

Insurance Commission
of Western Australia

Annual Report 2002- 2003



Insurance Commission
of Western Australia

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TO THE MINISTER

Statement of Compliance

TO THE HON NICK GRIFFITHS LLB MLC
MINISTER FOR GOVERNMENT ENTERPRISES

In accordance with Section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit to the Minister for Government Enterprises, for information and presentation to Parliament, the Annual Report of the Insurance Commission of Western Australia for the financial year ended 30 June 2003.

The Annual Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985* and any other relevant written law.

MICHAEL E WRIGHT
CHAIRMAN
27 August 2003

VIC EVANS
MANAGING DIRECTOR
27 August 2003

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia, passed on 27 August 2003.

PROFILE OF THE INSURANCE COMMISSION OF WESTERN AUSTRALIA

STRUCTURE OF THE INSURANCE COMMISSION

The Insurance Commission of Western Australia ('the Insurance Commission') was established and operates in accordance with the *Insurance Commission of Western Australia Act 1986* ('the Act'). The Minister responsible for the Insurance Commission is the Hon Nick Griffiths LLB MLC, Minister for Government Enterprises.

There are two specific Insurance Divisions within the Insurance Commission;

- The Motor Vehicle Personal Injury Division ('MVPI Division'); and
- The RiskCover Division ('RiskCover').

Each Division has its own dedicated Fund(s) and is supported by six Service Divisions: Investments, Finance, Human Resources, Information Technology, Special Investigations and the Commission Executive.

The Insurance Commission has 284 employees. The organisational chart shown in the Corporate Governance section of this report details the management structure of the Insurance Commission.

KEY FUNCTIONS OF THE INSURANCE COMMISSION

The Insurance Commission has a number of functions including:

Motor Vehicle Personal Injury Division

The MVPI Division manages the compulsory Motor Vehicle Third Party (Personal Injury) Insurance scheme in Western Australia.

Owners and drivers of Western Australian registered motor vehicles are provided with unlimited protection in the event that their negligent driving of a Western Australian registered motor vehicle causes injury or death to other persons. The Division manages the claims lodged by those injured in motor vehicle crashes.

The key function is to issue, or cause to be issued, and undertake liability under policies of insurance as required by the Act.

RiskCover Division

The RiskCover Fund was created in July 1997 to manage the self-insurance arrangements of Western Australian Government Public Authorities and promote risk management throughout government. In addition, RiskCover provides a claims management service and also manages the run-off of claims incurred by the former State Government Insurance Office prior to 1 January 1987. The key functions, as required by the Act, are:

- to manage and administer insurance and risk management arrangements on behalf of the Western Australian public authorities; and
- to provide services, facilities and advice to public authorities in respect of the management of claims against them or against funds maintained or administered by them under any written law.

The Division also manages the Compensation (Industrial Diseases) Fund which provides workers' compensation insurance and a claims management service to the mining industry for claims arising from three specified industrial diseases. The Industrial Diseases Service Team's function is to issue and undertake liability under policies of insurance for industrial diseases resulting from mining operations as required by Section 163 of the *Workers' Compensation and Rehabilitation Act 1981*.

Community Insurance Fund

The Community Insurance Fund (CIF) was established by the Government of Western Australia in January 2003 to assist incorporated, not-for-profit community organisations based in Western Australia to obtain affordable insurance cover. The CIF is underwritten by the Crown and managed by the Insurance Commission. The key function of RiskCover with respect to the CIF as required by the *Insurance Commission of Western Australia Amendment Act 2002* is to manage and administer insurance and risk management arrangements on behalf of eligible community organisations.

SERVICE DIVISIONS

Investments Division

The Investments Division provides investment management and general administrative services to the Insurance Commission's business units. The Insurance Commission's investment portfolio is managed using external Fund Managers for equities and fixed interest, under agreed guidelines approved by the Treasurer of Western Australia.

Investment strategy, investment manager appointments and other key investment portfolio construction issues considered by the Board of Commissioners, are subject to Prudential Guidelines for Investments ('Guidelines') issued by the Treasurer of Western Australia. These Guidelines are regularly reviewed and updated and can be viewed on the Insurance Commission's website (www.icwa.wa.gov.au).

Finance, Information Technology and Human Resource Divisions

These Divisions provide centralised services to the entire organisation in their respective areas of expertise.

Commission Executive

This Division provides advice and support to the Minister, Managing Director and the Board of Commissioners. It also provides public relations and marketing services for the Insurance Commission.

Special Investigations Division

The Special Investigations Division is responsible for minimising fraud as part of the Insurance Commission's claims management function and protecting the assets of the Insurance Commission.

The Division's objective is to prevent, detect, and investigate fraud, thereby actioning the Insurance Commission's Fraud Management Strategy. An analytical component introduced in 1999 has substantially enhanced the Division's fraud detection and investigation capabilities.

INTERNAL AUDIT SERVICE

The Internal Audit Service is provided by an external contractor thereby providing the Insurance Commission's Board of Commissioners with an independent appraisal of the operation and effectiveness of systems and controls. This assists the Board in discharging its responsibilities under the *Financial Administration and Audit Act 1985* and relevant Treasurer's Instructions.

STATUTORY MEMBERSHIPS

The Insurance Commission, represented by its Managing Director, has statutory membership of the Workers' Compensation and Rehabilitation Commission, the Workers' Compensation Premium Rates Committee and the Road Safety Council of Western Australia.



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of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA 2003 ANNUAL REPORT

In addition, the Insurance Commission is represented on and provides advice to a number of other working parties and committees, and provides professional advice to the State Government on all matters related to insurance.

HISTORY

On 1 January 1987 the State Government Insurance Commission of Western Australia ('SGIC') was established as a result of combining the Motor Vehicle Insurance Trust and the State Government Insurance Office. The SGIC's name was subsequently changed on 1 October 1997 to the Insurance Commission of Western Australia.

VISION STATEMENT

We will be renowned for providing excellence in community insurance and risk management.

MISSION STATEMENT

To achieve best practice in:

- Providing insurance for both Motor Vehicle Personal Injury and Industrial Diseases compensation, and
- Managing the Western Australian Public Sector's self-insurance arrangements

through the promotion of risk management and the commitment and professionalism of our people.

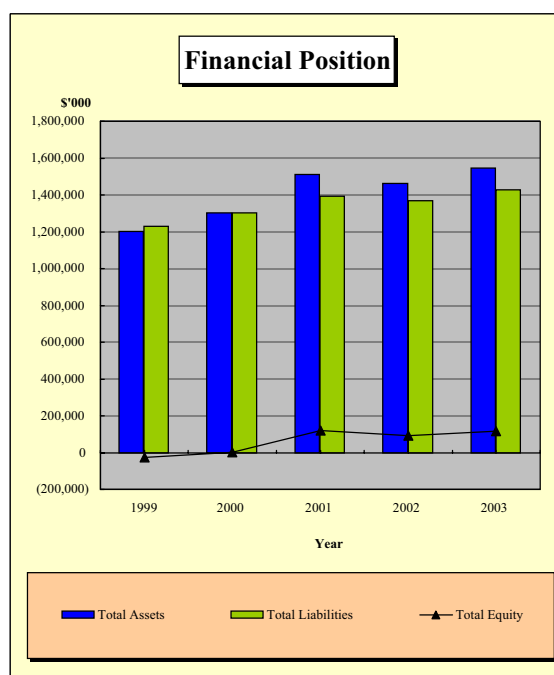
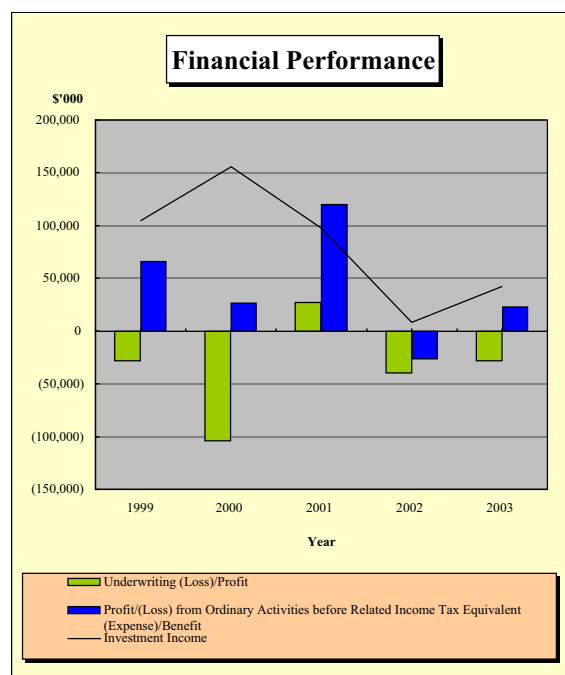
VALUE STATEMENT

We value:

- Our customers, as the most important aspect of our business;
- Employees who demonstrate open communication, a responsive work ethic, respect for the individual, accountability for their actions and a commitment to continuous improvement and learning in all that they do;
- Decisive leadership that provides direction and encouragement so that every employee understands how their individual job contributes to the divisional and organisational objectives;
- Teamwork that exhibits a constructive and collaborative working environment characterised by diversity and tolerance; and
- Corporate citizenship through commitment to community important purposes and uncompromising business ethics.

Financial History - Commission

	2003 \$'000	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000
STATEMENT OF FINANCIAL PERFORMANCE					
Net Earned Premium	306,815	296,895	289,572	275,211	267,047
Claims Incurred	(316,690)	(317,029)	(243,287)	(343,298)	(265,373)
Reinsurance and Other Recoveries Revenue	22,122	19,448	22,800	1,837	12,998
Net Claims Incurred	(294,568)	(297,581)	(220,487)	(341,461)	(252,375)
Underwriting and Administration Expenses	(40,212)	(38,804)	(42,117)	(37,798)	(42,628)
Underwriting (Loss)/Profit	(27,965)	(39,490)	26,968	(104,048)	(27,956)
Investment Income	42,498	8,414	97,384	155,888	104,540
Investment Expense	(19,849)	(9,574)	(25,457)	(27,302)	(21,135)
Other Income	27,926	12,164	20,926	6,556	11,499
Other Expenses	2	2,141	(98)	(4,581)	(832)
Profit/(Loss) from Ordinary Activities before Related Income Tax Equivalent (Expense)/Benefit	22,612	(26,345)	119,723	26,513	66,116
STATEMENT OF FINANCIAL POSITION					
Receivables	262,541	256,073	286,708	141,657	172,360
Other Financial Assets	1,273,506	1,196,577	1,217,255	1,147,845	1,023,746
Other Assets	9,075	9,851	7,292	13,544	5,503
Total Assets	1,545,122	1,462,501	1,511,255	1,303,046	1,201,609
Outstanding Claims	1,251,006	1,215,914	1,241,838	1,143,667	1,084,865
Unearned Premiums	126,005	117,857	113,592	117,387	113,171
Other Liabilities	51,921	35,143	35,893	41,783	29,877
Total Liabilities	1,428,932	1,368,914	1,391,323	1,302,837	1,227,913
Net Assets/(Liabilities)	116,190	93,587	119,932	209	(26,304)
Reserves	11,540	12,528	12,816	10,535	7,542
Accumulated Profit/(Loss)	104,650	81,059	107,116	(10,326)	(33,846)
Total Equity	116,190	93,587	119,932	209	(26,304)



HIGHLIGHTS

CUSTOMERS

Motor Vehicle Personal Injury Division

- The Third Party Insurance Fund achieved an underwriting profit of \$15.5 million.
- Western Australia's compulsory Third Party Insurance premium for a family motor vehicle remains the lowest in Australia.
- The benefits to the motorists of Western Australia of an unlimited indemnity policy of insurance for Motor Vehicle Third Party (Personal Injury) have not been diminished.
- \$250.5 million (gross) paid in respect of Third Party Insurance (personal injury) claims.
- The risk margin for the Third Party Insurance Fund is intended to provide a 75% adequacy of its liabilities.

RiskCover Division

- An operating surplus of \$10.4 million was achieved, putting the RiskCover Fund in surplus for the first time since 30 June 1998, with net assets of \$0.6 million.
- The Community Insurance Fund commenced operations on 2 January 2003.
- RiskCover's Risk Management Team facilitated 150 agency specific workshops on various risk-management issues.
- The fourth annual Government Risk Management Conference was held in August 2002. Approximately 260 delegates attended.
- \$300,000 funding was provided for medical research into mesothelioma.

Community - Road Safety

- \$2.4 million funding was contributed to road safety initiatives.
- The Insurance Commission was awarded Best New Sponsor and the Arts Sponsorship Leadership - Judges' Award at the 2002 State Arts Sponsorship Scheme Awards for its sponsorship of 'The Buzz', a play which facilitates the delivery of road safety messages to high risk students, through theatre.

PEOPLE

- All employees covered by the Workplace Agreement and Enterprise Bargaining Agreement were transferred to the new Insurance Commission General Agreement which came into effect on 1 January 2003.
- Sixty two employees received an average salary increase of 3% from 1 January 2003 in accordance with the Wages and Parity Policy.
- Continuation of recognition and reward programs for employees responsible for significant achievement or excellence in customer service, via Employee of the Month, Employee of the Year and Team of the Year awards.
- Assistance and incentives were available to all employees to support their professional development, including pursuit of tertiary and professional qualifications relevant to the business needs of the Insurance Commission.

FINANCIAL

- An Insurance Commission operating profit, after tax, of \$22.6 million.
- Total assets of the Insurance Commission \$1,545 million and net assets of \$116.2 million.
- Investment return for the year was 2.5%. (The Insurance Commission's five-year average real investment return of 5.3% is 0.1% higher than the performance benchmark.)
- Protracted dialogue with key stakeholders resulted in major changes to the GST legislation being introduced, enabling efficient and cost-effective administrative solutions to be realised in the processing of Motor Vehicle Third Party Personal Injury claims beyond the 30 June 2003 end of the GST transitional period.
- A Bronze Award in the 2002 Lonnie Awards for "Distinguished Achievement in Accountability through Annual Reporting".

BUSINESS PROCESSES

- Further enhancements, designed to improve productivity and customer service, were made to the Workflow and Imaging system within the MVPI Division.
- All RiskCover systems were upgraded to enable internet access to all system facilities. E-commerce facilities for client agencies were also enhanced to provide secure web access to agency and fund performance reports.
- Database analysis by our Special Investigations Division was successfully utilised to prosecute fraudulent activity.

CHAIRMAN AND MANAGING DIRECTOR'S JOINT REVIEW

Financial Performance

The Insurance Commission is pleased to report a consolidated operating profit after tax of \$22.6 million (2002 - \$26.3 million loss). At balance date, the Insurance Commission's total consolidated assets were \$1.55 billion (2002 - \$1.47 billion) and net assets \$116.2 million (2002 - \$93.6 million).

The overall operating profit included an investment return of 2.5% (2002 - negative 2.0%). From an historical perspective, the investment return was disappointing. However, it compares favourably with a majority of Australian superannuation funds who recorded negative returns for the year.

Motor Vehicle Third Party (Personal Injury) Insurance

The Third Party Insurance Fund ended the year with an underwriting profit of \$15.5 million (2002 - \$7.1 million loss) that contributed to an overall operating profit of \$37.5 million (2002 - \$10.9 million loss). As a result net assets of the Fund at balance date increased to \$188.3 million (2002 - \$150.8 million). The underwriting performance exceeded budget by \$53.5 million.

We are again pleased to report that, notwithstanding the 4.4% wage inflation linked premium pool increase in the Third Party Insurance Fund for 2003/2004 (effective 1 July 2003), Western Australia continues to have the lowest premiums for a private motor car in Australia.

During 2002/2003 the Insurance Commission continued to play a major role in discussions and workshops held over the past two and half years with other Australia-wide Compulsory Third Party ("CTP") insurers, the Australian Tax Office, and the Commonwealth Treasury, to resolve GST legislative deficiencies relating to CTP insurance. The protracted dialogue resulted in the Federal Government making major changes to the GST legislation, producing a satisfactory outcome for the motorists of Western Australia.

In anticipation of the GST legislative changes, the Minister approved the introduction of dual premiums effective from 1 July 2003. This enabled private and standard (business) vehicles to be differentiated in three major classes (Class 1A - Motor Cars and Station Wagons, Class 2 - Goods Carrying Vehicles and Class 4 - Motorcycles). Premiums for Class 1A private use motor vehicles only increased by 2.8%, taking into account inflation and claims experience.

Bell Recovery Action

Over the past ten years, the Insurance Commission has followed a methodical process in its efforts to maximise recoveries from the Bond and Bell group of companies, in which it held significant investments.

In our 2002 Joint Review we said that, as a creditor of Southern Equities Corporation Ltd (In Liquidation) ('SECL'), formerly Bond Corporation, the Insurance Commission expected to receive substantial additional distributions. We are pleased to report that the Insurance Commission received a dividend of \$17.1 million from SECL Liquidator, Richard England, out of monies recovered following the collapse, more than 10 years ago, of the Bond/Bell group. As at 30 June 2003, the Insurance Commission's total recoveries in relation to Bond/Bell companies are \$43.8 million (refer to Note 7 of Financial Statements).

As has been widely reported in the media, the Insurance Commission continues to support liquidators' efforts to recover further funds for the benefit of all Bond and Bell creditors. As a means of limiting its balance sheet exposure to the costs of funding litigation, the Insurance Commission maintains reserves and an insurance program providing ongoing cover for its financial commitment to the pursuit of the \$1.4 billion claim by the Bell Liquidators against a syndicate of 20 banks led by Lloyds Bank plc of London and Westpac Banking Corporation Ltd. The trial of the action commenced in the Supreme Court of Western Australia on 22 July 2003. If the Liquidators' action is successful, the Insurance Commission stands to recover a substantial portion of the monies owing to it.

Costs expensed by the Insurance Commissions in support of the Bell Group Liquidators' action against the Banks in 2002/2003 was \$1.7 million (2002 - \$1.5 million).

RiskCover

The Insurance Commission manages, on behalf of Western Australia's State Treasury, a self-insurance and risk management enterprise under the name RiskCover. RiskCover commenced operations in 1997 as a Business Division of the Insurance Commission.

In 2002/2003 RiskCover achieved an operating surplus of \$10.4 million (2002 - \$4.6 million deficit). Its underwriting surplus (\$3.9 million) was a pleasing improvement on both the budget (\$8.2 million deficit) and last year's result (\$1.0 million deficit). This put the RiskCover Fund in a surplus position for the first time since 30 June 1998, with net assets of \$0.6 million.

RiskCover's 2002/2003 reinsurance renewals were completed in a difficult reinsurance market which hardened significantly following two to three years of poor underwriting results, poor investment market returns, and losses resulting from the events of 11 September 2001. The withdrawal of several large reinsurers from the market created reinsurance capacity problems, resulting in reinsurers imposing larger increases than would otherwise have been expected. As a result, RiskCover experienced fairly significant reinsurance price increases and some reduction in cover terms.

Risk management is a major focus of RiskCover and we continue to assist agencies identify and manage risk at strategic and business levels. Realisation that risk management is not about eliminating risks, but rather balancing risk and opportunity, has prompted a greater acceptance of the Risk Management process. To this end, we are pleased to report that government agencies have moved beyond the assessment of operational type risks to incorporating formal risk assessments into their strategic and business planning processes.

The year 2002/2003 will be remembered in the insurance industry as a year of review and legislative reform. During the year the Insurance Commission participated in a series of National Ministerial meetings, to help resolve the public liability and medical indemnity insurance crises being faced by both the community and business sectors. As a result of this coordinated approach, legislation was reformed at both a State and a National level.

At a State level, RiskCover provided advice to Cabinet on options to address the public liability insurance crisis faced by not-for-profit community groups. As a result, the Community Insurance Fund (CIF) was established by the Government of Western Australia to assist incorporated not-for-profit community organisations, based in Western Australia, to obtain affordable insurance cover. The CIF is backed by the State and is managed by the Insurance Commission. The *Insurance Commission of Western Australia Amendment Act 2002* enabled the establishment of the CIF in January 2003.

At this stage there is uncertainty regarding the number of community organisations that will be joining the CIF as well as expected claim numbers. The volume of business and workloads are closely monitored to ensure adequate resourcing of the various functions.

Road Safety and Medical Research

The Board continued its funding commitment to the Road Safety Council and other road safety initiatives. During the year, the Insurance Commission provided \$2.4 million to sponsor road safety initiatives in consultation with the Road Safety Council, seeking to reduce the incidence and severity of road trauma. This funding has contributed to a holistic approach to the implementation of the State's five-year road safety strategy. Market research evaluation has shown that these commitments are paying off over the longer term.

The Board also provided \$300,000 to medical research into mesothelioma, an asbestos-related disease, as part of a long-term funding commitment that commenced in 1990. Professor Bruce Robinson and his team at Sir Charles Gairdner Hospital undertake this research, which, according to an independent peer review that was held in 2001, is progressing well.



Board of Commissioners

The year saw the expiry of term of two of our long-serving non executive Commissioners, Frank Daly and Graham Reynolds. We join with our fellow Commissioners in expressing our sincere appreciation to Mr Daly and Mr Reynolds for their valuable contributions and guidance over the years. Both Mr Daly and Mr Reynolds served on the Insurance Commission's Board for eight years. We also warmly welcome incoming Commissioners Doug Pascoe and Annemie McAuliffe to the Board.

Concluding Remarks

In the context of our Vision and Mission Statement, the financial year 2002/2003 was a successful year for the Insurance Commission. Furthermore our overall financial position was strengthened by the Third Party Insurance Fund's underwriting profit and our positive investment return. The Board's ongoing sponsorships in road safety and medical research into industrial diseases are recognised as long term community investments.

Looking ahead to 2003/2004, the Insurance Commission has updated its annual balanced business strategy using the Balanced Scorecard approach. The strategic business plan has been developed through a process of participation at all levels of the organisation.

In addition the Board has established a Corporate Governance Committee to ensure that best practice continues to be an integral part of the Insurance Commission's culture and ethics.

We wish to acknowledge the support and dedication of our Executive and employees throughout the year. Their work, both collectively and individually, combined with their diverse range of skills and experience are of great assistance in bringing leadership, direction and good management to the challenges faced by the Insurance Commission. Their ongoing dedication has once again resulted in continued benefits to all West Australians.

MICHAEL E WRIGHT
CHAIRMAN

VIC EVANS
MANAGING DIRECTOR

CUSTOMER SERVICE

The Insurance Commission belongs to the people of Western Australia, as a State-owned enterprise of the Western Australian Government. Whilst it seeks to operate on a commercial insurance basis, funded by both premiums and investment-generated returns, it is not profit driven.

Policyholders

Our policyholders include any person or company holding a policy of insurance underwritten by the Insurance Commission.

Claimants

Our claimants include any person, company or State Government agency that makes a claim for compensation or damages through the Insurance Commission.

Government Clients

All State Government departments, authorities and instrumentalities are our clients. The RiskCover Division manages the self-insurance arrangements of the State Government and provides professional risk management and insurance services.

Service Providers

Professional bodies and individual service providers are engaged to assist with insurance, claims-related and operational matters.

CUSTOMER SERVICE VISION AND VALUES STATEMENT

The Insurance Commission is committed to maintaining the highest standard of service in our dealings with all customers. We achieve this through:

Communication

We communicate openly with our customers and strive to ensure that they receive clear and accurate information and advice.

Responsiveness

We respond to our customers in a timely manner and show consideration to their needs and expectations. We honour our commitments.

Respect for individuals

We strive to be efficient, courteous and considerate. We respect the dignity of our customers. We always act fairly.

Accountability

We accept responsibility for our actions in delivering the highest standards of service to our customers. We make known to our customers the levels of service we will deliver and ensure that they are met. Any complaints are handled promptly and equitably.



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Learning environment

We are committed to improving the way we work, to sharing our knowledge and concerns and to being open to constructive criticism and feedback. We build a learning environment where employees are supported in their development and encouraged to seek and accept new responsibilities.



CUSTOMER COMPLAINTS AND COMPLIMENTS

Key goal: *Continually improve the quality of customer service*

In October 2002, a Complaints Handling working party comprised of senior representatives from both insurance divisions and representatives from support divisions was formed to review the Insurance Commission's Complaints Handling Policy and Procedures so that it would meet Australian Standard – Complaints Handling AS 4269 (1995). ("AS 4269")

The working party met monthly and as at 30 June 2003, had thoroughly reviewed the current Complaints Handling Policy and Procedures and developed a draft revised policy and procedures that covered all areas set out in AS 4269. Members of the working party also attended various seminars and workshops on Complaints Handling hosted by the Institute of Public Administration Australia.

During 2002/2003, there were 22 written complaints received about the Insurance Commission in the form of letters to the Minister compared to 31 in 2001/2002. We received eight letters complimenting the service provided by employees compared to 15 in the previous year. Customers also provided compliments by telephone however these were not recorded, and may account for the reduction in written compliments. The reduction in complaints and continued compliments was a pleasing result considering the potentially adversarial nature of the greater part of our business which relates to claims management.

FUTURE DIRECTIONS

During 2003/2004, the Insurance Commission's Complaints Handling Working Party will undertake the following activities:

- Integrate a comprehensive complaints data collection and recording system into its IT systems environment;
- Implement the newly revised Complaints Handling Policy and Procedure, after having it approved by the Australian Standards body;
- Provide training to Business Divisions and other frontline employees about the revised Complaints Handling Policy and Procedures, and on how they should use the systems developed to collect and record both complaints and compliments.

MOTOR VEHICLE THIRD PARTY (PERSONAL INJURY) INSURANCE

- Key goals:**
- To provide affordable premiums to owners of Western Australian registered motor vehicles.*
 - To provide a cost efficient claims system that treats claimants with respect and provides equitable compensation.*
 - To ensure that the Third Party Insurance Fund is fully funded.*

The Insurance Commission is the sole provider of Motor Vehicle Third Party (Personal Injury) Insurance in Western Australia, which is compulsory in all States/Territories of Australia and commonly referred to as Compulsory Third Party (CTP) Insurance. This should not be confused with third party property damage insurance, which is neither compulsory nor provided by the Insurance Commission.

The Motor Vehicle Personal Injury Division ('MVPI Division') manages all personal injury and fatality claims resulting from motor vehicle crashes that involve Western Australian registered vehicles. Owners and drivers of Western Australian registered vehicles are provided with an unlimited indemnity policy of insurance in the event that their negligent driving of a Western Australian registered motor vehicle causes injury or death to other persons. This insurance policy is combined with every motor vehicle registration licence, with the premium being collected by the Department for Planning and Infrastructure and its agents.

As at 30 June 2003, there were approximately 1.8 million vehicles registered in Western Australia. The governing legislation is the *Motor Vehicle (Third Party Insurance) Act 1943*, with the administration of this Act being the responsibility of the MVPI Division.

The most misunderstood aspect of the Third Party system in Western Australia is the type of cover provided to the policyholder. The policy does not cover drivers for injuries sustained by them as a result of their own negligence. It indemnifies the driver/owner of the motor vehicle against liability for personal injury claims made against them, provided they have not breached the policy. The scheme is an at-fault or fault-based scheme which means that negligence must be established against the owner or driver of a Western Australian registered motor vehicle, for injury or death claims to be successful.

In underwriting the Third Party Insurance scheme in Western Australia in 2002/2003, the Insurance Commission continued to deliver:

- The lowest premiums in Australia for a family motor car.
- Benefits to claimants equivalent to, or better than, those provided by alternative schemes throughout the other States and Territories of Australia.
- Cost efficient administration when compared to alternative schemes in other States and Territories of Australia.
- A Third Party Insurance Fund which is fully funded (after applying a commercially prudent 75% level of confidence to the Outstanding Claims Liabilities).

PRICING POLICY

To comply with Section 3T of the *Motor Vehicle (Third Party Insurance) Act 1943*, the Insurance Commission assesses the premium income required to meet the likely claims and administration costs expected to arise in the following year. This assessment is made after an independent actuarial report has been considered and takes into account any accumulated surplus or deficit expected to exist at the commencement of the following financial year. Following this process, the Board makes a recommendation to the Minister for Government Enterprises. (For the current Schedule of Premiums refer to the Government Gazette 13 May 2003, reference IZ401 on pages 1671-76).



THREE YEAR GST TRANSITIONAL ARRANGEMENTS TO 30 JUNE 2003

When the Goods and Services Tax (GST) was introduced on 1 July 2000, transitional arrangements were available to CTP insurers Australia wide for three years. Under these arrangements, GST registered motorists were denied the ability to claim an Input Tax Credit (ITC) on their CTP insurance premium, which enabled the Insurance Commission to claim maximum GST tax credits on all qualifying claims payments. Consequently, there was no need for price differentiation between standard (business) and private rates of CTP insurance premiums

CTP insurers Australia wide unanimously sought but failed to obtain a permanent extension to these arrangements, however over the past 12 months have worked closely with Commonwealth Treasury and the Australian Taxation Office, to reach practical solutions to issues relating to implementation and compliance. Amendments to the GST legislation were passed by Federal Parliament on 30 June 2003 to the satisfaction of all CTP insurers, resulting in an acceptable outcome for the motorists of Western Australia.

PREMIUMS

Following a nil premium increase in 2002/2003, in April 2003 the Minister approved an Insurance Commission recommended 4.4% inflation linked premium pool increase in the Third Party Insurance Fund, effective 1 July 2003. The Minister also approved the introduction of dual premiums, differentiating between standard (business) and private vehicles in three major classes (Class 1A - Motor Cars and Station Wagons, Class 2 - Goods Carrying Vehicles and Class 4 - Motorcycles).

The introduction of dual premiums corresponds with the end of the GST transitional arrangements, which ceased on 30 June 2003. Consequently the Insurance Commission can no longer claim the maximum GST tax credits on claims made against business use vehicles that are incurred after 30 June 2003. As a result the overall premium for vehicles used for business purposes has increased from 1 July 2003, however this increase will be off-set for GST registered owners who will now be able to claim an ITC on their premium.

Premiums for Class 1A private use motor vehicles increased by 2.8% on account of inflation and claims experience. Premiums for Class 1A business increased by 9.2% to cover the impact of the GST, claims experience, and inflation. Current premium rates for all vehicles classes are available on the Insurance Commission's website (www.icwa.wa.gov.au). Despite the increase, Western Australia continues to have the cheapest private motor car premiums in Australia.

**Compulsory Third Party Insurance Premium Rates for
a Private motor Car (excl GST), Australia Wide
as at 1 July 2003**



* The lowest premium on offer amongst the private insurers operating in those States.

