



Insurance Commission
of Western Australia

STATEMENT OF CORPORATE INTENT 2020-21

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1 INTRODUCTION

I have the pleasure to present on behalf of the Board of Commissioners and the Executive of the Insurance Commission, the strategic plan for the 2020-21 financial year. This plan is presented as the Statement of Corporate Intent (SCI) as required by the *Insurance Commission of Western Australia Act 1986*.

Our four strategic objectives for 2020-21 are to:

1. Provide quality and affordable insurance products and services;
2. Operate effectively and efficiently;
3. Deliver sustainable financial outcomes; and
4. Develop a high performance culture.

Each strategic objective is supported by initiatives that complement long-term strategies outlined in the Insurance Commission's Statement of Expectations (incorporating the Strategic Development Plan obligations). The strategies and initiatives outlined align with the approved budget and Forward Estimates.

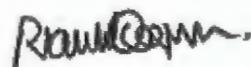
The strategic plan is fit-for-purpose for the organisation and its operating environment, and balances our objectives with the uncertainty that investment markets and long-tail insurance liabilities bring.

Return to Government

The Insurance Commission has returned \$1.1 billion in dividends and capital returns to the Government since 2013. This includes \$254.1 million in dividends and capital returns (related to 2019 financial results) to the government, in addition to paying \$91.3 million in insurance duty, \$65.1 million in tax and a \$22.9 million interim dividend. We recognise the importance of these contributions to the government as revenue source declines challenge the ability of government to deliver important public services to Western Australians.

On 12 August 2020, various Bell Group companies and their creditors agreed to liquidation settlement scheme arrangements. On 20 August 2020, the Supreme Court of Western Australia made orders approving the settlement. Those orders were lodged with the Australian Securities and Investments Commission on 20 August 2020 at which point the schemes became effective. On 11 September 2020, the Insurance Commission received a settlement amount of \$665.4 million. The 2020-21 State Budget provides for \$657.2 million of the settlement to be paid to the State Government during 2020-21. The State Government has announced that the proceeds from the settlement will be used to fund a one-off \$600 electricity bill credit for approximately 1.1 million Synergy and Horizon Power customers.

The Insurance Commission looks forward to continuing to deliver value for our customers and shareholder, the Treasurer representing the Western Australian Government.



FRANK COOPER AO
CHAIRMAN

2 OUR BUSINESS

The Insurance Commission is a Government Trading Enterprise and statutory corporation owned by the Government of Western Australia. Its enabling legislation is the *Insurance Commission of Western Australia Act 1986*.

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

2.1 Our Functions

The Insurance Commission is primarily responsible for:

- managing motor injury insurance;
- managing the self-insurance arrangements of Government;
- investing and managing funds to provide assets to meet insurance liabilities;
- advising Government about insurance and liability matters.

The Insurance Commission manages and/or underwrites a number of funds to deliver its insurance functions.

2.1.1 Motor Injury Insurance

The Insurance Commission delivers motor injury insurance to almost two million Western Australian motorists. Two insurance products make up the motor injury insurance policy, compulsory third party (CTP) and catastrophic injuries support (CIS).

The CTP product provides owners and drivers of WA-registered vehicles with cover for the costs incurred in the event they cause a crash that injures another person.

The CIS product provides lifetime treatment, care and support to all people if they are catastrophically injured in a crash in WA and are unable to claim against CTP.

The *Motor Vehicle (Third Party Insurance) Act 1943* and the *Motor Vehicle (Catastrophic Injuries) Act 2016* set out the arrangements for the CTP and CIS products respectively.

Owners, when registering their vehicles, purchase the insurance policy from the Department of Transport, who act as the Insurance Commission's retail-arm.

As at 30 June 2020, insurance policies had been issued for 2.9 million WA-registered vehicles.

Revenue is collected into the Third Party Insurance Fund (TPIF) for the CTP product and into the Motor Vehicle (Catastrophic Injuries) Fund (MVCIF) for the CIS product. Together with investment income, this revenue is used to pay claims, provides assets to meet long-term liabilities and administer the motor injury insurance schemes.

