ANNUAL REPORT 2010

Insurance Commission of Western Australia

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Please note that in this Annual Report:
References to the year 2011 mean the 2010-2011 financial year ended 30 June 2011.
References to the year 2010 mean the 2009-2010 financial year ended 30 June 2010.
References to the year 2009 mean the 2008-2009 financial year ended 30 June 2009.

VISION, MISSION AND CORE VALUES

OUR VISION

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

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.*

CORE VALUES

In everything we do our Core Values are:

- Simplicity;
- Teamwork;
- Accountability;
- Integrity and Openness; and
- Respect and Compassion.

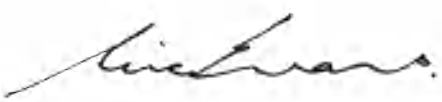
STATEMENT OF COMPLIANCE TO THE MINISTER

To the Hon. Colin Barnett MLA
Treasurer

In accordance with Section 63 of the *Financial Management Act 2006,* 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 2010.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Insurance Commission of Western Australia Act 1986.*

Michael E Wright
Chairman
6 September 2010



Vic Evans
Managing Director
6 September 2010

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia, passed on 6 September 2010.

CONTACT DETAILS

Insurance Commission of Western Australia

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1.0 OVERVIEW

1.1 EXECUTIVE SUMMARY

1.1.1 Chairman's Report

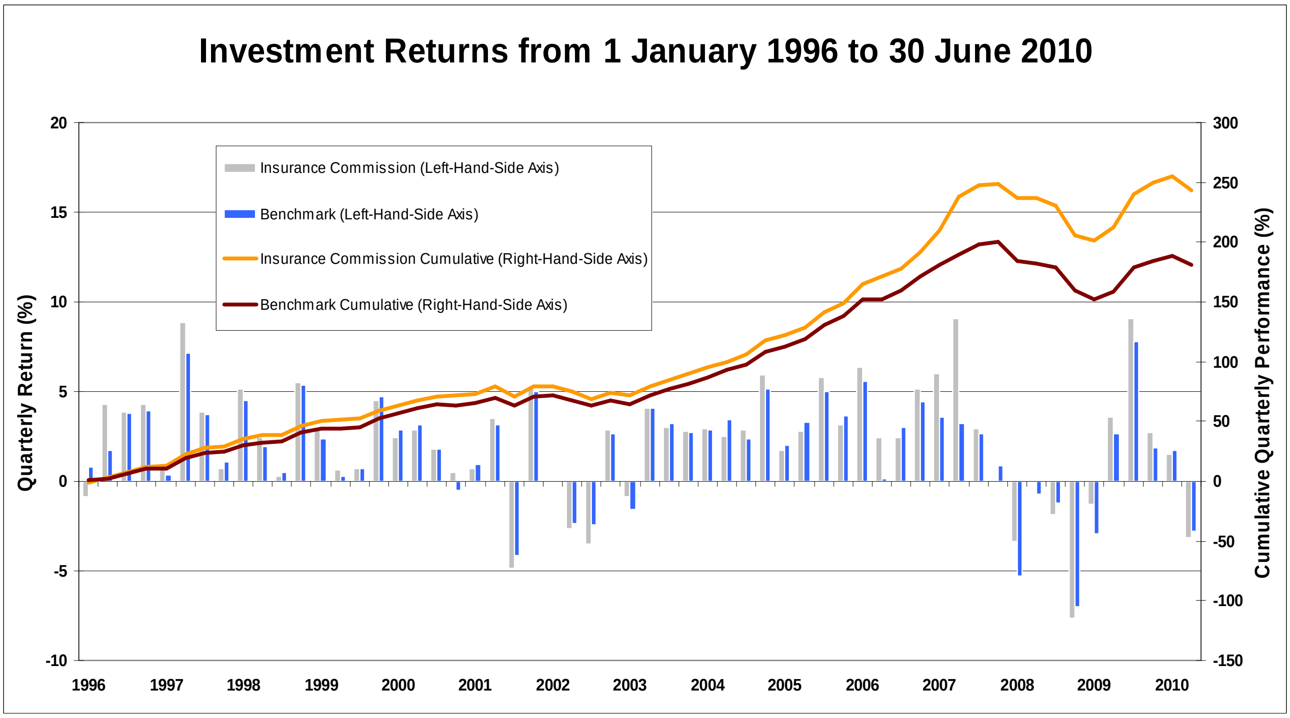
It is with pleasure that I present, on behalf of the Board of Commissioners of the Insurance Commission of Western Australia (Insurance Commission), the Insurance Commission's Annual Report for 2010.

The 2010 financial year has brought challenges and successes for the Insurance Commission as we maintain our efforts to efficiently deliver equitable compensation schemes and responsible risk management for the people of Western Australia.

Western Australian motorists continue to enjoy the lowest cost of compulsory third party insurance premiums in Australia for a family motor vehicle.

Investment Strategy and Performance of Investment Portfolio

The Insurance Commission's long-term cross-cycle investment strategy remains the key to prudential management of the Insurance Commission's investment assets which constitute the bulk of our consolidated total assets of $2.71 billion. Our conservative investment strategy and a diverse investment portfolio continue to prove successful in minimising adverse impacts on the Insurance Commission's gross investment return which achieved 10.1% in 2010 and further extended the historic out-performance against benchmark as shown in the graph below.



Bell Group Action

Final judgment in the Supreme Court Action instituted by the Court-appointed Liquidators to the failed Bond Corporation conglomerate was handed down on 30 April 2009 with the Liquidators being successful in obtaining orders for recovery of in excess of $1.6 billion from a syndicate of 20 banks led by Westpac Banking Corporation and Lloyds Bank plc of London. The judgment in the Bell Recovery Action is currently the subject of appeal processes.

The Insurance Commission, as an indemnifying creditor, continues to provide financial support to the Bell Group Liquidators in their recovery efforts for the benefit of all creditors.

As part of the process of managing risk associated with financing the Bell Group Liquidators, an insurance program was instituted prior to the commencement of the Supreme Court trial and this program remains in place.

Corporate Governance

The Insurance Commission's Corporate Governance Charter describes Corporate Governance as "the system by which the Insurance Commission of Western Australia is directed and managed. It influences how the objectives of the Insurance Commission are set and achieved, how risk is monitored and assessed and how performance is optimised."

Review of the Board Charter by the Corporate Governance Committee is continuous. The Committee's recommendations to the Board assist in discharging the Insurance Commission's Corporate Governance objectives.

Management and Executive Committee

Our Managing Director, Vic Evans and the members of his Executive Committee continue to provide the Insurance Commission and the people of Western Australia with an outstanding level of service.

On behalf of the Board, I extend sincere congratulations to our Managing Director for his significant milestone in 2010 of 50 years' service with the Insurance Commission and its predecessor bodies. We recognise and thank Mr Evans for his continued dedication to our organisation.

It is the strong leadership demonstrated by the management team that enhances the Insurance Commission's positive reputation within the community, and strengthens the positioning of the Insurance Commission as 'A Great Place to Work'.

Acknowledgements

The Board acknowledges and appreciates the loyalty shown by the staff of the Insurance Commission and their commitment to achieving our vision.

I also express gratitude to my fellow Commissioners for the strategic support and direction they provide to the Insurance Commission and for their valuable contributions in bringing experience and robust views to the deliberations of the Board.

MICHAEL WRIGHT
CHAIRMAN

1.1.2 Managing Director's Report

Financial Performance

Bearing in mind the economic outlook at the beginning of this reporting period, it is gratifying and reassuring to announce that the Insurance Commission recorded a consolidated after-tax comprehensive income of $128.4 million for the financial year ended 30 June 2010.

Gratifying, because in the midst of the global financial crisis and as part of our 2009-2010 budgeting process, we projected a consolidated after-tax loss of $10.9 million for the financial year ending 30 June 2010.

Reassuring, as the Insurance Commission's 30 June 2010 net assets of $832.8 million have recovered to be closer to the pre-global financial crisis amount of $880.7 million at 30 June 2008. At the 30 June 2009, net assets had fallen to $704.3 million in consequence of the $176.4 million 2008-2009 trading loss.

Recovery of the Insurance Commission's financial standing has not only prevented a potential delay, but also secured the development of and implementation of long term strategic projects, aimed at enhancing operations within the Insurance Commission, to deliver added benefit to all Western Australians.

The Insurance Commission's results have been achieved against a background of stable claims costs, (notwithstanding the increased level of risk arising from a 3% increase in the number of registered vehicles insured within the Third Party Insurance Fund (TPIF)) and also a gross investment return for the year of 10.1%. The investment return outperformed the Insurance Commission's underlying benchmark of 8.5% and its 2009-2010 budgeted rate of return of 1.8%.

Stakeholders should take comfort in the fact that the Insurance Commission adheres to strict prudential policies in managing risk in its investment portfolio and that it currently has a relatively defensive portfolio bias with a long term performance focus.

Motor Vehicle Personal Injury

The TPIF has produced an after-tax profit of $119.1 million for the year, primarily due to the positive investment return and a better than budget underwriting result.

For the 2010 year the TPIF's underwriting result was a $44.2 million loss. This however was $6.8 million better than the budgeted loss and reflects the continuing decline in the claims frequency rate plus sound claims management practices.

As at 30 June 2010, the TPIF's net assets increased by 23.2% to $639.1 million.

Whilst Western Australian motorists have continued to experience the lowest premium for a family motor vehicle in all of Australia for the past 14 consecutive years, it is important to note that 89% of claim payments, per annum, go to the direct benefit of claimants.

A notable achievement from within the Motor Vehicle Personal Injury Division was the completion of the implementation of the "On-line Crash Reporting Facility" in collaboration with WA Police and Main Roads WA. As well as providing a more efficient and customer focused means for reporting motor vehicle crashes, it is expected that over time, the improved reliability, accuracy and completeness of crash data delivered by this initiative will add value to the process of determining road strategies and initiatives, by the Western Australian Government's Office of Road Safety.

Furthermore, the Insurance Commission remains dedicated to supporting efforts to reduce road-related trauma in Western Australia and annually invests in road safety programs and initiatives. In 2010, the Insurance Commission funded $3.17 million of the Office of Road Safety approved road safety programs. The Insurance Commission considers improving road safety in Western Australia to be a long-term investment that will contribute to maintaining premiums at affordable levels.

RiskCover

Even though the RiskCover Fund benefited from its share of the gross 10.1% investment return, the actual underwriting result of a $46.6 million loss was significantly worse than the $4.1 million budgeted loss.

Consequently in 2010, the RiskCover Fund reported a $10.3 million loss.

Despite the $10.3 million loss, strong sustained performance by the Fund in prior years enabled it to refund a number of well-performing agencies with favourable Contribution Performance Adjustments in respect of the Workers' Compensation and/or Motor Vehicle insurance classes. The net outcome of rewarding agencies which delivered positive claims outcomes, compared to projections, resulted in refunds totalling $5.3 million.

After bringing to account Contribution Performance Adjustments, the RiskCover Fund remains in a fully-funded position, with net assets of $39.6 million, however due to the RiskCover Fund having insufficient Retained Earnings, the Prudential Reserve was reduced to $39.6 million. This is $12.5 million below the amount which would be needed to maintain a 75% likelihood of adequacy with respect to the provision for outstanding claims and it is expected that this adequacy level will correct itself during 2010-2011.

Noteworthy achievements evolving from the RiskCover Division are:

- The significant advance of a project to replace its legacy insurance systems and introduce workflow, electronic information capture and contemporary e-business capabilities. This transformation project is focused on delivering improved service capabilities to Fund Members and other key stakeholders. This project is expected to be completed by 31 December 2012.

- Promoting risk management practice across WA Government agencies, has developed a mature level of acceptance, with most agencies now incorporating risk-thinking into all aspects of their business. One of the key steps forward has been the use of risk information to enhance decision making at all levels within agencies.

  Agencies are embracing a risk-aware culture, whereby they do not only identify risks, but go on to develop a thorough understanding of the risk issues and then make conscious decisions regarding the amount of risk that is acceptable, commensurate with the services or initiatives they are delivering.

Acknowledgements

To all the Insurance Commission's hard working staff, my sincerest thanks for their sustained effort and commitment to our core values and maintaining the Insurance Commission's reputation as being a financially sound and effective government entity.

Thanks also to; the Minister with responsibility for the Insurance Commission, the Hon. Colin Barnett MLA, Premier, Treasurer, and his staff; the Insurance Commission Board; and members of the Insurance Commission Executive Committee for their valuable contribution and dedication in seeking to deliver excellent services to the people of Western Australia.

VIC EVANS
MANAGING DIRECTOR

1.1.3 Significant Events

Insurance Commission

- Consolidated total assets at balance date were $2.71 billion, with consolidated net assets of $832.8 million.

- Consolidated after-tax comprehensive income of $128.4 million.

- Investment return for the year was positive 10.1% gross (positive 9.6% net of fees and expenses).

- In collaboration with WA Police and Main Roads WA, the Insurance Commission fully implemented the 'On-line Crash Reporting Facility (OCRF)'. As well as providing a more efficient and customer focused means for reporting motor vehicle crashes, it is expected that over time, the improved reliability, accuracy and completeness of crash data delivered by this initiative will be of value to road safety strategies and initiatives in Western Australia.

- Western Australia's Compulsory Third Party Insurance premium for a family motor vehicle remains the cheapest in Australia.

- Motor vehicle personal injury claims payments for the 2010 year amounted to $361 million (net of GST) of which approximately $320 million was paid for the direct benefit of claimants.

- $3.17 million was contributed to road safety initiatives in partnership with the Office of Road Safety.

- In partnership with the Department of Respiratory Medicine at Sir Charles Gairdner Hospital, the Insurance Commission committed $600,000 to a project to preserve historic chest X-rays and associated information pertaining to mine workers in the 2010 financial year. The project is expected to be completed in early 2011.

- The Insurance Commission was appointed effective 1 July 2009 to manage claims on behalf of the WA Police under the *Police (Former Officers' Medical and Other Expenses) Act 2008.*

The RiskCover Fund

- Sustained a Total Comprehensive Loss for the 2010 financial year of $10.3 million.

- At 30 June 2010 due to the RiskCover Fund having insufficient Retained Earnings, the Prudential Reserve was reduced to $39.6 million. This is $12.5 million below the amount which would be needed to maintain a 75% likelihood of adequacy with respect to the provision for outstanding claims. Refer Note 39 for more detailed information.

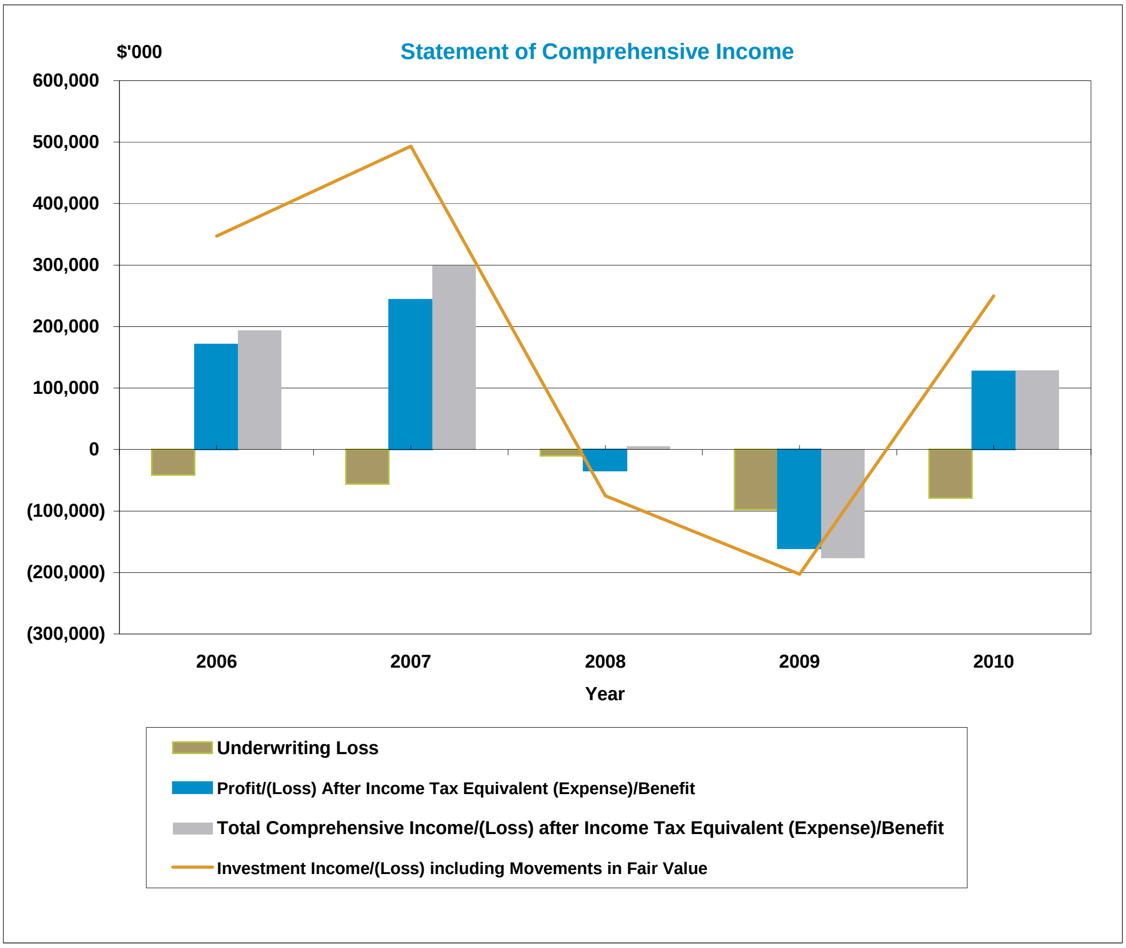
- The RiskCover Fund remains in a fully-funded position, with net assets of $39.6 million.

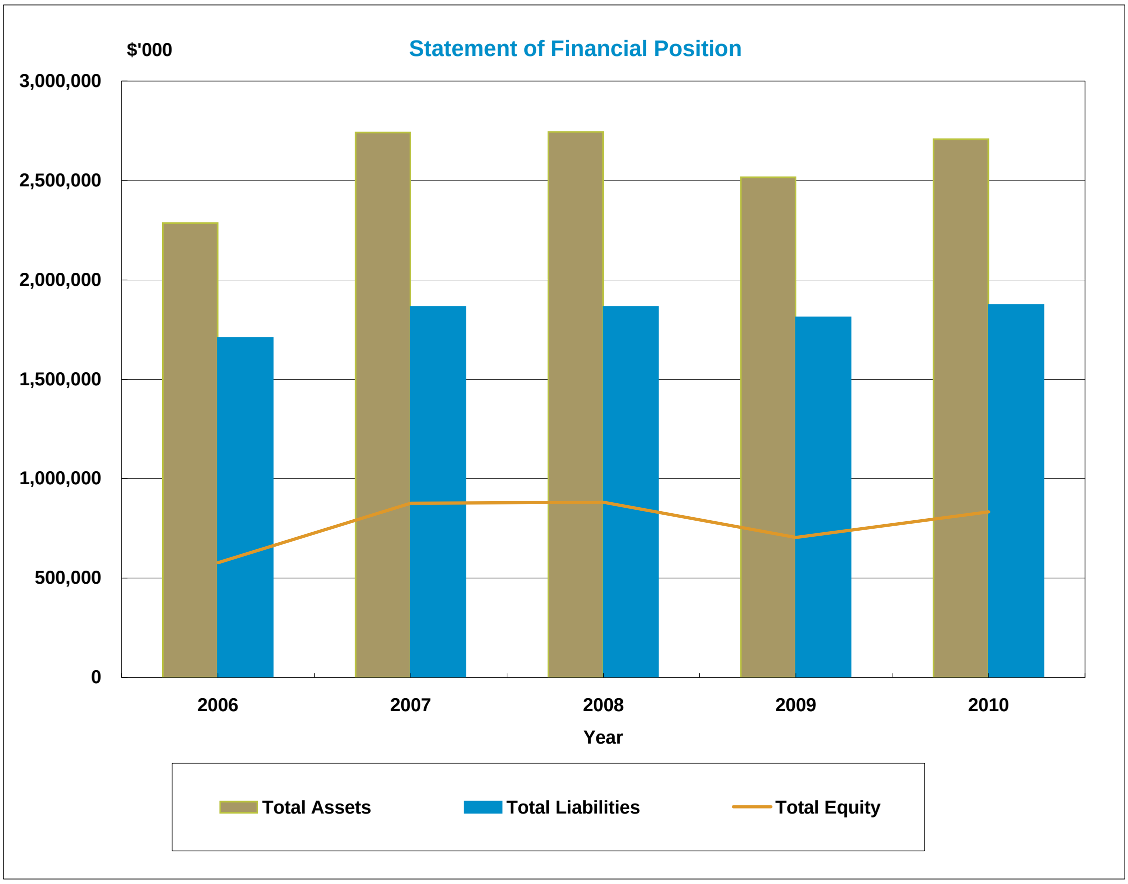
1.1.4 Financial Overview - Insurance Commission of Western Australia (Consolidated)

STATEMENT OF COMPREHENSIVE INCOME	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000
Net Premium Revenue	351,756	345,434	356,865	380,518	405,505
Claims Expense	(328,686)	(346,246)	(314,064)	(408,437)	(413,879)
Reinsurance and Other Recoveries Revenue	2,570	3,992	1,887	3,286	12,512
Net Claims Incurred	(326,116)	(342,254)	(312,177)	(405,151)	(401,367)
Gross Movement in Unexpired Risk Liability	-	(11,188)	488	10,700	-
Reinsurance and Other Recoveries on Unexpired Risk Liability	-	10,000	700	(10,700)	-
Net Movement in Unexpired Risk Liability	-	(1,188)	1,188	-	-
Acquisition Costs	(8,176)	(11,224)	(10,109)	(11,007)	(13,566)
Underwriting and Administration Expenses	(59,065)	(46,785)	(45,812)	(62,127)	(69,555)
Underwriting Loss	**(41,601)**	**(56,017)**	**(10,045)**	**(97,767)**	**(78,983)**
Investment Income/(Loss) including Movements in Fair Value	347,277	493,523	(75,333)	(202,828)	249,736
Investment Expense	(16,904)	(18,473)	(19,918)	(21,540)	(21,960)
Finance (Costs)/Recoup	(62,401)	(98,453)	15,863	42,244	(35,769)
Other Income	23,927	25,874	34,823	56,523	56,266
Other Expenses	(9,461)	(9,325)	(12,932)	(16,166)	(15,833)
Profit/(Loss) Before Income Tax Equivalent (Expense)/Benefit	**240,837**	**337,129**	**(67,542)**	**(239,534)**	**153,457**
Income Tax Equivalent (Expense)/Benefit	(70,213)	(93,736)	33,432	78,697	(26,607)
Profit/(Loss) After Income Tax Equivalent (Expense)/Benefit	**170,624**	**243,393**	**(34,110)**	**(160,837)**	**126,850**
Fair Value Revaluation of Land and Buildings presented as Plant, Property and Equipment	32,002	78,983	55,648	(22,247)	2,267
Related Income Tax Equivalent (Expense)/Benefit	(9,600)	(23,695)	(16,694)	6,674	(681)
Other Comprehensive Income/(Loss) after Income Tax Equivalent (Expense)/Benefit	**22,402**	**55,288**	**38,954**	**(15,573)**	**1,586**
Total Comprehensive Income/(Loss) after Income Tax Equivalent (Expense)/Benefit Attributable to the State of Western Australia	**193,026**	**298,681**	**4,844**	**(176,410)**	**128,436**
STATEMENT OF FINANCIAL POSITION					
Financial Assets at Fair Value through Profit or Loss	1,533,928	1,815,186	1,749,356	1,588,567	1,745,358
Other Assets	751,338	925,479	995,474	926,941	961,107
Total Assets	**2,285,266**	**2,740,665**	**2,744,830**	**2,515,508**	**2,706,465**
Outstanding Claims Liability	1,405,840	1,449,971	1,459,920	1,545,249	1,579,728
Unearned Premiums Liability	145,252	139,702	150,231	162,085	173,927
Other Liabilities	156,952	275,089	253,932	103,837	120,054
Total Liabilities	**1,708,044**	**1,864,762**	**1,864,083**	**1,811,171**	**1,873,709**
Net Assets	**577,222**	**875,903**	**880,747**	**704,337**	**832,756**
Asset Revaluation Surplus	25,368	80,656	119,610	104,037	104,269
Compensation (Industrial Diseases) Fund Reserve	13,957	18,133	18,093	16,505	16,979
Retained Earnings	537,897	777,114	743,044	583,795	711,508
Total Equity	**577,222**	**875,903**	**880,747**	**704,337**	**832,756**

The Financial Overview excludes the RiskCover Fund.

For full details, refer Financial Statements section.


$'000
Statement of Comprehensive Income
600,000
500,000
400,000
300,000
200,000
100,000
0
(100,000)
(200,000)
(300,000)
2006
2007
2008
2009
2010
Year
Underwriting Loss
Profit/(Loss) After Income Tax Equivalent (Expense)/Benefit
Total Comprehensive Income/(Loss) after Income Tax Equivalent (Expense)/Benefit
Investment Income/(Loss) including Movements in Fair Value


$'000
Statement of Financial Position
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
2006
2007
2008
2009
2010
Year
Total Assets
Total Liabilities
Total Equity

1.2 OPERATIONAL STRUCTURE

1.2.1 History

The State Government Insurance Commission was established on 1 January 1987 in accordance with the *State Government Insurance Act 1986*. This came about following the amalgamation of the Motor Vehicle Insurance Trust and the State Government Insurance Office.

The State Government Insurance Corporation (Corporation) was also established on 1 January 1987 as a subsidiary of the State Government Insurance Commission, and traded as SGIO until 1993.

On 1 October 1997, the State Government Insurance Commission's corporate identity changed. This is the date that the organisation became the Insurance Commission of Western Australia (Insurance Commission).

Detailed history of the Insurance Commission is available on our website.

1.2.2 About the Insurance Commission

The Insurance Commission is primarily responsible for administering, underwriting and managing Western Australia's Compulsory Third Party (CTP) Insurance scheme for motor vehicle personal injuries.

Western Australia operates a common law, fault-based CTP motor vehicle (personal injury) insurance scheme. The scheme offers owners and drivers of Western Australian registered motor vehicles an insurance policy that provides unlimited protection against liability arising from personal injury caused by, through, or in connection with the negligent driving of the insured motor vehicle.

The scheme provides access to common law remedies to persons injured in a crash, if they are able to establish negligence against the owner or driver of a motor vehicle registered in Western Australia.

In addition, the Government of Western Australia's self-insurance and risk management enterprise, RiskCover, is managed by the Insurance Commission on behalf of the Department of Treasury and Finance. RiskCover was established in 1997 as a Business Division of the Insurance Commission.

1.2.3 Responsible Minister

The Honourable Troy Buswell, MLA, was the Minister responsible for the Insurance Commission until 27 April 2010.

From 28 April 2010, the Honourable Colin Barnett, MLA, became the Minister responsible for the Insurance Commission.

1.2.4 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.*

1.2.5 Funds

The Insurance Commission underwrites and manages four Funds under its enabling legislation: the Third Party Insurance Fund; the Compensation (Industrial Diseases) Fund; the Insurance Commission General Fund; and the Government Insurance Fund. It should be noted that the Government of Western Australia indemnifies the Insurance Commission for any deficit in the Government Insurance Fund (Refer Note 4 of the Financial Statements).

The Corporation is a wholly-owned subsidiary of the Insurance Commission. It is a separate legal entity and publishes its own Annual Report. The Corporation exists to run-off small lines of Australian and overseas inwards reinsurance business written between 1988 and 1992. The Insurance Commission's RiskCover Division manages the run-off of the Corporation's business.

The RiskCover Fund managed by the Insurance Commission is underwritten by the Government of Western Australia.

The consolidated financial results of the Insurance Commission represent the combined results of the Insurance Commission and the Corporation, but exclude the RiskCover Fund.

1.2.6 Organisational Structure

The Insurance Commission has two main insurance business divisions: the Motor Vehicle Personal Injury (MVPI) Division and the RiskCover Division.

These two insurance business divisions are supported by six corporate service divisions:

- Investments;
- Finance and Administration;
- Human Resources;
- Information Technology;
- Special Investigations; and
- Office of the Commission.

The Office of the Commission, led by the Managing Director, is responsible for the provision of overall leadership; ensuring compliance with legislation; policy advice; administrative support and performance reporting to the Board of Commissioners and the Minister.

The Managing Director works with the Board of Commissioners and the Executive Committee to oversee strategic planning, and all operational and administrative functions of the organisation.

ORGANISATION CHART

1.2.7 Board of Commissioners

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

The Board is responsible for:

- The overall corporate governance of the Insurance Commission;
- Approving goals, strategic directions and budgets; and
- Ensuring that legal compliance, ethical behaviour and proper risk management processes are in place and operating effectively.

Comprehensive monthly reports are provided to the Board to enable it to monitor performance. Board meetings are generally held monthly.

The structure of the Board is subject to the following parameters:

- The Board must comprise at least three and not more than six persons appointed as Commissioners; and the Managing Director who is a Commissioner ex-officio;

- Commissioners are appointed by the Governor of Western Australia on the nomination of the Minister;

- The Minister appoints a Chairperson and Deputy Chairperson from the six non-Executive Commissioners; and

- Commissioners are appointed for terms of up to three years and are eligible for re-appointment.

Code of Conduct

The Board of Commissioner’s Code of Conduct requires all Commissioners to act with honesty, fairness and integrity and to display the highest ethical standards at all times.

Commissioners’ and Managing Director’s Remuneration

Remuneration for non-Executive Commissioners is determined by the Minister on the recommendation received from the Minister for Public Sector Management. Non-Executive Commissioners receive 9% in superannuation but do not receive any other retirement benefits.

Through a long-standing administrative arrangement, the remuneration of the Managing Director is currently aligned to salary movements as determined by the Salaries and Allowances Tribunal for the Special Division Officers within the Public Service.

Board Performance

Board members completed a Board Performance Measurement Questionnaire as part of their annual evaluation process.

Changes to the Board

There were no changes to the composition of the Board during the year.

Board of Commissioners' Profiles

As at 30 June 2010, the Board of Commissioners comprised:

Michael Wright FAICD
Chairman

Mr Wright is a Barrister and Solicitor who has been in legal practice since 1964 and is a former senior partner of law firm Mallesons Stephen Jaques. Mr Wright specialised in banking and finance and corporate commercial and resources law. He is a past National President of the Australian Mining and Petroleum Law Association Limited, Past Deputy Chairman of Wesfi Limited Group and a past Director of Markalinga Investments Ltd. Mr Wright is a Director with CCK Financial Solutions Limited and Wesbeam Holdings Limited Group.

Committee Membership
Audit and Accounts Committee

First appointed: 7 January 1993, appointed Chairman 27 June 1994
Expiry of present term: 30 November 2010

Peter Eastwood AM, FCA, FAICD
Deputy Chairman

Mr Eastwood is a Chartered Accountant who practised in this profession for more than 35 years, and was a partner of Grant Thornton from 1971 to 1997. His experience as a practising Chartered Accountant was principally as a 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 also on the Board of Directors for Unimutual Limited; Unimutual Insurance (NZ) Limited and Unimutual (Isle of Man) Limited.

Committee Membership
Chair, Audit and Accounts Committee
Corporate Governance Committee

First appointed: 24 May 1994, appointed Deputy Chairman 19 July 1994

Mr Eastwood's present term as Commissioner and Deputy Chairman expired on 30 September 2008 and continues in accordance with Section 5 of the *Insurance Commission of Western Australia Act 1986*.

Sharon Brown
Commissioner

Sharon Brown has a career with over 30 years of experience in senior roles within sales and delivery in the IT industry and is CEO of Sharon Brown and Associates. More recently she has extensive experience in Boards at both the State and national levels including the Federal Cooperative Research Centres Committee. Ms Brown was 'Telstra Business Woman of the Year' for Western Australia in 1999.

Committee Membership
Audit and Accounts Committee

First appointed: 11 December 2001

Ms Brown's present term as Commissioner expired on 30 November 2009 and continues in accordance with Section 5 of the *Insurance Commission of Western Australia Act 1986*.

Annemie McAuliffe MLS, Dip Ed, CMC
Commissioner

Ms McAuliffe has a background in business management and strategic planning and undertakes independent consulting work. Her previous positions have included Director of Gilbert McAuliffe & Associates P/L; 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 also a Board Member of the WA Potato Marketing Corporation.

Committee Membership
Audit and Accounts Committee
Chair, Corporate Governance Committee

First appointed: 1 January 2003

Ms McAuliffe's present term as Commissioner expired on 31 December 2009 and continues in accordance with Section 5 of the *Insurance Commission of Western Australia Act 1986*.

Doug Pascoe AAII
Commissioner

Mr Pascoe worked in the insurance industry for more than 40 years and held National 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 1996-2002. Mr Pascoe was the Governor of Rotary International District 9450 in Western Australia for 2003-2004 and is a past Director of Rotary Australia World Community Service Limited. He is also Finance Director of Foodbank of Western Australia and is Deputy Chair of Meath Care Incorporated.

<u>Committee Membership</u>
Audit and Accounts Committee
Corporate Governance Committee

First appointed: 1 January 2003

Mr Pascoe's present term as a Commissioner expired on 31 December 2008 and continues in accordance with Section 5 of the *Insurance Commission of Western Australia Act 1986*.

Judy McGowan LLB
Commissioner

Ms McGowan has broad academic knowledge of Consumer, Trade Practices, Contract and Fair Trading laws. Since 1976, Ms McGowan has lectured in Law at the Curtin University Business School. She is also a compliance and legal issues trainer for numerous government and private organisations.

Ms McGowan is Deputy Chair of the Building Disputes Tribunal. Her previous Directorships include the Western Australian Dental Board; Unicredit; TAB; Aquinas College; Western Australian Gaming Commission. She has also held a position as a Member on the Small Claims Tribunal.

<u>Committee Membership</u>
Audit and Accounts Committee
Corporate Governance Committee

First appointed: 1 December 2005

Ms McGowan's present term as Commissioner expired on 30 November 2009 and continues in accordance with Section 5 of the *Insurance Commission of Western Australia Act 1986*.

Vic Evans Dip Bus Mgt, AFAIM
Commissioner

Mr Evans has been the Managing Director/Chief Executive Officer of the Insurance Commission of Western Australia since 1993. He is responsible for the operations of the Insurance Commission and is the only executive member of the Board.

First appointed: 22 June 1993
Expiry of present term: 30 September 2011

Board Committees

Committees of the Board that operated during the year were:

Audit and Accounts Committee

The Audit and Accounts Committee is responsible for making recommendations to the Board on the adequacy of internal audit arrangements; financial statements; financial administration policies and reporting procedures. The Board also monitors recommendations arising from external audits and takes appropriate follow up actions. This Committee regularly meets with the Internal Auditors and representatives of the Office of the Auditor General.

Corporate Governance Committee

The Corporate Governance Committee assists the Board in discharging its corporate governance responsibilities. The Committee met once during the 2010 financial year.

Commissioners' Attendance at Meetings

	Board Meetings (14)	**Audit and Accounts (10)**	**Corporate Governance (1)**
Michael Wright	14	10	N/A
Peter Eastwood	13	9	1
Sharon Brown	10	7	N/A
Annemie McAuliffe	14	10	1
Doug Pascoe	14	10	1
Judy McGowan	12	9	1
Vic Evans	14	N/A*	N/A*

* Mr Vic Evans attends the Audit and Accounts and Corporate Governance Committee meetings in his capacity as Managing Director.

1.2.8 Executive Committee

The Insurance Commission's Executive Committee comprises the Managing Director, two General Managers and the seven Divisional Managers. The Executive Committee met nine times in 2010. A profile of each member of the Executive Committee is provided below.

Vic Evans – Dip Bus Mgt, AFAIM
Managing Director

Mr Evans commenced work with the then Motor Vehicle Insurance Trust in 1960. With 50 years' experience in all facets of the insurance industry, including Compulsory Third Party Insurance, general insurance and reinsurance, he has held senior management positions with the organisation since 1976 and was appointed Managing Director in 1993.

Mr Evans is responsible for overseeing the performance of the Insurance Commission's functions and operations. He is also Chairman of the State Government Insurance Corporation.

Ken McAullay – Grad Dip Bus, Grad Cert Mgt, Dip Pub Admin
General Manager Corporate Services

Mr McAullay joined the Insurance Commission in 1986. He has more than 40 years' experience in corporate services. Prior to being appointed General Manager Corporate Services in 1996, he had been the Manager Human Resources and Corporate Secretary; a role he has performed for the Board over the past 22 years.

As General Manager Corporate Services, Mr McAullay is responsible for the Corporate Services operations of the Insurance Commission (i.e. Finance and Administration, Human Resources, Information Technology and Investments Divisions).

Mr McAullay is also currently a Board member of the Western Australian Sports Centre Trust trading as VenuesWest.

Lew Watts – Dip Pub Admin, AAII, Grad Cert Bus Admin
General Manager Insurance

Mr Watts commenced work with the then SGIO in 1975 and worked in a diverse range of roles with the Insurance Commission and its predecessor agencies. His senior management experience encompasses six years as the Manager Human Resources followed by a further six years as the Manager Motor Vehicle Personal Injury Division, culminating in his appointment as the General Manager Insurance in December 2002.

Mr Watts is responsible for the insurance operations of the organisation (i.e. Motor Vehicle Personal Injury, RiskCover and Special Investigations Divisions).

Fab Zanuttigh – MBA, Grad Cert Mgt, AIMM
Manager Motor Vehicle Personal Injury

Mr Zanuttigh has worked in the compulsory third party (CTP) insurance industry for the past 25 years and has been the Manager of the Motor Vehicle Personal Injury Division since 2003. In this capacity, he is responsible for managing the operations of Western Australia's CTP Insurance scheme and the administration of the statutory Third Party Insurance Fund.

Don Williams – Dip Bus Admin, AIMM
Manager RiskCover

Mr Williams is responsible for the effective management of the RiskCover Division which manages the Western Australian Government's self-insurance managed fund (RiskCover), and a number of smaller insurance funds. He oversees the risk management and self-insurance services RiskCover provides to Western Australian Government agencies, and the risk management services, advice and assistance provided for the whole-of-government.

Mr Williams has more than 40 years' experience in all facets of general insurance company operations.

Jim Milligan – M Crim Just, BSc, Grad Cert Comp. Sec
Manager Special Investigations

Mr Milligan has more than 30 years' experience investigating criminal and commercial activities. He served with the Criminal Investigations Branch of the Western Australia Police Service for many years and spent two years attached to the National Crime Authority's Melbourne office investigating organised crime.

Mr Milligan has managed the Insurance Commission's Special Investigations Division since joining the Insurance Commission in 1990. He is responsible for co-ordinating strategies to protect the assets of the Insurance Commission and minimising the incidence of fraud.

Peter Amos – BSc, BA
Manager Information Technology

Mr Amos has more than 35 years' experience in Information Technology Management positions, working in a variety of sectors including government, national and international organisations trading in the manufacturing and financial services sectors.

Mr Amos has managed the Insurance Commission's Information Technology Division since joining the organisation in 1989. Mr Amos is responsible for the planning, development and operation of the Insurance Commission's information systems. He ensures that the Insurance Commission's information systems requirements are met via systems maintenance and systems and technological improvements.

Grant Speight – M HRM, FAHRI, AFAIM
Manager Human Resources

Mr Speight has over 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.

Mr Speight 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 the Manager Human Resources Division in 1996.

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

Julie O'Neill – Executive MBA, B Econs (Hons), DFP
Manager Investments

Ms O'Neill has over 20 years' experience in the management of institutional investment portfolios, including the construction and implementation of multi-manager portfolios and the direct management of Australian Equity, Fixed Interest and Cash portfolios. Previously as an investment consultant, she advised a number of large WA institutional investors on their investments.

Ms O'Neill is responsible for the effective management of the Insurance Commission's investment portfolio including the development and implementation of investment strategy.

Ms O'Neill is also currently a member of the Catholic Education Commission of Western Australia.

Ernie Cowell – FCCA, FPNA
Manager Finance and Administration (Chief Finance Officer)

Mr Cowell is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and of the National Institute of Accountants (Australia). Mr Cowell held senior finance roles in the private sector before joining the Insurance Commission in 1999. His accounting experience, spanning over 35 years, includes strategic business planning, external financial and due diligence auditing, the management of financial system implementations and management and statutory reporting.

As the Manager Finance and Administration Division, Mr Cowell, amongst other things, has primary responsibility for:

- the preparation of financial information to facilitate the discharge of statutory and other reporting obligations of the Insurance Commission;

- the provision of advice on the effectiveness of accounting and financial management information systems and financial controls;

- the provision of advice concerning the financial implications of, and financial risks to, the Insurance Commission’s current and projected services; and

- the development of strategic options for the future financial management and capability of the agency.

1.3 PERFORMANCE MANAGEMENT FRAMEWORK

1.3.1 Outcome Based Management Framework

Relationship to Government Strategic Goals

The Insurance Commission's Key Outcomes support the current high-level government goals:

Outcomes Based Service Delivery:

Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

Insurance Commission Services	Insurance Commission Key Outcomes
Timely, equitable and efficient claims management for motor vehicle personal injury claimants.	Minimise the financial hardship of motor vehicle personal injury claimants.
Provision of affordable premiums to owners of Western Australian registered motor vehicles.	Ensure that all Western Australian motor vehicles using public roads are registered and insured.
Timely, equitable and efficient claims management for industrial disease claimants.	Minimise the financial hardship of industrial disease claimants.
RiskCover claims management and claims analysis.	Meet customer risk management and self-insurance needs.

Financial and Economic Responsibility:

Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

Insurance Commission Services	Insurance Commission Key Outcomes
Fund management and Investment function.	That the Insurance Commission's revenue is sufficient to meet expenditure.
Risk Management Program development and implementation.	Actively promote and support the growth of risk management practices to minimise the cost of risk with provision of tools and training in all government agencies.

1.3.2 Changes to Outcome Based Management Framework

There were no changes to the Insurance Commission’s Key Outcomes or Key Performance Indicators during 2010.

1.3.3 Shared Responsibilities With Other Agencies

The Insurance Commission does not have any shared responsibilities with other agencies.

