

Insurance Commission of Western Australia

Annual Report 2005



Insurance Commission
of Western Australia

CONTENTS

Statement of Compliance to the Minister	4
-----------------------------------------------	---

ABOUT THE INSURANCE COMMISSION

Structure of the Insurance Commission	5
Responsible Minister	5
Key Functions of the Insurance Commission	6
Relevant Legislation	8
History	9
Our Vision, Mission and Values for 2004–2005	10
Organisation Chart	11
Executive Committee	12

YEAR IN REVIEW

Chairman and Managing Director's Joint Review	14
Financial Overview	18
Highlights.....	19

REVIEW OF OPERATIONS

Motor Vehicle Third Party (Personal Injury) Insurance.....	21
RiskCover	25
Other Funds managed by the RiskCover Division	30
Our People	32
Investments	37
Community Focus	41
Customers, Stakeholders and Community Relations.....	44
Customer Feedback – Complaints and Compliments	46

GOVERNANCE

Corporate Governance	48
The Board of Commissioners.....	54
Publications	58
Additional Information.....	60

THE ROAD AHEAD

Strategic Business Planning for 2005–2006	63
Annual Estimates 2005–2006	64

CONTENTS

FINANCIAL STATEMENTS

Financial Statements Index	67
Certification of Financial Statements by the Members of the Board and Principal Accounting Officer	68
Opinion of the Auditor General	69

PERFORMANCE INDICATORS

Certification of Performance Indicators	139
Opinion of the Auditor General	140
Performance Indicators	141

APPENDICES

Glossary	152
Index	155

CONTACT DETAILS

Address:

Insurance Commission of Western Australia
The Forrest Centre,
221 St George's Terrace
PERTH WA 6000

Postal Address:

GPO Box U1908
PERTH WA 6845

Telephone: (08) 9264 3333

Facsimile: (08) 9264 3690

Website: www.icwa.wa.gov.au

E-mail: icwa@icwa.wa.gov.au

STATEMENT OF COMPLIANCE TO THE MINISTER

Statement of Compliance to the Minister

To the Hon. Eric Ripper, MLA
Deputy Premier; Treasurer;
Minister for Government Enterprises;
Minister Assisting the Minister for Public Sector Management

In accordance with Section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Insurance Commission of Western Australia for the financial year ended 30 June 2005.

The Annual Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985* and the *Insurance Commission of Western Australia Act 1986*.



MICHAEL E WRIGHT
CHAIRMAN
31 August 2005



VIC EVANS
MANAGING DIRECTOR
31 August 2005

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia, passed on 31 August 2005.

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 Insurance Commission has two Insurance Divisions:

- The Motor Vehicle Personal Injury Division (MVPI Division)
- The RiskCover Division (RiskCover)

The MVPI Division has a dedicated Fund, the Third Party Insurance Fund, and RiskCover has a dedicated Fund, the RiskCover Fund.

The Insurance Commission maintains and underwrites the following Funds:

- Third Party Insurance Fund
- Compensation Industrial Diseases Fund
- Insurance Commission General Fund

The Government of Western Australia, not the Insurance Commission, underwrites the following Funds, which the Insurance Commission maintains and administers on behalf of the Western Australian Department of Treasury and Finance:

- RiskCover Fund
- Employers' Indemnity Supplementation Fund
- Government Insurance Fund
- Community Insurance Fund

Six Service Divisions: Investments; Finance and Administration; Human Resources; Information Technology; Special Investigations; and the Commission Executive, support the Insurance Divisions.

The Insurance Commission has 307 employees. The organisation chart in this report (on page 11) details the management structure of the Insurance Commission.

Responsible Minister

The Minister responsible for the Insurance Commission is the Hon. Eric Ripper, MLA, Deputy Premier; Treasurer; Minister for Government Enterprises; Minister Assisting the Minister for Public Sector Management.

Key Functions of the Insurance Commission

Motor Vehicle Personal Injury Division (MVPI Division)

The main business activity of the Insurance Commission's MVPI Division is to issue, or cause to be issued, and undertake liability under policies of insurance, as required by the *Motor Vehicle (Third Party Insurance) Act 1943*.

Australia-wide, Motor Vehicle Third Party (Personal Injury) Insurance is compulsory, and accordingly it is commonly known as Compulsory Third Party (CTP) Insurance. The MVPI Division administers the CTP Insurance scheme in Western Australia and manages the claims lodged by those injured in motor vehicle crashes.

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. This means that at-fault drivers/owners are not held personally liable for the costs of any fatal or personal injury claims made against them. Instead, the Insurance Commission manages and pays these claims. The Policy incorporating warranties and conditions is printed on the back of all motor vehicle registration invoices. Any breach of warranty and/or conditions will result in a recovery action against the offending owner/driver.

RiskCover Division

The RiskCover Division was created in July 1997 to facilitate the self-insurance arrangements of Western Australian public authorities on behalf of the State Government and promote risk management throughout government. It also manages the Compensation (Industrial Diseases) Fund (CIDF); Community Insurance Fund (CIF) and the run-off of claims that the former State Government Insurance Office incurred prior to 1 January 1987.

The main business activities of the Insurance Commission's RiskCover Division, as defined by the Act, are:

- to manage and administer insurance and risk management arrangements on behalf of 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.

A further 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 Injury Management Act 1981*. The Industrial Diseases section provides workers' compensation insurance and a claims management service to the mining industry for claims arising from three specified industrial diseases, namely the respiratory diseases of pneumoconiosis (known as asbestosis), lung cancer and mesothelioma.

In January 2003 the Government of Western Australia established the CIF to assist incorporated, not-for-profit community organisations based in Western Australia to access affordable insurance cover. This Fund is underwritten by the Government of Western Australia, whilst the CIF scheme is managed by the RiskCover Division of 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".

ABOUT THE INSURANCE COMMISSION

Service Divisions

Investments Division

The Investments Division provides investment management services to the Insurance Commission. 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.

The Board of Commissioners considers investment strategy, investment manager appointments and other key investment portfolio construction issues, 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 and Administration, 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 detecting, investigating and preventing fraudulent insurance claims and over-servicing by providers, thereby protecting the assets of the Insurance Commission.

Internal Audit Service

An external contractor provides the Insurance Commission's Internal Audit Service, thereby providing the 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 Road Safety Council of Western Australia.

The Insurance Commission had statutory membership of the Workers' Compensation and Rehabilitation Committee and the Workers' Compensation Premium Rates Committee which ceased after 31 December 2004.

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.

Relevant Legislation

Enabling Legislation

The Insurance Commission was established as a statutory authority under section four of the *Insurance Commission of Western Australia Act 1986* on 5 August 1986 and operates in accordance with this Act and the *Insurance Commission of Western Australia Amendment Act 2002* (no. 34 of 2002).

Legislation Administered

The Insurance Commission is also responsible for administering the following Acts:

- *Motor Vehicle (Third Party Insurance) Act 1943*
- *Workers' Compensation and Injury Management Act 1981* (Section 163 only – sole insurer against certain industrial diseases)
- *Employers Indemnity Supplementation Fund Act 1980* (Claims management only)
- *Mine Workers' Relief Act 1932* (Part II – vesting of assets and liabilities of the Mine Relief Workers' Board in SGIO)
- *Police Assistance Compensation Act 1964* (Section 8 only – extension of General Liability cover)
- *Waterfront Workers (Compensation for Asbestos Related Diseases) Act 1986* (Claims management only)
- *Workers' Compensation and Injury Management (Acts of Terrorism) Act 2001* (Section 9 only – indemnity for liability attributable to terrorism).

Legislation impacting on the Insurance Commission's activities

Written laws which impact on the Insurance Commission in the performance of its functions include:

- *Corruption and Crime Commission Act 2003*
- *Criminal Code Act 1913*
- *Electronic Transactions Act 2003*
- *Equal Opportunity Act 1984*
- *Evidence Act 1906*
- *Fatal Accidents Act 1959*
- *Fair Trading Act 1987*
- *Freedom of Information Act 1992*
- *Financial Administration and Audit Act 1985*
- *Limitation Act 1935*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Road Traffic Act 1974*
- *State Records Act 2000*
- *Trade Practices Act 1974.*

In the financial administration of the Insurance Commission, the organisation has complied with the requirement of the *Financial Administration and Audit Act 1985* and every other relevant written law, and exercised controls which provide reasonable assurance that the receipt, expenditure and

ABOUT THE INSURANCE COMMISSION

investment of monies, the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing this Annual Report, the Insurance Commission is not aware of any circumstances which would render the particulars included in the above statement misleading or inaccurate.

History

In 1926 the State Government Insurance Office (SGIO) was established as a public entity providing workers' compensation insurance to miners in the goldfields of Kalgoorlie in Western Australia. The *State Government Insurance Act* was assented to on 31 January 1939.

In 1949, a separate entity the Motor Vehicle Insurance Trust was established to administer the *Motor Vehicle (Third Party Insurance) Act 1943*, requiring owners of Western Australian registered vehicles to insure against liability arising from personal injury.

In 1987, the Insurance Commission was established under the *State Government Insurance Commission Act 1986* following the amalgamation of the State Government Insurance Office and the Motor Vehicle Insurance Trust.

At the same time, the State Government Insurance Corporation, trading as SGIO, was established as a subsidiary of the Insurance Commission to compete with the general insurance market.

On 31 March 1994, SGIO Insurance Limited, which had been established under the *SGIO Privatisation Act 1992*, ceased to be a subsidiary of the State Government Insurance Commission.

On 1 October 1997, the organisation's name was changed to the Insurance Commission of Western Australia, following amendments to the statute, including a name change to the *Insurance Commission of Western Australia Act 1986*.

Our Vision, Mission and Values for 2004–2005

Our Vision

Recognised by the community as the leader in the responsible management of risk and the delivery of equitable compensation schemes.

Our Mission

To excel in the delivery of high quality insurance and risk management services, specifically:

- provide insurance for motor vehicle personal injury and industrial diseases compensation;
- manage and administer self-insurance and risk management services on behalf of Western Australian public authorities and eligible community groups; and
- provide advice to government on matters relating to insurance and risk management,

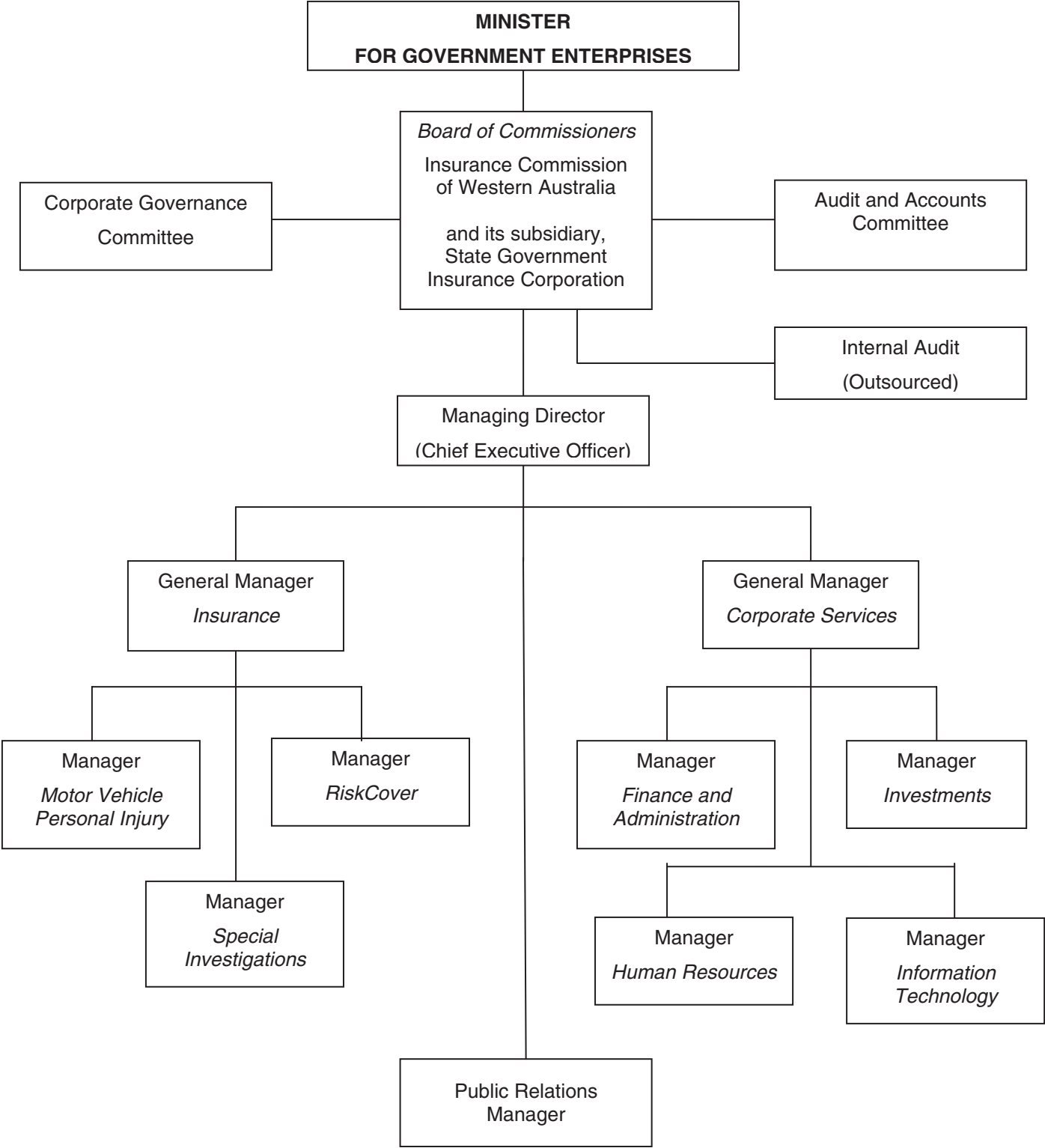
in accordance with the *Insurance Commission of Western Australia Act 1986*.

Our Values

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.
- corporate citizenship through commitment to purposes that are important to the community and uncompromising business ethics.

Organisation Chart



Executive Committee

VIC EVANS Dip Bus Mgt
Managing Director

Vic commenced work with the then Motor Vehicle Insurance Trust in 1960. He has more than 40 years experience in all facets of the insurance industry, including Compulsory Third Party Insurance, general insurance and reinsurance. He has held senior management positions since 1976 and was appointed Managing Director in 1993. He is the permanent head responsible for overseeing the performance of the Insurance Commission's functions and operations. He is also Chairman of the State Government Insurance Corporation.

LEW WATTS Dip Pub Admin, AAIL, Grad Cert Bus Admin
General Manager Insurance

Lew commenced work with the then SGIO in 1975 and has worked in a diverse range of roles with the Insurance Commission and its predecessor agencies. His senior management experience encompasses six years as Manager Human Resources followed by a further six years as Manager Motor Vehicle Personal Injury Division, culminating in his appointment as General Manager Insurance in December 2002. In this role, Lew is responsible for the Insurance operations of the organisation (i.e. Motor Vehicle Personal Injury, RiskCover and Special Investigations).

KEN McAULLAY Grad Dip Bus, Grad Cert Mgt, Dip Pub Admin
General Manager Corporate Services

Ken joined the Insurance Commission in 1986 and has worked in the corporate services area for 40 years. Ken has been General Manager Corporate Services since 1996. Prior to this he was Manager Human Resources for 10 years. He has held the role of Corporate Secretary to the Board for the past 17 years. As General Manager Corporate Services, Ken is responsible for the Corporate Services operations of the Insurance Commission (i.e. Finance and Administration, Human Resources, Information Technology and Investments).

FAB ZANUTTIGH MBA, Grad Cert Mgt, AIMM
Manager Motor Vehicle Personal Injury

Fab has post-graduate qualifications in business and 20 years experience in Compulsory Third Party Insurance. He was appointed Manager of the Motor Vehicle Personal Injury Division in January 2003 and in this position is 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

Don commenced work with the then SGIO in December 1968 and has over 35 years experience in all facets of general insurance company operations. He is responsible for 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 a number of smaller insurance funds.

ABOUT THE INSURANCE COMMISSION

JIM MILLIGAN M Crim Just, BSc (Security), Grad Cert Comp Sec
Manager Special Investigations

Jim has more than 30 years experience in the criminal and commercial investigations field. He was with the Criminal Investigations Branch of the Western Australia Police Service for many years and also spent two years attached to the National Crime Authority's Melbourne office. Jim has managed the Insurance Commission's Special Investigations Division since joining the Insurance Commission in 1990. He is responsible for coordinating strategies to protect the assets of the Insurance Commission and minimising the incidence of fraud.

RICHARD HASELGROVE FCA
Manager Finance and Administration, Principal Accounting Officer

Richard is a Fellow of the Institute of Chartered Accountants in Australia who has more than 20 years experience in accounting. Before joining the Insurance Commission in 1999, he held senior finance roles in the private sector. Richard has experience in strategic and business planning, internal audit, due diligence, financial systems implementations and detailed management and statutory reporting. Richard is primarily responsible for ensuring that all the Insurance Commission's revenues and expenditures have been brought to account and for ensuring compliance with the *Financial Administration and Audit Act 1985* and the Treasurer's Instructions.

GRAHAM CROFT BBus, Grad Dip App Fin (SIA), Dip in Acctg, FCPA, ASIA,
Manager Investments

Graham has been involved in management of Finance and Investment operations of the Insurance Commission for over 30 years and has been Manager Investments Division since 1995. He is experienced in investment portfolio construction and managing one of the largest institutional portfolios in Western Australia. Graham is responsible for the effective management of the Insurance Commission's investment portfolio.

PETER AMOS BSc
Manager Information Technology

Peter's 35 years experience in IT management positions has been gained in government, and national and international organisations trading in the manufacturing and financial services sectors. For the last 17 years he has overseen the planning, development and operation of the Insurance Commission's information systems. Peter is responsible for ensuring that the Insurance Commission's information and communication systems requirements are met via systems maintenance and systems and technological improvements.

GRANT SPEIGHT M HRM, Grad Dip Bus, Dip Training and Assessment Systems, FAHRI
Manager Human Resources

Grant commenced his career in the general insurance areas of the then SGIO in 1977 before moving into a number of senior human resource roles culminating in his appointment as Manager Human Resources Division in 1996. Grant has 20 years experience in human resource management and as a Fellow of the Australian Human Resource Institute is active in a number of external human resource and industry advisory committees. Grant is responsible for developing and implementing human resource strategies that contribute to the achievement of the Insurance Commission's corporate objectives.

Chairman and Managing Director's Joint Review

Financial Performance

We are pleased to report that for the financial year 2004–2005 the Insurance Commission recorded a consolidated operating profit after tax of \$163.9 million (2004: \$89.2 million). At balance date, the Insurance Commission's total consolidated assets were \$1.97 billion (2004: \$1.74 billion) with net assets of \$369.3 million (2004: \$205.4 million).

The overall operating profit included an investment return for the year of 13.4% net of fees and expenses (2004: 11.4%).

Year in Review

The 2004–2005 year has been one of dedicated focus on improving our operations and consolidating the financial success achieved over the past decade. We have reviewed our organisation-wide goals and performance measures in detail and fine-tuned them to set the direction for the 'Road Ahead'. The outcome of this intensive effort is reflected in the Insurance Commission's Balanced Business Plan developed by management and endorsed by the Board. The overall plan is complemented by seven Divisional Plans.

The two Insurance Divisions, Motor Vehicle Personal Injury (MVPI) and RiskCover performed well, managing claims efficiently, and importantly, in accordance with the Insurance Commission's established and recognised Values.

As part of our continuous improvement program, major initiatives are being undertaken by our Service Divisions. These initiatives include total replacement of our Financial Systems; migration from a mainframe to an open systems information technology environment; and the development of knowledge management strategies. In addition extensive resources have been committed to manage the transition to the Australian equivalent to the International Financial Reporting Standards, ensuring a successful implementation of the standards throughout the Insurance Commission and continuation of "best practice" reporting.

Investment Strategy

During the year, the Board conducted a detailed review of the Insurance Commission's ongoing tactical investment strategy, with assistance from the Insurance Commission's asset consultant and input from the Investment Division. Maximising returns without materially increasing the overall level of risk across the investment portfolio continues to be the focus.

All asset classes delivered positive returns over the year, with the return from Australian shares (28%) being the major contributor.

Our Property Portfolio was the only asset class to under-perform with a return of 5.6%, which was below its 13% benchmark (Mercers Unlisted Property Index). Two major factors impacting upon this under-performance were lease duration in our Westralia Square building (leases applying to approximately 75% of the 32,000 square metres total office space available in Westralia Square expire in January 2007), and the stage of our Ellenbrook Regional Shopping Centre which has yet to reach its full potential as only Stage One has been completed (further stages will be developed as the

YEAR IN REVIEW

surrounding Ellenbrook population grows). It is anticipated that both of these property investments will generate solid returns from 2006 onwards.

Bell Recovery Action

The Insurance Commission continues to provide financial support for the initiatives of the Bell Group Liquidators in seeking to recover monies claimed by their administrations against a syndicate of 20 banks led by Westpac Banking Corporation and Lloyds Bank plc of London.

The trial of the Bell Recovery Action commenced in the Supreme Court of Western Australia on 22 July 2003 and is expected to continue into 2006. In the year to 30 June 2005, the Insurance Commission outlaid \$23.7 million (2004: \$24.0 million) to fund the prosecution of the Bell Group Liquidators' claim. As the trial progresses, the Insurance Commission continues to assess its related insurance program, in conjunction with potential recoveries from the related Southern Equities Corporation Ltd (in Liquidation) administration, to minimise the impact of financing the Bell group Liquidators.

Should the Bell Group Liquidators' action be successful, creditors, including the Insurance Commission, stand to gain substantial benefits from the recovery.

Motor Vehicle Third Party (Personal Injury) Insurance (CTP)

The Third Party Insurance Fund ended the year with an underwriting profit of \$50.3 million (2004: \$52.8 million loss). The overall outcome was an operating profit after tax of \$193.3 million (2004: \$88.9 million), again highlighting the importance of investment returns. Net assets of the Fund at balance date increased to \$470.5 million (2004: \$277.2 million).

We were again pleased to report to the Minister, that for 2005–2006, no CTP premium rate increase was required for the Third Party Insurance Fund to maintain an acceptable level of reserves adequacy. As a result, Western Australian motorists continue to enjoy the lowest premiums for a private motor car in Australia by 21%. We have maintained this enviable position for the past eight years.

Overall the Insurance Commission's MVPI Division operations ran smoothly under the leadership of the experienced staff operating in that area.

During the reporting period, the MVPI Division addressed some of the issues identified in a customer and stakeholder survey that had been conducted in the 2003–2004 financial year. In particular it focused on enhancing its high standard of communication with its customers and other stakeholders. Amongst its initiatives is a brochure entitled 'Your Compulsory Third Party Insurance Explained' which is being mailed to every registered WA vehicle owner with their motor vehicle registration renewal/invoices.

RiskCover

In 2004–2005 RiskCover achieved an operating surplus of \$33.6 million (2004: \$23.8 million surplus). Its \$10-million underwriting deficit was significantly less than the budgeted deficit of \$24.5 million and reflects, in no small measure, the benefits of employing structured Risk Management programs. Notwithstanding the \$10-million deficit, the RiskCover Fund remains in a surplus position, with net assets of \$57.9 million (2004: \$24.3 million), primarily as a result of the strong investment returns.

YEAR IN REVIEW

During the year, RiskCover embarked on an organisational restructure which is still ongoing, designed to make risk management a primary focus of the business. This strategic change in structure reflects the future direction of RiskCover as an expert service/support provider in risk management for Western Australian public authorities (agencies).

As well as managing the RiskCover Fund, the Division manages a number of other Funds, including the Community Insurance Fund (CIF). The Western Australian Government established the CIF on 2 January 2003 to assist incorporated not-for-profit community organisations, based in Western Australia, to obtain affordable insurance cover. Following public liability legislative changes and increased interest in this sector from the private insurance industry, the future need for the CIF has become an open question.

Investments in Road Safety and Medical Research

The Board continued its funding of road safety programs by committing \$4.1 million to the Road Safety Council and other road safety initiatives. This funding program supports a holistic and co-ordinated approach to the Road Safety Council's implementation of *'Arriving Safely: Road Safety Strategy for Western Australia 2003–2007'*. Based on a decade of sustained reduction in the number of CTP claims received, as a percentage of motor vehicles licensed in Western Australia, this financial commitment is viewed as an essential long-term investment.

The Board also endorsed the funding of approximately \$300,000 to a team of researchers at Sir Charles Gairdner Hospital to undertake medical research into mesothelioma, an asbestos-related disease, as part of a long-term funding commitment commenced in 1990. During the year, the Board received a presentation and detailed report from Professor Bruce Robinson on the progress of achievements against the project milestones. The ongoing funding of the research will be reviewed in 2005–2006.

Concluding Remarks

The 2004–2005 financial year was a successful one for the Insurance Commission in terms of investment performance, risk management and claims administration. Overall, our financial position again strengthened as a result of our underwriting performance and investment returns.

We are pleased to be in the position where the Third Party Insurance Fund is fully funded and able to continue to offer the cheapest premiums in Australia for private sedans. This strong financial position provides us with an opportunity to evaluate enhancements to the benefits available under the scheme.

With regard to the RiskCover Fund, we are also pleased to note its strong surplus position and the fact that well-performing agencies have been rewarded by way of contribution refunds for both workers' compensation and motor insurance, totalling some \$20 million.

We would like to acknowledge and express our sincere thanks to the Insurance Commission staff for their ongoing dedication, hard work and initiative. The high standard of leadership and management skills provide continued benefits to all Western Australians. We would also like to thank our fellow Commissioners for their support and the valuable contribution they make to the successful functioning of the Board and good governance of the Insurance Commission.

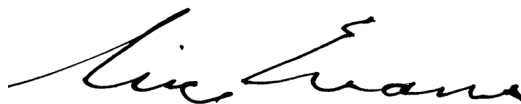
YEAR IN REVIEW

Looking ahead to 2005–2006, our challenge will be to achieve our stated goals and bring to fruition the projects that have been identified in our annual business plan. The Insurance Commission has utilised the Balanced Scorecard approach for its strategic business planning for a number of years. We are pleased to report that this approach (and the planning process generally) has involved all levels of the organisation and its objectives have been clearly communicated.

Our revised Vision, “*recognised by the community as the leader in the responsible management of risk and the delivery of equitable compensation schemes*” was introduced for the 2004–2005 year and beyond. The Insurance Commission’s aim is to support this Vision and ensure that our focus is on achieving our goals for the benefit of the people of Western Australia.



MICHAEL E WRIGHT
CHAIRMAN



VIC EVANS
MANAGING DIRECTOR

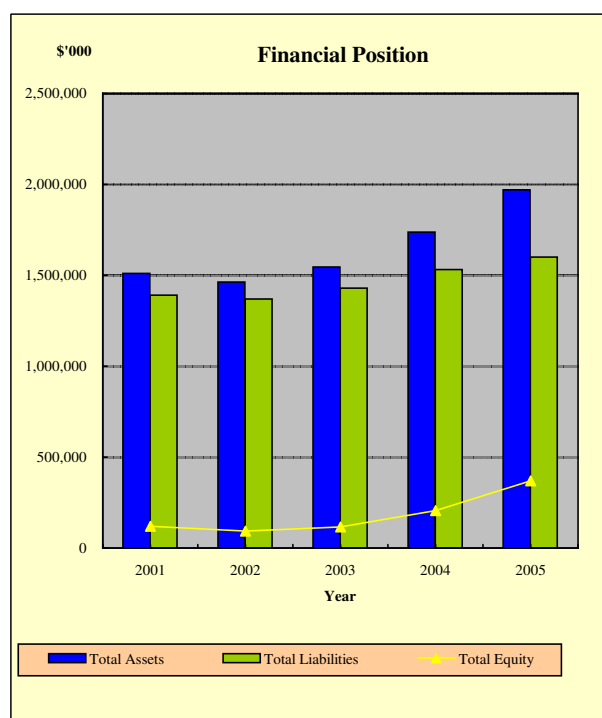
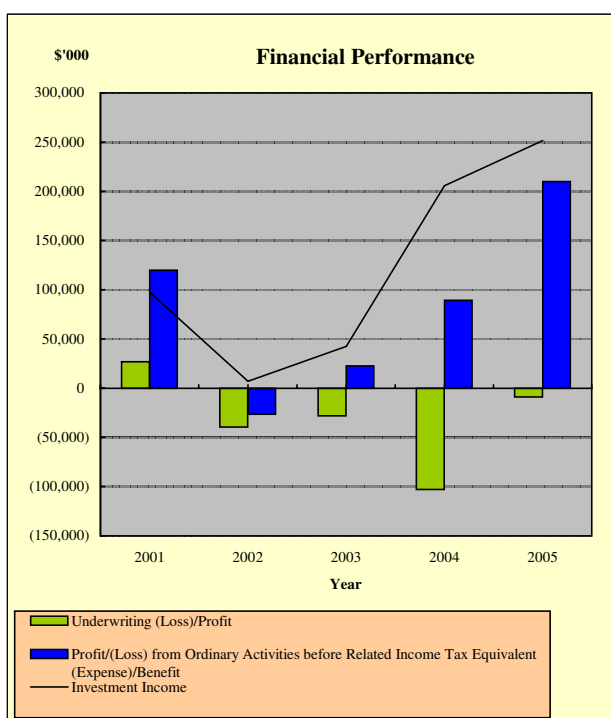
FINANCIAL OVERVIEW - INSURANCE COMMISSION

STATEMENT OF FINANCIAL PERFORMANCE

	2005 \$'000	2004 \$'000	2003 \$'000	2002 \$'000	2001 \$'000
Net Earned Premium	338,069	323,464	306,815	296,895	289,572
Claims Incurred	(304,201)	(377,338)	(316,690)	(317,029)	(243,287)
Reinsurance and Other Recoveries Revenue	23,563	9,782	22,122	19,448	22,800
Net Claims Incurred	(280,638)	(367,556)	(294,568)	(297,581)	(220,487)
Underwriting and Administration Expenses	(66,458)	(58,665)	(40,221)	(38,804)	(42,117)
Underwriting (Loss)/Profit	(9,027)	(102,757)	(27,974)	(39,490)	26,968
Investment Income	251,429	205,553	42,498	6,988	97,384
Investment Expense	(16,949)	(14,484)	(13,396)	(4,493)	(13,139)
Interest Paid	(43,733)	(30,175)	(6,453)	(3,655)	(12,318)
Other Income	28,447	28,908	28,432	12,164	20,926
Other Expenses	(212)	2,163	(504)	2,141	(98)
Profit/(Loss) from Ordinary Activities before Related Income Tax Equivalent (Expense)/Benefit	209,955	89,208	22,603	(26,345)	119,723

STATEMENT OF FINANCIAL POSITION

Other Financial Assets	1,643,905	1,434,496	1,273,506	1,196,577	1,217,255
Other Assets	325,369	302,500	271,616	265,924	294,000
Total Assets	1,969,274	1,736,996	1,545,122	1,462,501	1,511,255
Outstanding Claims	1,385,188	1,360,466	1,251,006	1,215,914	1,241,838
Unearned Premiums	135,805	135,034	126,005	117,857	113,592
Other Liabilities	79,016	36,099	51,921	35,143	35,893
Total Liabilities	1,600,009	1,531,599	1,428,932	1,368,914	1,391,323
Net Assets	369,265	205,397	116,190	93,587	119,932
Reserves	12,569	11,869	11,540	12,528	12,816
Accumulated Profit	356,696	193,528	104,650	81,059	107,116
Total Equity	369,265	205,397	116,190	93,587	119,932



Highlights

Customers

Motor Vehicle Personal Injury Division

- The Third Party Insurance Fund recorded an underwriting profit of \$50 million and overall, an operating profit after tax of \$193 million.
- Western Australia's compulsory Third Party Insurance premium for a family motor vehicle remains the lowest in Australia by 21% with no premium rates increase for 2005–2006.
- A fully-funded Third Party Insurance Fund, including a prudential margin, with a surplus of total assets over total liabilities of \$471 million, met the Australian Prudential Regulation Authority (APRA) minimum capital requirement standards.
- \$267 million (gross) claims-related payments were paid on behalf of injured persons in respect of Motor Vehicle Third Party (Personal Injury) Insurance claims.