The Insurance Commission also receives revenue from the Commonwealth Government to deliver motor injury insurance to motorists in the Indian Ocean Territories.

2.1.2 Government Insurance

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

Self-Insurance for Government

The Insurance Commission manages the following covers for most public sector agencies' insurable risk exposures:

- workers' compensation;
- loss or damage to property;
- liability cover;
- cyber risks; and
- travel and personal accidents.

Revenue for these covers is collected from public sector agencies into the Insurance Commission's RiskCover Fund.

The Insurance Commission also continues to manage the WA Government's historic self-insurance arrangements via the Government Insurance Fund (GIF) in run-off. The Government has financial responsibility for the liabilities and any deficit in the GIF.

Industrial Diseases Insurance

The Insurance Commission issues industrial disease insurance policies to employers involved in the mining industry and pays claims made against these policies. The liabilities are underwritten by the Insurance Commission and claims are paid from the Compensation (Industrial Diseases) Fund (CIDF).

Non-Government Liabilities

The Insurance Commission continues to manage non-government liabilities of the former SGIO for policies that are in run-off, as no policies have been issued since 1987. The liabilities are held in the Insurance Commission General Fund (ICGF) and relate to workers' compensation and public liability claims, including claims against the mining industry for asbestos related diseases that are not covered by industrial diseases insurance.

The ICGF also acts as the operating fund of the Insurance Commission. Investment assets are held within the ICGF and then allocated to other funds. The Insurance Commission's own assets are held within the ICGF.

Services for WorkCover WA

The Insurance Commission manages claims on behalf of WorkCover WA if a workers' compensation insurer goes into liquidation.

WorkCover WA invokes a levy on workers' compensation policyholders to fund those claims and liabilities, and the levy is collected into the Employers' Indemnity Supplementation Fund (EISF). The majority of existing EISF liabilities arose from the collapse of the HIH Group of companies in 2001.

The Insurance Commission also manages claims lodged against WorkCover WA's General Account, mainly for injured workers of uninsured employers.

Former Police Officers' Medical Benefits

The Insurance Commission manages claims from former police officers and aboriginal police liaison officers who sustain a work-related injury or disease during their service and have since left the WA Police Force.

Former officers can claim for medical and other expenses under the *Police (Medical and Other Expenses for Former Officers) Act 2008*. Claim entitlements largely mirror those of the *Workers' Compensation and Injury Management Act 1981*. The Police Commissioner is liable for medical and other expenses incurred.

2.1.3 Investments

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

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

2.1.4 Advice to Government

The Insurance Commission undertakes analysis on policy issues and provides advice to the Treasurer and government on insurance and liability matters.

2.2 Our Structure

The Insurance Commission delivers investments and insurance services through its Motor Injury Insurance, Government Insurance, and Investment Divisions. The corporate support areas help the organisation deliver its functions.

3 COVID-19 PANDEMIC IMPACT

The Insurance Commission acted swiftly and prudently to support motorists and agencies covered by its insurance products and services during the pandemic. Continuity of service during this time, which contributed to the WA Government's pandemic economic recovery response, was an Insurance Commission priority.

Improving claimant outcomes is the focus of the Insurance Commission's strategy and the contemporary service delivery initiatives (set out in section 4 of this document). With the exception of investment fund losses as Governments globally shutdown economic activity, the pandemic is not expected to have a negative impact on the Insurance Commission's strategy and its contribution to wider Government policy objectives. The pandemic has reinforced the importance of contemporary service delivery and the benefits it has for operational resilience.

The Insurance Commission continued to contemporise its operations and implemented two customer service enhancements during the pandemic:

1. 24-hour payment process for invoices following certification, helping businesses treating injured claimants to be paid more quickly; and
2. A reduction in the volume of hardcopy correspondence sent to claimants through an increase in electronic communication.

The Insurance Commission also introduced a contemporary digital payment channel for pre-approved health treatment services in July 2020. Claimants are now sent a text message with a Treatment Number, which can be given to the service provider to obtain real-time approval and payment the next day via HICAPS terminals if they have one. This initiative is an Australian-first for a workers' compensation or motor injury insurer to use HICAPS to deliver automated payments for pre-approved treatment.

