

**STANDING COMMITTEE ON ESTIMATES AND  
FINANCIAL OPERATIONS**

**2013–14 AGENCY ANNUAL REPORT HEARINGS**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
MONDAY, 24 NOVEMBER 2014**

**INSURANCE COMMISSION OF WESTERN AUSTRALIA**

**Members**

**Hon Ken Travers (Chair)  
Hon Peter Katsambanis (Deputy Chair)  
Hon Martin Aldridge  
Hon Alanna Clohesy  
Hon Rick Mazza**

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**Hearing commenced at 2.17 pm**

**Mr ROD WHITHEAR**

**Chief Executive, examined:**

**Mr DAMON DeNOOYER**

**Chief Finance Officer, examined:**

**Mr KANE BLACKMAN**

**Commission Secretary, examined:**

**Mr FAB ZANUTTIGH**

**General Manager, CTP, examined:**

**Mr LEW WATTS**

**Deputy Chief Executive, examined:**

**The CHAIR:** On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I would like to welcome you to today's hearing. Can you confirm you have read, understood and signed a document headed "Information for Witnesses"?

**The Witnesses:** Yes.

**The CHAIR:** Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. The hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private either of its own motion or at the witness's request. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia, and the committee values your assistance with this.

Do any of the witnesses wish to make an opening statement?

**Mr Whithear:** No, Chair, however we did —

**The CHAIR:** Prepare a briefing?

**Mr Whithear:** Yes, we did.

**The CHAIR:** What I might suggest, though, just because this is a sort of a combined briefing and/or annual report that sort of includes also your statement of corporate intent for the future year, and we have one member, Hon Nick Goiran, who is a participating member of the committee today, I might invite members to ask questions on areas of their topics, and when we have completed that if we have not covered the issues included in your briefing, we might go to the briefing if that is all right.

**Mr Whithear:** Sure.

**The CHAIR:** Do members have any questions? Hon Nick Goiran, I know you have questions that you put on notice, so I am happy to give you the call to begin with, if you like?

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**Hon NICK GOIRAN:** Just by way of clarity, can we identify who the person is we should direct our questions through at the first instance?

**The CHAIR:** If you indicate the question, and then I guess it is up to the CEO to indicate whether he can answer it or if he wants to refer to one of his colleagues, or if you have a specific question to one of the people here today you can ask them directly.

**Hon NICK GOIRAN:** I am referring to the questions and answers that have been supplied to the committee. It is pursuant to a letter from Minister Nahan; the date is not obvious, but it was received by the committee on 29 October. In part answer to the first question, it says that the compulsory third party insurance underwriting loss of \$228.8 million in 2014 is the fourteenth underwriting loss in the past 18 years for the CTP division of the Insurance Commission. I am just wondering if you can help me with that, because it was an answer to a question I asked. I did not ask how many losses have been undertaken in a period of time, so someone has gone out of their way to specifically highlight the fact that this the fourteenth underwriting loss in the past 18 years. I cannot imagine that Minister Nahan would have specifically said to the commission, "You haven't identified that, so please go out of your way to do it." I am just interested to know; if you could elaborate on that.

**Mr Whithear:** I think we prepared that in the interests of providing a fulsome answer to the question you asked, and in an environment where people are questioning the large premium increase in particular, that is pretty pertinent information in my view.

**Hon NICK GOIRAN:** In the past 18 years there have been 14 underwriting losses. Can I ask you this question: are you proud of the performance of the CTP division?

**Mr Whithear:** I am. I have only been there two and a half of the 18 years referred to there, but one of the things I think you can see from that information is that it has been a well-structured fund. The legislative changes made in 1993 appear to have made it the most affordable scheme operated in the country, so, yes, I am quite proud of that. Would I like to see underwriting losses of that nature in the future? No, I would not.

**Hon NICK GOIRAN:** Someone has overseen the fact that there have been 14 underwriting losses in 18 years. Are we able to get some information as to why that has been done? It seems to me that that is a deliberate strategy or policy decision. I can understand one or two underwriting losses, but to have 14 out of 18 seems extraordinary.

**Mr Whithear:** I agree, and that was one of the observations I guess I made when I arrived, that the structure of the insurance is heavily dependent on investment returns. Private insurers do not depend quite to that degree, or if at all, on investment returns in setting their premium rates. So, the strategy has worked, but as you can see by those underwriting loss numbers, there is a fair bit of risk in that approach. So if we were able to rely less on investment returns to insure our insurance scheme is solvent, that would be preferable.

**Hon NICK GOIRAN:** I also asked what the projected profit and loss figure was for the coming year, 2015. In answer to question 9 it says that the budgeted underwriting for the CTP division is \$10 million. Given your evidence this afternoon that it is not good practice to be in deficit, why are we budgeting for a \$10 million loss in the coming year?

**Mr Whithear:** That is a lot lower than past forecasts, so the gap is narrowing. The amount of \$10 million is something I would rather we were not targeting, but we would have had to increase premiums more to budget for a break-even, so I think that is a reasonable compromise in the circumstances.

**Hon NICK GOIRAN:** In the event that the committee is gracious enough to invite me next year for the annual report hearing, would it be fair to say that —

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**The CHAIR:** It is a public hearing, member; you will be able to attend without us granting you leave.

**Hon NICK GOIRAN:** Would it be fair to say that I might expect not to see a budgeted underwriting loss for the year after that?

**Mr Whithear:** That would be my preference, but as our answers to your questions would have shown, there are dramatic movements in those numbers in any given year depending on the claims experienced and the view of the actuary on liabilities and those things, so it is very hard to have absolute confidence in those major budget line items. But the outcome you refer to is the outcome I would like to see.

**Hon NICK GOIRAN:** Is that a policy decision change then?

**Mr Whithear:** I cannot really reflect what was in the minds of my predecessors, but as somebody who is now responsible for this organisation I would like to see that our underwriting performance is at break-even, and then when we have good investment years, that is great and we will improve our solvency position; if we do not have good investment in years, we will not go out backwards, if you like.

**Hon NICK GOIRAN:** So, you inherited this problem—I think you indicated earlier you have been only there two and a half years—so I appreciate that you are constrained in terms of your knowledge of the previous years. Is it the case then that it was a mistake in past years not to increase premiums?

**Mr Whithear:** Looking at the profile of premium increases, it could remind you of electricity prices—they have been very flat for a very long time. I think the then Premier signed off a premium level. In an old annual report I was reading of 1990, I think the premium was \$199; it is only \$240 now. Yes, there is GST and insurance duty on that, but to have that sort of premium increase of less than 25 per cent for heading on towards 25 years is creditable. It is a good story to tell, but I guess I have a difference of view of the acceptability of running at an underwriting loss.

**Hon NICK GOIRAN:** I notice when I opened up the home page to the commission's website, the very first things that stands out is this table. It is impossible to miss it. The commission goes out of its way to highlight to everyone that WA has the most affordable CTP motor vehicle injury insurance in Australia. Would you agree with me that it is no wonder we have the most affordable given that we have been running at a loss for 14 out of 18 years? It is easy to keep premiums low when the strategy is to make a loss.

**Mr Whithear:** Those two facts are linked, yes.

**Hon NICK GOIRAN:** Now, in terms of the actual total consolidated profit for the commission, I did ask a question about that, and I note that the total consolidated amount—well, it is actually broken up in two parts. So, it is \$76 million. In answer to question 17, I was told the total profit after income tax equivalent expense of the commission, excluding RiskCover, including investment and other income, was \$76 million for 2014. Earlier you kindly provided the figure for RiskCover, which was \$40.5 million—that was the total profit. So we have got clarity, do we just simply add those two figures? I know the commission has got these two main components, but they seem to have some other subsidiary stuff going on.

[2.30 pm]

**Mr Whithear:** Yes, it is a little confusing. The RiskCover fund is effectively treated as a separate public financial corporation because it is underwritten by the government. The CTP fund—the Insurance Commission is a government-owned entity, but there is no explicit guarantee by the government of that fund, so our accounting is that they are treated quite separately. So, for the sake of anybody reading our materials, I try and present sometimes a consolidated view of the total

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revenue, or the total investment return, if you like, but very quickly we have to break them apart because they do have separate statutory accounts.

**Hon NICK GOIRAN:** If I have got questions as to how we are spending our money with respect to injured motorists, it would not be appropriate for me to consider the figures that arrive out of the RiskCover component, because those funds have to be used for a different purpose.

**Mr Whithear:** Yes. There can be some overlap with a motorist driving a government car versus whether they are covered under the RiskCover fund or under the CTP.

**Hon NICK GOIRAN:** Can you help the committee here understand then: how is the investment income then, that portfolio, distributed between the entities?

**Mr Whithear:** We know the level of assets that each of the two funds have. Those two amounts, if you like, are invested using the same investment strategy and distributed across various fund managers and other assets that we have, and then at the end of each year, those assets are then separated out again for each reporting period, which is each month, but for the purposes of the annual report, they are then separated and attributed back to the funds.

**Hon NICK GOIRAN:** And the funds that bring about the existence of the assets over the years, where did they originally come from?

**Mr Whithear:** Premium revenue and investment returns are the two primary sources of revenue. We do tend to just talk about the two main funds because they are so much larger than the others, but we have others such as the industrial diseases fund, and that has a different source of premium revenue, being \$100 a worker employed by mining companies, for example.

**Hon NICK GOIRAN:** But the \$76 million consolidated profit has come about by premiums from Western Australian motorists one way or another.