2.0 AGENCY PERFORMANCE

2.1 FINANCIAL BUDGETS – ACTUAL PERFORMANCE COMPARED TO BUDGET (NOT CONSOLIDATED)

	2010		
	Budget $'000	Actual $'000	Variation* $'000
Net Premium Revenue	403,361	405,503	2,142
Net Claims Incurred	(402,129)	(401,249)	880
Underwriting and Administration Expenses	(79,718)	(83,126)	(3,408)
Underwriting Loss	**(78,486)**	**(78,872)**	**(386)**
Net Investment Income	29,333	227,776	198,443
Finance Costs	(8,147)	(36,556)	(28,409)
Other	41,692	40,988	(704)
(Loss)/Profit before Income Tax Equivalent Benefit/(Expense)	**(15,608)**	**153,336**	**168,944**

This comparison excludes the RiskCover Fund.

* Detailed explanation of variations are contained in Note 29 'Explanatory Statement' to the financial statements.

	$'000
Total Equity (as per Statement of Financial Position)	832,756

2.2 KEY PERFORMANCE INDICATORS SUMMARY – ACTUAL PERFORMANCE COMPARED TO BUDGET

	2010		
	Budget	Actual	Variation*
Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit to Net Premium Revenue (%)	(3.9)	37.8	41.7
Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit to Total Revenue (%)	(3.0)	21.0	24.0
Net Operating Cash Flow ($M)	117.9	96.1	(21.8)
Return on Total Assets (%)	(0.6)	5.9	6.5
Investment Income Rate of Return (%)	1.8	10.1	8.3
Net Loss Ratio (%) **	99.6	97.6	(2.0)
Net Expense Ratio (%) **	9.7	9.7	-
Net Investment Ratio (%) **	8.7	46.2	37.5

This comparison excludes the RiskCover Fund.

* Detailed explanation of variations are contained in the Key Performance Indicators section.
** Third Party Insurance Fund only.

2.3 MOTOR VEHICLE THIRD PARTY (PERSONAL INJURY) INSURANCE

Overview

Motor Vehicle Personal Injury Insurance is compulsory in all States and Territories of Australia. It is commonly referred to as Compulsory Third Party (CTP) Insurance. The Insurance Commission is the sole provider of CTP Insurance in Western Australia.

The Motor Vehicle Personal Injury (MVPI) Division of the Insurance Commission deals with all personal and fatal injury claims resulting from motor vehicle crashes involving Western Australian registered vehicles.

The MVPI Division operates in accordance with the provisions of the *Motor Vehicle (Third Party Insurance) Act 1943* and the *Motor Vehicle (Third Party Insurance) Amendment Act 2006.*

All claims for personal bodily injury in Western Australia are claims at common law where, for a claim to succeed, negligence must first be established against the owner or driver of a Western Australian registered motor vehicle.

The most commonly misunderstood aspect of the Western Australian CTP scheme is the extent of cover provided to the policyholder. The CTP Policy does not cover drivers for injuries they receive as a result of their own negligence or damage to vehicles or other property.

The Policy does, however, indemnify the owner or driver of Western Australian registered motor vehicles against liability for personal bodily injury claims made against them by a third party.

At 30 June 2010 there were approximately 2.35 million motor vehicles registered in Western Australia (including approximately 435,000 caravans and trailers).

The Department of Transport (DoT) acts as the Insurance Commission's agent for issuing CTP Insurance policies and the collection of premiums and policy data. The CTP Insurance policy is combined with the motor vehicle licence issued by DoT and its agents. In exchange for this service, the Insurance Commission pays commission to the DoT, calculated on a 'fee-per-transaction' basis.

This partnership delivers the benefit to Western Australian motorists of a 'one-step' process for the renewal of vehicle licences and CTP Insurance in an efficient and cost-effective manner.

Objectives

- 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 in a timely manner;
- To ensure that the Third Party Insurance Fund is fully funded.

Outcomes

Third Party Insurance Fund Performance

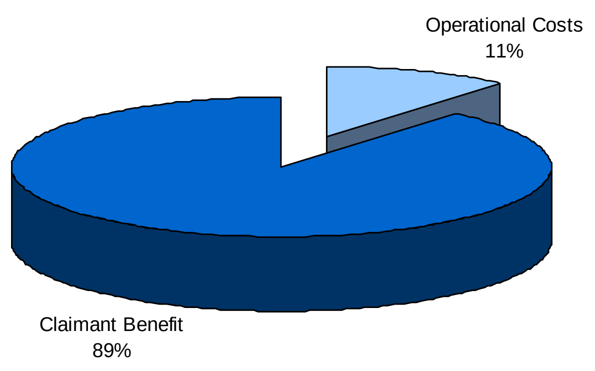
The net assets of the Third Party Insurance Fund (TPIF) were $639.1 million as at 30 June 2010, compared to $518.8 million at 30 June 2009. This increase in net assets is largely driven by the improvements in the financial markets experienced over the past 12 months, reflected in the investment return of positive 10.1% gross and a better than budget underwriting performance.

For the 2010 year, the actual underwriting result for the TPIF was a $44.2 million loss, which was $6.8 million better than the budget (forecast loss of $51.0 million). The better than budget result was primarily driven by a lower than forecast upward movement in outstanding claims provisions, offset by higher than forecast gross claims payments.

Claims payments for the 2010 year amounted to $361 million (Net of GST) of which approximately $320 million was paid for the direct benefit of claimants.

Proportion of Total Claims Costs Paid for the Benefit of Claimants

2010



Net Claims Incurred for the reporting year was $395.9 million (2009: $398.6 million). This outcome was marginally better than budget ($401.7 million) and was due to the actual increase in outstanding claims liabilities over the reporting period being less than forecast and the savings differential being larger than the amount the actual claims payments was in excess of budget. The higher than projected gross claims payments for the year is due to a large extent to the higher than expected number of claims closed. A total of

4,299 claims were finalised during the year and the total outstanding active claims were reduced from 7,300 (at 30 June 2009) to 7,037 at 30 June 2010, a reduction of 263 claims.

Annual Expenditure by Head of Damage 2010

	2010 (%)	2009 (%)
Ambulance	10.4	11.1
Legal Costs – Defendant	3.2	3.4
Legal Costs – Plaintiff	5.7	6.0
Doctor	11.8	7.6
Future Economic Loss	16.6	16.2
Future Medical	3.8	3.1
Gratuitous Services*	12.5	12.8
Interest	0.1	0.1
Investigations	0.7	0.6
Loss of Amenities	20.5	21.2
Past Economic Loss	9.4	9.5
Sundries - Defendant	2.1	1.8
Sundries - Other	3.2	6.6
Total	**100**	**100**

** Gratuitous Services refer to those which are provided to an accident victim without payment and include services of a domestic nature, services relating to nursing and services that aim to alleviate the consequences of an injury.*

During the year, 4,036 new claims were received. This is marginally lower than the number of new claims received in the previous year (2009: 4,078) and reflects the reducing claim frequency trend observed over the past 16 years.

For further information, refer to Motor Vehicle Personal Injury Claims Trends in the Significant Issues Impacting the Agency section of this Annual Report.

Benefits

The CTP scheme in Western Australia continues to provide:

- The lowest premiums in Australia for a family motor vehicle;
- Benefits to claimants equivalent to, or better than, those provided by schemes in the other States and Territories of Australia;
- Cost-efficient administration when compared with schemes in other States and Territories of Australia; and
- A Third Party Insurance Fund which is fully funded.

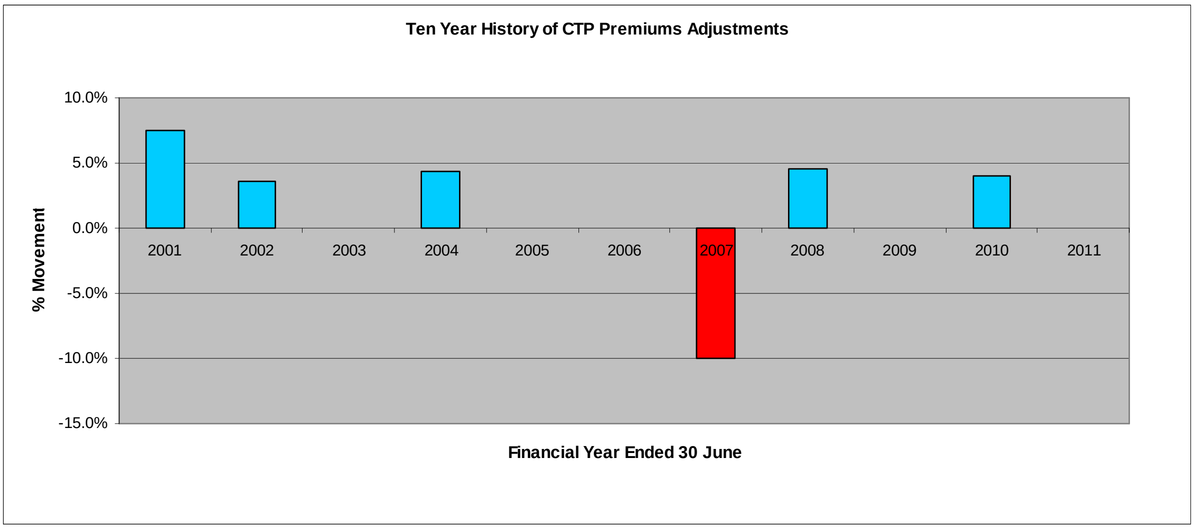
To view the Pricing Policy of CTP Insurance, refer to the Pricing Policies of Services Provided section (4.4.1) of this Annual Report.

The MVPI Division monitors and evaluates progress towards achieving its stated objectives by the use of Performance Indicators. The outcomes are reported in the Performance Indicators section of this Annual Report.

Premiums

Whilst the premium increase of 4% from 1 July 2009 was in line with inflation, this increase was primarily driven by the volatility of the investment markets over the preceding 12 months.

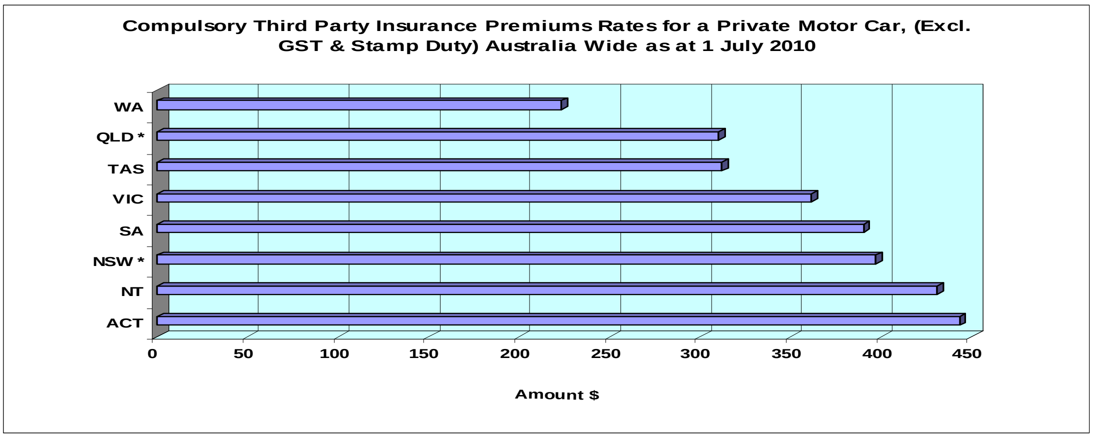
Ten Year History of Premium Adjustments



*(*2004 was a GST linked premium increase due to the end of transitional arrangements for CTP Insurance)*

In April 2010, the Treasurer approved the Board of Commissioners' recommendation not to vary the existing scale of premiums for the 2011 financial year, with volatility and uncertainty of the investment market going forward being a determining factor. This reinforces the Insurance Commission's position as the most affordable provider of CTP Insurance cover in Australia.

Compulsory Third Party Insurance Premium Rates for a Private Motor Car (Excl. GST) Australia-wide as at 1 July 2010



* Lowest Premium on offer amongst the private insurers operating in these States

Customers

Management of personal injury claims is the principal and most important element of the MVPI Division's operations. We remain focused on our efforts to continually improve the delivery and efficiency of our services to our customers and ensuring that the Western Australian CTP scheme provides fair and equitable compensation in a socially and economically responsible manner.

In October 2009, in collaboration with partner agencies, WA Police and Main Roads WA, the Insurance Commission fully implemented the 'On-line Crash Reporting Facility (OCRF)'. This one-stop, web-based facility allows the reporting of all motor vehicle crashes on-line, at users' convenience, thus improving accessibility, particularly for people living in regional and remote areas of Western Australia.

The system delivers:

- Improved customer service by providing a flexible and convenient one-stop reporting mechanism for motor vehicle crashes in WA;
- A simplified crash reporting mechanism through a context-sensitive, on-line facility;
- Improved accuracy and reliability of crash data whilst minimising duplication of effort by means of automated data capture and validation protocols;
- Enables real time sharing and exchange of motor vehicle crash data electronically with partner agencies (WA Police and Main Roads WA).

As well as providing a more efficient and customer focused means for reporting motor vehicle crashes, it is expected that over time, the improved reliability, accuracy and completeness of crash data delivered by this initiative will be of value to road safety strategies and initiatives in Western Australia.

Looking Ahead to 2011

The MVPI Division plans include:

- Maintaining focus on improving motor vehicle personal injury claims management systems and processes to deliver improved efficiencies and better customer service experience for our stakeholders. Our priority will be to implement technological solutions which take advantage of e-commerce and internet functionalities that enhance accessibility and utilisation of the scheme and promote a positive overall customer experience.

- An on-line service level survey facility is planned to be implemented early in the 2011 financial year. This initiative will provide a means for stakeholders to provide feedback on their experiences with the claims process, following the conclusion of a claim;

- Continuing on a comprehensive upgrade of our main business systems. This program of work is planned to take until 2013 to complete and is expected to deliver additional functionality by building on the imaging and workflow technology already embedded in the MVPI Division's operations;

- Efforts towards evaluating opportunities to expand the benefits provided under the existing CTP scheme and in particular, the concept of a no-fault, long-term care scheme which will ensure that a defined level of catastrophically injured motor vehicle crash victims receive the care and support they need, for the rest of their lives regardless of who is at fault for the crash;

- Working with the independent Actuary to determine how the models for evaluating outstanding claims liabilities might be more responsive to actual claims experience, thereby enabling corrective strategies to be developed in a more timely manner;

- Monitoring CTP Insurance schemes throughout the world to ensure best practice for all Western Australian motor vehicle owners;

- Maintaining support for road safety programs aimed at preventing crashes that result in personal injury or death.

2.4 RISKCOVER

Overview

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 Government of Western Australia adopted a Managed Fund approach to administer all insurable risks of its public authorities who are RiskCover Fund members (agencies) on a self-insurance basis. The RiskCover Fund is underwritten by the Crown and is managed by the Insurance Commission on behalf of the Government of Western Australia and its participating agencies.

RiskCover's assets are not owned by the Insurance Commission and are therefore not consolidated in its financial results. The investment assets of RiskCover are, however, included in the investment pool of the Insurance Commission and are represented by a Floating Rate Promissory Note. (Refer to Note 39 of the Financial Statements).

Objectives

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

Outcomes

RiskCover Fund Performance

The RiskCover Fund's result for 2010 of $10.3 million loss (2009: $30.8 million loss) was $13.7 million worse than budget.

This comprised of an underwriting loss of $46.6 million, which, was partially offset by a $36.3 million investment return.

The underwriting loss was $42.5 million worse than budget, primarily due to the $55.7 million over budget increase in net incurred claims. This however was partially offset by net premium revenue being $13.2 million better than budget. It should be noted, net premium revenue included a receipt of $17.3 million by way of a Premium Adjustment.

The Premium Adjustment reflects an increase in the estimated amounts of additional premiums which will need to be charged to certain client agencies in future years. Refer Note 39(b) for more detailed information on this year's Premium Adjustment.

Despite the RiskCover Fund remaining fully-funded with net assets of $39.6 million (2009: $49.9 million) it had insufficient Retained Earnings to maintain a 75% likelihood of adequacy with respect to the provision for outstanding claims. Refer Note 39 for more detailed information.

The Fund's strong performance in prior years has enabled RiskCover to refund $5.3 million of Performance Adjustments in respect of the Workers' Compensation and Motor Vehicle insurance classes in July 2009 to agencies with positive claims records.

RiskCover Service Delivery Model

RiskCover will only achieve its objectives through a collaborative approach that delivers a total coordinated service to its clients. RiskCover has a Service Delivery Model comprising the following areas:

Loss-prevention

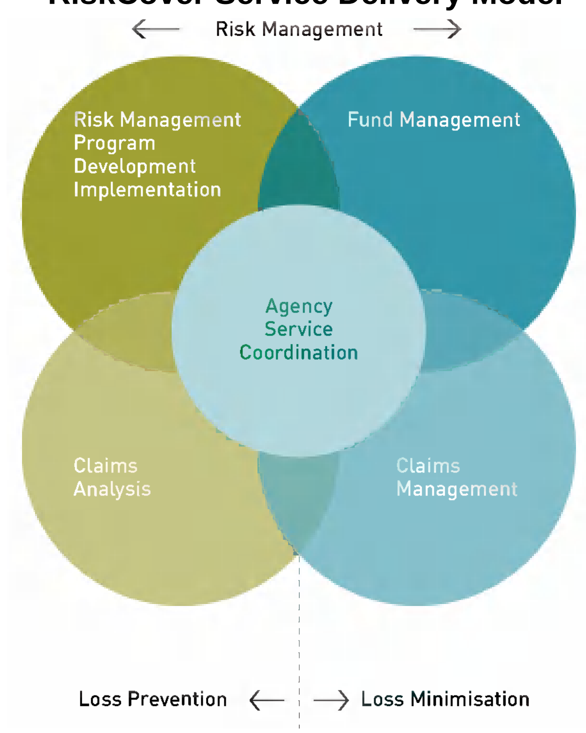
- Risk management program development and implementation
- Data-analysis

Loss-minimisation

- Claims management
- Fund management

All areas are equally important to the future success of the RiskCover Division and its clients. Each area is inter-dependent on the other. This inter-dependency is reflected in the RiskCover Service Delivery Model.

RiskCover Service Delivery Model



RiskCover's Service Delivery Model is supported by the following Service Delivery Strategies.

RiskCover Service Delivery Strategies

- Adopt a client-centric culture in the development and delivery of services;
- Ensure all services are targeted to client needs;
- Adopt consistent business processes to optimise service delivery;
- Build capability within agencies to achieve self-sufficiency in the management of their risks;
- Manage resources to achieve maximum value for the government and agencies; and
- Manage the RiskCover scheme structure to minimise the cost-of-risk to government.

Risk Management Services

Risk management practice across WA Government agencies has risen to a mature level, with most agencies incorporating risk-thinking into all aspects of their business. One of the key steps forward has been the use of risk information to help improve decision making at all levels within agencies.

Agencies are embracing a risk-aware culture, whereby they do not only identify risks, but also develop a thorough understanding of the risk issues and make conscious decisions regarding the amount of risk that is acceptable, commensurate with the services or initiatives they are delivering.

There has been increased Business Continuity Planning, with the majority of agencies now having a plan relevant to their business. Many of these plans are now being tested to ensure that they are appropriate for the continuity of key services.

RiskBase (a web-based risk recording and management tool developed by RiskCover) is in use across the majority of agencies, with over 2,000 individuals accessing and using the system. Users are finding RiskBase particularly useful for reporting on risks, and for the consolidation of risks across their operations.

Over the past twelve months RiskCover has provided an extensive training calendar including sessions on:

- Risk Management Fundamentals;
- Occupational Safety and Health Representative Training;
- Project / Contract Rules;
- Business Continuity - Information Technology Disaster Recovery;
- Business Continuity - Crisis Management;
- Business Continuity - Effective Testing;

- Government Risk Management Conference – ‘Managing Risk to achieve organisational objectives’.

The ‘Good Governance Framework’ produced by the Office of the Public Sector Standards Commissioner clearly links risk management into a sound governance framework for all agencies to follow.

Data-Analysis Services

Claims-data-analysis is an integral part of the risk management process. It helps to effectively identify across-government and agency-specific risks to help minimise the cost of these risks.

RiskCover provides claims and data-analyses across all classes of insurance cover types, both for overall Fund analysis and for individual WA Government agencies. RiskCover’s claims-analysis services during 2010, included:

- Analysis of Agencies with large Workers’ Compensation contributions and the relative impact on the RiskCover Fund. This is particularly relevant given the underperformance of a number of agencies arising from an unsustainable deterioration in claims experience;

- Automation of analyses to expedite identification of significant trends in claims data;

- Identification of major risk factors contributing to motor vehicle crashes involving the WA Government fleet;

- Analysis of Workers’ Compensation trends to assist individual agencies in making informed decisions about appropriate Occupational Safety and Health strategies to reduce claim frequency and cost.

Claims Services

Workers’ Compensation and Commercial claims management represents the largest part of RiskCover’s operations in volume of activity terms. RiskCover is focused on delivering quality, cost-efficient claims management in partnership with our client agencies.

Workers’ Compensation is the largest of RiskCover’s claims management portfolios. Considerable focus is given by RiskCover to provide a service that integrates injury prevention, injury management and claims management. Through proactive claims management and specialist injury management advice and training, RiskCover continues to promote the benefits of injury management to client agencies.

In addition to the regular training programs, work is done with individual agencies to tailor services to meet their specific needs. Some of the services to agencies introduced this year have included; injury management auditing, and development of line manager training programs. RiskCover also continues to enhance claims management processes to: better support agencies' injury management systems; improve return-to-work outcomes; and reduce claims costs.

Unfortunately, the implementation of good injury management practice has not progressed as quickly as expected within some agencies. This is reflected in their deteriorating claims experience and needs to be addressed as a priority during 2011.

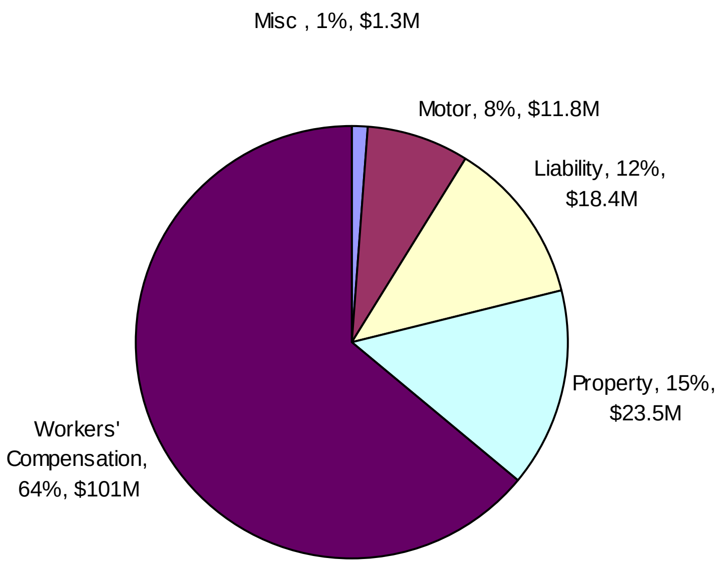
RiskCover continues to work closely with the Department of Commerce through the Public Sector Occupational Safety and Health (OSH) and Injury Management Initiative. The Initiative supports agencies to meet OSH reporting requirements and to comply with the *Code of Practice: Occupational Health and Safety in the Western Australian Public Sector 2007*.

RiskCover also manages a variety of Commercial claims, and claims for specialised schemes/funds, including; property and business interruption; general, professional and medical treatment liability; motor vehicle; personal accident; travel; industrial disease; Police (Medical and Other Expenses for Former Officers) scheme; Workers' Compensation Supplementation, and WorkCover WA General funds.

Commercial claims management ranges from minor to large loss situations; such as replacing/repairing damaged property; organising timely and quality repairs; defending and resolving liability actions for treatment liability; employment practices liability; port liability; asbestos liability; and major contractual damages disputes. As part of RiskCover's Commercial claims management service, a whole-of-State insurance response is provided in respect of WA Government risks; to catastrophic losses such as cyclones, bushfires and floods.

RiskCover's claims management service provides agencies with access to a wide range of expert claims management advice and external support, from RiskCover accredited assessing, loss adjusting and legal panels. RiskCover has extensive experience and expertise in managing claims to ensure that equitable and value for money outcomes are achieved by agencies.

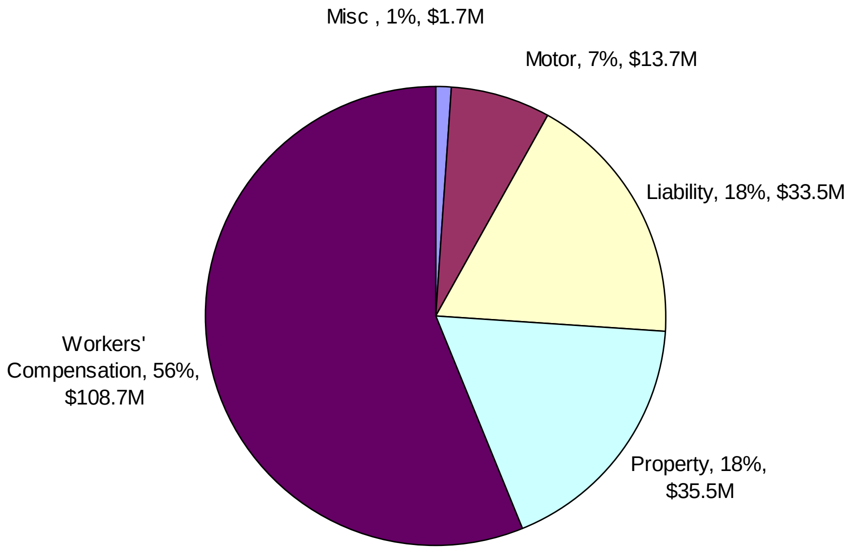
RiskCover Claim Payments by Insurable Risk for 2010



Claims payments in all classes except for the Property class were higher than projected. They were significantly higher than projected in the Motor and Workers' Compensation classes, with payments being 21.6% and 12.2% greater than expected respectively.

Fund Services

RiskCover Fund Contributions by Insurable Risk for 2010



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.

In support of these benefits, RiskCover currently has a Prudential Reserve of $39.6 million.

The Prudential Reserve is designed to protect the RiskCover Managed Fund against the impact of circumstances such as one-off large or catastrophic events, multiple large events in any one cover period, and events covered by the Fund for which reinsurance has not been obtained or is unobtainable. The RiskCover Managed Fund retains the first $20 million and $10 million respectively, for Property and Liability losses.

The reserve enables RiskCover to smooth the financial impact on Fund Members through future increased Fund Contributions, of costs resulting from the hail-storm which hit the South-West of Western Australia, particularly the Perth metropolitan area, on 22 March 2010. The financial cost of this event for agencies covered by the Fund, is currently estimated at $25 million. The cost of this event, to be borne by the Fund, and consequently, its member agencies, will be spread over a number of years.

To view RiskCover's Fund Contributions Pricing Policy, refer to the Pricing Policies of Services Provided section (4.4.1) of this Annual Report.

Looking Ahead to 2011

The RiskCover Division plans include:

- Continuing the work to replace its legacy insurance systems and introduce workflow, electronic information capture and contemporary e-business capabilities. This transformation project is focused on delivering improved service capabilities to Fund Members and other key stakeholders. The project is expected to be completed by 31 December 2012.

- Addressing the deterioration in workers' compensation claims performance to prevent further losses, and thereby arrest further erosion of RiskCover Fund equity and Prudential Reserve.

- The ongoing development of a new client service delivery methodology designed to meet agency needs;

- Continuing to work on expansion of the existing data-analysis capabilities;

- Maintaining risk consultancy services to agencies, working at Strategic, Operational and Project levels with a focus on business continuity planning;

- Continuing to roll out the web-version of RiskBase to agencies, the support of its ongoing use, and the implementation of further enhancements to better support agency reporting requirements; and

- The ongoing development of RiskCover's customer relationship management system, INTERACT. This continues on from the Training and Development module, implemented in 2010, to better target and meet the needs of agencies.

2.5 OTHER FUNDS AND BUSINESSES 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 rate was reduced to a flat charge of $100 per three-year policy period from 1 July 2003. Following a review of the financial performance of the Fund and projected future claims, WorkCover WA decided to maintain this premium rate for a further three years from 1 July 2009.

Insurance Commission General Fund (ICGF)

The claims paid from the ICGF 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. The run-off process has been prolonged because the claims that arise are asbestos-related.

Employers' Indemnity Supplementation Fund (EISF)

WorkCover WA manages the EISF, however the Insurance Commission has a statutory responsibility to process claims against this Fund which arise when an authorised workers' compensation insurer goes into liquidation. Liabilities under the EISF include asbestos and non-asbestos-related claims. The majority of current EISF liabilities arose from the collapse of the HIH Group of Companies (HIH) in March 2001. The EISF levies ongoing workers' compensation policyholders to fund EISF liabilities.

CGU Workers' Compensation Claims, an Insurance Australia Group (IAG) company, manages all claims in relation to the collapse of HIH on behalf of the Insurance Commission in consequence of an agreement with the HIH liquidator. In discharging its statutory obligations, the RiskCover Division continues to provide an important supervisory role in the management of ongoing claims and it is expected that this role will continue for a number of years. WorkCover WA reimburses the Insurance Commission for all payments and expenses incurred in respect of the management of EISF claims.

Government Insurance Fund (GIF)

The GIF is a consolidation of the State Government's superseded 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 the GIF are reported in the Insurance Commission's Financial Statements; however, the Insurance Commission is indemnified by the Government of Western Australia for any liabilities arising in the GIF. The highest component of outstanding claims liabilities arises from asbestos exposure to public sector workers.

Community Insurance Fund (CIF)

The CIF provided eligible incorporated not-for-profit community organisations based in Western Australia with 'affordable' insurance cover, particularly public liability cover. The CIF which was underwritten by the Government of Western Australia was managed by the Insurance Commission's RiskCover Division. The CIF ceased operations on 31 January 2009. The run-off of any claim liabilities that may arise from claims lodged in the future, will be managed by the RiskCover Division.

Former Police Officers' Medical Benefit Scheme

The *Police (Former Officers' Medical and Other Expenses) Act 2008* created entitlement to post-separation medical and other expenses benefits for former Police Officers and Aboriginal Liaison Officers who have left the Western Australian Police and had sustained a work related injury or disease.

The Police Commissioner is liable for the medical and other expenses incurred, and the Insurance Commission has been appointed to manage claims on behalf of the Western Australian Police for a period of three years from the commencement of the scheme on 1 July 2009.

State Government Insurance Corporation

The RiskCover Division is responsible for managing the run-off business in relation to the State Government Insurance Corporation which is a wholly-owned subsidiary of the Insurance Commission. The Corporation remains in existence mainly to run-off small lines of Australian and overseas inwards reinsurance business it wrote between 1988 and 1992.

2.6 SPECIAL INVESTIGATIONS

Overview

The methodical review of information by the Special Investigation Division (SID) analytical cell is supported by internal information systems and information in the public domain together with services contracted from legal and investigative entities (agents). Primary areas of focus are incoming motor vehicle personal injury and workers' compensation claims, where it is apparent that there are indications of misrepresentations of fact. The SID analytical process also focuses upon inequalities in billing patterns of providers of medical and allied services.

Where the analytical process identifies elements of suspected fraud or over servicing, SID determines whether further investigation is warranted. All matters analytically processed are entered into an investigations case management system and monitored throughout their course.

Investigations are concluded by:

- Production of assembled evidence to support a claim settlement;
- Production of a brief of evidence supporting a criminal prosecution;
- A recommendation of no further action.

Factual based inquiries are also undertaken to assist Divisions in determining claims liabilities.

On behalf of the business divisions, investigations are conducted to locate parties associated with claims where a right of recovery exists. These investigations facilitate equitable settlements and assist in the recovery of costs arising through breaches of warranty.

The SID is responsible for managing the contracts and performance of 22 firms of loss adjusters and private investigators.

The Manager Special Investigations is responsible for liaison with the Corruption and Crime Commission and notifications of all reportable matters falling within the scope of the *Corruption and Crime Commission Act 2003*. Additionally, he is one of the Insurance Commission’s two designated Public Interest Disclosure Officers tasked with reporting and monitoring responsibilities in accordance with the *Public Interest Disclosure Act 2003.*

Objective

Provision of an asset protection service to the Insurance Commission, principally involving the prevention, identification, investigation and prosecution of suspected fraud and kindred matters on behalf of the Motor Vehicle Personal Injury and RiskCover Divisions.

Outcomes

A commitment to substantially increase the level of proactively structured inquiries was maintained throughout the year. Introduction of a predominantly proactive outlook has delivered excellent outcomes.

An initiative to establish a centralised systems-based information repository of suspected fraudulent claims was pursued. An on-line reporting capability servicing both the external (Internet) and internal (intranet) environments has been established.

Some specification development work was undertaken towards installing electronic fraud detection capabilities within RiskCover's systems upgrade.

Investigative audits into medical and allied service providers were conducted utilising SID's analytical and investigative components.

SID's analysts reviewed six hundred and forty one (641) contentious RiskCover and MVPI Division claims. One hundred and sixty four (164) matters were subjected to formal investigation. As a result, analytical and investigative practices yielded claims savings of over two million dollars. This represents more than an 80% increase on the previous year.

Inquiries conducted into several potentially high value claims successfully concluded during the year will likely afford further substantial claims savings upon settlement during the course of the next reporting period.

Additionally, one hundred and fifty two (152) investigations to facilitate debt recoveries from negligent parties arising from RiskCover claims were conducted. The potential value of such recoveries totalled $1.03 million.

Five briefs of evidence alleging suspected fraud relating to two RiskCover and three MVPI claims were referred to the WA Police Major Fraud Squad.

Medical service provider audits detected over-servicing and errors by three providers, including an incident where $70,000 was recovered from one entity. A further $65,000 related to misrepresented accounts of two providers was identified by SID's analytical cell. Recovery action is currently being pursued.

2.7 INVESTMENTS

Overview

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. In setting our investment strategy, we continue to focus on achieving consistent, long-term positive returns that exceed benchmark, balanced with reducing the overall level of volatility of investment returns.

The Insurance Commission's Board determines investment strategy, investment manager appointments and other key investment portfolio construction issues including strategic and tactical asset allocation. The Board consults with our independent investment consultant, JANA Investment Advisers (JANA) and receives input from the Investments Division.

Our investment manager configuration is achieved through a combination of external and internal management of assets. The Treasurer of Western Australia approves external investment manager appointments.

The Prudential Guidelines for Investments (Guidelines) approved by the Treasurer of Western Australia are the guiding principles followed by the Board in managing the Insurance Commission's investment assets. The Guidelines are regularly reviewed and updated and can be viewed on the Insurance Commission's website www.icwa.wa.gov.au.

Objectives

- To optimise investment returns, without incurring additional risk, through diversification of both investment assets and managers;
- Achieve a rate of return for each asset class that:
  - Is focused on maintaining a long-term absolute return overall; and
  - Exceeds the relevant performance benchmark.

Outcomes

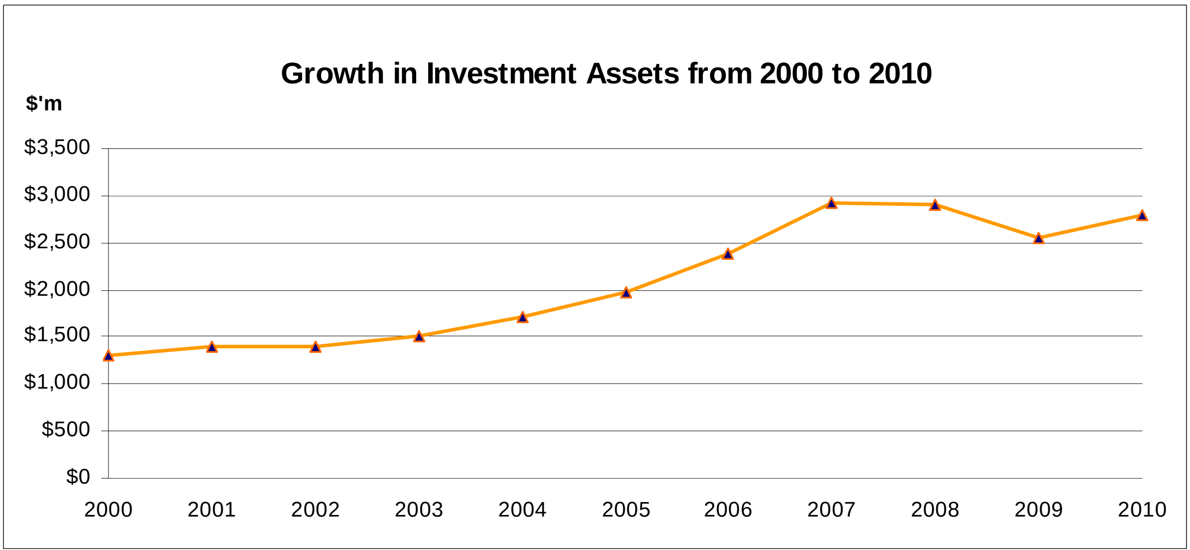
Asset Liability Assessment

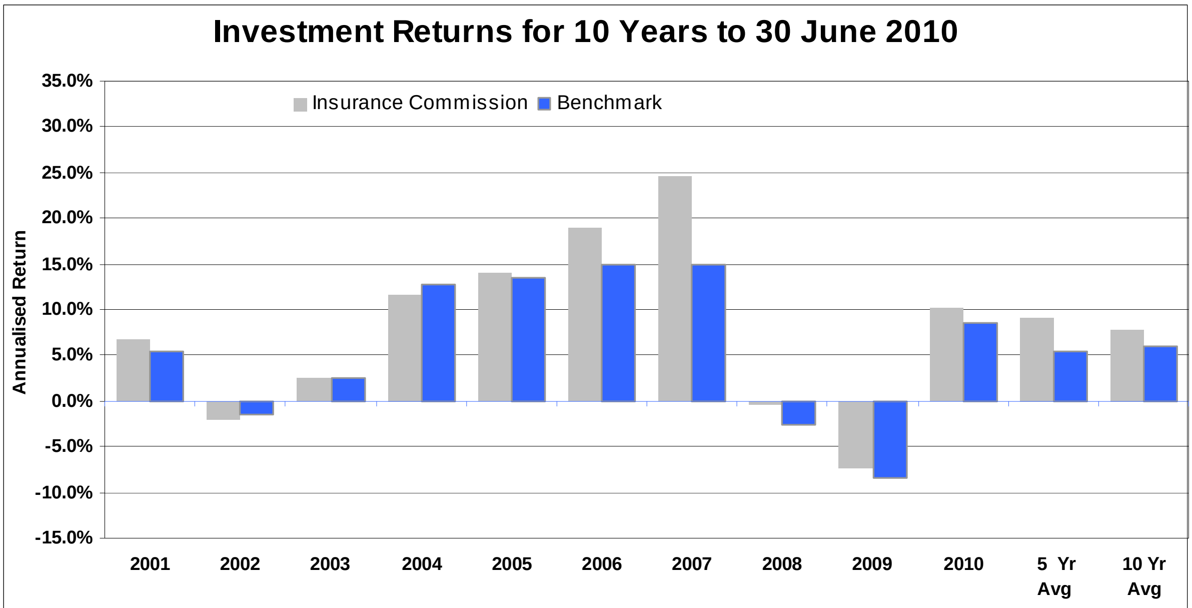
A formal asset liability assessment was undertaken by JANA in November 2009. In their report to the Board, JANA concluded that *"the overall review of the asset liability position of the Insurance Commission provides a very positive assessment of the current and expected future standing of the business and its investments".* Furthermore, JANA noted *"the level of consistent investment out-performance resulting from active asset allocation and active asset class management has further strengthened the long-term financial position of the Insurance Commission and has built-in a buffer to short-term investment volatility. This has enabled the Insurance Commission to maintain a long-term view on investments and to structure its asset* *allocation with a higher level of exposure to growth assets than would be the case for most traditional insurers. In turn this has been to the ultimate benefit to the underlying stakeholders, the State Government and to the community."*

The Board endorsed the JANA asset liability assessment and is committed to continuing to invest the Insurance Commission's assets to achieve an investment performance target of CPI +3.5% over the long-term.

Insurance Commission Investment Performance (10.1% Gross Portfolio Return)

The Insurance Commission's diversified investment portfolio delivered a gross (before fees and expenses) return of 10.1% for the financial year which equated to out-performance of the total portfolio benchmark by 1.6%. The return net of fees and expenses for the year was 9.6%. This confirms that the Insurance Commission's long term focused investment strategy continues to deliver solid results as shown in the chart below.





All asset classes represented in the Insurance Commission investment portfolio delivered a positive return for the financial year. A brief commentary on each asset class follows.

Australian Shares (12.0% return)

The Australian share market staged a reasonable recovery over the past financial year, primarily driven by the rise in resource and banking stocks. Although the Insurance Commission's managers found the investment environment challenging, the volatility encountered during the course of the financial year nonetheless provided some selective opportunities. The Australian Shares Portfolio under-performed its underlying benchmark by 1.0%.

Global Shares (21.1% return)

The Global Shares component of the Portfolio produced a solid return for the financial year assisted by significant out-performance from two of its underlying managers. In addition, the return was enhanced by the exposure to emerging market shares and the impact of a higher Australian dollar on the Insurance Commission's Global Shares hedging strategy.

Property (4.3% return)

The Property Portfolio recorded a 4.3% return, out-performing its underlying benchmark by 0.8%. The Perth commercial property market is experiencing an upward move in vacancy rates while capitalisation rates for retail property nationally have tended to be flat. The performance slowdown of the Property Portfolio comes after several years of strong returns and is not unexpected. A robust income stream is being received from investments in the Property Portfolio.

Fixed Interest (9.9% return)

For the third consecutive financial year the Fixed Interest component of the Portfolio (Australian Fixed Interest, Global Fixed Interest and Inflation Linked Bonds) provided a solid contribution to the overall Portfolio return. In so doing it also out-performed its underlying benchmark by a substantial margin which was a pleasing outcome given the mostly defensive nature of this asset class.

Alternative Assets (8.2% return)

Despite delivering a positive return for the financial year, the Alternative Assets component of the Portfolio under-performed its benchmark by 0.7%. Exposure to a multi-strategy hedge fund produced a positive return which while below benchmark, was an acceptable outcome given the defensive nature of the funds investments. The European infrastructure investment delivered an outright return of 10.4% for the financial year, marginally below its benchmark.