Productivity and service standards were maintained during the pandemic and the resultant restrictions on work and travel. The Insurance Commission was able to do this due to the nature of its business, its technology capability and business continuity preparedness. Some of the specific actions included:

- technology and communication assets to support remote working;
- extension of employee flexible working hours (span of hours);
- occupational health and safety guidance and support to employees;
- enhanced office health and safety practices; and
- a focus on compliance with Government advice.

Eighty-eight percent of Insurance Commission employees worked from home during the height of the pandemic. Employees adapted well to the changed working conditions. The working-from-home experience had a positive impact on Insurance Commission culture, with 2020 employee perception survey results showing high levels of positive engagement and an appreciation of management efforts to keep its workforce safe.

A \$61.3 million drop in revenue to the Insurance Commission by 2023-24 is forecasted as a result of the government decision to freeze the premium rate until at least 1 July 2021 for motorists in an effort to provide financial relief to Western Australian households. The premium freeze is not expected to have a material impact on the Insurance Commission's solvency position in the short term and its

ability to meet its liabilities because insurance premiums are set to meet the long-term cost of injuries sustained by motorists.

When setting workers' compensation agency contributions for 2020, it was not contemplated that many government employees would be required to work from home. Pleasingly, no workers' compensation claims were received from government employees while many were working from home during the peak of the pandemic in Australia, resulting in no impact to claims costs or agency contributions due to the pandemic.

The pandemic initially caused a significant investment market downturn which has since rebounded strongly, as has the Insurance Commission's investment portfolio. Market volatility is expected to remain high for some time. This may impact investment returns in the near-term. The Insurance Commission focuses on delivering long-term growth in investment assets in order to meet its insurance claim liabilities.

As part of its Capital Management Policy, the Insurance Commission undertakes annual capital adequacy scenario stress testing analysis against various investment and claim scenarios. A pandemic recession scenario has been included for the 2020 stress testing analysis.

4 OUR STRATEGY

Four strategic objectives form the basis of the strategic plan:

1. Provide quality and affordable insurance products and services;
2. Operate effectively and efficiently;
3. Deliver sustainable financial outcomes; and
4. Develop a high performance culture.

Each of these strategic objectives are supported by underlying initiatives, performance targets and measures.

4.1 Strategies and Initiatives

The Insurance Commission strategies and initiatives over the 2020-21 period are set out below.

4.1.1 Provide quality and affordable insurance products and services, and operate effectively and efficiently

Strategy 1 – Online claims

1. Online motor injury claim lodgement functionality.
2. Enhanced online workers' compensation, property and motor claims lodgement functionality.

Strategy 2 – Customer engagement

1. Communicate directly with claimants.

Strategy 3 – Automated payments

1. Pre-approved services for personal injury claimants.
2. Point of service payments for health treatment services.
3. Online claimant reimbursement request functionality.
4. Reflect treatment plan services as pre-approved services to facilitate automated Catastrophic Injury Support scheme payments.

Strategy 3 – Documents to data

1. Crash data captured directly into the insurance management system.

Strategy 4 – Business intelligence and analytics

1. Enhanced customer satisfaction data collection and reporting.
2. Enhance organisational analytical and reporting capability.

Strategy 5 - Improve claimant recovery and independence

1. Continue to pursue opportunities to improve the recovery and independence of injured motorists and government employees.

Strategy 6 - Continue delivery of proactive insurance and related advice to Government

1. Continue to provide proactive advice to Government on strategic insurance, liability and other policy areas.

4.1.2 Deliver sustainable financial outcomes

Strategy 7 - Balance affordability of insurance products, sustainability of schemes and shareholder return

1. Solvency and capital adequacy managed in line with capital management strategy.

4.1.3 Develop a high performance culture

Strategy 8 – Continue building a culture that is customer-focused to meet customer and stakeholder needs

1. Continue implementing the HR Blueprint and Diversity Action Plan 2019-21 to achieve an agile and high performing workforce.
2. Enhance change management capability to support the transition to the Insurance Commission's desired end state.