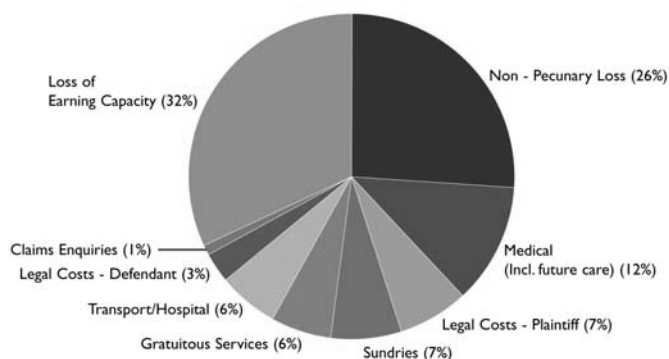


THIRD PARTY INSURANCE FUND

The net assets of the Third Party Insurance Fund were \$188.3 million as at 30 June 2003, compared to \$150.8 million in the previous year. This increase is due to sound claims management performance together with a positive although less than forecast investment return.

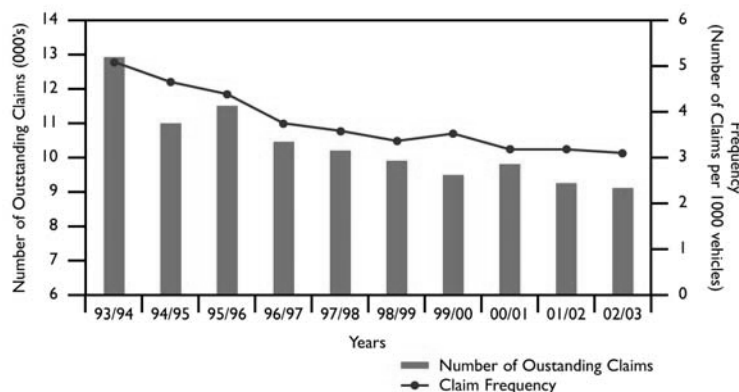
Net claims incurred for the reporting year were budgeted to total \$321.7 million; however the actual amount incurred was \$266.6 million. This excellent outcome was achieved notwithstanding a higher than expected number of settlements, resulting in outstanding active claims reducing to 8,915, a reduction of 137 on the 30 June 2002. Claims payments (gross) for 2002/2003 (\$250.5 million) is shown below by Head of Damages:

Annual Expenditure by Head of Damage 2002/03



During the year 5,345 new claims were received. This is 45 less than the previous year, however it should be noted that the number of registered vehicles grew by 2.4%, to a total of approximately 1.8 million vehicles. The trend suggests that the decreasing claim frequency experienced over the last 10 years, may have levelled off, as illustrated below.

Number of Outstanding Claims and Frequency





BUSINESS SYSTEMS

The Insurance Commission has continued to enhance its Workflow and Imaging technology, which is the core business system for the MVPI Division. Benefits in terms of improved efficiencies in claims management, customer service and administration costs are beginning to be realised. Efforts will continue to be directed at optimising the system to ensure that functionality and efficiencies are maximised.

The Guardian Fraud Profiling System, an automated claims system, analysed all claims received, resulting in a number of claims being scrutinised by the Insurance Commission's Special Investigations Division. During the year there was also a focus on the billing practices of service providers which resulted in a number of detailed investigations.

FUTURE DIRECTIONS

In 2003/2004 the MVPI Division will:

- Continue to enhance the Workflow/Imaging Technology in order to improve the claims management process, productivity and customer service.
- Maintain support of road safety programs aimed at preventing crashes that result in personal injury or death.
- Continue efforts, in collaboration with the Department for Planning and Infrastructure, to develop a shared (information technology) environment to provide timely and accurate policy details, premium collection and associated statistical data.
- Monitor Compulsory Third Party Personal Injury Insurance schemes throughout the world to ensure best practice for all Western Australian motor vehicle owners.
- Continue to work with the Actuary to determine how the model for evaluating outstanding claims liabilities might be more responsive to claims experiences, thereby enabling corrective strategies to be developed in a timely manner.

RISKCOver

Key goal: *To minimise the cost of risk to Government*

The RiskCover Division ('RiskCover') is responsible for the management of the RiskCover Fund and promoting risk management practices throughout the State Government. RiskCover assists the Government to minimise the cost of risk by providing integrated risk management, claims management, risk self-retention and reinsurance services.

The RiskCover Fund is a self-insurance fund for the Western Australian Government. The Fund is managed by the RiskCover Division on behalf of the Department of Treasury and Finance, and has been operating successfully since July 1997. It provides risk management services and extensive cover for the majority of government insurable risks. The five main areas of cover provided under the Fund are:

- Workers' Compensation
- Property and Business Interruption
- Liability, including Employment Practices; Professional; and Medical Treatment Liability
- Motor Vehicle
- Miscellaneous, including Travel, Personal Accident and Special Covers

Some of the benefits provided by the RiskCover Fund are:

- extensive coverage with few exclusions;
- cost efficient administration in comparison to other funding methods;
- consistent and systematic approach to risk management across government;
- consistency in claims and injury management; and
- buying power in reinsurance markets.

PRICING POLICY

Fund Contributions are set to ensure that sufficient funds are collected to pay for all liabilities. A prudential margin is not included, in keeping with our key goal to minimise the cost of risk to Government. The key outcomes RiskCover aims to achieve are:

- Equity for all agencies;
- Transparency in the Fund Contribution setting methodology;
- Minimum cross-subsidisation;
- Protection against major surprises; and
- Incentives for risk management.

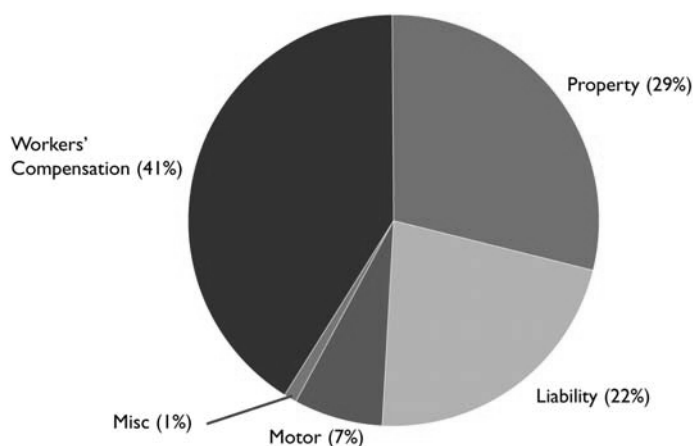
FUND MANAGEMENT

Gross fund contributions totalled \$119.3 million (2002 - \$114.7 million), with a breakdown by class shown in the following graph. After contribution adjustments and outwards reinsurance expenses, the net earned contribution was \$90.5 million (2002 - \$75.6 million). Administration costs, which includes risk management services, remained at 12% of gross contributions.

Lower claims payments and positive investment returns of \$6.5 million resulted in an operating surplus of \$10.4 million for the year, which compares with an operating deficit of \$4.6 million for 2001/2002. Overall, the Fund is now in a surplus position with net assets of \$0.6 million. The Fund has set an objective to gradually build sufficient reserves over future years to provide for potentially large losses up to \$10 million, thereby minimising the prospects of the Fund going into deficit.



RiskCover Fund Contributions by Class



To assist agencies understand and minimise their cost of risk, RiskCover provides them with detailed analyses of claims and risk data that focuses on agency specific trends and risk exposures.

A Data Warehouse has been developed to further enhance RiskCover's ability to assist agencies analyse their risks. The potential benefits include improved information-based decision making, quicker and cheaper reporting processes, improved data quality and enhanced client support capabilities particularly in the area of risk management.

RISK MANAGEMENT

RiskCover provides risk management consultancy services to assist agencies develop and implement risk management practices which are consistent across government. RiskCover's Risk Management Team provides agencies with training in the risk management process (identify the risk, analyse the risk, assess the risk, treat the risk and monitor the risk); and assistance with developing and implementing risk management plans.

The practice of managing risks is today much more a part of management than ever before, and government agencies are becoming better placed to demonstrate their decisions regarding risk acceptance. The realisation that risk management is not about eliminating all risks, but actually balancing risk and opportunity, has prompted a greater acceptance of the risk management process. Agencies have also moved beyond the operational type risks to now incorporate formal risk assessments into their strategic and business planning processes.

To promote and support risk management within the Western Australian public sector, RiskCover facilitates and sponsors the Government Risk Management Group (GRMG). The objective is to provide a whole-of-Government forum for the discussion of risk management ideas and solutions to common problems and issues. RiskCover supports this group by hosting and maintaining the GRMG Web site (www.grmg.wa.gov.au) and organising the annual Government Risk Management Conference.

RiskCover's Risk Management Team has this year facilitated more than 150 agency specific risk workshops of which approximately 10% have been focused on the strategic risks of agencies. The balance concentrated more on operational and specific project risk management.

RiskCover's aim is to have agencies integrate risk management into all aspects of their business management, moving away from a simple compliance approach. Agencies are working on embedding a risk management culture which extends beyond a few individuals to cover all areas of the business.

The implementation of risk management is monitored by the annual questionnaire survey, which again this year scored an average of 14/20. Comparatively this is still well advanced on the 6/20 scored in 1997. Although it may be construed that agencies have plateaued in their risk management implementation, it simply reflects that many agencies have implemented the easier steps. They are now in the long process of embedding the risk management culture and becoming self sufficient in their risk management practices.

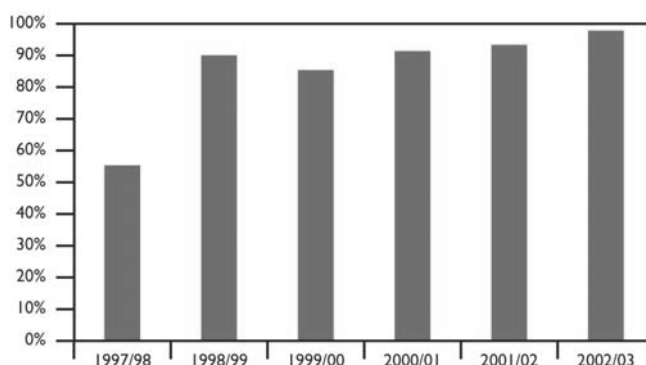
During 2002/2003, RiskCover continued to support the development of risk management expertise across government through the following education initiatives:

- Held the annual Risk Management Conference in August 2002. Approximately 260 delegates attended the one day conference which featured key note addresses on "Priorities for Government", "Risk Management-The Essential Tool", "Managing Project Risks", "Managing Volunteer Risks", "Managing Business Information to Reduce Risk" and "Excellence and Risk Management". This event provides information on current risk topics and the opportunity for people in government who are directly involved in managing risks to share and discuss their own experiences in implementing risk management.
- Produced and distributed two editions of the "GRM" magazine to all agencies, with each edition including case studies on agencies' risk management practices.
- Organised Risk Management Seminars on "Risk Management – What, Why and How", attended by 133 agency representatives.
- Refined the database for "RiskBase" (MS Access database) to provide security and tracking features. The take up by agencies of this tool continues to grow, over 100 agencies now have copies of "RiskBase".
- Developed a "Community RiskBase" (MS Excel) tool and associated materials for the not-for-profit sector, to assist these organisations with the management of risks.

CLIENT SERVICE

An independent survey conducted each year to measure customer satisfaction, was first conducted in 1997 and RiskCover has consistently achieved high ratings. For 2002/2003 it is pleasing to note that agencies continue to acknowledge a high level of satisfaction with RiskCover's performance. The overall rating of RiskCover's performance for 'good', 'very good' and 'excellent' was 98% compared to 96% last year.

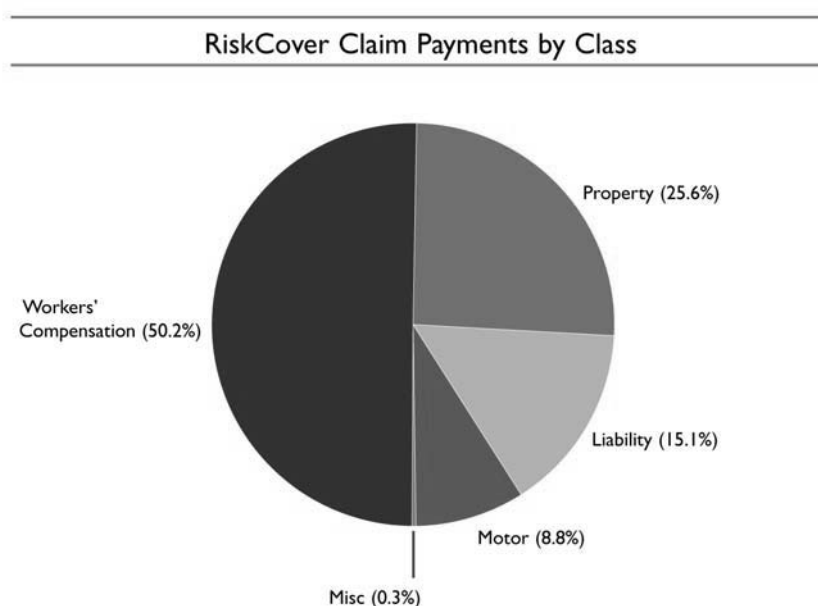
Customer Satisfaction Score



CLAIMS MANAGEMENT

Claims management is the largest part of RiskCover's business. Workers' Compensation claims constitute the major component of RiskCover's claims management service which focuses on the integration of injury prevention, injury management, claims management and rehabilitation strategies. Regular injury management workshops are conducted to promote this multifaceted approach to claims management. In 2002/2003, 111 agency personnel attended injury management workshops conducted by RiskCover.

Gross claim payments totalled \$72 million (2002 - \$67.3 million), which was 19% less than predicted for the year. A breakdown by cover class is provided below.



Claims paid in respect of workers' compensation totalled \$36.1 million (2002 - \$33.9 million), 15.5% less than expected. These outcomes are consistent with the experience of Western Australia's workers' compensation scheme as a whole and reflect the impact of the October 1999 legislative changes to the *Workers Compensation and Rehabilitation Act 1981*.

The General Liability claims experience for the year was favourable with both claims reported and claims payments being less than projected. However, incurred claims costs for both Treatment Liability and Professional Indemnity claims were substantially more than projected due mainly to increases in the estimates of reported claims.

Claims officers profile all claims against established fraud indicators. This resulted in a number of claims being referred to the Insurance Commission's Special Investigations Division for further scrutiny during the year. In addition, three sessions of fraud awareness training were held for RiskCover employees, and an investigator was assigned to closely liaise with the claims teams to promote fraud management.

FUTURE DIRECTIONS

During 2003/2004, RiskCover will:

- Continue to focus on developing the risk management practices and claims management skills of agencies by providing targeted education and consultancy services.
- Continue to enhance its core operational systems to ensure that they meet the needs of our customers. In particular, the focus of the systems will be on capturing quality data to support and enhance risk management practices within agencies.

OTHER FUNDS (MANAGED BY THE RISKCOVER DIVISION)

COMPENSATION (INDUSTRIAL DISEASES) FUND (“CIDF”)

Industrial Diseases insurance is compulsory for employers engaged in mining. Liability is limited to workers' compensation payments for the respiratory diseases of pneumoconiosis, lung cancer and mesothelioma, all of which arise from exposure to harmful mineral dust in the course of employment.

The CIDF has been in surplus for many years and it is expected that this situation will continue. Due to its sound financial status, the premium rates for 2002/2003 were decreased overall to a flat charge of \$100.00 per policy. The rate is determined by the Premium Rates Committee, an independent body.

INSURANCE COMMISSION GENERAL FUND (“ICGF”)

The claims paid from the Fund relate to liabilities of the former State Government Insurance Office (“SGIO”). This Fund is in run-off and no policies have been issued since 31 December 1986.

EMPLOYERS’ INDEMNITY SUPPLEMENTATION FUND (“EISF”)

The Workers’ Compensation and Rehabilitation Commission (‘WC & RC’) is responsible for the EISF. In response to the collapse of the HIH Group of Companies (‘HIH’) in March 2001, the WC & RC activated by legislation, a levy to fund claims incurred by the HIH as a result of workers being injured in the course of their employment prior to 15 March 2001.

As a result of prior arrangements, all claims in relation to the collapse of HIH are managed externally by SGIO Insurance Limited. In discharging its statutory obligations, RiskCover continues to provide an important supervisory role in the management of these ongoing claims and it is expected this role will continue for at least a further eight years.

GOVERNMENT INSURANCE FUND (“GIF”)

The GIF is an amalgamation of the Government’s self-insurance arrangements which preceded RiskCover. The Fund is in run-off and is managed by the RiskCover Division on behalf of the Department of Treasury and Finance. The financial aspects of GIF are reported in the Insurance Commission’s Financial Statements however, the Insurance Commission is indemnified by the Department of Treasury and Finance for deficits arising in the GIF.

COMMUNITY INSURANCE FUND (“CIF”)

The CIF was established by the Government of Western Australia to assist eligible incorporated not-for-profit community organisations, based in Western Australia, to obtain affordable insurance cover. The CIF is underwritten by the Crown and managed by the Insurance Commission. The CIF was primarily established as the Government’s response to the public liability insurance issues facing community organisations.

The *Insurance Commission of Western Australia Amendment Act 2002*, which enabled establishment of the CIF, came into effect on 20 November 2002. This action was necessary as public liability insurance for these organisations had become either unavailable or unaffordable within the general insurance marketplace.

Eligible community organisations are defined as:

- an association incorporated under the *Associations Incorporation Act 1987 (WA)*;
- a company limited by guarantee that is registered as a not-for-profit corporation under Section 150 of the *Commonwealth’s Corporations Act 2001*; and,
- a company holding a licence that continues in force under Section 151 of that Act.



The eligibility of an incorporated not-for-profit community organisation to participate in the CIF is ultimately determined by the WA State Treasurer.

Social service groups, cultural and arts organisations, environmental bodies and sporting clubs and associations are some examples of community organisations considered for entry into the CIF.

The classes of insurance cover provided include:

- Public Liability
- Professional Liability
- Medical Treatment Liability
- Workers' Compensation
- Property
- Motor Vehicle
- Personal Accident

As at 30 June 2003, ten community organisations commenced cover with CIF, with \$432,000 accrued in premium. There is uncertainty regarding the number of community organisations that will be joining the Fund as well as expected claim numbers, therefore the volume of business and workload are closely monitored to ensure adequate resourcing of the various functions.

COMMUNITY

For many years the Insurance Commission has been an active sponsor of initiatives that benefit our customers, the people of Western Australia. The activities that the Insurance Commission sponsors and supports, as required by Section 6 of the *Insurance Commission of Western Australia Act 1986*, are limited to initiating, or participating in, and promoting programs and schemes for:

- research into the treatment of industrial diseases and personal injury; and
- research into, education for, and promotion of public awareness relating to the prevention of industrial diseases, personal injury and accidental death;

being programs and schemes relevant to risks in respect of which the Insurance Commission is to provide insurance.

ROAD SAFETY PARTNERSHIPS

The Insurance Commission, represented by its Managing Director, has a statutory role on Western Australia's Road Safety Council, which was established in 1997 to develop and monitor the State's long-term Road Safety Strategy.

The Insurance Commission sponsors road safety programs aimed at promoting safe driving practices and reducing death and injury. The majority of its sponsorship funds are put towards Road Safety Council initiatives and programs each year to ensure a coordinated approach. Providing funding for road safety programs also continues to be a key strategy to help control Motor Vehicle Third Party Personal Injury Insurance claim costs.

In 2002/2003 the Insurance Commission provided \$2.1 million funding to the Office of Road Safety on behalf of the Road Safety Council for programs that focused on the priority area of young people. In addition, the Insurance Commission provided a further \$0.3 million to fund other road safety initiatives. A detailed breakdown of all funding provided is shown below.

Road safety programs funded by the Insurance Commission in 2002/2003	
Road safety program	Total funding expended on program in 2002/2003 (exc GST) (\$'000)
<i>Community education campaigns</i>	1,645
<i>Road Aware Program</i>	273
<i>Road Safety Council regional forums and workshops</i>	81
<i>Graduated Driver Training and Licensing (GDT &L)</i>	71
<i>Youth Driver Development Program</i>	25
<i>Youth Grants</i>	11
Sub Total for Road Safety Council Programs	2,106
<i>The Buzz</i>	172
<i>'Belt Up' partnership with WA Football Development Trust</i>	100
<i>Indigenous Road Safety Art/ T-Shirt Competition</i>	43
<i>A Sign of Safety</i>	15
Sub Total for other	330
TOTAL	2,436

(Italics denotes Road Safety Council programs)

These programs all have performance indicators and are evaluated on a regular basis, either by independent bodies, such as market research organisations, or the Insurance Commission. Some of the larger programs were:

Community Education Campaigns

The State-wide mass media campaigns are based on international best practice and focus on 'the big four' - speeding, drink driving, restraints and fatigue. The campaigns utilise television, radio, outdoor advertising, and promotional products that are supported by extensive market research conducted with the target groups and timely police enforcement.

Community education campaigns supported by the Insurance Commission during 2002/2003 were:

- Drink Driving (July – August 2002; November – December 2002)
- Rural Restraints (May – June 2003)
- Fatigue (March – May 2003)
- Double demerit points on long weekends and holiday periods
- Speed (September – October 2002 and January – March 2003)

Road Aware Program

The Road Aware Program is a new road safety initiative that was launched in September 2002.

The Insurance Commission funded the 'Road Aware Drivers' program, which is a pre-driver road safety course for Year 10 and 11 students and a two-hour parent and pre-driver session that focuses on the importance of supervised driving for learner drivers. Road Aware Drivers Teacher and Student Resources are being trialled in 20 secondary schools throughout metropolitan and regional Western Australia.

Road Safety Council Regional Forums / Workshops

The Insurance Commission continued to sponsor the Road Safety Council's Regional Forums and Workshops. During 2002/2003 the Road Safety Council visited the Kimberley, Wheatbelt, Great Southern and Goldfields/Esperance regions. The Council's regional visits aim to encourage and support regional strategic decision making and establish effective links at local, regional and state level.

'The Buzz' – Road Safety messages delivered through theatre in schools

'The Buzz' is a play that addresses the risks facing young drivers - lack of driver experience and the thrill of speeding. In the 2002 calendar year 'The Buzz' was performed in 115 schools located throughout the Great Southern, South West, Pilbara and metropolitan regions. About 14,000 young people in Years 10 to 12 saw this hard-hitting performance that highlights the consequences of reckless driving.

The Insurance Commission was awarded Best New Sponsor and the Arts Sponsorship Leadership - Judges' Award at the 2002 State Arts Sponsorship Scheme Awards for its sponsorship commitment to 'The Buzz'. The Insurance Commission has continued to sponsor the 15-week schools tour of 'The Buzz' for the 2003 calendar year.

'Belt Up' – Road Safety messages delivered through football

The Insurance Commission entered into its second year of its three-year naming rights sponsorship of the Western Australian Football Development Trust ('WAFDT'), using the 'Belt Up' message. The Insurance Commission also sponsored the 'Belt Up Cup', a State-wide football competition for students in Years 8 and 9 in metropolitan schools and Years 8-10 in country regions. During 2002, 132 secondary schools competed in the Belt Up Cup.



MEDICAL RESEARCH INTO INDUSTRIAL DISEASES

Between 1990 and 2000, the Insurance Commission pledged more than \$1.8 million funding for research into mesothelioma, an asbestos-related disease. Professor Bruce Robinson and his team at the Department of Medicine at Sir Charles Gairdner Hospital undertook the research.

In 2001, the Insurance Commission commissioned Professor Glenn Begley to co-ordinate a peer review that evaluated the progress and achievements of the research. Four independent interstate reviewers endorsed the project and overall research direction, and gave favourable comments about research productivity to date, the quality of research and likelihood of success. Subsequently in December 2001, the Insurance Commission committed a further \$1.2 million funding over four years.

During 2002/2003, Professor Robinson provided a progress report to the Board on the study of mesothelioma tumour antigens and development of immunotherapy for mesothelioma. According to Professor Robinson, Western Australia is playing a leadership role in research into mesothelioma.

OUR PEOPLE

Key goals: *To be recognised as an employer of choice.*
 Help our people grow to achieve their best.
 Have the right people in the right place at the right time.

EMPLOYEE RELATIONS

The Insurance Commission has 284 employees (2002 – 293 employees). The number of Insurance Commission employees by Division as at 30 June 2003 is shown in the table below.

Our absenteeism level of 6.3 days average per employee was above the National Finance Sector best practice range (4.6 days or less), however it represented a small improvement on last year (6.5 days). Sixty six per cent of all employee absences were supported by a medical certificate.

Employee turnover rates decreased from 11.4% last year to 8.4% which is better than the National Finance Sector best practice target of 10.4%, indicating continued employee satisfaction.

Number of Employees by Division		
Division	2003	2002
Executive	5	6
Finance	13	13
Human Resources	7	7
Information Technology	14	15
Investments	15	15
Motor Vehicle Personal Injury	105	106
RiskCover	111	116
Special Investigations	6	6
Officers Attached	6	6
Trainees	2	3
TOTAL	284	293

In September 2002, the Western Australian Government proclaimed the *Labour Relations Reform Act 2002* and the Insurance Commission has responded to the changes that have arisen from this Act. The key changes for the Insurance Commission included:

- the phasing out of Workplace Agreements;
- a return to a more centralised collective agreement making approach; and
- restoration of parity of pay and conditions for like Public Sector employees, to comply with the Public Sector Wages and Parity Policy.

Constructive negotiations with the CPSU/CSA culminated in the WA Industrial Relations Commission registering a specific Insurance Commission General Agreement which came into effect on 1 January 2003 and reflects the Government's core employment conditions, along with some specific terms and conditions considered important to achieve our customer, business and people goals.



The outcome of these changes can be summarised as follows:

- All employees covered by the Workplace Agreement elected in writing to transfer to the new Insurance Commission General Agreement with effect 1 January 2003;
- All employees covered by the Enterprise Bargaining Agreement automatically transferred to the Insurance Commission General Agreement with effect 1 January 2003;
- Working hours reduced for all full time employees to 37.5 hours per week, with salary maintenance for those employees who previously worked 40 hours per week;
- Sixty two employees received an average salary increase of 3% on 1 January 2003 in accordance with the Wages and Parity Policy. The remaining 222 employees are subject to salary maintenance provisions.
- A return of conditions of employment 'traded off' under previous industrial arrangements.

HUMAN RESOURCE INFORMATION MANAGEMENT SYSTEM (HRIMS) AND HR ONLINE

Major enhancements were made to our HRIMS during the year, resulting in ongoing productivity improvement. Online time and attendance details and reports, along with employee leave and salary information, were incorporated into the system. Our best practice approach with this technology was recognised during the year, with the Insurance Commission being invited to present papers on its HRIMS and HR Online at National and State Conferences.

RECOGNISING AND REWARDING EMPLOYEE EXCELLENCE

We continued our commitment to recognising and rewarding employees for significant achievements or excellence in customer service. The Employee of the Month, Managing Director's Award for Employee of the Year and the Chairman's Award for Team of the Year were presented.

OCCUPATIONAL SAFETY & HEALTH

The Insurance Commission continued to achieve a safe and healthy working environment through a collaborative approach between management, the Occupational Safety and Health Committee and employees. Key achievements included:

- A review and update of all Occupational Safety & Health Policies;
- Delivery of refresher Occupational Safety & Health training to managers/supervisors and all employees;
- Development of a 2003/2004 Occupational Safety & Health Business Plan;
- Risk assessments of key manual handling activities within the Information Technology Division;
- A full day Defensive Driver Training Course for employees who use an Insurance Commission vehicle; and,
- Continuation of wellness initiatives including healthy heart checks, mole scans and flu vaccinations.

Our Lost Time Injury rate of 0.7% compares favourably with the best practice All Industry rate of 1.09%.



Lost Time Injuries						
Indicator	2002/03	2001/02	2000/01	1999/00	1998/99	1997/98
Total Claims	3	1	4	3	3	8
Lost Time Injuries	2	0	1	0	0	2
Lost Time Injuries (hours) per million hours worked	4.83	0	1.72	0	0	3.9
Workers' Compensation Premium as a percentage of payroll	0.44	0.54	0.57	0.69	0.46	0.86
Rehabilitation success rate	2 employees successfully returned to work	No eligible rehab cases	No eligible rehab cases	No eligible rehab cases	No eligible rehab cases	No eligible rehab cases

EEO & DIVERSITY

Having an employee profile which reflects the diversity of our customers and the community we serve is fundamental to us being acknowledged as an employer of choice (refer to table below). In accordance with our 2001/2004 EEO and Diversity Management Plan, the following initiatives that focus on women, youth and Indigenous people were implemented during the year:

- Development and commencement of a "Women in Leadership Program" delivered by the Australian Institute of Management (AIM). The program aims to encourage the career development of women across all levels of the organisation and includes contemporary concepts of management and leadership, communication, negotiation and career planning. To date 22 women (17% of all female employees) have participated in the program.
- Recruitment of an additional two Indigenous trainees. This was supported by cultural awareness training for Insurance Commission employees.

Target Group	% Community Representation (1996 Census)	% in Public Sector Workforce At 30 June 2002	% at Insurance Commission of WA at 30 June 2003
Women	52	62.0	46.5
People with Disabilities	4	1.2	6.7
Youth	11	5.0	8.8
Indigenous Australians	3	2.2	0.7
People from Culturally Diverse Backgrounds	12	4.8	3.2

EMPLOYEE DEVELOPMENT

Developing our people to grow and to achieve their best is a key strategy in the achievement of our goals and contributes to employee satisfaction through opportunities for professional and career development. Achievements in the area of employee development included:

- Continuation of the “Corporate Campus” partnership with Central TAFE, including the in-house nationally accredited “Certificate IV in Legal Insurance Studies”.
- Team leader/supervisor training for all employees who have supervisory responsibilities.
- The delivery of Operational Claims Management Training for RiskCover employees. This structured competency-based training program has been expanded to include training for claims officers at higher levels and training for client service employees.
- Support for employees in their professional development through the provision of assistance and incentives to commence and complete tertiary and professional qualifications relevant to the business needs of the Insurance Commission. Fifty percent of employees (142 employees) already possess a relevant post secondary qualification and a further 11% of employees are currently undertaking further study with the financial and other support of the Insurance Commission.

ORGANISATIONAL DEVELOPMENT

The 2002 Employee Perception Survey highlighted an increase in satisfaction levels across all areas of the Insurance Commission. The independent survey also identified opportunities for improving a number of organisational processes. As a result, the ‘Team Briefing’ was independently reviewed and updated to ensure it remains an effective and timely internal communication method, and the Performance Management and Development System (‘PMDS’) was reviewed with input from all areas of the Insurance Commission. The outcome has been to change the design of the PMDS, including the ability for managers and employees to discuss respective contributions and achievements relevant to the organisation’s values.