Cash (4.7% return)

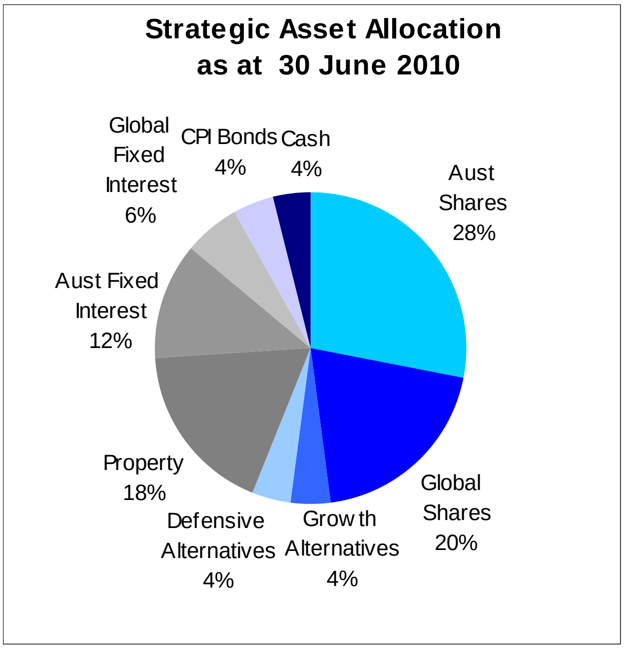
Returns from the Cash Portfolio progressively increased over the course of the financial year in line with increases in the official cash rate. Over the financial year, the Insurance Commission increased its strategic weighting to cash as a defensive investment measure and to provide for any unforeseen liquidity requirements of the insurance business.

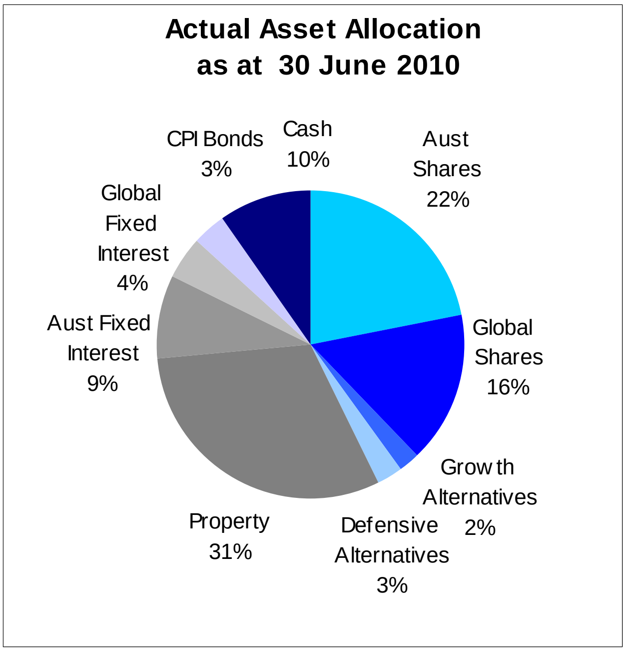
Currency Hedge for Global Shares

The Insurance Commission passively hedges 100% of the $US exposure to its Global long/short Equities Portfolio and 50% of the balance of the Global Shares Portfolio, excluding emerging markets. The performance of the currency hedge has varied considerably in recent years with the pronounced volatility in the Australian dollar. For the 2010 financial year the appreciation in the Australian dollar resulted in a gain of $28.9 million from the currency hedge. This added 3.9% to the return of the Global Shares Portfolio.

Asset Allocation

The long-term Strategic Asset Allocation of the Investment Portfolio was formally reviewed by the Board of Commissioners with the assistance of JANA as part of its asset liability assessment in November 2009. There were no changes to the Strategic Asset Allocation with the neutral allocations to Growth and Defensive Assets remaining at 70% and 30% respectively. The actual Asset Allocation split as at 30 June 2010 between Growth and Defensive Assets was 70.9% / 29.1%. The departure from the neutral strategic allocation reflects a medium term tactical decision taken by the Board to further develop two key properties within the internally managed Property Portfolio combined with the decision to take a more conservative approach to investing during the current period of financial market volatility.





Investment Manager Changes

There were three changes to the Investment Manager line-up during the financial year. MIR Investment Management was appointed to manage a specialist Asia ex Japan Shares Mandate. Hyperion Asset Management was appointed to replace BlackRock Investment Management as an Australian Shares Manager. In addition, assets managed by Mondrian Investment Partners (International Bonds and Credit) were redeemed and transferred to an internally managed Fixed Interest Portfolio containing Australian Bank Term Deposits as part of a tactical asset allocation decision.

Environment, Social and Governance Factors

The Insurance Commission places considerable importance on its Environmental, Social and Governance (ESG) investment responsibilities. To ensure that such responsibilities are being effectively discharged, the Board has in place an ESG monitoring process for its appointed Managers. Bi-annual review meetings conducted over the past year have confirmed that appointed Managers are appropriately dealing with such matters as they arise. While it is apparent there are differences in methodology between individual Managers, the Board is confident that the current suite of Managers have demonstrated sufficient consideration of ESG factors and the consequent impact on investment risk and return.

Investing in the Western Australian Economy

The Insurance Commission remains committed to investing in the WA economy through its direct property holdings. During 2010, the Insurance Commission invested a further $60 million through its development of an 11 storey office tower, Westralia Plaza, located at 167 St George's Terrace, Perth. In designing this building, the Insurance Commission was mindful of the need to provide an enhanced walkway plaza from the Esplanade bus port through Westralia Square to St George's Terrace for the community. Upon completion, expected in the September quarter 2010, this office building will provide an additional quality property asset within the Insurance Commission's Property Portfolio.

The Insurance Commission has commenced a further investment in the WA economy through its decision to proceed with the Stage 2 development of its retail property investment, The Shops At Ellenbrook. In undertaking this development, the Insurance Commission has brought forward, by two years, its commitment to developing the Ellenbrook community and will invest around $50 million over the 15 month construction period. Upon completion in 2011, the Stage 2 development will provide an additional 20,000m² of shopping and create a further 1,000 jobs within the Ellenbrook community.

Artist's impression of the completed North Entrance to The Shops At Ellenbrook Stage 2

2.8 COMMUNITY FOCUS

The Insurance Commission, through one of its statutory functions, is able to provide financial support for programs that relate to the insurances it provides.

Section 6(e) of the *Insurance Commission of Western Australia Act 1986* provides us with the capability to fund a number of partnerships and programs within the community.

2.8.1 Road Safety Partnerships

The Insurance Commission is fully committed to the Western Australian Road Safety strategy, *Towards Zero.* In partnership with the Office of Road Safety, annual funding towards road safety programs is a key risk management strategy to assist the control of Motor Vehicle Third Party Personal Injury Insurance claim costs.

In November 2009, after almost 13 years, the Managing Director stepped down as the Insurance Commission's statutory Member of the Road Safety Council of WA. Mr Lew Watts, General Manager Insurance, commenced his appointment to the Road Safety Council in January 2010.

For the 2010 year, the Insurance Commission committed $3.23 million for road safety programs in partnership with the Office of Road Safety, of which $3.17 million was expensed in the year.

Some of the programs funded by the Insurance Commission include:

- *RoadTrip120,* the State's Supervised Driving Benefits Community Education

- The *Belt Up Sports Sponsorship* promotes the 'Belt Up' message through the football community throughout rural and regional Western Australia and at the State's league elite level. This sponsorship received $485,000 funding in 2010.

All figures quoted in this section, are exclusive of GST.

2.8.2 Medical Research Into Mesothelioma

The Insurance Commission has a long term commitment to medical research into mesothelioma (an asbestos-related disease) as this research is relevant to the Compensation (Industrial Diseases) Fund, managed by the RiskCover Division.

In 2010, $324,279 (excluding GST) was committed to the Foundation for Advanced Medical Research and The University of Western Australia, as part of the final year of a four-year funding commitment for research into mesothelioma.

A new three year Funding arrangement has been agreed.

Professor Bruce Robinson and his team at the Department of Medicine at Sir Charles Gairdner Hospital undertake this important research. An independent peer review of the research carried out in 2010 confirmed the work being undertaken by Professor Robinson and his team is unique and the core work is both internationally competitive and is not being replicated elsewhere.

The research is still seen to fit within its original scope and has taken a natural and logical progression over the past four years of funding. The focus of the research is narrowing and is progressing well.

2.8.3 WA Miners' Database

In December 2009, the Board of Commissioners approved a funding request for a project that would help to preserve historic deteriorating chest x-rays and associated information pertaining to mine workers in a form which will make it available for the future and which will be of importance to future research and claims relating to respiratory diseases.

In partnership with the Department of Respiratory Medicine at Sir Charles Gairdner Hospital, the Insurance Commission committed $600,000 (excluding GST) to this important cause in the 2010 financial year. The Project is expected to be completed in early 2011.

2.9 COMPLAINTS MANAGEMENT

The Insurance Commission is committed to providing the Western Australian community with high quality service. In order to ensure this, with the assistance of those who provide feedback, we aim to provide fair, equitable and timely resolution of complaints.

In 2010, a total of nine complaints were received through the complaints system. All complaints were satisfactorily dealt with within the timeframes prescribed.

2.9.1 Complaints Policy

A Complaints Policy is in place which establishes procedures for the effective management and resolution of complaints from clients and members of the public.

The complete Policy is available from our website under ‘Complaints’.

2.9.2 Complaints System

The Insurance Commission has a customised and computerised Complaints System to ensure that complaints are captured and dealt with efficiently.

A brochure available from our website provides easy to follow steps on how an individual can lodge a complaint.

Alternatively, complaints can also be made by telephone, in person, in writing or by fax.

3.0 SIGNIFICANT ISSUES IMPACTING THE AGENCY

3.1 CHANGES IN WRITTEN LAW

The *Police (Former Officers’ Medical and Other Expenses) Act 2008* created entitlement to post-separation medical and other expense benefits for former Police Officers and Aboriginal Police Liaison Officers who have left the WA Police and had sustained a work-related injury or disease.

The Police Commissioner is liable for the medical and other expenses incurred, and the Insurance Commission has been appointed to manage claims on behalf of the WA Police for a period of three years from the commencement of the scheme on 1 July 2009.

3.2 SECURING OUR FUTURE WORKFORCE

Throughout the economic and financial challenges of the past year, the Insurance Commission maintained a focus on being ‘A Great Place to Work’.

By taking a long-term view of human resource strategy we continued our level of investment in retaining our valued employees and attracting the new talent we need now, and into the future, to minimise the negative impacts of economic cycles.

Workforce planning continues to highlight that an aging workforce, increasing stakeholder expectations and the need to resource a range of business modernisation initiatives remain our major drivers of demand for skilled and experienced employees.

Our major supply challenges include continually examining the Insurance Commission’s value proposition to current and prospective employees, as a Government Business Enterprise, to ensure we remain competitive in a labour market that is reducing in size and continues to tighten with improved economic conditions, particularly in Western Australia.

Our major risk mitigation responses to address these challenges included:

- Shaping and promoting a values-based organisational culture with a strong emphasis on positive working relationships;
- Knowledge management strategies for critical roles including the creation of specialist positions to facilitate knowledge transfer and retention of organisational knowledge during generational change;
- The development and implementation of a phased retirement policy for senior employees to facilitate the planned transition to retirement while managing structured succession and knowledge transfer;
- Active local recruitment, training and development of Graduates, Claims Officer Trainees and Office Trainees;
- Establishing the organisation’s employment brand in appropriate overseas labour markets through our participation in Employment Expos sponsored by State and Federal Governments; and
- Approval by the Department of Immigration and Citizenship of our business case for a labour agreement to employ a specified number of experienced overseas insurance claims specialists to bolster experience levels.

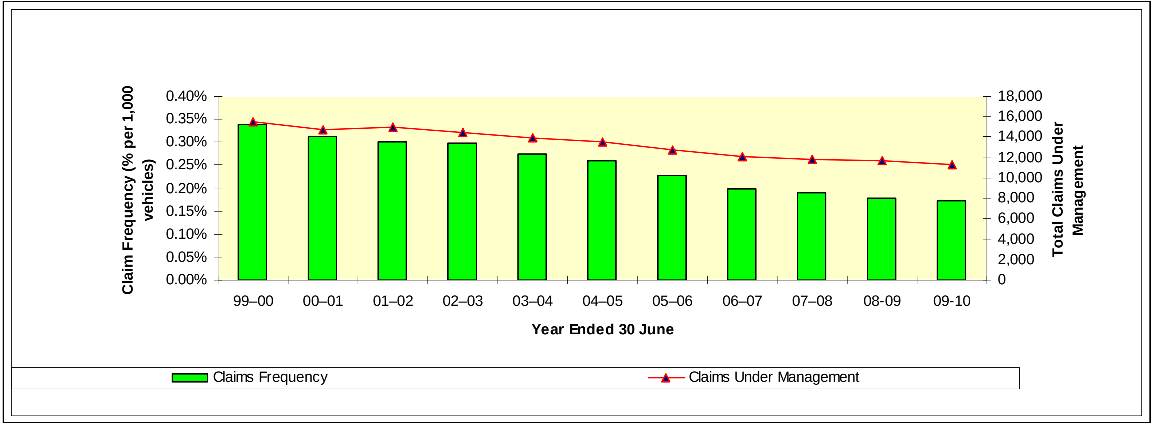
An independently administered annual Employee Perception Survey confirms we are on track with our goal to be a ‘A Great Place to Work’.

Our net employee engagement score in 2010 was 31% (18% in 2009) compared to the national Finance Sector score of 25% and we continue to invest in strategies for continuous improvement.

3.3 MOTOR VEHICLE PERSONAL INJURY CLAIM TRENDS

The reducing claims frequency trend experienced over the past 16 years continues, with a total of 4,036 new claims received in 2010, which is marginally lower than the number for the preceding year (4,078). A continued strong focus on road safety and crash-prevention initiatives, safer cars, and better roads, are some of the recognised factors influencing this positive, long-running, downward trend.

CLAIMS FREQUENCY AND CLAIMS UNDER MANAGEMENT



3.4 RISKCOVER RISK MANAGEMENT AND CLAIM TRENDS

Workers' Compensation claims costs within the RiskCover Fund have continued to increase over the past 12 months. This trend is in part attributable to the ongoing impact of the amendments made to the *Workers' Compensation and Injury Management Act 1981* in November 2004, and an increase in the RiskCover Fund's real exposure, measured in terms of total declared wages.

RiskCover has been assisting agencies to embed a risk management culture into their business over several years. There is continuous growth in the use of risk management techniques by agencies to help manage successful outcomes. Many agencies are realising the benefits of having a clear understanding of their risk issues and using the risk information to inform their decision-making. RiskCover will continue to work with agencies to integrate risk management into management practices. Project and contract risk management is an area where demand for RiskCover's services continues to grow.

3.5 BELL RECOVERY ACTION

Final judgment in the Supreme Court Action instituted by the Court-appointed Liquidators to the failed Bond Corporation conglomerate was handed down on 30 April 2009 with the Liquidators being successful in obtaining orders for recovery of in excess of $1.6 billion from a syndicate of 20 banks led by Westpac Banking Corporation and Lloyds Bank plc of London. The Judgment in the Bell Recovery Action is currently the subject of appeal processes.

The Insurance Commission, as an indemnifying creditor, continues to provide financial support to the Bell Group Liquidators in their recovery efforts on behalf of all creditors.

In order to minimise the impact of financing the Bell Group Liquidators, an insurance program was put in place prior to the commencement of the Supreme Court trial and this remains in place. During the year to 30 June 2010, the Insurance Commission advanced a further $16.8 million (2009: $11.6 million) to fund the prosecution by the Bell Group Liquidators of their claim against the Banks.

4.0 DISCLOSURES AND LEGAL COMPLIANCE

4.1 FINANCIAL STATEMENTS

Refer to the separate Financial Statements section of this Annual Report.

4.2 KEY PERFORMANCE INDICATORS

Refer to the separate Key Performance Indicators section of this Annual Report.

4.3 MINISTERIAL DIRECTIVES

Section 10 of the *Insurance Commission of Western Australia Act 1986* empowers the Minister responsible for the Insurance Commission 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.

The Insurance Commission did not receive any ministerial directives during 2010.

4.4 OTHER FINANCIAL DISCLOSURES

4.4.1 Pricing Policies of Services Provided

Pricing Policy of CTP Insurance (Motor Vehicle Personal Injuries)

To comply with Section 3T of the *Motor Vehicle (Third Party Insurance) Act 1943,* the Insurance Commission is required to, at least once in each financial year, make an assessment of the extent to which the premium revenue, together with other income expected to be received, will be sufficient to meet the claims, costs and other expenses anticipated to arise or be incurred.

In making this assessment, an independent actuarial report is considered, together with any accumulated surplus or deficit existing in the Third Party Insurance Fund. Following this process, should a change in the Schedule of Premiums be required, the Board of Commissioners makes a recommendation to our Minister, the Treasurer (for the Schedule of Premiums, refer to the Government Gazette, 12 May 2009, No 80; Reference IT402 on pages 1543 - 1546).

RiskCover Fund Contributions 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 premiums are:

- Equity for all public authorities;
- Transparency in the Fund Contributions 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. The RiskCover Fund is also excluded from the National Taxation Equivalent Regime.

4.4.2 Capital Works

Major Capital Projects Completed

Phase II of the 'On-line Crash Reporting Facility (OCRF)' was implemented in October 2009. This one-stop, web-based facility allows the reporting of all motor vehicle crashes on-line, at users' convenience, thus improving accessibility, particularly for people living in regional and remote areas of Western Australia.

Major Capital Projects Incomplete

Work has begun on the One4All project, which is a comprehensive upgrade of the MVPI Division's main business systems. This program of work is planned to take until 2013 to complete and is expected to deliver additional functionality by building on the imaging and workflow technology already embedded in the MVPI Division.

A project to replace RiskCover's legacy insurance systems and introduce workflow, electronic information capture and contemporary e-business capabilities has commenced. The RiskCover Insurance System Evolution (RISE) Project is a business transformation project focused on delivering improved service capabilities to RiskCover Fund Members and other key stakeholders, and efficiency designed to help reduce the insurable cost of risk to the WA Government. The RISE Project is expected to be completed by 31 December 2012.

Investment Property Capital Projects that were incomplete as at 30 June 2010 are shown below:

Property	Estimated Completion Date	Outstanding Cost	Total Estimated Cost
Westralia Plaza	September Quarter 2010	$ 4.1 million	$ 66.8 million
Ellenbrook Tavern	October 2010	$ 4.0 million	$ 7.2 million
Ellenbrook Stage 2	March 2011	$ 31.9 million	$ 50.5 million

4.4.3 Employment and Industrial Relations

The Insurance Commission's General Agreement expires in April 2011. In accordance with State Government Policy, the Insurance Commission currently remains subject to the State Industrial Relations jurisdiction.

Profile of our Workforce

Our goal is for the profile of our workforce to be relevant to the diverse community we serve.

Our youngest employee is 18 years and our eldest employees are 68 years of age. The average age of our employees is 40 years. Fifty-four per cent of our employees are female and forty-six per cent are male. 3% of our employees report a disability and 16% are from non-English speaking backgrounds. In 2011, we aim to improve the retention rate of Indigenous trainees as they transition from trainee to full time employment.

Generational change continues to adversely impact our levels of experience with our average length of service falling to 12.8 years (compared to 13.3 years in 2006).

Our workforce has grown to meet the demands of our stakeholders and to resource major business improvement initiatives.

Employee Profile	**2009**	**(FTE)**	**2010**	**(FTE)**
Permanent Full-Time	285	(285)	289	(289)
Permanent Part-Time	52	(26.5)	53	(29.7)
Fixed Term Full-Time	21	(21)	27	(27)
Fixed Term Part-Time	4	(2.7)	1	(0.6)
Casual	0	(0)	0	(0)
Seconded Out	0	(0)	0	(0)
Totals	**362**	**(335.2)**	**370**	**(346.3)**

Full-time equivalents shown in brackets.

Recognition and Reward Program

Our Recognition and Reward Program is designed to recognise the significant contribution of individual employees and teams who demonstrate our Core Values in the achievement of our business objectives. The formal Employee of the Month, Employee of the Year and Team of the Year Awards, are supplemented by an informal reward system which promotes broader recognition throughout the year.

The Insurance Commission also recognises the contribution of our long serving employees. This year, a number of employees have celebrated significant milestones in their service with the Insurance Commission.

In 2010, the Insurance Commission acknowledged the significant milestone of the Managing Director, Vic Evans, who in May, achieved 50 years of service with the organisation, of which 17 years has been as Managing Director.

Peter Baker, Steven Bradford, Adele Cocks, Brad Galvin, Jo Gatto, Debbie Gloster, Peter McKelvie, Irini Sideris and Rob Tregoweth all celebrated 30 years of service, and Paul Crawford, Joe Fisher, Pam Kerrison, Lilly Lockhart, Peter Rowland and Lew Watts celebrated 35 years of service.

Enabling our Future Workforce

We continued our investment in employee development programs that support the Insurance Commission's business objectives and reflect our Core Values.

Our learning and development strategies equip our employees with the skills and leadership capabilities to perform their current role, and to develop their capabilities for future career advancement in a changing environment.
Key outcomes for the year included:

- Tangible commitment to developing our people reflected in average training investment per employee of $2,298;
- On average, each employee participated in 18 hours training and development;
- Our Performance Management Development System (PMDS) was revised including the simplification of PMDS documentation, and enhancement of the PMDS HR-Online Web Kiosk to improve functionality for managers/supervisors and employees. Workshops were conducted emphasising the importance of giving and receiving open feedback with a renewed focus on agreeing to clear performance outcomes;
- In partnership with DeakinPrime, a subsidiary of Deakin University the Insurance Commission launched the Career Development Framework (CDF) for employees of ICWA's business divisions which allows employees to manage their own career development.
    - The CDF encompasses four distinct components:
        - Capabilities required of each role;
        - Career Pathways;
        - Training and Development Maps; and
        - Professional and Educational Pathways.
- The development of a Business Analyst Capabilities Strategy to support the Insurance Commission's Information and Communication Technology (ICT) Strategic Plan. This strategy identifies the skill, experience and knowledge requirements of our employees in Business Analyst and related roles and delivers a structured development program to 'close the gap';
- A restructured Corporate Induction Program to improve engagement with new employees in the critical early stages of their career;
- Continued financial and other support to employees to obtain academic and professional qualifications relevant to our business needs;
- Structured on-the-job training programs for Claims and Injury Service Trainees of our two business divisions, MVPI and RiskCover; and
- Continuation of our accredited professional and technical programs for Claims and Injury Service Officers.

Equal Employment Opportunity Outcomes

(*Equal Opportunity Act 1984*, Section 146)

Our Equity and Diversity Plan 2010–2012 aims to further enhance our:

- Workplace culture to promote diversity, our Core Values, support work/life balance and aim to ensure our workplace remains free of bullying and any form of harassment;
- Workplace profile, particularly Indigenous Australians and youth;
- Responses to generational change, as an increasing proportion of our most experienced employees are either approaching or have already passed the minimum statutory retirement age; and
- Employment practices and conditions to ensure they are appropriate to the commercial needs of a substantial Western Australian Government Business Enterprise.

Additionally, the Insurance Commission was engaged in providing structured workplace learning placements for young people in association with various schools and provides employment for youth through our traineeship program.

We arranged financial planning workshops to assist our mature age employees prepare for retirement.

For 2011-2012, the focus will be:

- Researching programs and initiatives for the attraction and retention of each generational group and all other diversity groups;
- Reviewing training and development opportunities to ensure they are equally accessed by, and responsive to, the needs of a diverse workforce;
- Progressively reviewing our HR policies and practices including Recruitment, Selection and Appointment, Employee Development and Conditions of Service to identify and remove any un-intended and unlawful discriminatory practices; and
- Developing and implementing a range of strategies to achieve a diverse workforce profile consistent with our own goals and government objectives.

4.4.4 Financial Administration

A Financial Management Manual is maintained in accordance with Section 44 of the *Financial Management Act 2006*. A Financial Delegations and Authorisations Manual, which records the Board's delegation of powers, obligations and duties, is also maintained.

4.4.5 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 made to the Board to seek independent professional advice would be a matter for them to consider at the time in light of the specific circumstances.

4.4.6 Internal Audit

The Insurance Commission's Internal Audit Service is undertaken by an external contractor. This provides the Board with an independent appraisal of the operation and effectiveness of systems and controls, and assists the Board in discharging its responsibilities under the *Financial Management Act 2006* and relevant Treasurer's Instructions.

The Audit assesses financial and administrative control systems and seeks to improve 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 2010, the Audit and Accounts Committee considered various Internal Audit reports covering all areas of the Insurance Commission's operations.

4.5 GOVERNANCE DISCLOSURES

4.5.1 Enabling Legislation

The Insurance Commission was established as a statutory authority under Section 4 of the *Insurance Commission of Western Australia Act 1986* and operates in accordance with this Act.

As an organisation, we are also administered in accordance with the *Motor Vehicle (Third Party Insurance) Act 1943.*

4.5.2 Compliance with other State and Commonwealth Legislation and Regulations

The Insurance Commission ensures that all legislation and regulations which impact upon our activities is adhered to.

4.5.3 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 2010, there were no disclosures of pecuniary interest by Commissioners.

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

4.5.4 Shares Held by Senior Officers

The Insurance Commission is not a private or publicly listed company with share capital and therefore does not issue shares.

4.6 OTHER LEGAL REQUIREMENTS

4.6.1 Advertising – Statement of Expenditure

The Insurance Commission incurred the following expenditure in advertising, market research, polling, direct mail and media advertising. All amounts are inclusive of GST:

Expenditure with Advertising Agencies:	
Department of Premier and Cabinet	$698
Gerald Daniels Australia Pty Ltd	$16,500
Adcorp Australia Ltd	$24,699
Marketforce Communications	$43,230
Media Decisions WA	$161,507
	$246,634
Expenditure with Market Research Agencies:	
Bowra Nominees Pty Ltd	$880
Quantum Management Indicators	$16,397
Uffindellwest	$19,106
Data Analysis Australia Pty Ltd	$60,741
	$97,124
Expenditure with Polling Agencies:	**Nil**
Expenditure with Direct Mail Agencies:	
Salmat BusinessForce Pty Ltd	$2,773
Snap Printing Subiaco	$3,155
Impact Communications	$3,906
	$9,834

Expenditure with Media Advertising Agencies:	
RAC Motoring	$6,215
	$6,215
Total Expenditure	**$359,807**

4.6.2 Disability Access and Inclusion Plan Outcomes

Lodged with the Disability Services Commission on 9 June 2007, the Insurance Commission's Disability Access and Inclusion Plan (DAIP) continues to guide the implementation of planned activities in and around our organisation. The DAIP Implementation Plan 2009-2010, endorsed and carried out by the DAIP Committee, has resulted in a number of initiatives being achieved this past year.

Outlined below are some of our achievements matched against the Government's six disability standards.

Outcome 1: People with disabilities have the same opportunities as other people to access our services and events

- The members of the DAIP Committee and their contact details were publicised via the Intranet;
- DAIP Committee met regularly to review progress on the implementation of the strategies identified in the DAIP;
- The principles of the DAIP were considered when formulating annual budgets and business plans;
- Events were planned using the Accessible Events Checklist.

Outcome 2: People with disabilities have the same opportunities as other people to access our buildings and other facilities

- Members of the Committee, in conjunction with building management, continued to explore opportunities to enhance access to our offices and make recommendations to the Executive Committee;
- Installation of electronic automatic opening doors on four internal doors on two separate floors within the Forrest Centre;
- Upgrade of ground floor foyer tenant information sign.

Outcome 3: People with disabilities receive information from us in a format that will enable them to access the information as readily as other people are able to access it

- Regular revision throughout the 2010 year of accessibility and information available to employees via the Intranet.

Outcome 4: People with disabilities receive the same level and quality of service from our employees as other people receive

- Reception/switchboard staff were provided with Awareness Training in the use of the National Relay Service (NRS) to assist those with speech and/or hearing difficulties;

- Questions built into Employee Perception Survey to attain employee feedback on disability and access issues.

Outcome 5: People with disabilities have the same opportunities as other people to make complaints to us

- New Customer Feedback Form introduced to allow for general feedback or complaints to be made.

Outcome 6: People with disabilities have the same opportunities as other people to participate in any public consultation we may carry out

- We endeavour to ensure that our media releases go to both print and electronic media, including to regional and metropolitan radio.

The Insurance Commission did not undertake any public consultation during the year. We are committed to ensuring that people with disabilities have the same opportunities as other people to participate in any public consultation that we may undertake in the future.

4.6.3 Compliance with Public Sector Standards and Ethical Codes

(*Public Sector Management Act 1994*, Section 31 (1))

Public Sector Standards:	No breach claims were lodged.
WA Code of Ethics:	No breach claims were lodged.
Insurance Commission Code of Conduct:	No breach claims were lodged.

In relation to the Public Sector Standards, WA Public Sector Code of Ethics and the Insurance Commission's Code of Conduct, the Insurance Commission adopted the following actions to monitor and ensure compliance:

- Our Code of Conduct is integrated into our comprehensive Corporate Induction Program and our employment practices and is easily accessible on our Intranet;

- The Insurance Commission has management and operational procedures to ensure Conflicts of Interest are identified and managed in a transparent and accountable manner;
- 42% of employees responded to our 2010 Employee Perception Survey which included questions on ethical behaviour and our Core Values;
- Policies, guidelines and procedures are in place to ensure compliance including internal and external reviews;
- WA Public Sector Annual Agency Survey 2009-2010 includes an assessment of our overall administration and management of general principles of HR Management, the WA Public Sector Code of Ethics and Code of Conduct resulting in the identification of focus areas for 2011; and
- Awareness and Training Sessions have been conducted during the year including:
    - Comprehensive induction on all our Policies, Public Sector Standards, Code of Conduct and Code of Ethics;
    - Promoting Integrity and Accountability;
    - Preventing Corruption, by the Corruption and Crime Commission;
    - Prevention of Fraud;
    - Recruitment and Selection; and
    - Freedom of Information.

4.6.4 Recordkeeping Plans

(*State Records Act 2000,* Section 61 and State Records Commission Standard 2, Principle 6)

Recordkeeping Systems Review

The Insurance Commission's Recordkeeping Plan was reviewed in the 2009 calendar year. The amended Plan was approved by State Records Commission in December 2009 and identified two opportunities for improvement which were completed in early 2010.

The Records Management Manual was updated to reflect changes to operational practices since the previous version.

The Insurance Commission's Retention and Disposal Schedule RD 2003038 was re-aligned to the Insurance Commission's Classification Plan which was extensively expanded during its implementation in 2007-2009. The Schedule was also reviewed and the new Schedule, RD 2009045, was approved by the State Records Commission in December 2009.

Minor amendments were made to RD 2009045 and an amended Schedule, RD 2009045/1, was approved by the State Records Commission in June 2010.

Recordkeeping Training Program

In 2010, Recordkeeping Awareness Training was delivered on-line for permanent staff and via information sheets for casual and temporary staff.

Twenty-four new permanent staff successfully completed the on-line course while three casual / temporary staff also completed their Recordkeeping Training obligation.

Twenty-two new staff participated in claims management training sessions within which recordkeeping training is embedded.

Effectiveness of Recordkeeping Training

Evaluation of the implementation of the Insurance Commission's File Plan concluded in the 2009 calendar year. This evaluation indicated that recordkeeping training within the Insurance Commission was effective.

Induction Program – Recordkeeping Awareness

The Insurance Commission's Induction Program addresses employee and contractor roles and responsibilities in regard to their compliance to the Insurance Commission's Recordkeeping Plan. The Induction program includes Recordkeeping Awareness and recordkeeping training specifically tailored to the role of the new staff member within the Insurance Commission.

4.7 GOVERNMENT POLICY REQUIREMENTS

4.7.1 Occupational Safety and Health (OSH)

As part of our commitment to making the Insurance Commission 'A Great Place to Work', our Occupational Safety and Health (OSH) vision is to ensure a safe and healthy work environment for all employees, contractors and visitors.

Our annual OSH Business Plan, developed and reviewed with a consultative approach by the OSH Committee and endorsed by the Executive Committee has been developed to support the attainment of this goal and to address improvement opportunities identified by previous WorkSafe Plan assessments. It focuses on five key areas:

- Planning and Policy;
- Consultation;
- Hazard Management;
- Training and Education; and
- Management Commitment.

During the year we continued to focus resources in the area of incident/hazard identification; elimination or control of hazards; development of safe and healthy work practices; provision of training in safe work practices, and compliance with OSH legislation.

The Insurance Commission is committed to supporting injured employees in their return-to-work following injury. Our injury management system exceeds the requirements of the *Workers' Compensation and Injury Management Act 1981* and extends to assisting employees with non-work related injuries.

The work undertaken by our dedicated OSH Committee is integral to maintaining our safety culture and is the key to OSH consultation at the Insurance Commission. Our OSH Committee is made up of trained employee and management representatives including a member from the Executive Committee. The OSH Committee meets bi-monthly to discuss and review all incidents and hazards and progress against our OSH Business Plan. The OSH Committee also plays a promotional role, encouraging all employees and contractors to become involved in safety and health matters. Our achievements for 2010 include:

- A review of the OSH Committee, resulting in the appointment of two new management representatives and two employee-elected OSH representatives;
- An audit of our workplace health programs;
- The completion of a Health and Wellbeing Online Assessment by our employees seeking their feedback;
- The continuation of our Wellness Programs including Healthy Heart Checks, Skin Cancer Screening, Flu Vaccination, workplace massages, optical reimbursements, gym facilities and information sessions on a wide range of topics relating to health and wellbeing.

We have consistently demonstrated a commitment to a safe and healthy environment by continually reviewing and improving our OSH management system. The Insurance Commission's last formal external audit was undertaken in July 2008 against the WorkSafe Plan resulting in a Gold Certificate of Achievement.

Our Employee Assistance Program continues to provide our employees and their families with access to free, confidential counselling services.

The annual Employee Perception Survey also includes feedback on safety and health in the workplace. The results are:

Employee Perception Survey Results	**2009**	**2010**
Employees who are satisfied with Health and Safety Conditions	88%	92%
Employees who consider safety is integrated into Divisional practices	85%	81%
Employees satisfied with the Wellness Program	84%	81%

Our ongoing commitment to increase awareness of OSH issues is also reflected in the following:

- All information relating to our ongoing commitment to OSH is published on the Intranet, which includes, OSH Business Plan, policies, wellness initiatives and the Injury Management system;
- New employees participate in an up-to-date mandatory interactive OSH induction and ergonomic workstation assessment;
- Promotion of OSH awareness days and involvement in Safe Work Australia Week;
- Ongoing ergonomic assessments for existing employees;
- OSH Committee meeting minutes are published on our Intranet and tabled at the Executive Committee meetings;
- Safe Driving training for employees under 25 years of age;
- Update of our Safe Driving Policy to include recommendations from the Road Safety Council relating to best practice initiatives aimed at reducing potential road trauma associated with mobile phone use;
- For the 25 incidents/hazards identified by employees during 2010, all reported hazards have been investigated, controls implemented or the hazards eliminated in consultation with management and OSH representatives;
- Following the success of the Insurance Commission's early response to the Influenza A (H1N1 – Swine Flu) pandemic in 2009, the OSH Committee with the endorsement of the Executive Committee, applied a similar risk management approach and implemented practical measures to reduce the effect of the 2010 winter flu season; and
- Continuation of our Injury Management program for all new managers/supervisors.

Our report of annual performance against the targets contained in the *Public Sector Commissioner's Circular 2009/11: Code of Practice: Occupational Safety and Health in the Western Australian Public Sector* are outlined in the below table:

OSH Performance Indicators	**2008**	**2009**	**2010**
Number of fatalities *(Target is zero)*	0	0	0
Lost time injury/disease (LTI/D) incidence rate *(Target is zero or 10% improvement on previous year)*	0.32	0	*
Lost time injury severity rate *(Target is zero or 10% improvement on previous year)*	50	0	0
Percentage of injured workers returned to work within 28 weeks *(Actual percentage result to be reported)*	n/a	100	100
Percentage of managers trained in occupational safety and health responsibilities *(Target is greater than or equal to 50%)*	n/a	90	79
Percentage of managers trained in injury management responsibilities *(Target is greater than or equal to 50%)*	n/a	n/a	62
Percentage of OSH Committees Meetings	100%	100%	100%
Number of Elected OSH Representatives Trained	4	4	6**

** 2 incidents/FTE as at 30 June 2010.*
*** increase of OSH Representatives*

4.7.2 Substantive Equality

In accordance with the *Public Sector Commissioner's Circular 2009/23: Implementation of the Policy Framework for Substantive Equality,* all departments represented on the Strategic Management Council are required to report on their commitment to implement the Policy Framework for Substantive Equality. The Insurance Commission is not represented on the Strategic Management Council, and therefore is not required to report on its commitment to implement the Policy Framework for Substantive Equality.

The Insurance Commission, however, is committed to substantive equality, in particular the objectives of the Policy Framework, which are to achieve sustainable equality by eliminating systemic racial discrimination in the provision of the public sector services; and promoting sensitivity to the different needs of client groups.

4.7.3 Sustainability

The Insurance Commission has an ongoing commitment to sustainability. In the spirit of continuous improvement, we endeavour to achieve these activities and seek methods of enhancement as we believe that the benefits of a proactive sustainability program are clear.

The 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 and water);
- Vehicle Fuel;
- Recycling;
- Imaging; and
- Purchasing.

Sustainable environmental and business management activities undertaken by the Insurance Commission in 2010 included:

- Ongoing upgrade of chillers and cooling towers serving The Forrest Centre, which will deliver a forecast 14% saving in annual energy use;
- Forrest Centre Building Management System undergoing upgrade to create improvement of energy efficiencies;
- Within the Insurance Commission's investment properties,
    - Westralia Square ongoing project to upgrade two chillers to achieve increased energy efficiency;
    - Westralia Plaza is being built to a 4 Star Greenstar design, and the Insurance Commission will be targeting a 4.5 to 5 Star NABERS Energy Rating;
    - Stage 2 of The Shops At Ellenbrook is being constructed to a 4 Star Greenstar rating.

Insurance Commission of Western Australia
Financial Statements 2010

FINANCIAL STATEMENTS 2010 INDEX

CERTIFICATION OF FINANCIAL STATEMENTS BY THE MEMBERS OF THE BOARD AND CHIEF FINANCE 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 Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2010 and the financial position at 30 June 2010.

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
6 September 2010

VIC EVANS
MANAGING DIRECTOR
6 September 2010

ERNIE COWELL
CHIEF FINANCE OFFICER
6 September 2010

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia passed on 6 September 2010.

Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA
FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2010

I have audited the accounts, financial statements, controls and key performance indicators of the Insurance Commission of Western Australia and the consolidated entity.

The financial statements comprise the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows of the Commission and the consolidated entity for the year then ended, a summary of significant accounting policies and other explanatory Notes.

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

Commission's Responsibility for the Financial Statements and Key Performance Indicators
The Commission is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. This document is available on the OAG website under "How We Audit".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators 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 and key performance indicators.

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

Insurance Commission of Western Australia
Financial Statements and Key Performance Indicators for the year ended 30 June 2010

Audit Opinion

In my opinion,

(i) the financial statements are based on proper accounts and present fairly the financial position of the Insurance Commission of Western Australia and the consolidated entity at 30 June 2010 and their financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions;

(ii) the controls exercised by the Commission provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and

(iii) the key performance indicators of the Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended 30 June 2010.

COLIN MURPHY
AUDITOR GENERAL
8 September 2010

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Premium Revenue	5	**409,602**	384,225	**409,600**	384,225
Outwards Reinsurance Premium Expense	6	**(4,546)**	(4,123)	**(4,546)**	(4,123)
Outwards Reinsurance Commission Revenue	5	**449**	416	**449**	416
Net Premium Revenue		**405,505**	380,518	**405,503**	380,518
Claims Expense	6	**(413,879)**	(408,437)	**(413,761)**	(409,774)
Reinsurance and Other Recoveries Revenue	5	**12,512**	3,286	**12,512**	3,311
Net Claims Incurred	7	**(401,367)**	(405,151)	**(401,249)**	(406,463)
Gross Movement in Unexpired Risk Liability	19	**-**	10,700	**-**	10,700
Reinsurance and Other Recoveries on Unexpired Risk Liability	19	**-**	(10,700)	**-**	(10,700)
Net Movement in Unexpired Risk	6,19	**-**	-	**-**	-
Acquisition Costs	6	**(13,566)**	(11,007)	**(13,566)**	(11,007)
Other Underwriting and Administration Expenses	6	**(69,555)**	(62,127)	**(69,560)**	(62,122)
UNDERWRITING LOSS		**(78,983)**	(97,767)	**(78,872)**	(99,074)
Investment Income/(Loss) including Movements in Fair Value	5	**249,736**	(202,828)	**249,736**	(202,828)
Investment Expenses	6	**(21,960)**	(21,540)	**(21,960)**	(21,540)
Finance (Costs)/Recoup	6	**(35,769)**	42,244	**(36,556)**	41,242
Other Income	5	**56,266**	56,523	**56,538**	56,706
Other Expenses	6	**(15,833)**	(16,166)	**(15,550)**	(14,678)
PROFIT/(LOSS) BEFORE INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT		**153,457**	(239,534)	**153,336**	(240,172)
Income Tax Equivalent (Expense)/Benefit	8	**(26,607)**	78,697	**(26,486)**	79,335
PROFIT/(LOSS) AFTER INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT ATTRIBUTABLE TO THE STATE GOVERNMENT OF WESTERN AUSTRALIA		**126,850**	(160,837)	**126,850**	(160,837)
Fair Value Revaluation of Land and Buildings		**2,267**	(22,247)	**2,267**	(22,247)
Related Income Tax Equivalent (Expense)/Benefit		**(681)**	6,674	**(681)**	6,674
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX (EXPENSE)/BENEFIT	(i)	**1,586**	(15,573)	**1,586**	(15,573)
TOTAL COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX (EXPENSE)/BENEFIT ATTRIBUTABLE TO THE STATE OF WESTERN AUSTRALIA		**128,436**	(176,410)	**128,436**	(176,410)

The Statement of Comprehensive Income should be read in conjunction with the Notes to, and forming part of, the Financial Statements.