RiskCover Division

- The RiskCover Fund, underwritten by the Government of Western Australia, ended the year with an operating surplus of \$33.6 million due to its strong investment return, despite an underwriting deficit of \$10 million.
- RiskCover's Risk Management Team facilitated 200 agency-specific workshops on various risk management issues.
- The fifth annual Government Risk Management Conference was held in July 2004. Approximately 260 delegates attended.
- Approximately \$300,000 funding was provided for medical research into mesothelioma on behalf on the Compensation Industrial Diseases Fund.

Community – Road Safety

- We committed more than \$4 million to Western Australian road safety initiatives.
- We continued to support and fund Road Aware, a comprehensive state-wide school road safety program being embedded into school curriculum as part of the health learning area.
- We funded two separate state-wide road safety theatre projects – 'The Buzz' and 'Muttacar Sorry Business' – which were successfully performed to more than 15,000 young Western Australians.
- We were the major sponsor of the three-day '2004 National Road Safety Research, Policing and Education Conference' held in Perth in November 2004. More than 400 delegates attended the conference which is considered the premier annual road safety conference for Australia and New Zealand.

YEAR IN REVIEW

Our People

- We had twelve months without sustaining a Lost-Time Injury.
- We recruited an additional Indigenous trainee. Three former trainees (one youth and two Indigenous trainees) secured employment contracts with us after successfully completing their traineeships.
- We held a values-based Management and Leadership Development Program for mid- to senior-level employees.
- In partnership with the Corruption and Crime Commission's Corruption Prevention, Education and Research Directorate, our Special Investigations Division facilitated two Fraud and Corruption seminars. They were presented to increase staff awareness of obligations and responsibilities arising from our newly introduced Corporate Fraud and Corruption Policy and related Public Interest Disclosure Act Policy and Guidelines.

Business Processes

- Further work was completed on a long-term major infrastructure migration project that will move the Insurance Commission's technology base from a mainframe proprietary platform to an open systems environment.
- Further enhancements, designed to improve productivity and customer service, were made to the Workflow and Imaging system within the MVPI Division.
- Our Special Investigations Division increased the volume of internal investigative services by 15% through a concerted liaison effort with the insurance divisions.

Financial

- An Insurance Commission operating profit, after tax, of \$163.9 million.
- Total assets of the Insurance Commission of \$1,971 million and net assets of \$369.3 million.
- Investment return for the year was 13.4% (net of fees and expenses).
- The Insurance Commission's 10-year average real investment return of 9.52% is 0.27% higher than the 10-year performance benchmark (9.25%).
- The Insurance Commission won two awards for its 2004 Annual Report at the W.S. Lonnie Awards hosted by the WA Division of the Institute of Public Administration Australia: The Margaret McAleer Special Commendation Award – *"For an outstanding report that establishes a benchmark to which others should aspire"*; and the Bronze Award in the General Government Sector with 100-1,000 FTEs for *"Distinguished Achievement in Accountability through Annual Reporting"*. These awards follow either Silver or Bronze W.S. Lonnie Awards each year for the past five years.

Motor Vehicle Third Party (Personal Injury) Insurance

Key goals

- ***To provide affordable premiums to owners of Western Australian registered motor vehicles***
- ***To provide a claims system that treats claimants fairly and delivers 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, commonly referred to as Compulsory Third Party (CTP) Insurance, in Western Australia.

Motor Vehicle Personal Injury Insurance is compulsory in all States and Territories of Australia. The Motor Vehicle Personal Injury Division (MVPI Division) of the Insurance Commission deals with all personal injury and fatality claims resulting from motor vehicle crashes that involve Western Australian registered vehicles. In 2004–2005, there were approximately 1.91 million vehicles registered in Western Australia. An unlimited indemnity policy of insurance is combined with every motor vehicle licence. The Department for Planning and Infrastructure and its agents collect these premiums on behalf of the Insurance Commission.

The relevant 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 the driver for injuries he/she receives as a result of his/her own negligence. The policy indemnifies drivers/owners of motor vehicles against liability for personal bodily injury claims made against them. The policy does not cover damage to vehicles or other property. Negligence must be established against the owner or driver of a Western Australian registered motor vehicle, for personally injury or fatality claims to be successful.

In delivering the compulsory third party scheme in Western Australia, the Insurance Commission continues to provide:

- 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; and
- a Third Party Insurance Fund which is fully funded (after applying a commercially prudent 75% level of confidence to the Outstanding Claims Liabilities).

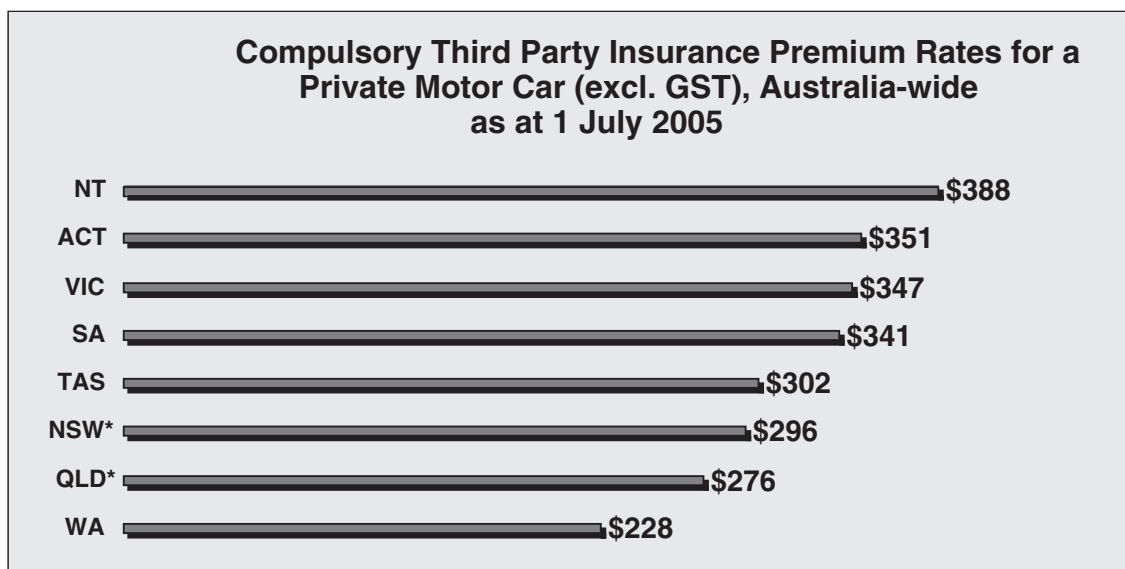
Pricing Policy

To comply with Section 3T of the *Motor Vehicle (Third Party Insurance) Act 1943*, the Insurance Commission assesses the premium income necessary 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 then makes a recommendation to the Minister for Government Enterprises. (For the Schedule of Premiums, refer to the Government Gazette 13 May 2003, reference IZ401 on pages 1671–76.)

REVIEW OF OPERATIONS

Premiums

In April 2005, the Minister for Government Enterprises noted the Board's resolution not to vary third party insurance premiums for the 2005–2006 financial year. This is the third time in four years that CTP premiums have not been increased and further confirms Western Australia's position as the most affordable provider of CTP insurance in Australia.



*Lowest premium on offer amongst the private insurers operating in these states.

Customers

A key priority for the MVPI Division is to continually improve the efficiency and delivery of our customer service. Over the last 12 months, our focus has been directed at addressing some of the issues identified in a customer and stakeholder survey conducted in the 2003–2004 financial year.

Key initiatives undertaken included:

- An easy to read, plain language brochure entitled 'Your Compulsory Third Party Insurance Explained' was mailed to every registered Western Australian vehicle owner with the motor vehicle registration renewal/invoices.
- Our web-based information for claimants was reviewed and updated.
- We improved on-line access for service providers to track progress of payment of their invoices.
- Our correspondence to clients and customers was reviewed to ensure that it is easy to read and understand and is informative.

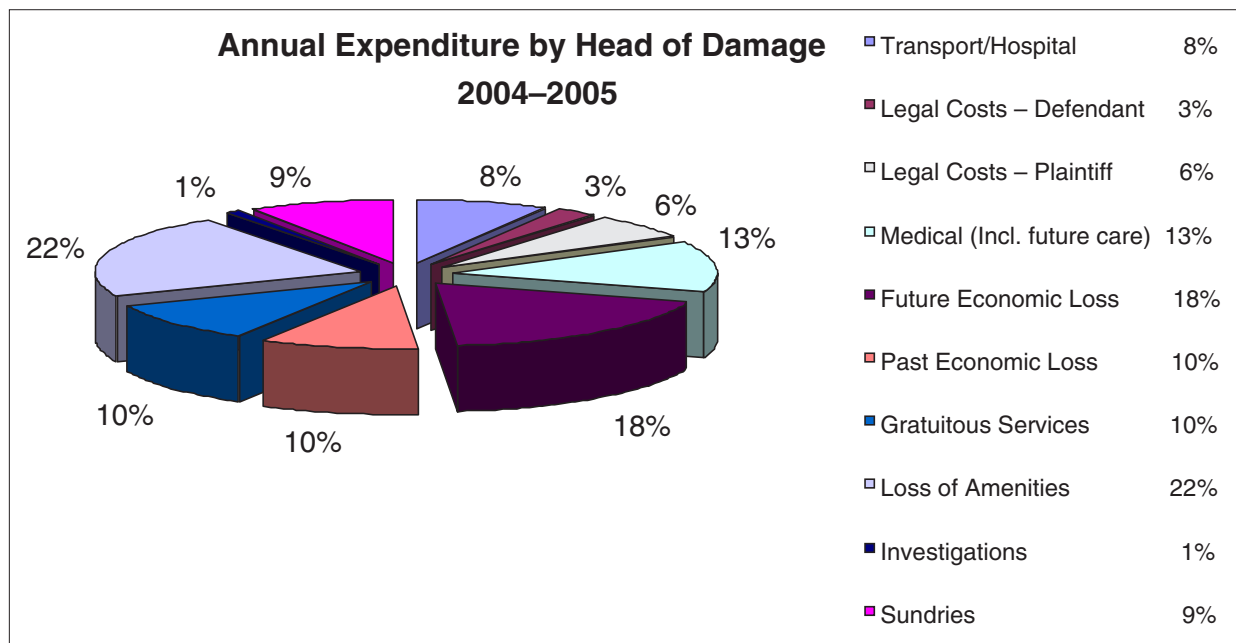
Over the next twelve months, whilst our attention will continue to be directed towards improving our claims management processes, productivity and customer service, we will also explore possible opportunities to enhance the benefits provided under the existing scheme, such as providing a no-fault benefit component for people catastrophically injured as a result of a motor vehicle crash.

Third Party Insurance Fund

The net assets of the Third Party Insurance Fund were \$471 million as at 30 June 2005, compared to \$277 million in the previous year. This increase is due to a strong investment return and sound claims management practices.

REVIEW OF OPERATIONS

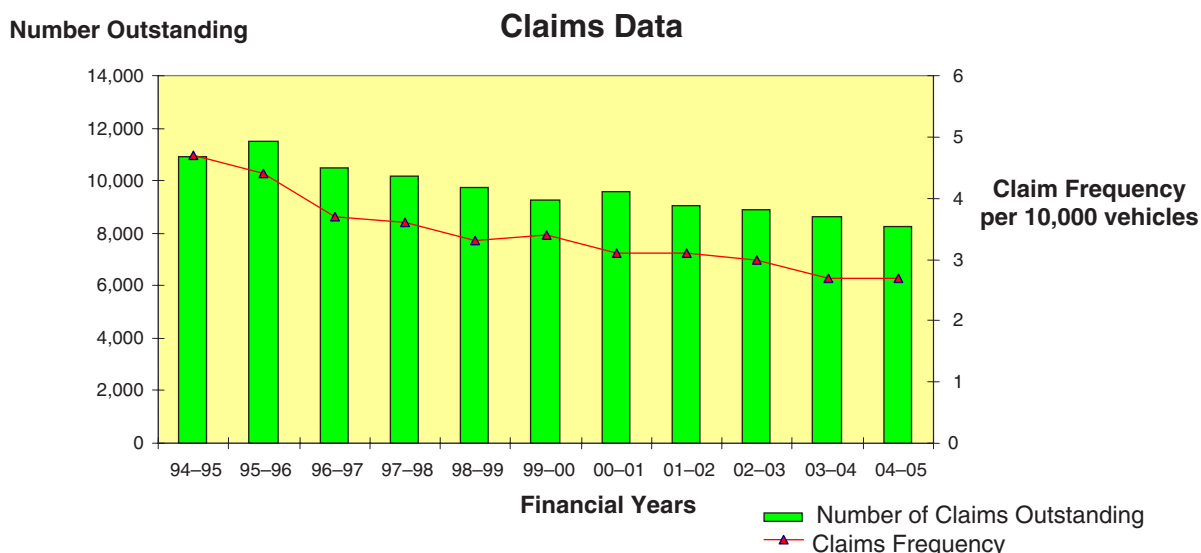
Net Claims Incurred for the reporting year was budgeted at \$353 million however the actual amount incurred was \$260 million (2004: \$350 million). This excellent outcome was achieved even though a higher than expected number of claims was settled. This resulted in the total outstanding active claims reducing from 8,598 in 2004 to 8,259 at 30 June 2005 (a reduction of 339).



During the year, 4,949 new claims were received. This is 126 less than the previous year and continues the decreasing claim frequency trend experienced over the last 11 years, notwithstanding an annual average 3% increase in vehicle registrations.

The introduction of ‘cappings’ and ‘thresholds’ on damages for personal injury claims in 1993, combined with a stronger focus on road safety and crash-prevention initiatives, safer cars and better roads, are some of the recognised factors influencing this pleasing, long-running, downward trend.

In 2004–2005, the number of registered vehicles increased to a total of 1.9 million, comprising approximately 1.5 million motor vehicles and 0.4 million caravans and trailers. This is an increase of approximately 3% from 2003–2004.



REVIEW OF OPERATIONS

Business Systems – Workflow and Imaging

The Insurance Commission continues to enhance its Workflow and Imaging technology, the core business system for the MVPI Division. Considerable benefits in terms of improved efficiencies in claims management, customer service and administration costs have already been realised, and focus will remain on optimising the system to ensure that functionality and efficiencies are maximised.

Ongoing Projects

Our MVPI Division plans to do the following during 2005–2006:

- Continue to enhance the Workflow–Imaging technology in order to improve the claims management process, productivity and customer service.
- Maintain efforts, in collaboration with the Department for Planning and Infrastructure to enhance the Transport Executive and Licensing System, commonly referred to as TRELIS, to provide timely and accurate policy details, premium collection and associated statistical data.
- 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.
- Explore possible opportunities to enhance the benefits provided under the existing scheme, such as providing a no-fault benefit component for minors and people catastrophically injured as a result of a motor vehicle crash.
- Monitor Third Party Personal Injury Insurance schemes throughout the world to ensure best practice for all Western Australian motor vehicle owners.
- Maintain its support of road safety programs aimed at preventing crashes that result in personal injury or death.

RiskCover

Key goals

- ***To be recognised by our customers as the best provider of risk management and self-insurance services.***
- ***To take a leadership role in the minimisation of the cost of risk for the Government of Western Australia***

The *Insurance Commission of Western Australia Act 1986* authorises the Insurance Commission to:

- manage and administer insurance and risk management arrangements on behalf of Western Australian public authorities; and
- 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 Insurance Commission manages a self-insurance and risk management enterprise under the name RiskCover on behalf of Western Australia's Department of Treasury and Finance. RiskCover commenced operations in 1997 as a Business Division of the Insurance Commission.

RiskCover achieves its key goals through a collaborative approach that delivers a total coordinated service to its clients in the following areas:

- loss prevention, which includes the development and implementation of risk management programs;
- data analysis services; and
- loss minimisation, which includes fund management and claims management services.

Risk Management Services

RiskCover provides risk management consultancy services to assist public authorities to implement risk management in all aspects of their business. RiskCover also invests a great deal of time and effort in developing risk management skills throughout Western Australian public authorities through training, mentoring and expert advice.

Risk Management is a business management tool which helps public authorities to achieve their goals and performance targets whilst ensuring the effective use of available resources. No agency operates in a risk-free environment and risk management does not seek to create such an environment, it simply enables management to operate more effectively in an environment filled with risks.

Public authorities have started to realise the benefits of managing risks, and being able to capitalise on opportunities with a greater level of confidence that they will successfully achieve the desired outcome. This is most noticeable with public authorities that have incorporated risk management into their strategic planning.

REVIEW OF OPERATIONS

RiskCover has delivered training and development opportunities to a wide variety of public authorities through many different forums over the past twelve months. Some of these initiatives include:

- Approximately 260 delegates attended the annual GRM (Government Risk Management) Conference held in July 2004. The theme of the conference was “Maximise opportunities – manage risks”. This one-day conference featured keynote addresses on:
 - Risk Management at BankWest;
 - Business Risk Management Practical Application at Woodside;
 - Department of Education and Training Success Story; and
 - Keys to Ensuring Corporate Governance.

Other sessions covered case studies and a panel discussion on current issues.

- 156 representatives of public authorities attended two seminars on ‘Legal aspects of Risk Management’ and ‘Claims Management’, and 69 representatives attended a seminar on ‘Risk Management — What, Why and How?’
- Over 200 representatives of public authorities attended regional training courses in Albany, Broome, Bunbury, Geraldton, Kalgoorlie, Karratha and Kununurra. The courses covered Risk Management, Occupational Health and Safety, Duty of Care, Injury and Claims Management and the *Workers’ Compensation and Injury Management Act* amendments.
- More than 250 public authority-specific risk workshops, concentrating on strategic, operational and specific project risk management were facilitated.
- More than 50 public authority-specific training sessions were conducted, focusing on the individual public authority’s requirements and, including training on their risk management practices, occupational safety and health, and Risk Management Coordinator training.

In 2000, RiskCover developed its own database system called "RiskBase" to provide RiskCover and its client public authorities with a means of recording and reporting on risks, controls and risk treatment plans. "RiskBase" is a simple risk management reporting tool configured in MS Access XP and is available free of charge to public authorities. The database comprises a number of standard selection screens, data entry forms and preconfigured reports. These have been customised to reflect the public authority’s organisational structure and management framework.

During the year, "RiskBase" was refined to provide security and tracking features. Some 117 public authorities are now using "RiskBase", seven more than in 2004.

Data Analysis Services

To assist public authorities in minimising their cost of risk, RiskCover provides them with detailed analyses of claims and risk data that focus on their specific trends and risk exposures.

Extensive claims analysis across workers’ compensation, motor vehicle, property, treatment liability and general liability cover types, was undertaken over the past twelve months.

REVIEW OF OPERATIONS

Highlights included:

- Across-government benchmarking which identified public authorities at risk. Benchmarking enabled a quick assessment of public authorities with higher claims frequencies and/or higher average costs per claim.
- Over 40 public authority reviews and presentations focused on performance and claimant risk factors. The reviews isolated areas for improvement such as operational locations or occupation groups within public authorities. Similarly, benchmarking by claim descriptions and claimant profiles provided easy detection of the public authority's specific risks.
- RiskCover and the Office of Public Sector Standards Commissioner conducted a collaborative study of the relationship between job satisfaction and workers' compensation claims. The aim of the study was to gain a deeper understanding of job satisfaction and its relationship to the likelihood of a workers' compensation claim being made. The results showed that employees in operational areas with lower job satisfaction had a higher workers' compensation claims frequency. In some instances, employees in areas with lower job-satisfaction were more than three times as likely to have made a claim as employees in areas with higher job satisfaction. The evidence strongly supports the notion that strategies to improve organisational culture and job satisfaction should be a major part of a public authority's risk management program.

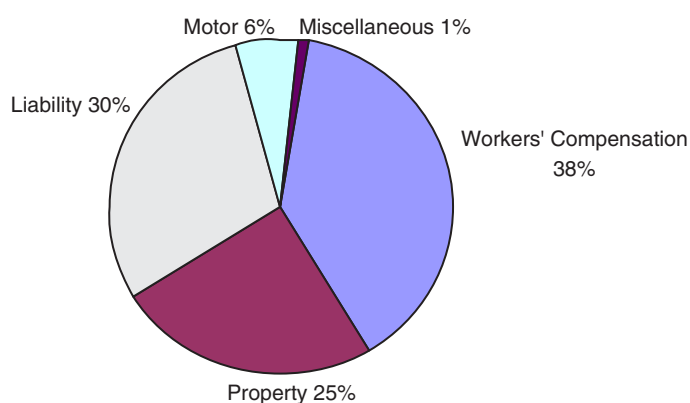
RiskCover's Data Warehouse was developed in March 2000 to assist public authorities in managing their workers' compensation risks. In 2004–2005, the data held in the warehouse was expanded to include the non-workers' compensation classes of cover. This will further enhance RiskCover's capabilities in providing public authorities with timely and accurate information to aid decision-making.

Fund Services

RiskCover aims to have sufficient assets to pay for all liabilities. RiskCover achieved a strong financial result for the year through strong investment returns and sound claims management and underwriting practices.

Contribution Revenue (Gross) totalled \$123 million (2004: \$118 million). Underwriting and Administration Expenses, which includes risk management services, remained at approximately 10.5% of Contribution Revenue (Gross). A breakdown of contributions by insurable risk (i.e. class of insurance cover) is shown in the following graph.

RiskCover Fund Contributions by Insurable Risk 2004–2005



REVIEW OF OPERATIONS

Gross claims payments for 2004–2005 were \$89 million, some \$3 million more than the \$86 million budgeted. Despite this, the strong investment return of 14%, resulting in Investment Income of \$43.7 million, culminated in an operating surplus of \$34 million (2004: \$24 million). Overall, the RiskCover Fund has cumulative net assets of \$58 million (2004: \$24 million). This strong financial position enables RiskCover to minimize Fund Contributions.

Last year RiskCover gained approval from the Department of Treasury and Finance to maintain sufficient reserves in the order of \$20 million to provide security for large losses not covered by the reinsurance program. In regard to the balance of the \$58 million surplus (i.e. \$38 million), RiskCover is having ongoing discussions with the Department of Treasury and Finance to resolve how best to deal with these surplus funds going forward, bearing in mind a number of uncertainties, particularly whether the Australian equivalents to the International Financial Reporting Standards (A-IFRS) apply to the Fund.

Customer Satisfaction

Each year, a market research organisation conducts an independent survey to measure the level of customer satisfaction amongst RiskCover's clients. This helps RiskCover to monitor how well it is meeting its clients' expectations. It is pleasing to note that public authorities reported a high level of satisfaction with RiskCover's performance in the 2005 customer satisfaction survey. The rating of RiskCover's performance for 'good' and above was 96% compared to 97% last year. Public authorities who rated RiskCover's services as 'good' increased from 24% in 2004 to 30% in 2005, however the combined rating for 'very good' and 'excellent' have reduced from 73% to 66%.

Claimant Satisfaction

In addition to RiskCover's 2005 Customer Satisfaction Survey, during the year a separate specific survey which targeted workers' compensation claimants was conducted for the first time. A major aim of this survey was to produce benchmark measures for comparison over time. Some 58% of respondents reported that they were 'satisfied' or 'very satisfied' with RiskCover's Claims Services. The survey results also highlighted a number of areas where RiskCover can improve its service to claimants. This feedback will assist RiskCover to develop appropriate service delivery strategies.

Coverage

RiskCover continues to provide extensive cover for the majority of State Government insurable risks including:

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

Some of the benefits that the RiskCover Fund provides include:

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

REVIEW OF OPERATIONS

Pricing Policy

Fund Contributions are set to ensure that sufficient funds are collected to pay for all liabilities. The key outcomes that RiskCover aims to achieve in setting contributions are:

- equity for all public authorities;
- transparency in the Fund Contribution setting methodology;
- minimum cross-subsidisation;
- protection against major surprises; and
- incentives for risk management.

As agreed with the Department of Treasury and Finance, claims costs used to determine Fund Contributions do not include a prudential margin as the Government of Western Australia underwrites the Fund.

Claims Services

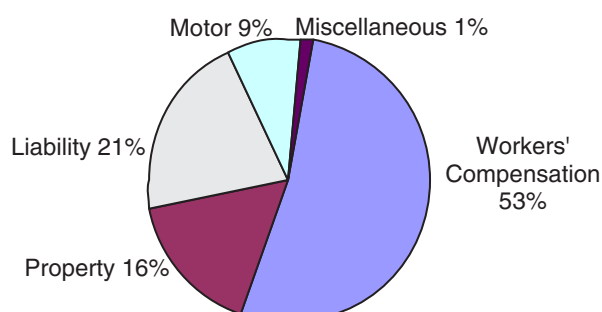
Claims services constitute the largest part of RiskCover's operations and consumes the most resources. Workers' Compensation claims comprise the majority of the claims portfolio. RiskCover focuses on providing a claims service that integrates injury prevention, injury management, claims management and rehabilitation strategies.

In 2004–2005, the *Workers' Compensation and Rehabilitation Act 1981* was significantly amended to enshrine requirements for injury management and expand the benefits available to injured workers. To highlight the focus of the legislation, the new Act is entitled the *Workers' Compensation and Injury Management Act 1981*.

To inform public authorities of the legislative changes, RiskCover conducted a number of information sessions and workshops in the metropolitan area and in major regional centres. Regular injury management workshops were also conducted to promote this multi-faceted approach to claims management.

In 2004–2005, RiskCover's claim payments totalled \$89 million (2004: \$79 million), approximately 2.7% more than forecast. A breakdown by insurable risk (cover class) is provided below.

**RiskCover Claim Payments
by Insurable Risk for 2004–2005**



In the Workers' Compensation class, the number of reported claims, the number of claim closures and the net claim payments were all less than projected. The experience of the Liability and Property classes was better than expected. Conversely, the Motor Vehicle class claim payments were 34% more than projected.

REVIEW OF OPERATIONS

Ongoing Projects

RiskCover plans to do the following during 2005–2006:

- Complete the implementation of the Division's restructure and consolidate operations.
- Examine ways to improve claimant information services.
- Further develop electronic business capabilities.

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 may 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 were decreased from 1 July 2003 to a flat charge of \$100 per three-year policy period.

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)

In response to the collapse of the HIH Group of Companies (HIH) in March 2001, the EISF was activated to fund claims for workers injured in the course of their employment prior to 15 March 2001.

All claims in relation to the collapse of HIH are managed externally by CGU Workers' Compensation Claims (an Insurance Australia Group company) on behalf of the Insurance Commission. The RiskCover Division continues to provide an important supervisory role in the management of these ongoing claims and it is expected this role will continue for a number of years.

The WorkCover Western Australia Authority is responsible for the EISF.

Government Insurance Fund (GIF)

The GIF is a consolidation of the State Government's self-insurance arrangements which preceded RiskCover. The Fund is in run-off and the RiskCover Division manages it 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.

REVIEW OF OPERATIONS

Community Insurance Fund (CIF)

Key goal

- **To provide affordable Public Liability insurance to Western Australian 'Not-for-Profit' incorporated community groups.**

The Government of Western Australia established the CIF to assist eligible incorporated not-for-profit community organisations, based in Western Australia, to obtain affordable insurance cover. The Insurance Commission manages the CIF, which is underwritten by the Government of Western Australia.

The *Insurance Commission of Western Australia (Amendment) Act 2002*, which enabled the 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 Treasurer of Western Australia.

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.

In addition to Public Liability, the following classes of insurance cover may also be offered through the CIF:

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

As at 30 June 2005, 51 community organisations (including several peak associations that incorporate many smaller clubs throughout the State) had cover with CIF. This was an increase of 13 from the previous year. Premium Revenue (gross) was \$936,000.

The Insurance Commission continues to receive enquiries from a diverse range of potential participants. Whilst the number of participants within the CIF is not as high as expected when the Fund was created back in 2003, it is clearly meeting a need within the community and at this stage is proving to be a profitable operation.

Organisations coming into contact with the Insurance Commission have generally been very satisfied with the service provided and grateful for the risk management advice.

