

Insurance Commission of Western Australia —

Mr S.J. Price, Chair.

Ms R. Saffioti, Treasurer.

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

Mr R. Whithear, Chief Executive Officer.

Mr C. Bailey, General Counsel.

Mr W. Stirling, Finance Manager.

Mr D. Lines, Acting Special Adviser.

[Witnesses introduced.]

The CHAIR: Members, we are dealing with the off-budget item of the Insurance Commission of Western Australia. 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, 31 May 2024. 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 Leader of the Opposition has the call.

Mr R.S. LOVE: I have a question about the significant issues impacting the government trading enterprise. Paragraph 10 on page 176 of budget paper No 2 refers to the Insurance Legislation Amendment (Motor Vehicle Claims Harvesting) Bill 2023, which is before Parliament. That bill has not been debated yet. We have had briefings on it. I am wondering what modelling has shown that 27 per cent of claims have been affected by this practice, with \$14 per policy being added to the cost of each insurance in the state. Can that modelling be made available?

Ms R. SAFFIOTI: I will refer that to Mr Rod Whithear. Look, it is a significant issue. I was involved in a car accident recently, just weeks ago, and my details were harvested, can you believe. The person who I had an accident with had their details harvested and sold to a tow truck company. That is what happened to me. It is an issue out in the community. Of course, it does impact claims and therefore impacts the price of third-party insurance. I will throw it now to Mr Whithear.

Mr R. Whithear: Our actuaries look at our claims data every six months. They have calculated that amount of \$14. The 27 per cent largely identifies law firms that are suspected or known to be participating in this type of activity. In some cases we have evidence from claimants of that behaviour, so our actuaries will calculate the number. What has really highlighted the criticality of this issue is that legislation has been passed in some other states. We saw activity move from particularly Queensland to Western Australia. During the various COVID lockdowns in different forms across Australian jurisdictions, people drove less; there were fewer car accidents and fewer car accident injury claims in every state, except Western Australia where they went up 10 per cent, even though there was less driving and fewer accidents.

[9.40 pm]

Mr R.S. LOVE: I was hoping that that model might be able to be provided as supplementary information, if no other way.

Ms R. SAFFIOTI: I think that would be subject to commercial confidentiality, so I do not think we can provide that.

Mr R.S. LOVE: Paragraph 7 on page 176 refers to the government workers compensation class of insurance having increased in the number and cost of workers compensation claims. What is being done through the decisions and directions of government to get to the bottom of why those claims are increasing in number and value and to bring about a reduction in the number of workplace incidents?

Ms R. SAFFIOTI: Paragraph 7 refers to claims being of a longer duration and to the average increase in cost. I cannot provide any further information about government policy on that. With reference to paragraph 7 on page 176 of budget paper No 2, I will seek to provide as supplementary information further reasons for workers compensation claims having increased.

[*Supplementary Information No A8.*]

Dr D.J. HONEY: I refer to the national tax equivalent regime—income tax on page 175, which is sitting at about \$25 million, but was about \$22 million in 2023–24, then jumps to an estimated actual of nearly \$55 million, and

then drops back to just under \$20 million. What is the reason for the sudden spike in the estimated actual compared with the budget year? It has more than doubled.

Ms R. SAFFIOTI: I defer to Mr Stirling.

Mr W. Stirling: That relates to a timing difference on our investment returns. For the financial year to June 2023, we made just over half a billion dollars in investments. Some of that is unrealised, if you like, and the increases are those unrealised investments being realised in the current financial year.

Dr D.J. HONEY: It is almost a doubling then?

Mr W. Stirling: Yes; we had a \$130 million taxation liability, deferred tax, brought forward, and that is getting realised.

Dr D.J. HONEY: I want that problem!

Mr W. Stirling: Yes, it is a nice problem to have!

