customer service, information technology, diversity and inclusion, and general professional development.

Technical and compliance training remains a focus for operational insurance areas.

**Developing our talent pipeline**

The Rotational Graduate Program continues to inject youth and fresh ideas into the organisation.

Over two years, graduates rotate every six months to expose them to different business units. Graduates also participate in the Public Sector Commission’s Graduate Development Program to provide a whole-of-sector perspective, and additional public sector training and networking.

Since the program started in 2017, nine graduates have been recruited of which seven remain with the Insurance Commission. The remaining two graduates left the organisation to pursue career advancement interstate.

The Insurance Commission recruited two graduates with actuarial science and economics backgrounds during 2019. Those graduates started their first rotations in the Investments and Policy areas.

Graduate feedback on the program has been positive. One graduate, Lucy Farnsworth, comments:

*“Over the past two years the graduate program has provided me with the opportunity to learn and gain experience across a variety of teams throughout the organisation. This has allowed me to develop my professional expertise and skill set in a supportive team environment and apply my knowledge to assist people impacted by motor vehicle and workplace accidents within the WA community. This experience has provided me with the foundation to work towards my career goals of completing my CPA (Certified Practising Accountant) and continuing to develop my professional skillset to pave the way to a successful and fulfilling career.”*

Lucy was appointed as a permanent Financial Policy Officer at the end of her graduate program.

Graduate Michael Nelmes says:

*“Through the program, I have not only improved my knowledge in my preferred career path but I have developed skills that I never thought would be important during university. I can safely say that a lot of what I’ve learnt in all four of my rotations has been applicable and helpful in my current role. On top of that, all my managers and colleagues have been more than helpful and are a key reason why I have learnt as much as I have.”*

Michael was appointed as a permanent Financial Analysis and Reporting Officer at the end of his graduate program.

**Mentoring Program**

The Insurance Commission’s Mentoring Program aligns with its strategies for the attraction, development and retention of talent. The aims of the program are to:

* Support a collaborative organisational culture and enhance workplace engagement across divisions;
* Increase leadership capabilities for current and future leaders;
* Support diversity initiatives;
* Support initiatives for knowledge transfer; and
* Facilitate self-development and self-directed learning.

Workshops were conducted for participants (mentors and mentorees) during the year to support effective achievement of the strategies.

Key outcomes of the program for the 30 participants during 2019 included:

* Increased understanding of the broader organisational context;
* Increased understanding of personal/professional skills and attributes;
* A clearer view of professional goals;
* Increased resilience of mentorees to deal with uncertainty; and
* Valuable cross-divisional engagement and collaboration.

4.3.2 Board and Committee Remuneration and Attendance

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **NAME** | **POSITION** | **BOARD ATTENDANCE AT 11 MEETINGS** | **AUDIT AND RISK COMMITTEE ATTENDANCE AT 7 MEETINGS** | **GROSS ANNUAL REMUNERATION\*** |
| Frank Cooper AO ^ | Chairman | 10 | 6 | $98,273 |
| John Scott | Deputy Chairman, Chairman of Audit and Risk Committee | 11 | 7 | $73,696 |
| Andrea Hall | Commissioner, Member of Audit and Risk Committee | 11 | 6 | $49,137 |
| Carol Dolan ^ | Commissioner, Member of Audit and Risk Committee | 11 | 3 | $49,137 |
| Rob Bransby | Commissioner | 11 | - | $49,137 |
| Yasmin Broughton ^ | Commissioner, Member of Audit and Risk Committee | 11 | 3 | $49,137 |
| Rod Whithear | Chief Executive, Commissioner ex officio | 10 | 7 | $417,095 |

\* Includes superannuation and Fringe Benefits Tax.

^ On 27 March 2019, Ms Dolan and Ms Broughton joined the Audit and Risk Committee and Mr Cooper stood down.

4.3.3 Compliance with Public Sector Standards and Ethical Codes

The Insurance Commission values strong governance and proactively manages risk and compliance in the performance of its functions.

An Audit and Risk Committee assists the Board 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 action plans in operational areas. An external audit function provides a further 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. The Audit and Risk Committee reviews the Insurance Commission’s risk management framework to ensure it remains effective.