REVIEW OF OPERATIONS

Our People

Key goals

- *To build upon our positive working environment which reflects our values and challenges people to achieve their best*
- *Have the right people with the right knowledge in the right place at the right time*

Employee Relations

The Insurance Commission has 307 employees (2004: 302 employees). Employee turnover rates decreased from 8.4 to 7.2%, which is better than the National Finance Sector best practice target of 8.9%, indicating continued employee satisfaction achieved during a period of high labour market demand.

Number of Employees by Division		
Division	2005	2004
Executive	5	5
Finance and Administration*	21	13
Human Resources	10	9
Information Technology	20	16
Investments*	6	17
Motor Vehicle Personal Injury	117	116
RiskCover	120	116
Special Investigations	7	6
Officers Attached	0	1
Trainees	1	3
Totals	307	302

*Nine positions and ten employees were transferred from the Investments Division to the Finance and Administration Division during the year.

Employee profile	2005	2004
Permanent Full Time	253 (253)	243 (243)
Permanent Part Time	28 (14.9)	32 (16.2)
Fixed-Term Full Time	22 (22)	24 (24)
Fixed-Term Part Time	3 (1.6)	3 (1.4)
Seconded Out	1 (1)	0 (0)
Totals	307 (292.5)	302 (284.6)

The Full-Time Equivalents are shown in parentheses.

REVIEW OF OPERATIONS

Level One Trainee Claims Officer Initiative

Following the success of the inaugural Trainee Claims Officer Recruitment Strategy, a second pool was created to provide additional 'job ready' recruits for the Insurance Commission's key business units.

Eight Trainee Claims Officers commenced in February 2005 and were joined in April by additional recruits from the pool of successful candidates. To date, seven Trainee Claims Officers from the initial recruitment strategy have successfully achieved permanent employment with the Insurance Commission.

Workplace Relations

The Insurance Commission's General Agreement 2004 was registered with the Western Australian Industrial Relations Commission on Wednesday 6 October 2004. It complies with the State Government's objective to restore parity in wages and employment conditions in the Public Sector. The salary outcomes and conditions of employment reflect the State Government's Wages Policy and core conditions of employment.

Recognising and Rewarding the Outstanding Achievements of our Employees

The Insurance Commission's Performance Plus program provides opportunities for the reward and recognition of all employees for:

- *Excellence in customer service; and/or*
- *Outstanding achievement in any aspect of their work; and/or*
- *Displaying behaviour that reflects the Insurance Commission's Corporate Values.*

During the year we continued to recognise and reward employees in accordance with our 'Performance Plus' program. The Managing Director's Employee of the Month, the Managing Director's Award for Employee of the Year and the Chairman's Award for Team of the Year were presented to employees who had been nominated by their peers and managers.

Occupational Safety and Health

The Insurance Commission aims to provide a safe and healthy working environment through a collaborative approach between management, the Occupational Safety and Health Committee and employees.

Key achievements in the area of occupational safety and health for 2004–2005 include:

- Twelve months without sustaining a Lost-Time Injury (LTI).
- The 2005–2006 Occupational Safety and Health Business Plan was developed and implemented to further enhance the Insurance Commission's commitment to effectively manage Occupational Safety and Health in the workplace.
- The Insurance Commission's Wellness Program, which included flu vaccinations, mole scans, healthy heart checks, at-desk shoulder and neck massages, and 'Weight Watchers at Work' programs, continued.

Our average unscheduled absence level of 7.45 days per employee was above the All Industries best practice range of 6.67 days.

REVIEW OF OPERATIONS

In compliance with *Treasurer's Instruction 903*, the Insurance Commission is required to provide information on our workers' compensation claims, the prevention of occupational injuries and illnesses and the rehabilitation of injured and sick employees during the financial year. The details of the report are outlined in the table below.

Key Occupational Safety and Health Measures

Indicator	2005	2004	2003	2002	2001	2000	1999
Total claims	1	5	3	1	4	3	3
Lost-time injuries	0	1	2	0	1	0	0
Lost-time injuries (hours) per million hours worked	0	2.19	4.83	0	1.72	0	0
Workers' compensation premium as a percentage of payroll	0.47	0.44	0.44	0.54	0.69	0.69	0.46
Rehabilitation success rate	No eligible rehab cases	100%	100%	No eligible rehab cases	No eligible rehab cases	No eligible rehab cases	No eligible rehab cases

Equal Employment Opportunity (EEO) and Diversity

(*Equal Opportunity Act 1984*, S146)

During the year, we implemented the following initiatives, which demonstrate our commitment to the State Government's 'Equity and Diversity Plan for the Public Sector Workforce 2001–2005':

- Our commitment to Youth and Indigenous employment continued through the recruitment of an Indigenous trainee. In addition, three former trainees (one Youth and two Indigenous trainees) secured employment contracts with the Insurance Commission after successfully completing their traineeships.
- Our 'Women in Leadership Speaker Series' continued, featuring female speakers from various professional backgrounds. The series was designed to enhance networking and the discussion of contemporary leadership and career issues. Since 2003, 53 females (36% of female employees) across all levels and divisions have participated in the 'Women in Leadership Program'.

Target Group	% of Community Representation	% of Public Sector workforce at 30 June 2004*	% of Insurance Commission employees at 30 June 2005
Women	52	63.2	47.9
People with disabilities	4	1.4	4.6
Youth	11	5.5	8.5
Indigenous Australians	3	2.4	1.3
People from culturally diverse backgrounds	12	7.1	13.0

*Source: *Profile of Government of Western Australia Workforce June 2004*

REVIEW OF OPERATIONS

Employee Development

The Insurance Commission has a commitment to develop its employees. Our strategies are designed to encourage employees to learn, and as a result they are constantly acquiring, creating and sharing knowledge and skills that are fundamental to achieving the Insurance Commission's strategic and business goals. The Insurance Commission continues to incorporate its corporate values within employee-development programs where appropriate.

Key achievements in the area of employee development for 2004–2005 include:

- Mid- to senior-level employees participated in a values-based Management and Leadership Development Program.
- RiskCover Claims Officers participated in a Medical Terminology Program delivered in partnership with the Australian Medical Association (AMA).
- Claims Officers in our insurance divisions, MVPI and RiskCover, participated in accredited negotiation skills training programs.
- Employees were provided with support for their professional development. The Insurance Commission provided financial and other assistance to employees to help them obtain tertiary and professional qualifications relevant to the business needs of the Insurance Commission. A total of 160 employees (53%) possess a relevant post-secondary qualification and a further 5% of employees are currently undertaking further study with the financial and other support of the Insurance Commission.

The Insurance Commission's average 'training and development hours per employee' was 37.7 hours – a significant increase from the 2003–2004 average of 23.5 hours. The average training investment per employee of \$2,367 exceeded the All Industry benchmark of \$2,292.

Organisational Development

The Insurance Commission's Performance Management and Development System contributed to the organisation's strategic objectives. It helped to identify key result areas and objectives; reinforce the Insurance Commission's Corporate Values; evaluate performance; and identify areas for improvement and development.

Employee participation rates for 2004–2005 were 100%, the highest the Insurance Commission has achieved to date.

2005 Employee Perception Survey

Following feedback from Insurance Commission employees in 2003 and 2004, an independent, electronic 'mini' Employee Perception Survey was conducted in place of the comprehensive paper-based survey. The results revealed a two-point decrease in the Quality of Work Experience (QWE) measure from 37 to 35 (two points below the National Survey Average).

Despite the decrease in the Insurance Commission's overall QWE score, five out of the eight divisions recorded increases in their overall satisfaction level.

Opportunities for improvement exist in enhancing divisional and section meetings to ensure their efficiency and usefulness. Employees also appear to be seeking further encouragement to identify new and better ways of completing their work. They are also seeking feedback on how they are contributing to organisational goals and the level of satisfaction of their customers. Work is continuing in these areas.

REVIEW OF OPERATIONS

Knowledge Management

The Insurance Commission recognises the value of employment knowledge. During 2004–2005, the Insurance Commission continued to introduce practical initiatives to improve the management of, and reduce the loss of, corporate knowledge.

A major initiative was an analysis of our employee demographics which highlighted key employees who were approaching, or had passed, the minimum retirement age. The Insurance Commission also introduced risk-reduction strategies to ensure a planned transfer of knowledge.

Ongoing Projects

Our Human Resources Division plans to do the following during 2005–2006:

- Coordinate a review of the Insurance Commission's Corporate Values.
- Ensure that the current focus on Knowledge Management as a risk-reduction strategy remains a long-term agenda item.
- Implement a pilot Mentoring program to continue the Insurance Commission's commitment to professional development and support initiatives for the knowledge-management process.
- Commence negotiations with the Community and Public Sector Union/Civil Service Association of WA for a new Industrial Agreement, and monitor and respond to the proposed changes to the Australian Industrial Relations environment.
- Continue with the Management and Leadership Development Strategy for 2005–2006, and implement the second phase of the Management and Leadership Development Program – individual performance Coaching.
- Introduce a Customer/Client Relationship program to support the restructure of RiskCover.

Investments

Key goals

- *To enhance investment returns without incurring additional risk through diversification of investment assets and managers*
- *To achieve a rate of return for each asset class that exceeds the relevant asset class performance benchmark*

Investment Strategy

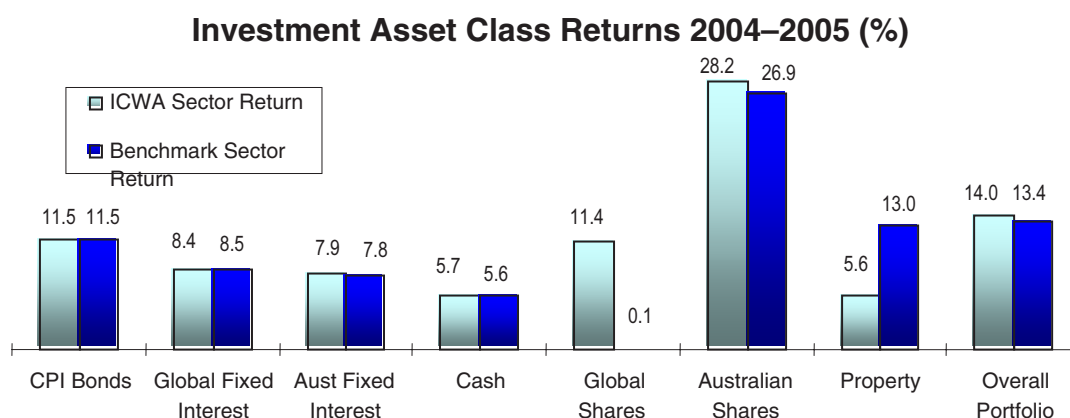
The Insurance Commission's investment strategy is based on the need to broadly match its investment assets to the claims liabilities for both the Third Party Insurance Fund and the RiskCover Fund. This has historically involved detailed asset–liability modelling to determine the appropriate level of investment risk/return for the Portfolio.

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

Investment Performance

The total investment return for the year was 13.96% (13.41% net of fees and expenses) which was 0.56% above the portfolio benchmark return of 13.40%. All asset classes delivered positive returns over the year with very strong returns from Australian shares — the major factor influencing returns over the year for investing institutions such as the Insurance Commission.

In terms of specific asset class out-performance, Global Equities was the stand-out sector with a return of 11.41% for the year which was 11.35% above the performance benchmark. This excellent result was primarily due to the strong returns produced by two of the Insurance Commission's Global Equity Managers who contributed to approximately 60% of the out-performance. The other major factor was the contribution from the currency hedge strategy on Global Equity exposures which added 4.60% to the return.



REVIEW OF OPERATIONS

The only asset class that did not perform well relative to its benchmark was the Insurance Commission's direct Property Portfolio. The investment return from the Property Portfolio (5.60%) was 7.44% below the benchmark return (Mercer Unlisted Property Index) for the year. This was a disappointing result given the strong annual return from both the listed and unlisted Australian property markets. It should, however, be appreciated that this performance needs to be put into context — significant valuation factors are forecast to benefit this portfolio over the next three years as a result of expected major lease renewals and the generation of cash flows from retail acquisitions.

Two major factors negatively impacted on the valuations of the Insurance Commission's property assets as at 30 June 2005: the first being the uncertainty with lease expiries in January 2007 for approximately 75% of the office space in the Westralia Square building; and the second being the valuation of Stage One of the Ellenbrook Shopping Centre (Ellenbrook). Both of these property investments are forecast to generate solid returns from 2006 onwards.

Future expected valuation increases for the Westralia Square building are dependent on the renegotiation of major existing leases. In terms of Perth CBD, the outlook for leasing both premium and A-grade office space in Perth over the next two to three years is considered excellent. This situation will bode well for the Insurance Commission's two Perth office buildings (Westralia Square and The Forrest Centre).

The valuation increase for 'The Shops at Ellenbrook' over the next two to three years is expected to increase at a rate above market performance as this retail site progresses from a greenfield development to a more mature income-generating asset. The Insurance Commission's other retail property investment, Livingston Shopping Centre, is also conservatively forecast to generate a return at least equal to the broader Perth retail property market over the same period.

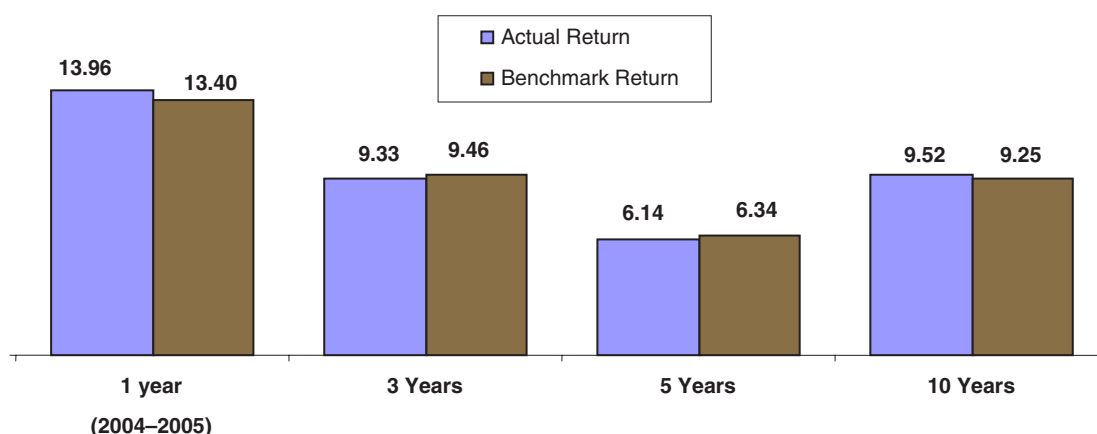
Based on current valuations, future forecast returns for all of the Insurance Commission's direct property assets are expected to exceed the annualised benchmark return over the next three years.

Long-Term Performance

Although the one-year investment performance is considered important, the Board's focus is on long-term results. The Board measures the success of the Insurance Commission's investment strategy by the long-term performance (i.e. three to five years).

The three-year and five-year annualised returns were a marginal 0.13% and 0.20% respectively below the benchmark, with the 10-year return being 0.40% above the benchmark.

Historical Investment Returns to 30 June 2005 (%)



REVIEW OF OPERATIONS

The Insurance Commission's annual return (after investment expenses) was above that achieved by the median Australian Balanced Superannuation Fund (as measured by the Mercer Pooled Fund Survey). Over three-, five- and ten-year periods, the Insurance Commission's investment return exceeded the median Australian Balanced Superannuation Fund by 0.7%, 0.8% and 0.5% respectively.

Investment Management

The Insurance Commission's prudential management of investment assets continued to focus on the balance between achieving consistent, strong, positive returns without increasing the overall level of risk within the investment portfolio. The Board is responsible for reviewing and setting investment strategy which is formulated in consultation with investment consultants and input from the Investment Division. Management of the overall investment portfolio is through a combination of external and internal management.

During the year there were a number of changes to investment managers including the appointment of a new Global Fixed Interest manager, Australian Fixed Interest manager and a Long/Short Global Equities manager. The Insurance Commission has appointed investment managers for:

- Australia Shares (four investment managers)
- Global Shares (four investment managers)
- Australian Fixed Interest (three investment managers with Australian CPI bonds internally managed)
- Global Fixed Interest (one investment manager)
- Property (one shopping centre fund and internally managed)
- Currency (one investment manager)

Cash was internally managed.

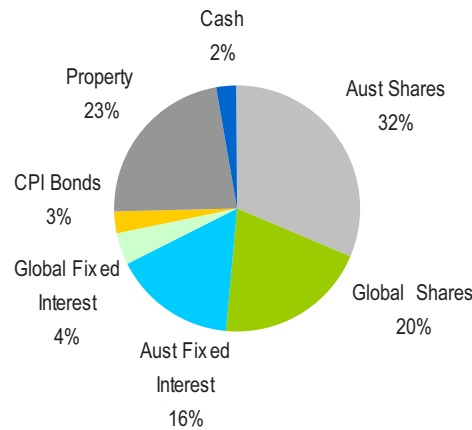
Asset Allocation

Asset allocation has remained reasonably constant over the past 10 years, with minor variations between defensive (fixed interest and cash) and growth (equities and property) sectors. At 30 June 2005, 26% of investment assets was allocated to defensive assets (2004: 27%) and 74% was allocated to growth assets (2004: 73%).

Asset allocation can vary from the long-term Strategic Asset Allocation (SAA) that the Board sets, to take into account short-term expectations in performance for particular asset classes. The main variations to the SAA over the year, was a short-term Tactical Asset Allocation (TAA) that related to Fixed Interest (7% below benchmark allocation), Global Shares (5% above benchmark allocation) and Australian Shares (3% above benchmark allocation) as at 30 June 2005. This short-term TAA was an important factor in contributing to the solid investment performance for the year relative to the performance benchmark.

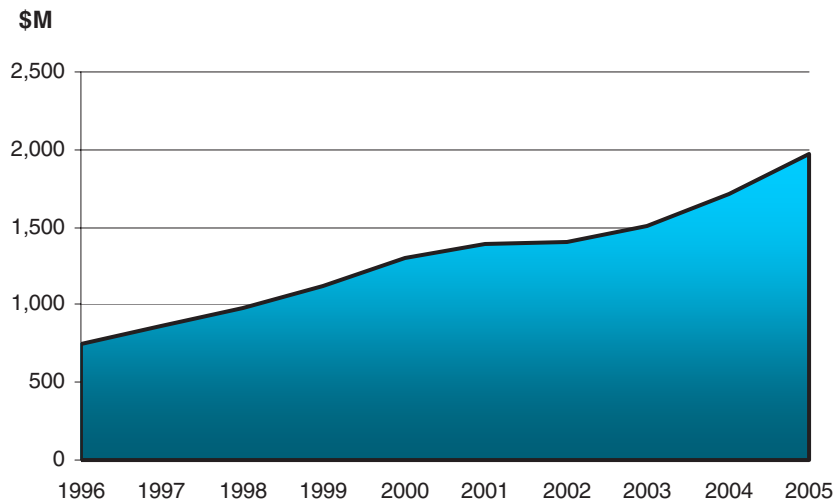
REVIEW OF OPERATIONS

**Investment Asset Allocation
as at 30 June 2005**



Net investment income of \$92.1 million, asset revaluation increases of \$151.9 million and positive cash flow of \$16.0 million over the reporting year resulted in total investment assets under management increasing by \$260 million (2004: \$214 million) to a total of \$1.97 billion (2004: \$1.71 billion).

Growth in Investment Assets from 1996 to 2005



Community Focus

For many years the Insurance Commission has funded research, programs and initiatives that benefit our customers, the people of Western Australia. Section 6(e) of the *Insurance Commission of Western Australia Act 1986* states that one of the functions of the Insurance Commission is:

“To initiate, or participate in, and promote 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.”

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

Road Safety Partnerships

The Insurance Commission supports road safety programs aimed at promoting safe driving practices and reducing death and injury. It primarily funds road safety initiatives that have been endorsed by the Road Safety Council of Western Australia (of which the Insurance Commission has statutory membership) to ensure a coordinated approach to road safety within the State. To achieve this, the Insurance Commission works closely with the Office of Road Safety, the administering body of the Road Safety Council, on a planned annual Funding Program. Providing funding for road safety programs is also a key strategy to help control Motor Vehicle Third Party Personal Injury Insurance claim costs.

In 2004–2005, the Insurance Commission committed \$4.1 million to road safety programs. This is 1.2% of Premium Revenue collected for the Third Party Insurance Fund or approximately \$3 per policy, which is comparable with what other CTP insurers around Australia are committing to road safety initiatives.

Insurance Commission funding pledged for Western Australian road safety programs

Road Safety Council of Western Australia initiative	Funding pledged (\$) for 2003–2004	Funding pledged (\$) for 2004–2005
Community Education media campaigns	1,850,000	1,500,000
Road Aware	1,440,000	1,405,000
Belt Up Sports Sponsorship	100,000	350,000
Graduated Driver Training and Licensing	350,000	235,000
Conferences	200,000	180,000
Road Safety Council Regional Visits	80,000	80,000
<i>Sub-total</i>	<i>4,020,000</i>	<i>3,750,000</i>
Other road safety initiatives		
‘The Buzz’ theatre project	160,000	165,000
‘Muttacar Sorry Business’ theatre project	Project had not commenced	209,000
<i>Sub-total</i>	<i>160,000</i>	<i>374,000</i>
Grand total*	4,180,000	4,124,000

*All amounts shown in the table are exclusive of GST.

REVIEW OF OPERATIONS

A legally binding funding agreement between the Insurance Commission and the Office of Road Safety that sets out the obligations and performance evaluation was prepared and signed by both parties. This helps to ensure proper accountability for the funding of these programs. All programs have performance indicators and are evaluated on a regular basis by independent bodies and the Insurance Commission. Some of the larger programs are:

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.

Road Aware Program

Road Aware was established in January 2003 following Road Safety Council recommendations that stemmed from a wide review of road safety practices and initiatives. Three overlapping project areas were created:

- Road Aware Parents – for parents and carers of children aged 0 to 4.
- Road Aware Kids – for children aged 3 to 14 and their parents and carers.
- Road Aware Drivers – for young people aged 15 to 20 and their parents and carers.

Road Aware is part of a larger program – School Drug Education and Road Aware. The School Drug Education and Road Aware organisation is strategically aligned and managed by representatives of the funding agencies (Drug and Alcohol Office and the Office of Road Safety representing the Insurance Commission) and the three education systems and sectors in WA (Catholic Education Office; Department of Education and Training; Association of Independent Schools).

‘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. Free performances of The Buzz are offered to Years 10, 11 and 12 students of secondary schools throughout the State. The Insurance Commission has sponsored these state-wide school tours of ‘The Buzz’ since 2001.

During the 2004 tour, a total of 90 performances of ‘The Buzz’ were held over a 15-week touring period during Terms 2 and 3 of the school year. Of the 90 performances booked, 67 were for metropolitan schools and 23 for regional schools. The play toured the Midwest, Gascoyne, and Pilbara regions and the metropolitan area. This resulted in a total of 10,457 students seeing ‘The Buzz’ (8,255 from metropolitan schools and 2,202 from regional schools).

‘Muttacar Sorry Business’ – Aboriginal road safety theatre project

In 2003, the Insurance Commission awarded a tender to Yirra Yaakin Aboriginal Corporation to plan, develop, implement and manage an Indigenous theatre project in Western Australia. This was in response to the significant road trauma affecting the Aboriginal community in Western Australia. Statistics show that while the Aboriginal population of Western Australia is about 3% of the total population, our Aboriginal community represents 9% of those killed and 8% of those hospitalised. Yirra Yaakin created a 60-minute theatre production and workshop package titled ‘Muttacar Sorry Business’. It comprises a 30-minute play in ‘Kutta Kutta’ style theatre, followed by a 30-minute workshop, both about road safety issues that are specific to Aboriginal people. Two top Aboriginal

REVIEW OF OPERATIONS

scriptwriters – David Milroy and Mitch Torres – wrote ‘Muttacar Sorry Business’. The key outcomes of this theatre project were to deliver a message about Aboriginal road trauma and to improve the wellbeing of Aboriginal communities and Indigenous self-determination through artistic creation.

During the 2004 tour (held in July and August of 2004), Yirra Yaakin successfully completed a one-week metropolitan tour followed by a five-week regional tour in the Kimberley and Gascoyne regions of free performances and workshops. This resulted in a total of 2,875 people, primarily Aboriginal, seeing and participating in this theatre production. In addition, T-shirts and singlets with road safety messages that were designed by young Aboriginal people from the Kimberley region were provided to people who participated in ‘Muttacar Sorry Business’. The T-shirts and singlets were intended to be both a gift and constant reminder of the messages delivered in the production.

Due to the success of the 2004 tour of ‘Muttacar Sorry Business’, in May 2005 the Insurance Commission agreed to fund a Goldfields and metropolitan tour of the production in the 2005–2006 financial year.

2004 Road Safety Research, Policing and Education Conference

The Insurance Commission was the major sponsor of the 2004 Road Safety Research, Policing and Education Conference, hosted by Western Australia and held at Burswood in November 2004. The conference comprised a three-day event where international and national road safety stakeholders explored ways of reducing road trauma on Australian and New Zealand roads. The conference is recognised among stakeholders as the premier annual road safety conference for Australia and New Zealand.

A total of 419 delegates attended the conference, a considerable achievement considering Perth's isolation. There were five keynote speakers including three from overseas. Topics covered included repeat drink-drivers, safer roads, speed, driver psychology, Aboriginal road safety, work-related road safety, motorcyclists, penalties and drug-impaired drivers.

Medical Research into Mesothelioma

During the year, the Insurance Commission provided \$298,600 to the Foundation for Advanced Medical Research and The University of Western Australia (UWA) as part of a four-year funding commitment for research into mesothelioma, an asbestos-related disease (the Project). Professor Bruce Robinson and his team at the Department of Medicine at Sir Charles Gairdner Hospital undertake this research.

The Insurance Commission has been a long-term supporter of medical research into mesothelioma as this research is relevant to the Compensation (Industrial Diseases) Fund, a fund managed by RiskCover. Between 1990 and 2000, the Insurance Commission pledged more than \$1.8 million funding for research into mesothelioma. Following favourable reviews from an independent peer review that evaluated the progress and achievements of the research in 2001, the Insurance Commission committed a further \$1.2 million funding over four years, being \$300,000 per annum from 1 January 2002 until 30 December 2005. In consideration of the Insurance Commission funding the Project, UWA has agreed in respect of each half-year, to pay the Insurance Commission a royalty equal to 25% of any Net Income. UWA agreed that its obligation to pay a royalty will continue even if the Insurance Commission ceases or had ceased Project funding, provided that UWA's obligation to pay the Royalty will cease 10 years after the date on which the Insurance Commission ceases funding the Project.

Customers, Stakeholders and Community Relations

Our Customers

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

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 public authority that makes a claim for compensation or damages through the Insurance Commission.

Government Clients (Public Authority)

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.

REVIEW OF OPERATIONS

Customer Service Values

As a customer-focused organisation, providing quality customer service is integral to achieving the Insurance Commission's vision for the future. The first point of contact for many customers is often our Crash Reporting Team and Claims Officers. The Insurance Commission's Customer Service Vision and Values statement provides guidelines for customer service.

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.

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 are encouraged to seek and accept new responsibilities.

Customer Feedback – Complaints and Compliments

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

New complaints system

As part of the implementation of a whole of government complaints management strategy, the State Government has made a formal commitment to the principles of the Australian Standard on Complaints Handling (AS 4269). In March 2004, *Premier's Circular 2004/04 – Whole of Government Complaints Management Strategy* was issued. It requires all agencies to have in place a complaints management system that conforms to the principles of AS 4269, and have a direct link on the front page of their website to information assisting people to make a complaint.

For several years we have reported that the Insurance Commission's Complaints Management Committee has been investigating different complaint systems and reviewing numerous complaint policies with the aim of implementing a complaints system, and policy and procedures that met the requirements of AS 4269.

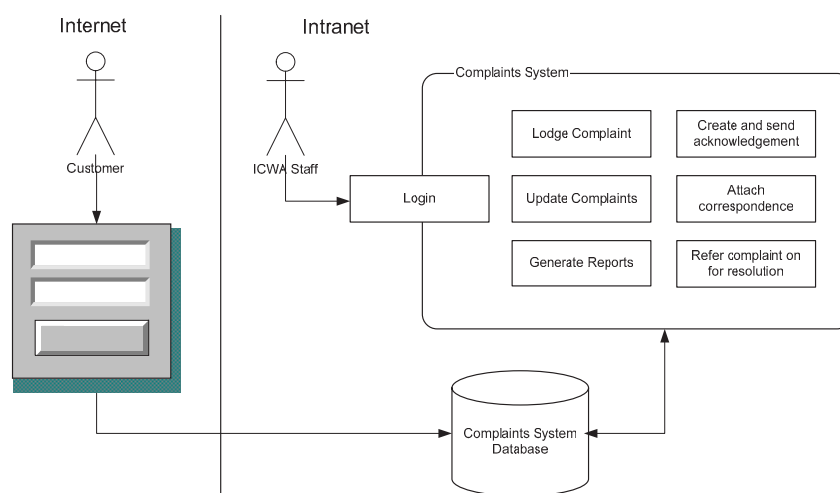
We are pleased to report that during the 2004–2005 year, the Insurance Commission developed and tested its own Complaints System that complies with AS 4269. In conjunction with this, the Insurance Commission developed a thorough, yet easy to follow 'Complaints Policy and Procedures' that is clearly based on the principles of AS 4269.

The Complaints System is a computerised system which has been customised for the Insurance Commission and enables the following:

- Members of the general public to submit complaints to the Insurance Commission via the Insurance Commission Internet website www.icwa.wa.gov.au.
- Insurance Commission employees to lodge a complaint via the Intranet on behalf of a member of the general public who has submitted his/her complaint by phone, fax, email, letter, or in person.
- The Insurance Commission to monitor the resolution of complaints and ensure it is meeting its responsibilities to the Australian Complaints Standard.
- The Insurance Commission to report statistics regarding complaints, such as the number of complaints against each Division, or the average time taken to resolve complaints.

The Insurance Commission's new Complaints System went live on 1 July 2005. The Insurance Commission's revised Complaints Handling Policy and Procedures have been written with reference to the Complaints System.