**Mr Whithear:** That profit came from investment returns. The investment returns were on an asset base that has largely been built out of investment returns compounding, because if you go back to the early 1990s, the fund was in significant deficit. I would have to go back to get the detail of investment returns. I do have a chart that shows it, but I cannot rattle off the numbers for each of those 20 years. I think compounding investment returns is the major part of it, because you could not have had those underwriting losses and invested premium revenue, if you like.

**Hon PETER KATSAMBANIS:** Can I just ask and clarify there: when talking about investment returns, how did the fund acquire the underlying assets that drive those investment returns—the underlying investment assets? Did they come from reinvestment of premiums in the past, or where did those underlying investments originate from?

**Mr Whithear:** There would have been some in some years where there was an underwriting profit, but most of it would be—unless there is any large amount that you can think of in any particular year for those who have been around longer than I have.

**Mr DeNooyer:** A lot of it is to do with the cash flow of those situations at the time. Premiums might come in and then you pay your claims out, so it is sort of cashing —

**Hon PETER KATSAMBANIS:** There was not any seed funding at any stage to the fund, outside of the premium pool?

**Mr Watts:** No.

**The CHAIR:** Is not one of the issues that there was a big writedown of funds in the 1990s, as you referred to? Those assets actually then regained their value, but in the meantime there has been a levy placed on motor vehicles to replace that and then the asset restored its value, so we have ended up with this surplus bundle of assets that has now produced an income ever since.

**Mr Watts:** There was a \$50 levy which was applied for three years. The then government agreed to pay the Insurance Commission around \$70 million, which was proceeds from the sale of the

R&I Bank. That enabled the \$50 levy to be removed earlier than expected. That is the only time there has been any money injected into the Insurance Commission. That money was paid back, basically, by about \$170 million, which was the value of that \$70 million down the line—that was paid back to put into the Insurance Commission general fund.

**The CHAIR:** When was that paid back?

**Mr Watts:** About early 2000s, I think. I am guessing. I can find out, but I do not know off the top of my head. The RiskCover was a start-from-scratch operation.

**Hon NICK GOIRAN:** I just want to refer you now to the green paper that has been prepared by the commission and, in particular, I would just like to get confirmation that for the purpose of doing the modelling, I understand that you are indicating that there could be another 44 or 48 catastrophic claims per year.

**Mr Watts:** It is 44.

**Hon NICK GOIRAN:** An extra 44. Can you indicate to the committee what it would be that those 44 people would be able to claim for that they currently would not be able to claim for?

**Mr Whithear:** Care and support for the rest of their lives, in summary.

**Hon NICK GOIRAN:** Do we know how much that that is likely to be on average for each of those 44 individuals?

**Mr Whithear:** We estimate that at \$4 million per person.

**Hon NICK GOIRAN:** I notice that, on average, you say that it is about \$5.9 million for a catastrophic claim under the fault system at the moment. The difference between the fault system and the no-fault system would be about \$2 million per claim.

**Mr Whithear:** It varies, but that \$5.9 million was off what we saw as a peak year last year, but, yes, within the margins. Economic loss is a major part of that. The no-fault scheme that the green paper outlines does not involve a replacement of future earnings. Our current scheme, built on the principle that compensation should be for an act done to you by others, seeks to put you in a position you would have been through the rest of your life had you not suffered that injury. The no-fault scheme is designed to just provide care and support for that person for the rest of their life.

**Hon NICK GOIRAN:** Forty-four catastrophic claims by \$4 million a claim is \$176 million. I notice in answer to question 19, you indicate you're your projected profit for next year—this is, of course, including the investment income, which we have now identified originally comes from motorists' premiums anyway—is \$110 million. So, we are not actually that far off in terms of what would be needed by the commission to be able to fund the no-fault scheme, almost tomorrow.

**Mr Whithear:** There is a major gap in the assumption you made about the total number of —

**Hon NICK GOIRAN:** I said 44 claims by \$4 million per claim.

**Mr Whithear:** Yes. There is a difference between those two options outlined in the green paper.

**Hon NICK GOIRAN:** Can you take me to a page?

**Mr Whithear:** I could if I had the green paper with me.

**The CHAIR:** It is better than a cooking show; there is one that has been prepared earlier!

**Mr Whithear:** It is page 7 of the green paper. Option 1 is obviously quite readily understood because it has the scheme staying as it is. Option 2—the total cost of that scheme in any year we would see as being \$370 million, but a large part of that would be funded—\$146 million of it—transferred from the existing scheme, being the 48 that are covered under the existing scheme.

[2.40 pm]

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**Hon NICK GOIRAN:** What is the difference between those two figures?

**The CHAIR:** Sorry; what was that figure again?

**Mr Whithear:** It is \$370 million. That is the total.

**Hon NICK GOIRAN:** How much has been transferred notionally?

**Mr Whithear:** That would involve \$146 million being taken out of the —

**Hon NICK GOIRAN:** That is \$224 million of extra funding needed.

**Mr Whithear:** Yes.

**The CHAIR:** Who are the \$146 million? They are the drivers who are able to claim against somebody else who would now be claimed under no-fault because they no longer need to prove but they still have the option of claiming for loss of earnings on a proportional basis?

**Mr Whithear:** Yes.

**The CHAIR:** But that is the no-fault side of the driver, basically, that \$146 million?

**Mr Whithear:** And care and support.

**Hon NICK GOIRAN:** We are saying that we need \$224 million in new funding in order to make this happen. If I divide 224 by 44—new catastrophic claims—it ends up being \$5 million per person. I am just curious as to why you indicated earlier to me it was \$4 million. Do you remember we had the conversation about the difference between the two? It was \$5.9 million and \$4 million. The difference between the two was \$2 million but it appears that is not the case.

**Mr Whithear:** I am not quite sure we are following your maths.

**Hon NICK GOIRAN:** I will just take it one step at a time. I have just been told that the cost of the scheme—option 2—is \$370 million.

**Mr Whithear:** Yes.

**Hon NICK GOIRAN:** We already have \$146 million at our disposal, which is the provisional sum for those currently claiming—catastrophically injured. The difference between the two, we agree, is \$224 million. I have been told earlier today that we are anticipating 44 new catastrophic claims, so if I divide \$244 million by \$44 million, I get a fraction over \$5 million. I am just curious as to where we got the \$4 million earlier because the difference is significant.

**Mr Whithear:** All my numbers are on \$4 million, so I may just have to go back and check that. I know there will be some administration costs et cetera but they should be in the 10 to 12 per cent range so that should not be enough to make up that difference.

**Hon NICK GOIRAN:** Maybe that is something you could take on notice.

*[Supplementary Information No A1.]*

**The CHAIR:** Are you required to make a profit out of it so that you can make a return and then pay a dividend on that profit? Is that part of how your modelling may work?

**Mr Whithear:** No, this is modelled on break even.

**The CHAIR:** If you can provide, I guess, a reconciliation, for want of a better term, between the figures that you indicated earlier—the \$4 million and the \$5 million based on the figures you have given us this afternoon.

**Hon NICK GOIRAN:** In any case, I guess the costs that we are looking at to fund the no-fault scheme is going to be either \$176 million, which is based on \$4 million per person, or it is going to be \$224 million, which is based on \$5 million per person. For the sake of this afternoon's hearing, let me just say to you that it does not actually really matter. My point is that we are actually not that far off, given that next year you are proposing to make \$110 million. Drawing this out, had your

predecessors increased the premiums, as they ought to have done over the 18-year period we have been examining, we might be in a position tomorrow to press the button and say we are going to have the no-fault scheme. We would have so much money, we would not know what to do with it.

**Mr Whithear:** We would have had to have accumulated a great deal of money and at some point that money will run out and we will need an extra \$109. Even if we were able to inject some extra capital in there, and people will have different views, but the price of the insurance is \$109. At some point that price will need to be charged. Let us say we had an extra \$100 million. We might be able to subsidise it for the first year and then the second year it will be \$109. That will be a huge increase from whatever you put it in in the first place. An insurance scheme will need the revenue to meet its outgoings. Providing a lump sum to soften the blow is an option if you have that lump sum but at some point you will need that full premium.

**Hon NICK GOIRAN:** Let us make sure that we are talking about the same thing. I am not suggesting the commission should be relying on any cash reserves by way of its asset pool or anything like that to fund this. I am just noting that you are budgeting next year for a \$110 million profit.

**Mr Whithear:** Which is entirely investment returns. Remember, we were budgeting for a \$10 million underwriting loss.

**Hon NICK GOIRAN:** Absolutely.

**Mr Whithear:** If we have that investment return as forecast, we will certainly do everything we can to do that, but the Perth property market, for example, is not running quite as well as we would like. Equity markets are reasonably fully valued. There are quite a few things, as any super fund will tell you, that make banking a specific return—it involves some risk. That is our forecast. That is our budget that we will seek to achieve. There is no guarantee that that will be there.

**Hon NICK GOIRAN:** No, but despite all those variables, you are still working towards a \$110 million profit and it is going to cost between \$176 million and \$224 million to put this scheme into place?

**Mr Whithear:** Yes. The issue is that banking that profit would be adventurous. It is in our estimates. We aim to achieve it but as you can see from our annual report, we did not bank on a \$175 million movement in our outstanding claims liabilities. As I mentioned earlier, our numbers jumped around quite dramatically. Placing confidence that those numbers will not change is a very high-risk prospect.

**Hon NICK GOIRAN:** Is it fair to say though that the Insurance Commission, year on year, seems to have an excellent track record in making substantial comprehensive after income tax profits?

**Mr Whithear:** Its investment record in recent times has been great.

**Hon NICK GOIRAN:** When we say “recent times”, how far are you talking?

**Mr Whithear:** In 2011–12 it was only a 2.7 per cent return, from memory. That was a very flat year. The last two have been very good. In 2008–09, pretty much no-one in the world had a great time in that period.