During the year, the Insurance Commission continued to refine its risk and compliance management capability. This included review of its risk appetite statement and revision of key risk indicators and performance reporting. Further gains were made to embed risk management into strategic and annual planning and ensure individual accountability for risk action plans and control actions. Work continued to standardise compliance management across the insurance divisions and improve compliance reporting.

The Insurance Commission monitors risk, compliance and governance developments in other sectors to identify improvement opportunities. In 2019, the Insurance Commission benchmarked itself against the ASX Corporate Governance Principles and Recommendations 4th edition. While the Insurance Commission is not subject to ASX-listing requirements, it recognises the Principles are represented as best practice corporate governance for public companies (which include financial service organisations delivering functions equivalent to the Insurance Commission). The results of the benchmarking provide assurance that the Insurance Commission’s governance arrangements are robust, contemporary and in line with the requirements of public listed companies.

The Board and Audit and Risk Committee regularly assess their performance to enhance the effectiveness of the key oversight bodies of the organisation. During the year, an independent reviewer conducted the performance assessments.

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

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 is available to employees via the intranet. Awareness training is undertaken for key aspects of the Code, including accountable and ethical decision making.

During the year, one breach of standard (grievance resolution) claim was received and referred to the Public Sector Commission. Following an investigation, no breach was found and the claim was therefore dismissed.

Supporting the disability sector

For the second year, the Insurance Commission sponsored the ‘Excellence in Innovation’ category at the 2019 WA Disability Support Awards to promote fresh ideas, which can have transformative effects on the quality of life and independence of people injured in vehicle crashes and at work.

The awards are organised by National Disability Services WA, which is a stakeholder of the Insurance Commission.

The Independent Living Centre WA’s (ILC) Community Allied Health Services Schools Team won the award for its *Engaging in Eye Gaze: Collaborating and Consulting with Schools Project*.

Eye-gaze technology enables people to use eye movements to control a speech-generating device or computer, allowing independent communication.

Led by ILC speech and occupational therapists, the project trialled the technology with 50 students with disability from nine Western Australian schools.

The project demonstrated that students with complex physical needs can use the eye-gaze technology to communicate, learn and socialise. The technology also helped maximise educational outcomes for individual students.

The use of assistive technology, like eye-gaze, can help some Insurance Commission claimants with catastrophic injuries received in motor vehicle crashes become more independent.

The runner-up for the innovation award was Richmond Wellbeing, who deliver outreach and community based support services, and help boost recruitment and retention of Aboriginal employees in Western Australian workplaces.

4.3.4 Disability Access and Inclusion

The Insurance Commission is committed to increasing awareness of access and inclusion issues and improving its service delivery to the community.

During the year, the Insurance Commission implemented its new Disability Access and Inclusion Plan (DAIP) 2018-23. The Plan was developed in consultation with people with disability, employees, customers, disability service providers, National Disability Services WA and the Department of Communities.

The Plan was launched internally to all employees, and training workshops were held with staff in leadership and people manager roles. The Plan was also launched externally to the Public Sector DAIP Agency Network that helped to promote the Insurance Commission’s improved access and inclusion efforts across the whole of Government.

While most DAIPs focus on seven required outcome and inclusion areas, the Insurance Commission added an eighth outcome to reflect its core function to provide compensation and care to people injured in vehicle crashes and at work.

Each DAIP outcome and corresponding 2019 actions is listed on the following pages.

**Outcome 1: People with disability have the same opportunities as other people to access the services and events organised by the Insurance Commission.**

**Action**

Ensured training venues utilised by the Insurance Commission were accessible.

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

**Action**

Installed automatic doors for the public meeting rooms to improve accessibility.

Procedures for floor wardens during a building emergency were made clearer to support the evacuation of mobility impaired employees and visitors.

**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**

Delivered an Insurance Commission website that broadly aligned with WCAG 2.0 standards and accessibility 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**

Organised staff presentations from clients with disability and disability service providers to increase access and inclusion awareness, and improve customer service.

Created a new disability awareness training module for completion by all staff.

Delivered customer service training for staff within the Government Insurance and Motor Injury Insurance divisions. These programs are also delivered to all new employees.

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

**Action**

Enhanced the Insurance Commission’s stakeholder feedback policy and process to capture more feedback through multiple channels for service delivery improvement.

**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**

Feedback on the effectiveness of the Insurance Commission’s service delivery continued to be collected from clients and service providers.

No formal public consultation was undertaken during 2019.