Complaints System Overview



REVIEW OF OPERATIONS

Complaints and Compliments recorded

When reporting on complaints recorded, it should be noted that we do not consider a complaint to be a dispute with any claims assessment or offer it makes on:

- Liability and/or quantum
- Special Damages, being reasonable expenses related to the treatment of injuries received in a crash, together with compensation for any loss of earning capacity sustained.
- General Damages (Non Pecuniary Loss), being damages awarded for pain, suffering and inconvenience experienced as a result of injuries, together with any disability.

During 2004–2005, the Insurance Commission received eight written complaints about service in the form of letters to the Minister, compared to 12 last year. There were also a few complaints made by telephone that were not officially recorded, however they were resolved. From 2005–2006 onwards, all complaints received, regardless of how they are made, (be it by phone, fax, email, Internet or in person) will be recorded via the Insurance Commission's Complaints System.

The Insurance Commission received eight letters/emails from people complimenting the service provided by our employees compared to 14 last year.

The reduction in the number of written complaints, together with the written compliments received, was a pleasing result, especially considering the potentially adversarial nature of the greater part of our business which relates to claims management.

Ongoing Projects

Our Complaints Management Committee plans to do the following during 2005–2006:

- Provide training to all employees on the new Complaints System and Policy and Procedures and the new Complaints System.
- Investigate and integrate an appropriate reporting software system into its IT systems environment to report on the data captured in the Complaints System.
- Provide regular reports to the Insurance Commission Executive Committee on the number and type of complaints received and whether they were resolved.
- Introduce a 'Feedback' form for the Insurance Commission Internet website www.icwa.wa.gov.au. This will be separate from the Complaints Form and is to be introduced to record feedback that is not a complaint, such as suggestions and compliments.

Corporate Governance

Corporate Governance is concerned with the way in which an organisation is led and managed and describes the corresponding systems and practices in place to meet the desired State Government outcomes. Having good corporate governance practices is essential in ensuring the success of any organisation, particularly one such as the Insurance Commission, which has multiple stakeholders.

This section outlines the principal corporate governance practices followed during the 2004–2005. These practices are a framework to ensure that the Insurance Commission acts with high standards of corporate behaviour and in the best interests of our stakeholders.

Compliance with Public Sector Standards and Public Sector Code of Ethics (*Public Sector Management Act 1994*, S31(1))

1. The Insurance Commission of Western Australia has complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and the Insurance Commission's own Code of Conduct.
2. The Insurance Commission has put in place policies, guidelines and procedures designed to ensure such compliance, and conducted appropriate internal assessments to satisfy myself that the statement made in 1. is correct.
3. During 2004–2005, no applications for breach of standards review were made.

The Insurance Commission's Internal Audit program again included an independent assessment against the Standards. No internal grievances were lodged relating to non-compliance with the ethical codes and no complaints were made to external authorities. No investigations were undertaken during the year by the Office of Public Sector Standards Commissioner in accordance with Section 24 of the *Public Sector Management Act 1994*.



VIC EVANS
MANAGING DIRECTOR

31 August 2005

Board of Commissioners

The Board of Commissioners (the Board) is the governing body of the Insurance Commission. The Board has the legislative authority to perform the powers, functions and duties that the *Insurance Commission of Western Australia Act 1986* places on the Insurance Commission. The Board is responsible for the overall corporate governance of the Insurance Commission and approves its goals, strategic directions and budgets. It ensures that legal compliance; ethical behaviour and proper risk management processes are in place and operate effectively. Comprehensive monthly reports are provided to the Board to enable it to monitor performance.

GOVERNANCE

The composition of the Board is diverse, with members having a variety of commercial backgrounds. There are six non-Executive Commissioners, including the Chairman and Deputy Chairman, and one Executive Commissioner being the Managing Director (Chief Executive Officer). Board meetings are generally held monthly.

Appointment of Commissioners

Commissioners are appointed by the Governor on the nomination of the Minister for Government Enterprises. Commissioners are appointed for terms up to three-years and are eligible for re-appointment. The Minister appoints a Chairperson and Deputy Chairperson from the six Commissioners.

Changes to the Board

One new non-executive Commissioner was appointed to the Board during 2004–2005. Ms Judy McGowan was appointed for a three-year term commencing 1 December 2004 to replace Commissioner Ms Denyse Phillips who vacated her position on the Board on the expiration of her term of appointment.

Board Committees

Committees of the Board that operated during the year ended 30 June 2005 were:

- **Audit and Accounts**

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

- **Corporate Governance**

The Corporate Governance Committee is a sub-committee of the Board of Commissioners to assist the Board in discharging its corporate governance responsibilities. The Committee which comprises non-Executive Commissioners met once during 2004–2005.

Strategic Business and Budget Plan

The Board participates 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 Strategic Business Plan and Budget for consideration and approval by the Board. The Budget is then submitted by the Board to the Minister for approval in accordance with Section 42 of the *Financial Administration and Audit Act 1985*.

GOVERNANCE

Changes in written law

During 2004–2005, the *Workers' Compensation and Injury Management Act 1981* replaced the *Workers' Compensation and Rehabilitation Act 1981*. This change in written law affected the Insurance Commission as its RiskCover Division manages workers' compensation claims for all Western Australian public authorities that are part of the RiskCover Fund.

Codes of Conduct and Ethical Standards

The Board has approved a Code of Conduct for the Board and a separate Code of Conduct for Insurance Commission employees. The standards in both Codes 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.

Both Codes have their foundations in, and complement, the 'Western Australian Public Sector Code of Ethics' (www.wa.gov.au/opssc/). They are reviewed regularly and amended to ensure they retain their importance and remain relevant to both Commissioners and employees. Both Codes are part of the induction process. In addition, the Code of Conduct for employees is available to all staff via the Insurance Commission's Intranet website.

Directions by the Minister (Treasurer's Instruction 903)

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 its Annual Report.

No ministerial directives were received during 2004–2005.

Disclosure of Interest

Schedule 1, Section 5 of the *Insurance Commission of Western Australia Act 1986* requires Commissioners to disclose any direct and indirect pecuniary interests in a matter being considered or about to be considered by the Board. All disclosures are required to be recorded in the Board meeting minutes.

During 2004–2005, there were no disclosures of pecuniary interest by Commissioners.

The Insurance Commission has an established 'Conflict of Interest' policy for its employees for identifying, preventing, or resolving conflicts of interest. All employees have access to this Policy via the Insurance Commission's Intranet website. In accordance with the Policy, employees must declare any personal activities or involvements which may present a conflict of interest relating to their duties within the Insurance Commission.

GOVERNANCE

Executive Committee

The Executive Committee generally meets monthly and is comprised of the Managing Director, the two General Managers and the seven Divisional Managers. Details of the members of the Executive Committee can be found in the 'About the Commission' (pages 12 and 13) of this Annual Report.

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.

During 2004–2005, the Audit and Accounts Committee considered 18 Internal Audit reports covering all areas of the Insurance Commission's operations.

Investments

The Board oversees the Insurance Commission's investment strategies, which are structured to match investment assets to claims liabilities, and at the same time, balance risk with an appropriate return. The Board decides on investment strategy, investment manager appointments and other key investment portfolio construction issues. These are subject to Prudential Guidelines for Investments (Guidelines) issued by the Treasurer of Western Australia. The Guidelines are regularly reviewed and updated and can be viewed on the Insurance Commissions website www.icwa.wa.gov.au.

The Board receives detailed monthly and quarterly reports, together with regular presentations on investment performance and results, from the Investments Division and the 14 appointed external specialist investment managers. The Treasurer approves external investment manager appointments. A Master Custodian carries out the administration of externally managed funds. There are also three portfolios managed internally by the Insurance Commission involving the management of Cash, Property, and Inflation Linked Bonds.

GOVERNANCE

The administration and management of property assets is performed by external property managers who are responsible for the day-to-day operations of the buildings owned by the Insurance Commission.

Remuneration

Remuneration of the non-Executive Commissioners is determined by the Minister for Government Enterprises on recommendations received from the Public Sector Management Division of the Department of the 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 risks, which include the following:

- An Executive Committee which, as part of its monthly meeting, considers the Insurance Commission's Risk Management issues as they arise. 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.

Relationship with Government of Western Australia

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

Corruption Prevention

(Premier's Circular 2005/02: Corruption Prevention)

In October 2004, the Insurance Commission established a Corporate Fraud and Corruption Control Plan. Embedded within the Plan is a 'Fraud and Corruption Control Policy' to help prevent and address corruption and misconduct. Relevant employees received training to ensure they were aware of and familiar with, the Plan and Policy. This training was delivered in partnership with the Corruption Prevention, Education and Research Directorate of the Corruption and Crime Commission of Western Australia.

The Plan and Policy is published on the Insurance Commission's Intranet website so that it can be accessed by all employees. In addition, corruption and risk management are addressed as specific areas in the Insurance Commission's annual strategic planning and budgeting process.

GOVERNANCE

Public Interest Disclosures

(Public Interest Disclosure Act 2003, S23 (1) (f))

The Insurance Commission has complied with its obligations under the *Public Interest Disclosure Act 2003*.

In October 2004 the Insurance Commission implemented a policy and guidelines, entitled 'Public Interest Disclosure Act 2003 – Policy and Guidelines on internal procedures'. This is to ensure it complies with and meets the obligations under the *Public Interest Disclosure Act 2003*.

During the year, the Manager Special Investigations was appointed as the Public Interest Disclosure (PID) Officer of the Insurance Commission. The General Manager Corporate Services was appointed as the Deputy PID Officer. The Insurance Commission's PID Officer is responsible for receiving disclosures of public interest information relating to matters falling within the sphere of responsibility of the Insurance Commission.

The Insurance Commission's 'Public Interest Disclosure Act 2003 – Policy and Guidelines on internal procedures' is published on the Insurance Commission's Intranet website for employees. It clearly defines how the Insurance Commission should meet its obligation: to provide protection for people who make a public interest disclosure; and, furthermore the outcome. In addition, the Insurance Commission's publicly published Values support and make reference to, ethical behaviour.

The Board of Commissioners

Board of the Insurance Commission of Western Australia

The Board is the governing body of the Insurance Commission. Each member of the Board of Commissioners is appointed by the Governor on the nomination of the Minister to serve for a period of up to three years, and is eligible for re-appointment. The members of the Board of Commissioners are appointed according to their experience in areas relevant to the Insurance Commission's activities.

Board Profiles

As at 30 June 2005, the Board of Commissioners of the Insurance Commission comprised:

MICHAEL E WRIGHT FAICD **Chairman**

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 and resources law. Mr Wright was a past National President of the Australian Mining and Petroleum Law Association Limited and is also Past Deputy Chairman of Wesfi Limited Group and a past Director of Markalinga Investments Ltd.

Deputy Chairman, State Government Insurance Corporation
Director, Wesbeam Holdings Limited Group

Expiry of present term: 30 November 2007

PETER D EASTWOOD FCA, FAICD **Deputy Chairman**

Mr Eastwood was appointed to the Board on 24 May 1994. 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 practising 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. Mr Eastwood is the Chair of the Insurance Commission's Audit and Accounts Committee.

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

Expiry of present term: 30 September 2005

GOVERNANCE

SHARON BROWN **Commissioner**

Ms Brown was appointed to the Board on 11 December 2001. She has 30 years experience in the Information Technology industry and is the Strategic Business Manager of Alphawest Services Pty Ltd. Ms Brown was 'Telstra Business Woman of the Year' for Western Australia in 1999 and was the first woman to be elected to the position of Branch Convenor at the Western Australian chapter of the Australian Information Industries Association for two consecutive years. Ms Brown now sits on a number of Boards and Committees.

Deputy Chair, ICT Industry Collaboration Centre
Councillor, Technology and Industry Advisory Council Western Australia
Councillor, Defence Reserves Support Council
Director, Federal Industry Research and Development Board
Director, State Government Insurance Corporation

Expiry of present term: 30 November 2007

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 currently under contract to the Office of e-Government in the Department of the Premier and Cabinet. Her previous positions have included Director of Gilbert McAuliffe & Associates P/L, management consultants, 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. Ms McAuliffe is the Chair of the Insurance Commission's Corporate Governance Committee.

Director, State Government Insurance Corporation
Board Member, Fire and Emergency Services Authority (FESA) of Western Australia Board of Management
Chair, Bushfire Service Consultative Committee FESA
Deputy Chair, ArtSource

Expiry of present term: 31 December 2005

DOUG PASCOE **AAII** **Commissioner**

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

Director, Rotary Australia World Community Service Limited

Expiry of present term: 31 December 2005

GOVERNANCE

JUDY MCGOWAN LLB **Commissioner**

Ms McGowan was appointed to the Board on 1 December 2004 and has broad theoretical knowledge of Consumer, Trade Practices, Contract and Fair Trading laws from teaching at university level since 1976. She is a compliance and legal issues trainer to numerous government and private organisations and a Sexual Harassment Mediator for Curtin University. Since 1976 to the present time, Ms McGowan has lectured in Law at Curtin Business School, Curtin University. Her previous positions have included Director of Unicredit, Member of the Western Australian Dental Board, Director TAB, member of Aquinas College Board, Board member, Western Australian Gaming Commission.

Tribunal member, Small Claims Tribunal and the Building Disputes Tribunal

Expiry of present term: 30 November 2007

VIC EVANS Dip Bus Mgt **Commissioner**

Mr Evans is the Managing Director of the Insurance Commission of Western Australia and has held this position since 1993. 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

GOVERNANCE

Commissioners' Attendance at Meetings 2004–2005

Commissioner	Board of Commissioners (11 meetings)	Audit and Accounts (9 meetings)	Corporate Governance (1 meeting)
	Number of meetings attended	Number of meetings attended	Number of meetings attended
Michael E Wright	11	8	N/A
Peter D Eastwood	11	9	1
Sharon Brown	11	9	N/A
Denyse Phillips*	5 (Out of a total of 5 meetings)	4 (Out of a total of 4 meetings)	N/A
Annemie McAuliffe	10	7	1
Doug Pascoe	10	8	1
Judy McGowan**	5 (Out of a total of 6 meetings)	4 (Out of a total of 5 meetings)	N/A
Vic Evans	11	9	N/A

*Denyse Phillips' appointment expired 30 November 2004.

**Judy McGowan commenced her appointment on 1 December 2004.

Disclosure of interest in an existing or proposed contract

At the date of reporting, other than normal contracts of employment of service, no Commissioners or members of the Executive Committee, or firms of which the Commissioners or members of the Executive Committee are members, or entities in which Commissioners or Executive Committee members have substantial interests, had any interests in existing or proposed contracts with the Insurance Commission.

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 at balance date.

Insurance Commission of Western Australia Annual Report Executive Summary

This document is an extract of the Insurance Commission's full annual report and contains key objectives, achievements and the financial results and position of the Insurance Commission of Western Australia at balance date. It is professionally designed and printed and mailed to Members of Parliament and the Insurance Commission's key stakeholders.

State Government Insurance Corporation Annual Report

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

RiskCover Fund Report

This document contains details of the objectives, achievements and financial results and position of the Managed Fund at balance date. The report is mailed to all State Government public authorities that are members of the Fund.

RiskCover Services and People

This document contains information on the services that RiskCover offers to public authorities. It is available to any State Government public authority client that works directly with RiskCover and/or wishes to gain a better understanding of its operations and services.

GRM (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 State 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.

GOVERNANCE

Customer Service Charter

The Insurance Commission prepares a Customer Service Commitment brochure that lists our customer groups and the standard of service that we aim to deliver.

Motor Vehicle Personal Injury Brochure

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

Your Compulsory Third Party Insurance Explained

This brochure explains what Western Australian Compulsory Third Party insurance is, in easy to understand language, including what cover is provided and what is not covered, and the warranties and conditions. It is being inserted with all motor vehicle registration invoices that are mailed out from 1 January 2005 to 31 December 2005.

Information Statement and Privacy Guidelines

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.

Insurance Commission Internet Website

This 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.

Intercom

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

Additional Information

Disability Services Plan

(*Disability Services Act 1993*, S23)

In compliance with Section 23 of the *Disability Services Act 1993*, the Insurance Commission is required to report on the implementation of its disability services plan. The details of the report are as follows:

The Insurance Commission has a Disability Services Plan which it reviews and updates when appropriate. 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. 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

(*Freedom of Information Act 1992*, S96-97)

The Insurance Commission has met its obligations under the *Freedom of Information Act 1992*. The Insurance Commission's Information Statement is issued as a separate document and can be obtained by contacting:

Freedom of Information Coordinator
Insurance Commission of Western Australia
Level 13, The Forrest Centre
221 St George's Terrace
Perth WA 6000

Telephone: (08) 9264 3490
Facsimile: (08) 9321 1246
E-mail: foi@icwa.wa.gov.au

The Freedom of Information Coordinator is responsible for processing applications received under the *Freedom of Information Act 1992*. During 2004–2005:

- 54 new applications were received;
- three (3) applications for internal review were received; and
- three (3) applications for external review 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
- Buy Local
- Formal management and purchasing systems.

GOVERNANCE

Statement of Expenditure – *Electoral Act 1907*

(*Electoral Act 1907*, S175ZE)

In compliance with Section 175ZE of the *Electoral Act 1907*, the Insurance Commission is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations, and media advertising organisations. The details of the report are outlined in the table below:

Class of Expenditure	Organisation	Amount (\$)	Purpose
Advertising agencies	–	0	
Market research organisations	Data Analysis Australia	7,650	RiskCover Customer Satisfaction Survey 2005
	Data Analysis Australia	21,064	RiskCover Customer Satisfaction Survey 2004
	Integral Leadership Centre	14,270	Employee Perception Survey
Polling organisations	–	0	
Direct mail organisations	Hermes Precisa Pty Ltd	1,461	Mailing of GRM magazine
	Zipform Pty Ltd	3,839	Insertion of 'Your Compulsory Third Party Insurance explained' brochure into motor vehicle registration invoices
Media advertising organisations	Marketforce Productions	20,374	Employment and tender advertisements
Total (GST Inclusive)		\$68,658	

Statement of Compliance with *State Records Act 2000*

(*State Records Act 2000*, S61, and State Record Commission Standards, Standard 2, Principle 6)

The Insurance Commission complies with the *State Records Act 2000*. A review of the Insurance Commission's recordkeeping systems was completed in September 2002.

The Insurance Commission's Recordkeeping Plan was approved by the State Records Commission in October 2004 and enhancements to our recordkeeping practices will commence in October 2005 and continue through to 2007–2008.

The Insurance Commission has appointed a recordkeeping consultant to assist in the development of staff training, induction training and changes to current recordkeeping procedures. The initial implementation stage will also include the installation of a recordkeeping software package to assist staff in applying the approved Recordkeeping Plan.

An internal management steering committee has been established to oversee progress, direction and implementation across the organisation. Implementation of the Recordkeeping Plan includes close liaison with the State Records Commission which will be kept informed of progress towards better recordkeeping practices within the Insurance Commission.

GOVERNANCE

Waste paper recycling

(Cabinet Minute 2.7 of October 1991 on Government Waste Paper Recycling Proposal to Improve Recovery Rates)

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

Sustainability Statement

(Premier's Circular 2004/14: Sustainability Code of Practice for Government Agencies)

The Insurance Commission has complied with the Sustainability Code of Practice for Government Agencies. The Insurance Commission has an ongoing commitment to sustainability and has had a number of sustainability activities in place for several years. In the spirit of continuous improvement, we will continue these activities and seek methods of enhancement. The benefits of proactive sustainability programs are clear to the Insurance Commission and our focus will remain on these issues.

During 2004–2005, the Insurance Commission prepared its 'Sustainability Statement and Action Plan' in accordance with the Premier's Circular 2004/14 *Sustainability Code of Practice for Government Agencies*. The Board endorsed the Plan at its meeting held on 2 February 2005 and it was submitted to the former Minister for Government Enterprises on 22 February 2005. Due to the State Government election being held around this time, the Statement and Action Plan was delayed pending the appointment of the incoming Minister for Government Enterprises. It has subsequently been resubmitted to the current Minister for Government Enterprises for approval.

The Insurance Commission's 'Sustainability Statement and Action Plan' provides a statement of current aims, actions and plans in relation to specific activities relating to sustainability in the following areas:

- Energy Use – Electricity; Water
- Vehicle Fuel
- Recycling
- Imaging
- Purchasing (goods).

Strategic Business Planning for 2005–2006

The 2005–2006 Strategic Business Plan and Budgets are based upon the outcomes of a series of Strategic Business Planning sessions and workshops held between November 2004 and March 2005 involving a cross-section of Commissioners, Executive and Staff.

The initial workshop was a full day external workshop held on 22 November 2004 to review the Insurance Commission's environment from a 5-year forecast viewpoint.

Subsequent planning sessions focused on Environment Scan, SWOT analysis, Risk Review and identification of Stakeholder expectations to derive key goals for the year ahead within our Balanced Scorecard framework.

The Insurance Commission's Vision and Mission were reviewed in 2003 and introduced in 2004–2005. The Mission, Vision, and Values will remain the same for 2005–2006 (refer to Our Vision, Mission and Values on page 10).

Key Business Objectives

Motor Vehicle Personal Injury

- To provide a claims system that treats claimants fairly and delivers equitable compensation.
- To provide affordable premiums to owners of Western Australian registered motor vehicles.

RiskCover

- To meet our customer risk management and self-insurance needs.
- To support the growth of client risk management skills.

Corporate

- To have a working environment that reflects our values.
- To continually review and implement business processes to better meet customer needs and to increase productivity.
- Achieve all key financial targets.

A number of key projects and initiatives have been planned to support the achievement of these goals.

Annual Estimates 2005–2006

In accordance with Section 42 of the *Financial Administration and Audit Act 1985*, the following 2005–2006 Annual Estimates for the Insurance Commission of Western Australia have been approved by the Minister.

As required by *Treasurer's Instruction 953*, the approved Annual Estimates are detailed below:

INSURANCE COMMISSION OF WESTERN AUSTRALIA

	\$'000
Premium Revenue	351,223
Outwards Reinsurance Expense	(3,500)
Outwards Reinsurance Commission Revenue	350
	<hr/>
Net Earned Premium	348,073
	<hr/>
Claims Incurred	(388,432)
Reinsurance and Other Recoveries Revenue	1,668
	<hr/>
Net Claims Incurred	(386,764)
	<hr/>
Underwriting and Administration Expenses	(67,174)
	<hr/>
UNDERWRITING LOSS	(105,865)
	<hr/>
Investment Income	156,371
Investment Expenses	(23,719)
Interest Paid	(25,769)
Other Income	19,981
Other Expenses	57
	<hr/>
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EQUIVALENT EXPENSE	21,056
	<hr/> <hr/>

THE ROAD AHEAD

Annual Estimates 2005–2006 (continued)

The 2005–2006 Annual Estimates for the RiskCover Fund and Community Insurance Fund (both Managed Funds on behalf of the Department of Treasury and Finance) are detailed below:

RISKCOVER FUND

	<u>\$'000</u>
Contribution Revenue	121,910
Contribution Adjustment	19,101
Outwards Reinsurance Expense	(35,206)
Outwards Reinsurance Commission Revenue	3,503
	<hr/>
Net Earned Contribution	109,308
	<hr/>
Claims Incurred	(124,728)
Reinsurance and Other Recoveries Revenue	17,041
	<hr/>
Net Claims Incurred	(107,687)
	<hr/>
Underwriting and Administration Expenses	(17,074)
	<hr/>
UNDERWRITING DEFICIT	(15,453)
	<hr/>
Investment Income	25,704
	<hr/>
OPERATING SURPLUS	10,251
	<hr/> <hr/>

COMMUNITY INSURANCE FUND

	<u>\$'000</u>
Premium Revenue	925
Outwards Reinsurance Expense	(143)
Outwards Reinsurance Commission Revenue	14
	<hr/>
Net Earned Premium	796
	<hr/>
Claims Incurred	(741)
	<hr/>
Net Claims Incurred	(741)
	<hr/>
Underwriting and Administration Expenses	(120)
	<hr/>
UNDERWRITING DEFICIT	(65)
	<hr/>
Other Income	65
	<hr/>
OPERATING SURPLUS	-
	<hr/> <hr/>

The RiskCover Fund and Community Insurance Fund are not liable to pay income tax equivalents under current arrangements with the Department of Treasury and Finance.

Insurance Commission of Western Australia
Financial Statements 2005

	<u>Page</u>
Certification of Financial Statements by the Members of the Board and Principal Accounting Officer	68
Opinion of the Auditor General	69
Statement of Financial Performance for the year ended 30 June 2005	70
Statement of Financial Position as at 30 June 2005	71
Statement of Cash Flows for the year ended 30 June 2005	72
Note 1 Statement of Significant Accounting Policies	74
Note 2 Revenue from Ordinary Activities	88
Note 3 Expenses and Net (Gains)/Losses	89
Note 4 Net Claims Incurred	91
Note 5 Income Tax Equivalent	92
Note 6 Receivables	93
Note 7 Other Financial Assets	94
Note 8 Other Assets	96
Note 9 Plant and Equipment	96
Note 10 Payables	96
Note 11 Outstanding Claims	97
Note 12 Employee Benefit Liabilities	103
Note 13 Provisions	103
Note 14 Other Liabilities	104
Note 15 Reserves	104
Note 16 Accumulated Profit	104
Note 17 Amounts Receivable and Payable Denominated in Foreign Currencies	105
Note 18 Financial Instruments	106
Note 19 Segment Reporting	110
Note 20 Funds' Statement of Financial Performance	111
Note 21 Funds' Statement of Financial Position	113
Note 22 Funds' Accumulated Profits/(Losses)	115
Note 23 Explanatory Statement – Insurance Commission	116
Note 24 Group Entities	118
Note 25 Economic Dependency	119
Note 26 Contingent Liabilities	119
Note 27 Expenditure Commitments	120
Note 28 Events Occurring after Balance Date	120
Note 29 Losses Through Theft, Default and Other Causes	120
Note 30 Remuneration of the Board of Commissioners and Senior Officers	121
Note 31 Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (A-IFRS)	123
Note 32 RiskCover Fund Financial Statements	129
Note 33 Community Insurance Fund Financial Statements	134

**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 Insurance Commission of Western Australia 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 2005 and the financial position as at 30 June 2005.

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
31 August 2005



VIC EVANS
MANAGING DIRECTOR
31 August 2005



RICHARD A HASELGROVE
PRINCIPAL ACCOUNTING OFFICER
31 August 2005

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia passed on 31 August 2005.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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 30 June 2005 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, 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
31 August 2005

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

	Notes	CONSOLIDATED		INSURANCE COMMISSION	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Premium Revenue	2	341,431	326,102	341,241	326,096
Outwards Reinsurance Expense		(3,515)	(3,035)	(3,515)	(2,924)
Outwards Reinsurance Commission Revenue		343	292	343	292
Net Earned Premium		338,259	323,359	338,069	323,464
Claims Incurred	3	(303,891)	(374,813)	(304,201)	(377,338)
Reinsurance and Other Recoveries Revenue	2	23,550	9,974	23,563	9,782
Net Claims Incurred	4	(280,341)	(364,839)	(280,638)	(367,556)
Underwriting and Administration Expenses	3	(66,472)	(58,666)	(66,458)	(58,666)
UNDERWRITING LOSS		(8,554)	(100,146)	(9,027)	(102,758)
Investment Income	2	251,429	205,553	251,429	205,553
Investment Expenses	3	(16,949)	(14,484)	(16,949)	(14,484)
Interest Paid	3	(43,733)	(30,175)	(43,733)	(30,175)
Other Income	2(a), (b)	28,270	28,776	28,447	28,908
Other Expenses	3	(508)	(317)	(212)	2,163
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EQUIVALENT EXPENSE		209,955	89,207	209,955	89,207
Related Income Tax Equivalent Expense attributable to Ordinary Activities	5	(46,087)	-	(46,087)	-
OPERATING PROFIT AFTER RELATED INCOME TAX EQUIVALENT EXPENSE		163,868	89,207	163,868	89,207

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 Insurance Commission represents an aggregation of the Insurance 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. Refer Notes 32 and 33 respectively.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2005

		CONSOLIDATED		INSURANCE COMMISSION	
		2005	2004	2005	2004
	Notes	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash Assets		1,533	2,760	-	-
Receivables	6	44,987	43,404	44,797	43,384
Other Financial Assets	7	1,190,150	1,034,261	1,190,150	1,034,261
Other Assets	8	3,527	4,391	3,527	4,391
Total Current Assets		1,240,197	1,084,816	1,238,474	1,082,036
NON-CURRENT ASSETS					
Receivables	6	272,971	250,384	272,890	250,291
Other Financial Assets	7	453,755	400,235	453,755	400,235
Plant and Equipment	9	4,155	4,434	4,155	4,434
Total Non-Current Assets		730,881	655,053	730,800	654,960
TOTAL ASSETS		1,971,078	1,739,869	1,969,274	1,736,996
CURRENT LIABILITIES					
Bank Overdraft		680	2,441	680	2,441
Payables	10	13,336	15,021	13,243	14,971
Outstanding Claims	11	325,795	341,069	325,048	340,112
Unearned Premiums		135,805	135,034	135,805	135,034
Provisions	13	3,490	3,387	3,490	3,387
Other Liabilities	14	99	559	3,621	4,478
Total Current Liabilities		479,205	497,511	481,887	500,423
NON-CURRENT LIABILITIES					
Payables	10	17	18	17	18
Outstanding Claims	11	1,064,626	1,026,139	1,060,140	1,020,354
Provisions	13	11,878	10,804	11,878	10,804
Deferred Tax Liabilities		46,087	-	46,087	-
Total Non-Current Liabilities		1,122,608	1,036,961	1,118,122	1,031,176
TOTAL LIABILITIES		1,601,813	1,534,472	1,600,009	1,531,599
NET ASSETS		369,265	205,397	369,265	205,397
EQUITY					
Reserves	15	12,569	11,869	12,569	11,869
Accumulated Profit	16	356,696	193,528	356,696	193,528
TOTAL EQUITY		369,265	205,397	369,265	205,397

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 Insurance Commission represents an aggregation of the Insurance Commission's Funds, taking into account inter-fund eliminations. Refer Note 21.