The Statement of Comprehensive Income for the Insurance Commission represents an aggregation of the Insurance Commission's Funds, taking into account inter-fund eliminations. Refer Note 26.

The RiskCover Fund is managed by the Insurance Commission on behalf of the State Government of Western Australia. Refer Note 39. This fund is excluded from this Statement of Comprehensive Income.

(i) The movement in the fair value revaluation of land and buildings after tax comprises $1.527 million relating to Property, Plant and Equipment and $0.059 million relating to properties which as a result of changes to AASB 140 were transferred from Property, Plant and Equipment to Investment Properties (Refer Notes 11 and 12).

STATEMENT OF FINANCIAL POSITION
at 30 June 2010

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
ASSETS					
Current Assets					
Cash and Bank Balances	24	**3,150**	3,052	**-**	-
Receivables	9	**43,163**	42,709	**43,342**	43,011
Current Tax Receivable		**5,283**	8,064	**5,283**	8,064
Financial Assets at Fair Value Through Profit or Loss	10	**1,383,400**	1,282,789	**1,383,400**	1,282,789
Deferred Acquisition Costs	14	**4,488**	3,930	**4,488**	3,930
Other Assets	15	**4,021**	1,721	**4,021**	1,721
Total Current Assets		**1,443,505**	1,342,265	**1,440,534**	1,339,515
Non-Current Assets					
Receivables	9	**208,010**	207,397	**208,004**	207,391
Financial Assets at Fair Value Through Profit or Loss	10	**361,958**	305,778	**381,778**	325,315
Property, Plant and Equipment	11	**252,406**	291,271	**252,406**	291,271
Investment Properties	12	**430,873**	359,051	**430,873**	359,051
Intangible Assets	13	**8,882**	8,860	**8,882**	8,860
Other Assets	15	**831**	886	**831**	886
Total Non-Current Assets		**1,262,960**	1,173,243	**1,282,774**	1,192,774
TOTAL ASSETS		**2,706,465**	2,515,508	**2,723,308**	2,532,289
LIABILITIES					
Current Liabilities					
Bank Overdraft	24	**1,216**	3,842	**1,216**	3,842
Payables	16	**23,383**	32,600	**23,374**	32,595
Outstanding Claims Liability	17	**381,348**	379,148	**380,827**	378,623
Unearned Premium Liability	18	**173,927**	162,085	**173,927**	162,085
Provisions	20	**6,467**	5,771	**6,467**	5,771
Total Current Liabilities		**586,341**	583,446	**585,811**	582,916
Non-Current Liabilities					
Payables	16	**-**	13	**18,451**	18,464
Outstanding Claims Liability	17	**1,198,380**	1,166,101	**1,197,028**	1,164,769
Provisions	20	**11,065**	11,358	**11,065**	11,358
Deferred Tax Liabilities	8	**77,923**	50,253	**78,197**	50,445
Total Non-Current Liabilities		**1,287,368**	1,227,725	**1,304,741**	1,245,036
TOTAL LIABILITIES		**1,873,709**	1,811,171	**1,890,552**	1,827,952
NET ASSETS		**832,756**	704,337	**832,756**	704,337
EQUITY					
Asset Revaluation Surplus		**104,269**	104,037	**104,269**	104,037
Compensation (Industrial Diseases) Fund Reserve		**16,979**	16,505	**16,979**	16,505
Retained Earnings	28	**711,508**	583,795	**711,508**	583,795
TOTAL EQUITY		**832,756**	704,337	**832,756**	704,337

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 27.

The RiskCover Fund is managed by the Insurance Commission on behalf of the State Government of Western Australia. Refer Note 39. This fund is excluded from this Statement of Financial Position.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
SUMMARY OF CHANGES IN EQUITY					
BALANCE OF EQUITY AT START OF THE YEAR		**704,337**	880,747	**704,337**	880,747
Profit/(Loss) after Income Tax Equivalent		**126,850**	(160,837)	**126,850**	(160,837)
Other Comprehensive Income/(Loss) after Income Tax Equivalent (Expense)/Benefit		**1,586**	(15,573)	**1,586**	(15,573)
Total Comprehensive Income/(Loss) after Income Tax Equivalent (Expense)/Benefit		**128,436**	(176,410)	**128,436**	(176,410)
Transfer to Government Insurance Fund	**(i)**	**(17)**	-	**(17)**	-
BALANCE OF EQUITY AT END OF THE YEAR		**832,756**	704,337	**832,756**	704,337
RESERVES					
Asset Revaluation Surplus					
Balance at Start of the Year		**104,037**	119,610	**104,037**	119,610
Other Comprehensive Income/(Loss) - Net of Tax Effect		**1,586**	(15,573)	**1,586**	(15,573)
Transfers during the Year	**(i)**	**(1,354)**	-	**(1,354)**	-
Balance at End of the Year		**104,269**	104,037	**104,269**	104,037
Compensation (Industrial Diseases) Fund Reserve					
Balance at Start of the Year		**16,505**	18,093	**16,505**	18,093
Transfer from/(to) Retained Earnings	**(ii)**	**473**	(1,588)	**473**	(1,588)
Transfer from Asset Revaluation Surplus	**(i)**	**1**	-	**1**	-
Balance at End of the Year		**16,979**	16,505	**16,979**	16,505
RETAINED EARNINGS					
Balance at Start of the Year		**583,795**	743,044	**583,795**	743,044
Profit/(Loss) after Income Tax Equivalent		**126,850**	(160,837)	**126,850**	(160,837)
Transfer (to)/from Compensation (Industrial Diseases) Fund Reserve		**(473)**	1,588	**(473)**	1,588
Transfer from Asset Revaluation Surplus	**(i)**	**1,336**	-	**1,336**	-
Balance at End of the Year	**28**	**711,508**	583,795	**711,508**	583,795

The Statement of Changes in Equity should be read in conjunction with the Notes to, and forming part of, the Financial Statements.

The Statement of Changes in Equity for the Insurance Commission in relation to Retained Earnings represents an aggregation of the Insurance Commission's Funds, taking into account inter-fund eliminations. Refer Note 28.

The Asset Revaluation Surplus is held within the Insurance Commission General Fund (ICGF).

The RiskCover Fund is managed by the Insurance Commission on behalf of the State Government of Western Australia. Refer Note 39. This fund is excluded from this Statement of Changes in Equity.

(i) In 2010, as a result of changes to AASB 140 'Investment Property', property under construction which is intended for future use as an investment property, which had previously been classified as Plant, Property and Equipment is now classified under Investment Properties. This change has resulted in amounts previously recorded in the asset revaluation surplus which related to investment properties under construction (Westralia Plaza land at 167 St Georges Terrace) being transferred out and redistributed by the ICGF to other Insurance Commission funds directly through equity. Refer Note 1(v).

(ii) 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 Act 1932* (Refer Note 16) 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.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Premiums Received		**509,839**	473,373	**509,837**	473,373
Right of Indemnity Receipts - Government Insurance Fund		**5,108**	5,330	**5,108**	5,330
Right of Indemnity Receipts - WorkCover WA		**3,782**	715	**3,782**	715
Interest Received		**27,184**	39,822	**27,184**	39,822
Property Income Received		**67,128**	62,040	**67,128**	62,040
Security of Costs Received		**-**	44,648	**-**	44,648
Dividends Received		**73,744**	49,146	**73,744**	49,146
Reinsurance and Other Recoveries Received		**2,868**	8,449	**2,868**	8,432
Management Fees Received		**25,989**	23,812	**25,989**	23,812
Outwards Reinsurance Commission Received		**494**	458	**494**	458
Other Receipts		**1,039**	589	**1,039**	589
Interest Paid to Corporation		**-**	-	**(787)**	(1,002)
Claims Paid		**(401,151)**	(359,067)	**(401,053)**	(358,974)
Interest (Paid)/Charged to RiskCover Fund	39	**(36,349)**	36,474	**(36,349)**	36,474
Interest Paid to Community Insurance Fund		**-**	(96)	**-**	(96)
Outwards Reinsurance Paid		**(4,942)**	(4,574)	**(4,942)**	(4,574)
Acquisition Costs Paid		**(15,481)**	(14,167)	**(15,481)**	(14,167)
Set-up Costs Paid		**(325)**	(59)	**(325)**	(59)
Underwriting and Administration Expenses Paid		**(53,063)**	(48,154)	**(52,791)**	(47,971)
Debt Recovery Costs Paid		**(17,883)**	(11,677)	**(17,883)**	(11,677)
Property Expenses Paid		**(28,269)**	(15,777)	**(28,269)**	(15,777)
Income Tax Equivalent Received/(Paid)		**3,163**	(63,832)	**3,484**	(63,305)
Goods and Services Tax Paid		**(12,939)**	(13,169)	**(12,939)**	(13,169)
Stamp Duty Paid		**(45,748)**	(42,115)	**(45,748)**	(42,115)
Other Payments		**(8,008)**	(8,888)	**(8,008)**	(8,888)
Net Cash Flow from Operating Activities	24	**96,182**	163,281	**96,084**	163,065
CASH FLOW FROM INVESTING ACTIVITIES					
Investment Funds Received from/(Paid to) RiskCover Fund		**38,424**	(89,584)	**38,424**	(89,584)
Payments for Purchase of Investments		**(1,192,317)**	(1,412,291)	**(1,192,317)**	(1,412,291)
Payments for Purchase/Development of Investment Property	(i)	**(60,562)**	(649)	**(60,562)**	(649)
Proceeds from Sale of Investments		**1,304,449**	1,337,929	**1,304,449**	1,337,929
Payments for Purchase of Property, Plant and Equipment	(i)	**(6,830)**	(25,954)	**(6,830)**	(25,954)
Proceeds from Sale of Property, Plant and Equipment		**491**	322	**491**	322
Net Cash Flow From Investing Activities		**83,655**	(190,227)	**83,655**	(190,227)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**179,837**	(26,946)	**179,739**	(27,162)
CASH AND CASH EQUIVALENTS AT START OF THE YEAR		**77,985**	104,931	**74,933**	102,095
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	**257,822**	77,985	**254,672**	74,933

The Statement of Cash Flows should be read in conjunction with the Notes to, and forming part of, the Financial Statements.

The RiskCover Fund is managed by the Insurance Commission on behalf of the State Government of Western Australia. Refer Note 39. This fund is excluded from this Statement of Cash Flows.

(i) In 2010, as a result of changes to AASB 140 'Investment Properties', property under construction which is intended for future use as an investment property, which had previously been classified as Plant, Property and Equipment is now classified as Investment Property. This change has resulted in cash flows related to investment properties under construction (Westralia Plaza land at 167 St Georges Terrace and further phases of development of Ellenbrook) moving from payments for purchase of Plant, Property and Equipment to being classified as payments for purchase/development of Investment Property. Refer Note 1(v).

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

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.

(a) Statement of Compliance

The financial statements for the year ended 30 June 2010 have been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) as modified by Treasurer's Instructions.

In preparing these financial statements the Insurance Commission has adopted where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB.

(b) Early Adoption of Standards

The Insurance Commission cannot early adopt an Australian Accounting Standard or Interpretations unless specifically permitted by *Treasurer's Instruction 1101* (TI 1101), 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the economic entity for the annual reporting period ended 30 June 2010.

(c) General Statement

These financial statements to 30 June 2010 constitute general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. Such modifications are intended to provide certainty and ensure consistency and appropriate reporting across the public sector.

Where modification is required and has a material or significant effect upon the reported results, details of that modification and the resulting financial effect are disclosed in individual notes to the financial statements.

The *Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

(d) Basis of Preparation

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 detailed in the remainder of this accounting policies note, are measured at fair value.

The financial statements are presented in Australian dollars and in accordance with *Treasurer's Instruction 948*, all values are rounded to the nearest thousand dollars ($'000), unless otherwise stated.

The judgements that have been made in the process of applying the economic entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at Note 2, 'Critical Accounting Judgements and Estimates'.

Key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at Note 3, 'Actuarial Assumptions and Methods'.

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.*

(e) Principles of General Insurance Business

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The general insurance activities of the Insurance Commission consist of all transactions arising from writing general insurance contracts.

(f) Principal Activities

Main statutory functions are:

- 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*;
- to issue, and undertake liability under policies of insurance as required by section 163 of the *Workers' Compensation and Injury Management Act 1981, (i.e. pneumoconiosis, lung cancer and mesothelioma);*
- to manage and administer insurance and risk management arrangements on behalf of Western Australian Government (State Government) public authorities;

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- to provide services, facilities and advice to those public authorities in respect of the management of claims against them or against funds maintained or administered by them under any written law;

- 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,

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

- to provide advice to the State Government on matters relating to insurance and risk management; and

- to invest and manage moneys and other property under its control.

(g) Disclosure of changes in accounting policy and estimates

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

Initial Application of an Australian Accounting Standard

The economic entity has applied the following Australian Accounting Standards and Interpretations effective for the annual reporting period beginning on or after 1 July 2009:

- AASB 101 'Presentation of Financial Statements'. This Standard has been revised and introduces a number of terminology changes as well as changes to the structure of the Statement of Changes in Equity and the Statement of Comprehensive Income. It is now a requirement that owner changes in equity be presented separately from non-owner changes in equity. There is no financial impact resulting from the application of this Standard.

- AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101. This Standard changes the term 'general purpose financial report' to 'general purpose financial statements'. There is no financial impact resulting from the application of this Standard.

- AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]'. There is no financial impact resulting from the application of this Standard, with the exception of changes resulting from amendments to AASB 140. These changes required property under construction which is intended for future use as an investment property, which have previously been classified as Plant, Property and Equipment and measured at cost, to be now classified as Investment Property and measured at fair value.

- AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]'. This Standard amends AASB 7 and requires enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. There is no financial impact resulting from the application of this Standard.

- AASB 2009-6 'Amendments to Australian Accounting Standards'. This Standard changes the term 'revaluation reserve' to 'revaluation surplus', as well as other terminology changes. There is no financial impact resulting from the application of this Standard.

Future Impact of Australian Accounting Standards Not Yet Operative

The economic entity cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by TI 1101, 'Application of Australian Accounting Standards and Other Pronouncements'. TI 1101 has not mandated the early adoption of any Australian Accounting Standards or Interpretations. Consequently, the economic entity has not applied the following Australian Accounting Standards and Interpretations that have been issued but are not yet effective. These will be applied from their application date, where applicable to the economic entity:

- AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]'. The amendment to AASB 7 requires modification to the disclosure of categories of financial assets. The economic entity does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes to the financial statements may change.

- AASB 1053 'Application of Tiers of Australian Accounting Standards'. This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The economic entity does not expect any financial impact when the Standard is first applied. Disclosures in the notes to the financial statements may change if the reduced disclosure requirements apply.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'. This Standard makes amendments to many Australian Standards, including Interpretations, to introduce reduced disclosure requirements into these pronouncements for certain types of entities. The economic entity does not expect any financial impact when the Standard is first applied. Disclosures in the notes to the financial statements may change if the reduced disclosure requirements apply.

The following amendments and interpretations will have no applicability to the economic entity and hence will have no impact.

AASB Amendment and Interpretation	Affected Standards
AASB 9	Financial Instruments
AASB 124	Related Party Disclosures
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions
AASB 2009-9	Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1]
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]
AASB 2010-1	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7]
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Interpretation 13]
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

(h) Basis 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 AASB 127, 'Consolidated and Separate Financial Statements'.

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

Consistent accounting policies have been applied by each entity in the consolidated economic entity and unless otherwise stated are consistent with those adopted in the previous year.

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

The financial statements of the RiskCover Fund are not consolidated as its assets are controlled by the State Government and not by the economic entity.

As the balance of the Community Insurance Fund (CIF) was transferred to the State Government of Western Australia's Consolidated Account on 1 July 2009, no financial statements have been prepared for the CIF for the year ended 30 June 2010. The financial statements of the CIF were never consolidated as its assets were controlled by the State Government and not by the economic entity.

(i) 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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the State Government.

As a consequence of participation in the NTER, the entity is required to comply with AASB 112, 'Income Taxes'.

Current Tax

Current tax is calculated by reference to the amount of tax equivalent payable, or recoverable, to or from the State Department of Treasury and Finance as calculated under the rules of the NTER. These rules (with limited exceptions) follow the Income Tax legislation and utilise tax rates effective at the end of the reporting period.

Deferred Tax

Deferred tax is accounted for using a comprehensive Statement of Financial Position liability approach whereby account is taken of temporary differences between the carrying amounts in the Statement of Financial Position and their corresponding tax base.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amounts of all deferred income tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of the reporting period and are recognised only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at tax rates expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and laws enacted at the end of the reporting period.

Income taxes relating to items recognised in other comprehensive income are recognised through the Statement of Comprehensive Income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax Consolidation

On 26 February 2003, the Board of Commissioners of the Insurance Commission and the Board of Directors of the Corporation resolved that the Corporation would join the Insurance Commission (the tax consolidation parent entity) in a tax consolidation group with effect from 1 July 2002.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits arising from the Corporation are recognised by the Insurance Commission (as head entity of the tax-consolidated group).

Tax equivalent expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Due to the existence of a tax-funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to, or receivable by each member of the group in relation to the tax contribution amounts paid or payable between the Insurance Commission and the Corporation in accordance with the arrangement.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(j) 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 Taxation 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.

(k) Revenue and Income Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the economic 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 premiums from direct business and from reinsurance business.

Premium revenue includes amounts charged to policyholders or other insurers, including workers' compensation insurance levies but excluding stamp duty, GST and other amounts collected on behalf of third parties.

Premium revenue, including unclosed business, is recognised in the Statement of Comprehensive Income when it has been earned. Premium revenue is recognised in the Statement of Comprehensive Income from the attachment date over the period of the contract for direct business and over the period of indemnity for reinsurance business, based on time, which closely approximates the pattern of risks underwritten.

Premiums for unclosed business are recorded as revenue on the basis of premiums received subsequent to end of the reporting period in accordance with AASB 1023, 'General Insurance Contracts'. Unclosed business is recorded only for those classes of insurance where it can be reliably measured.

Premium revenue relating to Inwards Reinsurance relates to adjustment premiums affected by the final cost of certain long-tail claims for losses occurring prior to 1992 when the Corporation ceased writing Inwards Reinsurance business.

- **Unearned Premium**

The proportion of premium received or receivable which relates to risks for periods of insurance subsequent to the end of the reporting period and hence not earned in the Statement of Comprehensive Income at the end of the reporting period is recognised in the Statement of Financial Position as an Unearned Premium Liability. This liability is determined by apportioning the premium written in the year on a pro-rata basis.

- **Reinsurance and Other Recoveries Revenue**

Reinsurance and other recoveries revenue 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 3.

- **Interest Revenue**

Interest revenue is recognised as the interest accrues, based on the effective interest method.

- **Property Rental Income**

Income from property rentals is recognised on a receivables basis. Rental income includes a proportional amount arising out of the value of rent-free periods and other agreed lease incentive expenses met by the Insurance Commission, apportioned over the term of the relevant leases.

Income in respect of Investment Properties is reported as Investment Income.

Income in respect of Owner-Occupied Properties is reported as Other Income.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Dividend Income**

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

- **Investment Income / Loss Including Changes in Fair Values**

  Gains and losses relating to assets categorised in the Statement of Financial Position as Financial Assets at Fair Value through Profit or Loss, and gains and losses resulting from revaluation of assets categorised as Investment Properties may be realised or unrealised. Realised gains and losses arise from the sale of investment assets (including investment property where applicable) and unrealised gains arise from changes in the fair value of investments and Investment Properties held at the end of the reporting period. These gains and losses are recognised in the Statement of Comprehensive Income.

- **Foreign Exchange Revenue**

  Refer Note 1(n), 'Foreign Currencies'.

- **Net Gains/Losses from Sale of Property, Plant and Equipment**

  Net gains/losses from the sale of property, plant and equipment are recognised when the significant risks and rewards of ownership control transfer to the purchaser.

(l) Third Party Insurance Fund – Premium Setting

In accordance with Section 3T of the *Motor Vehicle (Third Party Insurance) Act 1943*, the Insurance Commission makes an assessment of the premium revenue which will be necessary to meet claims and administration expense arising in the following financial year. This assessment also takes into account an independent actuarial report and the retained earnings 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 any or all of its recommendations.

(m) Outwards Reinsurance

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

(n) Foreign Currencies

- The functional and presentation currency of the economic entity is Australian dollars ($AUD).

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

- Assets and liabilities of the economic entity denominated in foreign currencies at the end of the reporting period are converted to Australian currency using rates of exchange current at that date. Resulting exchange differences are recorded as exchange gains or losses in the Statement of Comprehensive Income in that financial year.

(o) Acquisition Costs

Acquisition costs relate to all costs charged by the Department of Transport for administering the collection of motor vehicle third party insurance premiums. Acquisition costs incurred in obtaining insurance business are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to revenue that will be recognised in the Statement of Comprehensive Income in subsequent reporting periods.

(p) Claims

Claims expense represents payment for claims and the movement in outstanding claims liabilities.

(q) Unexpired Risk Liability

At the end of the reporting period, an assessment is made to determine the sufficiency of the unearned premium liability to cover all expected future cash flows relating to future claims against related unexpired portions of insurance contracts. This assessment is referred to as the Liability Adequacy Test (LAT). Liability adequacy testing is performed at the level of a portfolio of contracts which are subject to broadly similar risks and which are managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin exceeds the unearned premium liability less any related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient. The Insurance Commission applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability. Refer Note 17.

The movement in total deficiency (net of reinsurance), if any, is recognised immediately in the Statement of Comprehensive Income. The total deficiency is determined by first writing down any related intangible assets and then any related

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

deferred acquisition costs. The shortfall is recorded in the Statement of Financial Position as an Unexpired Risk Liability (URL). Refer Note 19.

An assessment of the URL at 30 June 2010 has only been made in relation to the Third Party Insurance Fund and the Compensation (Industrial Diseases) Fund which issues policies covering a three-year period.

The Government Insurance Fund, Insurance Commission General Fund and Corporation (Inwards Reinsurance) are in run-off and hence there is no unearned premium. As a result LATs and URLs are not required.

(r) Assets Backing General Insurance Liabilities

Most assets (including Owner-Occupied Land and Buildings, and Land and Buildings under Construction or Development, presented under AASB 116 within Property, Plant and Equipment), are held to back general insurance liabilities.

The exceptions are intangible software assets and the remaining items presented within Property, Plant and Equipment. Refer Note 11.

Financial assets backing general insurance liabilities include liquid and high-quality investments such as cash and fixed-income securities.

Financial assets held to back general insurance liabilities are valued at fair value in the Statement of Financial Position.

The management of financial assets, general insurance liabilities and policy liabilities are closely monitored to ensure that there is always sufficient liquidity in investments to meet cash flows arising from general insurance liabilities and policy liabilities.

Assets Backing General Insurance Liabilities are discussed in more detail under the relevant Statement of Financial Position headings in this Accounting Policy note.

(s) Property, Plant and Equipment

Freehold Land and Buildings

Freehold Land and Buildings presented within Property, Plant and Equipment are Assets Backing General Insurance Liabilities.

Land and Buildings with a significant degree of owner occupation are required to be accounted for in accordance with AASB 116, 'Property Plant and Equipment'.

Freehold Land and Buildings are initially measured at cost. Subsequent to initial measurement, Freehold Land and Buildings are revalued annually at the end of the reporting period to fair value by an independent valuer.

Owner-occupied property comprises both Land and Buildings.

Depreciation is applied to owner-occupied buildings only. Following revaluation each year, depreciation is applied to the revised fair value over its remaining useful life.

Revaluation of Freehold Land and Buildings

Fair value is determined by reference to market-based evidence, having regard to current economic and market conditions and based on an orderly sale between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction.

Any revaluation surplus is credited to the asset revaluation surplus included in the equity section of the Statement of Financial Position unless it reverses a revaluation decrement of the same asset previously recognised in the Statement of Comprehensive Income.

Any revaluation deficit is recognised in the Statement of Comprehensive Income unless it directly offsets a previous surplus of the same asset in the asset revaluation surplus.

Any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The amount of the adjustment arising on the elimination of accumulated depreciation forms part of the increase or decrease in the carrying amount that is accounted for.

Upon disposal, any revaluation surplus relating to a particular asset being sold will be transferred to retained earnings.

Plant and Equipment

Plant and equipment is carried at cost less accumulated depreciation and any impairment in value.

Items of computer hardware with a cost of $300 or over and all other items of plant and equipment costing $1,000 or over are recognised as assets in the year of acquisition. Amounts less than this are expensed directly to the Statement of Comprehensive Income other than where they form a part of a group of similar items which are significant in total.

Amounts relating to software required to operate specific items of hardware are included as part of the hardware asset.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The annual depreciation rates used for each class of property, plant and equipment, for the current and previous year, are as follows:

	2010 (%)	2009 (%)
• Plant and Equipment	20-25	20-25
• Furniture and Fittings	12	12
• Computer Hardware	33	33
• Motor Vehicles	50	50
• Leasehold Improvements	15	15
• Building – Owner-Occupied	4	3.8

Plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from their continued use.

Any gain or loss arising on derecognition (calculated as the difference between the net proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

Impairment of Plant and Equipment

The varying items of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. External factors such as changes in expected future processes, technology and economic conditions are monitored to assess for indicators of impairment.

If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Impairment risk relates mainly to circumstances where an asset's depreciation is materially understated or where replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation /amortisation fairly reflect the level of consumption of the asset's future economic benefits and to re-evaluate any impairment risks.

Impairment losses are recognised in the Statement of Comprehensive Income.

(t) Impairment of Assets

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. The recoverable amount is the higher of fair value, less cost to sell and value in use. In assessing value in use, estimated future net cash flows are, where applicable, discounted to their present value using a market-determined risk-adjusted discount rate.

(u) Non-Current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell and are presented separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised.

Non-current assets (or disposal groups) held for sale to be sold within the next financial year are recognised as current assets.

(v) Investment Properties

Freehold Land and Buildings

Freehold Land and Buildings presented within Investment Property are Assets Backing General Insurance Liabilities.

Following initial recognition at cost, investment properties are revalued annually at the end of the reporting period by an independent valuer to fair value, which is based on active market prices.

Fair value is determined by reference to market-based evidence, having regard to current economic and market conditions and based on an orderly sale between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the end of the reporting period.

Investment Properties are integral to the investing activities of the Insurance Commission and in accordance with AASB 1023, 'General Insurance Contracts', and with AASB 140, 'Investment Property', are not depreciated.

Gains and losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the year in which they arise.

Property under Development or Construction

Investment Properties under Development or Construction are required to be accounted for in accordance with AASB 140, 'Investment Property'.

Investment Properties under Development or Construction are measured at cost up until the stage when they can be reliably measured at fair value. Management relies on independent valuation advice in order to determine the stage at which fair value can be reliably measured.

(w) Outstanding Claims

The liability for outstanding claims at the end of the reporting period comprises:

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and 'superimposed' inflation. Superimposed inflation refers to factors such as 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 the end of the reporting period using risk-free discount rates.

Refer Note 3 for details of inflation and discount rates used.

- **Short-tail claims**

  There are a number of short-tail claims relating to the RiskCover Fund, refer Note 39. The RiskCover Fund as previously stated does not form a part of the Consolidated Entity reporting.

  These 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 RiskCover Fund's 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 claim's 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 risk margin to the central estimate of the discounted future claims payments for all long-tail classes of insurance (excluding the RiskCover Fund, Refer Note 39), Refer Note 17. The risk margin provides for a higher degree of certainty that the estimated liability will be adequate to cover possible adverse developments.

(x) Receivables

Receivables are reviewed as to their collectability, in regard to their appropriate terms and conditions, on an ongoing basis. Debts which are known to be not collectable are written off. Where objective evidence of impairment exists such as where there is doubt as to whether a debt is collectable, an appropriate provision is made. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence for impairment.

- **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 the end of the reporting period. Refer Note 1(k).

- **Other Receivables**

  Other receivables are recognised and carried at amortised cost.

(y) Intangible Assets

Intangible Assets are non-monetary assets with no physical substance, that are separately identifiable, controlled by the Insurance Commission and have future economic benefits.

Acquisitions of intangible assets and internally generated intangible assets that qualify for recognition are capitalised.

The intangible assets reported primarily relate to computer software which is not of an essential nature required to operate specific items of hardware. Intangible assets include amounts relating to work in progress on designing and implementing computer software.

This software is amortised over four years and tested for impairment whenever there is an indication that the asset may be impaired.

(z) 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.

(aa) Provisions

Provisions are recognised when the economic entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

(bb) Employee Benefits

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

  Liabilities in respect of employee entitlements to salaries, long service leave and annual leave, which are expected to be settled within twelve months of the end of the reporting period, are measured at their nominal amounts using the salary rates expected to be paid when the liability is settled.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liabilities in respect of employee entitlements to long service leave, which are not expected to be settled within twelve months of the end of the reporting period, are measured at the present value of their future estimated cash outflows. In determining the 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 the end of the reporting period, 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 continued to apply by virtue of 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*), and those staff who commenced employment on or after 16 April 2006 become members of the Government Employees Superannuation Board (GESB) Super Scheme. Both these schemes are accumulation funds complying with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

All of these Schemes are administered by GESB.

The employer's liability to meet members' pensions under the defined benefit Pension Scheme is paid monthly to the State Department of Treasury and Finance.

The liabilities for superannuation charges under the Gold State Superannuation Scheme, West State Superannuation Scheme and GESB Super Scheme are extinguished by payments of employer contributions to the GESB. Refer Note 21.

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 the end of the reporting period. The present value of the liabilities is determined following an independent actuarial assessment. Movements in actuarial assessments are brought to account through the Statement of Comprehensive Income.

- **Superannuation – Fair Value of Plan Assets**

In relation to the Pension Scheme and the pre-transfer benefits for employees who transferred to the Gold State Superannuation Scheme, the value of any excess of accrued superannuation benefits over the net fair 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 21.

(cc) Deferred Acquisition Costs

At the end of the reporting period, a portion of acquisition costs is deferred in recognition that it represents expense that will give rise to premium revenue that will be recognised in future reporting periods. Deferred Acquisition Costs are amortised over the financial periods expected to benefit from the expenditure, which is generally less than one year. Refer Note 14.

(dd) Statutory Charges

Statutory levies and charges, such as Workers' Compensation and Injury Management Commission (WorkCover WA) charges, paid or payable are accounted for on the same basis as the recognition of corresponding premium revenue.

(ee) Financial Assets at Fair Value through Profit or Loss

Investment assets presented as Financial Assets at Fair Value through Profit or Loss are considered to back General Insurance Liabilities of the economic entity. These are initially recognised at cost and subsequently measured at fair value. Refer Note 10.

- **Securities**

Securities include bonds and short-term 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 initially recognised at fair value. Interest income for such securities is accrued monthly using the coupon rate of interest.

Purchases of discount securities are initially recorded at their principal amount with the unearned discount netted against the principal amount to arrive at carrying 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 quoted bid price or, if such prices are not available, at prices for

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 market value is recorded as unrealised revenue.

- **Equities and Listed Equity Trusts**

Purchases of equities and listed equity trusts are initially booked at cost. Equities and listed equity trusts are marked to market using the securities quoted bid price at the end of the reporting period.

- **Units in Unlisted Equity, Fixed Interest and Alternative Assets Trusts**

Fair values of units in unlisted Equity, Fixed Interest and Alternative Assets Trusts are determined using the Net Asset Value (NAV) per unit applicable for redemption 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 dollars at rates of exchange ruling at the end of the reporting period.

- **Unlisted Property Trusts**

Unlisted Property Trusts are valued by the Trustee of the Trusts at 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 market value at the end of the reporting period which equates to fair value.

- **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.

The purpose for which derivative transactions are undertaken is set out in Note 25 (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 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 Comprehensive Income.

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 Comprehensive Income. 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 equity price index futures contracts are marked to market based on the value of the last quoted bid price of the relevant contract traded on a recognised futures exchange. Any gain or loss is recorded in the Statement of Comprehensive Income as a change in the 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.

Options are priced daily at 'Bid' price. 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 fair value of investments in the Statement of Comprehensive Income.

- **Deposits held with Brokers for Margins**

Deposits held with brokers for margins are monetary amounts held by the Insurance Commission to cover the cash obligations of the options held.

Deposits held with brokers for margins are carried at face value of the amounts deposited or drawn. The carrying amounts of these deposits approximate to their fair value.

(ff) Fair Value of Financial Assets and Liabilities

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

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Recognised Financial Assets**

  For financial assets traded in an organised market, refer Note 1(ee).

  Where financial assets are not traded in an organised market, fair value is the historical carrying cost net of any provision for diminution in value or impairment. Refer Note 1(ee) for determination of fair value of unlisted units in Equity, Fixed Interest, Alternative Assets and Property Trusts.

- **Recognised Financial Liabilities**

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

(gg) Bank Overdraft

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 unpresented on the bank account at the end of the reporting period and equates to fair value.

(hh) Cash and Cash Equivalent Assets

Cash and cash equivalent assets are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets approximate to their fair value.

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(gg), together with short-term discount securities and deposits at call, which are investments integral to the economic entity's general insurance activities (all of which are readily convertible to cash and are subject to an insignificant risk of change in value).

(ii) Investments in Subsidiaries

Investments in subsidiaries are carried at fair value.

(jj) Management Fee

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

(kk) Other Corporate Information

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*.

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2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Insurance Commission makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below:

(a) Liabilities Arising Under Insurance Policies

Provisions are made at the year-end for the outstanding claims liability in the Statement of Financial Position. This is the cost of claims incurred but not settled at the end of the reporting period, including the cost of claims incurred but not yet reported (IBNR) and claims incurred but not enough reported (IBNER). Estimations are also made in respect of all recoveries, including reinsurance and, where appropriate, tax credits. Those recoveries appear in the Statement of Financial Position as Receivables, refer Note 9, and are discussed at (b) below. Outstanding claims and recoveries take into account factors such as an allowance for future wage increases and superimposed inflation, risk-free investment return, claims administration expenses, and a prudential risk margin.

Whilst all reasonable steps are taken to ensure that adequate information is obtained regarding outstanding claims exposures, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. In particular, the estimation of IBNR claims is generally subject to a greater degree of uncertainty than the estimation of claims already notified, where more information about the claim is usually available. IBNR claims may not be lodged until many years after the events giving rise to the claims have occurred.

The estimate of liability for outstanding claims is based upon an independent actuarial valuation employing a number of actuarial models, which utilise statistical analyses of historical experience, and which assume that the development pattern of the current claims will be consistent with past experience.

Allowances are also made, where appropriate, for changes or uncertainties which may create distortions in the underlying statistics or which may cause the cost of outstanding claims to increase or decrease when compared with the cost of previously settled claims. These include:

- Changes in claims management processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- Changes in the legal environment or social attitudes;
- The effects of inflation, superimposed inflation and discount rates;
- Estimates of Reinsurance Recoveries; and
- An applied Risk Margin.

Refer Note 3 for details of the specific assumptions used in deriving the outstanding claims liability at year-end.

(b) Assets Arising From Reinsurance Contracts

Assets arising from reinsurance contracts are also calculated using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Insurance Commission may not receive amounts due to it and these amounts can be reliably measured.

(c) Property Valuations

Valuations are obtained from independent licensed valuers for each property presented under Property, Plant and Equipment and Investment Properties. These valuations are based inter-alia on projected future income streams of the individual properties and analysis of comparable sales evidence. Note: Investment properties under construction are measured at cost up until the stage when they can be reliably measured at fair value. Refer Note 1(v).

(d) Superannuation

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 the end of the reporting period. The present value of the liabilities is determined following an independent actuarial assessment on behalf of GESB. Refer Note 21.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(e) Unlisted Investments

The Insurance Commission's investment portfolio includes unlisted items. The valuations of these are subject to estimation. Fair values of units in unlisted Equity, Fixed Interest and Alternative Assets Trusts are determined using the Net Asset Value (NAV) per unit applicable for redemption on the last day of the financial year. The NAV is calculated by deducting from the value of unlisted unit trust's gross assets, the value of its liabilities. Unit values denominated in foreign currency are converted to Australian dollars at rates of exchange current at the end of the reporting period. Unlisted Property Trusts are valued by the Trustee of the Trusts at 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 market value at the end of the reporting period which equates to fair value.

3. ACTUARIAL ASSUMPTIONS AND METHODS

The Insurance Commission underwrites a number of insurance classes through its funds and its subsidiary, the Corporation.

The process of determining the value of the outstanding claims liability of the various classes of insurance underwritten by the Insurance Commission is described below.

The ultimate liability for outstanding claims is estimated by:

- projecting future claim payments in current values using a variety of actuarial models appropriate to each class;
- adjusting the projected claim payments to allow for the effect of future inflation from current values to the date of payment;
- discounting inflated claim payments to allow for an investment return at a risk-free rate;
- deducting the estimated effect of tax credits;
- adding an amount to provide for associated claims management expenses;
- reducing the amount by an allowance for reinsurance and other recoveries; and
- adding an allowance for a prudential risk margin.

Processes Used To Determine Assumptions
A description of the factors used to determine these assumptions is provided below:

Inflation Rates: based on forecasts of a respected independent third party economics research firm.

Discount Rates: risk-free rates derived from the market yields on traded Commonwealth Treasury Bonds on 30 June 2010.

Claims Management Expenses: derived from past experience and breakdown of expenses.

Reinsurance Recoveries: based on expected recoveries from claims that have exceeded, or are estimated to exceed, the reinsurance retentions.

Superimposed Inflation: derived internally from one of the actuarial models based on the long-term average of past experience.

Risk Margin: based on benchmark studies. Refer Note 17(c) for more detail.

Other Factors: such as Third Party Recoveries, Number of Claims, Average Claim Size, Average Term to Settlement, IBNR, Development of Case Estimates and Projected Case Estimates Payment Factors are based on past experience.

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

THIRD PARTY INSURANCE FUND (TPIF)

Outstanding claims estimates (including IBNR and IBNER) for the TPIF are assessed by an independent actuary, based upon a number of actuarial models. Ultimate numbers of claims are projected based upon past monthly data and the model allows for growth in the number of registered vehicles, seasonal variations in monthly experience, trends in claim frequency, and patterns in the delay of reporting. Payments experience is analysed based on past experience and projections of future claims payments. Cash flows are made based upon aggregate, individual and historic case estimate models. Separate predictions are made in respect of each combination of crash year and financial year of payment.

Actuarial Assumptions

The following table provides key actuarial assumptions made in determining the outstanding claims liability:

Third Party Insurance Fund	2010	2009
Inflation Rate	Varies from 3.8% for 2011, 4.7% for 2012, 4.6% for 2013 and 4.3% for 2014 and later	Varies from 3.0% for 2010, 3.9% for 2011, 3.8% for 2012 and later
Discount Rate	Varies from 4.5% for 2011 up to 5.7% for 2015 and later	Varies from 3.4% for 2010 up to 6.2% for 2013 and later
Claims Management Expenses	4.5% of gross claim payments	4.0% of gross claim payments
Reinsurance Recoveries	0.9% of gross claim payments	0.9% of gross claim payments
Superimposed Inflation	Approximately 1.5% p.a. assumed for the first year up to 5% p.a. for years 3 and later, although this varies according to the different actuarial models	Approximately 5% p.a. assumed although this varies according to the different actuarial models
Risk Margin	7% of central estimated liability for 75% probability of sufficiency	7% of central estimated liability for 75% probability of sufficiency
Third Party Recoveries	0.06% of gross claim payments	0.06% of gross claim payments
Number of Claims	Approximately 3,946 for accident year	Approximately 4,000 for accident year
Average Claim Size	Approximately $90,100 for accident year	Approximately $90,500 for accident year
Average Term to Settlement	3.1 years	3.4 years

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

INSURANCE COMMISSION GENERAL FUND (ICGF)

The outstanding claims liability of the ICGF incorporates claims on policies in run-off pre-dating 1986, and claims made under the *Employers Indemnity Supplementation Fund Act 1980* (EISF Act).

RUN-OFF CLAIMS LIABILITIES - PRE-1986

Outstanding liabilities for claims in run-off for the ICGF are assessed by an independent actuary using models applicable to the nature of the incident by which the liability under the fund has been incurred. Claims within the ICGF fall into, and are assessed in, the categories of Workers' Compensation and Public Liability claims. Workers' Compensation liabilities include those relating to common law risks and asbestos-related lung disease (which includes incidents of mesothelioma, lung cancer and other diseases of the respiratory system).

Workers' Compensation - Lung Disease Claims
Lung disease claims are assessed using actuarial models based on those developed by Professor Geoffrey Berry* utilising ICGF data. The models predict the total number of claims likely to emerge over time and also determine likely average cost per claim.

Workers' Compensation - Non-Lung Disease Claims
The majority of these claims are extremely long-tail in nature and the actuarial models rely heavily on the case estimates of each claim to determine the total outstanding liabilities.

Public Liability
The majority of these claims are extremely long-tail in nature and the actuarial models rely heavily on the case estimates of each claim to determine the total outstanding liabilities.

Actuarial Assumptions
The following table provides key actuarial assumptions made in determining the outstanding claims liabilities:

Insurance Commission General Fund	2010	2009
Inflation Rate	Varies from 3.8% for 2011 up to 4.7% for 2012, 4.6% for 2013 and then 4.3% for 2014 and later	Varies from 3.0% for 2010 up to 3.9% for 2011 and then 3.8% for 2012 and later
Discount Rate	Varies from 4.5% for 2011 up to 5.7% for 2017 and later	Varies from 3.4% for 2010 up to 6.2% for 2013 and later
Claims Management Expenses	8% of gross claim payments	8% of gross claim payments
Risk Margin	25% of net outstanding claims for 75% probability of sufficiency	25% of net outstanding claims for 75% probability of sufficiency
Third Party Recoveries	47.7% of gross claim payments	43.6% of gross claim payments
Average Term to Settlement	7.2 years	6.7 years

* "Prediction of mesothelioma, lung cancer, and asbestosis in former Wittenoom asbestos workers", British Journal of Industrial Medicine; 48: 793-802.