Even though the Insurance Commission’s average training and development hours per employee was slightly below the All Industry result (25 hours compared to 31 hours), its average training investment per employee exceeded the All Industry benchmark (\$1837 compared to \$1772).

FUTURE DIRECTIONS

During 2003/2004 the Human Resource Division will:

- Implement the new PMDS. This will be supported by comprehensive training for all employees.
- Identify more structured approaches to developing, sharing and protecting knowledge, as Knowledge Management has been identified as an important project for the future.
- Commence negotiations for a new Insurance Commission General Agreement to achieve workplace arrangements that contribute to our customer, employee and business goals within the Government’s legislative and policy framework.
- Conduct a further employee perception survey to build on our achievements in becoming an employer of choice.

INVESTMENTS

Key goals: *To enhance investment returns without increasing the level of risk through diversification of investment assets and managers.*

To achieve a rate of return for each class that exceeds the relative performance benchmark.

INVESTMENT MANAGEMENT

The Investment Division is responsible for the overall management of the Investment Portfolio where total funds of \$1.51 billion are managed through a combination of external and internal portfolio managers. As at the 30th June 2003 there was \$1.01 billion in funds managed externally through the following investment managers:

Australian Equities	Overseas Equities	Fixed Interest
Concord Capital	Fidelity Investments	UBS Asset Management – (composite mandate)
Challenger Portfolio Management	Marathon Asset Management	Barclays Global Investors – (enhanced passive Australian fixed interest)
GMO Australia		
Barclays Global Investors		

The Insurance Commission internally manages the Property, Cash and Inflation Linked Bond portfolios, of which the latter was transferred from external management in January 2003.

INVESTMENT STRATEGY

A key investment strategy of the Insurance Commission is to have a portfolio of investment assets that match the long term nature of the claims liabilities for both the Third Party Insurance Fund and RiskCover. This has involved detailed asset/liability modelling to determine the appropriate level of investment risk for the Investment Portfolio.

In constructing the Investment Portfolio, asset allocation is a critical aspect of the overall strategy. That allocation has remained reasonably consistent over the past 10 years with minor variations to the allocations between defensive (fixed interest and cash) and growth (equities and property) sectors. As at 30 June 2003 the allocation was 32% to defensive assets and 68% to growth assets.

Over the year JANA Investment Advisers has provided advice with respect to the ongoing investment strategy and investment manager configurations.

Investment strategy, investment manager appointments and other key investment portfolio construction issues considered by the Board of Commissioners, are subject to Prudential Guidelines for Investments ('Guidelines') issued by the Treasurer of Western Australia. These Guidelines are regularly reviewed and updated to allow the Insurance Commission to make investment decisions that incorporate the dynamic changes that are continually evolving within investment markets both internationally and within Australia. The Guidelines can be viewed on the Insurance Commission's website (www.icwa.wa.gov.au).

INVESTMENT PERFORMANCE

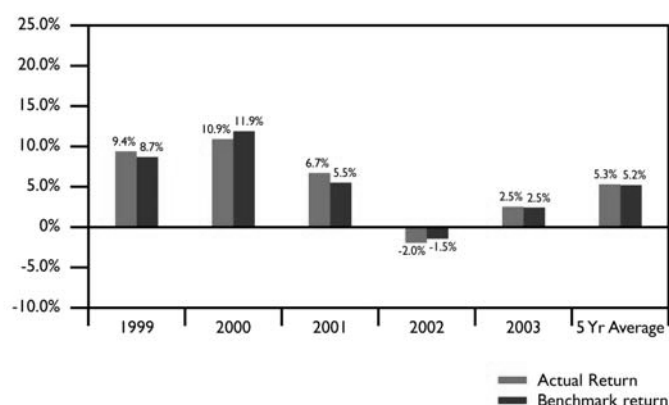
The Insurance Commission's overall investment return for the year was 2.5% (negative 2.0% in 2002) before administration costs and manager fees of 0.33%. This return matched the portfolio performance benchmark. Although the overall rate of return for the year was disappointing from an historical perspective, in relative



terms the result compares very favourably with the negative returns experienced by the majority of Average Volatility Balanced Superannuation Funds in Australia.

Relative to these Superannuation Funds, the Insurance Commission ranks in the top quartile of Funds over one, three, five and ten year performance periods. Investment returns over the past five years have produced an average return of 5.3% which is 0.1% above the Performance Benchmark.

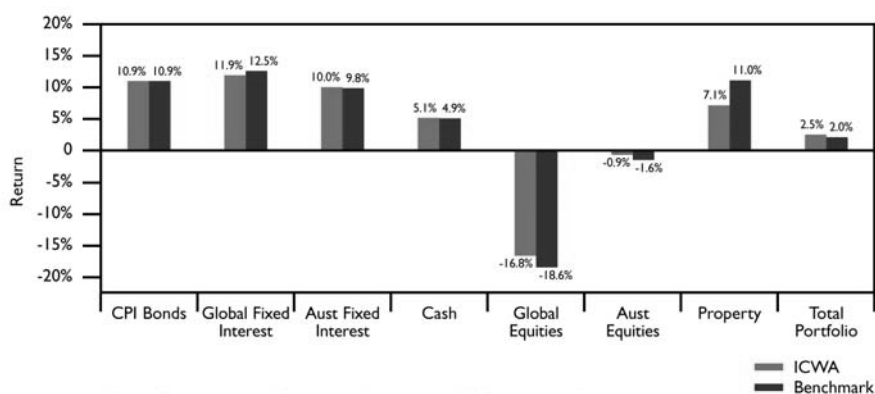
Investment Returns for 5 years to 30 June 2003



The Insurance Commission's investment asset allocation continues to be the main contributing factor to the very sound performance from the Portfolio. Maintaining the 25% neutral asset allocation to direct property and the relatively low neutral asset allocation of 15% to Global shares were significant contributors to the overall positive result for the year.

Continuing weakness in world equity markets saw investments in Global shares produce negative returns for a third successive year. Australian shares fared better in comparison, although the return for the year was marginally negative. Fixed Interest, Cash and Property investments produced positive returns for the year. Investment performance for the various asset classes is illustrated below and shows the actual returns achieved for each asset class compared to their respective performance benchmarks.

Investment Sector Returns for 2002/2003



Note: Fixed Interest (Composite) comprises 50% Australian Fixed Income, 25% Inflation Linked Bonds and 25% Overseas Fixed Interest.

The Global Share Portfolio was partially hedged against currency movements for the first half of the year which contributed significantly to reducing the overall negative impact from the appreciation in the Australian dollar.

Although the return from Property was disappointing relative to the performance benchmark, the portfolio has generated consistently strong performance over the past 10 years with an average rate of return of 14.6%. This return exceeds the return from the ASX Listed Property Trust Index (over 10 years) by 3.0%.

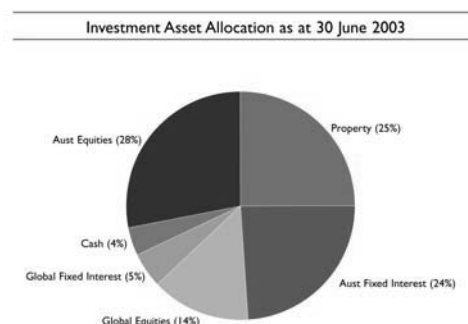
ASSET ALLOCATION

Actual allocations for each asset class as at 30th June 2003 are illustrated below.

Changes to the Neutral Asset Allocation reported in the previous financial year were fully implemented in September 2002, with a substantial investment in the unlisted Queensland Investment Corporation Shopping Centre Fund that increased the property asset allocation from 21% to 25%. Asset allocations for other asset classes were maintained close to their respective neutral benchmark allocations during the year.

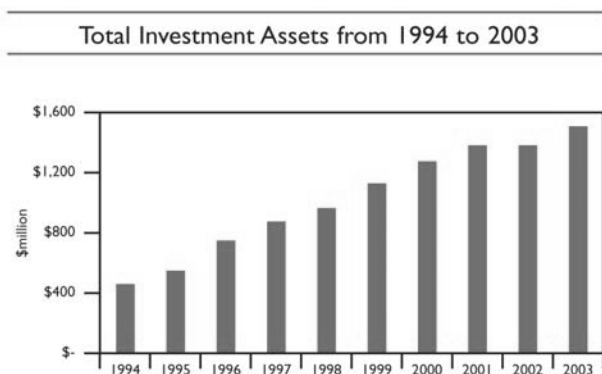
The long standing significant weighting to direct property has been a key factor in reducing overall portfolio volatility and maintaining strong overall returns for the past 10 years.

Given the significant weighting to commercial/CBD property, the Insurance Commission has adopted a strategy to diversify its direct property assets into other areas (ie retail). During the year significant property diversification was achieved with the addition of the Queensland Investment Corporation retail investment, referred to previously, and the purchase of a regional shopping centre development site at Ellenbrook, located 25 kilometres to the north east of Perth. Also linked to this development is a commitment to purchase a district shopping centre in the suburb of Livingston, 20 kilometres south of Perth (settlement due October 2004).



TOTAL INVESTMENT ASSETS

The net market value of investment assets at 30 June 2003 was \$1.51 billion. Investment income of \$35.9 million and positive cash flow of \$71.7 million contributed to total growth in the portfolio for the year of \$107.6 million. Total investment assets for each of the past 10 years are illustrated below. Total investment assets include investment funds of \$234 million (2002 - \$203 million) managed on behalf of RiskCover.



CORPORATE GOVERNANCE

Good corporate governance is essential in ensuring the success of any organisation, particularly one such as the Insurance Commission, which has multiple stakeholders.

Corporate Governance is concerned with the way in which an organisation is controlled and directed and describes the corresponding systems and practices in place to meet the desired State Government outcomes.

BOARD OF COMMISSIONERS

The Board of Commissioners ('The Board') is the governing body of the Insurance Commission of Western Australia. The Board has authority to perform the powers, functions and duties conferred or imposed on the Insurance Commission under the *Insurance Commission of Western Australia Act 1986*.

The Board currently comprises six members who are appointed by the Governor on the nomination of the Minister, plus the Managing Director who is a commissioner ex-officio. Board members are generally appointed for a three-year term and are eligible for re-appointment. The Board meets monthly or more regularly when required.

The remuneration to be paid to Commissioners is approved by the Minister, who also appoints a Chairperson and Deputy Chairperson from the six members.

AUDIT AND ACCOUNTS COMMITTEE

The Audit and Accounts Committee comprises non-Executive Commissioners who are responsible for making recommendations to the Board, for the review of the adequacy of internal and external audit arrangements, financial statements, financial administration policies and reporting procedures. This Committee meets regularly with the Internal Auditors and officers of the Office of the Auditor General.

BUSINESS PLAN AND BUDGET

The Board meets annually with senior management to determine the Insurance Commission's key objectives, strategies and initiatives for the forthcoming year. The outcome of this meeting is the production of a detailed Business Plan and Budget for consideration and approval by the Board. The Budget is submitted by the Board to the Minister for approval in accordance with Section 42 of the *Financial Administration and Audit Act 1985*.

DIRECTIONS BY THE MINISTER

Section 10 of the *Insurance Commission of Western Australia Act 1986* empowers the Minister to give directions in writing to the Insurance Commission with respect to its functions, powers and duties, either generally or with respect to a particular matter. The Insurance Commission is then required to give effect to those directions and to include the text of any direction received in the Annual Report. No ministerial directives were received during 2002/2003.

ETHICAL STANDARDS

The Board has approved standards of conduct that apply to the behaviour of members of the Board, Executives and Employees. These standards extend beyond procedures prescribed in the *Insurance Commission of Western Australia Act 1986* and require all Board members, Executives and Employees to act with honesty, fairness and integrity and to display the highest ethical standards at all times.

EXECUTIVE COMMITTEE

The Executive Committee generally meets monthly and is comprised of the Managing Director, two General Managers and seven Divisional Managers.

FINANCIAL ADMINISTRATION

An Accounting Manual is maintained in accordance with Section 44 of the *Financial Administration and Audit Act 1985*. A Financial Delegations and Authorisations Manual, which records the Board's delegation of powers, obligations and duties, is also maintained.

INDEPENDENT PROFESSIONAL ADVICE

The *Insurance Commission of Western Australia Act 1986* empowers the Insurance Commission to engage, under contract, professional and technical services to enable it to carry out its functions. Under these powers, any requests by the Board to seek independent professional advice would be a matter for them to consider at the time in light of the specific circumstances.

INTERNAL AUDIT

The Insurance Commission outsources the Internal Audit function. The audit assesses financial and administrative control systems and seeks to improve the organisation's management of, and accountability for, the use of resources. It also aims to address, at a strategic level, key risk areas and corporate governance issues. The results of all audits are reported to the Audit and Accounts Committee and include opinions regarding the adequacy of financial, operational, administrative and systems controls.

INVESTMENTS

The Board oversees the Insurance Commission's investment strategies, which are structured to balance risk with an appropriate return. The Board receives a monthly report and regular presentations on investment performance and results from the eight appointed external specialist investment managers. The Treasurer approves external investment manager appointments.

A Master Custodian carries out the administration of externally managed funds. The Insurance Commission's property and cash portfolios are managed internally, however, there are two external property managers who are responsible for the day to day operations of the buildings owned by the Insurance Commission.

Investment strategy, investment manager appointments and other key investment portfolio construction issues considered by the Board of Commissioners, are subject to Prudential Guidelines for Investments ('Guidelines') issued by the Treasurer of Western Australia. These Guidelines are regularly reviewed and updated and can be viewed on the Insurance Commission's website.

REMUNERATION

Remuneration of the non-executive Board is determined by the Minister for Government Enterprises on recommendations received from the Public Sector Management Division of the Department of Premier and Cabinet. The Salaries and Allowances Tribunal determines the remuneration for the Managing Director.

RISK MANAGEMENT

The Board has in place a number of arrangements to identify and manage risk(s), which include the following:



- An Executive Committee which meets regularly to consider the Insurance Commission's Risk Management policy and practices. The Insurance Commission also has a Risk Management Consultant to assist in this process.
- A Risk Register is maintained and reviewed to identify, analyse, evaluate and formulate treatment plans for all risks.

ROLE OF STATE GOVERNMENT

The Insurance Commission is an Agent of the Crown in the right of the State and enjoys the status, immunities and privileges of the Crown, except as otherwise prescribed in the *Insurance Commission of Western Australia Act 1986*.

COMPLIANCE REPORT

The Insurance Commission has policies, guidelines and processes in place that support ongoing compliance with the Public Sector Standards in Human Resource Management, the Public Sector Code of Ethics and the Insurance Commission's own Code of Conduct.

The Insurance Commission's Internal Audit program again included an independent assessment against the Standards.

Two applications for Breach of the Standard relating to the same issue were received during the year and the outcome follows:

Breach of Standard – Grievance Resolution

Two Breach of Standard claims were lodged and a review undertaken in accordance with the Public Sector Management (Examination and Review Procedures) Regulations 2001. The Commissioner for Public Sector Standards found that the Insurance Commission breached the Standard. Relief was offered and accepted by the applicants and the Commissioner was satisfied that the relief was appropriate.

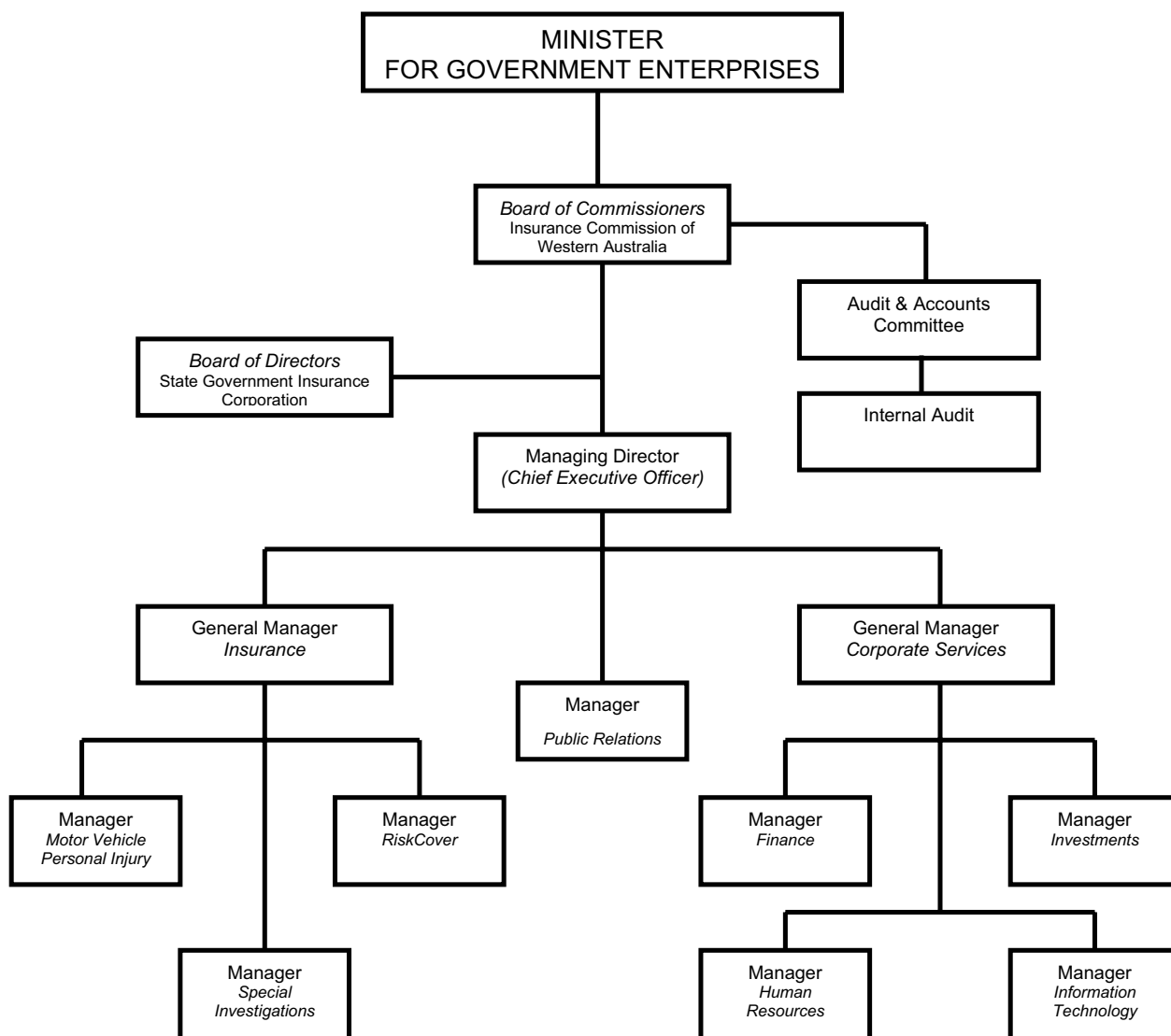
Number of Claims Lodged:	2
Breaches Found:	2
Applications under review:	Nil
Material Breaches:	Nil

VIC EVANS

MANAGING DIRECTOR



ORGANISATIONAL CHART



THE BOARD OF COMMISSIONERS OF THE INSURANCE COMMISSION OF WESTERN AUSTRALIA

The Board is the governing body of the Insurance Commission. The Board members are appointed by the Governor and are eligible for re-appointment. The Board at 30 June 2003 comprised:

CHAIRMAN
MICHAEL WRIGHT
FAICD

Mr Wright has been a member of the Board since 7 January 1993, and began his term as Chairman on 27 June 1994. He is a Barrister and Solicitor who has practised since 1964 and a former senior partner with law firm Mallesons Stephen Jaques. Mr Wright specialised in banking and finance and corporate commercial resources law. Mr Wright was also Past Deputy Chairman of Wesfi Limited Group and Markalinga Investments Ltd, and past National President of the Australian Mining and Petroleum Law Association Limited.

Consultant, Mallesons Stephen Jaques
Deputy Chairman, State Government Insurance Corporation
Director, Wesbeam Holdings Limited Group

Expiry of present term: 30 November 2004

DEPUTY CHAIRMAN
PETER EASTWOOD
FCA, FAICD

Mr Eastwood was appointed to the Board on 24 May 1994 and reappointed in 1997 and 2000. He is a Chartered Accountant who was in practice for more than 30 years and a partner of Grant Thornton since 1971. His experience as a practicing Chartered Accountant was principally as company auditor and his audit experience includes a wide range of industries, including mining, public company audits and assignments for the Office of the Auditor General.

Consultant, Grant Thornton Chartered Accountants
Director, State Government Insurance Corporation
Director, Capricorn Mutual Limited
Director, Capricorn New Zealand Insurance Limited

Expiry of present term: 30 September 2003

DENYSE PHILLIPS
LLB

Commissioner

Ms Phillips was appointed to the Board on 11 December 2001. She has a legal background spanning more than 25 years, and was admitted as a Barrister and Solicitor to the Supreme Court of Western Australia in 1975. Ms Phillips now combines part-time appointments both as a Senior Member of the Veterans' Review Board and Referee at the Small Claims Tribunal.

Director, State Government Insurance Corporation

Expiry of present term: 30 November 2004

SHARON BROWN

Commissioner

Ms Brown was appointed to the Board on 11 December 2001. Ms Brown has 28 years experience in the Information Technology industry. She now works as the Strategic Business Manager and is part owner of Alphawest Pty Ltd. Ms Brown was 'Telstra Business Woman of the Year' for Western Australia in 1999 and was the first female to be elected to the position of Branch Convenor at the WA Australian Information Industries Association for two consecutive years. Ms Brown now sits on a number of Boards and Committees.

Councillor, National Museum of Australia Council
Councillor, WA Online Advisory Council
Councillor, WA Technology and Industry Advisory Council
Councillor, Defence Reserves Support Council
Director, Censorship Board
Deputy Convenor, E-Commerce Committee for Industry and Government
Director, State Government Insurance Corporation
Director, Federal Industry Research & Development Board

Expiry of present term: 30 November 2004

DOUG PASCOE

AAII

Commissioner

Mr Pascoe was appointed to the Board on 1 January 2003. He has worked in the insurance industry for more than 40 years and has held senior positions at AGC (Insurance) Limited, AMP United Insurance Limited and MMI Insurance. He also held the position of General Manager Insurance with the Insurance Commission of Western Australia from 1996 to 2002. Mr Pascoe is the Governor of Rotary International District 9450 in Western Australia for 2003/2004.

Expiry of present term: 31 December 2005

ANNEMIE MCAULIFFE

MLS, Dip Ed, CMC,

Commissioner

Ms McAuliffe was appointed to the Board on 1 January 2003. She has a background in business management and strategic planning and is a management consultant with Gilbert McAuliffe and Associates Pty Ltd. Her previous positions have included Director of the Western Australian (WA) Trade Office in Indonesia, Manager of the International Relations Branch for the WA Department of Trade and Commerce and Ministerial Representative for Industry and Technology with the WA London Office.

Expiry of present term: 31 December 2005

VIC EVANS

Dip Bus Mgt, AFAIM

Commissioner

Mr Evans is the Managing Director of the Insurance Commission of Western Australia and has held this position since 1994. He is responsible for the operations of the Insurance Commission and is the only executive member of the Board.

Chairman, State Government Insurance Corporation

Expiry of present term: 21 June 2006



Commissioners' Attendance at Meetings 2002/2003

Commissioner	Board of Commissioners (Total of 12 Meetings)	Audit & Accounts (Total of 11 Meetings)
	Number of Meetings Attended	Number of Meetings Attended
Michael E Wright	10	9
Peter D Eastwood	12	11
Graham N Reynolds*	5	5
Frank J Daly*	5	5
Sharon Brown	10	9
Denyse Phillips	12	11
Annemie McAuliffe [#]	6	6
Doug Pascoe [#]	5	5
Vic Evans	11	10

*Term of appointment expired December 2002

[#]Appointed January 2003

DISCLOSURE OF INTEREST IN AN EXISTING OR PROPOSED CONTRACT

The Chairman of the Board, Michael E Wright, is a consultant to Mallesons Stephen Jaques which, during 2002/2003, received professional fees for legal advice provided to the Insurance Commission.

EXECUTIVE MEMBERS

The Executive Members at 30 June 2003 comprised:

VIC EVANS Dip Bus Mgt, AFAIM

Managing Director

Permanent head responsible for overseeing the performance of the Insurance Commission's functions and operations. Chairman, State Government Insurance Corporation.

LEW WATTS Dip Pub Admin, AAIL

General Manager Insurance

Responsible for the Insurance operations of the Insurance Commission

KEN McAULLAY Grad Dip Bus, Grad Cert Mgt, Dip Pub Admin

General Manager Corporate Services

Responsible for the Corporate Services operations of the Insurance Commission

FAB ZANUTTIGH Grad Cert Mgt, AIMM

Manager Motor Vehicle Personal Injury Division

Responsible for ensuring the effective management of the Third Party Insurance Fund in accordance with the relevant legislation.

DON WILLIAMS Dip Bus Admin, AIMM

Manager RiskCover Division

Responsible for ensuring the effective management of the State Government's self-insurance arrangements and resultant claims, facilitating the implementation of risk management practices within State Government agencies, and managing the Compensation (Industrial Diseases) Fund and Community Insurance Fund.

Responsible for the administration of claims made under the *Employers' Indemnity Supplementation Fund Act 1980*, and the claims run-off of the Insurance Commission General Fund, Government Insurance Fund and Corporation's Inwards Reinsurance business.

JIM MILLIGAN M.Crim Just, BSc (Security), Grad Cert Comp Sec

Manager Special Investigations Division

Responsible for coordinating strategies to protect the assets of the Insurance Commission and to minimise the incidence of fraud.

RICHARD HASELGROVE CA

Manager Finance Division/ Principal Accounting Officer

Primarily responsible for ensuring that all the Insurance Commission's revenues and expenditures have been brought to account and ensuring compliance with the *Financial Administration and Audit Act 1985* and the Treasurer's Instructions.

GRAHAM CROFT BBus, GDip App Fin (SIA), Dip in Acctg, FCPA, ASIA,

Manager Investments Division

Responsible for the effective management of the Insurance Commission's investment assets in accordance with investment policies and practices.

PETER AMOS BSc

Manager Information Technology Division

Responsible for ensuring that the Insurance Commission's information systems requirements are met via systems maintenance and systems and technological improvements.



Insurance Commission
of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA 2003 ANNUAL REPORT

GRANT SPEIGHT M.HRM, Grad Dip Bus, Dip Training & Assessment Systems, FAHRI

Manager Human Resources Division

Responsible for developing and implementing human resource strategies that contribute to the achievement of the Insurance Commission's corporate objectives.

PUBLICATIONS

All Annual Reports and relevant publications are published on both the Insurance Commission's and RiskCover's websites (www.icwa.wa.gov.au and www.riskcover.wa.gov.au respectively).

The following documents are prepared by the Insurance Commission and are available upon request:

Insurance Commission of Western Australia Annual Report

This document contains details of the objectives, achievements and the financial results and position of the Insurance Commission of Western Australia.

State Government Insurance Corporation Annual Report

This document contains details of the operations and financial results of the State Government Insurance Corporation.

RiskCover Fund Report

This document contains details of the objectives, achievements and financial results and position of RiskCover, the Managed Fund. The Report is mailed to all Government agencies that are members of the Fund.

Customer Service Charter

The Insurance Commission prepares a Customer Service Commitment brochure that identifies its customers and the standard of service that it aims to deliver. Any enquiries or suggestions can be directed to:

Public Relations Manager
Insurance Commission of Western Australia
Level 13, 221 St Georges Terrace
Perth WA 6000
Telephone: (08) 9264 3374

Motor Vehicle Personal Injury Brochure

Information for Owners and Drivers

This brochure outlines the rights and responsibilities of both claimants and vehicle owners/drivers following involvement in motor vehicle crashes that result in personal injury.

Information Statement for Freedom of Information Act 1992

This statement outlines the functions and structure of the Insurance Commission, the types of documents held, the availability of such documents to the public and the appropriate avenues for requesting access to such documents. All applications can be directed to:

Freedom of Information Coordinator
Insurance Commission of Western Australia
Level 13, 221 St Georges Terrace
Perth WA 6000
Telephone: (08) 9264 3490



Insurance Commission Internet Website

The website contains information about a variety of topics relevant to the Insurance Commission's operations, functions, customers, publications and claims procedures. It can be accessed at www.icwa.wa.gov.au.

'GRM' Magazine (Government Risk Management Magazine)

Each issue of 'GRM' highlights risk management practices and concepts and addresses a variety of RiskCover Fund issues that apply to agencies. All Government agencies are encouraged to contribute articles of interest and identify new topics that they would like to see covered. 'GRM' is published twice a year.

Intercom

Intercom newsletter is a quarterly internal publication produced for Insurance Commission employees.

ADDITIONAL INFORMATION

Disability Services Plan

The Insurance Commission is committed to ensuring that people with disabilities, their families and carers are able to access the full range of services and facilities. To this end, the Insurance Commission developed and continually updates its Disability Services Plan. The perceived barriers and proposed strategies and actions aimed at facilitating access are outlined in the plan. It is communicated via various avenues to staff, service providers and the general public.

Freedom of Information

The Freedom of Information Coordinator is responsible for processing applications received under the *Freedom of Information Act 1992*. During 2002/2003:

- 23 new applications were received;
- No applications for internal review were received
- No complaints were lodged with the Office of the Information Commissioner

Government Purchasing Charter

The Insurance Commission complies with the State Government Purchasing Charter in all significant areas including the following:

- Value for money
- Industry development
- Proper staffing and development
- Open and competitive environment
- Formal management and purchasing systems

Compliance with the State Government Purchasing Charter is monitored on a quarterly basis.

Statement of Expenditure - Electoral Act 1907

Section 175ZE of the *Electoral Act 1907*, requires the publication of the details of certain classes of expenditure in an agency's annual report. The Insurance Commission incurred the following expenditure in advertising, market research, polling, direct mail and media advertising for the 2002/2003 financial year:

Class of Expenditure	Organisation	Amount	Purpose
Advertising agencies	N/A	Nil	N/A
Market research organisations	Data Analysis Australia	\$21,100	RiskCover Satisfaction Survey
	Senior Management Centre AIM	\$15,000	Employee perception survey
Polling organisations	N/A	Nil	N/A
Direct mail organisations	Zipform	\$ 2,300	Packaging and distribution of 'GRM' magazine
Media advertising organisations	Marketforce Productions	\$12,200	Employment and tender advertisements
Total (GST Inclusive)		\$50,600	



Statement of compliance with *State Records Act 2000*

The Insurance Commission complies with the *State Records Act 2000*. A review of the Insurance Commission's recordkeeping systems was undertaken in September 2002 and a Recordkeeping Plan is in development.