The Consolidated Statement of Financial Position excludes both the RiskCover Fund and Community Insurance Fund, which are shown separately in Notes 32 and 33 respectively.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2005

		CONSOLIDATED		INSURANCE COMMISSION	
		2005	2004	2005	2004
	Notes	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Premium Received		373,562	372,871	373,478	372,865
Right of Indemnity Receipts - Government Insurance Fund		5,334	3,443	5,334	3,443
Right of Indemnity Receipts - WorkCover WA		8,182	7,325	8,182	7,325
Interest Received		31,842	34,459	31,842	34,459
Property Income Received		40,395	41,435	40,395	41,435
Dividends Received		31,733	24,232	31,733	24,232
Reinsurance and Other Recoveries Received		4,490	1,851	4,490	1,624
Management Fees Received		14,754	13,361	14,754	13,361
Recovery of Investments Previously Written Off	7	22	541	22	541
Other Receipts		614	1,018	601	1,008
Internal Interest		-	-	(101)	(112)
Claims Paid		(305,902)	(292,171)	(304,734)	(292,065)
Interest Paid - RiskCover	32	(43,683)	(30,155)	(43,683)	(30,155)
Interest Paid - Community Insurance Fund	33	(50)	(20)	(50)	(20)
Outwards Reinsurance Paid		(3,821)	(3,083)	(3,821)	(3,009)
Underwriting and Administration Expenses Paid		(45,510)	(39,724)	(45,285)	(39,560)
Security of Costs Paid		-	(19,574)	-	(19,574)
Debt Recovery Costs		(23,651)	(24,018)	(23,651)	(24,018)
Property Expenses Paid		(11,185)	(9,281)	(11,185)	(9,281)
Goods and Services Tax Paid		(11,237)	(6,063)	(11,237)	(6,063)
Other Payments		(7,096)	(6,233)	(7,096)	(6,233)
Net Cash Inflow from Operating Activities	(i)	58,793	70,214	59,988	70,203
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Funds Received from RiskCover		44,423	41,954	44,423	41,954
Payments for Purchase of Investments		(1,019,167)	(794,632)	(1,019,167)	(794,632)
Proceeds from Sale of Investments		931,680	640,174	931,680	640,174
Payments for Purchase of Plant and Equipment		(2,192)	(1,329)	(2,192)	(1,329)
Proceeds from Sale of Plant and Equipment		567	333	567	333
Net Cash Outflow from Investing Activities		(44,689)	(113,500)	(44,689)	(113,500)
NET INCREASE/(DECREASE) IN CASH HELD		14,104	(43,286)	15,299	(43,297)
CASH AT THE BEGINNING OF THE YEAR		42,750	86,014	39,990	83,287
Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies		(32)	22	-	-
CASH AT THE END OF THE YEAR	(ii)	56,822	42,750	55,289	39,990

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

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2005 (continued)

		CONSOLIDATED		INSURANCE COMMISSION	
		2005	2004	2005	2004
<u>Notes</u>		\$'000	\$'000	\$'000	\$'000
(i) Reconciliation of Operating Profit After Related Income Tax Equivalent Expense to Net Cash Flows from Operating Activities					
Operating Profit After Related Income Tax Equivalent Expense		163,868	89,207	163,868	89,207
Depreciation		1,757	2,287	1,757	2,287
Bad Debts		(73)	(82)	(8)	(82)
Foreign Exchange Loss/(Gain): Corporation		32	(22)	-	-
Foreign Exchange Gain: Investments		(5,382)	(514)	(5,382)	(514)
Increase in Net Market Value of Investments		(146,540)	(94,283)	(146,540)	(94,283)
Indemnity for Corporation's Net Liabilities		-	-	(397)	(2,592)
Other		(8)	14	(8)	14
Changes in Assets and Liabilities					
Increase in Premiums Receivable		4	3	4	3
Increase in Reinsurance and Other Recoveries Receivable		(18,180)	(17,205)	(18,087)	(17,240)
Increase in Other Assets		(6,043)	(11,224)	(6,043)	(11,224)
Increase in Outstanding Claims		23,213	106,829	24,722	109,460
Increase in Unearned Premiums		770	9,029	770	9,029
Increase in Deferred Tax Liabilities		46,087	-	46,087	-
Decrease in Other Liabilities		(712)	(13,825)	(755)	(13,862)
Net Cash Inflow from Operating Activities		58,793	70,214	59,988	70,203
(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		1,533	2,760	-	-
- Bank Overdraft		(680)	(2,441)	(680)	(2,441)
Investments - Cash Assets	7	55,969	42,431	55,969	42,431
		56,822	42,750	55,289	39,990

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 (Insurance Commission) and its subsidiary, the State Government Insurance Corporation (Corporation), in preparing the financial statements.

General Statement

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 Urgent Issues Group (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.

(a) Basis of Accounting

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 valuation.

The financial statements have been prepared on the assumption that the consolidated 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 Insurance 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 Insurance Commission and Corporation and will continue to support them and their Boards.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Change in Accounting Policy

There are no changes in accounting policies which impact the consolidated financial statements of the economic entity.

(c) Principles of Consolidation

The consolidated financial statements of the economic entity combine the financial statements of the Insurance Commission, being the parent entity and the Corporation, being a controlled entity in accordance with Australian Accounting Standard “Consolidated Financial Reports” (AAS 24).

The financial statements of the Corporation are prepared for the same reporting period as the parent entity.

The accounting policies have been consistently applied by each entity in the consolidated economic entity and are consistent with those adopted in the previous year.

The financial statements of the RiskCover Fund and the Community Insurance Fund are not consolidated as their assets are controlled by the Government of Western Australia and not by the parent economic entity.

In preparing the consolidated financial statements, all inter-entity balances, transactions and unrealised profits arising within the consolidated entity are eliminated in full.

(d) Income Tax Effect Accounting

The economic entity operates within the National Tax Equivalent Regime (NTER). All Funds of the economic entity are subject to the NTER, except for the Government Insurance Fund.

The purpose of the NTER is to achieve competitive neutrality between government and privately owned trading enterprises by ensuring that they bear similar tax-based imposts.

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

As a consequence of participation in the NTER, the entity is required to comply with Australian Accounting Standard “Accounting for Income Tax (Tax Effect Accounting)” (AAS 3).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Timing differences, which arise due to income and expense items being recognised in different accounting 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 is expected to be received or the liability is expected to become payable.

Future income tax benefits in relation to timing differences are not brought to account unless realisation of the assets is assured beyond reasonable doubt.

Future income tax benefits arising in relation to tax losses are not brought to account as an asset unless the benefit can be regarded as being virtually certain of realisation. Refer Note 5.

Effective 1 July 2002, the Corporation joined the Insurance Commission (the tax consolidation parent entity) in a tax consolidation group. 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 Insurance Commission.

The tax equivalent sum, payable to the State Department of Treasury and Finance 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 were not exempt from that tax under the relevant Commonwealth Act.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

where the GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

receivables and payables which are stated with the amount of GST included.

The net amount of GST payable to or recoverable from the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed gross of amounts recoverable from, or payable to, the ATO.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(f) Revenue Recognition**

Revenue is recognised to the extent that it is probable that 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" (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 (IBNR) and claims incurred but not enough reported (IBNER) 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 inflation and discount 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.

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **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(i) “Foreign Currencies”.

- **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.

(g) **Third Party Insurance Fund – Premium Setting**

In accordance with Section 3T of the *Motor Vehicle (Third Party Insurance) Act 1943*, the Insurance 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 profit/loss, 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 Insurance Commission’s premium recommendations are considered by the responsible Minister who may approve, refuse or invite the Insurance Commission to review all or any of its recommendations.

(h) **Outwards Reinsurance**

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

(i) **Foreign Currencies**

- Transactions of the economic entity denominated in foreign currencies are converted to Australian currency at the rates of exchange ruling at the dates of the transactions.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

(j) Plant and Equipment

Plant and equipment is measured at cost.

Computer hardware assets costing \$300 or over and all other assets costing \$1,000 or over are capitalised in the year of acquisition.

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:

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

(k) 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 estimated future net cash flows have, where applicable, been discounted to their present value using a market- determined risk-adjusted discount rate.

(l) Outstanding Claims

The liability for outstanding claims at balance date comprises:

- claims that have been reported but not paid,
- IBNR claims,
- IBNER claims,

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The liability for outstanding claims is the present value of an adjusted “central estimate” of future claim 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 discount rates.

The details of inflation and discount 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.

- **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 and the Community Insurance Fund, refer Notes 32 and 33 respectively). 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% (2004 - 75%) level of confidence. Refer Note 11.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Receivables**

Receivables are reviewed as to their collectability on an ongoing basis. Debts which are known to be not collectable are written off. A provision for doubtful debts is raised, where some doubt as to collection exists.

- **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 in the first 15 days subsequent to balance date. Refer Note 1(f).

- **Other Receivables**

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

(n) Payables

Payables, including accruals not yet billed, are carried at cost and recognised when the entity becomes obliged to make future payments as a result of a purchase of assets or services. Current payables are generally settled within 30 days.

(o) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required, and a reliable estimate can be made of the amount of the obligation.

(p) 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 liability is settled. Related on-costs are presented within other liabilities.

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 future estimated cash outflows. In determining the

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

liability, consideration has been given to future increases in salary rates, experience with staff departures and periods of service.

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.

- **Superannuation**

Staff may contribute to the Pension Scheme as set out in the repealed *Superannuation and Family Benefits Act 1938*, a defined benefits scheme closed to new members with effect from 15 August 1986 but whose provisions are continued in force by Section 26 of the *State Superannuation (Transitional and Consequential Provisions) Act 2000*, or to the Gold State Superannuation Scheme, a defined benefits lump sum scheme closed to new members with effect from 30 December 1995. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme (*Government Employees Superannuation Act 1987*), an accumulation fund complying with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

All of these Schemes are administered by the Government Employees Superannuation Board (GESB)

The employer's liability to meet members' pensions under the defined benefit Pension scheme is paid to the State Department of Treasury and Finance at the end of each month.

The liability for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by payments of employer contributions to the GESB. Refer Note 12.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the Gold State Superannuation Scheme are unfunded and the liability for future payments is provided for at balance date. The 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 6.10 of Australian Accounting Standards Board "Accounting for Employee Entitlements" (AASB 1028) (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 State in its whole-of-government

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reporting. The GESB's records are not structured to provide this information for the Insurance Commission. Accordingly, deriving the information is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

In relation to the defined benefits 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 Insurance Commission. This liability is brought to account on the basis that there is no pre-funding of the employer's liability for benefits under this Pension Scheme. Refer Note 12.

(q) 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.

(r) Statutory Charges

Statutory levies and charges, such as WorkCover WA charges, paid or payable are accounted for on the same basis as the recognition of premiums.

(s) 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 is accrued monthly using the coupon rate of interest.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Insurance Commission and, in accordance with Australian Accounting Standard "Financial Reporting of General Insurance Activities" (AAS 26), are not depreciated.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Unlisted Property Trusts**

Unlisted Property Trusts are valued by the Trustee at 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, unlisted shares and unlisted property trusts, are treated as “Current Other Financial Assets” on the basis that they are readily convertible into cash.

(t) 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 future 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 to avoid or minimise possible adverse financial effects of movements in currency exchange rates. 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(u) 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(s) for determination of net fair value of unlisted units in property trusts.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Recognised Financial Liabilities**

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

- **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.

(v) Bank

Any liability for bank overdraft 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.

(w) Cash

For the purpose of the Statement of Cash Flows, cash includes cash assets on hand and in banks, net of any bank account liability, refer Note 1(v), 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 subject to an insignificant risk of change in value).

(x) Management Fee

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

(y) 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.

(z) 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

2. REVENUE FROM ORDINARY ACTIVITIES

	Notes	CONSOLIDATED		INSURANCE COMMISSION	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Revenue from Operating Activities					
Premium					
Direct		341,241	326,096	341,241	326,096
Inwards Reinsurance		190	6	-	-
		341,431	326,102	341,241	326,096
Outwards Reinsurance Commission		343	292	343	292
Recoveries					
Reinsurance		17,293	(588)	17,306	(780)
Other		6,257	10,562	6,257	10,562
		23,550	9,974	23,563	9,782
Investments					
Property		36,709	34,682	36,709	34,682
Dividends		32,807	24,284	32,807	24,284
Interest		29,761	33,946	29,761	33,946
Changes in Net Market Values: Unrealised		118,996	73,342	118,996	73,342
Changes in Net Market Values: Realised		27,544	20,941	27,544	20,941
Foreign Exchange Gain		5,382	514	5,382	514
Recovery of investments previously written off	7	22	17,623	22	17,623
Other		208	221	208	221
		251,429	205,553	251,429	205,553
Other					
Management Fees		14,496	13,589	14,654	13,753
Right of Indemnity - Government Insurance Fund		11,255	13,780	11,255	13,780
Interest		2,021	1,057	2,008	1,047
Foreign Exchange (Loss)/Gain: Corporation		(32)	22	-	-
Sundry		15	25	15	25
		27,755	28,473	27,932	28,605
		644,508	570,394	644,508	570,328
(b) Revenue from Non-Operating Activities					
Proceeds from Sale of Plant and Equipment		515	303	515	303
Total Revenue from Ordinary Activities		645,023	570,697	645,023	570,631

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. EXPENSES AND NET (GAINS)/LOSSES

	Notes	CONSOLIDATED		INSURANCE COMMISSION	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Profit from Ordinary Activities Before Related Income					
Tax Equivalent Expense includes the following specific expenses and net gains					
Net (Gains)/Losses					
Foreign Exchange (Gain)/Loss					
Investment - Realised		(18,133)	5,795	(18,133)	5,795
Investment - Unrealised		12,751	(6,309)	12,751	(6,309)
		(5,382)	(514)	(5,382)	(514)
Investment - Realised: Corporation		32	(75)	-	-
Investment - Unrealised: Corporation		-	53	-	-
Net Foreign Exchange Gain		(5,350)	(536)	(5,382)	(514)
Other					
Net (Gain)/Loss on Disposal of Plant and Equipment		(8)	10	(8)	10
Total Net Gains		(5,358)	(526)	(5,390)	(504)
Expenses					
Claims					
Direct		304,201	377,338	304,201	377,338
Inwards Reinsurance		(310)	(2,525)	-	-
		303,891	374,813	304,201	377,338
Outwards Reinsurance		3,515	3,035	3,515	2,924
Investments					
Property		10,259	8,603	10,259	8,603
Investment Management and Custodian Fees		5,648	4,920	5,648	4,920
Administration - Insurance Commission		1,042	961	1,042	961
		16,949	14,484	16,949	14,484
Interest Paid					
Interest - RiskCover Fund	32	43,683	30,155	43,683	30,155
Interest - Community Insurance Fund	33	50	20	50	20
		43,733	30,175	43,733	30,175

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. EXPENSES AND NET (GAINS)/LOSSES (continued)

	Notes	CONSOLIDATED		INSURANCE COMMISSION	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Underwriting and Administration					
Accident Prevention and Research		4,110	4,045	4,110	4,045
Acquisition Costs (Commission)		7,812	7,163	7,799	7,163
Levies and Charges		67	83	67	83
Bad and Doubtful Debts		(8)	(29)	(8)	(29)
Amounts paid or due and payable to the Auditor General					
- Auditing the financial statements (i)		345	252	345	252
Board of Commissioners' Fees		203	272	203	272
Contractors and Consultants		2,957	2,232	2,957	2,232
Debt Recovery Costs		23,234	19,151	23,234	19,151
Depreciation		1,757	2,287	1,757	2,287
Employee Benefits					
- Annual Leave		1,128	1,465	1,128	1,465
- Long Service Leave		417	447	417	447
- Salaries and Employee-Related Costs		14,604	13,131	14,604	13,131
- Superannuation		3,174	1,735	3,174	1,735
IT Hardware and Software		3,670	3,650	3,670	3,650
Other Underwriting and Administration		3,002	2,782	3,001	2,782
		66,472	58,666	66,458	58,666
Other					
Cost of Plant and Equipment Sold		507	313	507	313
Plant and Equipment Written Off		-	3	-	3
Reduction in Indemnity for Corporation's Net Liabilities	24	-	-	(397)	(2,592)
Internal Interest		-	-	101	112
Sundry		1	1	1	1
		508	317	212	(2,163)
Total Expenses		435,068	481,490	435,068	481,424

- (i) Includes an amount of \$13,000 (2004 - \$12,000) in respect of amounts paid or due and payable to the Auditor General for auditing the financial statements of the Corporation. This amount is included in the management fee charged by the Insurance Commission to the Corporation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. NET CLAIMS INCURRED

	CONSOLIDATED	INSURANCE COMMISSION		
	2005	2005		
	Total	Current Year	Prior Years	Total
		(i)	(ii)	
	\$'000	\$'000	\$'000	\$'000
Current Year				
Gross Claims Incurred and Related Expenses				
- Undiscounted	295,134	398,504	(102,965)	295,539
Reinsurance and Other Recoveries				
- Undiscounted	(22,526)	(21,660)	(868)	(22,528)
Net Claims Incurred - Undiscounted	272,608	376,844	(103,833)	273,011
Discount and Discount Movement				
- Gross Claims Incurred	8,757	(62,270)	70,932	8,662
Discount and Discount Movement				
- Reinsurance and Other Recoveries	(1,024)	39,630	(40,665)	(1,035)
Net Discount Movement	7,733	(22,640)	30,267	7,627
Net Claims Incurred	280,341	354,204	(73,566)	280,638
	2004	2004		
	Total	Current Year	Prior Years	Total
		(i)	(ii)	
	\$'000	\$'000	\$'000	\$'000
Previous Year				
Gross Claims Incurred and Related Expenses				
- Undiscounted	447,092	374,665	73,856	448,521
Reinsurance and Other Recoveries				
- Undiscounted	(12,963)	(25,322)	12,550	(12,772)
Net Claims Incurred - Undiscounted	434,129	349,343	86,406	435,749
Discount and Discount Movement				
- Gross Claims Incurred	(72,279)	(63,920)	(7,263)	(71,183)
Discount and Discount Movement				
- Reinsurance and Other Recoveries	2,989	46,120	(43,130)	2,990
Net Discount Movement	(69,290)	(17,800)	(50,393)	(68,193)
Net Claims Incurred	364,839	331,543	36,013	367,556

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

(ii) **Previous 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

5. INCOME TAX EQUIVALENT

	CONSOLIDATED		INSURANCE COMMISSION	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
(a) Calculation of Income Tax Equivalent Expense				
Operating Profit Before Related Income Tax Equivalent Expense	209,955	89,207	209,955	89,207
Prima Facie Income Tax Equivalent Expense on the Operating Profit at 30% (2004 - 30%)	(62,986)	(26,761)	(62,986)	(26,761)
Tax Effect of Permanent Differences:				
Non-assessable items	-	5,249	-	5,249
Imputation gross up on dividends received	5,512	(4,314)	5,512	(4,314)
Non-deductible items	(30)	(151)	(30)	(151)
Tax Effect of Losses not previously brought to account	11,417	25,977	11,417	25,977
Income Tax Equivalent Expense attributable to Operating Profit	(46,087)	-	(46,087)	-
(b) Tax Losses				
Balance at the Beginning of the Year	(213,129)	(162,934)	(213,129)	(162,934)
Tax Profit/(Loss) arising in year	117,046	(50,195)	117,046	(50,195)
Balance at the End of the Year	(96,083)	(213,129)	(96,083)	(213,129)

At 30 June 2004 the Insurance Commission had tax losses available for offset against future years' taxable income of \$213.1 million. Of these tax losses, \$38.1 million had not been recognised for accounting purposes because their realisation was not virtually certain.

The tax assessable income derived by the tax consolidated entity during the financial year to 30 June 2005 has exceeded the amount of these previously unrecognised losses and hence \$11.4 million (being \$38.1 million expressed at a corporate rate of 30%) has now been recognised.

The deferred tax expense of \$46.1 million, recognised at 30 June 2005 for accounting purposes, represents an accounting provision for deferred income tax liability, resulting from the prima facie income tax equivalent expense on the current year accounting profit, less this \$11.4 million and other current year adjustments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. RECEIVABLES

	Notes	CONSOLIDATED		INSURANCE COMMISSION	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current					
Premiums Receivable		3,064	3,068	3,064	3,068
Reinsurance and Other Recoveries Receivable		27,798	24,576	27,608	24,491
Less: Provision for Doubtful Debts		(589)	(662)	(589)	(597)
		27,209	23,914	27,019	23,894
Right of Indemnity					
Government Insurance Fund	(i)	8,939	9,009	8,939	9,009
WorkCover WA	(ii)	3,402	4,362	3,402	4,362
		12,341	13,371	12,341	13,371
Other Receivables					
Sundry Receivables		2,373	3,051	2,373	3,051
		44,987	43,404	44,797	43,384
Non-Current					
Reinsurance and Other Recoveries Receivable		96,675	79,548	96,594	79,455
Right of Indemnity					
Government Insurance Fund	(i)	61,643	55,652	61,643	55,652
WorkCover WA	(ii)	19,591	19,517	19,591	19,517
		81,234	75,169	81,234	75,169
Other Receivables	(iii)	95,062	95,667	95,062	95,667
		272,971	250,384	272,890	250,291
Movement in Provision for Doubtful Debts					
Balance at Beginning of the Year		662	744	597	679
Previously provided for and written off during the year		(65)	(53)	-	(53)
Previously provided for but provision no longer required		(73)	(29)	(8)	(29)
Balance at End of the Year		524	662	589	597

- (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 Insurance Commission has the right of reimbursement from WorkCover WA for all payments and expenses paid under this Act. Refer Note 11.
- (iii) Other Receivables (Non-Current) includes \$60.0 million (2004 - \$60.0 million) relating to costs incurred in a debt recovery action (Refer Note 7) and \$32.1 million (2004 - \$32.1 million) relating to the payment of security of costs ordered by the Supreme Court of Western Australia in the Bell Group recovery action.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. OTHER FINANCIAL ASSETS

		CONSOLIDATED		INSURANCE COMMISSION	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Current Investments					
At Net Market Value					
Fixed Interest Bonds		251,896	253,557	251,896	253,557
Fixed Interest Unit Trusts		150,782	89,563	150,782	89,563
Indexed Bonds		53,415	81,989	53,415	81,989
Shares - Listed		857,699	810,405	857,699	810,405
Equity Unit Trusts		137,253	35,255	137,253	35,255
Cash Assets		55,969	42,431	55,969	42,431
Receivables		1,240	1,256	1,240	1,256
Floating Rate Promissory Note	(i)	(320,164)	(275,741)	(320,164)	(275,741)
Forward Foreign Exchange Contracts		5,872	(830)	5,872	(830)
Payables		(3,812)	(3,624)	(3,812)	(3,624)
		1,190,150	1,034,261	1,190,150	1,034,261
Non-Current Investments					
At Net Market or Fair Value					
Freehold Properties	(ii)	355,850	315,828	355,850	315,828
Property Trust - Unlisted		101,905	88,407	101,905	88,407
Payables		(4,000)	(4,000)	(4,000)	(4,000)
		453,755	400,235	453,755	400,235
At Cost					
Investment in Subsidiary	(iii)	-	-	100,000	100,000
Provision for Write Down in Subsidiary		-	-	(100,000)	(100,000)
		-	-	-	-
		453,755	400,235	453,755	400,235
		1,643,905	1,434,496	1,643,905	1,434,496

- (i) The Floating Rate Promissory Note represents RiskCover's share of the investment pool of the economic entity. Refer Note 32.
- (ii) The Forrest Centre, Westralia Square and Bible House were valued at 30 June 2005. Refer Note 1(s). The independent valuer used was Mr S Nuttall AAPI ASIA of CB Richard Ellis Pty Ltd. Freehold Properties includes \$84.9 million relating to retail properties which have also been valued at 30 June 2005. The independent valuer used for these retail properties was Mr Foster-Key AAPI MRICS of Savills (WA) Pty Ltd.
- (iii) The Insurance Commission owns 100% of the issued share capital of the Corporation. The investment in the Corporation is fully written down at 30 June 2005 because its liabilities exceed its assets. The Corporation's net deficiency in assets at balance date of \$3.5 million (2004 - \$3.9 million) has been included as a current liability of the Insurance Commission. Refer Note 14.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. OTHER FINANCIAL ASSETS (continued)

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 2004, representing interest earned on the funds held by the liquidator, amounted to \$8.86 million. Further interest of \$22,000 was received during the year ended 30 June 2005, representing a sixth and final dividend on admitted claims for interest. No further amounts are expected to be received from the liquidator.

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

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

The Insurance 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.

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 Insurance 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 Insurance Commission at the time it acquired the Bell bonds.

On 21 August 2002, the Insurance Commission received \$26.741 million from the SECL administration pursuant to a legal settlement reached with SECL's auditors, Arthur Andersen. This receipt does not reduce the Insurance Commission's claim in respect of the judgement debt.

Dividends totalling \$17.082 million (8.5 cents in the dollar) had been received from the SECL administration at 30 June 2004. No further dividends were received in the year ended 30 June 2005.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. OTHER ASSETS

	CONSOLIDATED		INSURANCE COMMISSION	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Current				
Prepaid Expenses	463	1,481	463	1,481
Deferred Acquisition Costs	3,064	2,910	3,064	2,910
	3,527	4,391	3,527	4,391

9. PLANT AND EQUIPMENT

Plant and Equipment

At Cost	1,009	955	1,009	955
Less: Accumulated Depreciation	(741)	(744)	(741)	(744)
	268	211	268	211

Furniture and Fittings

At Cost	393	390	393	390
Less: Accumulated Depreciation	(300)	(290)	(300)	(290)
	93	100	93	100

Computer Hardware and Software

At Cost	9,584	8,903	9,584	8,903
Less: Accumulated Depreciation	(8,107)	(7,371)	(8,107)	(7,371)
	1,477	1,532	1,477	1,532

Motor Vehicles

At Cost	1,033	990	1,033	990
Less: Accumulated Depreciation	(101)	(151)	(101)	(151)
	932	839	932	839

Leasehold Improvements

At Cost	2,630	2,606	2,630	2,606
Less: Accumulated Depreciation	(1,245)	(854)	(1,245)	(854)
	1,385	1,752	1,385	1,752
	4,155	4,434	4,155	4,434

10. PAYABLES

Current

Sundry Creditors	10,818	13,115	10,818	13,115
Reinsurance Creditors	638	549	545	499
Goods and Services Tax Liability	1,880	1,357	1,880	1,357
	13,336	15,021	13,243	14,971

Non-Current

Mine Workers' Relief Fund	(i) 17	18	17	18
	17	18	17	18

- (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 Insurance 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 Insurance 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

	CONSOLIDATED		INSURANCE COMMISSION	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Liability for Outstanding Claims (undiscounted)	1,728,917	1,711,582	1,721,343	1,701,954
Discount to present value	(338,496)	(344,374)	(336,155)	(341,488)
Liability for Outstanding Claims (discounted)	1,390,421	1,367,208	1,385,188	1,360,466
Current	325,795	341,069	325,048	340,112
Non-Current	1,064,626	1,026,139	1,060,140	1,020,354
	1,390,421	1,367,208	1,385,188	1,360,466

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(l). The degree of certainty required by the Board has been achieved by a prudential margin that allows for a 75% (2004 - 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 \$97.2 million (2004 - \$96.2 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 WorkCover WA.

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 Insurance Commission for compensation under the *Workers' Compensation and Injury Management 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 Insurance 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 Insurance Commission's underwriting activities.

The actuarially assessed outstanding claims liabilities for these HIH policies of \$23.0 million (2004 - \$23.9 million) are included in the Insurance Commission's total "Liability for Outstanding Claims (discounted)" above of \$1,385.2 million (2004 - \$1,360.5 million) and includes a prudential margin that allows for a 75% level of confidence (2004 - 75%). This prudential margin has added \$3.0 million (2004 - \$2.5 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 Insurance Commission has the right of reimbursement from the WorkCover WA 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)

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		INSURANCE COMMISSION	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Insurance Commission General Fund				
- Workers' Compensation and Liability Insurance*	82,474	71,000	82,474	71,000
- Employers' Indemnity Supplementation Fund Act*	22,993	23,879	22,993	23,879
	105,467	94,879	105,467	94,879
Third Party Insurance Fund	1,192,960	1,183,050	1,192,960	1,183,050
Compensation (Industrial Diseases) Fund	6,932	7,682	6,932	7,682
Government Insurance Fund*	79,829	74,855	79,829	74,855
Inwards Reinsurance - Corporation*	5,233	6,742	-	-
Total	1,390,421	1,367,208	1,385,188	1,360,466

* Indicates Funds in "run-off"

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 2005 for each fund of the Insurance Commission:

	% Rates Used - 2005		% Rates Used - 2004	
	Year Ending 30 June 2006	Subsequent Years	Year Ending 30 June 2005	Subsequent Years
Third Party Insurance Fund				
Inflation Rate (Wage)	5.00	4.37	3.80	4.15
Superimposed Inflation	5.00	5.00	5.00	5.00
Total Inflation*	10.25	9.59	8.99	9.36
Discount Rate	5.30	5.16	5.40	5.91
Compensation (Industrial Diseases) Fund				
Inflation Rate (Wage)	4.40	3.70	3.80	4.30
Total Inflation*	4.40	3.70	3.80	4.30
Discount Rate	5.30	5.20	5.40	6.10
Insurance Commission General Fund				
- Workers' Compensation and Liability Insurance				
Inflation Rate (Wage)	5.00	4.40	3.80	4.30
Total Inflation*	5.00	4.40	3.80	4.30
Discount Rate	5.30	5.20	5.40	6.10
- Employers' Indemnity Supplementation Fund Act				
Inflation Rate (Wage)	3.50	3.50	3.50	3.50
Superimposed Inflation	4.50	4.50	4.50	4.50
Total Inflation*	8.16	8.16	8.16	8.16
Discount Rate	5.30	5.10	5.40	5.50
Government Insurance Fund				
- Workers' Compensation				
Inflation Rate (Wage)	5.00	4.40	3.80	3.90
Total Inflation*	5.00	4.40	3.80	3.90
Discount Rate	5.30	5.10	5.40	5.20
- Liability				
Inflation Rate (Wage)	5.00	4.30	3.80	4.20
Superimposed Inflation	4.00	4.00	5.00	5.00
Total Inflation*	9.20	8.47	8.99	9.41
Discount Rate	5.30	5.20	5.40	6.00

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

11. OUTSTANDING CLAIMS (continued)

Inflation and Discount Rates (continued)

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 2005 and 2004 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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. OUTSTANDING CLAIMS (continued)

(a)	Insurance Commission	Notes	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
The following are the liabilities for outstanding claims for each Fund										
	Liability for Outstanding Claims (undiscounted)		1,432,640	1,422,940	9,782	12,020	125,456	125,878	153,465	141,116
	Discount to present value		(239,680)	(239,890)	(2,850)	(4,338)	(45,627)	(51,023)	(47,998)	(46,237)
	Liability for Outstanding Claims (discounted)		1,192,960	1,183,050	6,932	7,682	79,829	74,855	105,467	94,879
	Current	21	302,980	317,320	824	731	9,875	10,134	11,369	11,927
	Non-Current	21	889,980	865,730	6,108	6,951	69,954	64,721	94,098	82,952
			1,192,960	1,183,050	6,932	7,682	79,829	74,855	105,467	94,879
	Weighted average expected term to settlement		3 yrs 2 mths	2 yrs 10 mths	6 yrs 8 mths	7 yrs 4 mths	(i)	(i)	(ii)	(ii)

(i) The long-tail classes in the Government Insurance Fund comprise Workers' Compensation: 6 yrs 6 mths (2004 - 6 yrs 4 mths) and Liability: 4 yrs (2004 - 3 yrs 8 mths)

(ii) The long-tail classes in the Insurance Commission General Fund comprise Workers' Compensation and Liability Insurance: 7 yrs 5 mths (2004 - 7 yrs) and Employers' Indemnity Supplementation Fund Act liabilities: 6 yrs 4 mths (2004 - 4 yrs 10 mths).