4.2 Performance Targets

The targets for financial Key Performance Indicators are presented in Appendix 1.

5 MINISTERIAL REPORTING

5.1 Annual Report

The Insurance Commission prepares and delivers to the Minister an Annual Report on its performance for the financial year. Content of the Annual Report meets the requirements of the *Financial Management Act 2006*, the *Insurance Commission of Western Australia Act 1986* and any resolution of the Board of Commissioners of the Insurance Commission. Specifically, the Annual Report includes:

- statutory financial statements;
- overview of the major achievements;
- performance against targets; and
- other information required by legislation.

5.2 Quarterly Report

The Insurance Commission provides the Minister and the Department of Treasury with quarterly reports on performance. The quarterly report includes the performance of the organisation and progress against the initiatives within the Statement of Corporate Intent (this document).

5.3 Other Information

The Insurance Commission provides the Minister with a five-year Strategic Development Plan (incorporating the Statement of Expectations) and a one-year Statement of Corporate Intent (this document) as required under the *Insurance Commission of Western Australia Act 1986*.

The Insurance Commission also provides the Minister with briefings and advice on insurance matters.

6 PAST PERFORMANCE

To improve transparency and frequency of performance reporting, the Insurance Commission prepares unaudited half-yearly performance reports. The reports are published on the Insurance Commission's website. The reports set out the Insurance Commission's financial and operational performance for each six-month period.

The Insurance Commission also publishes its financial and operational performance for the financial year in its Annual Report released in September each year. The Annual Report is tabled in Parliament and published on the Insurance Commission's website.

7 ACCOUNTING POLICY

The Insurance Commission prepares financial statements in accordance with Australian Accounting Standards, Statements of Accounting Concepts, and other authoritative pronouncements of the Australian Accounting Standards Board, as applied by the Treasurer's Instructions to ensure suitable reporting across the WA Public Sector.

Where modification has a material or significant effect on the reported results, details of that modification and the resulting financial effect are disclosed in individual notes to the financial statements in the Insurance Commission's Annual Report.

The Financial Statements are prepared on the accrual basis of accounting. The majority of the Insurance Commission assets and liabilities are measured at fair value (on a bid price basis for investment assets) and the remainder follow the historical cost convention.

INSURANCE COMMISSION

		\$'000
BALANCE SHEET		2020-2021
ASSETS		
Receivables		361,149
Investments		5,835,165
Deferred Premium Collection Costs		3,458
Other Assets		2,787
Lease Assets		14,558
Plant and Equipment		2,058
Intangibles		5,032
TOTAL ASSETS		6,224,207
LIABILITIES		
Payables		(131,490)
Financial Liabilities - RiskCover Investments		(825,449)
Outstanding Claims		(3,567,794)
Unearned Premium		(321,149)
Provisions		(40,210)
Deferred Tax Liabilities		(25,223)
Lease Liabilities		(17,069)
TOTAL LIABILITIES		(4,928,384)
NET ASSETS		1,295,823
EQUITY		
C(ID)F Reserve		22,702
Distribution of Equity - Dividends		(492,228)
Retained Earnings		1,765,349
TOTAL EQUITY		1,295,823
STATEMENT OF COMPREHENSIVE INCOME		2020-2021
Premium Revenue		842,859
Reinsurance Premium Expense		(7,600)
Reinsurance Commission Revenue		760
Net Premium Revenue		836,019
Claims Expense		(850,569)
Reinsurance and Other Recoveries		30,555
Net Claims Incurred		(820,014)
Underwriting and Administration Expenses		(62,553)
UNDERWRITING LOSS		(46,548)
Investment Income		301,989
Investment Expenses		(33,897)
RiskCover Investment Return		(46,061)
Other Income		667,395
Other Expenses		(12,940)
		876,486
PROFIT BEFORE TAX EQUIVALENT EXPENSE		829,938
Income Tax Equivalent Expense		(251,939)
PROFIT AFTER TAX EQUIVALENT EXPENSE		577,999