Training, induction and systems review programs are currently being designed as part of the development of the Insurance Commission's Recordkeeping Plan.

Waste Paper Recycling

The Insurance Commission maintained its commitment to waste paper recycling by continuing to separate recyclable material from general waste.

LOOKING FORWARD - STRATEGIC AND BUSINESS PLANNING FOR 2003/2004

The 2003/2004 Balanced Business Plan and Budgets for the Insurance Commission's Business and Service Divisions are based upon the outcomes of a series of planning sessions and workshops. The first workshop included Board members and focused on the review of the Insurance Commission's future direction/vision in terms of new business opportunities, new markets for current products, new products and new ways of doing business. The initiatives generated from this session were prioritised and considered in the development of a business plan for 2003/2004 using the 'Balanced Scorecard' approach. A continuing process of participation was adopted, with all employees given the opportunity to provide input. The final strategy reflects a way forward that has been shaped by the Insurance Commission as a whole.

The Balanced Scorecard approach comprises a set of measures that give managers a more comprehensive view of the business. The Scorecard includes financial measures that show the results of actions already taken and compliments these measures with operational measures such as customer satisfaction, business processes and the organisation's innovation and improvement activities, which are drivers of future financial performance.

This approach to our planning ensures that we can identify what our strategies should be and how we will put these strategies into action. Benefits realised using this method include;

- Alignment of Divisional and Support Plans to the Insurance Commission's organisation-wide strategy;
- Improved communication of the strategy throughout the Insurance Commission;
- A greater understanding and commitment of employees to both the Divisional and Organisational plans due to increased involvement in their development;
- Transparency of the Process - ability to measure and monitor progress through the Balanced Scorecard; and
- Integrating, reinforcing and coordinating other initiatives to build on the good work already completed.

As a result of a comprehensive environmental analysis, together with a thorough risk assessment, the following Balanced Business Plan outlines the Insurance Commission's key goals for 2003/2004.



Insurance Commission of Western Australia Balanced Business Plan 2003/2004

Our Vision:

We will be renowned for providing excellence in community insurance and risk management

Our Mission:

To achieve best practice in

- Providing Insurance for both Motor Vehicle Personal Injury and Industrial Disease compensation; and
- Managing the Western Australian Public Sector's Self-Insurance arrangements

through the promotion of risk management and the commitment and professionalism of our people

To realise our vision, we must achieve these key goals and targets:

Customers	People	Business Processes	Financial
Meet key stakeholder needs	Be an employer of choice	Continually improve business processes to meet customer needs and to increase productivity	Achieve and maintain a prudential level of net assets
Improve quality of customer services	Develop our people to achieve their best		Achieve key financial indicators
	Have the right people in the right place at the right time		

These key strategies and initiatives will enable us to achieve the above goals:

<ul style="list-style-type: none"> ➤ Partnering with key stakeholders ➤ Service level agreements review 	<ul style="list-style-type: none"> ➤ Knowledge management ➤ Revised Performance Management & Development System 	<ul style="list-style-type: none"> ➤ Financial systems review ➤ Upgrade E-Commerce capabilities ➤ Upgrade Disaster Recovery Systems ➤ Develop Open Systems Environment 	
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Progress on the achievement of our goals and targets in our plans are monitored on a quarterly basis via a Balanced Scorecard. Through the use of a simple 'traffic light' system, the scorecards will immediately highlight those measures and strategies that are on track and those requiring further review or action. (e.g. Green light- on track, Red light – not on track and requires review and/or action)

We have highlighted the key goals of each business and service division for 2002/2003 and then reported on how successful we have been in achieving these goals during the year, in the Report on Operations Section of this Annual Report.

ANNUAL ESTIMATES 2003/2004

In accordance with Section 42 of the *Financial Administration Act 1985*, the following 2003/2004 Annual Estimates for the Insurance Commission of Western Australia and RiskCover Fund have been approved by the Minister. As required by Treasurer's Instruction 953, the approved Annual Estimates are detailed below:

	<u>\$million</u>
INSURANCE COMMISSION OF WESTERN AUSTRALIA	
Premium Revenue	332.5
Outwards Reinsurance Expense	(3.1)

Net Earned Premium	329.4
Claims Expense	(332.0)
Reinsurance and Other Recoveries Revenue	7.7

Net Claims Incurred	(324.3)
Underwriting and Administration Expenses	(45.0)

UNDERWRITING LOSS	(39.9)
Net Investment Income	85.3
Other Revenue	16.6
Other Expenses	-

PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX	62.0
EQUIVALENT EXPENSE	
	=====
	<u>\$million</u>
RISKCOVER	
Contribution Revenue	118.5
Contribution Adjustment	15.7
Outwards Reinsurance Expense	(32.9)
Outwards Reinsurance Commission Revenue	4.6

Net Earned Contribution	105.9
Claims Expense	(109.7)
Reinsurance and Other Recoveries Revenue	15.2

Net Claims Incurred	(94.5)
Underwriting and Administration Expenses	(15.9)

UNDERWRITING DEFICIT	(4.5)
Investment Income	21.7

OPERATING SURPLUS	17.2
	=====

RiskCover is not liable to pay income tax equivalents under current arrangements with the Department of Treasury and Finance.

**INSURANCE COMMISSION OF WESTERN AUSTRALIA
AND ITS SUBSIDIARY
FINANCIAL STATEMENTS 2003**

FINANCIAL STATEMENTS 2003 INDEX

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CERTIFICATION OF FINANCIAL STATEMENTS BY THE MEMBERS OF THE BOARD AND PRINCIPAL ACCOUNTING OFFICER

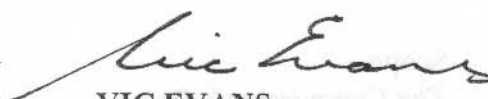
Insurance Commission of Western Australia

The accompanying financial statements of the Commission and the accompanying consolidated financial statements have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records to present fairly the financial transactions for the year ended 30 June 2003 and the financial position as at 30 June 2003.

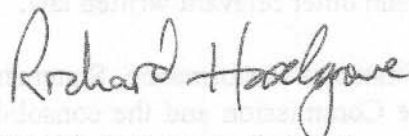
At the date of signing we are not aware of any circumstances, which would render the particulars included in the financial statements misleading or inaccurate.



MICHAEL E WRIGHT
CHAIRMAN
27 August 2003



VIC EVANS
MANAGING DIRECTOR
27 August 2003



RICHARD A HASELGROVE
PRINCIPAL ACCOUNTING OFFICER
27 August 2003

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia passed on 27 August 2003.





AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003

Audit Opinion

In my opinion,

- (i) the controls exercised by the Insurance Commission of Western Australia provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Commission and the consolidated entity at June 30, 2003 and their financial performance and cash flows for the year ended on that date.

Scope

The Commission's Role

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows of the Commission and the consolidated entity, and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

D D R PEARSON
AUDITOR GENERAL
August 27, 2003

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

	Notes	CONSOLIDATED		COMMISSION	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Premium Revenue	2	309,413	298,583	309,106	298,575
Outwards Reinsurance Expense		(2,556)	(1,715)	(2,556)	(1,858)
Outwards Reinsurance Commission Revenue		265	178	265	178
Net Earned Premium		307,122	297,046	306,815	296,895
Claims Incurred	3	(316,563)	(314,345)	(316,690)	(317,029)
Reinsurance and Other Recoveries Revenue	2	22,127	19,490	22,122	19,448
Net Claims Incurred	4	(294,436)	(294,855)	(294,568)	(297,581)
Underwriting and Administration Expenses	3	(40,235)	(38,909)	(40,212)	(38,804)
UNDERWRITING LOSS		(27,549)	(36,718)	(27,965)	(39,490)
Investment Income	2	42,498	8,495	42,498	8,414
Investment Expenses	3	(19,849)	(9,574)	(19,849)	(9,574)
Other Income	2	27,688	12,019	27,926	12,164
Other Expenses	3	(176)	(567)	2	2,141
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT		22,612	(26,345)	22,612	(26,345)
Related Income Tax Equivalent (Expense)/Benefit Attributable to Ordinary Activities	5	-	-	-	-
OPERATING PROFIT/(LOSS) AFTER RELATED INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT		22,612	(26,345)	22,612	(26,345)
Net Decrease in Retained Profits on the initial adoption of:					
Revised AASB 1028 "Employee Benefits"	1(b)	(9)	-	(9)	-
TOTAL CHANGES RECOGNISED IN EQUITY		22,603	(26,345)	22,603	(26,345)

The Profit from Ordinary Activities for 2003 of \$22.6 million is shown after deducting an adjustment amount relating to an Investment Property over-statement in valuation at 30 June 2002 resulting from a computation error by the valuer, Jones Lang LaSalle, in its valuation of the Hartleys Building (refer Note 2(i)). The valuation error adjusted was \$10.5 million of which \$1.5 million was recouped from RiskCover (deducted from Investment Income paid to it by the Commission). Profit from Ordinary Activities for 2003, excluding this adjustment, would therefore have been \$31.6 million.

The Statement of Financial Performance should be read in conjunction with the Notes to and forming part of the financial statements.

The Statement of Financial Performance for the Commission represents an aggregation of the Commission's Funds, taking into account inter-fund eliminations. Refer Note 20.

The Consolidated Statement of Financial Performance excludes both the RiskCover Fund and Community Insurance Fund, which are shown separately in Note 31 and 32 respectively.

STATEMENT OF FINANCIAL POSITION

at 30 June 2003

	<u>Notes</u>	CONSOLIDATED		COMMISSION	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS					
Cash Assets		2,727	3,869	-	-
Receivables	6	49,365	77,517	49,348	77,467
Other Financial Assets	7	905,249	903,877	905,249	903,877
Other Assets	8	3,236	3,175	3,236	3,175
Total Current Assets		960,577	988,438	957,833	984,519
NON-CURRENT ASSETS					
Receivables	6	213,324	178,730	213,193	178,606
Other Financial Assets	7	368,257	292,700	368,257	292,700
Plant and Equipment	9	5,839	6,676	5,839	6,676
Total Non-Current Assets		587,420	478,106	587,289	477,982
TOTAL ASSETS		1,547,997	1,466,544	1,545,122	1,462,501
CURRENT LIABILITIES					
Bank Overdraft		1,528	3,088	1,528	3,088
Payables	10	11,994	9,665	11,981	9,640
Outstanding Claims	11	307,854	333,321	306,631	331,811
Unearned Premiums		126,005	117,857	126,005	117,857
Provisions	13	19,913	2,728	19,913	2,728
Other Liabilities	14	450	1,361	6,961	8,156
Total Current Liabilities		467,744	468,020	473,019	473,280
NON-CURRENT LIABILITIES					
Payables	10	19	20	19	20
Outstanding Claims	11	952,525	893,406	944,375	884,103
Provisions	13	11,519	11,511	11,519	11,511
Total Non-Current Liabilities		964,063	904,937	955,913	895,634
TOTAL LIABILITIES		1,431,807	1,372,957	1,428,932	1,368,914
NET ASSETS		116,190	93,587	116,190	93,587
EQUITY					
Reserves	15	11,540	12,528	11,540	12,528
Accumulated Profit	16	104,650	81,059	104,650	81,059
TOTAL EQUITY		116,190	93,587	116,190	93,587

The Statement of Financial Position should be read in conjunction with the Notes to and forming part of the financial statements.

The Statement of Financial Position for the Commission represents an aggregation of the Commission's Funds, taking into account inter-fund eliminations. Refer Note 21.

The Consolidated Statement of Financial Performance excludes both the RiskCover Fund and Community Insurance Fund, which are shown separately in Note 31 and Note 32 respectively.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003

		CONSOLIDATED		COMMISSION	
		2003	2002	2003	2002
	Notes	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Premium Received		349,305	331,724	348,998	331,724
Right of Indemnity Receipts - Government Insurance Fund		11,471	6,594	11,471	6,594
Right of Indemnity Receipts - WCRC		9,960	23,762	9,960	23,762
Interest Received		32,738	30,115	32,738	30,029
Rents Received		33,995	28,932	33,995	28,932
Dividends Received		21,088	16,775	21,088	16,775
Reinsurance and Other Recoveries Received		2,525	7,813	2,494	7,744
Management Fees Received		13,206	13,302	13,206	13,302
Recovery of Investments Previously Written Off	7	44,170	375	44,170	375
Other Receipts		1,132	823	1,116	801
Internal Interest		-	-	(114)	(38)
Claims Paid		(279,531)	(302,043)	(278,196)	(301,886)
Interest (Paid)/Received - RiskCover		(6,453)	3,655	(6,453)	3,655
Outwards Reinsurance Paid		(2,906)	(1,983)	(2,894)	(1,959)
Underwriting and Administration Expenses Paid		(37,002)	(38,329)	(36,832)	(38,146)
Debt Recovery Costs		(25,102)	(12,345)	(25,102)	(12,345)
Property Expenses Paid		(9,407)	(8,614)	(9,407)	(8,614)
Goods and Services Tax Paid		(32,215)	(21,638)	(32,215)	(21,638)
Other Payments		(5,510)	(5,886)	(5,510)	(5,886)
Net Cash Inflow from Operating Activities	(i)	121,464	73,032	122,513	73,181
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Funds Received from RiskCover		30,633	23,845	30,633	23,845
Payments for Purchase of Investments		(1,026,822)	(1,467,138)	(1,026,822)	(1,467,138)
Proceeds from Sale of Investments		882,881	1,409,955	882,881	1,409,955
Payments for Purchase of Plant and Equipment		(2,429)	(4,818)	(2,429)	(4,818)
Proceeds from Sale of Plant and Equipment		557	442	557	442
Net Cash Outflow from Investing Activities		(115,180)	(37,714)	(115,180)	(37,714)
NET INCREASE IN CASH HELD		6,284	35,318	7,333	35,467
CASH AT THE BEGINNING OF THE YEAR		79,823	44,638	75,954	40,487
Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies.		(93)	(133)	-	-
CASH AT THE END OF THE YEAR	(ii)	86,014	79,823	83,287	75,954

The Statement of Cash Flows should be read in conjunction with the Notes to and forming part of the financial statements.

For references (i) and (ii), refer to the following page.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003 (continued)

		CONSOLIDATED		COMMISSION	
	Notes	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(i) Reconciliation of Operating Profit/(Loss) After Related Income Tax Equivalent (Expense)/Benefit Recognised in Equity to Net Cash Flows from Operating Activities					
Operating Profit/(Loss) After Related Income Tax Equivalent (Expense)/Benefit					
		22,612	(26,345)	22,612	(26,345)
Depreciation		2,505	1,808	2,505	1,808
Bad Debts		8	76	8	76
Foreign Exchange Loss: Corporation		93	90	-	-
Foreign Exchange Loss/(Gain): Investments		22,640	(9,631)	22,640	(9,631)
Decrease in Net Market Value of Investments		22,641	104,748	22,641	104,748
Indemnity for Corporation's Net Liabilities		-	-	(291)	(2,746)
Other		24	48	24	48
Changes in Assets and Liabilities					
Decrease/(Increase) in Premiums Receivable		387	(260)	387	(260)
(Increase)/Decrease in Reinsurance and Other Recoveries Receivable		(4,546)	22,807	(4,572)	22,808
(Increase)/Decrease in Other Assets		(5,229)	5,868	(5,229)	5,863
Increase/(Decrease) in Outstanding Claims		33,652	(28,773)	35,092	(25,924)
Increase in Unearned Premiums		8,148	4,265	8,148	4,265
Increase/(Decrease) in Other Liabilities		18,529	(1,669)	18,548	(1,529)
Net Cash Inflow from Operating Activities		121,464	73,032	122,513	73,181
(ii) Reconciliation of Cash					
Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:					
Cash		2,727	3,869	-	-
Bank Overdraft		(1,528)	(3,088)	(1,528)	(3,088)
Other Financial Assets-Investments-Cash Assets	7	84,815	79,042	84,815	79,042
		86,014	79,823	83,287	75,954

The economic entity does not have any stand-by credit arrangements or loan facilities.

The Cash detailed in (ii) above is available to the economic entity without restriction.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

To facilitate a better understanding of the financial statements, presented below are the significant accounting policies adopted by the economic entity comprising the Insurance Commission of Western Australia (“Commission”) and its subsidiary, the State Government Insurance Corporation (“Corporation”), in preparing the financial statements.

(a) Basis of Accounting

The financial statements constitute a general purpose financial report, which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board and UIG Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. *The Financial Administration and Audit Act 1985* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements. If any such modification has a material or significant financial effect upon the reported results, details of that modification and, where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements. No such modifications were required to be reported either this year or last year.

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities which, as noted, are measured at fair value.

The accounting policies have been consistently applied by each entity in the economic entity and except where there is a change in accounting policy as set out in Note 1(b), are consistent with those adopted in the previous year.

The financial statements have been prepared on the assumption that the economic entity is a “going concern”, will continue its business operations in the normal manner and that it will be able to meet its liabilities as and when they fall due.

The Commission and Corporation are Agents of the Crown in the right of the State under Section 4(a) of the *Insurance Commission of Western Australia Act 1986*. Letters have been received from the Premier confirming that the State Government fully supports the financial viability of both the Commission and Corporation and will continue to support them and their Boards.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The calculation of the liability in respect of the tax equivalent is governed by the NTER guidelines and directions approved by Government.

As the NTER obligations are equivalent to those of a public company, compliance with Australian Accounting Standard AAS 3 “Accounting for Income Tax (Tax Effect Accounting)” is required.

Timing differences which arise due to income and expense items being recognised in different periods for accounting and taxation purposes, are brought to account as either a provision for deferred income tax (liability) or as a future income tax benefit (asset) at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

On 26 February 2003 the Board of Commissioners of the Insurance Commission of Western Australia (the Commission) and the Board of Directors of the Corporation resolved that the Corporation would join the Commission (the tax consolidation parent entity) in a tax consolidation group with effect from 1 July 2002. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax consolidation group are recognised in the financial statements of the Commission.

Where the tax consolidation parent entity has tax losses, the net future income tax benefit relating to the tax losses and timing differences is not brought to account as an asset unless the benefit is virtually certain of being realised. Refer Note 5.

The tax equivalent sum, payable to the State Treasurer in respect of each financial year, is equal to the amount of any income tax for which the tax consolidation parent entity would have been liable in respect of the financial year if it was not exempt from that tax under the relevant Commonwealth Act.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised.

- **Premium Revenue**

Premium revenue comprises amounts charged to policyholders and other insurers (relating to Inwards Reinsurance) including workers’ compensation insurance levies. Stamp duty and other amounts collected on behalf of third parties are excluded. Premiums are recognised as revenue over the policy periods based on time, which closely approximates the pattern of risks underwritten.

Premiums on unclosed business are recorded as revenue on the basis of premiums received subsequent to balance date. In accordance with Australian Accounting Standard “Financial Reporting of General Insurance Activities”

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(AAS 26), unclosed business is recorded only for those classes of insurance where it can be reliably measured.

- **Unearned Premium**

Unearned premium liability represents the portion of premium written, which relates to risks for periods of insurance subsequent to balance date and is determined by apportioning the premiums written in the year on a pro-rata basis.

- **Reinsurance and Other Recoveries**

Reinsurance and other recoveries on paid claims, claims reported but not paid, claims incurred but not reported and claims incurred but not enough reported are recognised as revenue. Recoveries receivable for long-tail classes of insurance are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of discount and inflation rates used are set out in Note 11.

- **Interest Income**

Interest income is recognised as it accrues.

- **Property Rental Income**

Income from property rentals is recognised on a receivables basis. No rental income is recorded as earned for any rent-free periods.

- **Dividend Income**

Dividend income is recognised when the underlying shares become ex-dividend. Distributions from investment trusts are recognised as income on the date they are declared and payable.

- **Investment Revenue - Changes in Market Values**

Gains and losses realised from the sale of investments and unrealised changes in the net market values of investments at balance date are recognised in the Statement of Financial Performance.

- **Foreign Exchange Revenue**

Refer Note 1 (h) "Foreign Currencies".

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Proceeds from Sale of Plant and Equipment**

Income from the sale of plant and equipment is recognised when control of the relevant asset has passed to the buyer.

(f) Third Party Insurance Fund - Premium Setting

In accordance with Section 3T of the *Motor Vehicle (Third Party Insurance) Act 1943*, the Commission must make an assessment of premium income necessary to meet the claims and administration costs arising in the following financial year, after an actuarial report has been procured and considered. The assessment must take into account the accumulated surplus/deficit, which is expected to exist in the Fund at the commencement of the next financial year.

The *Motor Vehicle (Third Party Insurance) Act 1943* requires that the Commission's premium recommendations are considered by the responsible Minister who may approve, refuse or invite the Commission to review all or any of its recommendations.

(g) Outwards Reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received.

(h) Foreign Currencies

- Transactions of the economic entity in foreign currencies are converted to Australian currency at the rates of exchange ruling at the dates of the transactions.
- Assets (including investments) and liabilities of the economic entity denominated in foreign currencies at balance date are converted to Australian currency using rates of exchange ruling at that date. Resulting exchange differences are recorded as exchange gains or losses in the Statement of Financial Performance in that financial year.

(i) Plant and Equipment

Plant and equipment are measured at cost.

Depreciation is provided on a straight-line basis, applied at rates necessary to write off assets, net of residual values, over the period in which the future economic benefits are expected to be consumed by the economic entity. The rates used are reviewed annually. The annual depreciation rates used for each class of plant and equipment, for both the current and previous year, are as follows:

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

• Plant and Equipment	16 %
• Furniture and Fittings	12 %
• Computer Hardware	33 %
• Computer Software	25 %
• Motor Vehicles	50 %
• Leasehold improvements	15 %

(j) Recoverable Amount

Non-current assets are not carried at an amount above their recoverable amount. Where the carrying value of an asset exceeds the recoverable amount, the asset is written down. In determining the recoverable amount the expected net cash flows have, where applicable, been discounted to their present value using a market determined risk adjusted discount rate.

(k) Outstanding Claims

The liability for outstanding claims at balance date comprises:

- claims that have been reported but not paid,
- claims incurred but not reported (“IBNR”),
- claims incurred but not enough reported (“IBNER”),

together with the anticipated direct and indirect claims’ settlement costs.

The liability for outstanding claims is the present value of the expected future payments (including claims management expenses), which is affected by factors arising during the period to settlement such as normal (e.g. wage) inflation and “superimposed” inflation. Superimposed inflation refers to factors like trends in court awards and changes in legislation, for example increases in the level and period of compensation for injury. The expected future claims payments are then discounted to a present value at balance date using market-determined risk adjusted rates of return.

The details of discount and inflation rates used are set out in Note 11.

• **Short-tail claims**

Short-tail claims relate to classes of business where claims are typically settled within one year of the occurrence of the events giving rise to those claims.

The liability for outstanding claims for the short-tail classes, such as Property and Motor, are internally assessed using a central estimate.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Long-tail claims**

Long-tail claims are typically not settled within one year of the occurrence of the events giving rise to those claims. Protracted legal proceedings may be involved to resolve the issue of negligence or liability and/or to establish the amount of claims' settlement.

The liability for outstanding claims for the long-tail classes of insurance such as Workers' Compensation, Inwards Reinsurance, Public Liability, Motor Vehicle Third Party Personal Injury and Industrial Diseases, are estimated using independent actuarial assessments.

In determining the liability for outstanding claims, the Board has added a prudential margin to the central estimate of the discounted future claims payments for all long-tail classes of insurance (excluding RiskCover, refer Note 31). The prudential margin provides for a higher degree of certainty that the estimated liability will be adequate to cover possible adverse developments. The degree of certainty required by the Board has been achieved by adding a prudential margin to the central estimate of claims liabilities that allows for a 75% (2002 75%) level of confidence. Refer Note 11.

(l) Receivables

- **Premiums Receivable**

Premiums receivable mainly relates to Motor Vehicle Third Party Personal Injury insurance due from policyholders for unclosed business. The unclosed business is based upon an assessment of premiums collected subsequent to balance date. Refer Note 1(e).

- **Other Receivables**

Other receivables are recognised and carried at the nominal amounts receivable.

(m) Employee Benefits

- **Salaries, Long Service Leave, Annual Leave and Sick Leave**

Liabilities in respect of employee entitlements to salaries, long service leave, annual leave and sick leave, which are expected to be settled within twelve months of the balance date, are measured at their nominal amounts using the salary rates expected to be paid when the obligation is settled, inclusive of related on-costs.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liabilities in respect of employee entitlements to long service leave, which are not expected to be settled within twelve months of the balance date, are measured at the present value of their estimated future cash outflows. In determining the present value of the future estimated cash outflows, the interest rates attaching to Commonwealth Government securities at balance date, which most closely match the terms of maturity of the related liabilities are used. In determining the liability, consideration has been given to future increases in salary rates, experience with staff departures and periods of service.

- **Superannuation**

The Commission's employees have an entitlement to superannuation under either the defined benefit Pension scheme (*Superannuation and Family Benefits Act 1938*), the defined benefit Gold State Superannuation scheme or the accumulation West State Superannuation scheme (*Government Employees Superannuation Act 1987*).

The defined benefit Pension scheme and the Gold State Superannuation scheme were closed to new members with effect from 15 August 1986 and 30 December 1995 respectively.

The employer's liability to meet members' pensions under the defined benefit Pension scheme is paid to Treasury at the end of each month. The liability for superannuation charges under the Gold State Superannuation and West State Superannuation schemes are extinguished by payments of employer contributions to the Government Employees Superannuation Board. Refer Note 12.

The liability for superannuation charges under the defined benefit Pension scheme, together with the pre-transfer service liability for employees who transferred to the Gold State Superannuation scheme, is provided for at balance date. The superannuation liability is determined following an independent actuarial assessment of the present value of the liability.

- **Superannuation - Net Market Value of Plan Assets**

In relation to the defined benefit Gold State Superannuation scheme, the note disclosure required by paragraph 51(e) of Australian Accounting Standard "Accounting for Employee Entitlements" (AAS 30) (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the Government of Western Australia in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide this information for the Commission. Accordingly, deriving the information is impractical under current arrangements and any benefits thereof would be exceeded by the cost of obtaining the information.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In relation to the defined benefit Pension scheme, the value of any excess of accrued superannuation benefits over the net market value of assets is recorded as a liability of the Commission. This liability is taken on the basis that there is no pre-funding of the employer's liability for benefits under the Pension scheme. Refer Note 12.

(n) Deferred Acquisition Costs

The direct and indirect costs of generating premium revenue, such as commissions, are called acquisition costs. A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents future benefits. Deferred acquisition costs are amortised over the financial periods expected to benefit from the expenditure, which is generally less than one year. Refer Note 8.

A write-down to recoverable amount is recognised when the present value of expected claims (including settlement costs) in relation to business written to the balance date exceeds related unearned premiums.

(o) Statutory Charges

Statutory levies and charges, such as Workers' Compensation and Rehabilitation Commission charges, paid or payable are accounted for on the same basis as the recognition of premiums.

(p) Investments

Investments considered integral to the general insurance activities of the economic entity are measured at net market value, where the expected costs of realisation are taken into account at balance date. Refer Note 7.

• **Securities**

Securities include bonds and short-term discount securities. Purchases and sales of securities are recognised at trade (transaction) date. There are two types of securities, namely coupon (interest-bearing) securities and discount (non-interest-bearing) securities.

Purchases of coupon securities are recorded at cost. Interest income for such securities are accrued monthly using the coupon rate of interest.

Purchases of discount securities are recorded at their principal amount with the unearned discount netted against the principal amount to arrive at book value.

The discount security is amortised in line with the underlying security.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities are marked to market at the close of the last business day of the financial year. The securities are valued at market prices or, if such prices are not available, at prices for securities of comparable maturity, quality and type. The costs of coupon securities are adjusted by the marked to market process. The difference between the amortised amount (discount securities) or the cost amount (coupon securities) and the net market value is recorded as unrealised revenue.

- **Shares**

Purchases of shares are booked at cost, which comprises the acquisition cost, brokerage and stamp duty. Shares are marked to market using the securities exchange price at the close of the last business day of the financial year.

- **Convertible Notes**

Convertible notes are convertible into ordinary shares of the issuing company at the option of the holder. The cost of the ordinary shares issued on conversion is based on the carrying value of the option extinguished with no gain or loss realised.

- **Units in Equity Trusts**

Net fair values of units in unlisted unit trusts are determined using the net asset value ("NAV") per unit on the last day of the financial year. The NAV is calculated by deducting from the value of the unlisted unit trust's gross assets, the value of its liabilities. Unit values denominated in foreign currency are converted to Australian currency at rates of exchange ruling at balance date.

- **Properties**

All freehold properties (including buildings) are measured at net market value after providing for the estimated costs of disposal. Freehold properties are valued annually at balance date by an independent valuer using a valuation method based on an orderly sale having regard to current economic and market conditions. Buildings are integral to the investing activities of the Commission and in accordance with Australian Accounting Standard "Financial Reporting of General Insurance Activities" (AAS 26), are not depreciated.

Retail development property acquired by the Commission during the financial year has been valued at cost.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Unlisted Property Trusts**

Unlisted Property Trusts are valued by the Trustee at the net market values based upon independent valuations of properties held within the trust. A unit price is advised to unit holders, which forms the basis for the calculation of net market value at balance date.

- **Investments in Subsidiaries**

Investments in subsidiaries are valued at the lower of cost and recoverable amount.

- **Classification of Investments**

Investments other than freehold properties and unlisted shares are treated as current other financial assets on the basis that they are readily convertible into cash.

(q) Derivative Financial Instruments

Derivative financial instruments are accounted for on a marked to market basis using the most verifiable source of market prices or generally accepted valuation principles, such as discounted cash flows. Any gain or loss arising after acquisition is reflected in the valuation of the relevant investment asset.

The purpose for which derivative transactions are undertaken is set out in Note 18(a).

- **Forward and Futures Contracts**

Forward and futures contracts are legal agreements for the delayed delivery of financial instruments in which the seller agrees to settle at a specified future date at a specified price or yield. A forward rate agreement is a confirmed agreement between two parties to exchange an interest rate differential on a notional principal amount at a given future date.

Futures contracts are used to hedge holdings and anticipated purchase commitments. Initial margin requirements and daily cash calls are met in cash with a corresponding adjustment to “investment debtors” or “investment creditors” until the underlying transaction occurs, at which time any unrealised gain or loss is recorded in the Statement of Financial Performance.