**Hon NICK GOIRAN:** I see that. Let me just give you some figures. Let us go back to 2000. In 2000–01, your annual report says \$119.7 million profit. The following year, not so good—a loss of \$26.3 million. Then we have five years in succession, significant profits—\$22.6 million, \$89.2 million, \$163.9 million, \$240.8 million, \$243.4 million. A couple of years of losses and then a couple of years of profits and then you go to the one that you mentioned—\$102.6 million and last year, \$314.1 million. By any assessment of that, generally speaking the Insurance Commission does very well courtesy of its investment returns, and reliably gets a profit?

[2.50 pm]

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**Mr Whithear:** That is what we aim to do.

**Hon NICK GOIRAN:** At the moment in terms of this green paper and bringing it to a conclusion, I understand we are waiting for submissions—there is a period for submissions?

**Mr Whithear:** It is out for public consultation, and I think some of the interest groups have appreciated having a reasonable amount of time to respond, yes.

**Hon NICK GOIRAN:** Notwithstanding anything that you have heard this afternoon, your view still is that we need an extra \$109 per vehicle owner in Western Australia to make this happen?

**Mr Whithear:** For option 2, yes; option 3 would be a little less. That is our estimate. That is what our actuaries have come up with. As I have said, banking the investment return is something that has been done in the past, but it involves quite a bit of risk.

**Hon NICK GOIRAN:** Yes, and pursuant to your new approach, which your predecessors did not have, we do not want to do that again; we want to make sure that if we are going to fund something, we are getting the premiums to do so. That is my understanding of what you are telling the committee now.

**Mr Whithear:** yes.

**Hon NICK GOIRAN:** Can I then ask you, the people who would be able to access this no-fault scheme—the catastrophically injured; the 44 that we talked about—currently, where do they get their funding from in order to be cared for?

**Mr Whithear:** From a range of sources. I think people are aware that the life insurance industry is struggling quite a bit in this country at the moment, because people are claiming at a far greater rate for their total and permanent disability cover. In the superannuation industry, I believe that 75 per cent, or more, of superannuation funds have disability and life insurance attached to them. So they are major sources of funding for people who are badly hurt in car accidents. In addition to that, there is Medicare, obviously, from the commonwealth; the disability support pension from the commonwealth; the health system funded by the state; and the disability system funded by the state. I know from the statistics that the amount of expenditure in the disability services space in Western Australia has tripled in recent years. Nothing is as good as having a clear settlement that will take care of you for the rest of your life. But there are a range of other sources in this country to care for people suffering disability through car accidents.

**Hon NICK GOIRAN:** Just help me with that. You mentioned the possibility of a settlement. When I go to pages 23 and 25 of the green paper, for the catastrophically injured person who is at fault, which in your scenario in the paper is driver 1, because they have collided into the rear of vehicle 2, it talks about that person qualifying for reasonable and necessary support, and then in bold it uses this phrase “paid ‘as you go’”. It goes on to say, “There is no lump sum settlement available for support under this option.” Can you help me with that?

**Mr Whithear:** I use the term “settlement”, because that is what we do. But you are accurate in saying that this model does put forward a pay-as-you-go care option. There are upsides and downsides to lump sum versus pay as you go. Some of this goes to people’s belief systems, whether you are better off independently, or with a trustee, looking after your money, or whether you are happy to have a lifetime interaction with a government agency like ours. There are different views on that.

**Hon NICK GOIRAN:** Yes, keeping in mind, of course, that it is the taxpayers, or the motor vehicle owners, who are paying at the end of the day.

**Mr Whithear:** Yes.

**The CHAIR:** You are saying that for people who have these catastrophic accidents, there is a range of other sources that currently fund treatments and care for them. In terms of that \$109 premium,

what savings would that create in other government agencies and other governments, particularly the state and commonwealth governments, in terms of the provision of care? Have you got a value that you can attach to that? I assume that means you will be picking up the costs that are currently picked up by other government agencies, although not adequately would be the argument put by many people.

**Mr Whithear:** Indeed. We do not have an estimate of what the savings to Medicare might be or what the savings to the Disability Services Commission might be. I am not expecting other agencies to be too forthcoming in volunteering those savings.

**The CHAIR:** But in terms of getting movement—I am happy to put on the record that I am a supporter of moving towards no-fault insurance, I am not ashamed to say that—I would have thought that as a state we should be seeking from the commonwealth that that money is then applied to either expanding the NDIS or going into a national accident insurance scheme, so that the taxpayers of Western Australia do not have to make a further contribution that then allows the east coast to reduce their contribution to Western Australians.

**Mr Whithear:** I guess harking back to my time as both a commonwealth finance and a Western Australian Treasury official, I agree with you entirely, Chairman. But I do see some difficulty in connecting that and quantifying what the various offsets might add up to for state agencies and commonwealth agencies.

**The CHAIR:** I would have thought it would not be that hard to bring someone else in to do the modelling of that, not necessarily round to the last cent, but to identify on a global figure, for the average person who sustains a catastrophic injury that is not covered by no fault, the cost of their medical care, the average cost of their care in a nursing home, or whatever care is given to them, that is picked up by either current state agencies or the commonwealth. Surely that would be able to be estimated on an actuarial basis and a reasonable figure given to what that benefit would be to the commonwealth?

**Mr Whithear:** We certainly could make estimates. I guess one factor to bear in mind here is that the other jurisdictions, bar Western Australia and Queensland, already have this in place.

**The CHAIR:** They also get our GST money to fund it!

**Mr Whithear:** We are in the minority, I guess, in not having one of these schemes. We want to be very careful to get it right. But there are arrangements in place. The NDIS legislation that went through the commonwealth Parliament a year or two ago has some quite severe penalty provisions if the NDIS pays out money for a claim that then winds up being looked after by us. So there has been a fair bit of thought given to this, but there has not been a lot that I have seen as far as offsets go. We are probably a bit short on identifying where those offsets might be pursued or where they might be found.

**The CHAIR:** But in terms of developing the green paper, no-one has done that work that you are aware of?

**Mr Whithear:** No.

**Hon NICK GOIRAN:** There was a relatively high-profile case recently in the media around an individual who was unsuccessful in their claim under our fault scheme, and I noted that that immediately brought about advocacy for the implementation of the no-fault scheme. Are you able to indicate to the committee today, or confirm, that in the event that the person had been able to access a no-fault scheme today, he would not have been able to get the same quantum of claim as he would under our current system had he been able to prove fault?

[3.00 pm]

**Mr Whithear:** If I have interpreted your question correctly, it is quite clear that a no-fault cover will not cover you for certain things that are covered under the existing scheme. I mentioned

economic loss earlier as being one of the primary ones. There will be a difference. There will still be a more complete range of, I guess, heads of damage to be applied to somebody who has been injured by another party.

**Hon NICK GOIRAN:** So that will include past and future economic loss?

**Mr Whithear:** The existing scheme, yes; the no-fault, no.

**Mr Watts:** If he had been able to prove fault against the driver—one per cent fault—he would have had a claim against the existing fault-based scheme. He would have got economic loss—what his earnings would have been for the rest of his life plus superannuation. He would have got pain and suffering at the maximum of \$370 000. He would have had all his medical and he would have got a lump sum for his future care. If the no-fault scheme had been in now, he would have just got the future care paid on a drip-feed basis for the rest of his life; he would not have got any economic loss and he would not have got any pain and suffering, because he could not prove fault.

**Hon NICK GOIRAN:** I am in total agreement. My next question is: do you think that is well understood?

**Mr Whithear:** Unfortunately, the green paper, if it has done nothing else, has reinforced how poorly understood the existing scheme is—the existing system. People, I think, when they have public liability insurance cover on their house, know that they are not covered, but it is for other parties visiting the house. That principle is not understood probably anywhere in Australia about compulsory third party insurance—that it really protects you from liability to others who you may injure. We could probably do a lot better job of trying to communicate that, because, as you know, it can be a complex area of law and it is hard to convey simply and effectively to a very broad community.

**Mr Watts:** A lot of the feedback we have received from people says they think that we have been asking them to pay twice because they already insure with the RAC or SGIO; they do not understand that is only property insurance they get there, not personal injury. So, it has opened the door, hopefully, for a big education of the community.

**Hon NICK GOIRAN:** For some people, of course, they will personally have income protection insurance, total or permanent disability, life insurance and all the various insurances for themselves, but under this proposal they would then need to pay another \$109 per person in order to cater for those who have not taken out that personal insurance.

**Mr Whithear:** There are moral hazards in different people taking out different levels of insurance. This area of insurance is one all Australian governments have found a need to make mandatory—to stratify that across community to try to make sure everyone is covered and to get the volume needed. It is just one of those facts of life, I think, that some people will have other insurance and sometimes government needs to make things compulsory to make sure there is a broad membership.

**Hon NICK GOIRAN:** This one is a little different, is it not, because as you said earlier, I pay my premium in order to protect myself from not having to pay if I do something wrong. In this instance I have done nothing wrong; I have paid the extra \$109 in order for someone to be able to claim, not against me, because they could never claim against me in any case.

**Mr Whithear:** Yes, that is, I guess, one of those things that is debatable. The Productivity Commission came down with the set of views that you probably would not normally see out of the Productivity Commission that suggests that this model might be pursued. It has got some momentum in other states. I am happy that the government took the Insurance Commission's advice when we suggested we put that green paper out and give the community an opportunity to have a say.

