LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2017-18 ANNUAL REPORTS – QUESTIONS PRIOR TO HEARINGS

Insurance Commission of Western Australia

The Committee asked:

1) How frequently do you review your:
   a) key performance indicators?

   Answer: Key Performance Indicators are reviewed annually by the Executive and Board as part of the Budget and Statement of Corporate Intent process.

   b) key performance indicator targets?

   Answer: Key Performance Indicator (KPI) targets are reviewed annually by the Executive and Board as part of the Budget and Statement of Corporate Intent process. Progress against KPI targets are monitored monthly by the Executive and Board.

2) When were your key performance indicators last reviewed?

   Answer: December 2017 as part of the 2018-19 Budget and State Corporate Intent process.

3) Can you provide any documentation from your last review of your key performance indicators?

   Answer: Yes.

4) Can you list any new key performance indicators for this year?

   Answer: No new Key Performance Indicators were implemented in 2017-18. New Key Performance Indicators were last implemented in 2016 when the Catastrophic Injury Support scheme was introduced.

5) In relation to credit and debit card payments:
   a) Do you allow a person to pay for goods and services with credit or debit card?

      Answer: Yes.

   b) If so, when a person pays a fee or fine by credit or debit card:
      i) What surcharge do you apply to process that card payment?

         Answer: No surcharge is applied.

      ii) Do you impose the same surcharge irrespective of which type card is used?

         Answer: Not applicable.

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iii) Is that surcharge authorised by a legislative Instrument, for example, by regulations

Answer: Not applicable.

iv) What steps have you taken to ensure compliance with Reserve Bank of Australia Standard No. 3 2016 titled 'Scheme rules relating to merchant pricing for credit, debit and prepaid card transactions'?

Answer: Not applicable.

v) As per the Standard, is your surcharge no greater than the average cost of acceptance of the lowest cost system, not an average of all cost systems?

Answer: Not applicable.

Hon Nick Goiran MLC asked:

1) I refer to the work of the Insurance Commission of Western Australia during the 2017/18 reporting period, and I ask:
   a) What is the current status of the Bell Group litigation and is the previous forecast of fifteen years of litigation still the expectation:

   Answer: The Bell litigation continues, and continues to expand. A trial of distribution matters has been provisionally set down to run for six months commencing in September 2019. It is hoped the trial and appeal process could be completed within five years. However, Bell proceedings are notoriously unpredictable and the possibility that the litigation could continue longer cannot be ruled out.

   i) further to (a), what was the reason for the significant increase in legal costs for 2017/18;

   Answer: Legal costs increased in 2017-18 in line with increased litigation activity.

   ii) what is the breakdown between the costs of the State Solicitor and the private law firms appointed during the reporting period;

   Answer: Of the fees paid in 2017-18 to the State Solicitor's Office and the two private law firms engaged by the Insurance Commission on Bell, approximately 14% was for the State Solicitor's Office.

   iii) what is the budget for legal costs for 2018/19;

   Answer: In the Auditor General's report "Opinions on Ministerial Notifications" (Report 6 - April 2017) tabled in Parliament on 13 April 2017, the Auditor General found that the then Attorney General's decision not to provide information about the billable hours for the Bell Group litigation proceedings was reasonable and appropriate. For the reasons set out in that report, the Insurance Commission considers that the budget for legal costs for 2018-19 is to remain confidential.

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b) The underwriting profit for 2017/18 was $33.829M compared with an underwriting loss of $81.296M in 2016/17. What was the reason for such a significant turnaround:

Answer: The primary reason for the change in the Insurance Commission's underwriting results was the performance of the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF). The MVCIF, introduced on 1 July 2016, recorded an underwriting loss of $98.1 million in its first year. The principal reason for the underwriting loss was that premium revenue was not collected from motorists in advance of the scheme start date, which meant that some motorists did not pay the full cost of the additional cover they received in the first year. In 2018, premium revenue was collected in full from motorists.

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

i) Further to (b), what is the budgeted underwriting profit/loss for 2018/19;

Answer: $9 million underwriting profit.

c) The reporting of claims harvesting shows an increase from 60 in 2016 to 306 in 2018. What action is being taken to prevent claims harvesting?

Answer: The Insurance Commission and Consumer Protection have issued community alerts to encourage motorists not to give out personal details to callers that may seek to encourage claims.

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

This approach is working as 71% of suspicious claims received in 2018 were rejected. The financial reward for third parties and law firms involved in this practice is not significant, and there has been no impact on motor injury insurance premiums for motorists to date.

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