INSURANCE COMMISSION

Key Performance Indicators	2020-2021	Target
Investment Income Rolling 7-Year Return (%) This KPI calculates the long-term investment performance, measured over a rolling 7-year period as a percentage (per year) of the amount of money invested. This KPI measures whether investment returns have achieved the Insurance Commission's long-term Consumer Price Index (CPI) plus 3% investment objective (Main Fund) and CPI plus 3.25% investment objective (MVCIF).	5.1	
Annual Investment Rate of Return (%) Main Fund MVCIF This KPI calculates the amount of revenue/(loss) the Insurance Commission's investment strategy generates over the financial year as a percentage of the value of the opening investment assets. This KPI measures the Insurance Commission's performance compared to a specific market-related benchmark. The benchmark is a mix of Australian and global equities, fixed interest, alternative assets, property and cash indices.	5.2 5.5	
Investment Management Expense Ratio (%) Main Fund MVCIF This KPI calculates the total management costs (investment manager, transaction, custodian, investment advisor, Investment Division administration, legal and audit fees) as a percentage of the average asset value (calculated as an average of the financial year-end valuations) of the Insurance Commission's investment portfolio. This KPI is a measure of the Insurance Commission's efficiency in managing its investments.	0.57 0.60	
Solvency Level (%) Insurance Commission TPIF MVCIF This KPI calculates Total Assets as a percentage of Total Liabilities. This KPI measures the ability of the Insurance Commission to meet its long-term financial obligations as they fall due.	126.3 136.4 103.0	
Net Loss Ratio (%) TPIF MVCIF This KPI calculates net claims incurred (claims payments and movement in outstanding claims provisions) as a percentage of net premium revenue. This KPI measures the sufficiency of premium revenue compared to the cost of claims incurred. A ratio below 100% indicates the TPIF received sufficient net premium revenue to meet the net cost of claims incurred.	91.1 121.4	
Net Expense Ratio (%) TPIF MVCIF This KPI calculates underwriting and administration expenses as a percentage of net premium revenue, and measures operational efficiency. A lower expense ratio would contribute to higher profits or lower losses being generated.	7.4 6.2	
Net Combined Ratio (%) TPIF MVCIF This KPI calculates underwriting and administration expenses and net claims incurred as a percentage of net premium revenue. This KPI is a measure of underwriting profitability used to indicate how well the Fund is performing. It is the combined result of the Net Loss Ratio and the Net Expense Ratio. A ratio below 100% indicates that an underwriting profit has been made, whereas a ratio above 100% indicates an underwriting loss.	98.5 127.6	

INSURANCE COMMISSION

Key Performance Indicators	2020-2021	Target
Affordability Index - MII This KPI calculates the Motor Injury Insurance (MII) premium (including GST and insurance duty) for the average family vehicle as a percentage of one week's worth of WA's average weekly earnings. The target is to have the MII premium for the average family vehicle at or below 30% of one week's worth of WA's average weekly earnings.	30.0	
Proportion of Claims Payments made for the Direct Benefit of Claimants (%) - MII This KPI calculates claims payments made for the direct benefit of claimants as a percentage of the total claim payments made in a financial year. Claims payments that do not go to the direct benefit of the claimant include the Insurance Commission's claims management, legal and investigation costs. This KPI reflects the Insurance Commission's effectiveness in minimising the financial hardship of claimants and delivering equitable compensation.	94.5	
Timeliness of Liability Determination (%) This KPI calculates the timeliness of liability decisions for CTP compensation claims. The target requires that a decision be made on claims within 25 business days from the date of lodgement of the claim to ensure claimants are treated fairly.	75.0	
Claim Administration Costs as a Ratio of Gross Claims Paid (%) - MII This KPI calculates claims administration costs as a percentage of the gross claims paid. This KPI measures the efficiency of claims administration.	6.6	
Customer Satisfaction (%) - MII This KPI measures personal injury claimant satisfaction with the customer service delivered by the organisation and is determined by a survey.	60.0	
Average Claim Duration (months) - MII This KPI measures effectiveness of claims management in supporting claimant recovery and calculates the median duration between claim lodgement and claim settlement/close dates.	17.5	