The market value of forward foreign currency contracts (forwards) fluctuates with changes in the currency exchange rate. The forward is marked to market daily and the change in market value is recorded as an unrealised foreign exchange gain or loss in the Statement of Financial Performance. When the forward is closed a realised gain or loss equal to the difference in the value at the time the forward was entered into and the value at the time it was closed is recorded.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The value of bond, bank bill and share price index futures contracts are marked to market based on the value of the last quoted purchase or sale price of the relevant contract traded on a recognised futures exchange. Any gain or loss is recorded in the Statement of Financial Performance as a change in the net fair value of investments.

- **Options**

Options are contracts that allow the holder of the option the right, but not the obligation, to purchase or sell a financial instrument at a specified price and within a specified period.

A call/put option gives the purchaser the right to buy/sell the financial instrument covered by the option at the exercise price at any time up until or at expiry. The opposite would apply if the purchaser were the writer of the option.

Domestic equity options are priced daily from the Australian Stock Exchange using the "Bid" price if greater than the "Last" price, "Offer" price if less than the "Last" price, or "Last" price otherwise. If the option expires on its stipulated expiration date, or if a closing sale transaction is entered into, a gain or loss is realised on disposal and brought to account as a change in the net fair value of investments in the Statement of Financial Performance.

(r) Net Fair Value of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined on the following basis:

- **Recognised Financial Assets**

For financial assets traded in an organised market, net fair value equates to net market value.

Where financial assets are not traded in an organised market, net fair value is the historical carrying cost net of any provision for diminution in value or doubtful debt. Refer Note 1(p) for determination of net fair value of unlisted units in equity trusts.

- **Recognised Financial Liabilities**

Where financial liabilities are not traded in an organised market, net fair value is the historical carrying value.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

• **Unrecognised Financial Assets and Financial Liabilities**

For unrecognised financial assets and liabilities traded in an organised market, net fair value equates to net market value.

(s) Bank

Any bank liability shown in the Statement of Financial Position represents the general ledger account balance and includes the value of cheques drawn but unrepresented on the bank account at balance date.

(t) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, together with short-term discount securities and deposits at call which are investments integral to the entity's general insurance activities (all of which are readily convertible to cash and are not subject to a significant risk of changes in value), net of any bank account liability. Refer Note 1(s).

(u) Management Fee

The RiskCover Fund, the Community Insurance Fund and the Corporation are charged management fees in proportion to their usage of the Commission's services.

(v) Comparatives

In accordance with Treasurer's Instruction 949, where appropriate, certain reclassifications are made to the prior year's financial statements in order to enhance comparability with those of the current year.

(w) Rounding

In accordance with Treasurer's Instruction 948, all amounts shown in the financial statements are rounded to the nearest thousand dollars unless otherwise stated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>Notes</u>	CONSOLIDATED		COMMISSION	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES					
(a) Revenue from Operating Activities					
Premium					
Direct		309,106	298,575	309,106	298,575
Inwards Reinsurance		307	8	-	-
		309,413	298,583	309,106	298,575
Outwards Reinsurance Commission		265	178	265	178
Recoveries					
Reinsurance		(1,205)	744	(1,210)	702
Other		23,332	18,746	23,332	18,746
		22,127	19,490	22,122	19,448
Investments					
Property		34,437	26,584	34,437	26,584
Dividends		21,670	17,399	21,670	17,399
Interest		31,494	30,531	31,494	30,450
Changes in Net Market Values: Unrealised	(i)	11,337	(36,664)	11,337	(36,664)
Changes in Net Market Values: Realised		(33,978)	(66,658)	(33,978)	(66,658)
Foreign Exchange (Loss)/Gain	3	(22,640)	9,631	(22,640)	9,631
Recovery of investments previously written off	(ii)	-	27,462	-	27,462
Other		178	210	178	210
		42,498	8,495	42,498	8,414
Other					
Management Fees		13,050	12,884	13,212	12,962
Right of Indemnity - Government Insurance Fund		13,762	(1,417)	13,762	(1,417)
Interest		579	507	563	485
Foreign Exchange Loss: Corporation		(93)	(90)	-	-
Sundry		390	135	389	134
		27,688	12,019	27,926	12,164
		401,991	338,765	401,917	338,779
(b) Revenue from Non-Operating Activities					
Proceeds from Sale of Plant and Equipment		506	402	506	402
Total Revenue from Ordinary Activities		402,497	339,167	402,423	339,181

(i) Changes in Net Market Values: Unrealised includes an adjustment of \$10.5 million to reflect an Investment Property over-statement in valuation at 30 June 2002 resulting from a computation error by the valuer, Jones Lang LaSalle, in its valuation of the Hartleys Building. This computation error is considered to be a non-fundamental error as defined in AASB 1018 ("Statement of Financial Performance") and as such has been adjusted against the 2003 result, being the reporting period in which the error was discovered. The 2003 value (Consolidated and Commission) of "Changes in Net Market Values: Unrealised" before this adjustment was \$21.837 million.

(ii) Recovery of investments previously written off relates to amounts recovered and recoverable from the liquidators of Southern Equities Corporation Ltd (in Liquidation), Spedley Securities Limited (in Liquidation) and Rothwells Limited (in Liquidation). Refer Note 7.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. EXPENSES AND NET LOSSES/(GAINS)

Profit/(Loss) from Ordinary Activities Before Related Income Tax Equivalent (Expense)/Benefit includes the following specific expenses and net losses/(gains):

Net Losses/(Gains)

Foreign Exchange Loss/(Gain)

- Investment
- Realised
- Unrealised

- Corporation

Net Foreign Exchange Loss/(Gain)

Other

Net Loss on Disposal of Plant and Equipment

Total Net Loss/(Gains)

Expenses

Claims

Direct
Inwards Reinsurance

Outwards Reinsurance

Investments

- Property
- Investment Management and Custodian Fees
- Administration - Commission
- Interest - RiskCover

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CONSOLIDATED		COMMISSION	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(3,048)	(11,533)	(3,048)	(11,533)
25,688	1,902	25,688	1,902
22,640	(9,631)	22,640	(9,631)
93	90	-	-
22,733	(9,541)	22,640	(9,631)
19	47	19	47
22,752	(9,494)	22,659	(9,584)
316,690	317,029	316,690	317,029
(127)	(2,684)	-	-
316,563	314,345	316,690	317,029
2,556	1,715	2,556	1,858
8,324	8,153	8,324	8,153
4,032	4,086	4,032	4,086
1,040	990	1,040	990
6,453	(3,655)	6,453	(3,655)
19,849	9,574	19,849	9,574

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>Notes</u>	CONSOLIDATED		COMMISSION	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
3. EXPENSES AND NET LOSSES/(GAINS) (continued)					
Underwriting and Administration					
Accident Prevention and Research		2,768	3,524	2,768	3,524
Acquisition Costs (Commission)		6,857	6,431	6,834	6,431
Levies and Charges		134	147	134	147
Bad and Doubtful Debts		32	129	32	129
Amounts paid or due and payable to the Auditor General					
- Auditing the financial statements		240	205	240	198
Board of Commissioners' Fees		258	244	258	244
Contractors and Consultants		2,677	2,453	2,677	2,417
Debt Recovery Costs		1,665	1,587	1,665	1,587
Depreciation		2,505	1,808	2,505	1,808
Employee Benefits					
- Annual Leave		1,102	1,044	1,102	1,044
- Long Service Leave		552	450	552	450
- Salaries and Employee-Related Costs		13,134	13,121	13,134	13,121
- Superannuation		2,158	1,702	2,158	1,702
IT Hardware and Software		3,329	3,238	3,329	3,238
Other Underwriting and Administration		2,824	2,826	2,824	2,764
		40,235	38,909	40,212	38,804
Other					
Net Loss on Disposal of Plant and Equipment		19	47	19	47
Plant and Equipment Written Off		5	1	5	1
Reduction in Indemnity for Corporation's Net Liabilities	24	-	-	(291)	(2,746)
Internal Interest		-	-	113	38
Sundry		152	519	152	519
		176	567	(2)	(2,141)
Total Expenses		379,379	365,110	379,305	365,124

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. NET CLAIMS INCURRED

Current Year	CONSOLIDATED	COMMISSION		
	2003 Total \$'000	Current Year (i) \$'000	2003 Prior Years (ii) \$'000	Total \$'000
Gross Claims Incurred and Related Expenses - Undiscounted	314,354	353,683	(38,439)	315,244
Reinsurance and Other Recoveries - Undiscounted	(29,020)	(29,790)	765	(29,025)
Net Claims Incurred - Undiscounted	285,334	323,893	(37,674)	286,219
Discount and Discount Movement - Gross Claims Incurred	2,209	(53,270)	54,716	1,446
Discount and Discount Movement - Reinsurance and Other Recoveries	6,893	54,900	(47,997)	6,903
Net Discount Movement	9,102	1,630	6,719	8,349
Net Claims Incurred	294,436	325,523	(30,955)	294,568

Previous Year	2002 Total \$'000	Current Year (i) \$'000	2002 Prior Years (ii) \$'000	Total \$'000
Gross Claims Incurred and Related Expenses - Undiscounted	294,203	355,929	(59,792)	296,137
Reinsurance and Other Recoveries - Undiscounted	(15,990)	(29,830)	13,866	(15,964)
Net Claims Incurred - Undiscounted	278,213	326,099	(45,926)	280,173
Discount and Discount Movement - Gross Claims Incurred	20,142	(57,250)	78,142	20,892
Discount and Discount Movement - Reinsurance and Other Recoveries	(3,500)	55,010	(58,494)	(3,484)
Net Discount Movement	16,642	(2,240)	19,648	17,408
Net Claims Incurred	294,855	323,859	(26,278)	297,581

(i) **Current Year's** claims relate to risks borne in the current financial year.

(ii) **Prior Years'** claims relate to a re-assessment of the risks borne in all previous financial years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Notes	CONSOLIDATED		COMMISSION	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
5. INCOME TAX EQUIVALENT					
(a) Calculation of Income Tax Equivalent Expense					
Operating Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit		22,612	(26,345)	22,612	(26,345)
Prima Facie Income Tax Equivalent (Expense)/Benefit on the Operating Profit/(Loss) at 30%		(6,784)	7,903	(6,784)	7,903
Tax Effect of Permanent Differences:					
Non-assessable items		84	6,952	84	6,952
Allowable deductions not recognised in the Statement of Financial Performance		(87)	(824)	-	-
Non-deductible items		(7,591)	(5,860)	(7,591)	(5,860)
Tax Effect of Losses not previously brought to account		14,378	(8,171)	14,291	(8,995)
Income Tax Equivalent (Expense)/Benefit attributable to Operating Profit/(Loss)		-	-	-	-
(b) Tax Losses					
Balance at the Beginning of the Year		(175,026)	(235,340)	(113,109)	(170,771)
Tax Losses transferred	(i)	-	-	(61,917)	n/a
Tax Profit arising in year		12,092	60,314	12,092	57,662
Balance at the End of the Year	(ii)	(162,934)	(175,026)	(162,934)	(113,109)

(i) Tax Consolidation Legislation

Under the New Tax Consolidation legislation enacted 21 October 2002, the Board of Commissioners of the Commission and the Board of Directors of the Corporation resolved on 26 February 2003 that the Corporation would elect to join the Commission, the parent entity for tax purposes, in a tax consolidation group with effect from 1 July 2002 and consolidate the Corporation's tax losses at that date totalling \$61.9 million into those of the Commission.

(ii) Benefit of Tax Equivalent Losses not brought to account

At balance date, the economic entity had tax losses of \$162.9 million (2002 - \$175.0 million) which are available to offset against future years' taxable income, of which \$86.8 million (2002 - \$134.5 million) is unrecognised.

The benefit of these unrecognised losses is \$26.0 million expressed at a corporate rate of 30% (2002 - \$40.3 million, expressed at a corporate rate of 30%). This benefit has not been brought to account as its realisation is not virtually certain. The benefit will be obtained only if:

- the tax consolidation parent entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised; and
- the tax consolidation parent entity continues to comply with the conditions of deductibility imposed by the National Tax Equivalent Regime ("NTER"); and
- no changes in the NTER adversely affect the tax consolidation parent entity in realising the benefit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. RECEIVABLES

Current

Premiums Receivable

Less: Provision for Doubtful Debts

Reinsurance and Other Recoveries Receivable

Less: Provision for Doubtful Debts

Right of Indemnity -

Government Insurance Fund

(i)

Workers' Compensation and Rehabilitation Commission

(ii)

Other Receivables

Goods and Services Tax

Sundry Receivables

Non-Current

Reinsurance and Other Recoveries Receivable

Right of Indemnity -

Government Insurance Fund

(i)

Workers' Compensation and Rehabilitation Commission

(ii)

Other Receivables

(iii)

Movement in Provision for Doubtful Debts

Balance at Beginning of the Year

Previously provided for and written off during the year

Previously provided for but provision no longer required

New provision in the year

Balance at End of the Year

CONSOLIDATED		COMMISSION	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000
3,071	3,458	3,071	3,458
(10)	(7)	(10)	(7)
3,061	3,451	3,061	3,451
21,833	20,133	21,751	20,018
(734)	(729)	(669)	(664)
21,099	19,404	21,082	19,354
8,549	9,255	8,549	9,255
6,945	16,273	6,945	16,273
15,494	25,528	15,494	25,528
5,575	-	5,575	-
4,136	29,134	4,136	29,134
9,711	29,134	9,711	29,134
49,365	77,517	49,348	77,467
76,170	60,005	76,039	59,881
42,297	39,300	42,297	39,300
23,915	32,122	23,915	32,122
66,212	71,422	66,212	71,422
70,942	47,303	70,942	47,303
213,324	178,730	213,193	178,606
736	660	671	595
(24)	(55)	(24)	(55)
(5)	(14)	(5)	(14)
37	145	37	145
744	736	679	671

(i) In accordance with Cabinet's decision of May 1996, Treasury assumed liability for the accumulated deficit existing in the Government Insurance Fund.

(ii) In accordance with Section 25(2) of the *Employers' Indemnity Supplementation Fund Act 1980*, the Commission has the right of reimbursement from the Workers' Compensation and Rehabilitation Commission for all payments and expenses paid under this Act. Refer Note 11.

(iii) Other Receivables (Non-Current) includes \$55.5 million (2002 - \$38.0 million) relating to costs incurred in a debt recovery action. Refer Note 7.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. OTHER FINANCIAL ASSETS

Current Investments

At Net Market Value

		CONSOLIDATED		COMMISSION	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Fixed Interest Bonds		281,495	311,587	281,495	311,587
Fixed Interest Unit Trusts		72,356	52,679	72,356	52,679
Indexed Bonds		67,969	54,368	67,969	54,368
Shares - Listed Equities		628,111	612,006	628,111	612,006
Cash Assets		84,815	79,042	84,815	79,042
Debtors		4,541	655	4,541	655
Floating Rate Promissory Notes	(i)	(233,787)	(203,154)	(233,787)	(203,154)
Forward Foreign Exchange Contracts		7	(2,797)	7	(2,797)
Creditors		(258)	(509)	(258)	(509)
		905,249	903,877	905,249	903,877

Non-Current Investments

At Net Market Value

Freehold Properties	(ii)	290,365	292,700	290,365	292,700
Property Trust - Unlisted		77,892	-	77,892	-
		368,257	292,700	368,257	292,700

At Cost

Investment in Subsidiary	(iii)	-	-	100,000	100,000
Provision for Write Down in Subsidiary		-	-	(100,000)	(100,000)
		-	-	-	-

		368,257	292,700	368,257	292,700
		1,273,506	1,196,577	1,273,506	1,196,577

- (i) The Floating Rate Promissory Note represents RiskCover's share of the investment pool of the economic entity. Refer Note 31.
- (ii) The Commission has a policy of having all freehold properties valued annually by one or more independent valuers. All properties have been valued at 30 June 2003. Refer Note 1(p). The independent valuer used for the balance date valuations was [Mr S Nuttall AAPI ASIA of CB Richard Ellis \(W\) Pty Ltd for both the Forrest Centre and the Hartleys Building](#).
- (iii) The Commission owns 100% of the issued share capital of the Corporation. The investment in the Corporation is fully written down at 30 June 2003 because its liabilities exceed its assets. The Corporation's net deficiency in assets at balance date of \$6.5 million (2002 - \$6.8 million) has been included as a current liability of the Commission. Refer Note 14.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. OTHER FINANCIAL ASSETS (continued)

Rothwells Limited (in Liquidation) ("Rothwells") - Investment

The Rothwells' investment debt (previously written off) was \$78.054 million. Total dividends received from the liquidator up to 30 June 2002 amounted to \$29.812 million (38.19 cents in the dollar). No dividend was received during the year ended 30 June 2003. The liquidation is now complete and therefore no further amounts are expected to be received from the liquidator.

Spedley Securities Limited (in Liquidation) ("Spedley") - Investment

The Spedley's investment debt (previously written off) was \$31.849 million. Dividends for the full amount had been received from the liquidator by 30 June 2000. Total interest received up to 30 June 2002, representing interest earned on the funds held by the liquidator, amounted to \$7.967 million. Further interest of \$0.347 million, which was brought to account in the year ended 30 June 2002, was received during the year ended 30 June 2003. The liquidator has advised that there may be a small final distribution at some time in the future, however the timing and value of this payment is uncertain and has therefore not been brought to account at balance date.

The Bell Group Ltd (in Liquidation) ("TBGL") and Bell Group Finance Pty Ltd (in Liquidation) ("BGF") - Convertible Bonds

The Commission is owed \$150 million plus interest by TBGL and BGF in respect of subordinated convertible bonds ("Bell bonds") which were purchased by the Commission pursuant to an underwriting agreement dated 29 April 1988.

The Commission is one of the creditors funding the liquidators of TBGL, BGF and their subsidiaries pursuant to indemnity agreements with the liquidators to meet their costs of conducting an action (the "Bell recovery action") for the recovery of approximately \$280 million plus interest (which results in a total claimed recovery to the liquidations in excess of \$1.4 billion) from two syndicates of banks headed by Westpac Banking Corporation Ltd and Lloyds Bank plc of London.

Insurance policies are in place providing cover for the Commission's exposure to the funding of the liquidators' costs from 1 April 1999 to balance date.

The Board believes that it is appropriate to maintain the carrying value of the Bell bonds at zero, pending the final outcome of the Bell recovery action.

- TBGL Shares and Southern Equities Corporation Ltd (in Liquidation) ("SECL") Indemnity

The Commission was owed \$200.967 million (previously written off) by SECL (formerly known as Bond Corporation Holdings) pursuant to a judgement of the Supreme Court of Western Australia dated 21 June 1996. The judgement arose from an indemnity given by SECL in relation to the purchase of shares in TBGL by the Commission at the time it acquired the Bell bonds.

On 7 May 2003, the Commission received \$17.082 million (8.5 cents in the dollar) as a dividend from the SECL administration. The recognition of this dividend in the Statement of Financial Performance has been deferred until the costs of providing funding to the Bell Group liquidators for the conduct of the Bell recovery action are able to be determined. Refer Note 13.

Further dividends from the SECL administration are expected. However, the Board, having regard to the uncertainty that exists in relation to the amount and timing of the future dividends to be received from the SECL liquidator, believes that it is appropriate to maintain the carrying value of this debt at zero.

During the year, the Commission also received \$26.741 million from the SECL administration pursuant to a legal settlement reached by the liquidator prior to 30 June 2002. This payment comprised \$21.661 million priority distributions to the Commission as a funding creditor of the liquidator's action against SECL's auditors, Arthur Andersen, \$3.400 million repayment of funding contributions and \$1.680 million interest on the funding contributions. This amount was brought to account, at 30 June 2002, as a Current Asset (Other Receivables). Refer Note 6. The receipt of \$26.741 million does not reduce the Commission's claim in respect of the judgement debt.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. OTHER ASSETS

Current

Prepaid Expenses
Deferred Acquisition Costs

9. PLANT AND EQUIPMENT

Plant and Equipment

At Cost
Less: Accumulated Depreciation

Furniture and Fittings

At Cost
Less: Accumulated Depreciation

Computer Hardware and Software

At Cost
Less: Accumulated Depreciation

Motor Vehicles

At Cost
Less: Accumulated Depreciation

Leasehold Improvements

At Cost
Less: Accumulated Depreciation

10. PAYABLES

Current

Sundry Creditors
Reinsurance Creditors
Goods and Services Tax Liability

Non-Current

Mine Workers' Relief Fund

(i)

	CONSOLIDATED		COMMISSION	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	526	652	526	652
	2,710	2,523	2,710	2,523
	3,236	3,175	3,236	3,175
	956	1,027	956	1,027
	(648)	(592)	(648)	(592)
	308	435	308	435
	404	699	404	699
	(292)	(587)	(292)	(587)
	112	112	112	112
	9,424	9,492	9,424	9,492
	(6,748)	(5,891)	(6,748)	(5,891)
	2,676	3,601	2,676	3,601
	1,004	989	1,004	989
	(103)	(127)	(103)	(127)
	901	862	901	862
	2,325	1,809	2,325	1,809
	(483)	(143)	(483)	(143)
	1,842	1,666	1,842	1,666
	5,839	6,676	5,839	6,676
	11,689	7,581	11,689	7,581
	305	399	292	374
	-	1,685	-	1,685
	11,994	9,665	11,981	9,640
	19	20	19	20
	19	20	19	20

- (i) The assets of the Mine Workers' Relief Fund ("MWRF") were vested in the State Government Insurance Office on 14 September 1984 pursuant to Section 62A of the *Mine Workers' Relief Fund Act 1932* and were transferred to the Commission on 1 January 1987 when Schedule 4(9) of the *Insurance Commission of Western Australia Act 1986* came into operation. The MWRF is managed by the Commission, the liability for which is included in the Insurance Commission General Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. OUTSTANDING CLAIMS

Liability for Outstanding Claims (undiscounted)
Discount to present value

Liability for Outstanding Claims (discounted)

Current

Non-Current

	CONSOLIDATED		COMMISSION	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
	1,533,989	1,490,533	1,521,580	1,476,626
	(273,610)	(263,806)	(270,574)	(260,712)
	1,260,379	1,226,727	1,251,006	1,215,914
	307,854	333,321	306,631	331,811
	952,525	893,406	944,375	884,103
	1,260,379	1,226,727	1,251,006	1,215,914

Direct Insurance (excluding RiskCover)

The Board has added a prudential margin to the central estimate of the discounted future claims payments to provide for a higher degree of certainty that the liability for long-tail outstanding claims, at balance date, will be adequate to cover possible adverse developments. Refer Note 1(k). The degree of certainty required by the Board has been achieved by a prudential margin that allows for a 75% (2002 - 75%) level of confidence that the provision will be adequate in meeting the actual amount of liability to which it relates. The prudential margin has added \$90.2 million (2002 - \$86.8 million) to the liability for outstanding claims at balance date.

Employers' Indemnity Supplementation Fund Act 1980 ("EISF Act") Liabilities

On 14 March 2001, the HIH Insurance Group of companies (incorporating both FAI Insurances Limited and CIC Insurance Limited) was placed in provisional liquidation. All relevant workers' compensation claims arising within Western Australia up to and including this date will be met from the Employers' Indemnity Supplementation Fund, which is managed by the Workers' Compensation and Rehabilitation Commission ("WCRC").

The EISF Act was established to fund the payment of certain claims for workers' compensation and for damages, and other incidental purposes, arising from injury to, or death of, a worker. Section 19 of the EISF Act states that a person or employer may make a claim against the Commission for compensation under the *Workers' Compensation and Rehabilitation Act 1981*, or damages at common law, if the liability of the employer is covered by an employers' policy and the insurer who issued that policy is dissolved under law, or is unable to provide the indemnity required under that policy. Accordingly the Commission is required to take up a liability for the HIH workers' compensation outstanding claims, notwithstanding the fact that these EISF Act liabilities have not arisen as a result of the Commission's underwriting activities.

The actuarially assessed outstanding claims liabilities for these HIH policies of \$30.9 million (2002 - \$48.4 million) are included in the Commission's total "Liability for Outstanding Claims (discounted)" above of \$1,251.0 million (2002 - \$1,215.9 million) and includes a prudential margin that allows for a 75% level of confidence (2002 - 75%). This prudential margin has added \$3.8 million (2002 - \$5.9 million) to the EISF Act liability for outstanding claims, at balance date, which excludes any allowance for reinsurance recoveries, as the extent of these recoveries is uncertain.

In accordance with Section 25(2) of the EISF Act, the Commission has the right of reimbursement from the WCRC for all payments and expenses paid under the EISF Act. A Right of Indemnity asset, equal to the value of the outstanding claims liability, has therefore been brought to account. Refer Note 6.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. OUTSTANDING CLAIMS (continued)

Inwards Reinsurance

The measurement of the liability for outstanding claims is consistent with Direct Insurance above. The level of confidence required by the Board is 75% (2002 - 75%). The prudential margin has added \$1.0 million (2002 - \$1.1 million) to the liability for outstanding claims at balance date. In addition, due to adverse experience in two segments of the claims portfolio in recent years, namely in the Australian Casualty Proportional business and on a professional indemnity contract (MIP), the Board has accepted an actuarial recommendation to include additional margins in these two segments, of \$0.9 million (2002 - \$0.8 million) and \$0.8 million (2002 - \$1.0 million) respectively.

Liability for Outstanding Claims (discounted)

The liability for outstanding claims (which does not include reinsurance and other recoveries receivable) by Fund is set out below:

	CONSOLIDATED		COMMISSION	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Insurance Commission General Fund				
- General Insurance*	74,074	54,217	74,074	54,217
- EISF Act *	30,860	48,395	30,860	48,395
	104,934	102,612	104,934	102,612
Third Party Insurance Fund	1,073,080	1,045,330	1,073,080	1,045,330
Compensation (Industrial Diseases) Fund	7,744	7,521	7,744	7,521
Government Insurance Fund *	65,248	60,451	65,248	60,451
Inwards Reinsurance - Corporation *	9,373	10,813	-	-
Total	1,260,379	1,226,727	1,251,006	1,215,914

* Indicates Funds in "run-off"

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. OUTSTANDING CLAIMS (continued)

Inflation and Discount Rates

The following rates were used in measuring the liability for long-tail outstanding claims, reinsurance and other recoveries at 30 June 2003 for each fund of the Commission:

	% Rates Used - 2003		% Rates Used - 2002	
	Year Ending 30 June 2003	Subsequent Years	Year Ending 30 June 2002	Subsequent Years
Third Party Insurance Fund				
Inflation Rate (Wage)	3.60	3.78	4.00	3.83
Superimposed Inflation	2.00	2.00	6.50	6.50
Total Inflation*	5.67	5.86	10.76	10.58
Discount Rate	4.40	4.99	5.30	6.06
Compensation (Industrial Diseases) Fund				
Inflation Rate (Wage)	3.60	3.90	4.00	4.20
Superimposed Inflation	-	-	-	-
Total Inflation*	3.60	3.90	4.00	4.20
Discount Rate	4.40	5.20	5.30	6.20
Insurance Commission General Fund				
- General Insurance				
Inflation Rate (Wage)	3.60	3.90	4.00	4.20
Superimposed Inflation	-	-	-	-
Total Inflation*	3.60	3.90	4.00	4.20
Discount Rate	4.40	5.20	5.30	6.30
- EISF Act				
Inflation Rate (Wage)	3.50	3.50	3.50	3.50
Superimposed Inflation	3.75	3.75	5.33	5.33
Total Inflation*	7.38	7.38	9.02	9.02
Discount Rate	4.40	4.40	5.30	6.20
Government Insurance Fund				
- Workers' Compensation				
Inflation Rate (Wage)	3.60	3.90	4.00	4.10
Superimposed Inflation	4.00	4.00	4.00	4.00
Total Inflation*	7.74	8.06	8.16	8.26
Discount Rate	4.40	5.20	5.30	6.10
- Liability				
Inflation Rate (Wage)	3.60	3.80	4.00	3.90
Superimposed Inflation	5.00	5.00	5.00	5.00
Total Inflation*	8.78	8.99	9.20	9.09
Discount Rate	4.40	5.00	5.30	6.10

The actual future discount and wage inflation rates used in the actuarial projections are the same for both long-tail outstanding claims and reinsurance and other recoveries in each of the 2003 and 2002 financial years. For the "Subsequent Years" column a single equivalent discount and wage inflation rate is shown for each class of business in place of the actual rates for each year. The minor variations between the classes arise due to the different weighted average expected terms to settlement for each class. The average weighted expected terms to settlement are separately disclosed in this Note (see over page).

* The total inflation rate is determined by compounding the wage and superimposed inflation rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. OUTSTANDING CLAIMS (continued)

Notes	Third Party Insurance Fund		Compensation (Industrial Diseases) Fund		Government Insurance Fund		Insurance Commission General Fund (iii)	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Commission								
The following are the liabilities for outstanding claims for each Fund:								
Liability for Outstanding Claims (undiscounted)	1,265,700	1,238,080	11,686	10,976	94,862	92,852	149,332	134,718
Discount to present value	(192,620)	(192,750)	(3,942)	(3,455)	(29,614)	(32,401)	(44,398)	(32,106)
Liability for Outstanding Claims (discounted)	1,073,080	1,045,330	7,744	7,521	65,248	60,451	104,934	102,612
Current	21	21	21	21	21	21	21	21
Non-Current	21	21	21	21	21	21	21	21
	281,330	297,410	804	947	9,754	10,804	14,743	22,650
	791,750	747,920	6,940	6,574	55,494	49,647	90,191	79,962
	1,073,080	1,045,330	7,744	7,521	65,248	60,451	104,934	102,612
Weighted average expected term to settlement	3 yrs 1 mths	2 yrs 8 mths	7 yrs 11 mths	6 yrs 1 mths	(i)	(i)	(ii)	(ii)
(i) The long-tail classes in the Government Insurance Fund comprise Workers' Compensation: 6 yrs 4 mths (2002 - 5 yrs 11 mths) and Liability: 3 yrs 4 mths (2002 - 3 yrs 5 mths).								
(ii) The long-tail classes in the Insurance Commission General Fund comprise General Insurance : 7 yrs 8 mths (2002 - 6 yrs 4 mths) and EISF Act liabilities : 4 yrs 7 mths (2002 - 2 yrs 4 mths).								
(iii) The Insurance Commission General Fund includes the liabilities arising under the EISF Act as follows :-								
Liability for Outstanding Claims (undiscounted)							38,821	55,053
Discount to present value							(7,961)	(6,658)
Liability for Outstanding Claims (discounted)							30,860	48,395
Current							6,945	16,273
Non-Current							23,915	32,122
							30,860	48,395

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. OUTSTANDING CLAIMS (continued)

Compensation (Industrial Diseases) Fund

The long duration of the expected term to settlement of these claims is due to the latency associated with asbestos-related diseases. The IBNR and IBNER claims included in the liability for outstanding claims are actuarially estimated to continue to be reported until the year 2030.