**Hon NICK GOIRAN:** Yes, indeed. One of the other types of heads of damages you referred to earlier was general damage. I think the comment made was a total of some \$370 000—certainly in

that league anyway. At the moment it is the case, is it not, that if you are injured in a motor vehicle accident through no fault of your own, you do not necessarily in every instance receive your full entitlement for general damages.

**Mr Watts:** Yes, there is a threshold applicable for the pain and suffering component. It does not touch economic loss or your medical requirements, but there is, and has been since 1993. It started off as \$10 000 and with indexation it is about \$19 500 now. That is a degree of injury you must have sustained before you will receive anything for your pain and suffering.

**Hon NICK GOIRAN:** Are you able to tell us what the original intent behind the implementation of that threshold was?

**Mr Watts:** The intent was to try to remove the vast numbers of small claims that were choking up the scheme at that time and putting premiums under pressure. It was introduced to knock out, typically, the small whiplash claim when someone has banged into the back of someone in the car park at the local supermarket. It got to the point where people could roll up to the insurance commission and get a couple of thousand dollars' settlement without any real claims management taking place because of the sheer volume of number of claims. It was introduced so that the money was going to the more seriously injured parties—that was where the premium dollars were being spent, rather than on this large number of small claims.

**Hon NICK GOIRAN:** So, what you are saying is that it is to weed out the small and minor claims?

**Mr Watts:** Yes.

**Hon NICK GOIRAN:** You said that at the moment the threshold is \$19 500, so next year will be \$20 000?

**Mr Watts:** Depending on the indexation. There is a formula in the regulations for it. It probably will be, but it depends on what the inflation rate is. It says in the act that it has to be rounded to the nearest \$500.

**Hon NICK GOIRAN:** I notice that year on year it has gone up by either \$500 or \$1 000, so would you be happy for me to assume at this point that next year will be at least \$20 000?

**Mr Watts:** I think it would be a fair assumption.

**Hon NICK GOIRAN:** Would you describe a \$20 000 general damages claim as a small and minor one?

**Mr Watts:** In the overall scheme of things I think it still is, yes. There has been some erosion of those caps and thresholds. The plaintiff lawyers who operate this arena generally find a way around it by a different head of damage or a slight loading to still get a result—that is the reality of it. But it has worked in holding back large numbers of claims coming through because, as I said earlier, we still pay the economic loss and we still pay all the medical bills for the person involved.

**Hon NICK GOIRAN:** There was another high-profile case discussed on the weekend. You might remember that a lady was unfortunately held hostage and the police actually shot her as well as the assailant. Part of the commentary around that was that this lady, unfortunately, will not be able to receive very much compensation. Hers is obviously a claim for criminal injuries compensation. The outcry was that the maximum available to her under our statutory scheme was \$75 000, which is quite correct. My proposition to you is that \$20 000 is more than a quarter of a criminal injuries compensation claim and we are not giving one cent of that to injured motorists who meet that criteria, and I think that is something we ought to be concerned about.

**Mr Watts:** I think the major concern for us is if we were to remove those caps and thresholds, the pressure on the premiums because of the volume of claims that would come in would see the premiums have to increase significantly.

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**Hon NICK GOIRAN:** Is that actually true? Your answers to my questions to the committee indicate that the figure is in the realm of \$40 million, and as we identified earlier, last year the commission made \$176 million profit and next year we are looking at a figure of a lot more than that. It seems to me that we actually have the money to pay the \$40 million, if we wanted to.

**Mr Whithear:** Leaving aside the criminal compensation thresholds, because that is not our expertise—it is up to lawmakers to set that—a large claim for us is \$10 million; it is not \$75 000. I guess that gives you the relativity. When we talk about large claims, we are talking over \$1 million, so the difference between \$20 million and \$40 million is not often seen as large as it might be in other contexts. Some comparisons to other schemes: the TAC in Victoria is often talked about as the best scheme in this country that looks after people. There is no fault across the spectrum. Their threshold is \$51 000 compared to our \$19 000. Their premium is \$475 as opposed to our \$291. We can go there, but there will be some sticker shock that goes with it. It is one of the reasons that looks like this scheme has been priced well —

[3.10 pm]

**Hon NICK GOIRAN:** This scheme being the WA scheme?

**Mr Whithear:** — the WA scheme being priced well, we only need to look next door to South Australia, who has only introduced these caps and thresholds in the last 12 months, maybe even 24. Their premium was \$500. They wanted to do something on the no-fault, but they could not put another \$109 on the \$500—the government figured it could not get away with that, could not sell that—so they introduced the caps and thresholds and brought it back down \$100, if you like, so that was the materiality of what they thought the scheme would gain by introducing the caps and thresholds, and then they put the premium back up by \$106 to introduce the no-fault catastrophic insurance. There is quite a volume effect at that small end—the \$5 000 whiplash claim was seen to be something that a lot of people would pursue before those laws were changed but, as I said, Victoria is now \$50 000, South Australia is around—does anyone remember? It is a big step for us to look at, I guess, pushing down the injury curve. The emphasis has been more and more on making sure the catastrophic and significantly injured people are looked after.

**Hon NICK GOIRAN:** Let us assume for the purpose of this exercise that \$20 000 general damages claim is a small and minor one, and it was always intended to get rid of these small claims. If it is more than \$20 000, we still do not give the person their full entitlement, do we?

**Mr Whithear:** No, there is a sliding scale.

**Hon NICK GOIRAN:** When does that sliding scale drop out?

**Mr Zanuttigh:** At \$57 000 approximately.

**Hon NICK GOIRAN:** Fifty-seven thousand?

**Mr Zanuttigh:** From memory; I believe so.

**Hon NICK GOIRAN:** Are you sure about that?

**Mr Zanuttigh:** No.

**Hon NICK GOIRAN:** I think we need to be sure, because we are providing evidence to the committee, so can we just make sure that we get the figure right?

**Mr Whithear:** I do not have the figure. We may need to provide it on notice.

**Hon NICK GOIRAN:** If I suggested to you that it was a figure of \$79 950, would that sound right to you?

**Mr Whithear:** We may need to defer.

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**Hon NICK GOIRAN:** What I might do, Mr Chairman, with your leave, is—I have a copy of the threshold schedule—I might just pass it to the witnesses so that they can familiarise themselves with it, and just be sure that you are agreeable that it is \$79 950.

**The CHAIR:** If not, you can take it on notice to provide the schedule, but if, after viewing that document, you are comfortable to proceed on that basis, then you can answer.

**Mr Whithear:** That is our schedule.

**Hon NICK GOIRAN:** So it is \$79 950 —

**The CHAIR:** I might still ask you to provide us with a copy of the schedule, so that we have it for the records. You can provide it to us, if you are confident that the member has shown you the right schedule.

*[Supplementary Information No A2.]*

**Hon NICK GOIRAN:** I will leave the schedule with the chairman.

The level is \$79 950. It is only at that point that we, at the Insurance Commission of Western Australia, pay the injured motorist, who has been paying the premium along with everybody else, their full entitlement of general damages. Now \$79 950 is even more than the maximum entitlement of this lady with the criminal injuries compensation scheme. A person who is severely assaulted in an attack, or sexually assaulted, the maximum that they can get in Western Australia is \$75 000, but here, for the injured motorist, we leave it until \$79 950 before we are going to give you every cent that you are entitled to. Do you think the scheme has been shifted in the wrong direction over the last 18 years, appreciating that you have only been there for the last two and a half?

**Mr Whithear:** I guess I am not qualified to comment on the adequacy of the criminal compensation amount, which is the comparator being provided. With the caps and thresholds, I believe the policy intent then was to ensure that premium revenue collected was directed to those at the more significant end of the injury spectrum; as I said, the threshold is lower than other states. I take your point that there is a graduated payment between \$20 000 and nearly \$80 000. We can have a look at those things, and perhaps that will be debated if we wind up in a situation where no-fault insurance—a legislative change is being debated there.

**Hon NICK GOIRAN:** Yes, sure, but you can see my concern here. I am partly offended by the fact that the Insurance Commission over the last 18 years has seen fit not to increase its premiums. It has been a deliberate strategy until now, and I agree with your new policy approach. We have done it on purpose for the last 18 years; we have kept premiums low. We are proud of how low our premiums are. In the meantime we make sure that the injured motorist does not get their full entitlement. We have this thing called bracket creep, where every year the threshold keeps increasing by \$500 or \$1 000 at the same time as we do not move the premium. Something is not quite right with that. I think that you have taken the right approach with regard to the premiums issue, and I am encouraged by that, but I think there needs to be a similar conversation with regard to what we are doing for the injured person.

**Mr Whithear:** We are open to any of those debates.

**Hon NICK GOIRAN:** Is that something that you will be taking up with the minister?

**Mr Whithear:** I guess I will have to have a hard look at that schedule, given that I am not too close to it. The principle of thresholds, I think, is one that we would still endorse. My briefings from some time ago show that with the volume of claims and therefore the number of people that we need to employ and those sorts of things, the shopping centre car park bingle really did drive a whole lot of costs in the system without perhaps a commensurate level of injury that required compensation and, as I said, other states have done exactly the same thing. In the case of Victoria, the thresholds are much higher.

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**Hon NICK GOIRAN:** We can still do that by suppressing those claims that are below \$20 000 and saying, “If you do not get to the \$20 000 level, we’re not interested in hearing from you, but once you’re more than \$20 000, and certainly getting up towards a \$70 000 level, we acknowledge that you’re seriously injured, and we’ll give you your full entitlement.” Keep in mind that these people are injured through no fault of their own. Some other joker has crashed into them, and we are not giving them their full entitlement.