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

**Action**

Reviewed recruitment and advertising procedures to ensure inclusive practices.

Provided adjustments and special requirements for employees with disability to access the workplace.

**Outcome 8: Improve disability outcomes for claimants and clients of the organisation by effectively managing insurance schemes that provide care and compensation to people injured in motor vehicle crashes and at work.**

**Action**

Provided care and compensation to over 20,000 people who were injured in vehicle crashes and at work in 2019.

Supported people with catastrophic injuries from vehicle crashes to return home following emergency treatment and rehabilitation (no clients with catastrophic injuries in the lifetime care scheme were new to public housing at 30 June 2019).

Supported people with catastrophic injuries in the lifetime care scheme to return to work (66% of people working or studying before their vehicle crash had returned to work, study or were engaged in return to work and rehabilitation programs).

Sponsored the ‘Excellence in Innovation’ category at the WA Disability Support Awards to promote care and support initiatives that improve the independence of people injured in vehicle crashes and at work.

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

4.3.5 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 employees via an induction program, which details employee recordkeeping roles and responsibilities. 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.

The State Records Office requires agencies to retain and dispose of records in line with disposal authorities, although some corporate governance records are required to be kept in perpetuity.

This year, effort was made to reduce the number of older Insurance Commission records held off-site. Reduction of approximately 1,500 boxes was achieved during 2019 and further work is planned to reduce off-site storage costs.

**4.3.6 Substantive Equality**

Our employment practices align with the Public Sector Commission’s Employment Standards, are transparent and based on the principles of merit and equity.

**4.3.7 Use of Credit Cards**

No Insurance Commission credit cards were used for personal costs in 2019.

**4.3.8 Occupational Safety and Health**

The Insurance Commission maintains a positive safety culture where its Occupational Safety and Health (OSH) systems aim for more than just compliance.

During induction, all new employees receive information and training on their responsibilities under the OSH and injury management policies.

The Insurance Commission’s OSH Committee provides a forum for employees to be engaged on OSH matters and be involved in developing the OSH and Wellbeing Management Plan.

Three staff workers' compensation claims were lodged during the year. Two claims had no lost time during 2019, and the third claim was under assessment at   
30 June 2019. Injured employees are supported in their return to work under the *Workers’ Compensation and Injury Management Act 1981.*

*Occupational Safety and Health (OSH) Reporting*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Actual Results** | | | **Results Against Target** | |
| **Measure** | **2017** | **2018** | **2019** | **Target** | | **Comment** |
| Number of fatalities | 0 | 0 | 0 | 0 | | Achieved |
| Lost time injury and/or disease incidence rate | 0.27 | 0.58 | 0 | 0 or 10% reduction | | 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% | 50% | 100% | Actual Result | | Achieved |
| 100% | 50% | 100% | ≥ 80% within 26 weeks | | Achieved |
| Percentage of managers trained in OSH and injury management | 88% | 78% | 93% | ≥ 80% | | Achieved |

**Health and Wellbeing**

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

* Access to end-of-trip facilities;
* Access to an on-site gym and exercise classes;
* Independent counselling advice for staff and their families through an employee assistance program;
* Skin cancer screening;
* Health assessments (e.g., diabetes, blood pressure, cholesterol and blood glucose);
* Workshops on mental health, diet, sleep and resilience;
* Flu vaccinations;
* On-site massages (paid by employees); and
* Complimentary fruit over the summer months.

Staff evaluated the health and wellness program during the year as ‘excellent’, and requested it be continued each year.

**4.3.9 Market Research and Advertising Expenditure**

The Insurance Commission spent $10,399 in 2019 to advertise job vacancies, motor injury insurance premium rates and community consultation on its Disability Access and Inclusion Plan.

*Market Research and Advertising Expenditure*

|  |  |  |
| --- | --- | --- |
| **Type** | **Organisation** | **Total** |
| Advertising Agencies | Adcorp, Initiative Media and State Law Publisher | $5,577 |
| Media Advertising | Sensis | $4,822 |
| Total\* | | $10,399 |

\*No costs for market research, polling or direct mail organisations.

4.4 Significant Issues

4.4.1 Bell Group Litigation

In March 2019, it was announced that the parties to the Bell Group liquidation proceedings had agreed to defer those proceedings to enable settlement negotiations to continue. The negotiations continue.