Dr D.J. HONEY: My new question relates to the scope of the Insurance Commission and its role. As the Treasurer would be aware, north of Geraldton it is becoming impossible for people, particularly local governments, to obtain insurance. Insurance companies seem to have dramatically increased their risk aversion for whatever reason, or they just do not need the business. Does the government see a potential role for the Insurance Commission moving into that area? I am not saying that it should make a commitment, but the concern of local government and householders in the north of Western Australia—pretty much north of Geraldton—is that they cannot get any insurance at all. It is not a question of paying more; it is just that companies will not offer insurance. Therefore, local government and large sections of the community are uninsured or will become uninsured.

Ms R. SAFFIOTI: I understand that insurance in the north of the state in particular is a big issue for the entire community. I will ask Mr Whithear to describe the national scheme in a little detail.

Mr R. Whithear: The state government recommended that the federal government appoint me to the board of the Australian Reinsurance Pool Corporation. I can only discuss what is public. A report was put out in the past few weeks identifying the premium savings attributed to the commonwealth having the reinsurance pool. It effectively underwrites cyclone risk for commercial insurers in the north of Australia. There have been some positive results, but it is pretty early. Unfortunately, northern Australia, along with the rest of Australia, has seen tightening insurance markets and the cost of reinsurance increasing markedly around the world. People do not think it is fair that there might be a bad wildfire season in California or a hurricane season in Florida and the premiums rise, but that is how globally interconnected insurance and reinsurance is. We have had a lot of complaints from tourism businesses in the south of this state as well as the north that have had real struggles of late. We think the hardening insurance market is tapering off. We have seen those steep increases. We hope they will flatten from here. We thought the insurers were returning to profitability when they were actually making significant losses.

Mr R.S. LOVE: Paragraph 9 on page 176 refers to the Workers Compensation and Injury Management Act 2023, which comes into effect at the start of this coming financial year. How has the commission come to the view that the premium rises will be of the scale that is set out and the actuarial advice behind that? Does the commission anticipate the level of claims that will come through? How does it project those?

Ms R. SAFFIOTI: I will defer to Mr Whithear.

[9.50 pm]

Mr R. Whithear: Our actuaries run these calculations for us, as they do for motor insurance. One of the changes to the act is the extension of the catastrophic injury support scheme, which applies to motor vehicle acts, to also cover workers. We have had multiple actuaries working for both WorkCover WA and us to calculate the estimated number of people who might be catastrophically injured in a workplace. Thankfully, it is in the low single digits that we see that occurring. We calculate the average cost of those catastrophic injuries, to provide care and support for somebody's lifetime, as being between \$4 million and \$5 million, so each one is a very expensive insurance claim. It is almost as expensive as one can get. There are some other changes to the Workers' Compensation and Injury Management Act 1981, such as extending the period in which people receive their full pay at 100 per cent, including shift entitlements and things, before a step down to 85 per cent. That used to be 13 weeks, and this legislation has extended it to 26 weeks, so there will be some higher costs flowing from that.

Mr R.S. LOVE: I do not think it is in the budget, but it is on that line of increased risk to the state. The other change in workers compensation is occurring with the dust legislation and leaving payments to be provisional rather than final in certain circumstances. What effect on premiums is that thought to have?

Ms R. SAFFIOTI: Mr Whithear.

Mr R. Whithear: We have expressed concern about a potential change from full and final settlement to provisional settlement. We think it is a fundamental basis of common law that if one reaches a settlement with an insurer, it is

final. Our actuaries would calculate a settlement and their outstanding liabilities when one does not know how many people will come back for a second bite. It is quite worrying. We have read the parliamentary report. We are engaging with Justice at the moment and we see material costs coming to the government for some of these things. We think that the public perception is that when one changes some of these laws, it might be a concern for just some non-government organisations or faith-based organisations. Invariably, it is a far larger concern for the government, so we will be trying to do some work to, first, advise Justice and ministers about the risks of some of those mooted changes and, second, where we can, try to calculate an estimate of additional cost to government. Some of that is quite difficult to do because one has to predict the behaviour of people, and that is not always straightforward.