The above liability includes an amount of \$7.3 million (2002 - \$7.1 million), representing the estimated liability of asbestos mining-related workers' compensation claims, prior to future recoveries, arising from operations at Wittenoom. A recoverable amount of \$2.0 million (2002 - \$2.5 million) is included in Reinsurance and Other Recoveries Receivable in Note 6. This produces a net liability for asbestos-mining-related claims of \$5.3 million (2002 - \$4.6 million).

Insurance Commission General Fund - General Insurance

The long duration of the expected term to settlement of these claims is also due to the latency associated with asbestos related diseases. The IBNR and IBNER claims included in the liability for outstanding claims are actuarially estimated to continue to be reported until the year 2030.

The liability for outstanding claims applicable to classes of insurance conducted by the State Government Insurance Office prior to 1 January 1987 are settled through this Fund, which includes Wittenoom asbestos-related common law liability, as detailed below.

The above liability includes an amount of \$55.0 million (2002 - \$37.6 million) representing the estimated liability, prior to future recoveries, for the Wittenoom asbestos-related common law claims. A recoverable amount of \$27.5 million (2002 - \$18.8 million) is included in Reinsurance and Other Recoveries Receivable in Note 6. This produces a net liability relating to the Wittenoom asbestos-related common law claims of \$27.5 million (2002 - \$18.8 million).

	CONSOLIDATED	
	2003	2002
	\$'000	\$'000
(b) Inwards Reinsurance - Corporation		
Liability for Outstanding Claims (undiscounted)	12,409	15,147
Discount to present value	(3,036)	(4,334)
Liability for Outstanding Claims (discounted)	9,373	10,813
Current	1,223	1,510
Non-Current	8,150	9,303
	9,373	10,813
Weighted average expected term to settlement	6 yrs 1 mths	5 yrs 10 mths

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. OUTSTANDING CLAIMS (continued)

Liability for Outstanding Claims

The liability for outstanding claims is based on development patterns derived from International Underwriting Association statistics, or derived from the experience of particular treaties. These development patterns indicate the manner in which the liability, in respect of individual years of underwriting, are expected to change over future periods. The estimate allows implicitly for the same rates of claim inflation as those occurring during the periods from which the development patterns were derived.

Discount Rates

The following discount rates were used in measuring the liability for outstanding claims and reinsurance and other recoveries for the Corporation:

Financial Year	% Rates Used - 2003			% Rates Used - 2002		
	Australia	UK	US	Australia	UK	US
2003	N/A	N/A	N/A	5.30	4.30	2.20
2004	4.40	3.30	1.10	5.70	5.40	3.40
2005	4.50	3.60	1.60	6.00	5.40	4.50
2006	4.70	3.90	2.40	6.20	5.30	5.20
2007	5.00	4.20	3.20	6.30	5.30	5.80
2008	5.40	4.40	3.90	6.40	5.20	6.10
2009	5.50	4.60	4.40	6.50	5.20	6.10
2010	5.50	4.70	4.90	6.50	5.10	6.10
2011	5.50	4.80	5.30	6.50	5.00	6.10
2012	5.50	4.80	5.50	6.50	5.00	6.10
2013	5.50	4.80	5.70	6.50	4.80	6.10
2014 and later	5.50	4.80	5.80	6.50	4.80	6.10

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

12. EMPLOYEE BENEFITS

Current

Provisions

Revisions				
Annual Leave	1,059	1,025	1,059	1,025
Long Service Leave	613	633	613	633
Superannuation: Pension Scheme	1,159	1,070	1,159	1,070
	13	2,728	2,831	2,728
Other Liabilities				
Accrued Salaries	335	497	335	497
Accrued Superannuation:				
- Gold State/West State	17	12	17	12
	14	509	352	509
Total Current	3,183	3,237	3,183	3,237
Non-Current				
Provisions				
Long Service Leave	1,484	1,502	1,484	1,502
Superannuation: Pension Scheme	10,035	10,009	10,035	10,009
Total Non-Current	13	11,511	11,519	11,511
Total Employee Benefits		14,748	14,702	14,748

As explained in Note 1(m), the amounts for non-current long service leave and superannuation are measured at their present values. The following assumptions were adopted in measuring present values:

(a) Long Service Leave

Weighted average rates of increase in annual employee benefits (%)	3.0	3.3	3.0	3.3
Weighted average discount rates (%)	4.6	5.7	4.6	5.7
Weighted average expected term to settlement	4 yrs 4 mths	4 yrs 2 mths	4 yrs 4 mths	4 yrs 2 mths

(b) Superannuation: Pension Scheme

Weighted average rates of increase in annual employee benefits (%)	3.5	3.5	3.5	3.5
Weighted average discount rates (%)	6.5	6.5	6.5	6.5
Weighted average expected term to settlement	10 yrs 4 mths	10 yrs 7 mths	10 yrs 4 mths	10 yrs 7 mths

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>Notes</u>	CONSOLIDATED		COMMISSION	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
13. PROVISIONS					
Current					
Employee Benefits	12	2,831	2,728	2,831	2,728
Deferred Income	7	17,082	-	17,082	-
		19,913	2,728	19,913	2,728
Non-Current					
Employee Benefits	12	11,519	11,511	11,519	11,511
		11,519	11,511	11,519	11,511
14. OTHER LIABILITIES					
Current					
Indemnity for Corporation's Net Liabilities	24	-	-	6,511	6,802
Employee Benefits	12	352	509	352	509
Other		98	852	98	845
		450	1,361	6,961	8,156
15. RESERVES					
Compensation (Industrial Diseases) Fund Reserve					
Balance at beginning of the year		12,528	12,816	12,528	12,816
Transfer to Accumulated Profits	16	(988)	(288)	(988)	(288)
Balance at end of the year		11,540	12,528	11,540	12,528

The Compensation (Industrial Diseases) Fund reserve results from funds surplus to the actuarial estimate for its outstanding claims liabilities. In accordance with the *Insurance Commission of Western Australia Act 1986*, the Commission may only transfer the moneys in this Reserve to meet, or assist in meeting, any amounts required to be expended by the Commission pursuant to the *Mine Workers' Relief Fund Act 1932* (refer Note 10) and research into the prevention and treatment of industrial diseases. Part of the reserve has been and will in the future be expended on medical research to find a cure for mesothelioma.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<u>Notes</u>	CONSOLIDATED		COMMISSION	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
16. ACCUMULATED PROFIT					
Balance at beginning of the year		81,059	107,116	81,059	107,116
Operating Profit/(Loss) for the year after Related Income Tax Equivalent (Expense)/Benefit		22,612	(26,345)	22,612	(26,345)
Net Effect on the initial adoption of: Revised AASB 1028 "Employee Benefits"	1(b)	(9)	-	(9)	-
Amount transferred from Compensation (Industrial Diseases) Fund reserve	15	988	288	988	288
Balance at end of the year		104,650	81,059	104,650	81,059

		CONSOLIDATED	
		2003 \$'000	2002 \$'000
17. AMOUNTS RECEIVABLE AND PAYABLE DENOMINATED IN FOREIGN CURRENCIES (Australian dollars equivalent)			
Receivables			
Current			
United States dollars		3	3
Non-Current			
United States dollars		19	21
Total Receivables		22	24
Payables			
Current			
Canadian dollars		2	2
Great British pounds		68	96
United States dollars		596	810
		666	908
Non-Current			
Canadian dollars		10	12
Great British pounds		380	474
United States dollars		3,356	4,560
		3,746	5,046
Total Payables		4,412	5,954

The amounts disclosed above for Receivables and Payables for both 2003 and 2002 relate solely to the Corporation. No amounts relate to the Commission.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS

(a) Purpose for which derivative transactions are undertaken

A derivative financial instrument is a contract whose existence is derived from the value of, or changes in the value of, an underlying investment security. The Commission's external Investment Managers may utilise derivatives in order to gain access to and allow flexibility in financial markets and to manage and structure the investment portfolio in line with the Commission's investment strategy.

Derivatives are not utilised in a speculative manner, nor are Investment Managers permitted to leverage the investment portfolio. Therefore, whenever derivative positions are created, cash or the underlying physical security is held to cover any potential liability. The face value of the underlying security, valued at current market values, is utilised to determine the equivalent dollar value of the derivative product. At balance date, all of the Commission's derivative positions were matched by cash or the underlying security.

The experience to date with the external Investment Managers shows that derivatives have been used to a minimal extent. They have mainly been used to achieve reduced transaction costs and as an efficient and effective method of implementing asset allocation decisions.

(b) Futures

		CONSOLIDATED	
		2003	2002
		\$'000	\$'000
At balance date the details of outstanding contracts are:			
Up to 1 year			
Interest Rate Futures			
Notional Principal Amount of (Liability)/Asset	(i)	(2,989)	2,477
Weighted Average Price		4.88%	5.70%
Equity Futures			
Notional Principal Amount of Asset	(i)	1,962	823

- (i) The Notional Principal Amount (effective exposure) of the above interest rate and equity futures is backed by an equal amount of cash. If all futures contracts were exercised at balance date, the Commission could effectively replace the futures with cash holdings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (continued)

(c) Interest Rate Risk Exposure

Interest rate risk is the risk that the economic entity will suffer a financial loss due to adverse movements in interest rates.

The following tables detail the economic entity's exposure to interest rate risk at balance date:

Current Year

CONSOLIDATED 2003 (\$'000)

	Variable Interest Rate	Fixed Interest Rate Maturing in			Non-Interest Bearing	Total	Weighted Average Interest Rate (%)
		Less than 1 Year	1 to 5 Years	More than 5 Years			
Financial Assets							
Fixed Interest Bonds	-	27,416	141,967	109,126	-	278,509	4.91
Fixed Interest Unit Trusts	-	-	-	-	72,356	72,356	-
Indexed Bonds	-	-	7,193	60,776	-	67,969	2.87
Shares - Listed Equities	-	-	-	-	630,073	630,073	-
Cash Assets	34,021	53,521	-	-	-	87,542	3.96
Right of Indemnity	-	-	-	-	81,706	81,706	-
Forward Foreign Exchange Contracts	-	-	-	-	7	7	-
Other Financial Assets	-	-	-	-	85,191	85,191	-
Total Financial Assets	34,021	80,937	149,160	169,902	869,333	1,303,353	
Weighted Average Interest Rate (%)	2.62	4.84	4.81	4.18	-		
Financial Liabilities							
Bank	1,528	-	-	-	-	1,528	4.50
RiskCover Floating Rate Promissory Note	233,787	-	-	-	-	233,787	- (i)
Forward Foreign Exchange Contracts	-	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	15,536	15,536	-
Total Financial Liabilities	235,315	-	-	-	15,536	250,851	
Net Financial Assets/(Liabilities)	(201,294)	80,937	149,160	169,902	853,797	1,052,502	
Weighted Average Interest Rate (%)	2.50	-	-	-	-		

- (i) The RiskCover Floating Rate Promissory Note represents RiskCover's share of the investment pool of the economic entity. RiskCover earns an investment return on its share of the investment pool. For the year ended 30 June 2003 this equated to a return of 2.50%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (continued)

Previous Year

CONSOLIDATED 2002 (\$'000)

	Variable Interest Rate	Fixed Interest Rate Maturing in			Non-Interest Bearing	Total	Weighted Average Interest Rate (%)
		Less than 1 Year	1 to 5 Years	More than 5 Years			
Financial Assets							
Fixed Interest Bonds	-	19,235	169,922	124,928	-	314,085	5.98
Fixed Interest Unit Trusts	-	-	-	-	52,679	52,679	-
Indexed Bonds	-	-	835	53,533	-	54,368	3.37
Shares - Listed Equities	-	-	-	-	612,806	612,806	-
Cash Assets	40,414	42,497	-	-	-	82,911	4.09
Right of Indemnity	-	-	-	-	96,950	96,950	-
Forward Foreign Exchange Contracts	-	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	77,091	77,091	-
Total Financial Assets	40,414	61,732	170,757	178,461	839,526	1,290,890	
Weighted Average Interest Rate (%)	4.10	4.68	5.97	5.20	-		
Financial Liabilities							
Bank	3,088	-	-	-	-	3,088	4.50
RiskCover Floating Rate Promissory Note	203,154	-	-	-	-	203,154	- (i)
Forward Foreign Exchange Contracts	-	-	-	-	2,796	2,796	-
Other Financial Liabilities	-	-	-	-	14,284	14,284	-
Total Financial Liabilities	206,242	-	-	-	17,080	223,322	
Net Financial Assets/(Liabilities)	(165,828)	61,732	170,757	178,461	822,446	1,067,568	
Weighted Average Interest Rate (%)	(2.00)	-	-	-	-		

- (i) The RiskCover Floating Rate Promissory Note represents RiskCover's share of the investment pool of the economic entity. RiskCover earns an investment return on its share of the investment pool. For the year ended 30 June 2002 this equated to a return of -2.00%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (continued)

	<u>Notes</u>	CONSOLIDATED	
		2003 \$'000	2002 \$'000
(ii) Reconciliation of Net Financial Assets to Net Assets			
Net Financial Assets as above	18 (c)	1,052,502	1,067,568
Add/(Less): Interest Rate Futures		2,989	(2,477)
Less: Equity Futures		(1,962)	(823)
		1,053,529	1,064,268
Reinsurance and Other Recoveries Receivable	6	97,269	79,409
Investments - Freehold Properties	7	368,257	292,700
Plant and Equipment	9	5,839	6,676
Other Assets		6,297	6,626
Outstanding Claims	11	(1,260,379)	(1,226,727)
Superannuation Liability	12	(11,211)	(11,091)
Unearned Premium		(126,005)	(117,857)
Other Liabilities		(17,406)	(417)
Net Assets per Statement of Financial Position		116,190	93,587

(d) Credit Risk Exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity.

The economic entity does not have a significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics, with the exception of having 76% (2002 - 80%) of its recognised financial assets in Australia.

	CONSOLIDATED	
	2003 \$'000	2002 \$'000
Recognised Financial Assets		
The carrying amount of the financial assets recorded in the consolidated Statement of Financial Position, net of any provision for losses	1,304,369	1,287,596
Total Maximum Credit Risk Exposure	1,304,369	1,287,596

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (continued)

Credit Risk Exposure by Institutions' Ratings

The economic entity is authorised by its enabling legislation to invest and manage money and other property under its control. The Treasurer of Western Australia has approved and issued Prudential Guidelines for investment, developed by the economic entity, which controls the type of investments that it can invest in and imposes ratings for credit risk limits for those investments. The following table relates to the market values of only bonds, short-term discount securities, deposits at call and debtors in respect of unsettled transaction trades as per Standard and Poors ratings. Refer Note 7.

	CONSOLIDATED	
	2003	2002
	\$'000	\$'000
AAA rating	239,349	246,199
AA+ to AA- ratings	42,573	43,817
A+ to A- ratings	67,426	77,933
A1+ to A2 (short-term) rating	125,239	95,547
Credit Risk Exposure	474,587	463,496

(e) Net Fair Value

The recognised financial assets and liabilities are carried at amounts that approximate net fair value. The recognised financial assets and liabilities, with the exception of those listed below, are readily traded on organised markets. The following table details the net fair value at balance date of each class of recognised financial asset and liability, which are not readily traded on organised markets:

Not Readily Traded on Organised Markets

Recognised Financial Assets

Fixed Interest Unit Trusts	72,356	52,679
Equity Unit Trusts	9,797	758
Investment Debtors	4,541	655
Receivables (Current and Non-Current)	80,653	76,437
Right of Indemnity (Current and Non-Current)	81,706	96,950
	249,053	227,479

Recognised Financial Liabilities

Investment Creditors	258	509
Payables	11,689	9,266
Other Liabilities (Current and Non-Current)	3,589	4,508
	15,536	14,283

19. SEGMENT REPORTING

The ultimate location of the Corporation's insured risks is not readily identifiable. Other than the geographical segmentation of the Corporation being unknown, the economic entity operates predominantly in the general insurance industry in Australia. A full description of the general insurance services provided by the Commission is contained in the Review of Insurance Operations section of the Annual Report. Financial information in relation to the Third Party Insurance Fund, Compensation (Industrial Diseases) Fund, Government Insurance Fund and the Insurance Commission General Fund is disclosed in Notes 20 and 21.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20. FUNDS' STATEMENT OF FINANCIAL PERFORMANCE

	Third Party Insurance Fund		Compensation (Industrial Diseases) Fund		Government Insurance Fund		Insurance Commission General Fund	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Premium Revenue	308,924	298,182	182	393	-	-	-	-
Outwards Reinsurance Expense	(2,556)	(1,858)	-	-	-	-	-	-
Outwards Reinsurance Commission Revenue	265	178	-	-	-	-	-	-
Net Earned Premium	306,633	296,502	182	393	-	-	-	-
Claims (Incurred)/Credit Reinsurance and Other Recoveries Revenue/(Charge)	(278,217) 11,649	(299,861) 20,658	(670) (411)	(248) 126	(12,562) (741)	144 (1,605)	(25,259) 11,644	(17,360) 565
Net Claims Incurred	(266,568)	(279,203)	(1,081)	(122)	(13,303)	(1,461)	(13,615)	(16,795)
Underwriting and Administration Expenses	(24,561)	(24,368)	(620)	(537)	(573)	(627)	(17,535)	(15,506)
UNDERWRITING PROFIT/(LOSS)	15,504	(7,069)	(1,519)	(266)	(13,876)	(2,088)	(31,150)	(32,301)
Investment Income	38,985	6,032	493	125	141	3,528	4,797	735
Investment Expenses	(11,119)	(9,868)	(150)	(146)	(27)	(25)	(8,555)	466
Other Income	-	-	-	-	13,762	(1,416)	15,313	13,809
Other Expenses	-	-	-	-	-	-	2	2,141
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT	43,370	(10,906)	(1,176)	(288)	-	-	(19,593)	(15,150)
Related Income Tax Equivalent (Expense)/Benefit attributable to Operating Profit/(Loss)	(5,873)	-	188	-	-	-	5,685	-
OPERATING PROFIT/(LOSS) AFTER RELATED INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT RECOGNISED IN EQUITY	37,497	(10,906)	(988)	(288)	-	-	(13,908)	(15,150)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20. FUNDS' STATEMENT OF FINANCIAL PERFORMANCE (continued)

The Compensation (Miscellaneous Risks) Fund is not reported in this note as there were no financial transactions for this account during the financial years ended 30 June 2003 and 30 June 2002.

The above Statements of Financial Performance for the four Funds are presented without eliminations for inter-fund transactions. The Statement of Financial Performance for the Commission represents an aggregation of the Funds taking into account inter-fund eliminations. The main eliminations are:

- (i) Investment revenue of \$1.919 million (2002 - \$2.005 million) in relation to the Commission's portion of the rentals incurred as an owner/occupier.
- (ii) Net Claims recoveries of \$0.019 million (2002 - \$0.296 million) by the Government Insurance Fund from the Third Party Insurance Fund for workers' compensation expense arising out of injuries involving motor vehicles.
- (iii) Tax Equivalent Losses of \$5.873 million (2002 - \$Nil) were transferred to the Third Party Insurance Fund from the Insurance Commission General Fund (\$5.685 million) and from the Compensation (Industrial Diseases) Fund (\$0.188 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. FUNDS' STATEMENT OF FINANCIAL POSITION

	Third Party Insurance Fund		Compensation (Industrial Diseases) Fund		Government Insurance Fund		Insurance Commission General Fund	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS								
Receivables	25,056	37,094	260	754	9,603	14,748	14,448	24,871
Other Financial Assets	-	-	-	-	-	-	905,539	904,141
Other Assets	2,710	2,523	188	-	-	-	6,211	652
TOTAL CURRENT ASSETS	27,766	39,617	448	754	9,603	14,748	926,198	929,664
NON-CURRENT ASSETS								
Receivables	46,100	36,480	1,819	2,141	45,868	44,076	119,406	95,909
Other Financial Assets	-	-	-	-	-	-	368,257	292,700
Plant and Equipment	-	-	-	-	-	-	5,839	6,676
TOTAL NON-CURRENT ASSETS	46,100	36,480	1,819	2,141	45,868	44,076	493,502	395,285
Inter-Fund Investments	1,328,025	1,244,679	17,137	17,458	9,808	1,665	(1,354,970)	(1,263,802)
TOTAL ASSETS	1,401,891	1,320,776	19,404	20,353	65,279	60,489	64,730	61,147
CURRENT LIABILITIES								
Bank Overdraft	-	-	-	-	-	-	1,528	3,088
Payables	8,542	6,260	75	159	31	38	3,642	3,445
Outstanding Claims	281,330	297,410	804	947	9,754	10,804	14,743	22,650
Unearned Premiums	125,961	117,713	45	144	-	-	-	-
Provisions	-	-	-	-	-	-	19,913	2,728
Other Liabilities	5,997	659	-	1	-	-	6,837	7,496
TOTAL CURRENT LIABILITIES	421,830	422,042	924	1,251	9,785	10,842	46,663	39,407

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. FUNDS' STATEMENT OF FINANCIAL POSITION (continued)

	Third Party Insurance Fund		Compensation (Industrial Diseases) Fund		Government Insurance Fund		Insurance Commission General Fund	
<u>Notes</u>	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NON-CURRENT LIABILITIES								
Payables	-	-	-	-	-	-	19	-
Outstanding Claims	791,750	747,920	6,940	6,574	55,494	49,647	90,191	79,962
Provisions	-	-	-	-	-	-	11,519	11,511
Other Liabilities	-	-	-	-	-	-	-	1
TOTAL NON-CURRENT LIABILITIES	791,750	747,920	6,940	6,574	55,494	49,647	101,729	91,474
TOTAL LIABILITIES	1,213,580	1,169,962	7,864	7,825	65,279	60,489	148,392	130,881
NET ASSETS/(LIABILITIES)	188,311	150,814	11,540	12,528	-	-	(83,662)	(69,734)
EQUITY								
Reserves	-	-	11,540	12,528	-	-	-	-
Funds' Accumulated Profits/(Losses)	22 188,311	150,814	-	-	-	-	(83,662)	(69,754)
TOTAL EQUITY/(DEFICIENCY)	188,311	150,814	11,540	12,528	-	-	(83,662)	(69,754)

The Compensation (Miscellaneous Risks) Fund is not reported in this note as there were no financial transactions or assets and liabilities for this account during the financial years ended 30 June 2003 and 30 June 2002.

The Government Insurance Fund forms part of the financial statements of the Commission. In accordance with the Cabinet's decision of May 1996, however, Treasury has assumed liability for the accumulated deficit in that Fund as from 1 July 1997.

The Insurance Commission General Fund includes outstanding claims liabilities of \$30.9 million (2002 - \$48.4 million) relating to Western Australian workers' compensation policies of insurance issued by the HIH Group of Companies (in provisional liquidation). Refer Note 11.

The above Statement of Financial Position for the four Funds are presented without eliminations for inter-fund transactions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

22. FUNDS' ACCUMULATED PROFITS/(LOSSES)

	Third Party Insurance Fund		Compensation (Industrial Diseases) Fund		Government Insurance Fund		Insurance Commission General Fund	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at beginning of the year	150,814	161,720	-	-	-	-	(69,754)	(54,604)
Operating Profit/(Loss) for the year after Related Income Tax Equivalent (Expense)/Benefit	37,497	(10,906)	(988)	(288)	-	-	(13,908)	(15,150)
Amount transferred from Compensation (Industrial Disease) Fund reserve	-	-	988	288	-	-	-	-
Balance at end of the year	188,311	150,814	-	-	-	-	(83,662)	(69,754)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. EXPLANATORY STATEMENT - COMMISSION

	ACTUAL	BUDGET	ACTUAL	PROFIT INCREASE/(DECREASE) FROM ACTUAL 2003 TO			
	2003 \$'000	2003 \$'000		BUDGET 2003 \$'000	%	ACTUAL 2002 \$'000	%
Premium Revenue	309,106	312,708	298,575	(3,602)	(1.2)	10,531	3.5
Outwards Reinsurance Expense	(2,556)	(2,250)	(1,858)	(306)	(13.6)	(698)	(37.6)
Outwards Reinsurance Commission Revenue	265	225	178	40	17.8	87	48.9
Net Earned Premium	306,815	310,683	296,895	(3,868)	(1.2)	9,920	3.3
Claims (Incurred)/Credit	(316,690)	(344,267)	(317,029)	27,577	8.0	339	0.1
Reinsurance and Other Recoveries Revenue	22,122	20,790	19,448	1,332	6.4	2,674	13.7
Net Claims Incurred	(294,568)	(323,477)	(297,581)	28,909	8.9	3,013	1.0
Underwriting and Administration Expenses	(40,212)	(43,454)	(38,804)	3,242	7.5	(1,408)	(3.6)
UNDERWRITING LOSS	(27,965)	(56,248)	(39,490)	28,283	50.3	11,525	29.2
Investment Income	42,498	116,517	8,414	(74,019)	(63.5)	34,084	405.1
Investment Expenses	(19,849)	(33,844)	(9,574)	13,995	41.4	(10,275)	(107.3)
Other Income	27,926	15,942	12,164	11,984	75.2	15,762	129.6
Other Expenses	2	(273)	2,141	275	100.7	(2,139)	(99.9)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT	22,612	42,094	(26,345)	(19,482)	(46.3)	48,957	185.8

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. EXPLANATORY STATEMENT - COMMISSION (continued)

COMPARISON OF 2003 ACTUAL RESULTS TO 2003 BUDGET AND 2002 ACTUAL

Operating Profit/(Loss)

The Operating Profit for the Commission of \$22.6 million (before tax) is \$19.5 million lower than the budgeted Operating Profit of \$42.1 million and \$48.9 million higher than last year's loss, which was \$26.3 million. The analysis below highlights the key variances.

Claims Incurred

Claims Incurred at \$316.7 million remained at a similar level compared to 2002 (\$317.0 million), but was \$27.6 million (8.0%) below budget. This resulted partly from the Third Party Insurance Fund where incurred claims of \$278.2 million (see Note 20) were \$63.0 million below budget due primarily to lower than expected claims payments and a positive change in movement in net outstanding claims following an actuarial assessment. This was offset in part by claims incurred exceeding budget by \$23.6 million in the ICGF as a result of higher claims costs being experienced in Employers Indemnity lung disease claims and an increase in net outstanding claims following actuarial assessment. Further, the GIF claims incurred also exceeded budget by \$11.4 million resulting mainly from an increase in net outstanding claims following an actuarial assessment which identified a further possibility of receiving asbestos related liability claims.

Underwriting and Administration Expenses

The Underwriting and Administration Expenses of \$40.2 million were \$3.2 million (7.4%) below budget. This relates to lower than expected expenditure on accident prevention expenses (\$1.0 million), salaries and salary related expenses (\$1.2 million), contractors professional expenses (\$0.5 million) and information technology hardware and software expenses (\$0.5 million).

Investment Income

Investment Income of \$42.5 million was \$74.0 million (63.5%) below budget, which was primarily related to the disappointing returns in the worldwide equity markets. The 2003 result was a \$34.1 million (405.0%) increase above the 2002 result of \$8.4 million. Overseas equities markets delivered a return of -16.8% against a target return of 8.2%. Australian equities also experienced a negative return, although to a much lesser extent, with an actual return of -0.9% against a target of 8.0%. All other investment sectors were within a reasonable margin of their respective positive targeted returns.

Investment Expenses

Investment Expenses were \$14.0 million below budget, which was due to a lower payment of interest to RiskCover due to the disappointing results from the worldwide equities markets in 2002/2003. The \$10.3 million increase over last year was due to fact that RiskCover was required to pay interest to the Commission due to a negative investment performance in 2001/2002.

Other Income

Other Income was \$12.0 million over the budget of \$15.9 million and was \$15.8 million higher than last year's result of \$12.2 million. This was primarily due to an increase in the Right of Indemnity within the GIF, which was as a result of an increase of \$12.7 million in claims incurred (see note 20).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. GROUP ENTITIES

<u>Name</u>	<u>Legal Form</u>	<u>Place of Inc.</u>	<u>Shares Held</u>		<u>Cost of Investment</u>		<u>Total Changes Recognised in Equity</u>	
			<u>2003</u> <u>%</u>	<u>2002</u> <u>%</u>	<u>2003</u> <u>\$'000</u>	<u>2002</u> <u>\$'000</u>	<u>2003</u> <u>\$'000</u>	<u>2002</u> <u>\$'000</u>
Parent Entity								
Insurance Commission of Western Australia	Statutory Authority	Western Australia	-	-	-	-	22,603	(26,345)
Less Indemnity for Corporation's profits (eliminated on consolidation)							(291)	(2,746)
							22,312	(29,091)
Subsidiary								
State Government Insurance Corporation	Statutory Authority	Western Australia	100	100	100,000	100,000	291	2,746
					100,000	100,000	22,603	(26,345)

The Commission indemnifies the Corporation in respect of the amount by which its liabilities exceed its assets. At 30 June 2003 the indemnity for the Corporation's net liabilities was \$6.5 million (2002 - \$6.8 million). Refer Note 14.

The reduction in the indemnity for the year ended 30 June 2003 of \$0.3 million (2002 - \$2.7 million) has been credited to the Statement of Financial Performance. Refer Note 3.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

25. ECONOMIC DEPENDENCY

The normal trading activities of the Commission depend to a significant extent on the Department for Planning and Infrastructure ("DPI"), an agency of the Government of Western Australia.

DPI is responsible, under the *Motor Vehicle (Third Party Insurance) Act 1943*, for issuing the Commission's Third Party insurance policies, collecting premiums in relation to those policies and remitting premiums to the Commission.

Total premium revenue for the Third Party Insurance Fund during the 2003 financial year was \$308.9 million (2002 - \$298.2 million), representing virtually all of the Commission's premium revenue.

The Commission and DPI have jointly received independent professional advice that a number of major weaknesses existed in the overall control environment surrounding DPI's Licensing operations, which are responsible for processing and issuing Third Party insurance policies.

DPI has provided the Commission with a written confirmation dated 1 August 2003 that the above major weaknesses:

- did not in financial years 2002, 2003 and 2004 to date, affect the completeness and accuracy of the Third Party insurance premiums collected on the Commission's behalf by them; and
- have not affected and will not affect DPI's ability to issue and process Third Party insurance policies on the Commission's behalf, including the remitting of monies collected in relation to those policies in an accurate and complete manner.