RISKCOVER FUND

\$'000

BALANCE SHEET	2020-2021
ASSETS	
Receivables	61,511
Investments	825,449
TOTAL ASSETS	886,960
LIABILITIES	
Payables	(38,241)
Provision for Return of Capital	-
Outstanding Claims	(626,602)
TOTAL LIABILITIES	(664,843)
NET ASSETS	222,118
EQUITY	
Retained Earnings	154,466
Prudential Reserve	67,652
TOTAL EQUITY	222,118

STATEMENT OF COMPREHENSIVE INCOME

2020-2021

Premium Revenue	314,083
Reinsurance Premium Expense	(25,568)
Reinsurance Commission Revenue	1,025
Net Premium Revenue	289,540
Claims Expense	(278,251)
Reinsurance and Other Recoveries	5,685
Net Claims Incurred	(272,566)
Underwriting and Administration Expenses	(33,174)
 UNDERWRITING RESULT	
Investment Income	46,061
PROFIT	29,861

RISKCOVER FUND

Key Performance Indicators	2020-2021	Target
Solvency Level (%) This KPI calculates Total Assets as a percentage of Total Liabilities in the RiskCover Fund. This KPI measures the ability of the RiskCover Fund to meet its long-term financial obligations as they fall due.	133.4	
Net Loss Ratio (%) This KPI calculates net claims incurred (claims payments and movement in outstanding claims provisions) as a percentage of net premium revenue. This KPI measures the sufficiency of premium revenue compared to the cost of claims incurred. A ratio below 100% indicates the RiskCover Fund received sufficient net premium revenue to meet the net cost of claims incurred.	94.1	
Net Expense Ratio (%) This KPI calculates RiskCover Fund underwriting and administration expenses as a percentage of net premium revenue, and measures operational efficiency. A lower expense ratio would contribute to higher profits or lower losses being generated.	11.5	
Net Combined Ratio (%) This KPI calculates RiskCover Fund underwriting and administration expenses and net claims incurred as a percentage of net premium revenue. This KPI is a measure of underwriting profitability used to indicate how well the Fund is performing. It is the combined result of the Net Loss Ratio and the Net Expense Ratio. A ratio below 100% indicates that an underwriting profit has been made, whereas a ratio above 100% indicates an underwriting loss.	105.6	
Affordability Index This KPI measures the affordability of the workers' compensation self-insurance cover provided through the RiskCover Fund. This KPI is calculated as workers' compensation agency contributions (premiums) as a % of total agency wages.	1.50	
Proportion of Claims Payments made for the Direct Benefit of Claimants (%) This KPI is calculated as workers' compensation claims payments made for the direct benefit of claimants as a percentage of total workers' compensation claims payments made by the RiskCover Fund during the financial year. Claims payments that do not go to the direct benefit of the claimant include claims management, legal and investigation costs incurred. This KPI measures the Insurance Commission's effectiveness in minimising the financial hardship of claimants and delivering equitable compensation.	90.0	
Timeliness of Liability Determination (%) This KPI calculates the timeliness of all RiskCover Fund liability decisions for workers' compensation claims. WorkCover WA's legislation (<i>Workers' Compensation and Injury Management Act 1981</i>) for self-insurers requires that a decision be made on income claims within 17 days from the date of lodgement with the employer to ensure claimants are treated fairly.	90.0	
Claim Administration Costs as a Ratio of Gross Claims Paid (%) This KPI calculates RiskCover Fund claims administration costs as a percentage of the gross claims paid. This KPI measures the efficiency of claims administration.	12.9	
Customer Satisfaction (%) This KPI measures personal injury claimant satisfaction with the customer service delivered by the organisation and is determined by a survey.	75.0	
Average Claim Duration (months) This KPI measures effectiveness of claims management in supporting claimant recovery and calculates the median duration between claim lodgement and claim settlement/close dates.	4.8	