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

INSURANCE COMMISSION GENERAL FUND (continued)

EISF ACT LIABILITIES

The outstanding liabilities for claims in run-off under the EISF Act are assessed by an independent actuary using models applicable to the nature of the incident by which the liability under the fund has been incurred. Claims under the EISF Act are assessed under the categories of asbestos-related claims (which includes incidents of mesothelioma, lung cancer and other diseases of the respiratory system) and non-asbestos-related claims.

Workers' Compensation - Asbestos-Related Claims

Asbestos-related claims are assessed using actuarial models based on those developed by Professor Geoffrey Berry* utilising ICGF data. The models predict the total number of claims likely to emerge over time and also determine likely average cost per claim.

Workers' Compensation - Non-Asbestos-Related Claims

The majority of these claims are long-tail in nature and the actuarial models rely heavily on the case estimates placed on each claim to determine the total outstanding liabilities.

Actuarial Assumptions

The following tables provide key actuarial assumptions made in determining the outstanding claims liabilities:

EISF Act: Asbestos-Related Claims	2010	2009
Inflation Rate	4.25% for 2011 and later	4.0% for 2010 and later
Discount Rate	Varies from 4.5% for 2011 then up to 5.8% for 2020 and later	Varies from 3.4% for 2010 up to 4.8% for 2011 then up to 6.2% for 2012 and later
Claims Management Expenses	10.5% of claim payments	10.5% of claim payments
Superimposed Inflation	2% for 2011 and later	2% for 2010 and later
Risk Margin	20.4% of estimated gross liability	20.4% of estimated gross liability

EISF Act: Non-Asbestos-Related Claims	2010	2009
Inflation Rate	4.25% for 2011 and later	4.0% for 2010 and later
Discount Rate	Varies from 4.5% for 2011 up to 5.8% for 2020 and later	Varies from 3.4% for 2010 up to 4.8% for 2011 then up to 6.2% for 2012 and later
Claims Management Expenses	10.5% of claim payments	10.5% of claim payments
Superimposed Inflation	2.5% - 4.0% for 2011 and later	2.5% - 4.0% for 2010 and later
Risk Margin	16.8% of estimated gross liability	16.8% of estimated gross liability

* "Prediction of mesothelioma, lung cancer, and asbestosis in former Wittenoom asbestos workers", British Journal of Industrial Medicine; 48: 793-802.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

GOVERNMENT INSURANCE FUND (GIF)

Outstanding claims estimates including IBNR and IBNER are assessed by an independent actuary based on a number of actuarial models. The ultimate number of claims and their associated costs are projected on past yearly data used to determine trends in the anticipated reporting and payment patterns.

As the GIF has been in a state of run-off since 1997, the remaining outstanding claims on which the Insurance Commission obtains actuarial valuations of outstanding claims are the long-tail classes of Workers' Compensation and Public Liability.

The following tables provide the key actuarial assumptions made in determining the outstanding claims liabilities:

Government Insurance Fund: Workers' Compensation	2010	2009
Inflation Rate	Varies from 3.8% for 2011 up to 4.7% for 2012, 4.6% for 2013 and 4.3% for 2014 and later	Varies from 3.0% for 2010 up to 3.9% for 2011 and 3.8% for 2012 and later
Discount Rate	Varies from 4.5% for 2011 and 2012 rising to 5.7% for 2017 and later	Varies from 3.4% for 2010 up to 4.9% for 2011, 6.0% for 2012 and 6.2% for 2013 and later
Claims Management Expenses	10% of net claim payments	10% of net claim payments
Superimposed Inflation	4% p.a., 2% p.a. and 2% p.a. assumed for payments per claim incurred for education, health and general government components, respectively	4% p.a. and 2% p.a. assumed for payments per claim incurred for non-asbestos-related claims in the education and health components, respectively
Risk Margin	25% of central estimated liability which is estimated as half the coefficient of variation of the outstanding claims liability	22.5% of central estimated liability which is estimated as half the coefficient of variation of the outstanding claims liability
Third Party Recoveries	5% of gross claim payments for mesothelioma claims, 10% of gross claim payments for lung cancer and other lung disease claims, and 6.3% of net claim payments for other claims	0% for asbestos-related claims and 6.7% of other net claim payments
Average Term to Settlement	7.1 years	6.2 years

Government Insurance Fund: Public Liability	2010	2009
Inflation Rate	Varies from 3.8% for 2011, 4.7% for 2012 down to 4.3% for 2014 and later	Varies from 3.0% for 2010 up to 3.9% for 2011 and 3.8% for 2012 later
Discount Rate	Varies from 4.5% for 2011 and 2012 rising to 5.7% for 2017 and later	Varies from 3.4% for 2010, 4.9% for 2011, 6.0% for 2012 and 6.2% for 2013 and later
Claims Management Expenses	6% of gross claim payments	9% of net claim payments
Superimposed Inflation	4% p.a. for public liability	4% p.a. for public liability
Risk Margin	16.8% of central estimated liability for 75% probability of sufficiency	16.8% of central estimated liability for 75% probability of sufficiency
Average Term to Settlement	3.3 years	3.2 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

COMPENSATION (INDUSTRIAL DISEASES) FUND (CIDF)

As the claims for this fund are limited to those related to pneumoconiosis, lung cancer and mesothelioma resulting from exposure to harmful mineral dust, the models used are similar to those used to determine the lung disease claims for the ICGF Lung Disease claims. This valuation is conducted on the same basis as for ICGF Workers' Compensation Lung Disease models.

The following table provides the key actuarial assumptions made in determining the outstanding claims liability:

Compensation (Industrial Diseases) Fund	2010	2009
Inflation Rate	Varies from 3.8% for 2011 up to 4.7% for 2012, 4.6% for 2013 and then 4.3% for 2014 and later	Varies from 3.0% for 2010 up to 3.9% for 2011 and then 3.8% for 2012 and later
Discount Rate	Varies from 4.5% for 2011 up to 5.7% for 2017 and later	Varies from 3.4% for 2010 up to 6.2% for 2013 and later
Claims Management Expenses	35% of gross claim payments	35% of gross claim payments
Risk Margin	18.7% of net outstanding claims for 75% probability of sufficiency	18.7% of net outstanding claims for 75% probability of sufficiency
Third Party Recoveries	34.4% of gross claim payments	36.6% of gross claim payments
Average Term to Settlement	6.7 years	6.9 years

STATE GOVERNMENT INSURANCE CORPORATION (Corporation)

The outstanding claims of the Corporation are assessed by an independent actuary. To estimate the claims liability, the portfolio has been divided into a number of groups based on the types of risks covered, the nature of the reinsurance treaties and the currency in which the treaties have been denominated.

Actuarial models have been constructed to describe the rate of development of incurred losses. These models were constructed by considering a mix of the insurer's own experience as well as the experience of similar industry portfolios. The models of incurred loss development are applied to losses incurred to the end of the reporting period to give estimates of incurred losses, as they will ultimately stand (ultimate incurred losses) for each underwriting year ending 30 June. This is done separately by line of business, currency and underwriting year. Losses paid to the end of the reporting period are deducted from the ultimate incurred losses, to give the outstanding claims at the end of the reporting period.

Models of the ratio of claims paid to incurred losses are applied to the outstanding claims liability at the end of the reporting period to project gross claim payment cash flows, as they fall due in future years.

The claim payment cash flows are discounted using risk-free rates in anticipation of future investment return to give a discounted estimate of gross outstanding claims at the end of the reporting period. An estimate of outstanding retrocession recoveries is made according to Corporation estimates at the end of the reporting period. These are deducted from the gross outstanding claims liability to yield the net liability for outstanding claims. A prudential risk margin is then added to the net liability for outstanding claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

The following table provides the key actuarial assumptions made in determining the outstanding claims liability of the Corporation.

Corporation	2010	2009
Inflation Rate	Varies from 3.8% for 2011 up to 4.7% for 2012 and down to 4.3% for 2014 and later	Varies from 3.1% for 2010 down to 2.1% for 2011 and up to 4.1% for 2012 and later
Discount Rate	AUD – varies from 4.5% for 2011 up to 5.7% for 2017 and later GBP – varies from 0.6% for 2011 up to 5.1% for 2017 and later USD – varies from 0.3% for 2011 up to 4.7% for 2018 and later	AUD – varies from 3.4% for 2010 and up to 6.2% for 2013 and later GBP – varies from 1.2% for 2010 up to 5.2% for 2018 and later USD – varies from 0.6% for 2010 up to 5.1% for 2016 and later
Claims Management Expenses	159% of gross claim payments	87% of gross claim payments
Reinsurance Recoveries	1.5% of gross claim payments	1.2% of gross claim payments
Risk Margin	17.1% has been added which is intended to give a 75% probability of sufficiency. An additional precautionary margin has been added for one segment of the portfolio which has historically shown significant volatility	15.9% has been added which is intended to give a 75% probability of sufficiency. An additional precautionary margin has been added for one segment of the portfolio which has historically shown significant volatility
Average Term to Settlement	3.9 years	4.8 years

SENSITIVITY ANALYSIS

The tables below illustrate how changes in key assumptions would impact upon equity and the profit after tax (assumed at a Corporate tax rate of 30%) gross and net of all recoveries except for:

- The GIF is exempt from the National Tax Equivalent Regime and is indemnified by the Department of Treasury and Finance via a Right of Indemnity (Refer Note 9), hence changes in the actuarial assumption variables will have no impact at all upon profit. For disclosure purposes the impact upon outstanding claims liabilities is disclosed instead of impact upon after-tax profit.

- EISF Act liabilities are indemnified by WorkCover WA via a Right of Indemnity (Refer Note 9), hence changes in the actuarial assumption variables will have no impact at all upon profit after-tax. For disclosure purposes the impact upon outstanding claims liabilities is disclosed instead of impact upon after-tax profit.

Note that the impact of change in the variables upon outstanding claim liabilities moves in a direction opposite to the impact upon profits.

Third Party Insurance Fund

		Profit/(Loss) Increase/(Decrease)	
Variable	Change in Variable %	Net of Reinsurance and Other Recoveries $'000	Gross $'000
Inflation	+1	(30,520)	(30,870)
Inflation	-1	28,770	29,050
Discount	+1	28,350	28,630
Discount	-1	(30,660)	(30,940)
Superimposed Inflation	+1	(17,080)	(17,010)
Superimposed Inflation	-1	16,240	16,170
IBNR	+10	(11,130)	(11,130)
IBNR	-10	11,200	11,200
Development of Case Estimates	+1	(19,460)	(19,460)
Development of Case Estimates	-1	16,800	16,800
Projected Case Estimates (PCE) Payment Factors	+1	(2,240)	(2,240)
Projected Case Estimates (PCE) Payment Factors	-1	2,520	2,520
Shorten Projection of PCE Model to 16 years (from 20)	n/a	(11,410)	(11,410)
Lengthen Projection of PCE Model to 24 years (from 20)	n/a	6,160	6,160

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Sensitivity Analysis (continued)

Compensation (Industrial Diseases) Fund

Variable	Change in Variable %	Profit/(Loss) Increase/(Decrease) Net of Reinsurance and Other Recoveries $'000	Gross $'000
Inflation	+1	(175)	(231)
Inflation	-1	161	210
Discount	+1	168	217
Discount	-1	(189)	(245)
Superimposed Inflation	+2	(392)	(518)
Increasing Base numbers of Mesothelioma Claims by 2 for over-65's and by 1 for under-65's	n/a	(168)	(252)
Increasing Decay Rates in Annual Number of Future Mesothelioma Cases Reported every Future Year	+5	(448)	(679)
Increasing Base numbers of 'Other' Claims by 2 for over-65's and by 1 for under-65's	n/a	(511)	(637)
Increasing Decay Rates in Annual Number of Future 'Other' Cases Reported every Future Year	+5	(469)	(588)

Insurance Commission General Fund: Workers' Compensation

Variable	Change in Variable %	Profit/(Loss) Increase/(Decrease) Net of Reinsurance and Other Recoveries $'000	Gross $'000
Inflation	+1	(1,911)	(3,248)
Inflation	-1	1,708	2,905
Discount	+1	1,736	2,940
Discount	-1	(1,981)	(3,346)
Superimposed Inflation	+2	(3,493)	(6,384)
Increasing Base numbers of Mesothelioma Claims by 2 for over-65's and by 1 for under-65's	n/a	(2,954)	(5,957)
Increasing Decay Rates in Annual Number of Future Mesothelioma Cases Reported every Future Year	+5	(5,992)	(12,089)
Increasing Base numbers of 'Non-CSR EI Lung' Claims by 2 for over-65's and by 1 for under-65's	n/a	(1,834)	(2,002)
Increasing Decay Rates in Annual Number of Future 'Non-CSR EI Lung' Cases Reported every Future Year	+5	(4,389)	(4,795)

Insurance Commission General Fund: Liability

Variable	Change in Variable %	Profit/(Loss) Increase/(Decrease) Net of Reinsurance and Other Recoveries $'000	Gross $'000
Inflation	+1	(119)	(126)
Inflation	-1	112	112
Discount	+1	105	112
Discount	-1	(119)	(126)

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Sensitivity Analysis (continued)

EISF Act: Asbestos-Related Claims

		Movement in Outstanding Claims Liability	
Variable	**Change in Variable %**	**Net of Reinsurance and Other Recoveries $'000**	**Gross $'000**
Inflation	+1	2,041	2,872
Inflation	-1	(1,789)	(2,519)
Discount	+1	(1,843)	(2,595)
Discount	-1	2,144	3,019
Superimposed Inflation	+1	2,089	2,940
Superimposed Inflation	-1	(1,826)	(2,571)
Number of Claims	+10	2,000	2,817
Number of Claims	-10	(2,000)	(2,817)
Average Claim Size	+10	2,000	2,817
Average Claim Size	-10	(2,000)	(2,817)
Claims Management Expenses	+1	186	263
Claims Management Expenses	-1	(186)	(263)

EISF Act: Non-Asbestos-Related Claims

		Movement in Outstanding Claims Liability	
Variable	**Change in Variable %**	**Net of Reinsurance and Other Recoveries $'000**	**Gross $'000**
Inflation	+1	103	102
Inflation	-1	(99)	(98)
Discount	+1	(97)	(97)
Discount	-1	103	103
Superimposed Inflation	+1	59	59
Superimposed Inflation	-1	(58)	(58)
Claims Reported	+10	182	181
Claims Reported	-10	(182)	(181)
Claims Management Expenses	+1	42	42
Claims Management Expenses	-1	(42)	(42)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Sensitivity Analysis (continued)

Government Insurance Fund: Workers' Compensation

Variable	Change in Variable %	Movement in Outstanding Claims Liability Net of Reinsurance and Other Recoveries $'000	Gross $'000
Inflation	+1	2,100	2,200
Inflation	-1	(1,900)	(2,000)
Discount	+1	(2,000)	(2,100)
Discount	-1	2,200	2,400
Increase in Asbestos-Related Claims	+20	5,100	5,500
Increase in Asbestos-Related Claims	-20	(5,400)	(5,800)

Government Insurance Fund: Liability

Variable	Change in Variable %	Movement in Outstanding Claims Liability Net of Reinsurance and Other Recoveries $'000	Gross $'000
Inflation	+1	20	30
Inflation	-1	(20)	(30)
Discount	+1	(20)	(40)
Discount	-1	20	40
Development of Case Estimates	+10	130	120
Development of Case Estimates	-10	(70)	(60)

State Government Insurance Corporation

Variable	Change in Variable %	Profit/(Loss) Increase/(Decrease) Net of Reinsurance and Other Recoveries $'000	Gross $'000
Inflation	+1	(11)	(11)
Inflation	-1	11	11
Discount	+1	41	42
Discount	-1	(46)	(47)
Claims Management Expenses continue +5 years	n/a	(173)	(173)
Claims Management Expenses continue -5 years	n/a	161	161
Savings from run-off plan and commutations do not occur	n/a	(727)	(727)

4. RISK MANAGEMENT POLICIES AND PROCEDURES

(a) GOVERNANCE FRAMEWORK

It is the policy of the Insurance Commission and its subsidiary, the State Government Insurance Corporation (Corporation), to strive to achieve 'Best Practice' in the management of all risks that threaten to adversely impact upon the economic entity, its customers, people, assets, finances, functions, objectives, operations or members of the public.

The materiality to the economic entity of the Corporation (which is in run-off) is minimal. Risk management procedures for the Corporation are integrated with those of the Insurance Commission.

The economic entity is subject to a number of insurance contract risks and a number of key financial risks which include insurance risk, market risk, liquidity risk, interest rate risk, foreign exchange risk and credit risk.

Management of risk forms a part of operational and line responsibilities and is integrated into the Strategic and Operational Business Planning cycles.

Overall risk management within the Insurance Commission is a Board and Executive responsibility. The Insurance Commission's Executive Committee determines and communicates Risk Policy, Objectives, Procedures and Guidelines and monitors implementation, practice and performance. This information is reported on a regular basis to the Board of Commissioners.

The Risk Policy provides for the retention of external consultants, where required, to advise and assist in the risk management process, or management of specific risks or categories of risk.

Internal Audit, which is provided by an independent external provider, assists in the identification, monitoring and evaluation of risk and gives assurance to the Board of Commissioners in relation to higher risk activities.

(b) EXTERNAL REGULATORY FRAMEWORKS AND CAPITAL MANAGEMENT

The Insurance Commission is not subject to external regulatory frameworks which would apply to most other general insurers. The *Australian Prudential Regulatory Authority Act 1998* (APRA Act) s3(2) sets out bodies regulated under that Act. This captures all general insurers within the meaning of the *Insurance Act 1973* (Insurance Act). The Insurance Act s5(1), however deems that the Insurance Act does not apply to State insurance.

Reporting by the entity is subject to AASB Standards as amended by Treasurer's Instructions. Refer Note 1 (c). Many of the AASB standards mirror best practice requirements such as those incorporated in APRA guidelines. Where matters relevant to the Insurance Commission relate to APRA guidelines which are not covered by AASB Standards (such as APRA Minimum Capital Requirements), the Board will consider and where appropriate instigate appropriate risk mitigation practices. The Insurance Commission considers its retained earnings and asset revaluation surplus as its core capital. A review of movements in capital is undertaken periodically and submitted to the Board for consideration.

(c) INSURANCE AND REINSURANCE CONTRACTS

(i) Objectives in Managing Risks arising from General Insurance Contracts and Policies for Mitigating those Risks

The Insurance Commission's activities primarily involve the issuing of insurance policies and managing the claims resulting from them together with the management of claims run-off in a number of areas. In addition, it provides risk management services and advice. In doing this, the Insurance Commission seeks to minimise the cost of risk to those it insures and to efficiently manage the claims arising from its statutory funds.

The only funds for which contracts of insurance are still issued by the Insurance Commission are the Third Party Insurance Fund (TPIF) and the Compensation (Industrial Diseases) Fund (CIDF). The Government Insurance Fund (GIF), Insurance Commission General Fund (ICGF) and the Corporation are all in run-off.

The Insurance Commission has a framework for the systematic identification, assessment and management of risks that could prevent it from achieving its goals.

Key processes for the mitigation of risks faced in the operations of the Insurance Commission include:

- Use of information systems to provide up-to-date, reliable data on the risks to which the Insurance Commission is exposed.
- Independent Actuarial models, using data from the information systems, are used to monitor claims patterns, and in the production of statistical models to predict the outstanding claims liabilities for the various Funds.
- The mix of assets and Investment Managers in which the Insurance Commission invests, is driven by the nature and term of the insurance liabilities. Management monitors assets and liabilities to ensure claim payments can be met when required.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

State Government Insurance Corporation

The Corporation remains in existence to run-off small lines of Australian and overseas reinsurance business written by the Corporation between 1988 and 1992.

Key processes for the mitigation of risks faced in the management of the Corporation include:

- Use of information systems to provide up-to-date, reliable data on the risks to which the Insurance Commission is exposed.
- Independent Actuarial models, using data from the information systems, are used to monitor claims patterns, and in the production of statistical models to predict the outstanding liabilities for the various risks.

As the Corporation is in run-off, the emerging payment patterns are highly variable and virtually impossible to predict. For this reason assets used to offset emerging liabilities are held in Australian cash funds.

(ii) Terms and Conditions of Insurance and Reinsurance Risks

Third Party Insurance Fund

The policy of insurance issued by the Insurance Commission provides unlimited indemnity to the owner or driver of a Western Australian registered motor vehicle for all liability for negligence incurred by that owner or driver in respect to the death or bodily injury to any person directly caused by, or by the driving of, the insured motor vehicle in any part of the Commonwealth of Australia. The policy is combined with every motor vehicle licence and the Department of Transport and its agents issue the policies and collect the premiums on behalf of the Insurance Commission on a fee-for-service basis.

The process for pricing the risk is laid out in section 3T of the *Motor Vehicle (Third Party Insurance) Act 1943*, which requires that, at least once each financial year, the Insurance Commission is to make an assessment of the extent to which the premium income, as estimated on the basis of existing scales of premiums, together with other income expected to be received under and for the purposes of the Act, will be sufficient to meet claims, costs and other expenses anticipated to arise or be incurred under the *Motor Vehicle (Third Party Insurance) Act 1943*. The assessment also takes into account an independent actuarial report and any retained earnings expected to exist at the commencement of the following financial year. Following this process, the Board then makes a recommendation to the Treasurer as Minister responsible for the Insurance Commission.

The TPIF has in place excess of loss treaty reinsurance arrangements, on a “per event” basis, to cover losses in excess of a defined limit for any one event. Reinsurance arrangements are placed through a broker with a number of global reinsurers, each carrying a share of the risk on 12-month contracts. Reinsurers on the program are regularly assessed to determine their effectiveness and only reinsurers with an 'A-' or higher security rating (Standard and Poor's) are considered for inclusion on the program.

Compensation (Industrial Diseases) Fund

The Insurance Commission is the only insurer authorised to issue contracts of insurance covering employers against workers’ compensation claims for respiratory diseases of pneumoconiosis, lung cancer and mesothelioma, arising from exposure to harmful mineral dust in the course of employment in the mining industry in Western Australia.

Due to the advent of modern mining techniques and the adoption of preventative occupational health and safety practices within the mining industry, there has been a substantial decline in the incident rate of Industrial Diseases. This has caused the CIDF to be in surplus for many years and it is expected that this situation will continue for the foreseeable future.

The majority of the potential outstanding liability for this Fund results from exposure to asbestos fibre from the mining activities at Wittenoom between 1943 and 1966.

CIDF premiums are set by WorkCover WA in accordance with the *Workers' Compensation and Injury Management Act 1981* s151(a)(iii). Due to the CIDF’s sound financial status, premiums from 1 July 2009 were set at a flat charge of $100 (plus GST) per policy for a three-year period or part thereof ending 30 June 2012.

Ongoing policies of insurance issued by the CIDF are of a standard format and contain no special terms or conditions that would have a material impact on the financial statements of the Insurance Commission.

Government Insurance Fund

This Fund is in run-off. The Insurance Commission is indemnified by the Department of Treasury and Finance for deficits arising in the GIF which ceased issuing contracts of insurance on 30 June 1997.

There are no special terms or conditions that would materially impact on the financial statements arising from latent contracts of insurance issued under this Fund as the majority of these covers were issued under a standard form basis.

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Insurance Commission General Fund

The claims paid from the Fund which were previously incurred relate to liabilities of the former State Government Insurance Office (SGIO). This Fund is in run-off on claims incurred and no policies have been issued since 31 December 1986. There are no special terms or conditions that would materially impact upon the financial statements arising from latent contracts of insurance issued under this Fund as the majority of these covers were issued under a standard form basis.

Employers' Indemnity Supplementation Fund Act 1980 (EISF Act)

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

The run-off of claims for policies of insurance issued by HIH is managed externally by CGU Workers' Compensation Claims (an Insurance Australia Group company) on behalf of the Insurance Commission. Under Section 25(2) of the EISF Act, the Insurance Commission has a right of reimbursement for all costs associated with run-off of these liabilities.

As all the contracts of insurance cover under the EISF Act (including those issued by HIH), for which the Insurance Commission has now assumed responsibility, fall under the legislative guidelines governing all workers' compensation policies within Western Australia, they would not contain any terms or conditions that would materially impact on the financial statements of the Insurance Commission. The Insurance Commission has a right of indemnity from WorkCover WA in respect of all EISF claims. Refer Note 17(b).

Corporation

The terms and conditions under which inwards reinsurance business was placed through the operation of the Corporation were highly variable and in some cases extremely complex. The key issue being managed with the run-off of the fund is ensuring that all accounts being submitted are in accordance with the original contract terms.

(iii) Concentration Risk

Third Party Insurance Fund

A TPIF policy provides for an unlimited indemnity in respect to the death or bodily injury to any person directly caused by, or by the driving of, a Western Australian registered motor vehicle in any part of the Commonwealth of Australia. Most of the risk however, is concentrated within the Perth metropolitan area of Western Australia.

Compensation (Industrial Diseases) Fund

The CIDF has an exposure to concentration risk as it is restricted to one class of business and operates solely within the confines of Western Australia. This risk is mitigated by the large surplus held by the Fund and the decreased exposure to harmful mineral dust in modern mining operations, resulting in a far lower incidence rate in recent years.

Government Insurance Fund

During the years that GIF contracts of insurance were being issued, exposure to significant concentration risk was mitigated by having a diversified portfolio across the large geographic area of Western Australia. As this fund has been in run-off for a considerable time, the concentration risk has increased as the majority of outstanding liabilities at the end of the reporting period arise from risks associated with common law liability and long-tail workers' compensation claims.

The Insurance Commission has secured an indemnification from the Department of Treasury and Finance of Western Australia for Fund deficits resulting from the run-off of the GIF.

Insurance Commission General Fund

During the years that ICGF contracts of insurance were being issued, exposure to significant concentration risk was mitigated by having a diversified portfolio across the large geographic area of Western Australia. As this fund has been in run-off for a considerable time, the concentration risk has increased as the majority of outstanding liabilities at the end of the reporting period arise from risks associated with common law liability and long-tail workers' compensation claims.

To mitigate the risk contained in the ICGF, the majority of which stems from the common law liability resulting from asbestos mining activities at Wittenoom between 1943 and 1966, a Deed of Agreement has been entered into between the Insurance Commission, CSR Limited and Midalco Pty Ltd providing the Insurance Commission with a reimbursement for a set proportion of losses incurred from these activities.

Employers' Indemnity Supplementation Fund

At the end of the reporting period, all claims made against the Insurance Commission under the EISF Act result from contracts of insurance restricted to risks associated with the workers' compensation class of business and hence there is considerable concentration risk. This risk is mitigated by a requirement under the EISF Act that the Insurance Commission has a right of reimbursement from WorkCover WA for all costs associated with the run-off of claims under this Fund.

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Corporation

The inwards reinsurance covers issued by the Corporation during its years of operation sought to mitigate concentration risk by the diversification of its portfolio across a number of product lines and geographical regions. As could be expected the majority of the benefit of the diversification has been consumed due to the shorter tail claims being settled some time ago leaving a residual tail of claims originating from a far more concentrated risk base.

(iv) Development of Outstanding Claims Liability

Given that the majority of insurance contracts under the management of the Insurance Commission deal with classes of insurance where the estimate of liability is subject to material change following the close of the contract period, Claims Development Tables have been provided in Note 17(g) which detail outstanding claims estimates for underwriting years at successive year ends.

To ensure the adequacy of the outstanding claims provisions, all active claims have estimates placed by a designated Claims Officer, and independent actuaries review the outstanding claims provisions at least twice yearly. Although it is not governed by the APRA guidelines, the Insurance Commission has adopted a prudential margin which is sufficient to achieve a 75% level of adequacy based solely on liability risk (i.e. with no allowance for asset risk, nor asset returns above risk-free rates). The central claims estimate is first discounted to present value using risk-free rates. The prudential margin is then added to this to arrive at the provision for outstanding claims liability.

Nevertheless the provision for outstanding claims liability is subject to significant uncertainty, related to:

- Future trends in claim frequency;
- Future changes in social and judicial attitudes;
- Changes in legislation; and
- Changes in economic conditions (e.g. inflation, investment returns).

Corporation

As the majority of insurance contracts under management of the Insurance Commission deal with classes of insurance where the estimate of liability is subject to material change following the close of the contract period, a Claims Development Table has been provided in Note 17(g) which details outstanding claims estimates for underwriting years at successive year ends.

(v) Financial Risk

The economic entity is subject to insurance contract risks and a number of key financial risks which include insurance risk, price risk, liquidity risk, interest rate risk, foreign exchange risk and credit risk.

To minimise exposure to these risks, which can affect assets and liabilities backing insurance contracts, the Insurance Commission's investment decisions are undertaken in accordance with Prudential Guidelines for Investments (PGIs) approved by the Treasurer of Western Australia. Refer below.

(d) FINANCIAL RISK MANAGEMENT

The Insurance Commission's investment portfolio consists of financial instruments which inter-alia include quoted and non-quoted Alternative Assets, Equity, Fixed Interest, Property and Cash investments. These investments are managed in accordance with the PGIs.

The PGIs clearly set out the authorised investments which the Insurance Commission may hold in its investment portfolio along with minimum credit rating requirements for Cash, Fixed Interest and over-the-counter derivative instruments. The 'Preamble' to the PGIs sets out the Insurance Commission's investment powers, asset allocation and manager configuration. The PGIs are regularly reviewed and updated to incorporate changes that are continually evolving within international and Australian investment markets.

The Board of Commissioners, in consultation with its Independent Asset Consultant and input from the Investments Division, determines investment strategy, asset allocation mix, investment manager configuration and investment manager appointments. The allocation of assets between the various types of financial instruments is determined so as to achieve the Insurance Commission's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Manager Investments Division on at least a monthly basis.

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

The Insurance Commission's investing activities expose it to the following risks from its use of financial instruments:

- Market Risk
- Credit Risk
- Liquidity Risk

The Board of Commissioners has overall responsibility for the establishment and oversight of the Insurance Commission's risks relating to its investment activities.

The Insurance Commission's investment portfolio is professionally managed by a combination of external and internal investment managers. The Investments Division is responsible for managing the Direct Property, Inflation Linked Bonds, a portion of Fixed Interest Term Deposit and Cash portfolios. Managers with discrete portfolios have investment mandates which set out risk parameters restricting their investment activities. Managers of pooled investment vehicles are selected having regard to the risk parameters of each Trust Deed.

Risk reporting is undertaken on a weekly basis by the external Custodian. The Custodian reports to the Manager Investments Division on compliance of discrete portfolios with respect to each individual investment mandate. This includes risk measures relating to compliance with authorised investments, limits on allocations relating to the size of individual investments, issuers or sectors and credit rating requirements as set out in the PGIs. Any findings/breaches are immediately confirmed with the external investment manager and the necessary steps taken to rectify a compliance breach. All compliance incidents are reported to the Board on a monthly basis.

External investment managers also provide the Investments Division with a Risk Management Statement (RMS) which sets out their processes and procedures for managing derivatives. These RMSs are reviewed by the Manager Investments Division as received. Derivatives are not used in the internally managed investment portfolios.

Each external investment manager is requested on an annual basis to provide the Investments Division with an audit sign-off relating to adherence with its internal policies and procedures. The Insurance Commission's internal auditors review the policies and procedures relating to internally managed investment portfolios.

All investment managers are required to meet performance targets based on market indices (benchmarks) for their respective asset classes. The Investments Division continually monitors the performance of all managers including its own performance. This monitoring includes both qualitative and quantitative factors.

(i) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the economic entity's income or the value of its holdings of financial instruments. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates); interest rate risk (due to fluctuations in market interest rates); and price risk (due to fluctuations in market prices). The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on investments.

Currency Risk

The Insurance Commission is exposed to currency risk in respect of net foreign currency exposures. This currency risk of the investment portfolio is managed as follows:

- A currency overlay is used to passively hedge 50% of core Global Equities exposures.
- A currency overlay is used to passively hedge 100% of the US dollar exposure gained through the investment in the Holowesko Global Fund.
- Where possible, unit trust investments domiciled in Australian dollars are utilised.

The Investments Division is responsible for providing the currency overlay manager with updated portfolio values to be hedged on a monthly basis.

The effectiveness of the currency management processes and the related use of derivatives are actively monitored by the Manager Investments Division and the external Custodian.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

The analysis below demonstrates the impact on profit after tax (assumed at a Corporate tax rate of 30%) and equity of a movement in foreign currency exchange rates against the Australian dollar on our major currency exposures within the investment portfolio at the end of the reporting period. The analysis shows the total currency exposure before the currency hedge overlays have been applied:

	Exposure		Change in Variable		Profit/(Loss) and Equity Increase/(Decrease)	
	2010 $'000	**2009 $'000**	**2010 %**	**2009 %**	**2010 $'000**	**2009 $'000**
United States Dollars	**212,418**	214,555	**+20**	+10	**29,739**	15,019
			-20	-10	**(29,739)**	(15,019)
Great British Pounds	**22,787**	23,458	**+20**	+10	**3,190**	1,642
			-20	-10	**(3,190)**	(1,642)
Euros	**20,642**	47,844	**+20**	+10	**2,890**	3,349
			-20	-10	**(2,890)**	(3,349)
Hong Kong Dollars	**17,551**	6,663	**+20**	+10	**2,457**	467
			-20	-10	**(2,457)**	(467)
Japanese Yen	**15,374**	50,966	**+20**	+10	**2,153**	3,568
			-20	-10	**(2,153)**	(3,568)

The Currency Risk Exposure is the same for both Consolidated and the Insurance Commission. These figures are inclusive of RiskCover Fund's share of the investment pool of the economic entity. The RiskCover Fund's share is offset by a liability in the accounts of the Insurance Commission. Refer Notes 10 and 39.

Interest Rate Risk

The Insurance Commission invests in short and long dated fixed interest securities. Approximately 7.4% (2009: 8.5%) of the Insurance Commission's portfolio is invested in high quality fixed interest securities with maturity longer than one year. Consequently, the Insurance Commission has an exposure to fair value interest rate risk due to fluctuations in the prevailing level of market interest rates. Cash and cash equivalents are invested in short-term securities with a maturity of less than one year or floating rate notes with an interest reset every three months based on a fixed margin in excess of the 90-day bank bill rate.

The maturity profile of the Insurance Commission's interest-bearing financial assets and hence its exposure to interest rate risk and the effective weighted average interest rate for interest-bearing financial assets is shown in Note 25(d) Interest Rate Risk Exposure.

The analysis below demonstrates the impact on profit after tax (assumed at a Corporate tax rate of 30%) and equity of movements in interest rates in relation to the base value of interest bearing financial assets:

	Exposure		Change in Variable		Profit/(Loss) and Equity Increase/(Decrease)	
	2010 $'000	**2009 $'000**	**2010 %**	**2009 %**	**2010 $'000**	**2009 $'000**
Interest-Bearing Financial Assets	**579,129**	363,232	**+1**	+1	**(5,537)**	(9,048)
			-1	-1	**7,209**	9,048
Fixed Interest Unit Trusts	**176,970**	184,171	**+1**	+1	**169**	(1,437)
			-1	-1	**(169)**	1,437

The Interest Rate Risk Exposure is the same for both Consolidated and the Insurance Commission with the exception of $3.150 million (2009: $3.052 million) relating to Cash and Cash Equivalent Assets of the Corporation, which is only represented in the Consolidated Accounts. These figures are inclusive of RiskCover Fund's share of the investment pool of the economic entity. RiskCover Fund's share is offset by a liability in the accounts of the Insurance Commission. Refer Notes 10 and 39.

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Price Risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to the individual investment, its issuer, or other factors broadly affecting all instruments in the market. Since the majority of investments are reported at fair value, a change in market conditions will directly affect Net Investment Income.

Price risk is mitigated by the Insurance Commission holding a diversified investment portfolio. Diversification is achieved across instruments, issuers, asset classes, geographies and investment managers.

At 30 June 2010, 29.7% (2009: 32.5%) of the Insurance Commission's investment assets were listed equities, 17.2% (2009: 18.7%) were unlisted trusts, 0.8% (2009: 0.6%) were listed trusts and 15.4% (2009: 14.7%) were investment properties. The analysis below demonstrates the impact on profit after tax (assumed at a Corporate tax rate of 30%) and equity of movements in the value of equities listed in significant markets, listed trusts, unlisted trusts and investment properties:

	Exposure		Change in Variable		Profit/(Loss) and Equity Increase/(Decrease)	
	2010 $'000	**2009 $'000**	**2010 %**	**2009 %**	**2010 $'000**	**2009 $'000**
ASX	**592,987**	625,296	**+20**	+10	**83,018**	43,771
			-20	-10	**(83,018)**	(43,771)
Dow Jones	**64,223**	67,285	**+20**	+10	**8,992**	4,710
			-20	-10	**(8,992)**	(4,710)
NASDAQ	**25,406**	23,552	**+20**	+10	**3,557**	1,649
			-20	-10	**(3,557)**	(1,649)
FTSE	**22,711**	23,546	**+20**	+10	**3,179**	1,649
			-20	-10	**(3,179)**	(1,649)
Hong Kong	**17,753**	6,652	**+20**	+10	**2,486**	466
			-20	-10	**(2,486)**	(466)
Nikkei	**14,753**	13,491	**+20**	+10	**2,066**	944
			-20	-10	**(2,066)**	(944)
Listed Trust	**22,564**	15,627	**+20**	+10	**3,159**	1,094
			-20	-10	**(3,159)**	(1,094)
Unlisted Trusts	**479,765**	476,349	**+20**	+10	**67,167**	33,345
			-20	-10	**(67,167)**	(33,345)
Investment Properties	**429,480**	374,195	**+20**	+10	**60,127**	26,194
			-20	-10	**(60,127)**	(26,194)

The Corporation has no price risk exposure and hence the price risk exposure is the same for both Consolidated and the Insurance Commission. The figures shown are inclusive of the RiskCover Fund's share of the investment pool of the economic entity. The RiskCover Fund's share is offset by a liability in the accounts of the Insurance Commission. Refer Notes 10 and 39.

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

(ii) Credit Risk

Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations resulting in financial loss to the economic entity. The Insurance Commission's credit policy is contained in the PGIs and sets out the minimum credit rating requirements for cash, fixed interest and over-the-counter derivatives. Credit risk in these securities is mitigated by predominantly investing in rated instruments issued by rated counterparties with credit ratings of at least 'A2-' or better as determined by Standard and Poor's for securities up to 12 months maturity and 'A-' for securities more than 12 months to maturity.

The credit ratings of securities in the Australian fixed interest portfolios are monitored on a weekly basis by the Custodian and reported to the Manager Investments Division. The average credit rating of holdings within the overseas fixed interest unit trust is monitored on a quarterly basis by the Investments Division. Breaches to the credit rating policy are rectified immediately. All credit rating breaches are incorporated in the monthly Investment Report to the Board.

Emerging market fixed interest securities are restricted to 20% of the total overseas fixed interest exposure and must be securities issued by Sovereign Governments with a credit rating of at least 'BB-' or better as determined by Standard and Poor's or Moody's.

Credit risk arising on transactions with brokers is mitigated by having an authorised list of brokers with whom the investment manager can transact. The investment managers minimise concentration risk by transacting with numerous brokers. Compliance checks confirm that the brokers used in transactions by investment managers are in accordance with the authorised brokers listing.

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 65% (2009: 65%) of its recognised financial assets in Australia.

	CONSOLIDATED		INSURANCE COMMISSION	
	2010	2009	2010	2009
Recognised Financial Assets	$'000	$'000	$'000	$'000
The Carrying Amount of the Financial Assets Recorded in the Consolidated Statement of Financial Position, Net of any Provision for Losses	**2,085,005**	1,876,769	**2,082,058**	1,874,038
Total Maximum Credit Risk Exposure	**2,085,005**	1,876,769	**2,082,058**	1,874,038

The following table relates to the market values of officially rated bonds, short-term discount securities, deposits at call and debtors in respect of unsettled transaction trades as per Standard and Poor's ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade. The table excludes listed and unlisted equities, unit trusts and alternative assets which are subject to market risk rather than credit risk. In addition, this table excludes Reinsurance and Other Recoveries which are shown separately later in this Note. Right of Indemnities (Refer Note 9) related to Government Agencies are also excluded from this analysis.

AAA rating	**141,991**	148,455	**141,991**	148,455
AA+ to AA- ratings	**383,986**	99,162	**383,986**	99,162
A+ to A- ratings	**6,039**	34,146	**6,039**	34,146
BBB+ to BBB ratings	**1,020**	3,484	**1,020**	3,484
Speculative	**271**	-	**271**	-
A1 to A2 (short-term) rating	**43,888**	78,776	**43,888**	78,776
Credit Risk Exposure	**577,195**	364,023	**577,195**	364,023

Insurance and Reinsurance related Credit Risk

The economic entity also has exposure to credit risk with regard to the reinsurance and other recovery arrangements in which it enters to offset insurance contract risk. The Insurance Commission reinsures to protect capital and reduce volatility in the event of catastrophic loss. The strategy used in respect of the selection, approval and monitoring of reinsurance arrangements is as follows:

- Reinsurance is approved and placed in accordance with Board delegations and authorisations, which include minimum financial credit ratings for reinsurance counterparties.
- The Department of Treasury and Finance agrees on the retention limits for the RiskCover Fund annually.
- Reinsurance arrangements are reviewed annually to monitor their effectiveness and ensure that coverage is appropriate, based on historical losses and the potential for future losses. The financial capacity of the Funds to withstand loss and the cost of reinsurance protection are factors taken into account in determining the level of risk retention.
- The credit quality of current and past reinsurance counterparties is actively monitored.

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

The following tables provide information about the quality of the consolidated entity's credit risk exposure in respect of reinsurance and other recoveries on claims already paid and on claims which remained outstanding at the end of the reporting period, but not yet "invoiced" or claimed from the relevant party. The analysis classifies the assets according to Standard and Poor's counterparty credit ratings. AAA is the highest possible rating. Ratings that fall outside the range AAA to BBB and those which cannot be reliably rated, such as estimates of unknown third party recoveries, are classified as speculative grade. Input tax credits recoverable from the Australian Taxation Office have all been classified as AAA rating.