The Commission has continued working with DPI during the financial year in the implementation by DPI of a new Executive and Licensing Information System, which is expected to go-live in October 2003. The internal auditors of both the Commission and DPI are working with DPI's project implementation team to ensure that this new system addresses all of the major weaknesses previously identified.

DPI's advice also confirms that:

- Third Party insurance premiums remitted to the Commission during the financial years 2002, 2003 and 2004 to date, completely and accurately reflect all such premiums the Commission was entitled to receive as collected on its behalf by DPI; and
- DPI has reviewed the data relating to the reporting of the unearned premium value to the Commission and is fully satisfied that this is an accurate representation of the liability amount.

26. CONTINGENT LIABILITIES

There are no contingent liabilities that materially affect the financial statements of the Commission.

27. EXPENDITURE COMMITMENTS

(a) Capital Expenditure Commitments

Estimated capital expenditure contracted for at balance date, but not provided for, payable:

	CONSOLIDATED		COMMISSION	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Not later than one year				
- Leasehold improvements	-	531	-	531
- Investment Property	11,750	-	11,750	-
	11,750	531	11,750	531
Between one and five years				
- Investment Property	34,700	-	34,700	-
	34,700	-	34,700	-

(b) Road Safety Commitments

The Board has resolved to provide funding of \$5.1 million (2002 - \$3.8 million) for road safety community education programs for the 2004 financial year.

(c) Other Commitments

It is estimated that the Commission may advance approximately \$23 million in funding the liquidators' prosecution of the Bell recovery action during the 2004 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. EVENTS OCCURRING AFTER BALANCE DATE

There were no events after balance date that materially affect the financial statements of the economic entity.

		CONSOLIDATED		COMMISSION	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
29. LOSSES THROUGH THEFT, DEFAULTS AND OTHER CAUSES					
Write off of Revenue and Debt	(i)	25	55	25	55
Write off of Plant and Equipment	(ii)	4	-	4	-
Recovery of Losses	(iii)	-	-	-	-
Gifts of Public Property	(iv)	1	1	1	1

(i) Comprises reinsurance debts of \$24,190 (2002 - \$54,696) and Compensation (Industrial Diseases) Fund debts of \$526 (2002 - \$Nil).

(ii) Comprises fixed assets of \$4,205 (2002 - \$Nil).

(iii) Insurance claims were lodged in relation to fixed assets stolen and settlement of \$493 (2002 - \$Nil) was received.

(iv) Computer equipment with a written down value totalling \$503 (2002 - \$1,263) was donated to government schools.

The above amounts were written off in accordance with Section 45 (3) of the *Financial Administration and Audit Act 1985*, under the authority of the Board of Commissioners.

Claims Recoveries Written Off

Recoveries arise from instances where the Commission seeks to recover from a third party or the insured the costs of a claim paid. In relation to the Third Party Insurance Fund the Commission has a statutory obligation to pay a third party claim and recognises a claim recovery when it has fully paid an injury claim and where the driver of the vehicle was in breach of the warranties of the policy or where the vehicle was uninsured.

In accordance with Australian Accounting Standard "Financial Reporting of General Insurance Activities" (AAS26), recoveries receivable are assessed with regard to the ability of the debtor to meet their obligations. These recoveries have not been brought to account as revenue because the amount to be recovered could not be reliably measured and consequently the write-off of these debts has not been charged as an expense in the Statement of Financial Performance. The debt write-offs below for the 2003 financial year are net of recoveries received from negligent owners or drivers of \$12,804 (2002 - \$82,942). The only loss to the Commission is the non-payment of TPIF premiums by uninsured motor vehicle owners, the total of which is estimated at \$3,380 for the year (2002 - \$2,230), which is more than offset by the recoveries received.

In accordance with Section 45(3) of the *Financial Administration and Audit Act 1985*, recoveries were written off from the following funds:

		CONSOLIDATED	
		2003	2002
		\$'000	\$'000
Third Party Insurance Fund		11,611	5,345
		11,611	5,345
Amounts written off by the responsible Minister		10,743	4,286
Amounts written off by the Board		868	1,059
		11,611	5,345

Number of individual recovery write-offs with values between:

	2003	2002
	No.	No.
\$ 100,000 - \$ 250,000	12	8
\$ 250,001 - \$ 1,000,000	9	2
\$ 1,000,001 - \$ 2,000,000	-	1
\$ 4,000,001 - \$ 5,000,000	1	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30. REMUNERATION OF THE BOARD OF COMMISSIONERS AND SENIOR OFFICERS

	CONSOLIDATED	
	2003 \$'000	2002 \$'000
Total fees, salaries, employer's contributions to superannuation and reportable fringe benefits received or due and receivable for the financial year by:		
Board of Commissioners ("Board")	548	512
Senior Officers	1,379	1,474

These amounts are based on a Total Employment Cost incorporating fees, salaries, employer's contribution to superannuation and reportable fringe benefits.

The Board consists of six non-executive Commissioners and the Managing Director. During 2003, the terms of two Members of the Board expired with two new Members being appointed as their replacement. The number of Members of the Board whose total fees, salaries, employer's contributions to superannuation and reportable fringe benefits received, fall within each band of income of \$10,000 are as follows:

Income Band (\$)	No. of Members of the Board	
	2003	2002
10,001 - 20,000	4	3
20,001 - 30,000	-	3
30,001 - 40,000	2	1
40,001 - 50,000	1	-
90,001 - 100,000	-	1
100,001 - 110,000	1	-
240,001 - 250,000	-	1
260,001 - 270,000	1	-

The number of Senior Officers, other than members of the Board, whose total fees, salaries, employer's contributions to superannuation and reportable fringe benefits received, fall within each band of income of \$10,000 are as follows:

Income Band (\$)	No. of Senior Officers	
	2003	2002
80,001 - 90,000	1	-
90,001 - 100,000	-	1
100,001 - 110,000	-	1
110,001 - 120,000	-	3
120,001 - 130,000	2	2
130,001 - 140,000	4	2
150,001 - 160,000	-	2
160,001 - 170,000	2	-
170,001 - 180,000	1	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. RISKCOVER FUND FINANCIAL STATEMENTS

The Government of Western Australia has adopted a Managed Fund approach to administer all insurable risks of its public authorities on a self-insurance basis. The RiskCover Fund is underwritten by the Crown and is managed by the Commission on behalf of the Government and its participating public authorities for an initial term of five years commencing July 1996 under the supervision of Treasury. On 18 July 2001 Treasury confirmed the re-appointment of the Commission to manage the RiskCover fund for a further four years to 30 June 2005, conditional upon the achievement of a number of performance targets.

The Commission earns a management fee from this activity representing the proportion of the Commission's services used by RiskCover.

The significant accounting policies adopted in preparing RiskCover's financial statements are consistent with both those used in preparing the economic entity's financial statements, as detailed in Note 1, and with those adopted in 2002.

RiskCover's assets are not owned by the economic entity and are therefore not consolidated. The Investment assets of RiskCover are, however, included in the investment pool of the economic entity, represented by a Floating Rate Promissory Note. Refer Note 7. RiskCover earns an investment return on its share of the investment pool of the Insurance Commission of Western Australia. Refer Note 3.

Any accumulated deficit in RiskCover represents a liability of the Government of Western Australia and not of the economic entity.

RiskCover is not liable to pay income tax equivalents under current arrangements with Treasury.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

	References	2003 \$'000	2002 \$'000
Contribution Revenue	(a)	119,341	114,723
Contribution Adjustment	(b)	(1,027)	(13,858)
Outwards Reinsurance Expense		(31,882)	(27,220)
Outwards Reinsurance Commission Revenue		4,087	1,913
Net Earned Contribution		90,519	75,558
Claims Incurred		(83,603)	(85,499)
Reinsurance and Other Recoveries Revenue		11,622	23,272
Net Claims Incurred		(71,981)	(62,227)
Underwriting and Administration Expenses		(14,604)	(14,289)
UNDERWRITING SURPLUS/(DEFICIT)		3,934	(958)
Investment Income		6,453	(3,655)
OPERATING SURPLUS/(DEFICIT)		10,387	(4,613)

The Statement of Financial Performance should be read in conjunction with the references to and forming part of RiskCover's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF FINANCIAL POSITION

at 30 June 2003

	References	2003 \$'000	2002 \$'000
CURRENT ASSETS			
Cash		-	95
Receivables		16,357	19,096
Other Financial Assets	(c)	233,787	203,154
Total Current Assets		250,144	222,345
NON-CURRENT ASSETS			
Receivables		9,246	10,801
TOTAL ASSETS		259,390	233,146
CURRENT LIABILITIES			
Bank Overdraft		193	-
Payables		22,046	9,837
Outstanding Claims	(d)	66,153	65,439
Total Current Liabilities		88,392	75,276
NON-CURRENT LIABILITIES			
Payables		18,881	26,976
Outstanding Claims	(d)	151,561	140,725
Total Non-Current Liabilities		170,442	167,701
TOTAL LIABILITIES		258,834	242,977
NET ASSETS/(LIABILITIES)		556	(9,831)
EQUITY			
Accumulated Surplus/(Deficit)	(e)	556	(9,831)
TOTAL SURPLUS/(DEFICIT)		556	(9,831)

The Statement of Financial Position should be read in conjunction with the references to and forming part of RiskCover's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003

		2003 \$'000	2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions Received		133,575	120,455
Reinsurance and Other Recoveries Received		16,952	21,201
Outwards Reinsurance Commission Received		4,496	2,104
Interest Received		6,453	-
Outwards Reinsurance Paid		(35,056)	(29,929)
Claims Paid		(74,438)	(68,971)
Interest Paid		-	(3,655)
Underwriting and Administration Expenses Paid		(14,012)	(14,757)
Goods & Services Tax Paid		(7,625)	(6,998)
Net Cash Inflow from Operating Activities	(i)	30,345	19,450
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Investments		(30,633)	(23,845)
NET DECREASE IN CASH HELD		(288)	(4,395)
CASH AT THE BEGINNING OF THE YEAR		95	4,490
(BANK OVERDRAFT)/CASH AT THE END OF THE YEAR	(ii)	(193)	95

(i) Reconciliation of Operating Surplus/(Deficit) to Net Cash Flows from Operating Activities

Operating Surplus/(Deficit)	10,387	(4,613)
Changes in Assets and Liabilities		
Decrease/(Increase) in Reinsurance and Other Recoveries Receivable	4,366	(3,220)
Increase in Outstanding Claims	11,553	18,194
Increase in Contribution Adjustment Liability	1,053	13,811
Increase/(Decrease) in Other Liabilities	2,986	(4,722)
Net Cash Inflow from Operating Activities	30,345	19,450

(ii) Reconciliation of Cash

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

(Bank Overdraft)/Cash	(193)	95
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE RISKCOVER FINANCIAL STATEMENTS

(a) Fund Contribution setting

When determining the deposit contributions for the Workers' Compensation and Motor Vehicle classes, RiskCover relies on claims costs, which have been actuarially assessed at the net central estimate. A prudential margin on the outstanding claims cost is not included.

(b) Contribution Adjustment

The contributions levied for the Workers' Compensation and Motor Vehicle classes are deposit contributions and are subject to adjustment at a future date (3 years after the close of the risk period for Workers' Compensation and 1 year for Motor Vehicle) to take into account the actual claims experience of the public authority. This process reflects the conceptual design of the funding mechanism for these classes and enables sanctions to apply to performance.

The amount provided for represents the estimated contributions to be called-up or refunded based on the current claims trend of the 2003, 2002, 2001 and 2000 risk periods.

(c) Floating Rate Promissory Note owed to RiskCover by the Commission. Refer Note 7.

(d) Outstanding Claims

	2003 \$'000	2002 \$'000
Liability for Outstanding Claims (undiscounted)	259,834	251,746
Discount to present value	(42,120)	(45,582)
Liability for Outstanding Claims (discounted)	217,714	206,164
Current	66,153	65,439
Non-Current	151,561	140,725
	217,714	206,164

Weighted average expected term to settlement:		
Workers' Compensation	2 yrs 8 mths	2 yrs 8 mths
Liability Classes	4 yrs 8 mths	4 yrs 0 mths

In addition to the long-tail classes of Workers' Compensation and Liability, RiskCover also has short-tail liabilities for Property and Business Interruption, Motor Vehicle and Personal Accident and Travel classes of business. These short-tail liabilities are not actuarially assessed and total \$16.0 million at balance date (2002 - \$18.0 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE RISKCOVER FINANCIAL STATEMENTS (continued)

	2003 \$'000	2002 \$'000
(e) Accumulated Surplus/(Deficit)		
Balance of deficit at beginning of the year	(9,831)	(5,218)
Surplus/(Deficit) for the year	10,387	(4,613)
Balance of surplus/(deficit) at end of the year	556	(9,831)

Inflation and Discount Rates

The following rates were used in measuring the liability for long-tail outstanding claims, reinsurance and other recoveries at 30 June 2003 for RiskCover:

	% Rates Used - 2003		% Rates Used - 2002	
	Year Ending 30 June 2003	Subsequent Years	Year Ending 30 June 2002	Subsequent Years
- Workers' Compensation				
Inflation Rate (Wage)	3.60	3.80	4.00	4.10
Superimposed Inflation	4.00	4.00	4.00	4.00
Total Inflation*	7.74	7.95	8.16	8.26
Discount Rate	4.40	5.20	5.30	6.10
- Liability				
Inflation Rate (Wage)	3.60	3.90	4.00	3.90
Superimposed Inflation	5.00	5.00	5.00	5.00
Total Inflation*	8.78	9.09	9.20	9.09
Discount Rate	4.40	5.10	5.30	6.10

The actual future discount and wage inflation rates used in the actuarial projections are the same for both long-tail outstanding claims and reinsurance and other recoveries in each of the 2003 and 2002 financial years. For the "Subsequent Years" column a single equivalent discount and wage inflation rate is shown for each class of business in place of the actual rates for each year. The minor variations between the classes arise due to the different weighted average expected terms to settlement for each class.

* The total inflation rate is determined by compounding the wage and superimposed inflation rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

32. COMMUNITY INSURANCE FUND FINANCIAL STATEMENTS

The Community Insurance Fund ("CIF") was established by the Government of Western Australia, to assist incorporated not for profit community organisations, based in Western Australia, to obtain affordable insurance cover. The CIF is underwritten by the Crown and is managed by the Commission.

The *Insurance Commission of Western Australia Amendment Act 2002*, which enables of the establishment of the CIF, came into effect on 20 November 2002.

The significant accounting policies adopted in preparing the CIF's financial statements are, where relevant, consistent with those used in preparing the economic entity's financial statements, as detailed in Note 1.

The CIF's assets are not owned by the economic entity and are therefore not consolidated.

Any accumulated deficit in the CIF represents a liability of the State Government of Western Australia and not of the economic entity.

The CIF is not liable to pay income tax equivalents under current arrangements with Treasury.

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2003

	References	2003 \$'000
Premium Revenue	(a)	150
Outwards Reinsurance Expense		(60)
Net Earned Premium		90
Claims Incurred	(b)	(90)
UNDERWRITING SURPLUS		-
OPERATING SURPLUS		-

The Statement of Financial Performance should be read in conjunction with the references to and forming part of the CIF's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

32. COMMUNITY INSURANCE FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF FINANCIAL POSITION at 30 June 2003

	<u>References</u>	2003 \$'000
CURRENT ASSETS		
Cash		202
Receivables		63
Other		70
Total Current Assets		335
TOTAL ASSETS		335
CURRENT LIABILITIES		
Payables		2
Unearned Premiums		243
Total Current Liabilities		245
NON-CURRENT LIABILITIES		
Outstanding Claims	(b)	90
Total Non-Current Liabilities		90
TOTAL LIABILITIES		335
NET ASSETS		-
EQUITY		
Accumulated Surplus		-
TOTAL SURPLUS		-

The Statement of Financial Position should be read in conjunction with the references to and forming part of the Community Insurance Fund's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

32. COMMUNITY INSURANCE FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF CASH FLOWS for the year ended 30 June 2003

		2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums Received		369
Outwards Reinsurance Paid		(140)
Goods and Services Tax Paid		(27)
Net Cash Inflow from Operating Activities	(i)	202
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Investments		-
NET INCREASE IN CASH HELD		202
CASH AT THE BEGINNING OF THE YEAR		-
CASH AT THE END OF THE YEAR	(ii)	202

(i) Reconciliation of Operating Surplus to Net Cash Flows from Operating Activities

Operating Surplus	-
Changes in Assets and Liabilities	
Increase in Receivables	(64)
Increase in Other Assets	(70)
Increase in Outstanding Claims	90
Increase in Other Liabilities	246
Net Cash Inflow from Operating Activities	202

(ii) Reconciliation of Cash

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash	202
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

32. COMMUNITY INSURANCE FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE COMMUNITY INSURANCE FUND FINANCIAL STATEMENTS

(a) Premium setting

Premiums for the CIF are determined by assessing individual risk exposures and loss potential. Previous claims history and risk management practices of the organisation are important considerations when setting premiums. As the size of the CIF is quite small, actuarial involvement in assessing claims costs is not practical at this time.

(b) Outstanding Claims

Liability for Outstanding Claims (undiscounted)
Discount to present value

Liability for Outstanding Claims (discounted)

Non-Current

2003 \$'000
90
-
90
90
90

The above outstanding claims provisions represents an internally assessed estimate of the claims incurred but not reported (IBNR). At 30 June 2003 there were no reported claims.

(c) Accumulated Surplus

Balance at beginning of the year
Surplus for the year


Balance of surplus at end of the year

2003 \$'000
-
-
-

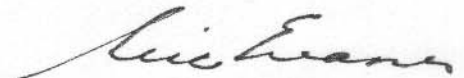
**INSURANCE COMMISSION OF WESTERN AUSTRALIA
AND ITS SUBSIDIARY
PERFORMANCE INDICATORS**

We hereby certify that the Performance Indicators of the Insurance Commission of Western Australia ("the Commission") for the financial year ended 30 June 2003:

- are based on proper records;
- are relevant and appropriate for assisting users to assess the performance of the Commission; and
- fairly represent the performance of the Commission.



MICHAEL E WRIGHT
CHAIRMAN
27 August 2003



VIC EVANS
MANAGING DIRECTOR
27 August 2003

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia passed on 27 August 2003.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2003

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Insurance Commission of Western Australia are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2003.

Scope

The Commission's Role

The Commission is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of efficiency and effectiveness.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
August 27, 2003

PERFORMANCE INDICATORS

The Performance Indicators in this report are produced to assist users in evaluating the performance of the Insurance Commission of Western Australia ("Commission") in achieving its mission. The report includes measures of our key outputs as well as key effectiveness and efficiency Performance Indicators for the total Commission, each of the Commission's statutory Funds and RiskCover (a Managed Fund). **The Performance Indicators are audited by the Office of the Auditor General, the Output Measures are for information only and are not subject to audit.** The Performance Indicators of the Commission's subsidiary, the State Government Insurance Corporation, are disclosed in its Annual Report. Other important Indicators providing a broader perspective of the Commission's performance are included in the Review of Operations section of the Annual Report.

Where appropriate, prior years' figures have been restated in order to enhance comparability with those of the current year.

MISSION

To achieve best practice in

- providing insurance for both Motor Vehicle Personal Injury and Industrial Diseases Compensation, and
- managing the Western Australian Public Sector's self-insurance arrangements,

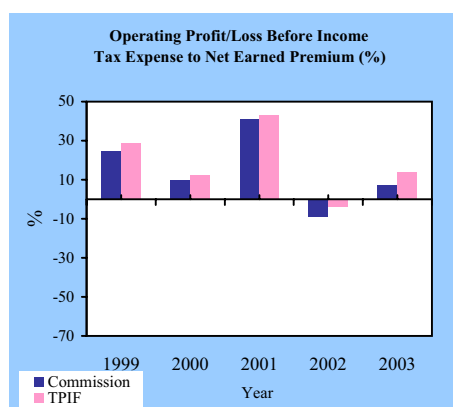
through the promotion of risk management and the commitment and professionalism of our people.

COMMISSION OUTCOMES

That The Commission's Revenue Is Sufficient To Meet Its Expenditure

Effectiveness Performance Indicators

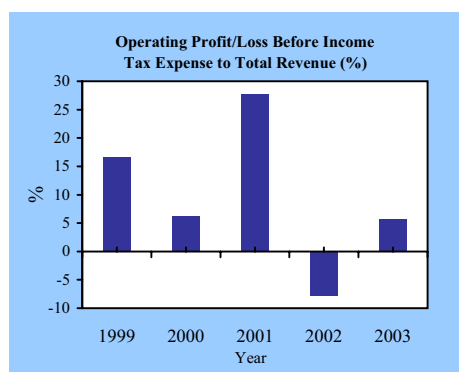
Operating Profit/Loss Before Income Tax Expense To Net Earned Premium indicates the return the Commission has earned on its premium revenue.



	2003	
	Target	Actual
Commission	13.6%	7.4%
Third Party Insurance Fund	15.7%	14.1%

The Commission indicator is less than target due to an Operating Profit result \$19.5 million below target. This was mainly due to a lower net investment return, which was \$60.0 million below target. This was offset by a \$28.9 million decrease against budget in net claims incurred. The Third Party Insurance Fund was closer to target even though the net investment income was \$58.9 million below target. This was offset by a decrease of \$55.1 million in net claims incurred against target.

Operating Profit/Loss Before Income Tax Expense To Total Revenue indicates the return the Commission has earned on its total revenue (including investment revenue).

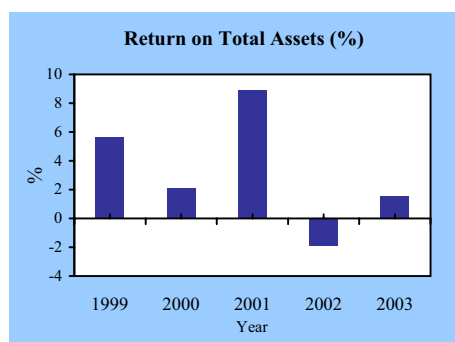


	2003	
	Target	Actual
Commission	9.7%	5.6%

This indicator is below target due to a lower operating profit of \$22.6 million against a target of \$42.1 million (see above) and lower total revenue result of \$402.4 million against a target of \$435.7 million. The main reason for this decrease is the fall in investment net market values over the year.

PERFORMANCE INDICATORS

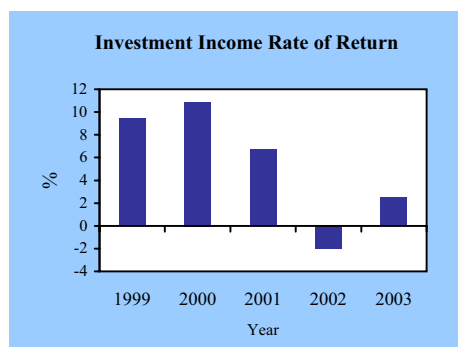
Return On Total Assets is calculated as the Commission's operating profit/loss before income tax expense divided by its average total assets and is expressed as a percentage (total assets excludes the Right of Indemnity asset from the Workers' Compensation Rehabilitation Commission ("WCRC") - Refer Note 6 in the Financial Statements).



	2003	
	Target	Actual
Commission	2.9%	1.5%

The "return on total assets" is below target due to the operating profit being \$19.5 million (46.3%) below target. Total assets (less WCRC indemnity - see note 6) had a small increase in value of 0.8%.

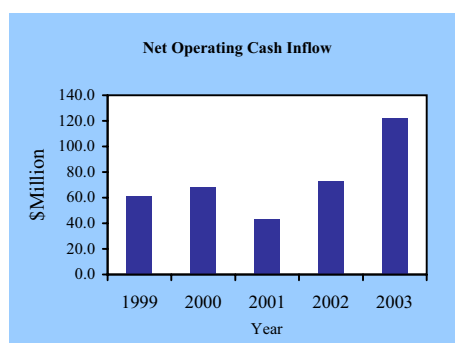
Investment Income Rate Of Return for the Commission provides the percentage rate of return (excluding income received from investments previously written off) on its weighted average investment assets.



	2003	
	Target	Actual
Commission	7.7%	2.5%

The "investment income rate of return" was below target due mainly to the disappointing performance from Overseas equities (return of -16.8% against a target return of 8.2%). Australian equities also experienced a negative return, although to a much lesser extent (the actual return of -0.9% against a target of 8.0%). All other investment sectors were within a reasonable margin of their respective targeted returns.

Net Operating Cash Inflow equals receipts less payments from the operating activities of the Commission. Refer to the *Statement of Cashflows - Net Cash Inflow from Operating Activities* .



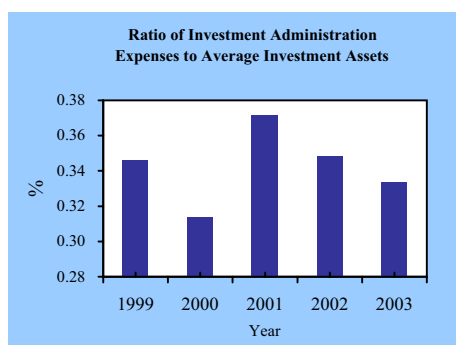
	2003	
	Target	Actual
Commission	\$33,102,000	\$122,513,000

The higher "net operating cash inflow" than the target mainly resulted from an unexpected recovery of \$43.8 million relating to an investment debt (SECL) previously written off (refer Note 7). In addition, claims paid were \$38.0 million (12.4%) under budget.

PERFORMANCE INDICATORS

Efficiency Performance Indicators

Ratio Of Investment Administration Expenses To Average Investment Assets is a useful measure of the Commission's efficiency in managing its investments.

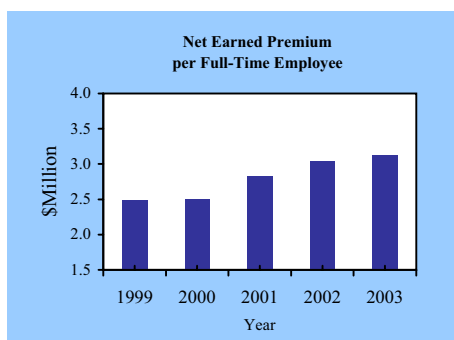


	2003	
	Target	Actual
Commission	0.39%	0.33%

The “**ratio of investment administration expenses to average investment assets**” was slightly better than target. This was due to average investment assets being \$6.0 million over target and investment expenses were \$0.8 million (14.9%) lower than target.

The following Performance Indicators are not applicable to the Compensation (Industrial Diseases) Fund as the premium rates currently only meet administration expenses and are not intended to reflect underwriting experience. Also the Insurance Commission General Fund and Government Insurance Fund are in "run-off" and as they no longer issue covers for premium, it is inappropriate to measure either of these Funds by these premium related indicators.

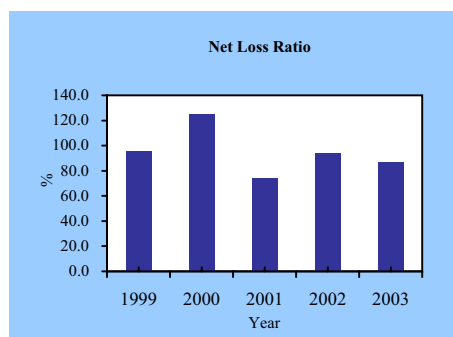
Net Earned Premium Per Full-Time Employee is a high level measure of business efficiency in generating revenue (Note 7).



	2003	
	Target	Actual
Third Party Insurance Fund	\$2,919,295	\$3,128,908

The “**net earned premium per full time employee**” exceeded target as a result of actual employee numbers being below target at the end of the year by 8% as well as net earned premium being 1.3% below target.

Net Loss Ratio indicates whether or not net earned premium is sufficient to meet net claims incurred. Where net claims incurred is greater than net earned premium the ratio will be higher than 100%. Net claims incurred equals claims expense, less reinsurance and other recoveries revenue.

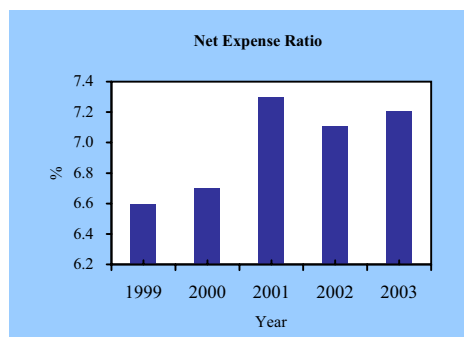


	2003	
	Target	Actual
Third Party Insurance Fund	103.6%	86.9%

The “**net loss ratio**” is favourable to target due to a reduction in net claims incurred being \$55.1 million (17.1%) below target.

PERFORMANCE INDICATORS

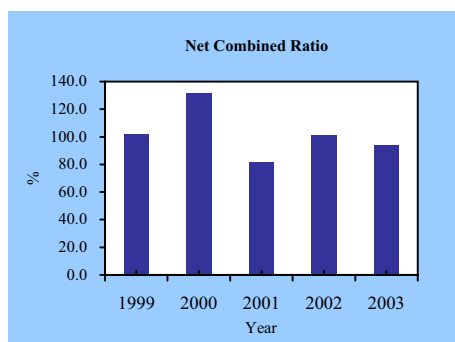
Net Expense Ratio shows the percentage of underwriting and administration expenses against net earned premium. Total administration expenses include amounts relating to claims management as well as non-claims administration tasks, such as policy processing and corporate overheads, but does not include sponsorship of road safety/crash prevention.



	2003	
	Target	Actual
Third Party Insurance Fund	7.5%	7.2%

The “**net expense ratio**” is favourable to target mainly due to administration expenses for salary and salary related expenses being lower than expected (7.3% below budget).

Net Combined Ratio is the sum of the net loss and net expense ratios.

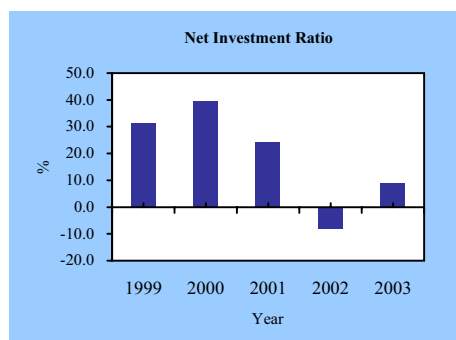


	2003	
	Target	Actual
Third Party Insurance Fund	111.1%	94.1%

The “**net combined ratio**” is also favourable to target resulting from both the lower than expected net claims incurred and the lower than expected salary related administration expenses.

Net Investment Ratio represents net investment income as a percentage of net earned premium.

The net combined ratio less the net investment ratio should be equal to or less than 100% to achieve a break-even or better result (2003 target 83.2%, 2003 actual 85.0%).