(iii) The Insurance Commission General Fund includes the liabilities arising under the Employers' Indemnity Supplementation Fund Act as follow

Liability for Outstanding Claims (undiscounted)	32,667	31,667
Discount to present value	(9,674)	(7,788)
Liability for Outstanding Claims (discounted)	22,993	23,879
Current	3,402	4,362
Non-Current	19,591	19,517
	22,993	23,879

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 2033.

The above liability includes an amount of \$6.3 million (2004 - \$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 \$1.7 million (2004 - \$2.0 million) is included in Reinsurance and Other Recoveries Receivable in Note 6. This produces a net liability for asbestos mining-related claims of \$4.6 million (2004 - \$5.1 million).

Insurance Commission General Fund - Workers' Compensation and Liability 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 2033.

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 \$58.1 million (2004 - \$49.5 million) representing the estimated liability, prior to future recoveries, for the Wittenoom asbestos-related common law claims. A recoverable amount of \$29.1 million (2004 - \$24.7 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 \$29.1 million (2004 - \$24.7 million).

(b) Inwards Reinsurance - Corporation

The measurement of the liability for outstanding claims is consistent with Direct Insurance (excluding RiskCover and the Community Insurance Fund). The level of confidence required by the Board is 75% (2004 - 75%). The prudential margin has added \$0.5 million (2004 - \$0.7 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 (MIPI), the Board has accepted an actuarial recommendation to include additional margins in these two segments, of \$0.4 million (2004 - \$0.4 million) and \$0.4 million (2004 - \$0.5 million) respectively.

	CONSOLIDATED	
	2005	2004
	\$'000	\$'000
Liability for Outstanding Claims (undiscounted)	7,574	9,628
Discount to present value	(2,341)	(2,886)
Liability for Outstanding Claims (discounted)	5,233	6,742
Current	747	957
Non-Current	4,486	5,785
	5,233	6,742
Weighted average expected term to settlement	6 yrs 6 mths	6 yrs 2 mths

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. OUTSTANDING CLAIMS (continued)

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 - 2005			% Rates Used - 2004		
	Australia	UK	US	Australia	UK	US
2005	N/A	N/A	N/A	5.40	4.60	2.10
2006	5.30	4.40	3.50	5.50	5.30	3.20
2007	5.10	4.00	3.70	5.70	5.30	4.10
2008	5.10	4.20	3.80	6.10	5.30	4.70
2009	5.10	4.30	3.90	6.30	5.30	5.30
2010	5.20	4.30	4.00	6.30	5.20	5.70
2011	5.20	4.40	4.10	6.30	5.20	5.90
2012	5.20	4.40	4.20	6.30	5.10	6.00
2013	5.20	4.40	4.30	6.30	5.10	6.00
2014	5.30	4.40	4.30	6.30	5.00	6.00
2015	5.30	4.40	4.40	6.30	4.90	6.00
2016 and later	5.30	4.40	4.40	6.30	4.90	6.00

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

12. EMPLOYEE BENEFIT LIABILITIES

	Notes	CONSOLIDATED		INSURANCE COMMISSION	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current					
Provisions					
Annual Leave		1,315	1,236	1,315	1,236
Long Service Leave		622	620	622	620
Superannuation: Pension Scheme		1,406	1,276	1,406	1,276
	13	3,343	3,132	3,343	3,132
Other Liabilities					
Accrued Salaries		-	434	-	434
Accrued Superannuation:					
- Gold State – West State		-	24	-	24
	14	-	458	-	458
Total Current		3,343	3,590	3,343	3,590
Non-Current					
Provisions					
Long Service Leave		1,437	1,140	1,437	1,140
Superannuation: Pension Scheme		10,332	9,498	10,332	9,498
Total Non-Current	13	11,769	10,638	11,769	10,638
Total Employee Benefits		15,112	14,228	15,112	14,228

As explained in Note 1(p), 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 (%)		3.3	3.2	3.3	3.2
Weighted average discount rates (%)		5.1	5.6	5.1	5.6
Weighted average expected term to settlement		5 yrs	4 yrs 10 mths	5 yrs	4 yrs 10 mths
(b) Superannuation: Pension Scheme					
Weighted average rates of increase in annual employee benefits (%)		3.3	3.2	3.3	3.2
Weighted average discount rates (%)		5.1	6.5	5.1	6.5
Weighted average expected term to settlement		8 yrs 10 mths	9 yrs 4 mths	8 yrs 10 mths	9 yrs 4 mths

The Insurance Commission considers the carrying amount of employee benefit liabilities approximates the net fair value.

13. PROVISIONS

Current					
Employee Benefits	12	3,343	3,132	3,343	3,132
Other Employee Benefits	(i)	147	255	147	255
		3,490	3,387	3,490	3,387
Non-Current					
Employee Benefits	12	11,769	10,638	11,769	10,638
Other Employee Benefits	(i)	109	166	109	166
		11,878	10,804	11,878	10,804

- (i) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation, payroll tax and workers' compensation premiums. The liability for such on-costs is included here. The associated expense is included under Employee Benefits (under Underwriting and Administration Expenses). Refer Note 3.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

14. OTHER LIABILITIES

	<u>Notes</u>	CONSOLIDATED		INSURANCE COMMISSION	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current					
Indemnity for Corporation's Net Liabilities	24	-	-	3,522	3,919
Employee Benefits	12	-	458	-	458
Other		99	101	99	101
		99	559	3,621	4,478

15. RESERVES

Compensation (Industrial Diseases) Fund Reserve					
Balance at beginning of the year		11,869	11,540	11,869	11,540
Transfer from Accumulated Profits	16	700	329	700	329
Balance at end of the year		12,569	11,869	12,569	11,869

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 Insurance Commission may only transfer the monies in this Reserve to meet, or assist in meeting, any amounts required to be expended by the Insurance 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.

16. ACCUMULATED PROFIT

Balance at beginning of the year		193,528	104,650	193,528	104,650
Operating Profit for the year after Related Income Tax Equivalent Expense		163,868	89,207	163,868	89,207
Amount transferred to Compensation (Industrial Diseases) Fund Reserve	15	(700)	(329)	(700)	(329)
Balance at end of the year		356,696	193,528	356,696	193,528

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. AMOUNTS RECEIVABLE AND PAYABLE DENOMINATED IN FOREIGN CURRENCIES (Australian dollars equivalent)

Receivables

Current

United States dollars

2 2

Non-current

United States dollars

14 17

Total Receivables

16 19

Payables

Current

Canadian dollars

1 2

Great British pounds sterling

42 70

United States dollars

347 456

390 528

Non-current

Canadian dollars

7 9

Great British pounds sterling

221 373

United States dollars

1,325 2,254

1,553 2,636

Total Payables

1,943 3,164

The amounts disclosed above for Receivables and Payables for both 2005 and 2004 relate solely to the Corporation. No amounts relate to the Insurance 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 Insurance 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 Insurance 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 Insurance 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 generally 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. Up to February 2005, the Insurance Commission had entered into forward foreign exchange contracts to manage the risk associated with anticipated overseas equity portfolio transactions, at 50% of the exposure generated. In February 2005, the Insurance Commission transferred this passive currency hedging arrangement to a dynamic currency hedge product, covering 50% of the exposure generated. This 50% base level is increased or decreased over time in accordance with the currency valuation process.

(b) Futures

		CONSOLIDATED	
		2005	2004
		\$'000	\$'000
At balance date the details of outstanding contracts are:			
Up to 1 year			
Interest Rate Futures			
Notional Principal Amount of Asset/(Liability)		7,302	(2,408)
Weighted Average Price		5.06%	5.47%
Equity Futures			
Notional Principal Amount of Asset		1,068	1,238

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 Insurance Commission could effectively replace the futures with cash holdings. The Notional Principal Amounts shown above are not considered to be materially different to their Net Fair Value.

(c) Forward Foreign Exchange Contracts

		CONSOLIDATED			
		Average Exchange Rate		Notional Principal Amount	
		2005	2004	2005	2004
				\$'000	\$'000
Details of forward foreign exchange contracts outstanding at balance date are as follows:					
Sell US Dollars	Up to 3 months	0.7720	-	4,190	-
	Over 3 to 12 months	0.7558	0.6944	191,882	102,943
				196,072	102,943
Sell Euros	Up to 3 months	0.5973	-	17,668	-
	Over 3 to 12 months	0.5741	0.5721	30,307	31,430
				47,975	31,430
Sell Great British Pounds	Up to 3 months	0.4083	-	15,754	-
	Over 3 to 12 months	0.4070	0.3839	15,205	19,199
				30,959	19,199
Sell Japanese Yen	Up to 3 months	81.1449	-	15,696	-
	Over 3 to 12 months	75.9062	74.2162	14,175	16,762
				29,871	16,762
Total				304,877	170,334

The above contracts are marked to market by comparing the contractual rate to the current market rate for a contract with the same remaining period to maturity. Any unrealised gain or loss is taken to the Statement of Financial Performance immediately. At balance date, a net unrealised gain on these contracts amounted to \$5.87 million (2004 - loss of \$0.83 million). Refer Note 7.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (continued)

(d) 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 2005 (\$'000)					
	Fixed Interest Rate Maturing in				Non-Interest Bearing	Weighted Average Interest Rate (%)
	Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 Years		
Financial Assets						
Fixed Interest Bonds	-	29,321	141,675	88,198	-	4.72
Fixed Interest Unit Trusts	-	-	-	-	150,782	-
Indexed Bonds	-	4,250	276	48,889	-	2.64
Shares - Listed	-	-	-	-	858,775	-
Equity Unit Trusts	-	-	-	-	137,253	-
Cash Assets	47,471	10,030	-	-	57,501	4.53
Right of Indemnity	-	-	-	-	93,575	-
Forward Foreign Exchange Contracts	-	-	-	-	5,872	-
Other Financial Assets	-	-	-	-	98,675	-
Total Financial Assets	47,471	43,601	141,951	137,087	1,344,932	1,715,042
Weighted Average Interest Rate (%)	4.28	4.48	4.72	3.98	-	-
Financial Liabilities						
Bank Overdraft	680	-	-	-	-	5.25
RiskCover Floating Rate Promissory Note	320,164	-	-	-	-	- (i)
Forward Foreign Exchange Contracts	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	20,239	-
Total Financial Liabilities	320,844	-	-	-	20,239	341,083
Net Financial Assets/(Liabilities)	(273,373)	43,601	141,951	137,087	1,324,693	1,373,959
Weighted Average Interest Rate (%)	13.96	-	-	-	-	-

- (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 2005 this equated to a return of 13.96%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (continued)

Previous Year

	CONSOLIDATED 2004 (\$'000)					
	Fixed Interest Rate			Maturing in		Weighted Average Interest Rate (%)
	Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 Years	Non-Interest Bearing	
Financial Assets						
Fixed Interest Bonds	-	28,807	131,402	95,753	-	5.92
Fixed Interest Unit Trusts	-	-	-	-	89,563	-
Indexed Bonds	-	-	6,981	75,008	-	3.28
Shares - Listed	-	-	-	-	809,170	-
Equity Unit Trusts	-	-	-	-	35,255	-
Cash Assets	41,208	3,983	-	-	45,191	4.17
Right of Indemnity	-	-	-	-	88,540	-
Forward Foreign Exchange Contracts	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	99,975	-
Total Financial Assets	41,208	32,790	138,383	170,761	1,122,503	1,505,645
Weighted Average Interest Rate (%)	4.04	5.86	5.78	4.76	-	
Financial Liabilities						
Bank Overdraft	2,441	-	-	-	-	5.00
RiskCover Floating Rate Promissory Note	275,741	-	-	-	-	(i)
Forward Foreign Exchange Contracts	-	-	-	-	830	-
Other Financial Liabilities	-	-	-	-	22,049	-
Total Financial Liabilities	278,182	-	-	-	22,879	301,061
Net Financial Assets/(Liabilities)	(236,974)	32,790	138,383	170,761	1,099,624	1,204,584
Weighted Average Interest Rate (%)	11.69	-	-	-	-	

- (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 2004 this equated to a return of 11.69%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (continued)

		CONSOLIDATED	
		2005	2004
	Notes	\$'000	\$'000
(ii) Reconciliation of Net Financial Assets to Net Assets			
Net Financial Assets as above	18(d)	1,373,959	1,204,584
Less: Interest Rate Futures		(7,298)	(2,408)
(Less)/Add: Equity Futures		(1,075)	1,238
		1,365,586	1,203,414
Reinsurance and Other Recoveries Receivable	6	123,884	103,462
Investment Properties	7	453,755	400,235
Plant and Equipment	9	4,155	4,434
Other Assets		6,591	7,459
Outstanding Claims	11	(1,390,421)	(1,367,208)
Superannuation Liability	12	(11,738)	(10,798)
Unearned Premium		(135,805)	(135,034)
Deferred Tax Liabilities		(46,087)	-
Other Liabilities		(655)	(567)
Net Assets per Statement of Financial Position		369,265	205,397

(e) 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 79% (2004 - 72%) of its recognised financial assets in Australia.

Recognised Financial Assets

The carrying amount of the financial assets recorded in the consolidated Statement of Financial Position, net of any provision for losses

Total Maximum Credit Risk Exposure

	1,700,797	1,504,474
	1,700,797	1,504,474

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.

	CONSOLIDATED	
	2005 \$'000	2004 \$'000
AAA rating	192,342	237,210
AA+ to AA- ratings	32,687	24,496
A+ to A- ratings	82,190	71,741
BBB+ ratings	3,064	2,016
A1+ to A2 (short-term) rating	61,355	56,929
Credit Risk Exposure	371,638	392,392

(f) 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	150,782	89,563
Equity Unit Trusts	137,253	35,255
Investment Receivables	1,240	1,256
Receivables (Current and Non-Current)	97,435	98,718
Right of Indemnity (Current and Non-Current)	93,575	88,540
	480,285	313,332

Recognised Financial Liabilities

Investment Payables	3,812	3,625
Payables	12,698	14,472
Other Liabilities (Current and Non-Current)	3,729	3,952
	20,239	22,049

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 Insurance Commission is contained in the Review of 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		Compensation		Government		Insurance Commission	
	Insurance Fund		(Industrial Diseases)		Insurance Fund		General Fund	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Premium Revenue	341,204	326,036	37	60	-	-	-	-
Outwards Reinsurance Expense	(3,515)	(2,924)	-	-	-	-	-	-
Outwards Reinsurance Commission Revenue	343	292	-	-	-	-	-	-
Net Earned Premium	338,032	323,404	37	60	-	-	-	-
Claims Incurred	(276,998)	(360,202)	446	(610)	(11,757)	(14,480)	(15,892)	(2,053)
Reinsurance and Other Recoveries Revenue/(Charge)	16,601	9,828	(254)	23	266	478	6,950	(540)
Net Claims Incurred	(260,397)	(350,374)	192	(587)	(11,491)	(14,002)	(8,942)	(2,593)
Underwriting and Administration Expenses	(27,318)	(25,780)	(704)	(689)	(458)	(489)	(41,427)	(35,103)
UNDERWRITING PROFIT/(LOSS)	50,317	(52,750)	(475)	(1,216)	(11,949)	(14,491)	(50,369)	(37,696)
Investment Income	210,903	160,946	2,385	1,953	744	763	39,450	43,890
Investment Expenses	(13,456)	(12,546)	(162)	(151)	(50)	(53)	(3,281)	(1,734)
Interest Paid	-	-	-	-	-	-	(43,733)	(30,175)
Other Income	-	113	1	-	11,255	13,781	18,587	16,411
Other Expenses	-	-	-	-	-	-	(212)	2,163
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	247,764	95,763	1,749	586	-	-	(39,558)	(7,141)
BEFORE RELATED INCOME TAX								
EQUIVALENT (EXPENSE)/BENEFIT								
Related Income Tax Equivalent (Expense)/Benefit attributable to Operating Profit/(Loss)	(54,430)	(6,896)	(1,049)	(257)	-	-	9,392	7,153
OPERATING PROFIT/(LOSS) AFTER RELATED INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT	193,334	88,867	700	329	-	-	(30,166)	12

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 2005 and 30 June 2004.

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 Insurance Commission represents an aggregation of the Funds taking into account inter-fund eliminations. The main eliminations are:

- (i) Investment revenue of \$2.053 million (2004 - \$1.999 million) in relation to the Insurance Commission's portion of the rentals incurred as an owner-occupier.
- (ii) In 2005, total Tax Equivalent Losses of \$9.392 million (2004 - \$7.153 million) were transferred from the Insurance Commission General Fund to both the Third Party Insurance Fund, \$8.343 million (2004 - \$6.896 million) and the Compensation (Industrial Diseases) Fund, \$1.049 million (2004 - \$0.257 million)
- (iii) An Income Tax Equivalent expense of \$46.1 million in the Third Party Insurance Fund has resulted from the recognition of a deferred tax liability.

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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS								
Receivables	25,560	22,403	223	263	9,849	10,108	9,166	10,811
Other Financial Assets	-	-	-	-	-	-	1,190,150	1,034,261
Other Assets	3,064	3,910	-	-	-	-	9,855	7,634
TOTAL CURRENT ASSETS	28,624	26,313	223	263	9,849	10,108	1,209,171	1,052,706
NON-CURRENT ASSETS								
Receivables	66,050	52,780	1,471	1,782	64,501	58,549	140,868	137,180
Other Financial Assets	-	-	-	-	-	-	453,755	400,235
Plant and Equipment	-	-	-	-	-	-	4,155	4,434
TOTAL NON-CURRENT ASSETS	66,050	52,780	1,471	1,782	64,501	58,549	598,778	541,849
Inter-Fund Investments	1,770,567	1,536,333	18,974	17,904	5,676	6,595	(1,795,217)	(1,560,832)
TOTAL ASSETS	1,865,241	1,615,426	20,668	19,949	80,026	75,252	12,732	33,723
CURRENT LIABILITIES								
Bank Overdraft	-	-	-	-	-	-	680	2,441
Payables	11,576	13,172	75	76	197	397	1,395	1,527
Outstanding Claims	302,980	317,320	824	731	9,875	10,134	11,369	11,927
Unearned Premiums	135,763	134,969	43	65	-	-	-	-
Provisions	-	-	-	-	-	-	3,490	3,387
Other Liabilities	8,343	7,057	1,049	257	-	-	3,621	4,317
TOTAL CURRENT LIABILITIES	458,662	472,518	1,991	1,129	10,072	10,531	20,555	23,599
NON-CURRENT LIABILITIES								
Payables	-	-	-	-	-	-	17	18
Outstanding Claims	889,980	865,730	6,108	6,951	69,954	64,721	94,098	82,952
Provisions	-	-	-	-	-	-	11,878	10,804
Deferred Tax Liabilities	46,087	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	936,067	865,730	6,108	6,951	69,954	64,721	105,993	93,774
TOTAL LIABILITIES	1,394,729	1,338,248	8,099	8,080	80,026	75,252	126,548	117,373
NET ASSETS/(LIABILITIES)	470,512	277,178	12,569	11,869	-	-	(113,816)	(83,650)

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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
EQUITY								
Reserves	-	-	12,569	11,869	-	-	-	-
Funds' Accumulated Profits/(Losses)	470,512	277,178	-	-	-	-	(113,816)	(83,650)
TOTAL EQUITY/(EQUITY DEFICIT)	470,512	277,178	12,569	11,869	-	-	(113,816)	(83,650)

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 2005 and 30 June 2004.

The Government Insurance Fund forms part of the financial statements of the Insurance 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 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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Balance at beginning of the year	277,178	188,311	-	-	-	-	(83,650)	(83,662)
Operating Profit/(Loss) for the year after Related Income Tax Equivalent (Expense)/Benefit	193,334	88,867	700	329	-	-	(30,166)	12
Amount transferred to Compensation (Industrial Diseases) Fund reserve	-	-	(700)	(329)	-	-	-	-
Balance at end of the year	470,512	277,178	-	-	-	-	(113,816)	(83,650)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. EXPLANATORY STATEMENT – INSURANCE COMMISSION

23. EXPLANATORY STATEMENT – INSURANCE COMMISSION									
	ACTUAL		BUDGET	ACTUAL	PROFIT INCREASE/(DECREASE) FROM ACTUAL 2005 TO				
	2005 \$'000	2005 \$'000			BUDGET 2005		ACTUAL 2004		
					\$'000	%	\$'000	%	
Premium Revenue	341,241	342,023		326,096	(782)	(0.2)	15,145	4.6	
Outwards Reinsurance Expense	(3,515)	(3,200)		(2,924)	(315)	(9.8)	(591)	(20.2)	
Outwards Reinsurance Commission Revenue	343	320		292	23	7.2	51	17.5	
Net Earned Premium	338,069	339,143		323,464	(1,074)	(0.3)	14,605	4.5	
Claims Incurred	(304,201)	(360,264)		(377,338)	56,063	15.6	73,137	19.4	
Reinsurance and Other Recoveries Revenue	23,563	6,143		9,782	17,420	283.6	13,781	140.9	
Net Claims Incurred	(280,638)	(354,121)		(367,556)	73,483	20.8	86,918	23.6	
Underwriting and Administration Expenses	(66,458)	(68,363)		(58,666)	1,905	2.8	(7,792)	(13.3)	
UNDERWRITING LOSS	(9,027)	(83,341)		(102,758)	74,314	89.2	93,731	91.2	
Investment Income	251,429	135,046		205,553	116,383	86.2	45,876	22.3	
Investment Expenses	(16,949)	(15,307)		(14,484)	(1,642)	(10.7)	(2,465)	(17.0)	
Interest Paid	(43,733)	(23,869)		(30,175)	(19,864)	(83.2)	(13,558)	(44.9)	
Other Income	28,447	16,081		28,908	12,366	76.9	(461)	(1.6)	
Other Expenses	(212)	263		2,163	(475)	(180.6)	(2,375)	(109.8)	
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EQUIVALENT EXPENSE	209,955	28,873		89,207	181,082	627.2	120,748	135.4	

COMPARISON OF 2005 ACTUAL RESULTS TO 2005 BUDGET AND 2004 ACTUAL

Operating Profit

The Operating Profit for the Insurance Commission of \$210.0 million (before tax) is \$181.1 million higher than the budgeted Operating Profit of \$28.9 million and \$120.7 million higher than last year's profit, which was \$89.2 million. The analysis below highlights the key variances.

Claims Incurred

Claims Incurred at \$304.2 million decreased by \$73.1 million compared to 2004 (\$377.3 million), and is \$56.1 million (15.6%) below budget. This resulted mainly from the Third Party Insurance Fund, which experienced a decrease in the gross outstanding claims provision, brought about primarily by a continuation of reducing claims frequency, a lower than expected level of superimposed inflation and adjustments to the actuarial models to account for actual experience, in addition to a lower than forecast gross claims paid - \$26.1 million below budget. In the Insurance Commission General Fund, claims incurred increased by \$13.8 million due mainly to an increase in the outstanding claims provision in 2005, as assessed by the actuary. In the Government Insurance Fund, claims incurred decreased by \$2.7 million compared to last year, following an actuarial increase in the 2004 outstanding claims provision to reflect an increase in asbestos-related claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. EXPLANATORY STATEMENT – INSURANCE COMMISSION (continued)

Reinsurance and Other Recoveries Revenue

In the Third Party Insurance Fund there is a \$11.6 million positive movement compared to budget and a \$6.8 million positive movement compared to 2004. This is due to an actuarially assessed increase in recoverables relating to third party insurance claims.

Underwriting and Administration Expenses

Underwriting and Administration Expenses were \$7.8 million (13.3%) higher than in 2004. This was mainly due to an increase of \$4.1 million in debt recovery expenses in relation to the Bell Group recovery action (\$4.5 million capitalised in 2004) and also increased Salary Related Costs of \$2.9 million, which resulted from a 3.6% pay increase and the payment of a 3.0% retention benefit.

Investment Income

Investment Income of \$251.4 million is \$116.4 million (86.2%) above budget and \$45.9 million (22.3%) above 2004, which is primarily due to returns exceeding target in Australian equities (21.0%) and to a lesser extent Overseas equities (3.4%) and Fixed Interest (4.4%). These positive results were slightly offset by Property which was 2.2% below target.

Interest Paid

Due to the further improvement in investment performance in 2005, the amount of investment income paid to RiskCover has increased proportionately, from \$30.2 million in 2004 to \$43.7 million in 2005 (2005 budget – \$23.8 million). Refer Note 32.

Other Income

Other Income is \$12.4 million over the budget of \$16.1 million. This is primarily due to an increase in the Right of Indemnity within the GIF, arising from an increase in the actuarially assessed net outstanding claims, which resulted in net claims incurred of \$11.5 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. GROUP ENTITIES

Name	Legal Form	Place of Inc.	2005		2004		2005		2004		Recognised in Equity	
			%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Parent Entity												
Insurance Commission of Western Australia	Statutory Authority	Western Australia	-	-	-	-	-	-	-	-	163,868	89,207
Less: Indemnity for Corporation's profits (eliminated on consolidation)											(397)	(2,592)
											163,471	86,615
Subsidiary												
State Government Insurance Corporation	Statutory Authority	Western Australia	100	100	100,000	100,000	100,000	100,000	100,000	100,000	397	2,592
					100,000	100,000	100,000	100,000	100,000	100,000	163,868	89,207

The Insurance Commission indemnifies the Corporation in respect of the amount by which its liabilities exceed its assets. At 30 June 2005, the indemnity for the Corporation's net liabilities was \$3.5 million (2004 - \$3.9 million). Refer Note 14.

The reduction in the indemnity for the year ended 30 June 2005 of \$0.4 million (2004 - \$2.6 million) has been credited to the Statement of Financial Performance. Refer Note 3.

25. ECONOMIC DEPENDENCY

The normal trading activities of the Insurance 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 Insurance Commission's Third Party insurance policies, collecting premiums in relation to those policies and remitting premiums to the Insurance Commission.

Total premium revenue for the Third Party Insurance Fund during the 2005 financial year was \$341.2 million (2004 - \$326.0 million), representing virtually all of the Insurance Commission's premium revenue.

DPI has recently received a number of independent audit and assurance reports surrounding the Transport Executive Licensing Information System (TRELIS) computer system and implementation. In a letter to the Insurance Commission dated 4 August 2005, DPI has confirmed that these reports have not indicated that there are findings which will affect, or have affected, DPI's ability to issue and process Third Party insurance policies on the Insurance Commission's behalf, including the remitting of all monies collected in relation to those policies, in an accurate and complete manner.

DPI's written advice also confirms that:

- Third Party insurance premiums, GST and stamp duty remitted to the Insurance Commission during the financial years 2004 and 2005, completely and accurately reflect all such premiums, GST and stamp duty the Insurance Commission was entitled to receive as collected on its behalf by DPI; and
- the procedures and internal controls for the collection and processing of premium receipts are considered to be adequate. In addition, matters identified by external audits and Quality Assurance have been addressed together with remedial action that has been instigated to ensure the integrity of the systems.

26. CONTINGENT LIABILITIES

In relation to the protracted Bell litigation and Court orders in respect of security for costs, a liability on the Insurance Commission may arise contingent upon any future cost orders being made by the court as a result of the liquidator's recovery action against the syndicates of banks being unsuccessful.

Insurance cover has been put in place in relation to such contingency and, given such cover and the uncertainty in relation to the existence and extent of any liabilities, it is not practicable to estimate the potential financial effect on the Insurance Commission of any liability that may arise.

The Insurance Commission continues to monitor and, where considered appropriate, modify its insurance programs in respect of exposure to the Bell litigation funding.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

27. EXPENDITURE COMMITMENTS

(a) Capital Expenditure Commitments

There was no capital expenditure contracted for at balance date, but not provided for.

(b) Road Safety Commitments

The Board has resolved to provide funding of \$4.2 million (2004 - \$4.5 million) for road safety community education programs for the 2005-2006 financial year.

(c) Other Commitments

It is estimated that the Insurance Commission may advance approximately \$21.0 million (2004 - \$23.0 million) in funding the liquidator's prosecution of the Bell Group recovery action during the 2005-2006 financial year.

28. EVENTS OCCURRING AFTER BALANCE DATE

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

29. LOSSES THROUGH THEFT, DEFAULT AND OTHER CAUSES

		CONSOLIDATED		INSURANCE COMMISSION	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Write off of Revenue and Debt	(i)	65	52	65	52
Write off of Plant and Equipment	(ii)	1	3	1	3
Recovery of Losses	(iii)	-	2	-	2

(i) Comprises reinsurance and other debts of \$65,061 (2004 - \$47,856) and \$Nil (2004 - \$3,976) respectively.

(ii) Comprises plant and equipment of \$994 (2004 - \$2,672).