	2010 ($'000)					
	AAA	AA+ to AA-	A+ to A-	BBB+	Speculative Grade	Total
Reinsurance and Other Recoveries						
Third Party Insurance Fund	83,881	1,354	11,068	-	884	**97,187**
Compensation (Industrial Diseases) Fund	31	-	-	1,126	-	**1,157**
Government Insurance Fund						
- Workers' Compensation	397	-	-	-	1,856	**2,253**
- Public Liability	25	-	408	-	142	**575**
GIF Total Reinsurance and Other Recoveries	422	-	408	-	1,998	**2,828**
Insurance Commission General Fund						
- Workers' Compensation	594	-	-	24,379	1,016	**25,989**
- Public Liability	57	-	-	-	-	**57**
- EISF Act: Asbestos-Related Claims	150	-	-	-	-	**150**
- EISF Act: Non-Asbestos-Related Claims	39	-	-	-	-	**39**
ICGF Total Reinsurance and Other Recoveries	840	-	-	24,379	1,016	**26,235**
Total Insurance Commission Reinsurance and Other Recoveries	85,174	1,354	11,476	25,505	3,898	**127,407**
Corporation Inwards Reinsurance	-	-	-	-	7	**7**
Total Consolidated Reinsurance and Other Recoveries	**85,174**	**1,354**	**11,476**	**25,505**	**3,905**	**127,414**

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

	2009 ($'000)					
	AAA	AA+ to AA-	A+ to A-	BBB	Speculative Grade	Total
Reinsurance and Other Recoveries						
Third Party Insurance Fund	81,228	1,504	11,528	-	854	95,114
Compensation (Industrial Diseases) Fund	30	-	-	1,174	-	1,204
Government Insurance Fund						
- Workers' Compensation	323	-	-	-	241	564
- Public Liability	29	-	-	59 -	38	50
GIF Total Reinsurance and Other Recoveries	352	-	-	59	203	614
Insurance Commission General Fund						
- Workers' Compensation	543	-	-	19,876	1,045	21,464
- Public Liability	41	-	-	-	-	41
- EISF Act: Asbestos-Related Claims	184	-	-	-	-	184
- EISF Act: Non-Asbestos-Related Claims	53	-	-	-	-	53
ICGF Total Reinsurance and Other Recoveries	821	-	-	19,876	1,045	21,742
Total Insurance Commission Reinsurance and Other Recoveries	82,431	1,504	11,528	21,109	2,102	118,674
Corporation Inwards Reinsurance	-	-	-	-	7	7
Total Consolidated Reinsurance and Other Recoveries	**82,431**	**1,504**	**11,528**	**21,109**	**2,109**	**118,681**

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

The following table provides further information regarding the ageing of amounts "invoiced" and receivable for premium debtors, reinsurance and other recoveries on paid claims at the end of the reporting period:

2010 ($'000)

	Neither Past Due nor Impaired	Past Due but Not Impaired: 0 to 3 Months	3 to 6 Months	6 to 12 Months	Greater than 1 Year	Impaired *	Total
Third Party Insurance Fund	-	-	-	-	-	-	**-**
Compensation (Industrial Diseases) Fund	2	50	-	6	-	-	**58**
Government Insurance Fund	57	-	-	-	97	148	**302**
Insurance Commission General Fund	255	816	37	71	45	43	**1,267**
Total Insurance Commission	**314**	**866**	**37**	**77**	**142**	**191**	**1,627**
Corporation Inwards Reinsurance	-	-	-	-	23	-	**23**
Total Consolidated	**314**	**866**	**37**	**77**	**165**	**191**	**1,650**

* All Government Insurance Fund impaired receivables are greater than 1 year past due.
* All Insurance Commission General Fund impaired receivables are less than 1 year overdue.

2009 ($'000)

	Neither Past Due nor Impaired	Past Due but Not Impaired: 0 to 3 Months	3 to 6 Months	6 to 12 Months	Greater than 1 Year	Impaired *	Total
Third Party Insurance Fund	-	-	-	-	-	-	-
Compensation (Industrial Diseases) Fund	1	1	-	-	-	-	2
Government Insurance Fund	-	-	-	-	97	150	247
Insurance Commission General Fund	480	740	25	5	20	20	1,290
Total Insurance Commission	**481**	**741**	**25**	**5**	**117**	**170**	**1,539**
Corporation Inwards Reinsurance	-	-	3	-	14	6	23
Total Consolidated	**481**	**741**	**28**	**5**	**131**	**176**	**1,562**

* All Government Insurance Fund impaired receivables are greater than 1 year past due.
* All Insurance Commission General Fund impaired receivables are less than 1 year overdue.
* Corporation impaired receivables are both less than 1 year overdue ($1,849) and greater than 1 year past due ($3,636)

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

(iii) Liquidity Risk

Liquidity risk refers to the risk that the economic entity will not be able to meet its financial obligations as they fall due. The Manager Investments Division is responsible for ensuring that there is always sufficient liquidity to meet the Insurance Commission's liabilities when due.

The Cash Portfolio is managed to meet the day-to-day liquidity requirements of the insurance business. The target cash allocation is 4% of the total portfolio. Cash flows are monitored on a daily basis. Cash flows in excess of business operational requirements are placed with external managers. Conversely, cash requirements are met by redeeming investments with the Insurance Commission's Equity and/or Fixed Interest managers. These securities are considered to be easily realisable. At 30 June 2010, the mean term to maturity of the Cash Portfolio was 121 days (2009: 28 days).

The following tables detail the maturity profile of the economic entity's gross discounted outstanding claims liability and certain other key financial liabilities, at the end of the reporting period:

CONSOLIDATED 2010 ($'000)

	Maturity in				
	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
Outstanding Claims Liability					
Third Party Insurance Fund	365,900	312,934	507,994	252,662	**1,439,490**
Compensation (Industrial Diseases) Fund	700	500	1,429	2,530	**5,159**
Government Insurance Fund					
- Workers' Compensation	4,071	4,609	10,761	21,596	**41,037**
- Public Liability	291	217	376	260	**1,144**
GIF Total Outstanding Claims Liability	4,362	4,826	11,137	21,856	**42,181**
Insurance Commission General Fund					
- Workers' Compensation	7,100	6,790	16,838	33,840	**64,568**
- Public Liability	248	220	544	1,370	**2,382**
- EISF Act: Asbestos-Related Claims	1,045	1,065	3,436	14,250	**19,796**
- EISF Act: Non-Asbestos-Related Claims	1,472	1,224	1,164	419	**4,279**
ICGF Total Outstanding Claims Liability	9,865	9,299	21,982	49,879	**91,025**
Total Insurance Commission Outstanding Claims Liability	**380,827**	**327,559**	**542,542**	**326,927**	**1,577,855**
Corporation - Inwards Reinsurance	521	445	461	446	**1,873**
Total Consolidated Outstanding Claims Liability	**381,348**	**328,004**	**543,003**	**327,373**	**1,579,728**
Other Financial Liabilities					
Payables	23,383	-	-	-	**23,383**
Floating Rate Promissory Note (i)	372,855	-	-	-	**372,855**
Total	**777,586**	**328,004**	**543,003**	**327,373**	**1,975,966**

The liquidity risk exposure for Other Financial Liabilities - Payables is the same for both Consolidated and the Insurance Commission with the exception of a non-current amount payable to the Corporation of $18.451 million which is eliminated on consolidation.

(i) The Floating Rate Promissory Note represents the RiskCover Fund's share of the investment pool of the economic entity. Refer Notes 10 and 39.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

	CONSOLIDATED 2009 ($'000)				
	Maturity in				
	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
Outstanding Claims Liability					
Third Party Insurance Fund	364,135	317,407	479,762	241,606	1,402,910
Compensation (Industrial Diseases) Fund	480	550	1,329	2,650	5,009
Government Insurance Fund					
- Workers' Compensation	5,191	6,095	13,731	18,788	43,805
- Public Liability	351	261	439	288	1,339
GIF Total Outstanding Claims Liability	5,542	6,356	14,170	19,076	45,144
Insurance Commission General Fund					
- Workers' Compensation	6,750	7,560	15,442	29,120	58,872
- Public Liability	190	170	389	920	1,669
- EISF Act: Asbestos-Related Claims	920	1,287	4,101	17,249	23,557
- EISF Act: Non-Asbestos-Related Claims	1,669	1,491	2,047	1,024	6,231
ICGF Total Outstanding Claims Liability	9,529	10,508	21,979	48,313	90,329
Total Insurance Commission Outstanding Claims Liability	379,686	334,821	517,240	311,645	1,543,392
Corporation - Inwards Reinsurance	525	296	424	612	1,857
Total Consolidated Outstanding Claims Liability	**380,211**	**335,117**	**517,664**	**312,257**	**1,545,249**
Other Financial Liabilities					
Payables	32,600	-	-	13	32,613
Floating Rate Promissory Note (i)	334,431	-	-	-	334,431
Total	**747,242**	**335,117**	**517,664**	**312,270**	**1,912,293**

The liquidity risk exposure for Other Financial Liabilities - Payables is the same for both Consolidated and the Insurance Commission with the exception of a non-current amount payable to the Corporation of $18.451 million which is eliminated on consolidation.

(i) The Floating Rate Promissory Note represents the RiskCover Fund's share of the investment pool of the economic entity. Refer Notes 10 and 39.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. REVENUE AND INCOME

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit includes the following specific revenue items:					
Premium					
Direct		**421,442**	396,079	**421,442**	396,079
Inwards Reinsurance		**2**	-	**-**	-
Movement in Unearned Premium					
Direct		**(11,842)**	(11,854)	**(11,842)**	(11,854)
		409,602	384,225	**409,600**	384,225
Outwards Reinsurance Commission		**449**	416	**449**	416
Recoveries					
Reinsurance		**3**	(107)	**3**	(82)
Other		**12,509**	3,393	**12,509**	3,393
		12,512	3,286	**12,512**	3,311
Investment Income/(Loss) including Movements in Fair Value					
Investment Property Income		**33,209**	31,168	**33,209**	31,168
Dividends		**74,902**	46,887	**74,902**	46,887
Interest		**29,131**	37,358	**29,131**	37,358
Changes in Fair Values: Unrealised Gain/(Loss)		**45,599**	(126,125)	**45,599**	(126,125)
Changes in Fair Values: Realised Gain/(Loss)		**61,822**	(193,422)	**61,822**	(193,422)
Foreign Exchange: Unrealised (Loss)/Gain		**(24,371)**	38,843	**(24,371)**	38,843
Foreign Exchange: Realised Gain/(Loss)		**28,949**	(37,957)	**28,949**	(37,957)
Other		**495**	420	**495**	420
		249,736	(202,828)	**249,736**	(202,828)
Other Income					
Other Property Income	**(i)**	**28,143**	24,397	**28,143**	24,397
Management Fees	**(ii)**	**25,790**	24,277	**26,062**	24,460
Right of Indemnity - Government Insurance Fund	**(iii)**	**1,593**	7,457	**1,593**	7,457
Interest		**197**	258	**197**	258
Sundry		**543**	134	**543**	134
		56,266	56,523	**56,538**	56,706
Total Revenue and Income		**728,565**	241,622	**728,835**	241,830

(i) Other Property Income relates to rental income derived from Land and Buildings as required by AASB 116 Property, Plant and Equipment to be presented within Property, Plant and Equipment.

(ii) Management Fee Income relates to the amount charged to/payable by the Department of Treasury and Finance for the costs associated with administering the RiskCover Fund. Refer Note 39.

(iii) Income received in accordance with Cabinet's decision of May 1996, whereby Treasury assumed liability for any accumulated deficit existing in the Government Insurance Fund.

For major variances between years, refer Note 29.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. EXPENSES

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit includes the following specific expense items:					
Claims					
Direct		**413,761**	409,774	**413,761**	409,774
Inwards Reinsurance		**118**	(1,337)	**-**	-
		413,879	408,437	**413,761**	409,774
Outwards Reinsurance		**4,546**	4,123	**4,546**	4,123
Investment Expenses					
Investment Property Expenses		**14,144**	13,140	**14,144**	13,140
Investment Management and Custodian Fees		**6,080**	6,689	**6,080**	6,689
Administration Expenses		**1,736**	1,711	**1,736**	1,711
		21,960	21,540	**21,960**	21,540
Finance Costs/(Recoup)					
Interest Paid/(Charged) to RiskCover Fund	**39,(i)**	**36,349**	(36,474)	**36,349**	(36,474)
Interest Paid to Community Insurance Fund		**-**	96	**-**	96
Interest Paid to Corporation		**-**	-	**787**	1,002
Decrease in Discount on Other Receivables: Non-Current	**(ii)**	**(580)**	(5,866)	**(580)**	(5,866)
		35,769	(42,244)	**36,556**	(41,242)
Net Movement in Unexpired Risk Liability	**19**	**-**	-	**-**	-
Acquisition Costs		**13,566**	11,007	**13,566**	11,007
Underwriting and Administration Expenses					
Accident Prevention and Research		**3,880**	2,976	**3,880**	2,976
Levies and Charges		**55**	72	**55**	72
Movement in Impairment of Receivables		**16**	116	**21**	111
Remuneration of Auditor	**37**	**378**	394	**378**	394
Board of Commissioners' Fees		**329**	329	**329**	329
Contractors and Consultants		**5,876**	6,545	**5,876**	6,545
Debt Recovery Costs		**16,758**	11,616	**16,758**	11,616
Amortisation Intangible Assets		**1,693**	1,422	**1,693**	1,422
Depreciation		**1,298**	1,528	**1,298**	1,528
Employee Benefits:					
- Annual Leave		**2,329**	2,035	**2,329**	2,035
- Long Service Leave		**1,362**	1,244	**1,362**	1,244
- Salaries and Employee-Related Costs		**21,852**	20,428	**21,852**	20,428
- Superannuation		**2,994**	3,468	**2,994**	3,468
IT Hardware and Software		**6,488**	5,491	**6,488**	5,491
Other		**4,247**	4,463	**4,247**	4,463
		69,555	62,127	**69,560**	62,122
Other Expenses					
Other Property Expenses	**(iii)**	**15,745**	16,064	**15,745**	16,064
Net Losses Arising from Disposal of Property, Plant and Equipment		**88**	102	**88**	102
Increase in Value of Corporation	**10,30**	**-**	-	**(283)**	(1,488)
		15,833	16,166	**15,550**	14,678
Total Expenses		**575,108**	481,156	**575,499**	482,002

(i) Interest paid/(charged) to RiskCover Fund represents the RiskCover Fund's share of gains/(losses) of the investment pool of the Insurance Commission. Refer Note 39.

(ii) Movement in the value of the Discount on Other Receivables (Non-Current) required by AASB 139 Financial Instruments: Recognition and Measurement to bring to account the present value based on the 'time value of money'.

(iii) Other Property Expenses relate to Land and Buildings required by AASB 116 Property, Plant and Equipment to be presented within Property, Plant and Equipment.

For major variances between years, refer Note 29.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. NET CLAIMS INCURRED

	CONSOLIDATED			INSURANCE COMMISSION		
	2010			2010		
	Current Year (i) $'000	Prior Years (ii) $'000	Total $'000	Current Year (i) $'000	Prior Years (ii) $'000	Total $'000
Current Year						
Gross Claims Incurred and Related Expenses - Undiscounted	**447,377**	**(50,579)**	**396,798**	**447,377**	**(50,505)**	**396,872**
Reinsurance and Other Recoveries - Undiscounted	**(24,350)**	**8,402**	**(15,948)**	**(24,350)**	**8,402**	**(15,948)**
Net Claims Incurred - Undiscounted	**423,027**	**(42,177)**	**380,850**	**423,027**	**(42,103)**	**380,924**
Discount and Discount Movement - Gross Claims Incurred	**(61,900)**	**78,982**	**17,082**	**(61,900)**	**78,790**	**16,890**
Discount and Discount Movement - Reinsurance and Other Recoveries	**44,880**	**(41,445)**	**3,435**	**44,880**	**(41,445)**	**3,435**
Net Discount Movement	**(17,020)**	**37,537**	**20,517**	**(17,020)**	**37,345**	**20,325**
Net Claims Incurred	**406,007**	**(4,640)**	**401,367**	**406,007**	**(4,758)**	**401,249**

	2009			2009		
	Current Year (i) $'000	Prior Years (ii) $'000	Total $'000	Current Year (i) $'000	Prior Years (ii) $'000	Total $'000
Previous Year						
Gross Claims Incurred and Related Expenses - Undiscounted	444,268	(230,717)	213,551	444,268	(228,514)	215,754
Reinsurance and Other Recoveries - Undiscounted	(24,420)	39,020	14,600	(24,420)	38,946	14,526
Net Claims Incurred - Undiscounted	419,848	(191,697)	228,151	419,848	(189,568)	230,280
Discount and Discount Movement - Gross Claims Incurred	(61,580)	256,467	194,887	(61,580)	255,601	194,021
Discount and Discount Movement - Reinsurance and Other Recoveries	45,050	(62,937)	(17,887)	45,050	(62,888)	(17,838)
Net Discount Movement	(16,530)	193,530	177,000	(16,530)	192,713	176,183
Net Claims Incurred	403,318	1,833	405,151	403,318	3,145	406,463

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. INCOME TAX EQUIVALENT

	CONSOLIDATED		INSURANCE COMMISSION	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
INCOME TAX EQUIVALENT EXPENSE				
Current Income Tax				
Current Income Tax Equivalent Expense/(Benefit)	**42,410**	(46,038)	**42,207**	(46,420)
Adjustments in Respect of Current Income Tax of Previous Years	**(385)**	2,754	**(385)**	2,815
Deferred Income Tax				
Relating to Origination and Reversal of Temporary Differences	**26,991**	(81,451)	**27,073**	(81,768)
(Usage)/Recognition of Tax Losses	**(42,409)**	46,038	**(42,409)**	46,038
Income Tax Equivalent Expense/(Benefit) Recognised in the Statement of Comprehensive Income	**26,607**	(78,697)	**26,486**	(79,335)
AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME				
Deferred Income Tax Related to Items Recognised in Other Comprehensive Income:				
Net Revaluation Increment/(Decrement) of Property, Plant and Equipment	**681**	(6,674)	**681**	(6,674)
Income Tax Equivalent Expense/(Benefit) Recognised in Other Comprehensive Income	**681**	(6,674)	**681**	(6,674)
RECONCILIATION OF INCOME TAX TO PRIMA FACIE TAX PAYABLE				
Profit/(Loss) before Income Tax Equivalent Expense/(Benefit)	**153,457**	(239,534)	**153,336**	(240,172)
Tax at the Statutory Income Tax Rate of 30% (2009: 30%)	**46,037**	(71,860)	**46,001**	(72,052)
Conversion of Excess Imputation Credits into Carry Forward Tax Losses	**(5,454)**	(6,330)	**(5,454)**	(6,330)
Adjustments Recognised in the Current Year in Relation to the Current Tax of Prior Years - Building Amortisation (i)	**(12,948)**	(420)	**(12,948)**	(420)
Current Year - Building Amortisation	**(1,014)**	-	**(1,014)**	-
Miscellaneous Items	**(14)**	(87)	**(99)**	(533)
Income Tax Equivalent Expense/(Benefit)	**26,607**	(78,697)	**26,486**	(79,335)

For further details regarding Income Tax Effect Accounting. Refer Note 1(i).

(i) This item relates to an increase in the tax cost base of buildings held at 13 May 1997 (the Forrest Centre and Westralia Square) as a result of the elimination of tax allowances previously claimed under Division 43 of the *Income Tax Assessment Act 1997* .

8. INCOME TAX EQUIVALENT (continued)

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF COMPREHENSIVE INCOME	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
DEFERRED INCOME TAX				
Deferred Income Tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred Tax Liabilities				
Revaluations of Investment Properties to Fair Value	**(45,183)**	(57,986)	**(12,803)**	(7,693)
Revaluations of Property, Plant and Equipment	**(42,272)**	(49,149)	**(7,558)**	(2,734)
Financial Assets at Fair Value Through Profit and Loss - Net Unrealised Gains	**(17,973)**	(4,020)	**13,953**	(13,818)
Property Receipts - Other	**(15,031)**	(14,858)	**174**	1,761
Recoverable Costs - Other	**(6,649)**	(5,411)	**1,238**	(1,730)
Other	**(21)**	(18)	**3**	18
	(127,129)	(131,442)		
Deferred Tax Assets				
Depreciable Property, Plant and Equipment	**1,356**	1,231	**(124)**	(236)
Losses Available for Offset Against Future Taxable Income	**17,813**	55,380	**37,567**	(55,380)
Trust Income	**4,339**	1,399	**(2,940)**	1,445
Indirect Claims Settlement Costs	**19,285**	16,819	**(2,466)**	(1,265)
Provisions - Various	**4,913**	4,860	**(53)**	(319)
Securities Impairment	**1,500**	1,500	**-**	(1,500)
	49,206	81,189		
Net Deferred Income Tax Liability	**(77,923)**	(50,253)		
Deferred Income Tax Equivalent Expense/(Benefit)			**26,991**	(81,451)
INSURANCE COMMISSION				
Deferred Tax Liabilities				
Revaluations of Investment Properties to Fair Value	**(45,183)**	(57,986)	**(12,803)**	(7,693)
Revaluations of Property, Plant and Equipment	**(42,272)**	(49,149)	**(7,558)**	(2,734)
Financial Assets at Fair Value Through Profit and Loss - Net Unrealised Gains	**(17,973)**	(4,020)	**13,953**	(13,818)
Recoverable Costs - Other	**(15,031)**	(14,858)	**174**	1,761
Property Receipts - Other	**(6,649)**	(5,411)	**1,238**	(1,730)
Other	**(21)**	(18)	**3**	18
	(127,129)	(131,442)		
Deferred Tax Assets				
Depreciable Property, Plant and Equipment	**1,356**	1,231	**(124)**	(236)
Losses Available for Offset Against Future Taxable Income	**17,813**	55,380	**37,567**	(55,380)
Trust Income	**4,339**	1,399	**(2,940)**	1,445
Indirect Claims Settlement Costs	**19,011**	16,627	**(2,384)**	(1,582)
Provisions - Various	**4,913**	4,860	**(53)**	(319)
Securities Impairment	**1,500**	1,500	**-**	(1,500)
	48,932	80,997		
Net Deferred Income Tax Liability	**(78,197)**	(50,445)		
Deferred Income Tax Equivalent Expense/(Benefit)			**27,073**	(81,768)

Tax Consolidation
The Insurance Commission and its 100% owned Australian resident subsidiary, the Corporation, have formed a tax-consolidated group with effect from 1 July 2002. The Insurance Commission is the head entity of the tax-consolidated group.

Tax Effect Accounting by Members of the Tax Consolidated Group
Members of the tax-consolidated group have entered into a tax-funding agreement. Under the terms of the tax-funding agreement the Insurance Commission and its subsidiary, the Corporation, have agreed to pay a tax-equivalent payment to, or from, the head entity based on "separate taxpayer within group" approach. Such amounts are reflected in amounts receivable from, or payable, to the Corporation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

9. RECEIVABLES

		CONSOLIDATED		INSURANCE COMMISSION	
	Notes	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current					
Premiums Receivable		**3,451**	3,467	**3,451**	3,467
Less: Provision for Impairment		**-**	-	**-**	-
		3,451	3,467	**3,451**	3,467
Discounted Value of Expected Future Reinsurance and Other Recoveries Receivable		**28,718**	27,634	**28,694**	27,610
Less: Provision for Impairment		**(191)**	(176)	**(191)**	(171)
		28,527	27,458	**28,503**	27,439
Right of Indemnity					
Government Insurance Fund	**(i)**	**3,974**	5,495	**3,974**	5,495
WorkCover WA	**(ii)**	**2,496**	2,457	**2,496**	2,457
		6,470	7,952	**6,470**	7,952
Other Receivables					
Sundry Receivables		**4,715**	3,832	**4,918**	4,153
		43,163	42,709	**43,342**	43,011
Non-Current					
Discounted Value of Expected Future Reinsurance and Other Recoveries Receivable		**99,156**	91,406	**99,150**	91,400
Right of Indemnity					
Government Insurance Fund	**(i)**	**35,293**	37,304	**35,293**	37,304
WorkCover WA	**(ii)**	**21,389**	27,094	**21,389**	27,094
		56,682	64,398	**56,682**	64,398
Other Receivables	**(iii)**	**52,172**	51,593	**52,172**	51,593
		208,010	207,397	**208,004**	207,391
Movement in Provision for Impairment					
Balance at Start of the Year		**176**	626	**171**	626
Impairment Written-Off During the Year		**-**	(566)	**-**	(566)
Impairment Provision No Longer Required		**(13)**	(1)	**(8)**	(1)
New Provision Made During the Year		**28**	117	**28**	112
Balance at End of the Year	**4**	**191**	176	**191**	171

(i) In accordance with Cabinet's decision of May 1996, Treasury assumed liability for any 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 17.

(iii) Other Receivables (Non-Current) includes $50.1 million (2009: $49.6 million) relating to costs incurred in the Bell Group recovery action and is discounted to bring to account fair value based on the 'time value of money' (Refer Note 6).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Current Investments					
Fixed Interest Bonds		**105,421**	199,946	**105,421**	199,946
Fixed Interest Unit Trusts		**120,304**	127,207	**120,304**	127,207
Fixed Interest Term Deposits		**66,000**	-	**66,000**	-
Indexed Bonds		**94,887**	85,361	**94,887**	85,361
Equities - Listed		**827,925**	828,813	**827,925**	828,813
Equity Unit Trusts		**205,536**	174,038	**205,536**	174,038
Alternative Assets Unit Trusts		**58,789**	82,729	**58,789**	82,729
Margin Account		**2,347**	1,560	**2,347**	1,560
Cash and Cash Equivalent Assets	24	**255,888**	78,775	**255,888**	78,775
Receivables		**28,908**	23,014	**28,908**	23,014
Floating Rate Promissory Note	(i)	**(372,855)**	(334,431)	**(372,855)**	(334,431)
Forward Foreign Exchange Contracts	25(c)	**(9,750)**	15,777	**(9,750)**	15,777
		1,383,400	1,282,789	**1,383,400**	1,282,789
Non-Current Investments					
Fixed Interest Unit Trusts		**56,666**	56,964	**56,666**	56,964
Fixed Interest Term Deposits		**55,000**	-	**55,000**	-
Alternative Assets Unit Trusts		**71,857**	73,930	**71,857**	73,930
Property Trust - Unlisted		**166,147**	161,279	**166,147**	161,279
Receivables		**12,288**	13,605	**12,288**	13,605
		361,958	305,778	**361,958**	305,778
Original Investment in Subsidiary	(ii)	**-**	-	**100,000**	100,000
Provision for Write Down in Subsidiary		**-**	-	**(80,180)**	(80,463)
Value of Investment in Subsidiary		**-**	-	**19,820**	19,537
		361,958	305,778	**381,778**	325,315
		1,745,358	1,588,567	**1,765,178**	1,608,104

(i) The Floating Rate Promissory Note represents the RiskCover Fund's share of the investment pool of the economic entity. Refer Note 39.

(ii) The Insurance Commission owns 100% of the issued share capital of the Corporation. The original investment in the Corporation is written down at the end of the reporting period to the extent that the Insurance Commission's original investment exceeds fair value.

For the key valuation assumptions relating to Financial Assets at Fair Value through Profit or Loss. Refer Note 1(ee).

(a) Fair Value Hierarchy

The Fair Value Hierarchy assigns rankings to the level of judgment which is applied in deriving inputs for valuation techniques used to measure fair value. The three levels of the Fair Value Hierarchy are as follows:

Level 1 is the preferred input for valuation and reflects unadjusted quoted prices in active markets for identical assets or liabilities which the economic entity can access at the end of the reporting period. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 is the valuation of assets and liabilities either directly or indirectly based upon market observables other than quoted prices. For example: financial assets with fair values based on broker quotes; investments in private equity funds with fair values obtained via fund managers; and assets that are valued using the economic entities' own models whereby the majority of assumptions are market observable.

Level 3 relates to inputs that are unobservable. Unobservable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Fair Value Hierarchy (continued)

The following tables detail the valuation of the economic entities Net Financial Assets using the Fair Value Hierarchy:

2010	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Current Investments					
Fixed Interest Bonds			105,421		**105,421**
Fixed Interest Unit Trusts			120,304		**120,304**
Fixed Interest Term Deposits			66,000		**66,000**
Indexed Bonds			94,887		**94,887**
Equities - Listed		827,794		131	**827,925**
Equity Unit Trusts			205,536		**205,536**
Alternative Assets Unit Trusts			58,789		**58,789**
Margin Account			2,347		**2,347**
Cash and Cash Equivalent Assets			255,888		**255,888**
Receivables	**(i)**		25,185		**25,185**
Floating Rate Promissory Note			(372,855)		**(372,855)**
Forward Foreign Exchange Contracts			(9,750)		**(9,750)**
		827,794	**551,752**	**131**	**1,379,677**
Non-Current Investments					
Fixed Interest Unit Trusts			56,666		**56,666**
Fixed Interest Term Deposits			55,000		**55,000**
Alternative Assets Unit Trusts				71,857	**71,857**
Property Trust - Unlisted				166,147	**166,147**
Receivables	**(i)**		-		**-**
		-	**111,666**	**238,004**	**349,670**
		827,794	**663,418**	**238,135**	**1,729,347**

(i) Receivables relating to property ($16.0 million) are excluded from the Fair Value Hierarchy.

There were no significant transfers between Level 1 and Level 2 during the year.

The Fair Value Hierarchy is the same for both Consolidated and the Insurance Commission.

2009	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Current Investments					
Fixed Interest Bonds			199,946		199,946
Fixed Interest Unit Trusts			127,207		127,207
Indexed Bonds			85,361		85,361
Equities - Listed		828,788		25	828,813
Equity Unit Trusts			174,038		174,038
Alternative Assets Unit Trusts			82,729		82,729
Margin Account			1,560		1,560
Cash and Cash Equivalent Assets			78,775		78,775
Receivables	(i)		20,608		20,608
Floating Rate Promissory Note			(334,431)		(334,431)
Forward Foreign Exchange Contracts			15,777		15,777
		828,788	451,570	25	1,280,383
Non-Current Investments					
Fixed Interest Unit Trusts			56,964		56,964
Alternative Assets Unit Trusts				73,930	73,930
Property Trust - Unlisted				161,279	161,279
Receivables	(i)		-		-
		-	56,964	235,209	292,173
		828,788	508,534	235,234	1,572,556

(i) Receivables relating to property ($16.0 million) are excluded from the Fair Value Hierarchy.

There were no significant transfers between Level 1 and Level 2 during the year.

The Fair Value Hierarchy is the same for both Consolidated and the Insurance Commission.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Fair Value Hierarchy (continued)

The following tables detail the change in value associated with Level 3 Net Financial Assets:

2010	Opening Balance $'000	Transfers In/(Out) $'000	Unrealised Gain/(Loss) $'000	Realised Gain/(Loss) $'000	Purchases/ (Sales) $'000	Closing Balance $'000
Current Investments						
Equities - Listed	25	4	(5)	-	107	**131**
Non-Current Investments						
Alternative Assets Unit Trusts	73,930	6,465	(8,538)	-	-	**71,857**
Property Trust - Unlisted	161,279	-	(374)	-	5,242	**166,147**
	235,209	6,465	(8,912)	-	5,242	**238,004**
	235,234	**6,469**	**(8,917)**	**-**	**5,349**	**238,135**

Level 3 Net Financial Assets are the same for both Consolidated and the Insurance Commission.

The table below illustrates the sensitivity of level 3 fair value to change:

	Fair Value			Fair Value Increase/(Decrease)	
	2010 $'000	**2009 $'000**	**Change %**	**2010 $'000**	**2009 $'000**
Current Investments					
Equities - Listed	**131**	25	+20 -20	**26** **(26)**	5 (5)
Non-Current Investments					
Alternative Assets Unit Trusts	**71,857**	73,930	+20 -20	**14,371** **(14,371)**	14,786 (14,786)
Property Trust - Unlisted	**166,147**	161,279	+20 -20	**33,229** **(33,229)**	32,256 (32,256)

Level 3 Net Financial Assets are the same for both Consolidated and the Insurance Commission.

(b) Other Investments

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

Convertible Bonds

The Insurance Commission has previously written-off $140 million (plus interest) in respect of TBGL and BGF subordinated convertible bonds (Bell bonds) 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 recovering money from two syndicates of banks headed by Westpac Banking Corporation and Lloyds Bank plc of London. In April 2009, the Liquidators were successful in obtaining Judgment in the Supreme Court of Western Australia requiring the Banks to repay in excess of $1.6 billion. The Judgment is the subject of appeal processes.

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 judgment of the Supreme Court of Western Australia dated 21 June 1996. The judgment 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.

The Insurance Commission has recovered $58.292 million to date and no carrying amount is attributed to the balance of the judgment sum.

11. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED 2010 ($'000)

Current Year	Notes	Freehold Land	Freehold Building	Buildings under Construction	Plant and Equipment	Furniture and Fittings	Computer Hardware	Motor Vehicles	Leasehold Improvements	Total
Cost or Valuation										
Balance at Start of the Year		31,900	228,484	27,023	1,100	214	7,171	1,183	3,883	**300,958**
Additions		-	3,024	-	65	4	681	705	30	**4,509**
Disposals		-	-	-	(46)	-	(79)	(688)	-	**(813)**
Net Revaluation Reduction	**(i)**	(2,400)	(4,602)	-	-	-	-	-	-	**(7,002)**
Transfers to Investment Properties	**(ii)**	(7,500)	-	(27,023)	-	-	-	-	-	**(34,523)**
Balance at End of the Year		22,000	226,906	-	1,119	218	7,773	1,200	3,913	**263,129**
Accumulated Depreciation										
Balance at Start of the Year		-	-	-	800	102	5,754	157	2,874	**9,687**
Depreciation Expense for the Year		-	9,184	-	120	20	812	126	236	**10,498**
Disposals		-	-	-	(46)	-	(77)	(155)	-	**(278)**
Net Adjustments from Revaluation Reduction	**(i)**	-	(9,184)	-	-	-	-	-	-	**(9,184)**
Balance at End of the Year		-	-	-	874	122	6,489	128	3,110	**10,723**
Carrying Amount at End of the Year		**22,000**	**226,906**	**-**	**245**	**96**	**1,284**	**1,072**	**803**	**252,406**

All Property, Plant and Equipment is held within the Insurance Commission General Fund of the Insurance Commission.

Freehold Land and Building which comprise land and buildings at 219 and 221 St Georges Terrace (The Forrest Centre) was valued at the end of the reporting period. Refer Note 1(s). The Independent Valuer used was Mr M Foster-Key AAPI MRICS of Savills (WA) Pty Ltd.

(i) Total movement in Asset Revaluation Surplus before tax.

(ii) In 2010, as a result of changes to AASB 140 'Investment Property', properties under construction at 167 St Georges Terrace (Westralia Plaza) and the next phases of the Ellenbrook development which are intended for future use as investment properties and which had previously been classified as Plant, Property and Equipment are now classified as Investment Properties (Refer Note 12).

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Prior Year	Notes	Freehold Land	Freehold Buildings	Buildings under Construction	Plant and Equipment	Furniture and Fittings	Computer Hardware	Motor Vehicles	Leasehold Improvements	Total
		CONSOLIDATED 2009 ($'000)								
Cost or Valuation										
Balance at Start of the Year		40,000	250,062	11,103	1,052	167	6,462	1,133	3,421	313,400
Additions		-	2,242	15,932	60	48	1,212	537	462	20,493
Disposals		-	-	-	(12)	(1)	(503)	(487)	-	(1,003)
Net Revaluation Reduction	**(i)**	(8,100)	(23,820)	-	-	-	-	-	-	(31,920)
Transfers to Intangibles		-	-	(12)	-	-	-	-	-	(12)
Balance at End of the Year		31,900	228,484	27,023	1,100	214	7,171	1,183	3,883	300,958
Accumulated Depreciation										
Balance at Start of the Year		-	-	-	691	87	5,302	126	2,544	8,750
Depreciation Expense for the Year		-	9,673	-	119	16	942	137	330	11,217
Disposals		-	-	-	(10)	(1)	(490)	(106)	-	(607)
Net Adjustments from Revaluation Reduction	**(i)**	-	(9,673)	-	-	-	-	-	-	(9,673)
Balance at End of the Year		-	-	-	800	102	5,754	157	2,874	9,687
Carrying Amount at End of the Year		31,900	228,484	27,023	300	112	1,417	1,026	1,009	291,271

All Property, Plant and Equipment is held within the Insurance Commission General Fund of the Insurance Commission.

Freehold Land and Building which comprise land and buildings at 219 and 221 St Georges Terrace (The Forrest Centre) and land at 167 St Georges Terrace (Westralia Plaza) were valued at the end of the reporting period. Refer Note 1(s). The Independent Valuers used were Mr J Fenner AAPI of CB Richard Ellis Pty Ltd.

Buildings under Construction being the development of 167 St Georges Terrace (Westralia Plaza) and the next phase of the Ellenbrook development are carried at cost. Refer Note 1(s).

(i) Total movement in Asset Revaluation Surplus before tax.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

12. INVESTMENT PROPERTIES

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Freehold Land and Buildings at Fair Value		**345,401**	359,051	**345,401**	359,051
Property under Construction at Fair Value		**70,200**	-	**70,200**	-
Property under Construction at Cost		**15,272**	-	**15,272**	-
Balance at End of the Year		**430,873**	359,051	**430,873**	359,051
RECONCILIATION:					
Freehold Land and Buildings at Fair Value	(i)				
Balance at Start of the Year		**359,051**	388,276	**359,051**	388,276
Additions		**1,107**	649	**1,107**	649
Net Revaluation Reduction		**(14,757)**	(29,874)	**(14,757)**	(29,874)
Balance at End of the Year		**345,401**	359,051	**345,401**	359,051
Property under Construction at Fair Value	(ii)				
Balance at Start of the Year		**-**	-	**-**	-
Transfer from Property, Plant & Equipment	(iv)	**33,885**	-	**33,885**	-
Additions		**39,314**	-	**39,314**	-
Net Revaluation Reduction		**(2,999)**	-	**(2,999)**	-
Balance at End of the Year		**70,200**	-	**70,200**	-
Property under Construction at Cost	(iii)				
Balance at Start of the Year		**-**	-	**-**	-
Transfer from Property, Plant & Equipment	(iv)	**638**	-	**638**	-
Additions		**14,634**	-	**14,634**	-
Balance at End of the Year		**15,272**	-	**15,272**	-

Independent valuers were used to assess the fair value of investment properties at the end of the reporting period. The Independent Valuers used were Mr M Foster-Key AAPI MRICS and Mr C Walker AAPI of Savills (WA) Pty Ltd.

For key valuation assumptions of Investment Properties, refer Note 1(v).

(i) At the end of the reporting period, investment freehold land and buildings measured at fair value comprises the Westralia Square land and buildings at 141 St Georges Terrace, Livingston Market Place Shopping Centre and Ellenbrook Shopping Centre. At the end of the reporting period, the value adopted of $345.40 million reflects independently assessed value of $359.28 million adjusted by incentives of $13.88 million.

(ii) At the end of the reporting period, investment property under construction measured at fair value comprises Westralia Plaza at 167 St Georges Terrace and the Tavern at Ellenbrook.

(iii) At the end of the reporting period, investment property under construction measured at cost comprise Ellenbrook Stage 2 and Ellenbrook Stage 3.

(iv) In 2010, as a result of changes to AASB 140 'Investment Property', property under construction which is intended for future use as an investment property, which had previously been classified as Plant, Property and Equipment is now classified as Investment Properties.

13. INTANGIBLE ASSETS

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Cost				
Balance at Start of the Year	**14,233**	11,102	**14,233**	11,102
Additions	**900**	2,605	**900**	2,605
Work in Progress	**815**	514	**815**	514
Transfer from Property, Plant and Equipment	**-**	12	**-**	12
Balance at End of the Year	**15,948**	14,233	**15,948**	14,233
Accumulated Amortisation				
Balance at Start of the Year	**5,373**	3,951	**5,373**	3,951
Amortisation Expense for the Year	**1,693**	1,422	**1,693**	1,422
Balance at End of the Year	**7,066**	5,373	**7,066**	5,373
Carrying Amount at End of the Year	**8,882**	8,860	**8,882**	8,860

14. DEFERRED ACQUISITION COSTS

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Balance at Start of the Year		**3,930**	1,871	**3,930**	1,871
Acquisition Costs Deferred		**14,124**	13,066	**14,124**	13,066
Amortisation Charged to Income		**(13,566)**	(11,007)	**(13,566)**	(11,007)
Balance at End of the Year		**4,488**	3,930	**4,488**	3,930

15. OTHER ASSETS

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Current					
Prepaid Expenses		**2,467**	696	**2,467**	696
Sundry		**1,554**	1,025	**1,554**	1,025
		4,021	1,721	**4,021**	1,721
Non-Current					
Sundry		**831**	886	**831**	886
		831	886	**831**	886

16. PAYABLES

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Current					
Trade Creditors		**13,291**	17,292	**13,291**	17,292
Reinsurance Creditors		**535**	472	**526**	467
Accrued Employee Benefits	**21**	**389**	251	**389**	251
Investment Sundry Payables		**7,160**	12,472	**7,160**	12,472
Goods and Services Tax Liability		**2,008**	2,113	**2,008**	2,113
		23,383	32,600	**23,374**	32,595
Non-Current					
Other Payables	**(i)**	**-**	-	**18,451**	18,451
Mine Workers' Relief Fund	**(ii)**	**-**	13	**-**	13
		-	13	**18,451**	18,464

(i) Other Payables relates to amounts arising from the value of past tax losses of the Corporation as used by the Insurance Commission. These are represented by an intercompany payable in accordance with the tax-sharing agreement and Interpretation 1052.

(ii) 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.* These 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 was managed by the Insurance Commission, the liability for which was included in the Insurance Commission General Fund. There was no liability for 2010.

17. OUTSTANDING CLAIMS LIABILITY

(a) Outstanding Claims Liability

	CONSOLIDATED		INSURANCE COMMISSION	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Central Estimate	**1,708,840**	1,706,335	**1,708,050**	1,705,298
Discount to Present Value	**(312,855)**	(335,173)	**(312,640)**	(334,869)
	1,395,985	1,371,162	**1,395,410**	1,370,429
Claims Management Expenses (discounted)	**68,342**	60,331	**67,428**	59,694
	1,464,327	1,431,493	**1,462,838**	1,430,123
Risk Margin	**115,401**	113,756	**115,017**	113,269
Gross Outstanding Claims Liability	**1,579,728**	1,545,249	**1,577,855**	1,543,392
Current	**381,348**	379,148	**380,827**	378,623
Non-Current	**1,198,380**	1,166,101	**1,197,028**	1,164,769
	1,579,728	1,545,249	**1,577,855**	1,543,392

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

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* , for damages at common law, if the liability of the employer is covered by an employer's 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 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.