	2003	
	Target	Actual
Third Party Insurance Fund	27.9%	9.1%

The “**net investment ratio**” is significantly below target resulting from a lower net investment income return (32.1% of target) due to disappointing performance in the world equity markets this year.

PERFORMANCE INDICATORS

THIRD PARTY INSURANCE FUND

The Third Party Insurance Fund issues and undertakes liability under policies of insurance as required by the Motor Vehicle (Third Party Insurance) Act 1943. In accordance with this Act, the owners and drivers of 1.8 million Western Australian registered motor vehicles are provided with unlimited indemnity against injury claims resulting from motor vehicle accidents under the Compulsory Third Party (Personal Injury) Insurance scheme.

1. OUTPUTS *

a) Motor Vehicle Third Party Insurance Policies

	Target	2003	2002	2001	2000	1999
Quantity						
Number Of Third Party Policies Issued (Million)	1.82	1.80	1.76	1.72	1.69	1.67
Quality						
Complies With MVTPI Act 1943	Yes	Yes	Yes	Yes	Yes	Yes
Timeliness						
Issue Date Four Weeks Prior To Renewal (%)	100	93	100	100	100	100
Cost						
CTP Insurance Premium To Be In The Lowest Quartile For All States.	Lowest Quartile	Lowest Quartile	Lowest Quartile	Lowest Quartile	Lowest Quartile	Lowest Quartile

COMMENTS

“Issue Date Four Weeks Prior To Renewal” - The postage of 131,108 renewal notices for Policies commencing from 1 July 2003 was delayed by six days due to systems changes required to accommodate the introduction of dual premiums, emanating from the end of the GST transitional arrangements.

b) Management And Payment Of Motor Vehicle Third Party Claims

	Target	2003	2002	2001	2000	1999
Quantity						
Number Of Claims Settled	5,397	5,482	5,925	5,145	6,173	5,962
Quality						
Net Loss Ratio (%) (Note 1)	103.6	86.9	94.2	74.1	125.0	95.4
Timeliness						
Time Between Claim Lodgement And Claim Settlement (yrs)	2.2	2.2	2.1	2.3	2.3	2.4
Cost						
Claims Administration Costs As A Ratio Of Gross Claims Paid (%) (Note 2)	5.6	6.1	5.7	6.1	5.0	5.4
Claims Administration Costs Per Claim Administered (\$) (Note 3)	1,172	1,060	978	1,000	814	781

*Output measures not subject to audit.

For Notes refer end of this section.

2. OUTCOMES

a) Ensure That All Western Australian Motor Vehicles Using Public Roads Are Registered And Insured

	Target	2003	2002	2001	2000	1999
Effectiveness						
Proportion Of Third Party Insurance Claims Involving Unregistered Motor Vehicles (%)	0.00	0.60	0.27	0.32	0.13	0.38
Efficiency						
Underwriting And Administration Costs To The Number Of Registered Motor Vehicles (\$) (i)	13.0	12.3	12.0	12.4	10.9	10.6

COMMENTS

The “proportion of third party insurance claims involving unregistered motor vehicles” has increased in 2003 compared to 2002. In 2003 there were 23 unregistered motor vehicles involved in claims, whereas there were 10 in 2002. The overall number of reported claims in respect of incidents arising in the 2003 year was 3,819 compared to 3,703 in 2002.

“Underwriting and administration costs to the number of registered vehicles” in 2003 is favourable relative to target, as underwriting and administration costs were 5.6% (\$1.3M) less than budget and despite the number of registered motor vehicles being lower than budget. The average increase in registered vehicles was 2.4% in 2003 and 2.2% in 2002.

b) Minimise The Financial Hardship Of Motor Vehicle Personal Injury Claimants

	Target	2003	2002	2001	2000	1999
Effectiveness						
Average Number Of Years To Claims Payment (Note 4)	3.8	3.7	3.7	3.9	4.0	4.0
Number Of Outstanding Claims	8,670	8,916	9,052	9,570	9,282	9,728
Ratio Of Outstanding Claims To Claims Administered (%) (Note 5)	62	62	60	65	60	62
Efficiency						
Claims Administration Costs As A Ratio of Gross Claims Paid (%) (i), (ii) (Note 2)	5.6	6.1	5.7	6.1	5.0	5.4
Claims Administration Costs Per Claim Administered (\$) (i), (ii) (Note 3)	1,172	1,060	978	1,000	814	781
Number Of Claims Administered Per Full-Time Employee (Notes 6, 7)	132	147	153	144	140	147

(i) Excludes accident prevention costs.

(ii) Excludes commission paid for premium collection.

For Notes refer end of this section.

COMMENTS

The **“number of outstanding claims”** was higher than target but lower than previous year’s actual. A major factor is that the claim frequency (ratio of claims reported to the number of registered vehicles) for the scheme, which had been a reducing trend over the last 10 years, may have “bottomed out” over the last 12 months. New claims reported were 5,345 (4.1% more than budget) and there were 5,482 (1.5% more than budget) claims closures during 2003.

For the same reasons as above, the **“ratio of outstanding claims to claims administered”** meets target, but is higher than the previous year.

“Claims administration costs as a ratio of gross claims paid” is unfavourable compared to target primarily due to claim payments being \$41.4 million less than budget. This has occurred after allowing for the higher than budgeted claims closures.

In relation to **“claims administration costs per claim administered”**, the 2003 result is lower than target because, whilst the number of claims administered was above expectations, the claims payments were below budget by \$41.4M and claims administration costs (incorporating underwriting expenses) were also \$1.3M below budget.

The **“number of claims administered per full time employee”** is higher than target due to the average number of employees being 98 compared to an expected 106.4. This variation in staff numbers has come about as a result of natural attrition and a postponement in implementing resourcing strategies.

PERFORMANCE INDICATORS

COMPENSATION (INDUSTRIAL DISEASES) FUND

The Compensation (Industrial Diseases) Fund issues Industrial Disease insurance policies and undertakes the liability arising from these policies. Industrial Diseases insurance is compulsory for employers engaged in mining operations. Liability is limited to workers' compensation payments for the respiratory diseases of pneumoconiosis, lung cancer and mesothelioma caused by the inhalation of harmful mineral dust.

The Compensation (Industrial Diseases) Fund is managed by the RiskCover Division.

1. OUTPUTS *

a) Industrial Diseases Insurance Policies

	Target	2003	2002	2001	2000	1999
Quantity						
Number Of Industrial Diseases Policies Issued	756	816	693	700	717	781
Quality						
Complies With All Statutory Requirements	Yes	Yes	Yes	Yes	Yes	Yes
Timeliness						
Proportion Of Mining Entities Where Cover Notes Have Been Converted To Policies Within 60 Days (%)	100	-	77	93	60	81
Cost						
Underwriting And Administration Cost Per Policy Administered (\$)	465	365	385	454	450	470

b) Management And Payment Of Workers' Compensation Claims

	Target	2003	2002	2001	2000	1999
Quantity						
Number Of Claims Settled	35	25	33	21	31	40
Quality/Timeliness						
Weighted Average Months To Finalise Claims	11.8	10.3	10.0	10.3	10.5	9.0
Cost						
Claims Administration Costs As A Ratio Of Gross Claims Paid (%) (Note 2)	6.5	8.9	8.4	20.7	9.2	9.1
Claims Administration Costs Per Claim Administered (\$) (Note 3)	720	641	545	827	1,033	979

COMMENTS

The “**number of industrial diseases policies issued**” is above target due to more applications for cover being received than was anticipated. The actual result of this indicator is dependant on the number of mining operations taking place within the State and therefore out of direct control of the Insurance Commission.

The “**proportion of mining entities where cover notes have been converted to policies within 60 days**” can no longer be measured as an indicator. From 1 July 2002 cover notes ceased to be issued as the premium for Industrial Disease policies was set at a flat rate of \$100.00 per annum rather than as a percentage of payroll. This meant that the Insureds were no longer required to complete a proposal form as a policy is provided on request.

* Output measures not subject to audit.

For Notes refer end of this section.

2. OUTCOMES

a) All Entities That Conduct Mining Operations Convert Cover Notes To Policies Within 60 Days

	Target	2003	2002	2001	2000	1999
Effectiveness						
Proportion Of Mining Entities Where Cover Notes Have Been Converted To Policies Within 60 Days (%)	100	-	77	93	60	81
Efficiency						
Number Of Policies Administered Per Full-Time Employee (Note 7)	396	387	370	507	427	457
Underwriting And Administration Costs Per Policy Administered (\$) (iii)	465	365	385	454	450	470

COMMENTS

The “**proportion of mining entities where cover notes have been converted to policies within 60 days**” can no longer be measured as an indicator. From 1 July 2002 cover notes ceased to be issued as the premium for Industrial Disease policies was set at a flat rate of \$100.00 per annum rather than as a percentage of payroll. This meant that the Insureds were no longer required to complete a proposal form as a policy is provided on request.

The better than targeted “**underwriting and administration costs per policy administered**” results from a higher than anticipated number of policies administered.

(iii) Excludes Sir Charles Gairdner Hospital research costs.

b) Minimise The Financial Hardship Of Industrial Diseases Claimants

	Target	2003	2002	2001	2000	1999
Effectiveness						
Number Of Outstanding Claims	32	37	36	34	32	35
Ratio Of Outstanding Claims To Claims Administered (%) (Note 5)	48	60	52	62	51	47
Efficiency						
Claims Administration Costs As A Ratio Of Gross Claims Paid (%) (Note 2)	6.5	8.9	8.4	20.7	9.2	9.1
Claims Administration Costs Per Claim Administered (\$) (Note 3)	720	641	545	827	1,033	979
Number Of Claims Administered Per Full-Time Employee (Notes 6, 7)	223	191	230	183	158	188

COMMENTS

“**Claims administration costs as a ratio of gross claims paid**” was higher than the target due to the gross claims paid being substantially lower than target. As the fund consists of very few claims with a high degree of volatility with respect to the individual claim costs, this indicator is subject to large fluctuations.

The “**claims administration costs per claim administered**” was lower than target due to the lower claims administration costs resulting from a modification to the methodology used to allocate administration costs.

For Notes refer end of this section.

PERFORMANCE INDICATORS

INSURANCE COMMISSION GENERAL FUND

The Performance Indicators for the Insurance Commission General Fund (“ICGF”) only relate to operations associated with claims for incidents arising prior to 1 January 1987 under policies of insurance issued by the former State Government Insurance Office. The majority of outstanding claims relate to those arising from Workers’ Compensation policies. This activity of the ICGF is in “run-off” and will ultimately be wound up at some future time. As such, output measures have not been separately identified. The output measures of cost, quality, quantity and timeliness are embedded in the Performance Indicators below.

The Insurance Commission General Fund is managed by the RiskCover Division.

OUTCOMES

Minimise The Financial Hardship Of ICGF Claimants

		Target	2003	2002	2001	2000	1999
<i>Effectiveness</i>							
Number Of Outstanding Claims		115	137	130	113	96	121
Weighted Average Months To Finalise Claims	(Note 8)	11.8	13.6	12.9	12.8	11.1	10.2
<i>Efficiency</i>							
Claims Administration Costs As A Ratio Of Gross Claims Paid (%)	(Note 2)	3.7	3.4	2.7	5.6	8.3	8.8
Claims Administration Costs Per Claim Administered (\$)	(Note 3)	978	1,089	865	1,405	1,552	1,497
Number Of Claims Administered Per Full-Time Employee	(Notes 6, 7)	186	64	165	167	161	125

COMMENTS

The “**number of outstanding claims**” reflects the lower than anticipated number of claim closures during the year.

Lower than expected number of claims administered and higher administration costs resulted in a higher “**claims administration costs per claim administered**”.

The “**number of claims administered per full-time employee**” was lower than anticipated due to the number of claims staff allocated to the ICGF increased by 1.6 to 2.6 from the previous year and a lower than expected number of claims administered.

For Notes refer end of this section.

PERFORMANCE INDICATORS

GOVERNMENT INSURANCE FUND

The Government Insurance Fund (“GIF”) previously provided self-insurance covers for State Government departments, authorities and instrumentalities in respect of Workers’ Compensation, Motor Vehicle and Fire and General exposures. The GIF ceased issuing covers on 30 June 1997 and commencing 1 July 1997 is in “run-off” and will ultimately be wound up at some future time. As such, output measures have not been separately identified. The output measures of cost, quality, quantity and timeliness are embedded in the Performance Indicators below.

The Government Insurance Fund is managed by the RiskCover Division.

OUTCOMES

Minimise The Financial Hardship Of Government Insurance Claimants

		Target	2003	2002	2001	2000	1999
Effectiveness							
Number Of Outstanding Claims		600	496	627	821	1,209	1,902
Average Number Of Years To Claims Payment	(Note 4)	7.7	9.8	8.8	6.0	4.9	3.8
Efficiency							
Claims Administration Costs As A Ratio Of Gross Claims Paid (%)	(Note 2)	4.8	7.0	5.5	4.2	5.5	4.6
Claims Administration Costs Per Claim Administered (\$)	(Note 3)	525	718	632	588	855	615
Number Of Claims Administered Per Full-Time Employee	(Notes 6, 7)	500	360	252	501	264	306

COMMENTS

A higher than anticipated claim closure rate during the year produced the lower than expected “**number of outstanding claims**”.

As the GIF is in run-off the “**average number of years to claims payment**” is expected to increase from year to year as only the long tail claims remain.

A lower than anticipated number of claims administered resulted in the “**claims administration cost per claim administered**” exceeding the initial target.

The “**number of claims administered per full-time employee**” is below target as a result of the lower than anticipated number of active GIF claims.

For Notes refer end of this section.

INSURANCE COMMISSION OF WESTERN AUSTRALIA

PERFORMANCE INDICATORS

RISKCOver

As from 1 July 1997 the Government of Western Australia adopted a Managed Fund approach to administer all insurable risks of its public authorities on a self-insurance basis. The RiskCover Fund is underwritten by the Crown and is managed by the Commission on behalf of the State Government and its participating public authorities for an initial term of five years, commencing from July 1996, under the supervision of Treasury. On 18 July 2001 Treasury confirmed the re-appointment of the Commission to manage the RiskCover fund for a further four years to 30 June 2005, conditional upon the achievement of a number of performance targets. The Commission earns a management fee from this activity, representing the proportion of the Commission's services used by RiskCover.

RiskCover's assets are not owned by the Commission and are therefore not consolidated. The investment assets of RiskCover are, however, included in the investment pool of the Commission represented by a Floating Rate Promissory Note. Refer Note 7 to the Financial Statements. Any accumulated deficit in RiskCover represents a liability of the Government of Western Australia and not of the Commission.

1. OUTPUTS *

a) Insurance Covers for Public Authorities		Target	2003	2002	2001	2000	1999
Quantity							
Number Of Public Sector Agencies Covered		193	183	193	202	206	203
Quality							
Customer Satisfaction Survey Score (%)	(Note 9)						
• Large and Medium Agencies		80	96	96	91	93	82
• Small Agencies		80	98	95	93	78	82
Timeliness							
Covers issued no later than 31 July (%)		84.0	92.6	42.5	83.0	92.3	94.6
Cost							
Underwriting And Administration Cost Per Cover Administered (\$)		79,927	79,803	74,036	65,198	58,248	58,542

COMMENTS

The "number of public sector agencies covered" has been affected by a consolidation of public sector agencies resulting from the recommendations of the "Machinery of Government Report". Although the total number of agencies has decreased, this has not impacted significantly on the number of claims managed or the level of Client Service delivery required.

b) Management and Payment of Claims		Target	2003	2002	2001	2000	1999
Quantity							
Number Of Claims Administered		19,800	20,920	20,366	19,768	19,704	18,937
Quality							
Payment Of Workers' Compensation Accounts Within 20 Working Days (%)		85	90	91	87	79	74
Timeliness							
Average Number Of Years To Claims Payment (Workers' Compensation)	(Note 4)	1.7	1.7	1.8	1.4	1.1	0.6
Average Number Of Months To Claims Payment (Property, Motor Vehicle, Miscellaneous)	(Note 8)	3.5	3.5	4.3	3.1	2.9	2.0
Claims Administration Costs As A Ratio Of Gross Claims Paid (%)	(Note 2)	10.0	15.2	15.8	12.3	14.2	13.8
Claims Administration Costs Per Claim Administered (\$)	(Note 3)	450	524	521	436	428	358

* Output measures not subject to audit.

c) Risk Management Services

For Notes refer end of this section.

INSURANCE COMMISSION OF WESTERN AUSTRALIA

		Target	2003	2002	2001	2000
Quantity						
Number of Agencies Serviced		193	183	193	202	206
Quality						
Risk Management Performance Score (Out of 20)	(Note 14)	15	14	14	14	13
Timeliness						
Number of Risk Reviews Completed Within Planned Time Frames (%)		100	98	100	100	90
Cost						
Risk Management and Client Service Costs Per Public Sector Organisation (\$)	(Note 15)	29,276	15,394	14,732	20,017	15,349

2. OUTCOMES

a) Achieve Best Practice In Fund Management

		Target	2003	2002	2001	2000	1999
Effectiveness							
Customer Satisfaction Survey Score (%)	(Note 9)						
• Large and Medium Agencies		80	96	96	91	93	82
• Small Agencies		80	98	95	93	78	82
Fund Contribution Ratio (%)	(Note 10)	0.331	0.294	0.275	0.222	0.251	0.176
Efficiency							
Net Loss Ratio (%)	(Note 1)	92.4	79.5	82.4	103.2	85.8	123.5
Net Expense Ratio (%)	(Note 11)	16.4	16.1	18.9	17.1	17.2	14.7
Net Combined Ratio (%)	(Note 12)	108.8	95.6	101.3	120.3	103.0	138.2
Net Investment Ratio (%)	(Note 13)	20.6	7.1	(4.8)	16.0	22.0	12.1

COMMENTS

The lower than anticipated “**fund contribution ratio**” result was due to an additional \$1.67bn worth of sum insured being added to the fund during the year, far exceeding the expected growth of Western Australian Government assets.

The “**net loss ratio**” is lower than anticipated mainly due to a decrease in net incurred claims. This was slightly offset by earned contributions reducing as a result of an allowance for future performance adjustments, which relate to current and earlier pool years.

The “**net investment ratio**” performed below expectations due to the poorer than anticipated investment returns, following a decline in the world equity markets.

b) Promote, Co-ordinate And Improve Risk Management Practices In Government

		Target	2003	2002	2001	2000	1999
Effectiveness							
Customer Satisfaction Survey Score (%)	(Note 9)						
• Large and Medium Agencies		80	96	96	91	93	82
• Small Agencies		80	98	95	93	78	82
Risk Management Performance Score (Out of 20)	(Note 14)	15	14	14	14	13	12
Workers’ Compensation Claims Incurred Per \$100 Wage Roll (%)		1.30	0.94	0.79	1.21	0.96	1.74
Efficiency							
Risk Management And Client Service Costs Per Public Sector Organisation (\$)	(Note 15)	29,276	15,394	14,732	20,017	15,349	17,879
Fund Contributions Per \$100 Wage Roll (%)	(Note 16)	2.87	2.73	2.79	2.69	2.85	2.61

For Notes refer end of this section.

COMMENTS

The result for the “workers’ compensation claims incurred per \$100 wage roll” reflects lower net incurred claims for the workers’ compensation class.

“Risk Management and Client Service costs per public sector organisation” was below target due to reduced risk management expenditure. The target was determined using estimated costs for an anticipated 2.5 risk management consultants, whereas the actual result was approximately 1.5 consultants.

c) Achieve Best Practice In Claims Management And To Minimise The Financial Hardship Of Claimants

		Target	2003	2002	2001	2000	1999
Effectiveness							
Average Number Of Years To Claims Payment (Worker’s Compensation)	(Note 4)	1.7	1.7	1.8	1.4	1.1	0.6
Average Number Of Months To Claims Payment (Property, Motor Vehicle, Miscellaneous)	(Note 8)	3.5	3.5	4.3	3.1	2.9	2.0
WorkCover Claims Best Practice Performance Monitoring Indicators:	(Note 17)						
• Determining Liability Within 17 Days (%)		86	87	86	85	83	77
• Notification to Worker / Employer / Directorate o pending liability within 17 days (%)		85	91	83	83	74	n/a
• Reimbursement Of Weekly Compensation Payments Within 10 Working Days (%)		85	84	85	81	65	60
• Payment Of Accounts Within 20 Working Days (%)		91	90	91	87	79	74
Efficiency							
Claims Administration Costs As A Ratio Of Gross Claims Paid (%)	(Note 2)	10.0	15.2	15.8	12.3	14.2	13.8
Claims Administration Costs Per Claim Administered (\$)	(Note 3)	450	524	521	436	428	358
Number Of Claims Administered Per Full-Time Employee	(Note 6)	333	262	253	278	273	330

COMMENTS

The “claims administration costs as a ratio of gross claims paid” is higher than anticipated due to significantly lower than expected claim payments during the year.

The “claims administration costs per claim administered” and “number of claims administered per full-time employee” were influenced by the lower than anticipated number of claims administered and the effect of a change in the methodology, after the targets were set, used in allocating costs between Claims Processing and Client Service activities.

For Notes refer end of this section.

PERFORMANCE INDICATORS

NOTES

1. The **“Net Loss Ratio”** indicates whether or not net earned premium is sufficient to meet net incurred claims. Where net incurred claims is greater than net earned premium the ratio will be higher than 100%. Net incurred claims equals claims expense, less reinsurance and other recoveries revenue.
2. **“Claims Administration Costs As A Ratio Of Gross Claims Paid”** is a measure of claims management efficiency and is a factor incorporated in the actuarial evaluation of the liability for outstanding claims.
3. **“Claims Administration Costs Per Claim Administered”** provides a measure of the efficiency of the claims management operations of the various Funds. This measure will also vary between Funds due to different classes of insurance underwritten/managed.
4. **“Average Number Of Years To Claims Payment”** relates to "long tail" classes of insurance. In the case of the Third Party Insurance Fund, Government Insurance Fund and RiskCover Managed Fund, this Performance indicator represents the payments made on claims in a year multiplied by the weighted average time since the accident year. This information is not relevant to the Compensation (Industrial Diseases) Fund because the entitlement to compensation may run for the claimant's lifetime.
 - In the case of Government Insurance Fund and RiskCover this Performance Indicator relates to the Workers' Compensation class of cover. The indicator is calculated inclusive of payments made during a year in respect of claims incurred during the current accident year. The indicator for the Third Party Insurance Fund is calculated exclusive of payments made during a year in respect of claims incurred during the current accident year. The reason for the divergent calculation method is that for Workers' Compensation claims, the proportion of payments made during the year in respect of claims incurred during the current accident year is much greater than for Third Party Insurance Fund claims.
 - This Performance Indicator is a useful measure of the overall effectiveness of the insurances, which the Commission underwrites (in the case of Third Party Insurance Fund and the Insurance Commission General Fund) and manages (in the case of RiskCover and the Government Insurance Fund's self-insurance arrangements) in meeting the needs of claimants.
 - The results achieved are influenced by a range of external sources including claimants, the Courts, applicable legislation and the medical and legal professions. From the Commission's view point, delayed settlement can result in much increased legal and medical expenses and in undesirable risks of inflation, costly court precedents and retrospective legislation"
5. The **“Ratio Of Outstanding Claims To Claims Administered”** gives an indication of the Commission's success in settling claims as early as possible.
6. The **“Number Of Claims Administered Per Full-Time Employee”** provides a measure of the efficiency of the operations of the various Funds. Comparisons between Funds are not meaningful in view of the different classes of insurance underwritten/managed.
7. Includes all employees who are directly and indirectly involved in the activity described by the indicator.
8. The **“Weighted Average Months To Finalise Claims”** for the Insurance Commission General Fund is calculated on finalised claims lodged in the last five years, as the number of months between lodgement and closure multiplied by the costs of the claim divided by the sum of the cost for all finalised claims.
 - For RiskCover this Performance Indicator only relates to the motor vehicle and property classes of cover and represents the **“average number of months to finalise a claim”**. Because these classes involve “short tail” claims, i.e. those which are typically settled within one year of the occurrence of the events giving rise to those claims, the Performance Indicator is reported in months.
9. Each year RiskCover conducts a survey of Public Authorities which were clients. The **“Customer Satisfaction Survey Score”** is the percentage of those respondents to the survey who rated their overall impression of RiskCover's performance as an organisation as good, very good or excellent. The basis of measurement for this Performance Indicator has changed and is not directly comparable to 1998. The indicator is broken down into two categories, Large and Medium Agencies, who make up over 92% of the Fund contribution pool, and Small Agencies.

PERFORMANCE INDICATORS

NOTES

10. The **“Fund Contribution Ratio”** represents the contribution paid by participating Public Authorities per \$100 of sum insured for the Motor Vehicle and Property Classes of cover. Workers’ Compensation and Liability classes have not been included because they do not have a “sum insured” included in the cover and it is more appropriate to measure the effectiveness of performance in the **“Cost Of Claims Incurred Per \$100 Wage Roll”**, which is exclusively for Workers’ Compensation.
11. **“Net Expense Ratio”** shows the percentage of underwriting and administration expenses against net earned premium. Total administration expenses include amounts relating to claims management as well as non-claims administration tasks, such as policy processing, helping clients reduce their risk exposure and corporate overheads.
12. **“Net Combined Ratio”** is the sum of the net loss and net expense ratios.
13. **“Net Investment Ratio”** represents investment income as a percentage of net earned premium. The net combined ratio less the net investment ratio should be equal to or less than 100% to achieve a break-even or better result.
14. The **“Risk Management Performance Score”** which is out of 20, is the average achieved from respondents to the survey of risk management practices within State Government Public Authorities.
15. **“Risk Management And Clients Services Costs Per Public Sector Organisation”** is calculated as the proportion of costs relating to the Risk Management and Client Service functions divided by the number of State Government Public Authorities covered by the Fund.
16. **“Fund Contributions Per \$100 Wage Roll”** is calculated as contributions made to the RiskCover Fund for all classes of insurance per \$100 of declared wages per annum.
17. The Workers’ Compensation and Rehabilitation Commission (“WorkCover”) has implemented an Insurer audit program to verify approved insurers compliance with the requirements of the Workers’ Compensation and Rehabilitation Act. This program will assess the standard of service Insurers provide to employers, workers and the scheme in general and will be subject to an independent audit. The Performance Indicators listed relate to the claims management standards of the Insurer Audit Program for the workers’ compensation class of insurance only.

GLOSSARY

The following definitions have been provided to assist readers in gaining a better understanding of the Annual Report and Financial Statements.

1. COMMISSION'S FUNDS

TPIF	-	Third Party Insurance Fund
ID	-	Compensation (Industrial Diseases) Fund
GIF	-	Government Insurance Fund
ICGF	-	Insurance Commission General Fund

2. RISKCOVER

RiskCover is a Managed Fund established to administer the self-insurance arrangements of public authorities of the State Government. RiskCover is underwritten by the Government of Western Australian and managed by the Commission.

3. CIF – COMMUNITY INSURANCE FUND

The CIF was established by the Government of Western Australia to assist eligible incorporated not-for-profit community organisation, based in Western Australia, to obtain affordable insurance cover. The CIF is underwritten by the Crown and managed by the RiskCover Division.

4. PREMIUMS

Compulsory Third Party Insurance

Premiums received in respect of insurance covering bodily injury to or death of third parties as a result of a road accident. All owners of motor vehicles using public roads in Western Australia are required to have compulsory third party cover.

Premium Revenue

Premium revenue comprises amounts charged to policyholders and in relation to Inwards Reinsurance, amounts charged to other insurers. It includes workers' compensation insurance levies, but excludes stamp duties and other amounts collected on behalf of third parties. Premium revenue is adjusted for unearned premium as at balance date.

Net Earned Premium

Premium revenue plus the outwards reinsurance commission earned less the outwards reinsurance expense.

Outwards Reinsurance Expense

Premium paid to a reinsurer in consideration for the insurance liability assumed by the reinsurer, adjusted for any amount prepaid as at balance date.

Unearned Premium

The portion of premium written, which relates to risks for periods of insurance subsequent to balance date.

5. CLAIMS

Claims Expense

The amount paid for losses suffered under the terms of an insurance policy/cover, adjusted for:

- claims which have been reported but not paid;
- claims incurred but not reported (IBNR);

GLOSSARY (continued)

- claims incurred but not enough reported (IBNER).

together with the anticipated direct and indirect claims settlement costs. Claims expense also includes direct expenses such as legal and medical costs and assessors' fees.

Central Estimate

The estimate of the liability for outstanding claims based on a 50% level of confidence that the liability will be adequate in meeting the actual amount of claim liability to which it relates.

Prudential Margin

An amount added to the central estimate of the liability for outstanding claims, to increase the level of confidence that the liability will be adequate in meeting the actual amount of claim liability to which it relates.

IBNR and IBNER Claims

Incurred But Not Reported (IBNR) claims are claims arising from events which have occurred but have not been reported as at balance date. Incurred But Not Enough Reported (IBNER) claims are claims arising from events which have occurred and been reported as at balance date, but the amount reported may be understated.

The liability for outstanding claims in the Statement of Financial position includes a provision for both IBNR and IBNER claims.

Case Estimate

An assessment of the amount outstanding for an individual claim made by the insurer for each claim reported.

Short Tail Claims

Claims which are typically settled within one year of the occurrence of the events giving rise to those claims.

Long Tail Claims

Claims which are typically not settled within one year of the occurrence of the events giving rise to those claims.

Net Claims Incurred

Net Claims Incurred comprises claims paid (including claims settlement costs) and the movement in the liability for outstanding claims, net of reinsurance and other amounts recoverable.

Liability for Outstanding Claims

A provision for the future estimated cost of claims outstanding as at balance date, including direct and indirect claims settlement costs. Outstanding claims incorporate those which have been reported but not paid, IBNRs and IBNERs, gross of any GST that may be paid.

Reinsurance Recoveries

Amounts recovered or recoverable in respect of reinsurance cover purchased. Reinsurance cover provides some protection against single large claims or many claims arising out of a single event.

GLOSSARY (continued)

Other Recoveries

Other amounts recovered or recoverable (eg. salvage) in relation to claims.

6. REINSURANCE

Cover provided by a general insurer (the “reinsurer”) to indemnify another general insurer (the “reinsured”) against all or part of a loss, which the latter may sustain.

7. OTHER

Run-Off

Run-off refers to closed insurance portfolios where the applicable claims liabilities are being progressively extinguished to their final liquidation. The Government Insurance Fund, Insurance Commission General Fund and the State Government Insurance Corporation are in run-off.

8. APRA - AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

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