**Mr Whithear:** There is a balance to be struck between price and benefit, obviously.

**The CHAIR:** I just want to go back to the earlier conversations and questions from Hon Nick Goiran. You are moving towards having the premiums cover the cost of the claims. That pool of cash and assets that you have had for the past 18 years has been generating an income and has been able to keep premiums down. What will happen to that money that is generated from that pool? Because those assets are still in your organisation are they not? What will now happen to those assets, and that income that is generated? Where will that go?

**Mr Whithear:** Hopefully, to cover our liabilities. That is the primary purpose of those assets. We have, I think, \$1.9 billion in liabilities, just for the CTP fund, and we have assets to offset that. We have enough assets that I think that takes us to a solvency ratio, which is assets over liabilities, of 137 per cent. The average private sector insurer operates at 189 per cent, so we are largely comfortable with that level of assets, but we would be more comfortable were there more there. So, if the investments deliver our budgeted profit, that would be useful. That would take us up to, say, over 140 per cent of liabilities. If you look at last year’s results, seeing that \$175 million swing in our liabilities shows exactly why you need as healthy a buffer as you can have, comparing your assets to your liabilities, because your liabilities move around quite dramatically.

**The CHAIR:** How do you make the claim that your premiums—I am just a little bit confused. If in theory we have been, with the premiums and the income, covering our claims, how do we then have unfunded liabilities? Where are the unfunded liabilities arising from?

[3.20 pm]

**Mr Whithear:** I do not recall whether I used the term “unfunded” liability, but they are liabilities.

**The CHAIR:** Are they funded liabilities or unfunded?

**Mr Whithear:** They are funded because those assets are to fund those liabilities. For me, with superannuation, we talk unfunded liabilities, but these are liabilities that are funded by the assets that are held there. Those assets will, hopefully, grow and, hopefully, grow at a rate the same as, or preferably greater than, the growth in our liabilities because those liabilities grow—not just new claims—it is the growth in the existing claims. We talked about \$4 million or \$5 million for care costs. Working out the future wage inflation of carers and nurses over the next 40 years is quite a risky prospect. Those inflation factors have a big effect on the size of our liabilities and, therefore, the size of the asset pool you need to manage.

**The CHAIR:** Are you saying we were incurring liabilities and not making provision for them under claims over the past 18 years?

**Mr Whithear:** No.

**The CHAIR:** Where do these liabilities arise from that were not there previously under the way in which the organisation accounted for its premiums versus claims?

**Mr Whithear:** There is a balance sheet view and what I still call a profit and loss view—an operating view. The balance sheet view is that there is a pool of liabilities and that grows because inflation over time affects the claims you already have and new claims come in. I was not saying we did not have assets there to meet past claims. That might have been the case many years ago. There has been a pool of assets sufficient to meet the liabilities but you would always prefer a larger buffer there than a smaller one.

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**The CHAIR:** If that is the case, what is the policy of ICWA in terms of its profit over and above that? You mentioned earlier your third party you would want to break even. I think RiskCover operates on a break-even. Do you then have a policy on top of this that you will make a profit over and above making provision for future claims and having sufficient assets? You are saying that from a good, sound policy point of view you want 140 per cent of assets to the potential claims and I guess that allows for variations in any one year when property prices could plummet because there is an oversupply in Western Australia and you do not want to be less than 100 per cent. What is your profit policy then and is that then created on top of your break-even?

**Mr Whithear:** Our profit forecast in the budget papers is the premium income and the investment income, hopefully, exceeding our payments for claims. We have a target. The target was mentioned before.

**The CHAIR:** That is not on an annual basis; that is on an actuarial basis I assume.

**Mr Whithear:** That is on an annual basis. We will try to make a profit. That varies quite a lot and is, again, entirely dependent on investment returns because we are budgeting for that \$10 million loss on the underwriting.

**The CHAIR:** I am trying to fathom: if you are trying to get to a point where your premiums cover your claims, but you are saying your assets are already held against —

**Mr Whithear:** Yes; that is the balance sheet view rather than the operating balance or profit and loss view. If the underwriting is a profit and loss view, we want to say: is it going to pay out \$5 million in claims this year? I cannot recall the exact numbers. We would like to break even and have \$500 million in revenue or \$490 million in revenue and \$500 in claims payment. That is the operating balance or underwriting profit and loss and then we have the balance sheet view, which is your assets against your liabilities. Am I getting —

**The CHAIR:** I guess that is where it becomes more complex, if you take a dividend and return a dividend as equity to the government, but in fact, you have not actually made a profit in terms of those other books you are talking about because you are trying to break even on those. You must then have to create a larger pool in that area to create a profit on your profit and loss sheet to be able to pay a dividend, do you not? How else do you arrive at a figure for your dividend?

**Mr Whithear:** The policy we have is to pay a dividend based on four per cent of the net equity and that net equity is about \$800 million or \$900 million. We will pay a dividend of four per cent of that. But as I think you have heard and perhaps read, our dividend payments are out of investment returns. Because we are generally not getting enough in premium revenue to offset the premium payments, our dividend policy is based more on a balance sheet view of the world—assets and liabilities—rather than profit and loss. Regardless, the payments are intended to be made as a return on equity and that would come from investments.

**Mr DeNooyer:** In our profit and loss we set it out with two levels: premiums and new claims which gets to your underwriting profit and loss, which is the goal now to try to make it break even. Then below that we have investment income and other income, which gets to our net profit or loss. It is that investment income that has been driving those reserves, those assets, to build up.

**The CHAIR:** You are either using your assets to generate a profit to pay a dividend to government and therefore you cannot use that revenue to hold down premiums or to introduce a no-fault scheme or whatever you want to do with that money if you have to pay over a component of it to the government. Is that right? What does it mean in terms of a premium you need to put on a motor vehicle insurance policy to be able to generate sufficient funds to ensure your books are in order in terms of meeting your future claims and you have enough money to pay to the government? Ultimately, there needs to be a figure that goes back into the premiums you need to charge the motor vehicle, because you could have otherwise used that money to hold down those premiums.

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**Mr Whithear:** As I was indicating at the start of this session, I think a better policy is to try to break even on the premiums and the outgoings. The dividend is paid as a percentage of the net equity of our assets. Our plan is to always pay that out of investment return. That does not necessarily mean that we will make a decision to try to use that investment return in any other way. There are a range of ways we might use it. One would be to try to provide greater comfort on that solvency level. That is probably how I would first use it.

**The CHAIR:** The reason you want to put it into your solvency is to maintain a balanced set of books as you see it—as experts in the insurance field—of having sufficient funds to meet future liabilities?

[3.30 pm]

**Mr Whithear:** Yes.

**The CHAIR:** So if you do not have those funds from the investment activities, that you have had to pay it out of the organisation as a premium, where would you recover that funding to get to that 140 per cent that you think is important in terms of fulfilling your obligations to having sufficient assets to cover future liabilities? Where else would the money come from, other than by increasing your premiums to above break-even?

**Mr Whithear:** Or you probably just would not. If I look at the history, if we did not generate the investment return to stay around that 140 mark, and we drop to 135, 130 and less, we probably would not increase premium to recover that. At least based on the last 20-odd years, no decision like that has been made by the Insurance Commission to try to increase premium to cover that. So it is more a factor of the board and I would be more nervous the lower that asset figure is. It does not go straight back to premium price.

**The CHAIR:** But it either is an important figure to achieve or it is not.

**Mr Whithear:** It is important —

**The CHAIR:** If it is an important figure to achieve, why would your board not be seeking to achieve it? Or it is not necessary to achieve it, in which case why are we continuing to seek to achieve it if it is not necessary?

**Mr Whithear:** A fair question, but there is a sliding scale there. There is no binary number that says, “You are safe at 125, 145, 185. The private insurers are regulated by APRA; they tend to be forced to hold this average 189 per cent solvency. We are government owned, so we are a little more comfortable. The higher that asset over liabilities ratio is, the more comfortable I and the board will be. But if it was lower, say we had a really bad investment year, like 2008–09, that does not mean we will put premiums up because that solvency number had jumped. That would just mean that we would be more nervous.

**The CHAIR:** The other thing is you keep talking about your premiums set on four per cent of equity.

**Mr Whithear:** Net equity.

**Mr Watts:** Dividends.

**The CHAIR:** Dividends, sorry; your dividends are set on four per cent of net equity. But the budget papers show it as being 65 per cent of profits. So, do you then need to ensure that you generate profits sufficient to create four per cent of net equity?

**Mr Whithear:** The board sets it at four per cent, so we calculate what that is of the net equity. We then translate that as a percentage of profit and pay it across. So the number is derived by two methods, if you like.

**Mr DeNooyer:** I think if you look in the annual report on state finances, which came in a few months ago, in that table of the dividend-paying organisations most are calculated at 65 per cent,

and ours I think came out at about 15 per cent. So that four per cent in equity equated to about 15 per cent just for that one year.

**The CHAIR:** Yes, it does say that dividend payout ratios may be adjusted based on the need to maintain appropriate capital adequacy.

**Mr Whithear:** And that was a reference to us.

**The CHAIR:** No, no; that is for you. But it strikes me though that you are still going to be under constant pressure, if you want to do it on four per cent equity, to generate a profit that would allow you to pay four per cent. To maintain your adequacy, which I think you have now indicated is around 140 per cent, and then make a profit, which at that point that is not coming out of your investment activities; it has got to be coming out of your premiums, surely.