In accordance with Section 25(2) of the EISF Act, the Insurance Commission has a right of reimbursement from WorkCover WA for all payments made 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 9.

17. OUTSTANDING CLAIMS LIABILITY (continued)

(c) Risk Margin

Process for Determining Risk Margin:

The Insurance Commission and Corporation have adopted a risk margin in accordance with the Australian Prudential Regulation Authority (APRA) guidelines covering private insurers effective from 30 June 2002. Under this regime the central estimate is derived using risk-free rates based on yields from Commonwealth Government fixed interest securities. The total provision is required to achieve a 75% probability of sufficiency based solely on liability risk (including inflation risk), but with no allowance for asset risk, or asset returns above risk-free rates.

The 75% probability of sufficiency is estimated taking into account potential uncertainties relating to various actuarial assumptions and statistical modelling techniques, the underlying data quality, the general insurance and legal environments, and changes in social attitudes.

Risk Margin Applied:	**2010 %**	**2009 %**
Third Party Insurance Fund	**7.0**	7.0
Compensation (Industrial Diseases) Fund	**18.7**	18.7
Government Insurance Fund		
- Workers' Compensation	**25.0**	22.5
- Public Liability	**16.8**	16.8
Insurance Commission General Fund		
- Workers' Compensation and Liability Insurance	**25.0**	25.0
- EISF Act:		
Asbestos-Related Diseases	**20.4**	20.4
Non-Asbestos-Related Diseases	**16.8**	16.8
Corporation - Inwards Reinsurance	**17.1**	15.9

(d) Liability for Outstanding Claims (discounted)

The liability for outstanding claims (excluding reinsurance and other recoveries receivable) is set out below by Fund:

	CONSOLIDATED		INSURANCE COMMISSION	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Insurance Commission General Fund				
- Workers' Compensation and Liability Insurance*	**66,950**	60,541	**66,950**	60,541
- EISF Act*	**24,075**	29,788	**24,075**	29,788
	91,025	90,329	**91,025**	90,329
Third Party Insurance Fund	**1,439,490**	1,402,910	**1,439,490**	1,402,910
Compensation (Industrial Diseases) Fund	**5,159**	5,009	**5,159**	5,009
Government Insurance Fund*	**42,181**	45,144	**42,181**	45,144
Corporation - Inwards Reinsurance*	**1,873**	1,857	**-**	-
Total	**1,579,728**	1,545,249	**1,577,855**	1,543,392

* Denotes Funds that are in run-off

17. OUTSTANDING CLAIMS LIABILITY (continued)

(e) Outstanding Claims Liability by Funds

Insurance Commission	Notes	Third Party Insurance Fund 2010 $'000	Third Party Insurance Fund 2009 $'000	Compensation (Industrial Diseases) Fund 2010 $'000	Compensation (Industrial Diseases) Fund 2009 $'000	Government Insurance Fund 2010 $'000	Government Insurance Fund 2009 $'000	Insurance Commission General Fund 2010 $'000	Insurance Commission General Fund 2009 $'000
The following are the liabilities for outstanding claims for each Fund:									
Central Estimate		**1,539,350**	1,532,390	**4,964**	5,099	**47,292**	49,537	**116,444**	118,272
Discount to Present Value		**(251,960)**	(271,690)	**(1,612)**	(1,835)	**(16,161)**	(15,819)	**(42,907)**	(45,525)
		1,287,390	1,260,700	**3,352**	3,264	**31,131**	33,718	**73,537**	72,747
Claims Management Expenses (discounted)		**57,930**	50,430	**1,173**	1,142	**3,058**	3,300	**5,267**	4,822
		1,345,320	1,311,130	**4,525**	4,406	**34,189**	37,018	**78,804**	77,569
Risk Margin		**94,170**	91,780	**634**	603	**7,992**	8,126	**12,221**	12,760
Gross Outstanding Claims Liability		**1,439,490**	1,402,910	**5,159**	5,009	**42,181**	45,144	**91,025**	90,329
Current	27	**365,900**	364,130	**700**	423	**4,362**	5,632	**9,865**	8,438
Non-Current	27	**1,073,590**	1,038,780	**4,459**	4,586	**37,819**	39,512	**81,160**	81,891
		1,439,490	1,402,910	**5,159**	5,009	**42,181**	45,144	**91,025**	90,329

The Insurance Commission General Fund includes the liabilities arising under the EISF Act (Refer Note 17(b)) as follows:

	2010 $'000	2009 $'000
Central Estimate	**32,705**	42,891
Discount to present value	**(13,506)**	(18,899)
	19,199	23,992
Claims Management Expenses (discounted)	**920**	921
	20,119	24,913
Risk Margin	**3,956**	4,875
Gross Outstanding Claims Liability	**24,075**	29,788
Current	**2,517**	2,477
Non-Current	**21,558**	27,311
	24,075	29,788

17. OUTSTANDING CLAIMS LIABILITY (continued)

Compensation (Industrial Diseases) Fund

The liability includes an amount of $4.6 million (2009: $4.4 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 $1.1 million (2009: $1.2 million) is included in Reinsurance and Other Recoveries Receivable. Refer Note 9. This produces a net liability for asbestos mining-related claims of $3.5 million (2009: $3.2 million).

Insurance Commission General Fund - Workers' Compensation and Public Liability Insurance

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

The above liability includes an amount of $46.9 million (2009: $40.0 million) representing the estimated liability, prior to future recoveries, for the Wittenoom asbestos-related common law claims. A recoverable amount of $24.5 million (2009: $20.0 million) is included in Reinsurance and Other Recoveries Receivable. Refer Note 9. This produces a net liability relating to the Wittenoom asbestos-related common law claims of $22.4 million (2009: $20.0 million).

Corporation - Inwards Reinsurance

	2010 $'000	2009 $'000
Central Estimate	**790**	1,037
Discount to present value	**(215)**	(304)
	575	733
Claims Management Expenses	**914**	637
	1,489	1,370
Risk Margin	**254**	217
Additional Precautionary Margin	**130**	270
Gross Outstanding Claims Liability	**1,873**	1,857
Current	**521**	525
Non-Current	**1,352**	1,332
	1,873	1,857

Refer Notes 2 and 3 for the methodologies and assumptions used to calculate the Outstanding Claims Liability of the Corporation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. OUTSTANDING CLAIMS LIABILITY (continued)

(f) Reconciliation of Movement in Discounted Outstanding Claims Liability

Third Party Insurance Fund	Gross $'000	Reinsurance and Other Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009	1,402,910	95,114	1,307,796
Effect of Changes in Assumptions/Experience	48,670	2,070	46,600
Increase in Expected Claims Incurred/Recoveries During Year	373,220	23,910	349,310
Incurred Claims Recognised in the Statement of Comprehensive Income	421,890	25,980	395,910
Claim Payments/Recoveries During Year	(385,310)	(23,907)	(361,403)
Total Outstanding Claims Liability at 30 June 2010	**1,439,490**	**97,187**	**1,342,303**

Compensation (Industrial Diseases) Fund	Gross $'000	Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009	5,009	1,204	3,805
Effect of Changes in Assumptions/Experience	764	264	500
Increase in Expected Claims Incurred/Recoveries During Year	-	-	-
Incurred Claims Recognised in the Statement of Comprehensive Income	764	264	500
Claim Payments/Recoveries During Year	(614)	(311)	(303)
Total Outstanding Claims Liability at 30 June 2010	**5,159**	**1,157**	**4,002**

Government Insurance Fund **Workers' Compensation**		Gross $'000	Reinsurance and Other Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009		43,805	564	43,241
Effect of Changes in Assumptions/Experience		4,073	2,049	2,024
Decrease in Expected Claims Incurred/Recoveries During Year		(2,619)	(24)	(2,595)
Incurred Claims Recognised in the Statement of Comprehensive Income		1,454	2,025	(571)
Claim Payments/Recoveries During Year		(4,222)	(336)	(3,886)
Outstanding Claims Liability at 30 June 2010	**(i)**	**41,037**	**2,253**	**38,784**

Public Liability		Gross $'000	Reinsurance and Other Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009		1,339	50	1,289
Effect of Changes in Assumptions/Experience		(53)	981	(1,034)
Decrease in Expected Claims Incurred/Recoveries During Year		(37)	(1)	(36)
Incurred Claims Recognised in the Statement of Comprehensive Income		(90)	980	(1,070)
Claim Payments/Recoveries During Year		(105)	(455)	350
Outstanding Claims Liability at 30 June 2010	**(ii)**	**1,144**	**575**	**569**
Total Outstanding Claims Liability at 30 June 2010	**(i)+(ii)**	**42,181**	**2,828**	**39,353**

17. OUTSTANDING CLAIMS LIABILITY (continued)

(f) Reconciliation of Movement in Discounted Outstanding Claims Liability (continued)

Insurance Commission General Fund

Run-off Liabilities Workers' Compensation		Gross $'000	Reinsurance and Other Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009		58,872	21,464	37,408
Effect of Changes in Assumptions/Experience		12,044	6,342	5,702
Increase in Expected Claims Incurred/Recoveries During Year		-	-	-
Incurred Claims Recognised in the Statement of Comprehensive Income		12,044	6,342	5,702
Claim Payments/Recoveries During Year		(6,348)	(1,817)	(4,531)
Outstanding Claims Liability at 30 June 2010	**(iii)**	**64,568**	**25,989**	**38,579**

Public Liability		Gross $'000	Reinsurance and Other Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009		1,669	41	1,628
Effect of Changes in Assumptions/Experience		1,439	16	1,423
Increase in Expected Claims Incurred/Recoveries During Year		-	-	-
Incurred Claims Recognised in the Statement of Comprehensive Income		1,439	16	1,423
Claim Payments/Recoveries During Year		(726)	-	(726)
Outstanding Claims Liability at 30 June 2010	**(iv)**	**2,382**	**57**	**2,325**
Total Run-off Outstanding Claims Liability at 30 June 2010	**(iii)+(iv)**	**66,950**	**26,046**	**40,904**

EISF Act Asbestos-Related Claims		Gross $'000	Reinsurance and Other Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009		24,740	166	24,574
Effect of Changes in Assumptions/Experience		(3,516)	(22)	(3,494)
Increase in Expected Claims Incurred/Recoveries During Year		-	-	-
Incurred Claims Recognised in the Statement of Comprehensive Income		(3,516)	(22)	(3,494)
Claim Payments During Year		(576)	(5)	(571)
		20,648	139	20,509
Timing Difference		12	-	12
Removal of Claims Handling Costs		(864)	11	(875)
Outstanding Claims Liability at 30 June 2010	**(v)**	**19,796**	**150**	**19,646**

17. OUTSTANDING CLAIMS LIABILITY (continued)

(f) Reconciliation of Movement in Discounted Outstanding Claims Liability (continued)

EISF Act Non-Asbestos-Related Claims		Gross $'000	Reinsurance and Other Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009		6,760	45	6,715
Effect of Changes in Assumptions/Experience		1,622	20	1,602
Increase in Expected Claims Incurred/Recoveries During Year		-	-	-
Incurred Claims Recognised in the Statement of Comprehensive Income		1,622	20	1,602
Claim Payments During Year		(3,708)	(33)	(3,675)
		4,674	32	4,642
Timing Difference		6	-	6
Removal of Claims Handling Costs		(401)	7	(408)
Outstanding Claims Liability at 30 June 2010	**(vi)**	**4,279**	**39**	**4,240**
EISF Act Total Outstanding Claims Liability at 30 June 2010	**(v)+(vi)**	**24,075**	**189**	**23,886**
ICGF Total Outstanding Claims Liability	**(iii)+(iv)+(v)+(vi)**	**91,025**	**26,235**	**64,790**

Corporation Inwards Reinsurance	Gross $'000	Reinsurance and Other Recoveries $'000	Net $'000
Outstanding Claims Liability at 1 July 2009	1,857	7	1,850
Effect of Changes in Assumptions/Experience	429	-	429
Decrease in Expected Claims Incurred/Recoveries During Year	(311)	-	(311)
Incurred Claims Recognised in the Statement of Comprehensive Income	118	-	118
Claim Payments/Recoveries During Year	(102)	-	(102)
Total Outstanding Claims Liability at 30 June 2010	**1,873**	**7**	**1,866**

17. OUTSTANDING CLAIMS LIABILITY (continued)

(g) Claims Development Tables

Third Party Insurance Fund

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent years:

Gross Claims Development Table

Accident Year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**Total**
Estimated Ultimate Gross Claims Cost:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At End of Crash Year		330,267	329,489	349,864	364,043	359,544	391,336	423,400	402,900	404,768	
One Year Later	306,701	298,977	338,860	331,040	341,742	374,159	410,204	368,186	393,621		
Two Years Later	287,766	300,390	314,117	322,762	347,210	370,038	363,308	359,445			
Three Years Later	295,851	294,932	312,198	342,168	343,604	334,609	350,606				
Four Years Later	282,422	329,095	322,713	328,902	320,029	338,250					
Five Years Later	291,546	324,637	328,712	319,187	322,123						
Six Years Later	294,294	346,245	325,750	316,993							
Seven Years Later	289,041	343,513	334,969								
Eight Years Later	297,130	349,148									
Nine Years Later	299,711										
Current Estimate of Cumulative Claims Costs	299,711	349,148	334,969	316,993	322,123	338,250	350,606	359,445	393,621	404,768	3,469,634
Cumulative Payments	(269,169)	(288,049)	(278,425)	(263,993)	(235,432)	(240,685)	(210,938)	(143,350)	(94,331)	(52,101)	(2,076,473)
Outstanding Claims Undiscounted	30,542	61,099	56,544	53,000	86,691	97,565	139,668	216,095	299,290	352,667	1,393,161

Discount (on Crash Years 2001 and Later)	(224,763)
Claims Management Expenses (on Crash Years 2001 and Later)	54,150
Claims 2000 and Prior (Discounted)	121,965
Third Party Recoveries (Gross Amounts in Table are Net of Third Party Recoveries)	807
Risk Margin	94,170
Gross Outstanding Claims per Funds' Statement of Financial Position (Refer Note 27)	**1,439,490**

17. OUTSTANDING CLAIMS LIABILITY (continued)

(g) Claims Development Tables (continued)

Third Party Insurance Fund

Net Claims Development Table

Accident Year Estimated Ultimate Net Claims Cost:	**2001** **$'000**	**2002** **$'000**	**2003** **$'000**	**2004** **$'000**	**2005** **$'000**	**2006** **$'000**	**2007** **$'000**	**2008** **$'000**	**2009** **$'000**	**2010** **$'000**	**Total** **$'000**
At End of Crash Year		301,463	300,671	325,605	342,610	338,380	362,816	397,688	378,224	379,914	
One Year Later	280,074	272,774	309,094	299,805	321,549	351,424	379,697	345,460	369,279		
Two Years Later	262,555	273,872	277,967	289,521	326,070	347,536	336,200	336,995			
Three Years Later	269,780	268,651	273,614	310,245	322,653	314,274	324,755				
Four Years Later	257,361	298,065	286,954	306,377	300,429	317,674					
Five Years Later	265,612	295,270	285,292	297,083	302,380						
Six Years Later	268,060	315,159	283,695	295,077							
Seven Years Later	263,249	312,621	292,270								
Eight Years Later	270,610	317,769									
Nine Years Later	272,961										
Current Estimate of Cumulative Claims Costs	272,961	317,769	292,270	295,077	302,380	317,674	324,755	336,995	369,279	379,914	3,209,074
Cumulative Payments	(245,076)	(261,985)	(249,963)	(245,609)	(220,828)	(225,892)	(197,818)	(134,113)	(88,288)	(48,809)	(1,918,381)
Outstanding Claims Undiscounted	27,885	55,784	42,307	49,468	81,552	91,782	126,937	202,882	280,991	331,105	1,290,693
Discount (on Crash Years 2001 and Later)											(208,480)
Claims Management Expenses (on Crash Years 2001 and Later)											50,788
Claims 2000 and Prior (Discounted)											121,488
Risk Margin											87,814
Total Outstanding Claims Net of Reinsurance and Other Recoveries											**1,342,303**

17. OUTSTANDING CLAIMS LIABILITY (continued)

(g) Claims Development Tables (continued)

Compensation (Industrial Diseases) Fund

The long-term nature of the expected term to settlement of these claims, as previously explained, results in claims costs developing many years after the initial policy period. In view of this it is considered that provision of a table referenced to accident years is not appropriate. Consequently the table below lists developing claim costs over the past five years.

Estimated Ultimate Claims Cost at 30 June:		Gross $'000	Net $'000
	2006	33,760	22,843
	2007	34,263	23,179
	2008	33,278	22,714
	2009	32,395	22,391
	2010	32,319	22,167
Current Estimate of Cumulative Claims Costs		32,319	22,167
Cumulative Payments		(27,355)	(18,929)
Outstanding Claims Undiscounted		4,964	3,238
Discount		(1,612)	(1,033)
Claims Management Expenses		1,173	1,166
Risk Margin		634	631
Outstanding Claims per Funds' Statement of Financial Position (Refer Note 27)		**5,159**	**4,002**

Government Insurance Fund

This Fund has now closed and has been in run-off since 1 July 1996. The long-term nature of the expected term to settlement of these claims is also due to the latency period associated with asbestos-related diseases and the nature of liability insurance. In view of this it is considered that provision of a table referenced to accident years is not appropriate. Consequently, the tables below list developing claim costs over the past five years. There are no remaining claims against the fund other than for Workers' Compensation and Liability insurance.

Workers' Compensation

Estimated Ultimate Claims Cost at 30 June:		Gross $'000	Net $'000
	2006	1,005,894	930,953
	2007	995,788	920,850
	2008	989,930	914,927
	2009	988,250	913,015
	2010	990,397	912,299
Current Estimate of Cumulative Claims Costs		990,397	912,299
Cumulative Payments		(944,204)	(869,382)
Outstanding Claims Undiscounted		46,193	42,917
Discount		(15,986)	(14,865)
Claims Management Expenses		3,003	2,975
Risk Margin		7,827	7,757
Workers' Compensation Outstanding Claims		**41,037**	**38,784**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. OUTSTANDING CLAIMS LIABILITY (continued)

(g) Claims Development Tables (continued)

Public Liability

Estimated Ultimate Claims Cost at 30 June:			Gross $'000	Net $'000
	2006		21,399	15,323
	2007		21,848	15,513
	2008		20,587	15,722
	2009		21,270	16,352
	2010		21,206	15,306
Current Estimate of Cumulative Claims Costs			21,206	15,306
Cumulative Payments			(20,107)	(14,794)
Outstanding Claims Undiscounted			1,099	512
Discount			(175)	(80)
Claims Management Expenses			55	55
Risk Margin			165	82
Public Liability Outstanding Claims			**1,144**	**569**
Total GIF Outstanding Claims per Funds' Statement of Financial Position (Refer Note 27)			**42,181**	**39,353**

<u>Insurance Commission General Fund</u>

This fund is responsible for the administration of two claim portfolios:

- Run-off claims for Workers' Compensation and Public Liability claims prior to 1 January 1986; and
- Workers' Compensation claims to be settled in accordance with the EISF Act specifically relating to the HIH Insurance Group and other failed insurers.

Run-off Claims

The long-term nature of the expected term to settlement of these claims is due to the latency period associated with asbestos-related diseases and the nature of public liability insurance. In view of this, it is considered that provision of a table referenced to accident years is not appropriate. Consequently, the tables below list developing claim costs over the past five years.

The claims in run-off include an immaterial number of, and values for, potential Public Liability claims reported as a single class of insurance.

Workers' Compensation

Estimated Ultimate Claims Cost at 30 June:			Gross $'000	Net $'000
	2006		551,936	431,813
	2007		560,822	438,905
	2008		557,402	433,261
	2009		552,671	433,902
	2010		566,663	437,906
Current Estimate of Cumulative Claims Costs			566,663	437,906
Cumulative Payments			(485,605)	(396,906)
Outstanding Claims Undiscounted			81,058	41,000
Discount			(28,485)	(14,303)
Claims Management Expenses			4,206	4,166
Risk Margin			7,789	7,716
Workers' Compensation Outstanding Claims		**(i)**	**64,568**	**38,579**

17. OUTSTANDING CLAIMS LIABILITY (continued)

(g) Claims Development Tables (continued)

Public Liability

Estimated Ultimate Claims Cost at 30 June:			Gross $'000	Net $'000
	2006		4,408	4,326
	2007		4,169	4,097
	2008		4,224	4,151
	2009		3,897	3,852
	2010		5,493	5,429
Current Estimate of Cumulative Claims Costs			5,493	5,429
Cumulative Payments			(2,812)	(2,812)
Outstanding Claims Undiscounted			2,681	2,617
Discount			(916)	(897)
Claims Management Expenses			141	140
Risk Margin			476	465
Public Liability Outstanding Claims		**(ii)**	**2,382**	**2,325**
Total ICGF Run-off Outstanding Claims		**(i)+(ii)**	**66,950**	**40,904**
EISF Act Asbestos-Related Claims			19,796	19,646
EISF Act Non-Asbestos-Related Claims			4,279	4,240
Total ICGF Outstanding Claims per Funds' Statement of Financial Position (Refer Note 27)			**91,025**	**64,790**

A claim development table has not been produced for the EISF Act asbestos-related disease claims as:

- all claims are for events occurring more than ten years ago; and
- this asbestos-related disease liability has only been separately assessed since 30 June 2004 and there have been significant data difficulties which have caused the ultimate expected claims cost to vary quite dramatically.

A claim development table for EISF Act non-asbestos-related disease claims is not shown as the limit of the actuarial data claim calculation has been reached and data is now aggregated from all prior accident years.

17. OUTSTANDING CLAIMS LIABILITY (continued)

(g) Claims Development Tables (continued)

Corporation - Inwards Reinsurance

The Corporation has ceased writing insurance business and has been in run-off since August 1992. The long-term nature of the expected term to settlement of these claims is also due to the latency period associated with reinsurance claims and the nature of liability insurance. In view of this it is considered that provision of a table referenced to accident years is not appropriate. Consequently, the table below lists developing claim costs over the past five years.

Estimated Ultimate Claims Cost at 30 June:		Gross $'000	Net $'000
	2006	46,028	33,802
	2007	45,677	33,451
	2008	45,274	33,219
	2009	44,879	32,899
	2010	44,773	32,793
Current Estimate of Cumulative Claims Costs		44,773	32,793
Cumulative Payments		(43,983)	(32,015)
Outstanding Claims Undiscounted		790	778
Discount		(215)	(210)
Claims Management Expenses		914	914
Risk Margin*		384	384
Total Corporation Outstanding Claims Liability		**1,873**	**1,866**

* An additional precautionary margin has also been added for the Australian Casualty Proportional segment of the portfolio which has historically shown significant volatility. The precautionary margin for the Australian Casualty Proportional portfolio in 2010 is $0.1 million (2009: $0.3 million) based on an ultimate loss ratio of 165% (2009: 174%).

18. UNEARNED PREMIUM LIABILITY

Current Year	CONSOLIDATED 2010 ($'000) Third Party Insurance Fund	Compensation (Industrial Diseases) Fund	Total
Unearned Premium Liability at Start of the Year	(162,085)	-	**(162,085)**
Deferral of Premiums on Contracts Written in the Period	(173,808)	(119)	**(173,927)**
Earning of Premiums Written in Previous Periods	162,085	-	**162,085**
Unearned Premium Liability at End of the Year	**(173,808)**	**(119)**	**(173,927)**

Prior Year	CONSOLIDATED 2009 ($'000) Third Party Insurance Fund	Compensation (Industrial Diseases) Fund	Total
Unearned Premium Liability at Start of the Year	(150,171)	(60)	(150,231)
Deferral of Premiums on Contracts Written in the Period	(162,085)	-	(162,085)
Earning of Premiums Written in Previous Periods	150,171	60	150,231
Unearned Premium Liability at End of the Year	(162,085)	-	(162,085)

The Compensation (Industrial Diseases) Fund issued policies on 1 July 2009 covering a three-year period.

Unearned Premium Liability is not applicable to the Government Insurance Fund, the Insurance Commission General Fund or the Corporation.

19. UNEXPIRED RISK LIABILITY

		Third Party Insurance Fund		Compensation (Industrial Diseases) Fund	
	Notes	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Unexpired Risk Liability					
Unexpired Risk Liability at Start of the Year		-	(10,700)	-	-
Recognition of Additional Unexpired Risk Liability in the Period		-	-	-	-
Release of Unexpired Risk Liability Recorded in Previous Periods		-	10,700	-	-
Unexpired Risk Liability at End of the Year		-	-	-	-
Movement in Deficiency Recognised in the Statement of Comprehensive Income					
Gross Decrease in Unexpired Risk Liability		-	(10,700)	-	-
Decrease in Reinsurance and Other Recoveries on Unexpired Risk Liability		-	10,700	-	-
Net Movement in Unexpired Risk	(i)	-	-	-	-
Write-down of Deferred Acquisition Costs	14	-	-	-	-
Total Deficiency Recognised in the Statement of Comprehensive Income		-	-	-	-
Unearned Premium Liability Adequacy Test					
Unearned Premium Liability		173,808	162,085	119	-
Related Deferred Acquisition Costs		(4,488)	(3,930)	-	-
		169,320	158,155	119	-
Central Estimate of Present Value of Expected Future Cash Flows arising from Future Claims		153,000	155,300	55	-
Risk Margin		13,900	14,100	15	-
Present Value of Expected Future Cash Inflows Arising from Reinsurance and Other Recoveries on Future Claims		(11,500)	(11,600)	-	-
		155,400	157,800	70	-
Net Surplus		13,920	355	49	-
Less: Reinsurance Element of Present Value of Expected Future Cash Flows for Future Claims		(11,500)	(11,600)	-	-
Gross Surplus/(Deficiency)		2,420	(11,245)	49	-

Liability Adequacy Tests were performed for the Third Party Insurance Fund and the Compensation (Industrial Diseases) Fund.

The Third Party Insurance Fund and Compensation (Industrial Diseases) Fund both demonstrated a net surplus which resulted in a $Nil Unexpired Risk Liability (2009: $Nil).

The Unexpired Risk Liability is not aggregated due to the different nature of the Third Party Insurance Fund and the Compensation (Industrial Diseases) Fund portfolios.

An Unexpired Risk Liability can only occur in those Funds which carry an Unearned Premium Liability at the end of the reporting period. Unearned Premium Liability is not applicable to the Government Insurance Fund, the Insurance Commission General Fund or the Corporation as the Funds are in run-off and not renewing premiums.

(i) The Net Movement in Unexpired Risk represents the gross movement in the Unexpired Risk Liability less any related Reinsurance and Other Recoveries.

20. PROVISIONS

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Current					
Employee Benefits	21	**4,551**	4,175	**4,551**	4,175
On-Costs Relating to Employee Benefits	(i)	**237**	218	**237**	218
Investments		**1,589**	1,297	**1,589**	1,297
Sundry		**90**	81	**90**	81
		6,467	5,771	**6,467**	5,771
Non-Current					
Employee Benefits	21	**10,888**	11,212	**10,888**	11,212
On-Costs Relating to Employee Benefits	(i)	**177**	146	**177**	146
		11,065	11,358	**11,065**	11,358

(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 (within Underwriting and Administration Expenses). Refer Note 6.

21. EMPLOYEE BENEFIT LIABILITIES

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Current					
Provisions					
Annual Leave		**2,388**	2,216	**2,388**	2,216
Long Service Leave		**1,069**	822	**1,069**	822
Superannuation Contributions	21(h)	**1,094**	1,137	**1,094**	1,137
	20	**4,551**	4,175	**4,551**	4,175
Payables					
Accrued Salaries		**347**	223	**347**	223
Accrued Payroll Tax		**19**	12	**19**	12
Accrued Superannuation:					
Gold State – West State – GESB Super		**23**	16	**23**	16
	16	**389**	251	**389**	251
Total Current		**4,940**	4,426	**4,940**	4,426
Non-Current					
Provisions					
Long Service Leave		**2,576**	2,042	**2,576**	2,042
Superannuation Contributions		**8,312**	9,170	**8,312**	9,170
Total Non-Current	20	**10,888**	11,212	**10,888**	11,212
Total Employee Benefit Liabilities		**15,828**	15,638	**15,828**	15,638

As explained in Note 1(bb), 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:

	CONSOLIDATED 2010	CONSOLIDATED 2009	INSURANCE COMMISSION 2010	INSURANCE COMMISSION 2009
Long Service Leave				
Weighted Average Rates of Increase in Annual Employee Benefits (%)	**4.2**	3.8	**4.2**	3.8
Weighted Average Discount Rates (%)	**4.6**	4.5	**4.6**	4.5
Weighted Average Expected Term to Settlement	**5 yrs 1 mth**	4yrs 9mths	**5 yrs 1 mth**	4yrs 9mths

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. EMPLOYEE BENEFIT LIABILITIES (continued)

Superannuation: Pension Scheme

Scheme Information

Pension Scheme members receive pension benefits on retirement, death or invalidity. The Fund share of the pension benefit, which is based on the member's contributions plus investment earnings, may be commuted to a lump sum benefit. The Insurance Commission does not bear the cost associated with indexation of any pension arising from the Fund share. The State Government share of the pension benefit, which is fully employer-financed, cannot be commuted to a lump sum benefit.

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit on retirement, death or invalidity which is related to their salary during their employment and indexed during their employment and during any deferral period after leaving public sector employment.

The following disclosures are in respect of the employer-financed benefits only.

Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income in the year in which they occur.

(a) Reconciliation of the Present Value of Defined Benefit Obligations

	Pension Scheme		Pre-transfer Gold State	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Present Value of Defined Benefit Obligations at Start of the Year	**5,907**	5,778	**4,400**	3,803
Interest Cost	**298**	359	**223**	240
Actuarial (Gains)/Losses	**78**	440	**(263)**	357
Benefits Paid	**(678)**	(670)	**(559)**	-
Present Value of Defined Benefit Obligations at End of the Year	**5,605**	5,907	**3,801**	4,400

These defined benefit obligations are wholly unfunded, such that there are no Assets. The employer contributes, as required, to meet the benefits paid.

(b) Reconciliation of the Fair Value of Scheme Assets

Fair value of Scheme Assets at Start of the Year	**-**	-	**-**	-
Employer Contributions	**678**	670	**559**	-
Benefits Paid	**(678)**	(670)	**(559)**	-
Fair Value of Scheme Assets at the End of the Year	**-**	-	**-**	-

(c) Reconciliation of the Assets and Liabilities Recognised in the Statement of Financial Position

Defined Benefit Obligations	**5,605**	5,907	**3,801**	4,400
Fair Value Assets	**-**	-	**-**	-
Deficit	**5,605**	5,907	**3,801**	4,400
Unrecognised Past Service Cost	**-**	-	**-**	-
Liability	**5,605**	5,907	**3,801**	4,400

(d) Expense Recognised in Statement of Comprehensive Income

Interest cost	**298**	359	**223**	240
Actuarial (Gains)/Losses	**78**	440	**(263)**	357
Superannuation Expense	**376**	799	**(40)**	597

21. EMPLOYEE BENEFIT LIABILITIES (continued)

(e) Scheme Assets

There are no assets in the Pension Scheme to support the State Government share of the benefit and no assets in the Pension Scheme to support the transferred benefits. Hence, there is:

- No fair value of Scheme assets
- No asset allocation of Scheme assets
- No assets used by the employer
- No expected return of Scheme assets
- No actual return on Scheme assets

(f) Historical Information

	Pension Scheme		Pre-transfer Gold State	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Present Value of Defined Benefit Obligation	**5,605**	5,907	**3,801**	4,400
Fair value of Scheme Assets	**-**	-	**-**	-
Deficit in Scheme	**5,605**	5,907	**3,801**	4,400
Experience Adjustments (Gain)/Loss - Scheme Liabilities	**(62)**	516	**(229)**	25

The experience adjustment for Scheme liabilities represents the actuarial loss due to a change in the liabilities arising from the Scheme's experience (e.g. membership movements, unit entitlements) and excludes the effect of the changes in assumptions (e.g. movements in the bond rate and changes in pensioner mortality assumptions).

(g) Principal Actuarial Assumptions Used

	2010	2009	2008
Discount Rate (Active Members)	**5.48%**	5.34%	6.64%
Discount Rate (Pensioners)	**5.48%**	5.34%	6.64%
Expected Salary Increase Rate	**4.50%**	4.50%	4.50%
Expected Pension Increase Rate	**2.50%**	2.50%	2.50%

The discount rate is based on the 10-year Government Bond rate at the relevant date. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

(h) Expected Contributions

Expected employer contributions for the year ended 30 June 2011:	$'000
Pension Scheme	654
Pre-transfer Gold State	440
	1,094

22. PROPERTY LEASE INCOME

	CONSOLIDATED		INSURANCE COMMISSION	
	2010	**2009**	**2010**	**2009**
Less than 1 Year	**42,546**	38,411	**42,546**	38,411
1 - 5 Years	**140,333**	140,968	**140,333**	140,968
Greater than 5 Years	**125,884**	145,150	**125,884**	145,150
	308,763	324,529	**308,763**	324,529

The above amounts represent future minimum lease payments under non-cancellable operating leases.

This note shows future minimum lease payments under non-cancellable operating leases for properties owned by the Insurance Commission. The Insurance Commission has numerous operating leases with tenants for its shopping centres and central business district office properties. The average term for commercial leases is 8 to 9 years and the average term for retail leases is 5 to 6 years.

23. NET OUTSTANDING CLAIMS - AMOUNTS RECEIVABLE AND PAYABLE DENOMINATED IN FOREIGN CURRENCIES (Australian dollars equivalent)

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Receivables		
Non-Current		
United States Dollars	**-**	2
Total Receivables	**-**	2
Payables		
Current		
Great British Pounds	**1**	6
United States Dollars	**139**	156
	140	162
Non-Current		
Canadian Dollars	**1**	3
Great British Pounds	**8**	35
United States Dollars	**215**	328
	224	366
Total Payables	**364**	528

The amounts disclosed above for Receivables and Payables for both 2010 and 2009 relate solely to the Corporation. No amounts relate to the Insurance Commission.

24. NOTES TO THE STATEMENT OF CASH FLOWS

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Reconciliation of Profit/(Loss) after Income Tax Equivalent (Expense)/Benefit to Net Cash Flow from Operating Activities:					
Profit/(Loss) after Income Tax Equivalent (Expense)/Benefit		**126,850**	(160,837)	**126,850**	(160,837)
Non-Cash Items					
Depreciation and Amortisation		**12,175**	12,623	**12,175**	12,623
Impairment of Receivables		**15**	(450)	**20**	(455)
Foreign Exchange Gain: Investments		**(4,578)**	(886)	**(4,578)**	(886)
(Increase)/Decrease in Fair Value of Investments		**(107,421)**	319,547	**(107,421)**	319,547
Indemnity for Corporation's Net Liabilities		**-**	-	**(283)**	(1,488)
Other		**88**	102	**88**	102
Amounts Recognised Directly in Equity					
Provision for Deferred Income Tax on Asset Revaluation		**(681)**	6,674	**(681)**	6,674
Transfer from Asset Revaluation Surplus		**(17)**	-	**(17)**	-
Decrease/(Increase) in Assets					
Current Receivables		**2,059**	3,297	**2,059**	3,295
Current Tax Receivable		**2,781**	(8,064)	**2,781**	(8,064)
Current Deferred Acquisition Costs		**(558)**	(2,059)	**(558)**	(2,059)
Other Current Assets		**(2,300)**	(871)	**(2,300)**	(871)
Non-Current Receivables		**(453)**	44,104	**(453)**	44,064
Other Non-Current Assets		**55**	232	**55**	232
Non-Current Deferred Tax Assets		**(82)**	317	**-**	-
Increase/(Decrease) in Liabilities					
Current Payables		**(2,732)**	(1,092)	**(2,618)**	(886)
Current Tax Payable		**-**	(53,014)	**-**	(53,014)
Current Outstanding Claims Liability		**2,200**	62,899	**2,204**	62,883
Current Unearned Premium Liability		**11,842**	11,854	**11,842**	11,854
Current Unexpired Risk Liability		**-**	(10,700)	**-**	(10,700)
Current Provisions		**404**	407	**404**	407
Current Other Liabilities		**(3,190)**	3,923	**(3,190)**	3,923
Non-Current Outstanding Claims Liability		**32,279**	22,430	**32,259**	23,876
Non-Current Provisions		**(293)**	1,287	**(293)**	1,287
Non-Current Deferred Tax Liabilities		**27,752**	(88,442)	**27,752**	(88,442)
Net Cash Flow from Operating Activities		**96,182**	163,281	**96,084**	163,065
Reconciliation of Cash					
Cash and Cash Equivalents 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 and Bank Balances		**3,150**	3,052	**-**	-
Bank Overdraft		**(1,216)**	(3,842)	**(1,216)**	(3,842)
Financial Assets at Fair Value through Profit or Loss	10	**255,888**	78,775	**255,888**	78,775
	(i)	**257,822**	77,985	**254,672**	74,933

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

25. 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. Derivative instruments are used to economically hedge or minimise risk incurred. 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 the end of the reporting period, 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. The Insurance Commission has appointed an Investment Manager to enter into forward foreign exchange contracts to manage the currency risk associated with overseas equity portfolio exposure. The economic level of the currency hedge varies between 50% and 100% depending on the nature of the underlying equity portfolio.

(b) Futures

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
At the end of the reporting period, the details of outstanding contracts are:		
Up to 1 year		
Interest Rate Futures		
Notional Principal Amount of Asset	**-**	49,650
Weighted Average Price	**-**	4.90%
Equity Futures		
Notional Principal Amount of Asset	**18,216**	8,499

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 the end of the reporting period, 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 Fair Value.

All Futures are held within the Insurance Commission General Fund of the Insurance Commission.

(c) Forward Foreign Exchange Contracts

	CONSOLIDATED					
	Assets 2010 $'000	**Liabilities 2010 $'000**	**Notional Amount 2010 $'000**	**Assets 2009 $'000**	**Liabilities 2009 $'000**	**Notional Amount 2009 $'000**
Up to 3 months	**324,915**	**(334,641)**	**324,680**	322,207	(306,430)	173,495
3 to 12 months	**1,929**	**(1,953)**	**1,879**	-	-	-
Total	**326,844**	**(336,594)**	**326,559**	322,207	(306,430)	173,495

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 Comprehensive Income immediately. At the end of the reporting period, a net unrealised loss on these contracts amounted to $9.75 million (2009: gain of $15.78 million). Refer Note 10.

All Forward Foreign Exchange Contracts are held within the Insurance Commission General Fund of the Insurance Commission.

25. 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 the end of the reporting period:

Current Year

CONSOLIDATED 2010 ($'000)

	Variable Interest Rate	Fixed Interest Rate Maturing in: Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	More than 5 Years	Non-Interest Bearing	Total	Weighted Average Interest Rate (%)
Financial Assets										
Fixed Interest Bonds	-	50,113	5,098	10,919	8,350	8,776	22,165	-	105,421	5.69
Fixed Interest Unit Trusts	-	-	-	-	-	-	-	176,970	176,970	-
Fixed Interest Term Deposit	-	66,000	25,000	-	-	30,000	-		121,000	6.43
Indexed Bonds	-	-	-	-	-	-	94,887	-	94,887	3.58
Equities - Listed	-	-	-	-	-	-	-	846,141	846,141	-
Equity Unit Trusts	-	-	-	-	-	-	-	205,536	205,536	-
Alternative Assets Unit Trusts	-	-	-	-	-	-	-	130,646	130,646	-
Margin Account	-	-	-	-	-	-	-	2,347	2,347	-
Cash and Cash Equivalent Assets	259,038	-	-	-	-	-	-	-	259,038	5.42
Right of Indemnity	-	-	-	-	-	-	-	63,152	63,152	-
Forward Foreign Exchange Contracts	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	-	-	-	98,083	98,083	-
Total Financial Assets	**259,038**	**116,113**	**30,098**	**10,919**	**8,350**	**38,776**	**117,052**	**1,522,875**	**2,103,221**	
Weighted Average Interest Rate (%)	**5.42**	**6.11**	**6.31**	**5.69**	**5.69**	**6.26**	**3.98**	**-**		
Financial Liabilities										
Bank Overdraft	1,216	-	-	-	-	-	-	-	1,216	3.44
Floating Rate Promissory Note (i)	372,855	-	-	-	-	-	-	-	372,855	10.10
Forward Foreign Exchange Contracts	-	-	-	-	-	-	-	9,750	9,750	-
Other Financial Liabilities	-	-	-	-	-	-	-	30,974	30,974	-
Total Financial Liabilities	**374,071**	**-**	**-**	**-**	**-**	**-**	**-**	**40,724**	**414,795**	
Net Financial Assets/(Liabilities)	**(115,033)**	**116,113**	**30,098**	**10,919**	**8,350**	**38,776**	**117,052**	**1,482,151**	**1,688,426**	
Weighted Average Interest Rate (%)	**10.08**									

The Interest Rate Risk Exposure is the same for both Consolidated and the Insurance Commission with the exception of $3.15 million relating to Cash and Cash Equivalent Assets of the Corporation, which is only represented in the Consolidated accounts.

(i) The Floating Rate Promissory Note represents the RiskCover Fund's share of the investment pool of the economic entity. The RiskCover Fund earns an investment return or shares investment losses in proportion to its share of the investment pool. For the year ended 30 June 2010 this equated to a gross return of 10.10%.