(iii) Insurance claims were lodged in relation to plant and equipment stolen and settlement of \$174 (2004 - \$1,540) was received.

Claims Recoveries Written Off

Recoveries arise from instances where the Insurance 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 Insurance 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" (AAS 26), 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 TPIF debt write-offs below for the 2004-2005 financial year are net of recoveries received from negligent owners or drivers of \$192,040 (2004 - \$158,986). The only loss to the Insurance Commission is the non-payment of TPIF premiums by uninsured motor vehicle owners, the total of which is estimated at \$2,004 for the year (2004 - \$3,427), which is more than offset by the recoveries received.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

29. LOSSES THROUGH THEFT, DEFAULT AND OTHER CAUSES (continued)

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

	CONSOLIDATED	
	2005 \$'000	2004 \$'000
Third Party Insurance Fund	6,952	6,808
Insurance Commission General Fund	-	25
Government Insurance Fund	-	4
	6,952	6,837
Amounts written off by the responsible Minister	6,018	5,617
Amounts written off by the Board	934	1,220
	6,952	6,837

Number of individual recovery write-offs with values between (\$):	2005 No.	2004 No.
100,001 - 250,000	14	16
250,001 - 1,000,000	4	4
1,000,001 - 4,000,000	1	-

30. REMUNERATION OF THE BOARD OF COMMISSIONERS AND SENIOR OFFICERS

	CONSOLIDATED	
	2005 \$'000	2004 \$'000
Total fees, salaries, employer's contributions to superannuation and fringe benefits received or due and receivable for the financial year by:		
- Board of Commissioners (Board)	533	540
- Senior Officers	1,383	1,315

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

The Board consists of six non-executive Commissioners and the Managing Director. The number of Members of the Board whose total fees, salaries, employer's contributions to superannuation and fringe benefits received, fall within each band of income of \$10,000 are as follows:

Income Band (\$)	No. of Members of the Board	
	2005	2004
0 - 10,000	1	-
10,001 - 20,000	2	-
30,001 - 40,000	2	4
40,001 - 50,000	1	1
100,001 - 110,000	1	1
260,001 - 270,000	-	1
280,001 - 290,000	1	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30. REMUNERATION OF THE BOARD OF COMMISSIONERS AND SENIOR OFFICERS (continued)

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

Income Band (\$)	No. of Senior Officers	
	2005	2004
110,001 - 120,000	-	1
120,001 - 130,000	1	2
130,001 - 140,000	1	3
140,001 - 150,000	2	-
150,001 - 160,000	3	1
160,001 - 170,000	-	1
170,001 - 180,000	1	-
180,001 - 190,000	1	-
210,001 - 220,000	-	1

At 30 June 2005, no members (2004 - Nil) of the Board or Senior Officers were members of the State Pension Scheme (as originally defined in the repealed *Superannuation and Family Benefits Act 1938*, the provisions of which are now continued in force by Section 26 of the *State Superannuation (Transitional and Consequential Provisions) Act 2000*).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS)

MANAGEMENT OF THE TRANSITION TO A-IFRS

The Insurance Commission will be required to prepare financial statements that comply with A-IFRS for its annual reporting period beginning on 1 July 2005. Accordingly, the Insurance Commission's first annual financial statements prepared under A-IFRS will be for the year ending 30 June 2006.

In early 2004, the Insurance Commission established a Steering Committee to manage the transition to A-IFRS, allocating four key internal resources and engaging an external consultant to manage the transition process in three phases, as diagrammatically presented below, with the key activities to be conducted as part of each stage. Risk management and change management has been managed throughout the life of the project.

PHASE 1			PHASE 2			PHASE 3		
Scoping and Impact Analysis			Evaluation and Design			Implementation and Review		
Awareness	Business Impact Study	Conversion Planning	Financial Evaluation	Operation	Change Management	Build	Implement	Review
<ul style="list-style-type: none"> High level scoping exercise Business impact study Impact of individual standards Consider wider business issues Proposed future transactions Conversion plan and timetable Resource requirements Establish processes and controls 			<ul style="list-style-type: none"> Hypothetical analysis of policy alternatives Consideration of business processes and documentation requirements Review of systems controls Consider operational improvements Risk and issues management Review of change management programs 			<ul style="list-style-type: none"> Review build documentation Training program Post-implementation review 		

At the date of this financial report, the Insurance Commission has substantially completed all three phases of the project plan, including the finalisation of the A-IFRS accounting policies that will be adopted from 1 July 2005 and the determination of the likely impact on the results and financial position of the Insurance Commission and the consolidated entity.

The Steering Committee is currently finalising its analysis of the impacts of adopting the following deferred standards, which are to be applied for the first time in the 30 June 2006 financial report.

AASB 1023 - General Insurance Contracts

Phase I of the International Accounting Standards Board's (IASB) Insurance Project will apply to the Insurance Commission from 1 July 2005. The IASB has deferred a number of matters until Phase II, such that the Insurance Commission will continue to apply the AASB 1023 (under AGAAP), subject to the following amendments:

- AASB 1023 General Insurance Contracts (Revised AASB 1023) requires a "Loss Adequacy Test", which may result in additional losses being incurred at the outset of insurance contracts. This loss recognition test itself will need to be developed by the Insurance Commission, with the assistance of its actuaries.
- Additional disclosures will be required under the Revised AASB 1023, requiring additional data requirements.
- The Revised AASB 1023 will also continue to provide guidance on accounting for investments held by general insurers, which will determine how the financial instruments Standards should be applied to the Insurance Commission.
- The Revised AASB 1023 requires premium revenue to be recognised in accordance with the pattern of the incidence of risk taking seasonality into account. The Steering Committee will need to determine the impact, if any, of the current classes of business that it writes and manages.

Phase II of the insurance project is not expected to apply to the Insurance Commission until at least the financial year ending 30 June 2008. The major issue for the Insurance Commission from Phase II will be that of fair value accounting of insurance liabilities. This issue is likely to require significant changes to both the accounting and actuarial systems used by the Insurance Commission. There is currently no commitment to this date by either the IASB or the AASB.

AASB 132 - Financial Instruments: Disclosure and Presentation; and AASB 139 - Financial Instruments: Recognition and Measurement

The Steering Committee has taken into account the instructions issued through the publication of Treasurer's Instruction 1106 "Transition to A-IFRS", where it has been determined that all not-for-profit public sector entities (of which the Insurance Commission is one) are compelled to defer the application of these two standards until the financial year ended 30 June 2006.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) (continued)

Although the implementation of these standards have been deferred, the Steering Committee has recognised that, due to the size and importance of the Insurance Commission's investment portfolio, the above standards may well have a significant impact on its financial statements going forward.

The Insurance Commission's investment portfolio is currently managed by the National Australia Bank Commercial Services division (NACS). The Steering Committee has prepared draft position papers on these standards (outlining the financial, process and accounting policy impacts) and is continuing to liaise with NACS to determine the full extent of the effects of AASB 132 and AASB 139 on the Insurance Commission's operations and results.

LIKELY IMPACTS OF A-IFRS ON THE RESULTS AND FINANCIAL POSITION

The pro-forma Statement of Financial Performance and Statement of Financial Position on the following pages outline our best estimate of the quantitative impact on the current year results and financial position of the Insurance Commission and consolidated entity had the financial statements been prepared using A-IFRS. The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report.

The actual effects of the transition to A-IFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the A-IFRS Steering Committee; (b) potential amendments to A-IFRSs and Interpretations thereof being issued by the Standard-setters and the International Financial Reporting Interpretations Committee (IFRIC); and (c) emerging accepted practice in the interpretation and application of A-IFRS and Urgent Issue Group Interpretations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) (continued)

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2005

	CONSOLIDATED				INSURANCE COMMISSION			
	AGAAP		A-IFRS		AGAAP		A-IFRS	
	Actual	2005 \$'000	Impact	Actual	Actual	2005 \$'000	Impact	Actual
Notes	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Premium Revenue	341,431	-	-	341,431	341,241	-	-	341,241
Outwards Reinsurance Expense	(3,515)	-	-	(3,515)	(3,515)	-	-	(3,515)
Outwards Reinsurance Commission Revenue	343	-	-	343	343	-	-	343
Net Earned Premium	338,259	-	-	338,259	338,069	-	-	338,069
Claims Incurred	(303,891)	-	-	(303,891)	(304,201)	-	-	(304,201)
Reinsurance and Other Recoveries Revenue	23,550	-	-	23,550	23,563	-	-	23,563
Net Claims Incurred	(280,341)	-	-	(280,341)	(280,638)	-	-	(280,638)
Underwriting and Administration Expenses	(66,472)	(3,930)	(3,930)	(70,402)	(66,458)	(3,930)	(3,930)	(70,388)
UNDERWRITING LOSS	(8,554)	(3,930)	(3,930)	(12,484)	(9,027)	(3,930)	(3,930)	(12,957)
Investment Income	251,429	(13,715)	(13,715)	237,714	251,429	(13,715)	(13,715)	237,714
Investment Expenses	(16,949)	(2,568)	(2,568)	(19,517)	(16,949)	(2,568)	(2,568)	(19,517)
Interest Paid	(43,733)	-	-	(43,733)	(43,733)	-	-	(43,733)
Other Income	28,270	11,818	11,818	40,088	28,447	11,818	11,818	40,265
Other Expenses	(508)	4,213	4,213	3,705	(212)	4,213	4,213	4,001
PROFIT FROM ORDINARY ACTIVITIES	209,955	(4,182)	(4,182)	205,773	209,955	(4,182)	(4,182)	205,773
BEFORE RELATED INCOME TAX								
EQUIVALENT (EXPENSE)/BENEFIT								
Related Income Tax Equivalent (Expense)/Benefit attributable to Ordinary Activities	(46,087)	5,814	5,814	(40,273)	(46,087)	5,780	5,780	(40,307)
OPERATING PROFIT AFTER RELATED INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT	163,868	1,632	1,632	165,500	163,868	1,598	1,598	165,466

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) (continued)

STATEMENT OF FINANCIAL POSITION as at 30 June 2005

	CONSOLIDATED				INSURANCE COMMISSION			
	AGAAP		A-IFRS		AGAAP		A-IFRS	
	Actual	2005 \$'000	Impact	2005 \$'000	Actual	2005 \$'000	Impact	2005 \$'000
CURRENT ASSETS								
Cash Assets	1,533	-	-	1,533	-	-	-	-
Receivables	44,987	913	913	45,900	44,797	913	913	45,710
Other Financial Assets	1,190,150	4,529	4,529	1,194,679	1,190,150	4,529	4,529	1,194,679
Other Assets	3,527	802	802	4,329	3,527	802	802	4,329
Total Current Assets	1,240,197	6,244	6,244	1,246,441	1,238,474	6,244	6,244	1,244,718
NON-CURRENT ASSETS								
Receivables	272,971	-	-	272,971	272,890	-	-	272,890
Other Financial Assets	453,755	(135,296)	(135,296)	318,459	453,755	(119,784)	(119,784)	333,971
Property, Plant and Equipment	4,155	137,527	137,527	141,682	4,155	137,527	137,527	141,682
Other Assets	-	1,465	1,465	1,465	-	1,465	1,465	1,465
Intangible Assets	-	573	573	573	-	573	573	573
Total Non-Current Assets	730,881	4,269	4,269	735,150	730,800	19,781	19,781	750,581
TOTAL ASSETS	1,971,078	10,513	10,513	1,981,591	1,969,274	26,025	26,025	1,995,299
CURRENT LIABILITIES								
Bank Overdraft	680	-	-	680	680	-	-	680
Payables	13,336	107	107	13,443	13,243	107	107	13,350
Outstanding Claims	325,795	-	-	325,795	325,048	-	-	325,048
Unearned Premiums	135,805	-	-	135,805	135,805	-	-	135,805
Provisions	3,490	18	18	3,508	3,490	18	18	3,508
Other Liabilities	99	-	-	99	3,621	(3,522)	(3,522)	99
Total Current Liabilities	479,205	125	125	479,330	481,887	(3,397)	(3,397)	478,490
NON-CURRENT LIABILITIES								
Payables	17	-	-	17	17	-	-	17
Outstanding Claims	1,064,626	-	-	1,064,626	1,060,140	-	-	1,060,140
Provisions	11,878	-	-	11,878	11,878	-	-	11,878
Deferred Tax Liabilities	46,087	(4,543)	(4,543)	41,544	46,087	14,491	14,491	60,578
Total Non-Current Liabilities	1,122,608	(4,543)	(4,543)	1,118,065	1,118,122	14,491	14,491	1,132,613
TOTAL LIABILITIES	1,601,813	(4,418)	(4,418)	1,597,395	1,600,009	11,094	11,094	1,611,103
NET ASSETS	369,265	14,931	14,931	384,196	369,265	14,931	14,931	384,196

Notes

(a)
(a), (b), (c)
(a)

(a), (c), (e)
(a), (d)
(a), (c)
(d)

(a)

(a)
(e)

(e)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) (continued)

STATEMENT OF FINANCIAL POSITION (continued)
as at 30 June 2005

	CONSOLIDATED			INSURANCE COMMISSION		
	AGAAP	A-IFRS	A-IFRS	AGAAP	A-IFRS	A-IFRS
	Actual	Impact	Actual	Actual	Impact	Actual
	2005	2005	2005	2005	2005	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EQUITY						
Reserves						
Accumulated Profit	12,569	2,966	15,535	12,569	2,966	15,535
	356,696	11,965	368,661	356,696	11,965	368,661
TOTAL EQUITY	369,265	14,931	384,196	369,265	14,931	384,196

Notes

(a)
(a), (b), (c), (e)

NOTES TO THE AGAAP AND A-IFRS IMPACT ADJUSTMENTS

The following explanatory notes relate to the Statement of Financial Performance and Statement of Financial Position above and describe, for significant items, the differences between the treatment required under A-IFRS and the current treatment of these items under AGAAP.

(a) AASB 116 - Property, Plant and Equipment

The area occupied by the Insurance Commission in the Forrest Centre could not be construed to be insignificant (as a percentage of the total building area) and as such the Forrest Centre is to be reclassified as (owner occupied) Land and Buildings under Property, Plant and Equipment. Furthermore, Bible House which is a property currently under development, is also reclassified under Property, Plant and Equipment. Under AGAAP these properties are classified as "Other Financial Assets" (i.e. Freehold Properties) in accordance with AASB 1023 "Financial Reporting of General Insurance Activities". The impacts of adopting AASB 116 are as follows:

Provision for Realisation costs of Properties

The provision for realisation costs previously applied under AGAAP (of \$1.7 million at 30 June 2005) will no longer be applicable to the Forrest Centre and Bible House under A-IFRS. This provision release results in an increase in the respective property valuation with a corresponding increase in accumulated profit.

Building Depreciation

The Forrest Centre is to be depreciated, in accordance with AASB 116, over an estimated 30-year period. Depreciation of \$3.9 million would have been expensed under A-IFRS in the 2004-2005 financial year.

Revaluation of Land and Buildings

Valuation increments and decrements for both the Forrest Centre and Bible House will no longer go through the Statement of Financial Performance. Instead, the annual valuation movements of these buildings will be applied through a Revaluation Reserve (after tax impact of \$3.0 million at 30 June 2005).

Property Assets and Liabilities, Income and Expenses

Re-allocation of assets and liabilities, income and expenses in respect of both the Forrest Centre and Bible House will no longer be classified as "Investment" items, but as "Other" items.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) (continued)

NOTES TO THE AGAAP AND A-IFRS IMPACT ADJUSTMENTS

(b) AASB 137 - Provisions, Contingent Liabilities and Contingent Assets

Provision for Realisation Costs of Equities

The provision for realisation costs previously applied under AGAAP (of \$4.4 million at 30 June 2005) will no longer be recognised under A-IFRS as no contractual commitment to sell these investments existed at year-end.

(c) AASB 117 - Leases

Investment Debtors for Lease Incentives and Set-Up Costs

Under A-IFRS, the Insurance Commission will need to recognise a debtor in respect to both the value of any rent-free periods and the initial lease costs (e.g. legal, spotters' fees, etc). These adjustments (totalling \$4.3 million at 30 June 2005) reflect the need to spread the value of the lease incentives over the periods of the respective leases.

(d) AASB 138 - Intangible Assets

Transfer of IT Software

Software is to be reclassified under A-IFRS as an Intangible Asset from Property, Plant and Equipment in accordance with AASB 138 (total of \$0.6 million at 30 June 2005).

(e) AASB 112 - Income Taxes

Deferred Tax Position

The impacts of AASB 112 on the recognition of deferred tax assets and liabilities and related disclosures are firstly, the change in the criteria for the recognition of tax assets on the balance sheet in respect of the usage of past tax losses, which is now based on the balance of probability principle. Secondly, significant differences between the fair values of properties and other investment assets and their corresponding tax base is reflected as deferred tax assets or liabilities. The Urgent Issues Group (UIG) Interpretation 1052 "Tax Consolidation Accounting" requires the deferred tax position of a subsidiary, which is part of a tax consolidation group, to remain in that subsidiary and be presented in its balance sheet. This will result in the Corporation booking a \$19.0 million deferred tax asset under A-IFRS.

Investment in Subsidiary

As stated above, the Corporation will book a \$19.0 million deferred tax asset under A-IFRS, which will turn its 30 June 2005 net liabilities position of \$3.5 million into a net asset position of \$15.5 million. There will be a corresponding impact on the Insurance Commission whereby its liability for the Indemnity of the Corporation's Net Liabilities (of \$3.5 million at 30 June 2005) will be reduced to \$Nil and an "Investment in Subsidiary" asset of \$15.5 million created.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

32. 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 was managed by the Insurance 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 Insurance Commission to manage the RiskCover Fund on the basis of a rolling 3-year notice period.

The Insurance Commission earns a management fee from this activity representing the proportion of the Insurance 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 2004.

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 surplus in RiskCover represents an asset of the State Government of Western Australia and not of the economic entity.

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

STATEMENT OF FINANCIAL PERFORMANCE		2005	2004
for the year ended 30 June 2005		\$'000	\$'000
	References		
Contribution Revenue	(a)	122,705	118,415
Contribution Adjustment	(b)	3,788	(6,947)
Outwards Reinsurance Expense		(36,263)	(33,574)
Outwards Reinsurance Commission Revenue		5,201	4,174
Net Earned Contribution		95,431	82,068
Claims Incurred		(112,397)	(92,797)
Reinsurance and Other Recoveries Revenue		22,568	19,158
Net Claims Incurred		(89,829)	(73,639)
Underwriting and Administration Expenses		(15,644)	(14,833)
UNDERWRITING DEFICIT		(10,042)	(6,404)
Investment Income		43,683	30,155
OPERATING SURPLUS		33,641	23,751

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

32. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF FINANCIAL POSITION as at 30 June 2005		2005 \$'000	2004 \$'000
	References		
CURRENT ASSETS			
Receivables		24,628	17,027
Other Financial Assets	(c)	320,164	275,741
Total Current Assets		344,792	292,768
NON-CURRENT ASSETS			
Receivables		14,527	10,798
TOTAL ASSETS		359,319	303,566
CURRENT LIABILITIES			
Bank Overdraft		2,008	610
Payables		28,029	19,101
Outstanding Claims	(d)	84,796	71,513
Total Current Liabilities		114,833	91,224
NON-CURRENT LIABILITIES			
Payables		16,014	27,914
Outstanding Claims	(d)	170,524	160,121
Total Non-Current Liabilities		186,538	188,035
TOTAL LIABILITIES		301,371	279,259
NET ASSETS		57,948	24,307
EQUITY			
Accumulated Surplus	(e)	57,948	24,307
TOTAL EQUITY SURPLUS		57,948	24,307

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

32. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF CASH FLOWS for the year ended 30 June 2005		2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions Received		134,472	127,570
Reinsurance and Other Recoveries Received		12,970	19,057
Outwards Reinsurance Commission Received		5,632	4,591
Interest Received		43,683	30,155
Outwards Reinsurance Paid		(39,821)	(36,958)
Claims Paid		(89,361)	(80,022)
Underwriting and Administration Expenses Paid		(16,298)	(13,749)
Goods and Services Tax Paid		(8,253)	(9,107)
Net Cash Inflow from Operating Activities	(i)	43,024	41,537
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Investments		(44,422)	(41,954)
NET DECREASE IN CASH HELD		(1,398)	(417)
CASH AT THE BEGINNING OF THE YEAR		(610)	(193)
CASH AT THE END OF THE YEAR	(ii)	(2,008)	(610)
(i) Reconciliation of Operating Surplus to Net Cash Flows from Operating Activities			
Operating Surplus		33,641	23,751
Changes in Assets and Liabilities			
Decrease in Reinsurance and Other Recoveries Receivable		(11,399)	(2,145)
Increase in Outstanding Claims		23,686	13,920
(Decrease)/Increase in Contribution Adjustment Liability		(3,789)	6,947
Increase/(Decrease) in Other Liabilities		885	(936)
Net Cash Inflow from Operating Activities		43,024	41,537
(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		(2,008)	(610)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

32. 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 (three years after the close of the risk period for Workers' Compensation and one 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 includes the estimated contributions to be called-up or refunded based on the current claims trend of the 2005, 2004, 2003 and 2002 risk periods. An additional provision of \$19.7 million (2004 - \$9.4 million) has been brought to account at balance date, reflecting surplus funds held in the workers' compensation class for closed cover periods 1998 to 2001 inclusive. It is anticipated that this amount will be refunded to the relevant public authorities at a future date.

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

(d) Outstanding Claims

	2005 \$'000	2004 \$'000
Liability for Outstanding Claims (undiscounted)	303,123	284,919
Discount to present value	(47,803)	(53,285)
Liability for Outstanding Claims (discounted)	255,320	231,634
Current	84,796	71,513
Non-Current	170,524	160,121
	255,320	231,634

Weighted average expected term to settlement:

Workers' Compensation	2 yrs 5 mths	2 yrs 8 mths
Liability Classes	4 yrs 5 mths	4 yrs 6 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 risks. These short-tail liabilities are not actuarially assessed and total \$18.8 million at balance date (2004 - \$14.7 million).

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 2005 for RiskCover:

	% Rates Used - 2005		% Rates Used - 2004	
	Year Ending 30 June 2006	Subsequent Years	Year Ending 30 June 2005	Subsequent Years
Workers' Compensation				
Inflation Rate (Wage)	5.00	4.40	3.80	3.80
Total Inflation*	5.00	4.40	3.80	7.95
Discount Rate	5.30	5.10	5.40	5.20
Liability				
Inflation Rate (Wage)	5.00	4.30	3.80	4.30
Superimposed Inflation	4.00	4.00	5.00	5.00
Total Inflation*	9.20	8.47	8.99	9.52
Discount Rate	5.30	5.20	5.40	6.00

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

32. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE RISKCOVER FINANCIAL STATEMENTS (continued)

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 2004-2005 and 2003-2004 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.

(e) Accumulated Surplus	2005	2004
	\$'000	\$'000
Balance of surplus at beginning of the year	24,307	556
Surplus for the year	33,641	23,751
Balance of surplus at end of the year	57,948	24,307

(f) Claims Recoveries Written Off

Recoveries arise from instances where RiskCover seeks to recover the costs of a claim paid from a third party or the insured .

In accordance with Australian Accounting Standard "Financial Reporting of General Insurance Activities" (AAS 26), 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 amount written off in relation to RiskCover claims totalled \$91,447 (2004 - \$9,345) arising out of one property claim and three individual claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

33. 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 backed by the Crown and is managed by the Insurance Commission.

The *Insurance Commission of Western Australia Amendment Act 2002*, which enables 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 and with those adopted in 2004.

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

Any accumulated surplus in the CIF represents an asset 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 the Department of Treasury and Finance.

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2005		2005 \$'000	2004 \$'000
	References		
Premium Revenue	(a)	936	793
Outwards Reinsurance Expense		(142)	(141)
Outwards Reinsurance Commission Revenue		14	-
Net Earned Premium		808	652
Claims Incurred		(65)	(50)
Reinsurance and Other Recoveries Revenue		2	1
Net Claims Incurred		(63)	(49)
Underwriting and Administration Expenses		(118)	(414)
UNDERWRITING SURPLUS		627	189
Other Income	(b)	50	20
OPERATING SURPLUS		677	209

The Statement of Financial Performance 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

33. COMMUNITY INSURANCE FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF FINANCIAL POSITION as at 30 June 2005		2005 \$'000	2004 \$'000
	References		
CURRENT ASSETS			
Cash Assets		1,239	565
Receivables		42	56
Other Assets		74	73
Total Current Assets		1,355	694
TOTAL ASSETS		1,355	694
CURRENT LIABILITIES			
Payables		1	-
Outstanding Claims	(c)	9	18
Unearned Premiums		317	377
Total Current Liabilities		327	395
NON-CURRENT LIABILITIES			
Outstanding Claims	(c)	142	90
Total Non-Current Liabilities		142	90
TOTAL LIABILITIES		469	485
NET ASSETS		886	209
EQUITY			
Accumulated Surplus	(d)	886	209
TOTAL EQUITY SURPLUS		886	209

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

33. COMMUNITY INSURANCE FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF CASH FLOWS for the year ended 30 June 2005		2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums Received		978	1,026
Interest Received		50	20
Other Receipts		18	-
Outwards Reinsurance Paid		(152)	(154)
Claims Paid		(23)	(33)
Underwriting and Administration Expenses Paid		(118)	(414)
Goods and Services Tax Paid		(79)	(82)
Net Cash Inflow from Operating Activities	(i)	674	363
CASH AT THE BEGINNING OF THE YEAR		565	202
CASH AT THE END OF THE YEAR	(ii)	1,239	565
(i) Reconciliation of Operating Surplus to Net Cash Flows from Operating Activities			
Operating Surplus		677	209
Changes in Assets and Liabilities			
Decrease in Receivables		14	7
Increase in Other Assets		(1)	(3)
Increase in Outstanding Claims		43	18
(Decrease)/Increase in Other Liabilities		(58)	132
Net Cash Inflow from Operating Activities		675	363
(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 Assets		1,239	565

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

33. 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) Other Income

Other income relates to interest earned on monies held at bank.

(c) Outstanding Claims

	2005 \$'000	2004 \$'000
Liability for Outstanding Claims (undiscounted)	151	108
Discount to present value	-	-
Liability for Outstanding Claims (discounted)	151	108
Current	9	18
Non-Current	142	90
	151	108

The above outstanding claims provision includes an internally assessed estimate of the claims incurred but not yet reported (IBNR).

(d) Accumulated Surplus

Balance at beginning of the year	209	-
Surplus for the year	677	209
Balance at end of the year	886	209

Insurance Commission of Western Australia Performance Indicators

PERFORMANCE INDICATORS

CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the Performance Indicators of the Insurance Commission of Western Australia (Insurance Commission) for the financial year ended 30 June 2005:


are based on proper records;

are relevant and appropriate for assisting users to assess the performance of the Insurance Commission; and

fairly represent the performance of the Insurance Commission.



MICHAEL E WRIGHT
CHAIRMAN
31 August 2005



VIC EVANS
MANAGING DIRECTOR
31 August 2005

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia passed on 31 August 2005.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

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 30 June 2005.

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 effectiveness and efficiency.

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
31 August 2005

INSURANCE COMMISSION OF WESTERN AUSTRALIA

The **Performance Indicators** in this report are produced to assist users in evaluating the performance of the Insurance Commission of Western Australia (Insurance Commission) in achieving its stated mission (see below). This report includes our '**Key Outcomes**' which are expressed in the form of key *Effectiveness* and *Efficiency* Performance Indicators. The Performance Indicators are shown for the Insurance Commission overall and then each business area:

- **Insurance Commission**
- **Third Party Insurance Fund**
- **RiskCover**
- **Compensation (Industrial Diseases) Fund**

MISSION STATEMENT

To excel in the delivery of high quality insurance and risk management services, specifically:

- Provide insurance for motor vehicle personal injury and industrial diseases compensation;
- Manage and administer self-insurance and risk management services on behalf of Western Australian public authorities and eligible community groups;
- Provide advice to government on matters relating to insurance and risk management;

in accordance with the *Insurance Commission of Western Australia Act (1986)*.

The Performance Indicators relating to the Insurance Commission's outcomes are audited by the Office of the Auditor General. The Performance Indicators of the Insurance Commission's subsidiary, the State Government Insurance Corporation, are disclosed in its Annual Report. Other important indicators providing a broader perspective of the Insurance Commission's performance are included in the Review of Operations section of the Annual Report. Where appropriate, prior years' figures have been re-stated in order to enhance comparability with those of the current year.

The Performance Indicator's on the following pages include an indication as to whether the actual result was better or worse than the target set, as follows:-

- ↑ better than target
- ↓ worse than target

INSURANCE COMMISSION

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

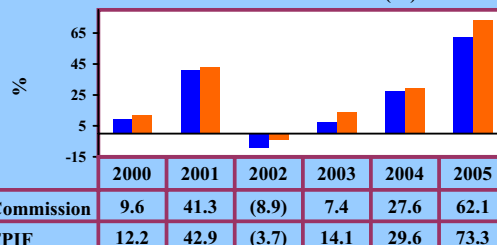
Effectiveness Performance Indicators

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

	2005	
	Target	Actual
Insurance Commission	8.5%	62.1%
Third Party Insurance Fund	18.0%	73.3%



Operating Profit/(Loss) Before Income Tax Expense to Net Earned Premium (%)



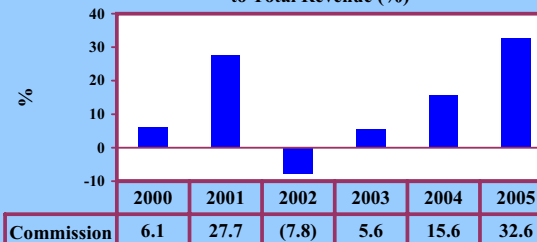
Comments: The Insurance Commission indicator exceeded target, due to a higher than expected Operating Profit of \$210.0 million, being \$181.1 million (627.2%) above target. This was due to a higher net investment income return - \$94.9 million (99.0%) above target and lower net claims incurred which were \$73.5 million (20.8%) below target. The Third Party Insurance Fund for the same reasons, exceeded target due to net investment income, being \$93.9 million (90.6%) above target and net claims incurred being \$92.9 million (26.3%) below budget.