**Mr Whithear:** I guess as a former Treasury official, far be it from me to complain about Treasury pressuring a greater return from our government trading enterprises; that is their job. That does not necessarily mean that if we cannot deliver that out of investment returns, we would be making a recommendation to the government to increase premiums. The lack of increases in premiums over the last 20 years suggests that that does not have a very high success rate—getting government to agree to a premium increase. So we need to be pretty conservative and just try to make sure our investment portfolio continues to deliver and, to the best we can, make sure that outgoings do not exceed our premium revenue.

**Hon PETER KATSAMBANIS:** I just want to round off on this point, because I am not sure where we have ended up. And in fact coming in here with more clarity, I am sitting here with less clarity now, not as any result of what I have heard from you, by the way, but I just want to clarify that at the end of the day we have an underwriting loss almost constantly throughout the period; that underwriting loss effectively results in a reduction in net assets and/or profit each year. Is that correct?

**Mr DeNooyer:** Correct.

**Hon PETER KATSAMBANIS:** Hansard does not pick up nods, unfortunately.

**Mr DeNooyer:** Yes, that is correct.

**Hon PETER KATSAMBANIS:** So, in actual fact, the fact that we are running the underwriting loss is reducing over time capital adequacy, and is reducing over time the dividend that can be paid.

**Mr DeNooyer:** If it was not for the investment returns which offset that, yes, correct.

**Hon PETER KATSAMBANIS:** Irrespective of whatever level of investment return is, an underwriting loss reduces the overall pool that may be available keeping investment returns constant.

**Mr DeNooyer:** That is right. If you had a zero investment return, the assets of the Insurance Commission would be diminishing because of these underwriting losses.

**Hon PETER KATSAMBANIS:** Sure.

**Hon NICK GOIRAN:** But you never make a zero loss.

**Hon PETER KATSAMBANIS:** So, as we move forward, the easiest way to improve capital adequacy, to improve profitability et cetera would have been over the history of this fund to increase premiums to ensure that there is not an underwriting loss, because there does not appear to be any question about your investment strategy, although if I did have time, I would like to ask a couple of questions about that. There does not appear to be any great issue that you are not getting a good return from investments. So over time, either the commission or governments plural, or a combination of both, have chosen to keep premiums historically low, sacrificing dividends, sacrificing the net assets of the commission and at the end of the day reducing capital adequacy. Would that be a fair assessment as a policy position?

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**Mr Whithear:** Yes.

**Hon PETER KATSAMBANIS:** To the benefit of the motorists who are paying lower premiums? You need to say yes or no.

**Mr Whithear:** Yes.

**Hon PETER KATSAMBANIS:** Thank you. That has returned the clarity that I had at the start.

**The CHAIR:** Which raises the question for me that if you did not have to pay a dividend, does that mean you could reduce premiums by about \$20 a motor vehicle; because around the \$40 million mark and around two million vehicles in Western Australia works out about 20 bucks a vehicle?

**Mr Whithear:** I would probably choose to be at 142 per cent solvency rather than 140. And that solvency position does move around depending on, again, your investment return. So, I think it is important to have a premium rate that reflects the costs of your insurance.

**The CHAIR:** But if your political masters for the last 18 years have not allowed you to increase premiums to achieve that 140 per cent, they could equally say to you, "Don't worry about giving us a dividend. Don't worry about getting 142 per cent, don't increase premiums for another year because you've got 20 bucks a vehicle to play with." That is the policy option for government.

**Mr Whithear:** Governments have a range of options around those things.

**Hon PETER KATSAMBANIS:** Could you indicate to the committee, if you are an APRA-regulated fund, what would your capital adequacy or solvency ratio be?

**Mr Whithear:** We would have to be pursuing something around the average, around that 190 per cent.

**The CHAIR:** One hundred and ninety per cent?

**Mr DeNooyer:** That is capital adequacy, which is slightly different to solvency, a slightly different measure. But in the Insurance Commission, we do an internal calculation of our capital adequacy using the APRA benchmarks, and we come out around about the 134 per cent on that.

**Hon PETER KATSAMBANIS:** Right.

**Mr DeNooyer:** So, the average for the APRA-regulated insurers is about 189 and we are 134; and we calculated this on about \$500 million in asset difference.

[3.40 pm]

**Mr Whithear:** We would have to obtain \$500 million and the only source of really doing that would be premiums.

**Hon PETER KATSAMBANIS:** So, effectively, government ownership gives a \$500 million benefit to the commission that would otherwise have been derived from motorists one way or another.

**Mr Whithear:** Would have to have been, yes.

**The CHAIR:** Would you not need to then also take into account the factor that you are a compulsory scheme and people cannot leave your scheme, whereas in the private sector, there are a range of other risks in terms of if their premiums go too high, people make the decision to either go to another insurer or leave the scheme? So their need for adequacy is a lot higher as a result of those other risk factors that would be incorporated into being a compulsory government-backed scheme.

**Mr Whithear:** Your second point is the key one. It is the monopoly more than the compulsory nature, because it is compulsory in New South Wales and Queensland. But it is a competitive market and so their revenue is less certain. You are exactly right; there is a risk that CTP insurer A may lose out to insurer B in any given year and they need to carry additional capital to cover the risk of that competitive position.

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**The CHAIR:** Which would also suggest that having a compulsory monopoly position actually results in lower premiums for people in Western Australia than those states where it is operated on a —

**Mr Whithear:** We obviously have been able to carry less capital in reserve as a result of that position. As I have said, it is a scale. There is no one right percentage number. As Damon just said, there are a range of ratios—capital adequacy, solvency and others. Trying to put a range—is that monopoly worth 10 per cent, 20 per cent or 30 per cent of that risk margin?—would be hard to put a figure on. It is not impossible, but it is hard to come to a definitive view.

**Hon ALANNA CLOHESY:** Can I ask about the compensation industrial diseases fund? Why was the KPI removed from that fund?

**Mr Whithear:** Largely because the fund is in a healthily solvent position, talking about solvency. I was trying to introduce a greater focus on the two main activities of the Insurance Commission. It is a reasonably ancillary activity. It is important to those who are claiming, but as far as a key performance indicator for the agency, how many claims do we get a year?

**Hon ALANNA CLOHESY:** That was going to be my next question.

**Mr Whithear:** It is quite a low number.

**Mr DeNooyer:** I am not sure I have got the claim numbers with me.

**Mr Watts:** There will not be claim numbers in there.

**Hon ALANNA CLOHESY:** No; there is none in the annual report.

**The CHAIR:** Do you want that taken on notice?

**Hon ALANNA CLOHESY:** I will. It is the number of claims in the last two years in comparison.

*[Supplementary Information No A3.]*

**Hon ALANNA CLOHESY:** How much is in reserve for the fund?

**Mr Whithear:** Twenty-one million dollars.

**Mr DeNooyer:** Yes, \$21 million.

**Hon ALANNA CLOHESY:** Why was there significantly less transferred into the reserve this financial year compared to last financial year for that fund?

**Mr DeNooyer:** What is transferred into the reserve each year is essentially the profit that that individual fund has made. Last year it made a profit of \$2.3 million; this year it only made a profit of \$1 million. That looks like it is really to do with probably some of the outstanding claim valuations on the outstanding claims within that fund, and, as we have spoken of before, they can fluctuate quite dramatically. Even on a small fund, it does not necessarily represent cash; it can be estimates for those liabilities.

**Hon ALANNA CLOHESY:** What kinds of projections have you for future claims on that fund?

**Mr DeNooyer:** We have outstanding claims liabilities of about \$2.7 million on that fund, again, remembering that —

**Hon ALANNA CLOHESY:** For this financial year?

**Mr DeNooyer:** No; this is the future. This is on potentially existing claims or claims that may not have incurred yet. That is the way we value the outstanding claims and liabilities—once the premium is paid, any possible claims that may eventuate on the policy—and the actuaries obviously use their models to come up with that. Those numbers are obviously inflated and discounted back to present dollar terms.

**Hon ALANNA CLOHESY:** How do you make projections for claims on that fund into the future—for example, a decade in advance?

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**Mr Watts:** The actuary looks at the history and the number of claims that have come in thus far. He will break it up into people who are under 65 and people who are over 65. Given that we are talking about industrial disease, they may have sustained the disease 20 or 30 years ago but it has only arrived now, so they make allowance for that, and it is called incurred but not yet reported-type claims that are in there. They are done each year by the actuary, who will do a 30 June valuation. In a lot of ways, an actuary looks in the rear-vision mirror to predict the future.

**Hon ALANNA CLOHESY:** What was the assessment for last financial year and what was the assessment for this financial year?

**Mr DeNooyer:** Last financial year, there was \$2.8 million in outstanding claims and this year it is \$2.7 million to \$2.8 million. There is not a large difference in there.

**Hon ALANNA CLOHESY:** In terms of the actuarial advice about future claims on the fund, based on what has happened in the past and comparing that with the increased rates of mesothelioma in particular that are being reported and the likelihood that those rates will increase in future, is there any consideration to recognising the increased rates of mesothelioma in particular?

**Mr Watts:** A lot of the increased rates of mesothelioma will not necessarily come from the mining industry; a lot of it will come from downstream from Hardie's and the like where people have been working as tradespeople and mechanics with brake linings that used to be made with asbestos. What we are talking about here are people who incurred it whilst they were in the mining industry. The data around that is reasonably solid and he does allow a fairly large margin because he thinks that there is a lot of uncertainty around this, so he will add onto that.

**Hon ALANNA CLOHESY:** Indeed, there is.

**Hon PETER KATSAMBANIS:** I just wanted to ask questions from the annual report. On pages 33 to 35, you discuss the investment division and investment returns. I notice that returns for the year fell short of the benchmark. What benchmark do you use?