Litigation costs for the year are substantial and future costs will escalate if the negotiations fail and litigation resumes.

4.4.2 Policy Matters

One of the core functions of the Insurance Commission is to provide advice to the Government on insurance matters.

Over the course of 2019, the policy unit was engaged with a number of insurance and liability-related policy matters. Three examples are listed below:

**Automated Vehicle Insurance and Liability**

Automated vehicles are expected to significantly affect transport systems around the world when they enter markets in volume. Fewer vehicle crashes, injuries and insurance claims are hopefully anticipated but remain some way off as technological and infrastructure solutions require further development.

Personal injury and death caused by automated vehicles without a human driver in control can be expected to be attributed to manufacturer fault, cyber issues or product failure.

The Insurance Commission has actively promoted the development of an insurance solution that ensures that manufacturers and companies that put automated vehicle technology on Australian roads act responsibly by having suitable liability insurance cover to respond if that technology causes personal injury or death.

That way, manufacturers and companies would remain accountable for the performance of products and community confidence that unnecessary safety risks are not being taken can be maintained.

The Insurance Commission’s view differs from the recommendations made by other government entities in Australia. If those recommendations were accepted, it would result in motorists paying for a product liability cost that should be borne by product manufacturers and suppliers.

**Risk Analysis of Western Australia’s Motor Injury Insurance Scheme**

The policy unit completed an analysis of the WA motor injury insurance scheme that sought to identify issues that may threaten the sustainability of the scheme and to identify any future action that may be necessary to protect it.

That analysis found that the fundamentals of the scheme were sound:

* premium rates for motorists remain affordable and cost effective compared to comparable insurance products in other Australian jurisdictions;
* the number and size of indemnity losses have reduced to bring the CTP scheme back to a more sustainable position;
* the solvency level of the TPIF for the scheme provides confidence that the cost of future liabilities can be met; and
* investment returns have generated value for the shareholder (the WA government).

However, some concerning trends were identified:

* Injury insurance claims are now 25% more likely to be made following a crash than they were in 2013, despite the long-term trend showing fewer reported crashes (24% reduction since 2009);
* The propensity to claim has increased despite data showing that when a crash occurs the likelihood that motorists are more seriously injured has reduced;
* Increased claim rates appear driven by low-merit claims; and
* The proportion of claims involving minor injuries where the claimant was legally represented has doubled over the past ten years – increasing from 23% in 2010 to 58% in 2019.

These concerning trends will increase the administrative costs of managing claims.

The Insurance Commission is reviewing options to ensure scheme efficiency is maintained so that premium rates remain affordable for motorists.

**Treatment, Care and Support for Catastrophic Workplace Injuries**

The Government announced a reform to the WA workers’ compensation scheme that will expand the Catastrophic Injuries Support (CIS) scheme to cover workers with catastrophic injuries. The policy unit has been working to facilitate that change.

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 2019 and the financial position as at   
30 June 2019.

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

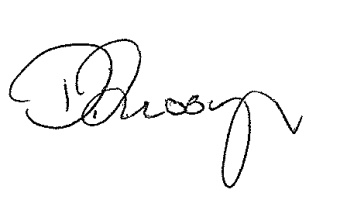
11 September 2019



**Rod Whithear**

Chief Executive

11 September 2019

**Damon de Nooyer**

Chief Finance Officer

11 September 2019

**Key Performance Indicators**

We certify the Key Performance Indicators are based on proper records, are relevant and appropriate for assisting users to assess the Insurance Commission of Western Australia’s performance, and fairly represent the performance of the Insurance Commission for the financial year ended 30 June 2019.



**Frank Cooper AO**

Chairman

11 September 2019

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**Rod Whithear**

Chief Executive

11 September 2019

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| --- | --- |
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1. The year ended 30 June 2019 is referred to herein as 2019. Similar terminology applies for other years referred to in this annual report. [↑](#footnote-ref-1)
2. QIC website. [www.qic.com.au/knowledge-centre/qic-global-infrastructure-fund](http://www.qic.com.au/knowledge-centre/qic-global-infrastructure-fund) Accessed 6 August 2019. [↑](#footnote-ref-2)
3. AGL website. <https://www.agl.com.au/about-agl/how-we-source-energy/silverton-wind-farm> Accessed 6 August 2019 [↑](#footnote-ref-3)