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

	2005	
	Target	Actual
Insurance Commission	5.7%	32.6%



Operating Profit/(Loss) Before Income Tax Expense to Total Revenue (%)



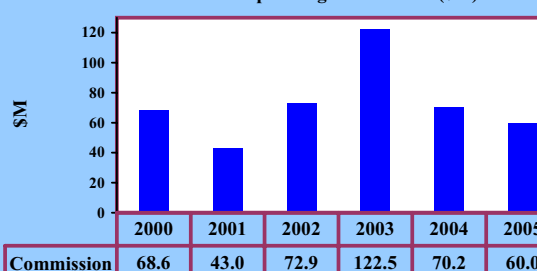
Comments: This indicator is above target due to the Operating Profit being \$210.0 million (627.2%) above target. This was due to a higher net investment income return - \$94.9 million (99.0%) above target and a reduction in net claims incurred of \$73.5 million (20.8%) against target. Total Revenue was \$142.3 million (28.3%) above the target of \$502.7 million.

Net Operating Cash Inflow equals receipts less payments from the operating activities of the Insurance Commission. It excludes cash flows from investing activities. Refer to the *Statement of Cash Flows - Net Cash Inflow from Operating Activities*.

	2005	
	Target	Actual
Insurance Commission	61.9	60.0



Net Operating Cash Inflow (\$M)



Comments: The "net operating cash inflow" is below target due to lower than expected claims payments and higher than expected interest paid to RiskCover (\$19.9 million).

Performance Indicators

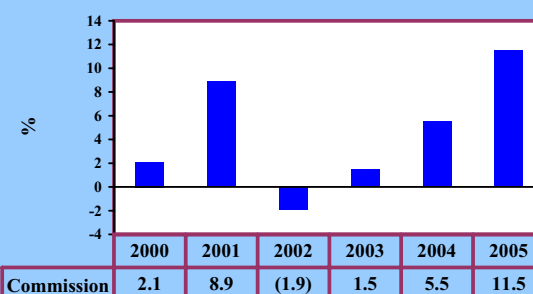
Effectiveness Performance Indicators (continued)

Return on Total Assets is calculated as the Insurance 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 WorkCover WA - Refer Note 6 to the Financial Statements).

	2005	
	Target	Actual
Insurance Commission	1.7%	11.5%



Return on Total Assets (%)



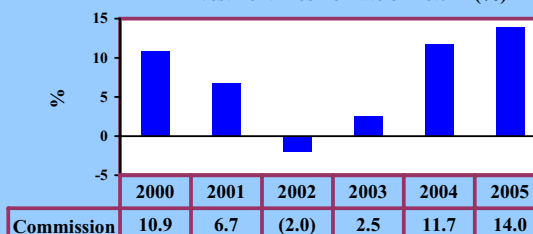
Comments: The "return on total assets" is well above target due to the Operating Profit of \$210.0 million, being \$181.1 million (627.2%) above target. Average Total Assets (less the WorkCover WA indemnity) were \$1.830 billion, which was 5.1% above the target of \$1.742 billion, which also contributed to the positive result.

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

	2005	
	Target	Actual
Insurance Commission	7.4%	14.0%



Investment Income Rate of Return (%)



Comments: The "investment income rate of return" for the year ending 30 June 2005, was 14.0% exceeding the target by 6.6%. The strong result was mostly due to Australian shares where the return exceeded target by 21.0%. Global shares and fixed interest were also above target, although this was more modest with returns exceeding target by 3.4% and 4.4% respectively. These positive results were offset to some extent by Property, which was 2.2% below target.

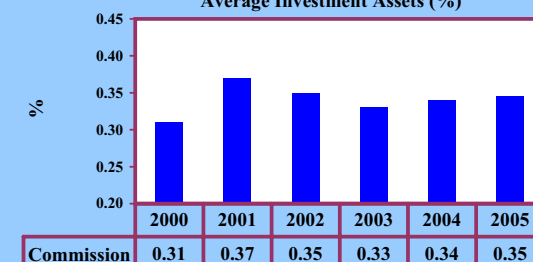
Efficiency Performance Indicators

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

	2005	
	Target	Actual
Insurance Commission	0.37%	0.35%



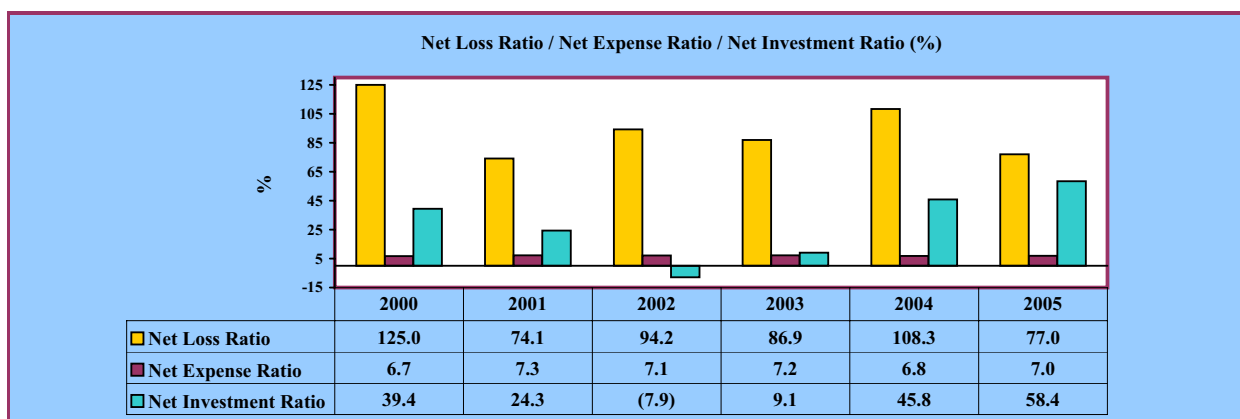
Ratio of Investment Administration Expenses to Average Investment Assets (%)



Comments: The "ratio of investment administration expenses to average investment assets" was similar to the previous year, which was 0.34%. The better than expected result against the target was due to average investment assets being \$62.0 million (3.5%) above target and investment expenses \$0.2 million (2.4%) lower than the target.

Performance Indicators

Efficiency Performance Indicators (continued)



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.

Comment on Result:

The "**net loss ratio**" is favourable to target due to lower than expected net claims incurred being \$92.9 million (26.3%) below target. This is largely the result of lower than expected claims payments - \$26.1 million (8.9%) below budget, brought about by a continuation of reducing claims frequency. There was also a positive movement in the outstanding claims provision, due to a lower than expected level of superimposed inflation and adjustments to the actuarial models to reflect actual experience.

2005		
	Target	Actual
Third Party Insurance Fund	104.2%	77.0%



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.

Comment on Result:

The "**net expense ratio**" is favourable to target due to the marginally lower than expected underwriting and administration expenses (\$0.9 million) with net earned premium being only marginally below target.

2005		
	Target	Actual
Third Party Insurance Fund	7.2%	7.0%



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

Comment on Result:

The "**net investment ratio**" is significantly above target due to investment income being \$93.9 million (90.6%) over the expected return. This positive result was due primarily to improvements in Australian equities (21.0%) and to a lesser extent overseas equities (3.4%) and fixed interest (4.4%). These positive results were offset to some extent by Property which was 2.2% below target.

2005		
	Target	Actual
Third Party Insurance Fund	30.5%	58.4%



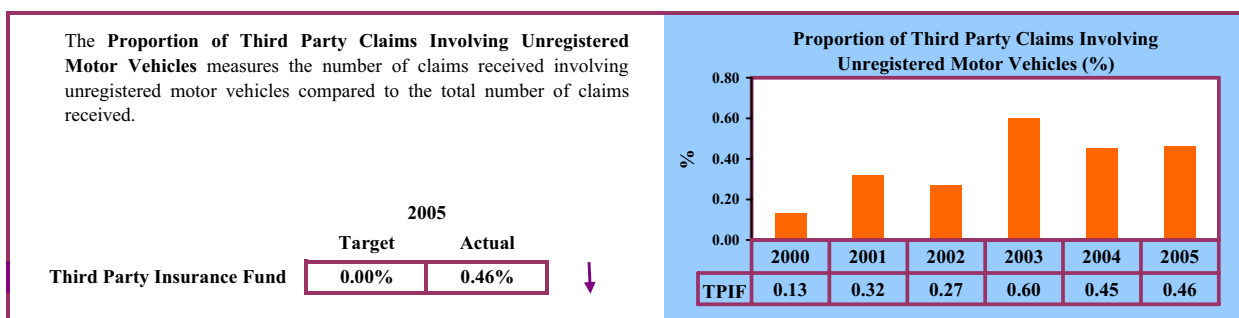
THIRD PARTY INSURANCE FUND

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 1.9 million Western Australian registered vehicles (which includes caravans and trailers) are provided with unlimited indemnity against injury claims resulting from motor vehicle accidents under the Compulsory Third Party (Personal Injury) Insurance scheme.

(a) That The Funds Revenue Is Sufficient To Meet Its Expenditure (*Refer Insurance Commission Indicators for this outcome*).

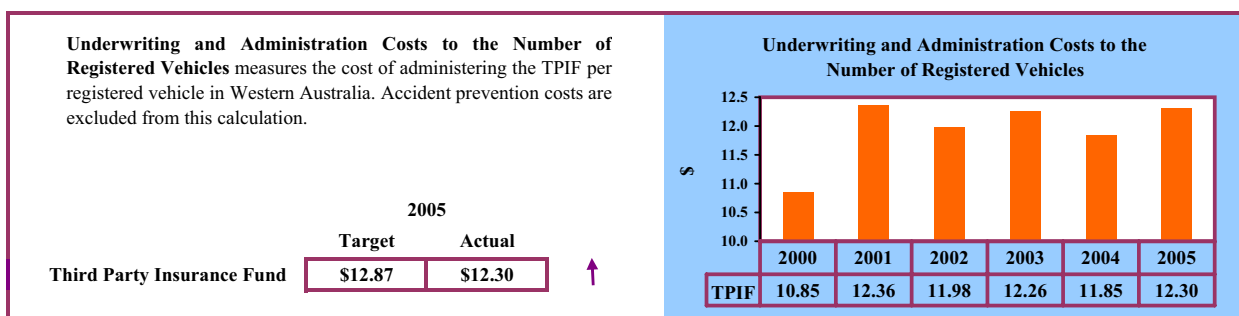
(b) Ensure That All Western Australian Motor Vehicles Using Public Roads Are Registered And Insured

Effectiveness Performance Indicators



Comments: The "proportion of third party claims involving unregistered motor vehicles" is unfavourable compared to target and has increased marginally in 2005 compared to 2004. Whilst the number of claims involving unregistered motor vehicles was the same in both years (16), the total number of new claims received in 2005 was 80 less than the number received in 2004 (3,481 compared to 3,561).

Efficiency Performance Indicators



Comments: "Underwriting and administration costs to the number of registered vehicles" in 2005 is favourable compared to target as underwriting and administration costs were \$0.9 million (3.8%) less than target whilst vehicle growth was higher than expected (2.8% compared to an expected 2.25%).

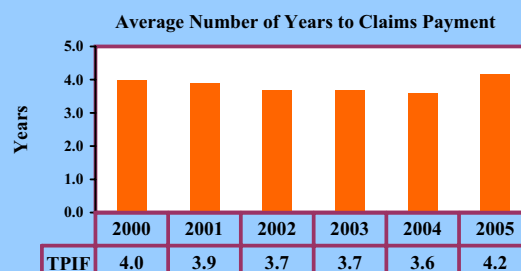
Performance Indicators

(c) Minimise The Financial Hardship Of Motor Vehicle Personal Injury Claimants.

Effectiveness Performance Indicators

The **Average Number of Years to Claims Payment** represents the payments made on claims in a year multiplied by the weighted average time since the accident year. This Performance Indicator relates to long-tail classes of insurance. It is calculated exclusive of payments made during a year in respect of claims incurred during the current accident year.

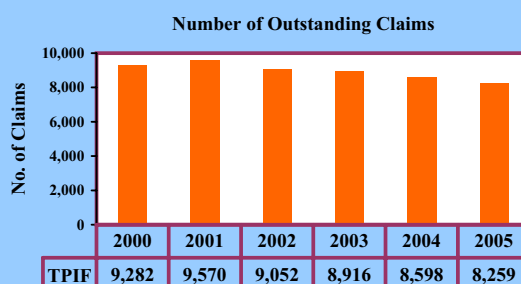
	2005	
	Target	Actual
Third Party Insurance Fund	3.8	4.2



Comments: The "average number of years to claims payment" is an unfavourable variance compared to target and due to the significantly higher payments on older claims made in 2005. In 2004, payments on claims, 10 or more years old, totalled \$5.1 million compared to \$17.5 million in 2005.

The **Number of Outstanding Claims** as at year-end (accidents from all years).

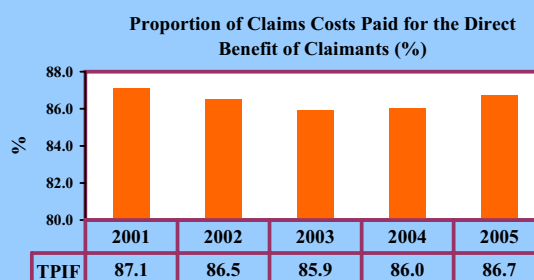
	2005	
	Target	Actual
Third Party Insurance Fund	8,596	8,259



Comments: The "number of outstanding claims" is lower than target and 3.9% lower than the previous year's actuals, due primarily to the continuation of the decreasing claim frequency trend (ratio of claims reported to the number of registered vehicles) experienced over the last 11 years. New claims reported were 4,949 (2.2% less than target) and there were 5,295 (2.7% better than target) claim closures during 2005.

The **Proportion of Claims Costs Paid for The Direct Benefit of Claimants** reflects the TPIF's effectiveness in minimising the financial hardship of claimants. This measure excludes costs such as Legal and Investigation costs ordinarily incurred in the management of a claim.

	2005	
	Target	Actual
Third Party Insurance Fund	85.0%	86.7%



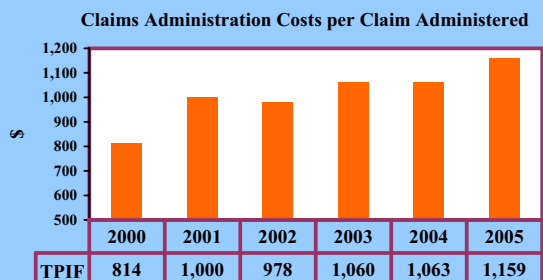
Comments: The "proportion of claims costs paid for the direct benefit of claimants" is favourable compared to target. Of the total claims payments made of \$267.1 million, \$231.6 million (86.7%) was paid for the direct benefit of the claimant by way of pecuniary and non-pecuniary losses. Of this amount, \$101.0 million (43.6%) was paid for general damages, past and future economic loss and future care.

Performance Indicators

Efficiency Performance Indicators

The **Claims Administration Costs per Claim Administered** indicates the efficiency of claims administration as an average of the total Administration Costs divided by the number of claims administered in the period. Accident prevention and commissions paid for premium collection are excluded from this calculation.

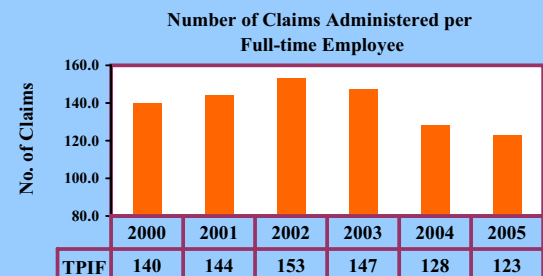
	2005	
	Target	Actual
Third Party Insurance Fund	\$1,200	\$1,159



Comments: "Claims administration costs per claim administered" is better than target even though the number of claims administered was less than expected (13,554 actual compared to 13,751 forecast). This is due to the claims administration costs being less than target (\$0.8 million).

The **Number of Claims Administered per Full-time Employee** provides a measure of efficiency of the operation of the Fund, by measuring the volume of claims handled by all staff directly and indirectly involved in the claim management activities.

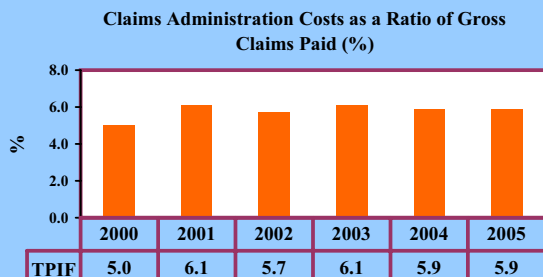
	2005	
	Target	Actual
Third Party Insurance Fund	122	123



Comments: "Number of claims administered per full-time employee" is better than target, even though there was a reduction in the number of claims administered. This is due to a marginal reduction in the number of employees.

Claims Administration Costs As A Ratio Of Gross Claims Paid indicates how efficient the TPIF is in administering claims compared to the overall claims cost. Accident prevention and commissions paid for premium collection are excluded from this calculation.

	2005	
	Target	Actual
Third Party Insurance Fund	5.6%	5.9%



Comments: "Claim administration costs as a ratio of gross claims paid" is higher than target due to lower than expected claims payments (actual gross claim payments for 2005 was \$267.1 million compared to the budget of \$293.2 million) whereas claim administration costs were \$0.8 million below forecast.

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 Insurance Commission on behalf of the State Government and its participating public authorities. The Department of Treasury and Finance supervises the activities and performance of the Insurance Commission in the management of the RiskCover Fund. The Insurance Commission earns a management fee from this activity, equivalent to the proportion of the Insurance Commission's services used by RiskCover.

RiskCover's assets are not owned by the Insurance Commission and are therefore not consolidated. The investment assets of RiskCover are, however, included in the investment pool of the Insurance 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 Insurance Commission.

(a) Provision of an effective framework for managing the RiskCover Fund.

Effectiveness Performance Indicator

Each year RiskCover conducts a survey of Public Authorities which were its 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 either good, very good or excellent. This indicator provides the average customer satisfaction result from the survey.

	2005	
	Target	Actual
RiskCover	80.0%	96.0%

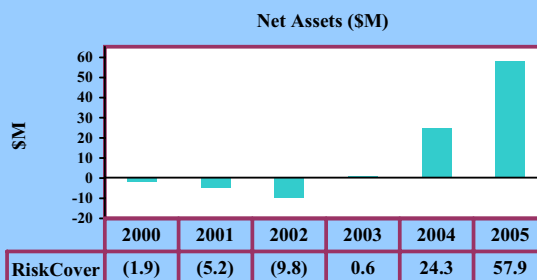


Comments: Although the 2005 result has decreased by two percentage points from the previous year, the RiskCover Division has significantly exceeded the targeted result and continues to rate highly in customer satisfaction.

Efficiency Performance Indicators

Net Assets reflects the financial position of RiskCover at the end of the period and its ability to maintain a suitable reserve for future use.

	2005	
	Target	Actual
RiskCover	13.4	57.9



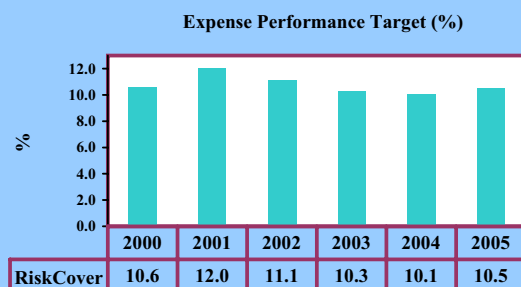
Comments: The favourable performance against target for this year is a direct result of the strong performance of investment returns, which far exceeded budget estimates.

Performance Indicators

Efficiency Performance Indicators (continued)

The **Expense Performance Target** compares the total RiskCover Management Fee to that benchmarked by the WA Treasury. It compares the management cost of RiskCover as a percentage of total Fund Contributions.

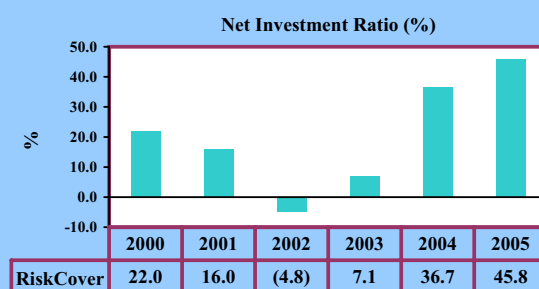
	2005		
	Target	Actual	
RiskCover	11.1%	10.5%	↑



Comments: A target of 11.1% was based on planned investment in significant IS&T infrastructure and systems improvements incorporating an independent business process review. During 2004-2005, the independent business process review was completed, but none of the planned significant IS&T work was commenced due to resource restrictions.

Net Investment Ratio represents net investment income as a percentage of contributions collected.

	2005		
	Target	Actual	
RiskCover	28.0%	45.8%	↑



Comments: The "net investment ratio" is significantly above target due to the Insurance Commission's better than expected return. This positive result was due primarily to improvements in Australian equities (21.0%) and to a lesser extent Overseas equities (3.4%) and fixed interest (4.4%). These positive results were offset to some extent by Property, which was 2.2% below target. RiskCover earns an investment return equivalent to that achieved by the Insurance Commission.

Performance Indicators

(b) Minimise the cost of risk to the Government.

Effectiveness Performance Indicator

The **Risk Management Performance Score** indicates the average score resulting from the risk management practices survey which is conducted annually. The maximum score achievable is 20.

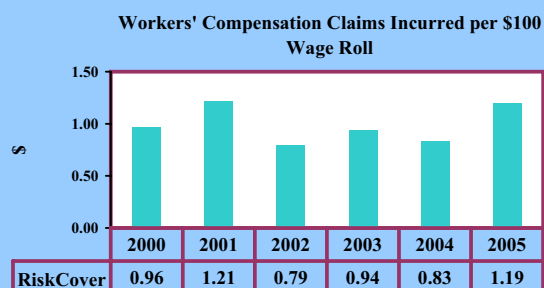
	2005	
	Target	Actual
RiskCover	14	14



Comments: Targeted result of 14 out of 20 was achieved, which continues a trend established over the last 5 years.

The **Workers' Compensation Claims Incurred per \$100 Wage Roll** indicator shows how effective the RiskCover Division is in keeping the cost of Workers' Compensation claims to a minimum. The ratio is expressed as the cost per \$100 of wage roll declared by the Government agencies included in the RiskCover Scheme.

	2005	
	Target	Actual
RiskCover	0.94	1.19

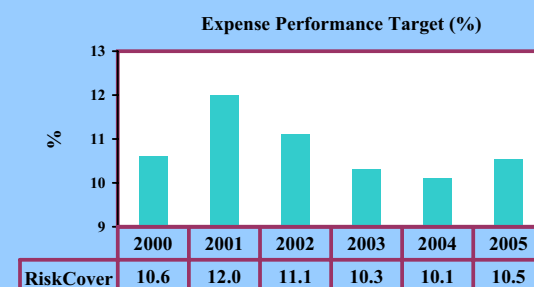


Comments: This indicator has been influenced by the introduction of the Workers' Compensation Reform Act 2004 which contributed an additional \$8.3 million to the budgeted incurred claims costs for the 2005 financial year.

Efficiency Performance Indicators

The **Expense Performance Target** compares the total RiskCover Management Fee to that benchmarked by the WA Treasury. It compares the management cost of RiskCover as a percentage of total Fund Contributions.

	2005	
	Target	Actual
RiskCover	11.1%	10.5%



Comments: A target of 11.1% was based on planned investment in significant IS&T infrastructure and systems improvements incorporating an independent business process review. During 2004-2005, the independent business process review was completed, but none of the planned significant IS&T work was commenced due to resource restrictions.

Performance Indicators

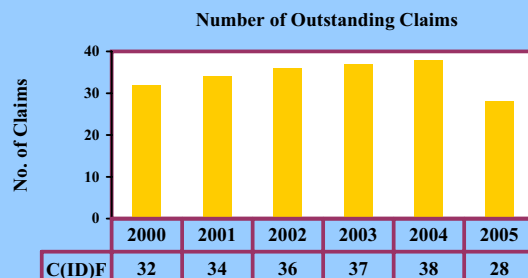
COMPENSATION (INDUSTRIAL DISEASES) FUND

To Minimise the Financial Hardship of Industrial Disease Claimants.

Effectiveness Performance Indicators

The **Number of Outstanding Claims** as at year-end (accidents from all years).

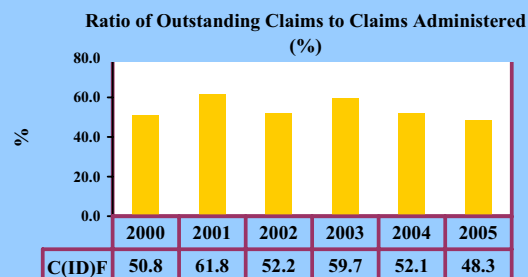
C(ID)F	2005	
	Target	Actual
	32	28



Comments: A lower number of claims were outstanding at 30 June 2005 due to lower claims reported in 2004/05 than target.

The **Ratio of Outstanding Claims to Claims Administered** show how effectively claims are managed and finalised for the best outcome for all parties.

C(ID)F	2005	
	Target	Actual
	47.8%	48.3%

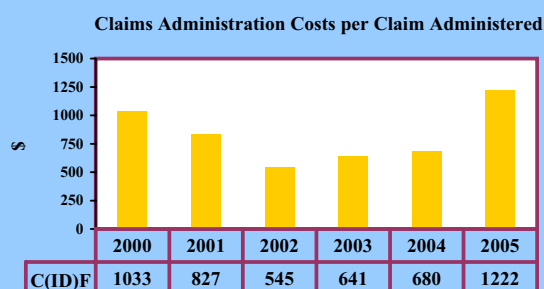


Comments: The lower than anticipated finalised claims has caused this ratio to come in slightly above target.

Efficiency Performance Indicator

The **Claims Administration Costs per Claim Administered** indicates the efficiency of claims administration as an average of the total Administration Costs divided by the number of claims administered in the period.

C(ID)F	2005	
	Target	Actual
	746	1,222



Comments: This indicator has been affected by a lower number of claims administered and a reallocation of resources from policy administration to focus on claims management.

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

1. CIF – COMMUNITY INSURANCE FUND

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 RiskCover Division.

2. CLAIMS

Case Estimate

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

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.

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);
- 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.

IBNR and IBNER Claims

Incurred But Not Reported (IBNR) claims arise from events which have occurred but have not been reported as at balance date. Incurred But Not Enough Reported (IBNER) claims arise 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.

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.

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.

Other Recoveries

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

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.

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.

Short – Tail Claims

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

3. INSURANCE COMMISSION'S FUNDS

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

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.

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.

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.

Unearned Premium

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

5. 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.

6. 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 Australia and managed by the Insurance Commission.

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".

INDEX

	<u>Page</u>	<u>Note</u>
About the Insurance Commission	5	
Accumulated Profit	104	16
Additional Information	60	
Amounts Receivable and Payable Denominated in Foreign Currencies	105	17
Annual Estimates	64	
- Insurance Commission of Western Australia	64	
- RiskCover Fund	65	
- Community Insurance Fund	65	
Auditor General's Opinion – Financial Statements	69	
Board of Commissioners, The	54	
Certification of Financial Statements by the Members of the Board and Principal Accounting Officer	68	
Chairman and Managing Director's Joint Review	14	
Community Focus	41	
Community Insurance Fund (CIF)	31	
Community Insurance Fund Financial Statements	134	33
Compensation (Industrial Diseases) Fund (CIDF)	30	
Compliance with Public Sector Standards and Public Sector Code of Ethics	48	
Contingent Liabilities	119	26
Corporate Governance	48	
Customer Feedback – Complaints and Compliments	46	
Customers, Stakeholders and Community Relations	44	
Disclosure of interest in an existing or proposed contract	50, 57	
Economic Dependency	119	25
Employee Benefit Liabilities	103	12
Employers' Indemnity Supplementation Fund (EISF)	30	
Events Occurring After Balance Date	120	28
Executive Committee	12	
Expenditure Commitments	120	27
Expenses and Net (Gains)/Losses	89	3
Explanatory Statement – Insurance Commission	116	23
Financial Overview	18	
Financial Instruments	106	18
Financial Statements Index	66	
Funds' Accumulated Profits/(Losses)	115	22
Funds' Statement of Financial Performance	111	20
Funds' Statement of Financial Position	113	21
Governance	48	
Government Insurance Fund (GIF)	30	
Group Entities	118	24
Highlights	19	
History	9	
Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (A-IFRS)	123	31
Income Tax Equivalent	92	5
Insurance Commission General Fund (ICGF)	30	
Internal Audit Service	7, 51	
Investments	37, 94	7
Key Functions of the Insurance Commission	6	
Losses through Theft, Default and Other Causes	120	29
Medical Research into Mesothelioma	43	

	<u>Page</u>	<u>Note</u>
Motor Vehicle Third Party (Personal Injury) Insurance	21	
Net claims incurred	91	4
Organisation Chart	11	
Other Assets	96	8
Other Financial Assets	94	7
Other Liabilities	104	14
Our People	32	
Outstanding Claims	97	11
Payables	96	10
Performance Indicators	138	
- Certification of Performance Indicators	139	
- Auditor General's Opinion	140	
- Insurance Commission Key Outcomes	141	
- Compensation (Industrial Diseases) Fund	151	
- Insurance Commission Mission Statement	141	
- RiskCover	148	
- Third Party Insurance Fund	145	
Plant and Equipment	96	9
Provisions	103	13
Publications	58	
Receivables	93	6
Remuneration of the Board of Commissioners and Senior Officers	121	30
Reserves	104	15
Revenue from Ordinary Activities	88	2
Review of Operations	21	
RiskCover	25	
RiskCover Fund Financial Statements	129	32
Road Safety Partnerships	41	
Segment Reporting	110	19
Service Divisions	7	
Statement of Cash Flows	72	
Statement of Compliance to the Minister	4	
Statement of Financial Performance	70	
Statement of Financial Position	71	
Statement of Significant Accounting Policies	74	1
Statutory Memberships	7	
Strategic Business Planning for 2004–2005: The Road Ahead	63	
Structure of the Insurance Commission	5	
Vision, Mission and Values for 2004-2005	10	
APPENDIX		
Glossary	152	