Mr R.S. LOVE: The government will be only one employer caught up in this. Presumably, a whole bunch of industry figures will need to do similar work. Is there a pooling of that effort or will the Treasurer consider, completely in isolation, how the government will see the premiums affected going forward because of that particular change?

Ms R. SAFFIOTI: I would have to get further advice on that, but we can get some advice from of course ICWA, and I suspect industry would give us some advice as well. I would probably need to get further advice from the Minister for Industrial Relations on that.

Mr R.S. LOVE: Mr Whithear mentioned that the catastrophic injury cover would be extended to certain industrial accidents. Will that fund simply use the same pool of money that has been built up through the vehicle insurance to give the first, if you like, pot of money to cover any injuries that might come up? Can the Treasurer give me some detail about the level of that fund at the moment?

Ms R. SAFFIOTI: Mr Whithear.

Mr R. Whithear: Member, we have calculated what we think the cost is. There will be no transfer from the vehicle injury schemes. We have provided advice to WorkCover about the calculation of the premium to cover, as I said, these very expensive claims, even though there should be very few of them, hopefully. WorkCover will charge that premium to the 14 or 15 workers compensation insurers that operate in Western Australia. There are also a number of self-insurers, and they are some of the major mining and industrial companies. Our RiskCover fund will be charged a portion of those fees, and we will pay that as a premium to be set aside to look after catastrophically injured people.

Mr R.S. LOVE: Has anyone worked out exactly how much to set aside yet?

Mr R. Whithear: We have done that. We have not yet talked about it. I do not think I have even advised the Treasurer.

Ms R. SAFFIOTI: Maybe we will provide that as supplementary information.

The CHAIR: Is that a genuine offer?

Ms R. SAFFIOTI: Yes. We can provide it by way of supplementary information. Member, what was it exactly?

Mr R.S. LOVE: I am asking about the level of the initial funds for the industrial catastrophic injuries fund.

Ms R. SAFFIOTI: Yes.

Mr R.S. LOVE: That is what I am calling it; I do not know what it is actually called.

[*Supplementary Information No A9.*]

The CHAIR: I remind members that we have three minutes left, and I do not think we will get to the Economic Regulation Authority.

Ms L. METTAM: I refer to the RiskCover fund on page 185 and the revenue from premiums charged to agencies, which is forecast to increase from \$441.7 million, rising to \$677.7 million. It states —

This reflects increases in the number and size of workers' compensation, liability and property insurance claims.

Is this primarily due to, or associated with, the work health and safety workers compensation legislation?

Ms R. SAFFIOTI: I refer that to Mr Whithear.

Mr R. Whithear: Member, it is mostly due to what I would describe as claims trends. Yes; there will be a component, as outlined in the other section, of about a three-odd per cent increase as a result of legislative reform. But this is unfortunately a case of a high number of workers compensation claims, and wages is a primary component of workers comp claims. Medical treatment is quite a small component compared with wages. Therefore, the longer a claim takes, the more it costs. The public sector has an outsized proportion of mental stress claims. We have 10 per cent of the workforce having 53 per cent of the mental stress claims, and we do not have police or ambulance workers in those numbers, so it is a concern for us.

Ms L. METTAM: By way of supplementary information, can the Treasurer provide a breakdown of those claims or are they publicly available in terms of the category that Mr Whithear described?

Extract from *Hansard*

[ASSEMBLY ESTIMATES COMMITTEE A — Tuesday, 21 May 2024]

p84b-87a

Chair; Mr Shane Love; Ms Rita Saffioti; Dr David Honey; Ms Libby Mettam

Ms R. SAFFIOTI: Yes; we can provide, by way of supplementary information, a breakdown —

Ms L. METTAM: — of the premiums and the types of claims and the reasons for that.

Ms R. SAFFIOTI: Yes.

The CHAIR: Sorry; you kept adding to that, member. Treasurer, are you clear about what the request is for?

Ms R. SAFFIOTI: Yes. I will provide the premium revenue and the drivers of the claims.

[*Supplementary Information No A10.*]

The CHAIR: Members, that concludes the Insurance Commission of Western Australia authority.