**Mr Whithear:** There is a range of benchmarks. The fixed interest portfolio will use a bank bill rate. The domestic equities will use an ASX 200-type index. The emerging markets portfolio will use the emerging markets index. US equities might be S&P 500. All those are blended and averaged, if you like. I could tentatively almost anticipate your next question as: why did you underperform the benchmark?

**Hon PETER KATSAMBANIS:** Yes. It was a pretty good year for financial performance across almost every sector of the Australian market in the 2014 financial year, so why the underperformance?

**Mr Whithear:** It was primarily due to our increased exposure to emerging markets. The US and developed economy markets went very well. I think you will see that most superannuation funds reported returns in the 12, 13 or 14 per cent mark and we are a bit under that at 10 per cent. We attribute that to our greater exposure to emerging markets. Given the price of developed economy stock markets at the moment, we are actually thinking that that is a good place to be and that emerging markets may go a little better looking forward.

[3.50 pm]

**Hon PETER KATSAMBANIS:** I have a couple of questions around that, because from your annual report it is not apparent, to me anyway, how much of the portfolio is invested in emerging markets; global shares are not broken down between emerging and developed markets. Is it possible you could take on notice, providing some more clarity around exposure to emerging markets, around global shares, growth alternatives, global fixed interest and the like? Why so heavy in cash?

**Mr Whithear:** Because we have been a little concerned that equity markets were getting a little topy. As you can see, we have heavy exposure to property but a healthy exposure to different equity markets. We, like a lot of insurance companies in particular, do not really have a ready home

for that cash, so we are sticking it in the bank rather than investing it or increasing our exposure to some other asset classes. For example, we do not own any sovereign bonds, because we are not convinced that we will generate a decent return out of those, and that proportion that in ordinary times might be in a bond portfolio is probably just sitting in cash.

**Hon PETER KATSAMBANIS:** I understand that.

**The CHAIR:** Was there something you asked for on notice? We did not give it a number, because you went off. It is supplementary information on global equity emerging versus developed.

*[Supplementary Information No A4.]*

**Hon PETER KATSAMBANIS:** I am comparing cash to the strategic asset allocation, which I guess is a decision on which you have already factored in those issues you have spoken about, and you are over by almost double the eight per cent strategic asset allocation with 14.3 per cent actual. I assume that strategic allocation has already factored in those issues that you may require to be heavier in cash than other more vanilla portfolios. When you look at the under-performance and that heavy weight in cash, there appears to be a bit of a correlation there too.

**Mr Whithear:** There is, definitely. If we had been perhaps a little more bullish on US equities, we would have pursued that performance, but we were a little more conservative and held more in cash and emerging markets and we missed a couple of percent.

**Hon PETER KATSAMBANIS:** On the same issue and asset management, it is a pretty actively managed portfolio I would expect. I have not been able to deduce from the annual report—it may well be in there—the management fees or investment fees that flow from the management of that portfolio.

**Mr Whithear:** I should have a total figure in here. Damon might be able to find it.

**Hon PETER KATSAMBANIS:** If you cannot find or point me to it, I am happy for you, again, to take it on notice.

**Mr Whithear:** My recollection is that it was 44 basis points, but we will find it.

**Hon PETER KATSAMBANIS:** If you could provide it to me in dollar terms that would be of assistance, and perhaps over the last three years.

**The CHAIR:** If you find it before the hearing is out, then give it, but we can take it as A5.

*[Supplementary Information No A5.]*

**Hon PETER KATSAMBANIS:** I have other questions, but in view of the time I have one question around claims.

**The CHAIR:** Do you have an obligation to maintain a certain percentage of your portfolio in cash?

**Mr Whithear:** Yes, but we are well and truly above that.

**The CHAIR:** In terms of your investment strategies is that something you do in isolation or do you do it through Treasury or are you required to get Treasury Corp sign-off on your investment strategy? How does that work—the relationship between you and Treasury Corp?

**Mr Whithear:** The relationship is driven by the prudential guidelines, which are approved by the Treasurer. The Treasurer gets advice from Treasury in doing that and then we operate with those parameters. We use an investment advisory firm and then we use a range of professional fund managers, so we have a lot of checks and balances, if you like. I have just been interviewing and scrutinising our fund managers and their different strategies, just in the last month, which we do twice a year, as well as our ongoing financial reporting.

**Hon PETER KATSAMBANIS:** On claims, page 20, you talk about an increase in claims for this financial year that the annual report covers. Do you keep statistics as to the general cause of the

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particular claim, be it as a result of driver error, speeding or through lack of wearing a seat belt and causes such as that?

**Mr Whithear:** We have some data. You may have seen some material we put out to assist the road safety campaigns recently about motorcyclists, which is topical again this week. We do not put every claim in a basket. We can go and extract some of that data.

**Hon PETER KATSAMBANIS:** The obvious question is: why do you not put every claim in a basket? If we need to identify trends and work out what is becoming an issue that we need to address—I would imagine we have all been around insurance in one way or another for a long time—I imagine that one of the first things you want to do is identify causation so you can address it.

**Mr Whithear:** Yes, I guess. We are familiar with causes. There is no shortage of data there. We have other entities like the police and others that do pull a lot of that data together. We do our bit from time to time, but the 6 000 outstanding claims we have, we have not put them into those baskets.

**Hon PETER KATSAMBANIS:** So, you are not able to say to me, “We’ve had an increase in claims and we’ve underperformed this year, and we’ve had more claims in relation to speeding or not wearing seat belts.” You cannot give me that level of detail?

**Mr Whithear:** One of the difficulties with that is the fact that this is classed as long-tail insurance and a lot of those claims take three years to settle, so a trend in not wearing seat belts or speeding, by the time we have worked out the results of that trend and its financial consequences, could be three to five years after.

**Hon PETER KATSAMBANIS:** Just to clarify, I am not referring to financial consequences at this stage—I am sure you could track them over time—but I imagine you would be able to categorise these claims upon entry. You would not need to wait for three years to categorise that this is a claim that “appears to result from ...”. You could go back and correct the figures over time if you found that the real causation was something different.

**Mr Watts:** Our primary focus, first and foremost, is whether there is negligence. If there is no negligence, there is no claim. The first thing our claims people look for is whether there is negligence by the driver of a WA registered motor vehicle; and, if someone is, and there’s a claim and someone has been injured as a consequence of that, then we have a claim on foot. The most common cause of our claims is run-into-rear accidents. They are the most common cause. Now, whether that is due to speeding or inattention, we will never know because unless the police attend and take those records—police do not attend every crash, they attend probably a small percentage of crashes—the person will just say, “The car in front of me braked suddenly.” Whether the cause was they were travelling too close or it could have been due to a number of things, but that does not interest us to a great deal. It interests the Road Safety Council, because they are looking for those sorts of data and we feed data to them, but we do not necessarily record it ourselves. We do not look at what sort of car was involved necessarily.

**Hon PETER KATSAMBANIS:** How do you work out it is an effective allocation of your sponsorship dollars. I will use the Belt Up campaign on page 19. If you are not keeping this data and you are not really that interested in the intricacies of what is causing these things, about then negligence, why then start allocating sponsorship dollars?

[4.00 pm]

**Mr Watts:** Seatbelts are one thing that we do record, because we will claim contributory negligence if the injured party was not wearing a seatbelt. That is something we will record, and it is something we are particularly interested in. That is even more so if we go into the world of no-fault, because a number of crashes are a single vehicle accident where the person leaves the road and hits a tree. I think there was a case on the weekend where someone was thrown from the car and the car rolled

on the person, and that has ended very badly. So, seatbelts are something that is very relevant to us because it is something that will reduce the costs of our claims; there is no question about that. If people wear seatbelts, the likelihood of them surviving the crash improves greatly, and the extent of their injury will improve as well.

**Hon PETER KATSAMBANIS:** Are you able to provide me with the data of the trend of seatbelt claims over the 14 years of your Belt Up sponsorship? Not today, obviously, but on notice; and if you could break that down into metro and non-metro—metro Perth and the rest of Western Australia—or any other smaller breakdown, region by region, I would appreciate that, too.

**Mr Whithear:** We can provide some data. What will render that data incomplete are all the non-seatbelt-wearing accidents where we are not dealing with the claim.

**Hon PETER KATSAMBANIS:** I understand that. You can only give me what you have claimed.

*[Supplementary Information No A6.]*

**The CHAIR:** I have a couple more questions I want to get in before we finish up, if that is all right. Just following on from that issue about claims, surely there is an interest from your organisation if there is a spike in rear-end accidents at a roundabout, for instance? So, for example, the Eelup roundabout, where, once you do some modifications to it you can significantly reduce the number of claims, surely you would be trying to monitor that so that you could go to government and say, “Either allow us to spend the money to fix this problem area, or you spend the money to fix the problem area.”

**Mr Watts:** Again, our crash data is fed through Main Roads, and Main Roads has maintained crash books of where the crashes have occurred. Our view has been that it has been the responsibility of Main Roads and the Road Safety Council to identify those dangerous intersections, dangerous roundabouts or whatever.

**The CHAIR:** You made the comment earlier “if it is a Western Australian-registered vehicle”. My understanding is that in Western Australia if it is an unregistered vehicle and they run into someone else and injure them, the person still has a claim against CTP —

**Mr Watts:** Correct.

**The CHAIR:** — even though the vehicle itself was not registered.

**Mr Watts:** The innocent injured party will have a claim against us, and the Insurance Commission becomes what we call the nominal defendant; we stand in the shoes of the person who did not have a policy. We make sure the person gets compensated, and then we have a right of recovery against the person who was driving the unregistered vehicle. They have been unlicensed to drive the vehicle, they may have been driving under the influence or they may have been driving an unroadworthy vehicle. All those things are breaches of the policy, but we always make sure the person is adequately compensated.

