

Insurance Commission of Western Australia —

Mrs L.A. Munday, Chair.

Mr M. McGowan, Treasurer.

Mr R. Whithear, Chief Executive.

Mr D. de Nooyer, Chief Finance Officer.

Ms A. Wilson, General Manager, Governance and Stakeholder Relations.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. Questions must relate to the operations and budget of the off-budget authority. The chair will allow as many questions as possible. Questions and answers should be short and to the point.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 2 June 2023. If a minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

The first question goes to the Leader of the Opposition.

Mr R.S. LOVE: I refer to page 175 of budget paper No 2 and the significant issues impacting the trading enterprise. There are a couple of points I want to raise, the first of which is in paragraph 7, which states —

Over the past few years, the government workers' compensation class of insurance has experienced a sustained increase in the proportion of long duration claims associated with increased severity of injury ... This trend in higher claims costs is expected to continue ... resulting in increases to RiskCover Fund agency premiums.

I would like to get an understanding of what, in the view of the commission, is driving that trend.

Mr M. McGOWAN: I will let Mr Whithear comment.

Mr R. Whithear: A range of factors are driving increased workers compensation costs. We keep an eye on our peers around the rest of the country. We are experiencing a lower rate of growth than in those other jurisdictions, but it remains a concern because it forces the price of workers compensation up. It suggests that agencies could perhaps do a little more to try to get people back to work a bit faster as the duration of workers compensation claims is extending and that is a significant factor driving the cost.

Mr R.S. LOVE: Is there some comparison between workers in the private sector and workers in the government sector that we can look at to see what could be a benchmark?

Mr M. McGOWAN: I will hand over to Mr Whithear.

Mr R. Whithear: We do have those figures. WorkCover collects figures about premium rates for government and other employers. We have the ability to provide that to the member on notice, but it does not look like I have those figures with me.

Mr R.S. LOVE: I will put something on notice to that effect. I have one other question. Paragraph 8 refers to global reinsurance and insurance market conditions and relates that to natural disasters globally et cetera. Can the Treasurer give me an understanding of what that means for the state government in insuring against natural disasters such as tropical cyclone Ellie and how that might influence costs in the future?

Mr M. McGOWAN: I will let Mr Whithear respond to that question.

Mr R. Whithear: Reinsurance markets around the world, but traditionally those based out of London, although there are some continental European and United States participants, are seeing insurance market conditions tighten. Natural disasters, particularly in the United States, are forcing up the premium, particularly in the property class of reinsurance, so we are seeing an increase in reinsurance premium pricing, which is pretty consistent around the world. That is on the natural disaster front. There is also pressure in the liability classes and cybersecurity, as might be expected.

Mr R.S. LOVE: I refer to page 175 of volume 1 of budget paper No 2 and paragraph 6. Was the transfer of funds from the third-party insurance fund to cover historic sexual abuse claims a decision of government or a decision of the Insurance Commission of Western Australia? How did that transfer arrive?

Mr M. McGOWAN: It was a decision of government to, firstly, join the National Redress Scheme and, secondly, change the law to allow for the removal of the statute of limitations. It was this government's decision to allow for that. That obviously has costs attached to it, but I think most people would accept that that is a cost that is fair.

We have changed the arrangement for child abuse claims for organisations outside of government, so there was not a way that we could say that government is exempt. I think most of the claims are against organisations outside of government, but we could not have a two-tiered system—one for private organisations and one for government. I will hand over to Mr Whithear to comment further on that.

Mr R. Whithear: After the changes to the laws that the Premier referred to, we carried an unspecified amount of liability for those claims. In recent years, we have been able to work with our actuaries to quantify the claim value in total, which is close to \$300 million. Rather than paying a dividend to the government from the third-party insurance fund, largely funded by our investment activities, we recommended that those funds be allocated to the government insurance fund to fill an unfunded liability. Now we are close to having the total of \$300 million there for the payment of those claims over time.

Mr M. McGOWAN: It was one of those things that was just the right thing to do. I do not think many people would object to that, but it does have a significant cost attached to it.

Ms L. METTAM: I refer to page 176 and the catastrophic injuries fund insurance cover. How many claims have been made over the past financial year and how does this compare with the projected number of claims at the time of the scheme's introduction?

Mr M. McGOWAN: I will let Mr Whithear comment.

Mr R. Whithear: The number of catastrophic injury claims received under the catastrophic injuries fund last financial year was 22 and under the third-party insurance fund, it was 17, making a total of 39. That was lower than expected.

Mr M. McGOWAN: What was it in past years?

Mr R. Whithear: In 2020–21, we had 30 in the catastrophic injuries scheme and 13 in the third-party insurance fund, taking that to 43. While I am at it, in this financial year, we have had 17 in the catastrophic injuries fund and 11 in the TPIF, for a total of 28 for the year to date. Generally, it is a pretty stable trend of about 43 in 2020–21 and 39 in 2021–22 and 28 thus far in this financial year.

The CHAIR: Given the time, that completes the examination of the Insurance Commission of Western Australia.