

LEGISLATIVE COUNCIL Question On Notice

Tuesday, 28 August 2018

**1599. Hon Robin Chappie to the Minister for Environment representing the Treasurer;
Minister for Finance; Energy; Aboriginal Affairs**

As the Treasurer and Minister for Finance, please clarify the following information regarding the Government's charges for motor vehicle personal injury scheme premiums:

- (a) in the last two to three years has the Insurance Commission of WA (ICWA) paid the Government over a billion dollars in dividends;
- (b) if no to (a), how much has been paid;
- (c) is ICWA now headed by the former Joe Hockey chief of staff Rod Whithear, and was he appointed to ICWA by Christian Porter;
- (d) soon after appointment, did Rod Whithear change the ICWA legislation to enable the Government to be paid dividends from the motor vehicle personal injury scheme funds;
- (e) if yes to (d), how was this done;
- (f) does ICWA have over 150 percent financial solvency;
- (g) regarding the answer to (f), is this with substantial prudential margins which a State Government insurer is not required to have;
- (h) unlike private insurers, does ICWA need to be a part of Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA);
- (i) does the Government or public policy holders hold the risk for ICWA or the motor vehicle personal injury scheme, and who is entitled to the dividends;
- (j) does the Government only administer the scheme;
- (k) how does the pricing for the scheme in Western Australia compare to other States, that is, is it more or less affordable;
- (l) how does Western Australia's motor vehicle personal injury schemes compare with other States in terms of being up to date with current social needs;
- (m) should the Western Australian scheme, that dates back to the 1940s and is a fault based common law litigious scheme, be updated to better serve the needs of the Western Australian people;
- (n) does ICWA have a risky investment portfolio which would not be approved by APRA for private insurers;
- (o) are substantial government monies in the hands of overseas investment managers, and is this cause for serious concern;
- (p) does section 8 within the functions and powers of the *Insurance Commission of Western Australia Act 1986* restrict ICWA to only having sufficient funds to meet liabilities;
- (q) as ICWA is a compulsory government monopoly and as section 8 of the *Insurance Commission of Western Australia Act 1986* is a control to stop ICWA from collecting excessive premiums from motorist, is ICWA acting unlawfully and outside of its legislative powers by collecting excessive premiums from the public;
- (r) if no to (q), please clarify why;
- (s) is ICWA acting unlawfully and outside of its legislative powers by giving investment income to the Government instead of benefiting public policy holders; and
- (t) if no to (s), please clarify why?

Answer

(a) No.

(b) From 1 July 2015 to 30 June 2018, the Insurance Commission paid \$398 million in dividends to the Consolidated Account of Government. Dividends have been paid from investment returns.

(c) The Chief Executive of the Insurance Commission is Mr Rod Whithear. Mr Whithear was appointed by the Governor in Executive Council on the recommendation of the then Cabinet.

(d) No.

(e) Not applicable.

(f) No.

(g) A risk margin is applied to estimated outstanding claims liabilities to reflect the inherent uncertainty in the estimation of insurance liabilities.

The Insurance Commission complies with accounting standard AASB 1023 – General Insurance Contracts. The Standard requires outstanding claims liabilities to be measured as “the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate”.

(h) No.

(i) Neither. The Insurance Commission is an independent Government Trading Enterprise. Section 28 and 29 of the *Insurance Commission of Western Australia Act 1986* set out the Insurance Commission’s obligations to pay dividends to the State Government.

(j) No.

(k) The price of motor injury insurance is lower than equivalent insurance in most other states and territories. The price of motor injury insurance for a family vehicle in Western Australia at 1 July 2018 was \$431, compared to \$521 in Victoria, \$522 in South Australia, \$552 in the Northern Territory, \$574 in New South Wales and \$588 in the Australian Capital Territory.

(l) The majority of motor injury insurance schemes around Australia are statutory schemes based on common-law. As of July 2016, all states and territories have no-fault catastrophic injury insurance in place. Western Australia’s schemes compare favourably with other equivalent schemes in terms of compensation paid and affordability of the insurance cover paid by motorists.

(m) The *Motor Vehicle (Third Party Insurance) Act 1943* was last amended in 2016 when the *Motor Vehicle (Catastrophic Injuries) Act 2016* was passed. The Catastrophic Injuries Support scheme provides lifetime treatment, care and support to people catastrophically injured in motor vehicle crashes where no other party is at fault.

(n) No.

(o) Around 20% of Insurance Commission investment funds are invested in international equities. Other investments are made in global property and European infrastructure funds. The Insurance Commission maintains a diversified investment portfolio. Some exposure to the 98% of investment assets outside Australia is necessary to achieve that diversification.

(p) No. Section 8 of the *Insurance Commission of Western Australia Act 1986* requires the Insurance Commission to perform its functions and exercise its powers in an efficient and economic manner.

Section 8 also requires the Insurance Commission to use its best endeavours to ensure that its revenue is sufficient to meet its expenditure.

(q) No.

(r) The Insurance Commission aims to set insurance premium rates to ensure sufficient revenue is available to meet claims costs and scheme running expenses.

Motor injury insurance premium revenue has not met the cost of claims and scheme management in 15 of the past 20 years.

Western Australian motorists pay one of the most affordable motor injury insurance premium rates in Australia.

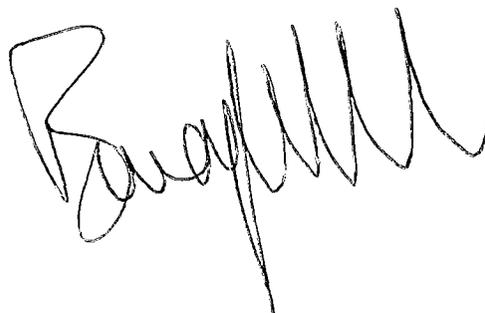
(s) No.

(t) Section 28 and 29 of the *Insurance Commission of Western Australia Act 1986* set out the Insurance Commission's legislative obligations to pay dividends to the State Government.

Dividends have been paid from investment returns.

The Insurance Commission is unable to set premium rates on the basis of prior year investment returns.

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