**The CHAIR:** I do not know how far back your records would go and how far back you would be able to easily extract information, but can you tell me how many claims there were for where you have had to pay out for vehicles that were unlicensed, both in absolute numbers and as a percentage of the total number of claims you are paying out?

**Mr Watts:** Yes, we can do that.

**The CHAIR:** How far back would you be able to easily go?

**Mr Watts:** Easily go 20 years, I would have thought.

**The CHAIR:** All right; if you can go easily 20 years, I will take 20 years! If you have to go and stretch into your archives and get some boxes out of state records —

**Mr Watts:** No, they have been computerised for that long.

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**Mr Whithear:** That should not be too hard.

**The CHAIR:** As I say, if you can come back to us with whatever you can easily extract.

*[Supplementary Information No A7.]*

**Hon NICK GOIRAN:** On that point, do you also want to find out how much the commission has recovered from those right-of-recovery claims?

**The CHAIR:** Yes. In fact, can you tell us the number of claims as a percentage of your total number of claims, how much you have paid out on them and how much you have recovered? I think that would probably be the full set of data. That is the first one. The other one is, I think—I do not know whether he put it out—Mr Blackman was the contact person regarding a warning on car ride-sharing services and CTP insurance. Apart from having put out that warning about that, is there any other action being taken? Obviously, it is something you see as a major issue in terms of potential liabilities and confusion and all the rest of it. What else are you doing in terms of dealing with that issue about ride-sharing services and the fact that, according to your press release, you see it as if they are not properly registered they would lose their CTP insurance?

**Mr Whithear:** Yes, and that is what it boils down to. We just thought it was one of those cases where CTP insurance is not that well understood, anyway. These ride-sharing services were getting a lot of airtime, and we thought we should just at least make some effort to ensure that people understood that they may not be insured. Interestingly, here it is probably the driver who is actually the one at the greatest risk of being uninsured, so we have put that out. We had not really intended to run any great marketing efforts. We wanted to draw attention to it, and that is now being discussed by CTP insurers nationwide because we were the first ones to do that. I think it is largely a regulatory issue for the various transport agencies around the country; we just wanted to put something out to make it clear what the insurance cover catered for and what it did not.

**The CHAIR:** I assume that if someone was to get into a ride share and there was an accident, they would still be able to claim against the driver? It would come down —

**Mr Watts:** Yes; nominal defendant again.

**The CHAIR:** Again, the driver not having the coverage, and so you would be able to seek to claim against that driver. But ultimately if the driver does not have the assets to cover it—you are talking about if it is a catastrophic \$5 million payout, there are not too in many our community who would probably carry \$5 million, I would not have thought. Maybe some of my colleagues around the table have more money than me, but you can add up all my assets and you are not going to get to \$5 million! So, there is still going to be a residual cost to the state, so it would strike me that that would at least require you to be seeking the regulatory agencies to be dealing with this in some way.

**Mr Watts:** Yes.

**The CHAIR:** Have you taken any action with the regulatory agencies?

**Mr Watts:** We have done a couple of things. Before the regulatory agency, we contacted Uber; it turned out to be more difficult than you would expect to get hold of Uber. We could get a website for them. They had some misinformation; they were telling their prospective drivers that they needed to insure their vehicle under a class 3G, from memory, and it actually should be under 3F, so we corrected them on that basis. We have had meetings with people from the Department of Transport and we have passed on our concerns to them. They have been meeting with people from Uber as well. There is a double-barrelled thing here: they have to make sure that the vehicle is actually registered correctly for transport purposes, and we need to make sure it is insured correctly for our purposes. So there had been that concerted effort to try to get that message across to Uber, but at the moment they do not seem to be paying too much attention.

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**The CHAIR:** Is there then a role for the Department of Transport to step in here somewhere and take action to try to inform the drivers and public that unless they get it right in terms of all those regulatory things, what they are doing is exposing themselves to significant public risk?

**Mr Whithear:** This is a debate globally —

**The CHAIR:** Yes, I know, but we are in WA and I want to know what we are doing in WA. I understand that it is happening everywhere else in Australia, but it would strike me that someone needs to be making sure that the regulatory framework is in place, and that the people participating in that—if you cannot get through to Uber, the potential drivers of these vehicles—know what is happening. Either the Department of Transport is regulating it and dealing with it, or at the very least someone is making sure, on an ongoing basis, that that is happening. To be honest, I do not know that that media—as good a press release as it was—picked up and ran with that press release. I picked it up, but I suspect I am the rarity.

**Mr Watts:** My understanding is that Transport have been in contact with senior people at Uber to get this message across to them. How successful they have been, I am not sure.

**The CHAIR:** But you are telling me that, from your own evidence, it was hard to get it across to Uber, or I think you used the words that they did not seem to really care.

**Mr Watts:** I did not get a response from them, other than that I know that they have received emails from me.

**The CHAIR:** So you have not had any response from them?

**Mr Watts:** I have not personally, no.

**The CHAIR:** At your level you have not had any response, so it strikes me that at the very least somebody in government should be making sure that the potential drivers of these vehicle know. Maybe we can all go and talk to the media after today's hearing—it might help get some of this coverage up! Somebody needs to be making sure that potential drivers understand that at the very least they need to be getting the right level of insurance and the right licence for their vehicles to do what they are doing.

**Mr Watts:** Yes.

**Mr Whithear:** Yes.

**The CHAIR:** And who is —

**Mr Watts:** I think Transport are the people who have got carriage of that, because they are the ones when the person goes in, you get your CTP insurance in the one-stop shop when you register your vehicle. It is all done at Transport. Transport certainly know what classification the vehicle needs to be under, so I would see the responsibility lies with Transport to do that education, apart from the bit that we tried to do.

**The CHAIR:** If the person knows to tell Transport that is what they are doing when they register their vehicle.

**Mr Whithear:** Indeed.

**The CHAIR:** That seems to be the missing loop, that no one is making sure that the drivers out there understand the risk that they are taking by engaging in this without getting those things right. Ultimately, you are potentially going to wear a claim that you are going to pay out, but not having had the right insurance paid on it.

[4.10 pm]

**Mr Whithear:** We are watching the evolution of this. We have been monitoring court judgments from Munich and places like that to see how this new way of operating in that sphere plays out, because there is obviously a whole range of jurisdictions grappling with it. Where they come to in

a regulatory sense will be interesting to watch. We just want to make sure people have got the right insurance.

**Hon PETER KATSAMBANIS:** Can I just ask—it is an obvious question to me; I am not sure if it is obvious to others. The difference between the drivers being on the current inappropriate insurance and moving to the appropriate insurance, what is that in dollar terms?

**Mr Watts:** In dollar terms it is around \$100.

**Hon PETER KATSAMBANIS:** Per annum.

**Mr Watts:** Per annum.

**Hon NICK GOIRAN:** Yes, but if they pay the \$100 more in insurance, they can make a claim.

**Mr Watts:** Yes.

**Hon NICK GOIRAN:** If they do not pay the \$100 at the moment, which they are not doing, they cannot put in a claim.

**Mr Watts:** Correct.

**Hon NICK GOIRAN:** The commission is actually better off with the current system; the status quo is maintained. You get fewer claims. I know that is not the point.

**Mr Whithear:** Depending on your view about the passenger being hurt —

**Hon NICK GOIRAN:** You would have to pay for them in any event.

**Mr Whithear:** We would have to pay for them either way, sure, but we may then just wind up chasing a taxidriver for recovery and the results of that are not —

**The CHAIR:** They would need to basically get an SCV vehicle licence to do it under the regulatory framework, would they not, and then pay the appropriate CTP on the vehicle?

**Mr Watts:** Yes.

**The CHAIR:** The final thing I just wanted to ask—we talked about that solvency rate of 140 per cent. Could you give us the history, again going back as far as it is easy to record, of the dollar figures of the assets and your liabilities and what the solvency rate was both going back and what you predict it to be over the next four years of the forward estimates?

**Mr Whithear:** Sure.

*[Supplementary Information No A8.]*

**The CHAIR:** We went through a fair bit of the CTP. Before we finish the hearing, are there any key issues that we did not cover in terms of the questioning from Hon Nick Goiran that you think needs to be brought to our attention this afternoon? That was partly the purpose of today. I noticed you also had some handouts for us, so whether or not you are in a position to provide those to the committee as a tabled document. In the end we covered a fair bit, I think, of probably what you were going to tell us anyway. Is there anything we missed?

**Mr Whithear:** I do not think so. The presentation that we will provide you really just talked about the process of engaging actuaries and calculating liabilities. That might just be useful background for you, but we actually talked about what the assets and liabilities were, so that is sort of a step further along from there. Look, the most fundamental issue facing us we also canvassed, which is the green paper and where that takes us. We are receiving responses to the questions we put in to the community. We will collate those over time. We expect to get more submissions from interest groups and we will collate all that and see where we go.

**The CHAIR:** All right. Thank you very much. Sorry, we did not really get time to let you do the full presentation, but it seemed to be fairly interesting—I notice most members were following intently the discussion earlier, so I appreciate that.

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The committee will forward any additional questions it has to you in writing in the next couple of days, together with the transcript of evidence, which includes the questions you have taken on notice. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to submit these to the committee clerk at the close of the hearing.

On behalf of the committee, I thank you very much for your attendance today.

**Hearing concluded at 4.14 pm**

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