25. FINANCIAL INSTRUMENTS (continued)

(d) Interest Rate Risk Exposure (continued)

Previous Year

CONSOLIDATED 2009 ($'000)

		Fixed Interest Rate Maturing in								
	Variable Interest Rate	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	More than 5 Years	Non-Interest Bearing	Total	Weighted Average Interest Rate (%)
Financial Assets										
Fixed Interest Bonds	-	118,793	16,817	11,886	19,865	12,676	69,559	-	249,596	3.74
Fixed Interest Unit Trusts	-	-	-	-	-	-	-	184,171	184,171	-
Indexed Bonds	-	-	-	-	-	-	85,361	-	85,361	3.76
Equities - Listed	-	-	-	-	-	-	-	837,312	837,312	-
Equity Unit Trusts	-	-	-	-	-	-	-	174,038	174,038	-
Alternative Assets Unit Trusts	-	-	-	-	-	-	-	156,659	156,659	-
Margin Account	-	-	-	-	-	-	-	1,560	1,560	-
Cash and Cash Equivalent Assets	81,827	-	-	-	-	-	-	-	81,827	3.06
Right of Indemnity	-	-	-	-	-	-	-	72,350	72,350	-
Forward Foreign Exchange Contracts	-	-	-	-	-	-	-	15,777	15,777	-
Other Financial Assets	-	-	-	-	-	-	-	92,044	92,044	-
Total Financial Assets	**81,827**	**118,793**	**16,817**	**11,886**	**19,865**	**12,676**	**154,920**	**1,533,911**	**1,950,695**	
Weighted Average Interest Rate (%)	**3.06**	**5.31**	**3.74**	**3.74**	**3.74**	**3.74**	**3.75**	**-**		
Financial Liabilities										
Bank Overdraft	3,842	-	-	-	-	-	-	-	3,842	4.48
Floating Rate Promissory Note (i)	334,431	-	-	-	-	-	-	-	334,431	(6.84)
Other Financial Liabilities	-	-	-	-	-	-	-	38,950	38,950	-
Total Financial Liabilities	**338,273**	**-**	**-**	**-**	**-**	**-**	**-**	**38,950**	**377,223**	
Net Financial Assets/(Liabilities)	**(256,446)**	**118,793**	**16,817**	**11,886**	**19,865**	**12,676**	**154,920**	**1,494,961**	**1,573,472**	
Weighted Average Interest Rate (%)	**(6.71)**									

The Interest Rate Risk Exposure is the same for both Consolidated and the Insurance Commission with the exception of $3.052 million relating to Cash and Cash Equivalent Assets of the Corporation, which is only represented in the Consolidated accounts.

(i) The Floating Rate Promissory Note represents the RiskCover Fund's share of the investment pool of the economic entity. The RiskCover Fund earns an investment return or shares investment losses in proportion to its share of the investment pool. For the year ended 30 June 2009 this equated to a gross loss of 6.84%.

25. FINANCIAL INSTRUMENTS (continued)

(e) Reconciliation of Net Financial Assets to Net Assets

	Notes	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	INSURANCE COMMISSION 2010 $'000	INSURANCE COMMISSION 2009 $'000
Net Financial Assets as above	25(d)	**1,688,426**	1,573,472	**1,685,479**	1,570,741
Less: Interest Rate Futures		**-**	(49,650)	**-**	(49,650)
Less: Equity Futures		**(18,216)**	(8,499)	**(18,216)**	(8,499)
		1,670,210	1,515,323	**1,667,263**	1,512,592
Reinsurance and Other Recoveries Receivable	9	**131,134**	122,331	**131,104**	122,306
Property Trust - Unlisted	10	**166,147**	161,279	**166,147**	161,279
Value of Investment in Subsidiary	10	**-**	-	**19,820**	19,537
Property, Plant and Equipment	11	**252,406**	291,271	**252,406**	291,271
Investment Properties	12	**430,873**	359,051	**430,873**	359,051
Intangible Assets	13	**8,882**	8,860	**8,882**	8,860
Deferred Acquisition Costs	14	**4,488**	3,930	**4,488**	3,930
Other Assets		**10,135**	10,671	**10,135**	10,671
Outstanding Claims Liability	17	**(1,579,728)**	(1,545,249)	**(1,577,855)**	(1,543,392)
Superannuation Liability	21	**(9,406)**	(10,307)	**(9,406)**	(10,307)
Unearned Premium Liability	18	**(173,927)**	(162,085)	**(173,927)**	(162,085)
Unexpired Risk Liability	19	**-**	-	**-**	-
Deferred Tax Liabilities	8	**(77,923)**	(50,253)	**(78,197)**	(50,445)
Other Liabilities		**(535)**	(485)	**(18,977)**	(18,931)
Net Assets per Statement of Financial Position		**832,756**	704,337	**832,756**	704,337

26. FUNDS' STATEMENT OF COMPREHENSIVE INCOME

	Notes	Third Party Insurance Fund 2010 $'000	Third Party Insurance Fund 2009 $'000	Compensation (Industrial Diseases) Fund 2010 $'000	Compensation (Industrial Diseases) Fund 2009 $'000	Government Insurance Fund 2010 $'000	Government Insurance Fund 2009 $'000	Insurance Commission General Fund 2010 $'000	Insurance Commission General Fund 2009 $'000
Premium Revenue	5	**409,542**	384,144	**58**	81	**-**	-	**-**	-
Outwards Reinsurance Premium Expense	6	**(4,546)**	(4,123)	**-**	-	**-**	-	**-**	-
Outwards Reinsurance Commission Revenue	5	**449**	416	**-**	-	**-**	-	**-**	-
Net Premium Revenue		**405,445**	380,437	**58**	81	**-**	-	**-**	-
Claims Expense	6	**(398,275)**	(401,426)	**16**	128	**(1,918)**	(6,066)	**(13,584)**	(2,410)
Reinsurance and Other Recoveries Revenue	5	**2,370**	2,868	**39**	(206)	**2,821**	620	**7,282**	29
Net Claims Incurred	7	**(395,905)**	(398,558)	**55**	(78)	**903**	(5,446)	**(6,302)**	(2,381)
Gross Movement in Unexpired Risk Liability	19	**-**	10,700	**-**	-	**-**	-	**-**	-
Reinsurance and Other Recoveries on Unexpired Risk Liability	19	**-**	(10,700)	**-**	-	**-**	-	**-**	-
Net Movement in Unexpired Risk	6,19	**-**	-	**-**	-	**-**	-	**-**	-
Acquisition Costs	6	**(13,566)**	(11,007)	**-**	-	**-**	-	**-**	-
Other Underwriting and Administration Expenses	6,(i)	**(40,147)**	(35,504)	**(1,551)**	(724)	**(2,651)**	(1,974)	**(31,164)**	(29,632)
UNDERWRITING LOSS		**(44,173)**	(64,632)	**(1,438)**	(721)	**(1,748)**	(7,420)	**(37,466)**	(32,013)
Investment Income/(Loss) including Movements in Fair Value	5	**221,319**	(118,004)	**2,226**	(1,238)	**164**	4	**30,728**	(79,044)
Investment Expenses	6	**(33,922)**	(37,908)	**(334)**	(388)	**(9)**	(41)	**12,305**	16,797
Finance (Costs)/Recoup	6	**-**	-	**-**	-	**-**	-	**(36,556)**	41,242
Other Income	5	**354**	-	**-**	-	**1,593**	7,457	**55,843**	50,415
Other Expenses	6	**-**	-	**-**	-	**-**	-	**(15,550)**	(14,678)
PROFIT/(LOSS) BEFORE RELATED INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT		**143,578**	(220,544)	**454**	(2,347)	**-**	-	**9,304**	(17,281)
Income Tax Equivalent (Expense)/Benefit	8	**(24,479)**	71,993	**19**	759	**-**	-	**(2,026)**	6,583
PROFIT/(LOSS) AFTER INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT ATTRIBUTABLE TO THE STATE GOVERNMENT OF WESTERN AUSTRALIA		**119,099**	(148,551)	**473**	(1,588)	**-**	-	**7,278**	(10,698)
Fair Value Revaluation of Land and Buildings presented as Plant, Property and Equipment		**-**	-	**-**	-	**-**	-	**2,267**	(22,247)
Related Income Tax Equivalent Expense		**-**	-	**-**	-	**-**	-	**(681)**	6,674
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX (EXPENSE)/BENEFIT		**-**	-	**-**	-	**-**	-	**1,586**	(15,573)
TOTAL COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX (EXPENSE)/BENEFIT		**119,099**	(148,551)	**473**	(1,588)	**-**	-	**8,864**	(26,271)

The Note references above relate to the Notes to, and forming part of, the Financial Statements of the economic entity.

26. FUNDS' STATEMENT OF COMPREHENSIVE INCOME (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 2010 and 30 June 2009.

The above Statement of Comprehensive Income for the four Funds is presented without eliminations for inter-fund transactions. The Statement of Comprehensive Income for the Insurance Commission represents an aggregation of the Funds taking into account inter-fund eliminations. The main elimination is:

- Investment revenue of $4.701 million (2009: $4.546 million) in relation to the Insurance Commission's portion of the rentals incurred as an owner-occupier.

(i) The Insurance Commission General Fund allocated Underwriting and Administration Expenses, which related to Bell Group debt recovery costs, as follows to the other Insurance Commission Funds in proportion to the original Investment: Third Party Insurance Fund, $11.597 million (2009: $8.038 million); Government Insurance Fund, $2.195 million (2009: $1.522 million); and Compensation (Industrial Diseases) Fund, $0.201 million (2009: $0.139 million). The Insurance Commission General Fund retained $2.765 million (2009: $1.916 million) of these costs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

27. FUNDS' STATEMENT OF FINANCIAL POSITION

	Notes	Third Party Insurance Fund 2010 $'000	Third Party Insurance Fund 2009 $'000	Compensation (Industrial Diseases) Fund 2010 $'000	Compensation (Industrial Diseases) Fund 2009 $'000	Government Insurance Fund 2010 $'000	Government Insurance Fund 2009 $'000	Insurance Commission General Fund 2010 $'000	Insurance Commission General Fund 2009 $'000
ASSETS									
Current Assets									
Cash and Cash Equivalents	24	-	-	-	-	-	-	-	-
Receivables	9	28,139	28,155	217	124	4,513	5,730	11,164	9,087
Current Tax Receivable		368	-	3	-	-	-	4,912	10,033
Financial Assets at Fair Value Through Profit or Loss	10	-	-	-	-	-	-	1,383,400	1,282,789
Deferred Acquisition Costs	14	4,488	3,930	-	-	-	-	-	-
Other Assets	15	-	-	-	-	-	-	4,021	1,721
Total Current Assets		32,995	32,085	220	124	4,513	5,730	1,403,497	1,303,630
Non-Current Assets									
Receivables	9	72,479	70,420	998	1,082	37,731	37,780	96,796	98,109
Financial Assets at Fair Value Through Profit or Loss	10	-	-	-	-	-	-	381,778	325,315
Deferred Tax Assets		-	2,258	461	445	-	-	-	-
Property, Plant and Equipment	11	-	-	-	-	-	-	252,406	291,271
Investment Properties	12	-	-	-	-	-	-	430,873	359,051
Intangible Assets	13	-	-	-	-	-	-	8,882	8,860
Other Assets	15	-	-	-	-	-	-	831	886
Total Non-Current Assets		72,479	72,678	1,459	1,527	37,731	37,780	1,171,566	1,083,492
Inter-Fund Investments		2,182,874	1,998,294	20,594	19,934	96	1,987	(2,203,564)	(2,020,215)
TOTAL ASSETS		2,288,348	2,103,057	22,273	21,585	42,340	45,497	371,499	366,907

27. FUNDS' STATEMENT OF FINANCIAL POSITION (continued)

	Notes	Third Party Insurance Fund		Compensation (Industrial Diseases) Fund		Government Insurance Fund		Insurance Commission General Fund	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
LIABILITIES									
Current Liabilities									
Bank Overdraft	24	**-**	3,264	**-**	2	**-**	61	**1,216**	515
Payables	16	**12,849**	14,074	**16**	53	**159**	292	**11,041**	18,261
Current Tax Payable		**-**	1,953	**-**	16	**-**	-	**-**	-
Outstanding Claims Liability	17	**365,900**	364,130	**700**	423	**4,362**	5,632	**9,865**	8,438
Unearned Premium Liability	18	**173,808**	162,085	**119**	-	**-**	-	**-**	-
Unexpired Risk Liability	19	**-**	-	**-**	-	**-**	-	**-**	-
Provisions	20	**-**	-	**-**	-	**-**	-	**6,467**	5,771
Total Current Liabilities		**552,557**	545,506	**835**	494	**4,521**	5,985	**28,589**	32,985
Non-Current Liabilities									
Payables	16	**-**	-	**-**	-	**-**	-	**18,451**	18,464
Outstanding Claims Liability	17	**1,073,590**	1,038,780	**4,459**	4,586	**37,819**	39,512	**81,160**	81,891
Provisions	20	**-**	-	**-**	-	**-**	-	**11,065**	11,358
Deferred Tax Liabilities	8	**23,116**	-	**-**	-	**-**	-	**55,542**	53,148
Total Non-Current Liabilities		**1,096,706**	1,038,780	**4,459**	4,586	**37,819**	39,512	**166,218**	164,861
TOTAL LIABILITIES		**1,649,263**	1,584,286	**5,294**	5,080	**42,340**	45,497	**194,807**	197,846
NET ASSETS		**639,085**	518,771	**16,979**	16,505	**-**	-	**176,692**	169,061
EQUITY									
Asset Revaluation Surplus		**-**	-	**-**	-	**-**	-	**104,269**	104,037
Compensation (Industrial Diseases) Fund Reserve		**-**	-	**16,979**	16,505	**-**	-	**-**	-
Funds' Retained Earnings	28	**639,085**	518,771	**-**	-	**-**	-	**72,423**	65,024
TOTAL EQUITY		**639,085**	518,771	**16,979**	16,505	**-**	-	**176,692**	169,061

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 either of the 2010 or 2009 financial years.

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, the Department of Treasury and Finance 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 is presented before eliminations for inter-fund transactions. The Note references above relate to the Notes to, and forming part of, the Financial Statements of the economic entity.

28. FUNDS' RETAINED EARNINGS

	Third Party Insurance Fund		Compensation (Industrial Diseases) Fund		Government Insurance Fund		Insurance Commission General Fund	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Balance at Beginning of the Year	**518,771**	667,322	**-**	-	**-**	-	**65,024**	75,722
Profit/(Loss) after Income Tax Equivalent (Expense)/Benefit	**119,099**	(148,551)	**473**	(1,588)	**-**	-	**7,278**	(10,698)
Amount Transferred (to)/from Compensation (Industrial Diseases) Fund Reserve	**-**	-	**(473)**	1,588	**-**	-	**-**	-
Amount Transferred from Asset Revaluation Surplus	**1,215**	-	**-**	-	**-**	-	**121**	-
BALANCE AT END OF THE YEAR	**639,085**	518,771	**-**	-	**-**	-	**72,423**	65,024

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

29. EXPLANATORY STATEMENT – INSURANCE COMMISSION

	Notes	ACTUAL 2010 $'000	BUDGET 2010 $'000	ACTUAL 2009 $'000	PROFIT INCREASE/(DECREASE) FROM ACTUAL 2010 TO BUDGET 2010 $'000	BUDGET 2010 %	ACTUAL 2009 $'000	ACTUAL 2009 %
Premium Revenue	5	409,600	407,309	384,225	2,291	0.6	25,375	6.6
Outwards Reinsurance Premium Expense	6	(4,546)	(4,061)	(4,123)	(485)	(11.9)	(423)	(10.3)
Outwards Reinsurance Commission Revenue	5	449	113	416	336	297.3	33	7.9
Net Premium Revenue		405,503	403,361	380,518	2,142	0.5	24,985	6.6
Claims Expense	6	(413,761)	(406,495)	(409,774)	(7,266)	(1.8)	(3,987)	(1.0)
Reinsurance and Other Recoveries Revenue	5	12,512	4,366	3,311	8,146	186.6	9,201	277.9
Net Claims Incurred	7	(401,249)	(402,129)	(406,463)	880	0.2	5,214	1.3
Gross Movement in Unexpired Risk Liability	19	-	-	10,700	-	-	(10,700)	(100.0)
Reinsurance and Other Recoveries on Unexpired Risk Liability	19	-	-	(10,700)	-	-	10,700	100.0
Net Movement in Unexpired Risk	6,19	-	-	-	-	-	-	-
Acquisition Costs	6	(13,566)	(13,300)	(11,007)	(266)	(2.0)	(2,559)	(23.2)
Underwriting and Administration Expenses	6	(69,560)	(66,418)	(62,122)	(3,142)	(4.7)	(7,438)	(12.0)
UNDERWRITING LOSS		(78,872)	(78,486)	(99,074)	(386)	(0.5)	20,202	20.4
Investment Income including Movements in Fair Value	5	249,736	55,499	(202,828)	194,237	350.0	452,564	223.1
Investment Expenses	6	(21,960)	(26,166)	(21,540)	4,206	16.1	(420)	(1.9)
Finance (Costs)/Recoup	6	(36,556)	(8,147)	41,242	(28,409)	(348.7)	(77,798)	(188.6)
Other Income	5	56,538	55,446	56,706	1,092	2.0	(168)	(0.3)
Other Expenses	6	(15,550)	(13,754)	(14,678)	(1,796)	(13.1)	(872)	(5.9)
PROFIT/(LOSS) BEFORE INCOME TAX EQUIVALENT (EXPENSE)/BENEFIT		153,336	(15,608)	(240,172)	168,944	1,082.4	393,508	163.8

29. EXPLANATORY STATEMENT – INSURANCE COMMISSION (continued)

COMPARISON OF 2010 ACTUAL RESULTS TO 2010 BUDGET AND 2009 ACTUAL

Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit

The Profit before Income Tax Equivalent Benefit for the Insurance Commission of $153.3 million is $168.9 million better than the budgeted Loss of $15.6 million. The Profit before Income Tax Equivalent Benefit was $393.5 million better than last year's Loss of $240.2 million. The analysis below highlights the key variances.

Investment Income/(Loss) including Movements in Fair Value

The Investment Income of $249.7 million was $194.2 million (350.0%) better than the budgeted Investment Income of $55.5 million and $452.6 million better than last year's Investment Loss of $202.8 million.

The gross Investment Income Rate of Return for 2010 was 10.1%, significantly better than target as financial markets bounced back strongly from the negative returns experienced in the previous year. All asset class returns were better than target (Australian Shares 12.0% versus target 6.0%, Global Shares 21.1% versus target 1.0%, Australian Fixed Interest 10.9% versus target 4.5%, Global Fixed interest 8.8% versus target 3.0%, Alternative Assets 8.2% versus target 6.0%, Property 4.3% versus target -3.0%, Cash 4.7% versus target 3.0%). Whilst a positive outcome, the final result masks the continued volatility of financial markets over the course of 2010.

Finance (Costs)/Recoup

Due to the Insurance Commission's higher than expected investment return for 2010, the RiskCover Fund received an investment return of $36.3 million which was $28.8 million better than budget of $7.5 million. The variance of $77.8 million between the 2010 and 2009 actual is predominantly due to a $36.5 million payment by the RiskCover Fund to the Insurance Commission as a result of the overall investment loss incurred in 2009.

30. GROUP ENTITIES

			Shares Held		Cost of Investment		Total Changes Recognised in Equity	
Name	Legal Form	Place of Incorporation	2010 %	2009 %	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Parent Entity								
Insurance Commission of Western Australia	Statutory Authority	Western Australia	**-**	-	**-**	-	**126,850**	(160,837)
Less: Increase in Value of Investment in the Corporation (Refer Note 10)							**(283)**	(1,488)
							126,567	(162,325)
Subsidiary								
State Government Insurance Corporation	Statutory Authority	Western Australia	**100**	100	**100,000**	100,000	**283**	1,488
					100,000	100,000	**126,850**	(160,837)

The Insurance Commission would indemnify the Corporation in the event that its liabilities exceeded its assets. No such indemnity was required for either 2010 or 2009.

The movement in the value of the investment in the Corporation for the year ended 30 June 2010 of $0.3 million (2009: $1.5 million) has been credited to the Statement of Comprehensive Income. Refer Note 6.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31. ECONOMIC DEPENDENCY

The normal trading activities of the Insurance Commission depend to a significant extent on the Department of Transport (DOT), an agency of the Government of Western Australia.

DOT 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 recognised for the Third Party Insurance Fund during the 2010 financial year was $409.5 million (2009: $384.1 million), representing virtually all of the Insurance Commission's premium revenue.

DOT's written advice confirms that:

- Third Party insurance premiums, GST and stamp duty remitted to the Insurance Commission during the financial years 2009 and 2010, completely and accurately reflect all such premiums, GST and stamp duty the Insurance Commission was entitled to receive as collected on its behalf by DOT; 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.

32. CONTINGENT ASSETS AND LIABILITIES

Bell Recovery Action

The Insurance Commission has agreed to fund the costs of the Liquidators of the Bell Group in the Liquidators' action against a syndicate of banks. Contingent upon the outcome of this litigation, the Insurance Commission is likely at a future time to either realise an asset or incur a liability.

In April 2009, the Liquidators were successful in obtaining Judgment in the Supreme Court of Western Australia requiring the Banks to repay in excess of $1.6 billion. The Judgment is the subject of appeal processes. The contingent asset relates to the amount which the Insurance Commission will receive from the Liquidators, if the recovery action against the syndicate of banks is upheld after all rights of appeal are exhausted.

The contingent liability relates to the Insurance Commission's share of any amounts required to be paid in respect of costs ordered by the Court, in the event that the Banks' appeals are successful. To mitigate the extraordinary and unforeseen level of funding of the Liquidators, an insurance cover program was put in place in relation to some of the exposure to this contingent liability. The Insurance Commission continues to monitor, and where considered appropriate, modify the insurance program in respect of exposure to the funding of the litigation.

Because the eventual Court outcome and the amounts of any resulting contingent asset or liability are subject to inherent uncertainty, it is not practical to estimate the potential financial effect upon the Insurance Commission at the end of the reporting period.

33. EXPENDITURE COMMITMENTS

(a) Capital Expenditure Commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	CONSOLIDATED		INSURANCE COMMISSION	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Not Later than One Year:				
- Investment Property	**3,015**	4,228	**3,015**	4,228
- Property under Construction/Development	**39,934**	32,154	**39,934**	32,154
- Other Property	**1,257**	2,200	**1,257**	2,200
	44,206	38,582	**44,206**	38,582
Between One and Five Years:				
- Property under Construction/Development	**-**	5,359	**-**	5,359
Total Capital Expenditure Commitments	**44,206**	43,941	**44,206**	43,941

(b) Road Safety Commitments

The Board has approved a budget of $5.0 million to provide funding for Road Safety Community Education programs for the 2011 financial year.

(c) Other Commitments

The Board has approved a budget of $12.0 million in relation to funding the Liquidators' prosecution of the Bell Group recovery action during the 2011 financial year.

In 2008, the Board committed to invest $36.0 million in an unlisted property trust. At 30 June 2010, $22.9 million of this commitment remained.

34. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No events have occurred after the end of the reporting period that materially affect the financial statements of the economic entity.

35. LOSSES THROUGH THEFT, DEFAULT AND OTHER CAUSES

		CONSOLIDATED		INSURANCE COMMISSION	
	Notes	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Write-Off of Revenue and Debt	(i)	**11**	576	**11**	576
Recovery of Losses	(ii)	**1**	-	**1**	-
Bad Debts Recovered	(iii)	**10**	-	**10**	-

(i) Comprises Investment Debt of $11,077 (2009: Reinsurance Debt - ICGF of $517,334 and TPIF of $59,105).

(ii) Insurance claims were lodged in relation to plant and equipment lost or stolen and settlement of $968 (2009: $Nil) was received.

(iii) Bad Debts Recovered - TPIF of $2,064 and ICGF of $7,599.

Potential Claims Recoveries Written-Off

In relation to the Third Party Insurance Fund, the Insurance Commission has a statutory obligation to pay a third party claim. Where the negligent driver of a vehicle was in breach of the warranties of the policy or where the vehicle was uninsured, or where a third party was at fault, the Insurance Commission seeks to recover the costs of the claim from the driver or the third party.

In accordance with AASB 1023 'General Insurance Contracts', potential recoveries receivable are assessed with regard to the ability of the debtors to meet their obligations. These recoveries have not been brought to account as income 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 Comprehensive Income. The Third Party Insurance Fund debt write-offs below for the 2010 financial year are shown net of recoveries received from negligent owners or drivers of $281,882 (2009: $201,690). The only loss to the Insurance Commission is the non-payment of Third Party Insurance Fund premiums by uninsured motor vehicle owners, the total of which is estimated at $3,084 for the year (2009: $3,394), which is more than offset by the recoveries received.

In accordance with Section 48(2) of the *Financial Management Act 2006*, potential recoveries were written-off from the following funds:

	2010 $'000	2009 $'000
Third Party Insurance Fund	**17,586**	10,172
Government Insurance Fund	**7**	-
	17,593	10,172
Amounts Written-Off by the Board	**2,952**	2,042
Amounts Written-Off by the Responsible Minister	**4,131**	2,167
Amounts Written-Off by the Governor	**10,510**	5,963
	17,593	10,172

Number of Individual Recovery Write-Offs with Values Between ($):	2010 No.	2009 No.
100,001 - 250,000	**27**	15
250,001 - 1,000,000	**8**	9
1,000,001 - 3,000,000	**3**	1
3,000,001 - 4,000,000	**1**	-

36. REMUNERATION OF THE BOARD OF COMMISSIONERS AND OTHER KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	2010	2009
	$	$
Total fees, salaries and fringe benefits (short-term benefits) received or due and receivable for the financial year by:		
- Board of Commissioners (Board)	**658,913**	654,409
- Other Key Management Personnel	**1,807,400**	1,780,105
	2,466,313	2,434,514
Total employer's contributions to superannuation (long-term benefits) received or due and receivable for the financial year by:		
- Board of Commissioners (Board)	**65,775**	65,263
- Other Key Management Personnel	**181,412**	168,821
	247,187	234,084
	2,713,500	2,668,598

These above amounts are based on a total employment cost incorporating fees, salaries, employer's contributions to superannuation and fringe benefits.

The Board consists of six non-executive Commissioners and the Managing Director:

- Michael E Wright — Chairman
- Peter D Eastwood — Deputy Chairman
- Sharon Brown — Commissioner
- Annemie McAuliffe — Commissioner
- Doug Pascoe — Commissioner
- Judy McGowan — Commissioner
- Vic Evans — Commissioner/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	
	2010	2009
30,001 - 40,000	**-**	-
40,001 - 50,000	**4**	4
50,001 - 60,000	**-**	-
60,001 - 70,000	**1**	1
130,001 - 140,000	**1**	1
340,001 - 350,000	**-**	-
360,001 - 370,000	**1**	1

The Other Key Management Personnel of the Insurance Commission consist of:

- Ken McAullay — General Manager Corporate Services
- Lew Watts — General Manager Insurance
- Fab Zanuttigh — Manager Motor Vehicle Personal Injury
- Don Williams — Manager RiskCover Fund
- Jim Milligan — Manager Special Investigations
- Peter Amos — Manager Information Technology
- Grant Speight — Manager Human Resources
- Julie O'Neill — Manager Investments
- Ernie Cowell — Manager Finance and Administration (Chief Finance Officer)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

36. REMUNERATION OF THE BOARD OF COMMISSIONERS AND OTHER KEY MANAGEMENT PERSONNEL (continued)

The number of Key Management Personnel (excluding 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 Other Key Management Personnel	
	2010	**2009**
160,001 - 170,000	**-**	1
170,001 - 180,000	**-**	-
180,001 - 190,000	**2**	1
190,001 - 200,000	**-**	1
200,001 - 210,000	**1**	-
210,001 - 220,000	**1**	2
220,001 - 230,000	**3**	2
230,001 - 240,000	**-**	-
240,001 - 250,000	**-**	-
250,001 - 260,000	**1**	1
260,001 - 270,000	**1**	-
270,001 - 280,000	**-**	1

At 30 June 2010, no members (2009: Nil) of the Board or Other Key Management Personnel 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)*.

37. REMUNERATION OF AUDITOR

Remuneration payable to the Auditor General for the financial year is as follows:

	CONSOLIDATED		INSURANCE COMMISSION	
	2010 $	2009 $	2010 $	2009 $
Auditing the Accounts, Financial Statements and Performance Indicators	**378,000**	394,000	**378,000**	394,000

Includes an amount of $14,000 (2009: $14,000) 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.

38. RELATED PARTY DISCLOSURES

The Consolidated Financial Statements include the financial statement of the Insurance Commission and its subsidiary, the State Government Insurance Corporation (Corporation).

The following table details the Insurance Commission's interest in its subsidiary:

Name	**Country of Incorporation**	**2010 $'000**	**2009 $'000**
State Government Insurance Corporation	Australia		
Equity Interest		**100%**	100%
Original Cost of Investment		**100,000**	100,000
Carrying Value in Investment		**19,820**	19,537

The following table provides the amounts of transactions that were entered into with the Corporation:

		CONSOLIDATED		INSURANCE COMMISSION	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
Subsidiary: **State Government Insurance Corporation**					
Interest Paid to Corporation	**(i)**	**-**	-	**(787)**	(1,002)
Management Fees Paid by Corporation	**(ii)**	**-**	-	**272**	183
Non-Current Payable to Corporation	**(iii)**	**-**	-	**18,451**	18,451

(i) The Insurance Commission pays interest earned to the Corporation in proportion to its share of the cash on hand and in banks. It also pays interest to the Corporation on the Non-Current Other Payables to the Corporation. Refer (iii) below.

(ii) The Insurance Commission charges the Corporation a management fee in proportion to its usage of the Insurance Commission's services.

(iii) Non-Current Payable to the Corporation relates to amounts due to the Corporation arising from the value of past tax losses of the Corporation used by the Insurance Commission which are represented by an intercompany payable in accordance with the tax-sharing agreement and Interpretation 1052. The Insurance Commission pays interest to the Corporation at current market rates, there is no designated repayment date.

Terms and Conditions of Transactions with Related Parties

- Transactions with the Corporation are made on an arm's length basis under normal commercial terms.
- Outstanding balances at year-end are unsecured and settlement occurs in cash.
- There are no guarantees provided to, or received from, the Corporation.
- No allowance for impairment is required for amounts owing to, or from, the Corporation.

39. RISKCOVER FUND FINANCIAL STATEMENTS

The Government of Western Australia has adopted a Managed Fund approach to administer all insurable risks of its participating public authorities on a self-insurance basis. The RiskCover Fund is underwritten by the State Government of Western Australia, and is managed by the Insurance Commission on behalf of the State Government and its participating public authorities, under the supervision of the Department of Treasury and Finance. On 18 July 2001, the Department of Treasury and Finance confirmed the re-appointment of the Insurance Commission to manage the RiskCover Fund on the basis of a rolling three-year notification of termination period.

The Insurance Commission earns a management fee from this activity being a recovery of costs for the proportion of the Insurance Commission's services used by the RiskCover Fund.

Except as stated below, the significant accounting policies adopted in preparing the RiskCover Fund's financial statements are consistent with those used in preparing the economic entity's financial statements. Refer Note 1.

Because the RiskCover Fund is a Government self-insurance vehicle, it is not bound by AASB 1023 'General Insurance Contracts' or by the requirements of the Australian Prudential Regulatory Authority (APRA).

In its determination of the Outstanding Claims Liability, the RiskCover Fund has instead followed the requirements of AASB 137, 'Provisions, Contingent Liabilities and Contingent Assets'. Like AASB 1023, this standard also requires the use of a risk-free discount factor when determining the Outstanding Claims Liability however it differs significantly in that it does not require the inclusion of a prudential margin.

In 2006, the State Government Expenditure Review Committee gave approval for the RiskCover Fund to maintain a separate Prudential Reserve equivalent in value to an APRA Prudential Margin sufficient to achieve a 75% likelihood of adequacy with respect to the provision for outstanding claims.

The RiskCover Fund's assets are not owned by the economic entity and are therefore not consolidated. The investment assets of the RiskCover Fund are, however, included in the investment pool of the economic entity, represented by a Floating Rate Promissory Note. Refer Note 10. The RiskCover Fund earns an investment return or shares investment losses in proportion to its share of the investment pool of the Insurance Commission. Refer Note 6.

Any Retained Earnings in the RiskCover Fund represents an asset of the State Government of Western Australia and not of the economic entity.

The RiskCover Fund is not liable to pay Income Tax Equivalents under current arrangements with the Department of Treasury and Finance.

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2010	References	2010 $'000	2009 $'000
Premium Revenue	**(a)**	**193,316**	146,212
Premium Adjustment	**(b)**	**17,285**	62,124
Outwards Reinsurance Premium Expense		**(14,166)**	(13,220)
Outwards Reinsurance Commission Revenue		**1,350**	1,302
Net Premium Revenue		**197,785**	196,418
Claims Expense		**(208,931)**	(179,923)
Reinsurance and Other Recoveries (Expense)/Revenue		**(7,523)**	15,372
Net Claims Incurred		**(216,454)**	(164,551)
Underwriting and Administration Expenses		**(27,976)**	(26,208)
UNDERWRITING (LOSS)/PROFIT		**(46,645)**	5,659
Investment Income/(Loss) including Movements in Fair Value		**36,349**	(36,474)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO THE STATE OF WESTERN AUSTRALIA		**(10,296)**	(30,815)

The Statement of Comprehensive Income should be read in conjunction with the references to, and forming part of, the RiskCover Fund's Financial Statements.

39. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF FINANCIAL POSITION at 30 June 2010	References	2010 $'000	2009 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents		-	773
Receivables		25,252	13,240
Financial Assets at Fair Value Through Profit or Loss	(c)	372,855	334,431
Total Current Assets		398,107	348,444
Non-Current Assets			
Receivables		73,594	93,164
Total Non-Current Assets		73,594	93,164
TOTAL ASSETS		471,701	441,608
LIABILITIES			
Current Liabilities			
Bank Overdraft		322	-
Payables		8,696	21,059
Outstanding Claims Liability	(d)	164,279	138,231
Total Current Liabilities		173,297	159,290
Non-Current Liabilities			
Outstanding Claims Liability	(d)	258,811	232,430
Total Non-Current Liabilities		258,811	232,430
TOTAL LIABILITIES		432,108	391,720
NET ASSETS		39,593	49,888
EQUITY			
Retained Earnings		-	6,225
Prudential Reserve	(i)	39,593	43,663
TOTAL EQUITY	(ii)	39,593	49,888

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

(i) In 2010 the Prudential Reserve was calculated by an internal assessment to be $52.1 million (2009: $43.7 million). However, because the RiskCover Fund did not have sufficient Retained Earnings to maintain the Prudential Reserve at this level, the Prudential Reserve was reduced to $39.6 million which is $12.5 million below the amount which would be required to achieve a 75% likelihood of adequacy.

(ii) The State Government Expenditure Review Committee gave approval for the RiskCover Fund to introduce a Fund Experience Allowance (return of capital) whereby funds in excess of the approved “Prudential Reserve” will be returned to participating agencies over a four-year period (subject to annual review).

Due to the significant reduction in Retained Earnings in 2009, no Fund Experience Allowance was available in 2010.

39. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

	References	2010 $'000	2009 $'000
BALANCE OF EQUITY AT START OF THE YEAR		**49,888**	102,471
PRUDENTIAL RESERVE			
Balance at Start of the Year		**43,663**	40,475
Transfer (to)/from Retained Earnings		**(4,070)**	3,188
Balance at End of the Year		**39,593**	43,663
RETAINED EARNINGS			
Balance at Start of the Year		**6,225**	61,996
Total Comprehensive Loss for the Year		**(10,295)**	(30,815)
Transfer from/(to) Prudential Surplus		**4,070**	(3,188)
Fund Experience Allowance Paid during the Year		**-**	(21,768)
Balance at End of the Year		**-**	6,225
BALANCE OF EQUITY AT END OF THE YEAR		**39,593**	49,888

The Statement of Changes in Equity should be read in conjunction with the references to, and forming part of, the RiskCover Fund's Financial Statements.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2010

	References	2010 $'000	2009 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Premium Received		**212,485**	160,842
Reinsurance and Other Recoveries Received		**5,485**	5,178
Outwards Reinsurance Commission Received		**1,485**	1,432
Interest Received/(Paid)		**36,349**	(36,474)
Outwards Reinsurance Paid		**(15,583)**	(14,635)
Claims Paid		**(158,788)**	(147,867)
Underwriting and Administration Expenses Paid		**(28,603)**	(25,534)
Goods and Services Tax Paid		**(15,502)**	(10,882)
Net Cash Flow from Operating Activities	**(h)**	**37,329**	(67,940)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment Funds (Paid to)/Received from the Insurance Commission		**(38,424)**	89,584
CASH FLOW FROM FINANCING ACTIVITIES			
Payments for Fund Experience Allowance		**-**	(21,768)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,095)**	(124)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		**773**	897
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(h)**	**(322)**	773

The Statement of Cash Flows should be read in conjunction with the references to, and forming part of, the RiskCover Fund's Financial Statements.

39. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE RISKCOVER FUND FINANCIAL STATEMENTS

(a) Premium Revenue

When determining the deposit contributions for the Workers' Compensation and Motor Vehicle classes, the RiskCover Fund 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) Premium Adjustment

Premiums initially charged to client agencies at the beginning of each year for the Workers' Compensation and Motor Vehicle classes represent premium deposits. These premiums are subject to adjustment at a later date (three years after the close of the risk period for Workers' Compensation and one year for Motor Vehicle to take into account the ultimate claims costs, claims administration expenses and associated investment income outcomes as these develop for each cover year. This adjustment process reflects the conceptual design of the funding mechanism for these classes and enables sanctions to be applied to agency performance.

The Premium Adjustment brought to account for the Workers' Compensation class at 2010 was a receivable from client agencies of $78.0 million (2009: a receivable of $59.0 million). The Workers' Compensation movement between these years of $17.6 million was the major component of the $17.3 million Premium Adjustment shown in the Statement of Comprehensive Income with the balance negative $0.3 million being attributable to the Motor Vehicle class.

(c) Financial Assets at Fair Value Through Profit or Loss

Represented by a Floating Rate Promissory Note owed to the RiskCover Fund by the Insurance Commission. Refer Note 10.

(d) Outstanding Claims Liability

	2010 $'000	2009 $'000
Central Estimate	**452,656**	397,635
Discount to Present Value	**(61,030)**	(54,808)
	391,626	342,827
Claims Handling Costs	**31,464**	27,834
Liability for Outstanding Claims (discounted)	**423,090**	370,661
Current	**164,279**	138,231
Non-Current	**258,811**	232,430
	423,090	370,661
Weighted Average Expected Term to Settlement:		
Workers' Compensation	**2 yrs 6 mths**	2 yrs 6 mths
Liability Classes	**4 yrs 3 mths**	4 yrs 1 mth

In addition to the long-tail classes of Workers' Compensation and Liability, the RiskCover Fund also has short-tail liabilities for Property and Business Interruption, Motor Vehicle and Personal Accident, and Travel risks. These short-tail liabilities are internally assessed and total $54.3 million at the end of the reporting period (2009: $36.8 million).

39. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE RISKCOVER FUND FINANCIAL STATEMENTS (continued)

Inflation and Discount Rates

The following rates were used in measuring the liability for long-tail outstanding claims, reinsurance and other recoveries at 30 June 2010 for the RiskCover Fund:

	% Rates Used - 2010		% Rates Used - 2009	
	Year Ending 30 June 2011	Subsequent Years	Year Ending 30 June 2010	Subsequent Years
Workers' Compensation				
Inflation Rate (Wage)	**3.80**	**4.70**	3.00	3.80
Total Inflation*	**3.80**	**4.70**	3.00	3.80
Discount Rate	**4.50**	**4.50**	3.40	4.90
Liability				
Inflation Rate (Wage)	**3.80**	**4.70**	3.00	3.80
Superimposed Inflation	**4.00**	**4.00**	4.00	4.00
Total Inflation*	**7.80**	**8.70**	7.00	7.80
Discount Rate	**4.50**	**4.50**	3.40	4.90

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

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 2010 and 2009 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) Claims Recoveries Written-Off

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

In accordance with Australian Accounting Standards, 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 Comprehensive Income.

In 2010, there were $3,840 (2009: $Nil) amounts written-off in relation to RiskCover Fund claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

39. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE RISKCOVER FUND FINANCIAL STATEMENTS (continued)

(f) Credit Risk

The following tables provide information about the quality of the RiskCover Fund's credit risk exposure in respect of reinsurance and other recoveries on claims already paid and on claims which remained outstanding at the end of the reporting period, but not yet "invoiced" or claimed from relevant parties. The analysis classifies the assets according to Standard and Poor's counterparty credit ratings. AAA is the highest possible rating. Ratings that fall outside of the range AAA to BBB and those which cannot be reliably rated, such as estimates of unknown third party recoveries are classified as speculative grade. Input tax credits recoverable from the Australian Taxation Office have all been classified as AAA rating.

2010 ($'000)

	AAA	AA+ to AA-	A+ to A-	BBB	Speculative Grade	Total
- Fire and General	3,181	554	690		1,468	5,893
- Workers' Compensation	2,253				8,309	10,562
- Liability	2,271				1,411	3,682
Total Reinsurance and Other Recoveries	**7,705**	**554**	**690**	**-**	**11,188**	**20,137**

2009 ($'000)

	AAA	AA+ to AA-	A+ to A-	BBB	Speculative Grade	Total
- Fire and General	3,019	699	664	-	1,480	5,862
- Workers' Compensation	1,960	-	-	-	7,570	9,530
- Liability	2,824	-	-	9,632	4,633	17,089
Total Reinsurance and Other Recoveries	7,803	699	664	9,632	13,683	32,481

39. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE RISKCOVER FUND FINANCIAL STATEMENTS (continued)

(f) Credit Risk (continued)

The following table provides further information regarding the ageing of amounts receivable for premium debtors, reinsurance and other recoveries on paid claims at the the end of the reporting period:

2010 ($'000)

	Past Due but Not Impaired					
Neither Past Due nor Impaired	0 to 3 Months	3 to 6 Months	6 to 12 Months	Greater than 1 Year	Impaired	Total
226	82	-	80	-	-	**388**

2009 ($'000)

	Past Due but Not Impaired					
Neither Past Due nor Impaired	0 to 3 Months	3 to 6 Months	6 to 12 Months	Greater than 1 Year	Impaired	Total
833	59	-	1	5	-	898

39. RISKCOVER FUND FINANCIAL STATEMENTS (continued)

REFERENCES TO THE RISKCOVER FUND FINANCIAL STATEMENTS (continued)

(g) Liquidity Risk

The following tables detail the maturity profile of the RiskCover Fund's gross discounted outstanding claims liability at the end of the reporting period:

2010 ($'000)

	Maturity in Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
Outstanding Claims Liability					
- Fire and General	54,312	-	-	-	54,312
- Workers' Compensation	89,097	54,975	70,151	35,041	249,264
- Liability	20,870	19,864	45,960	32,820	119,514
Total Outstanding Claims Liability	**164,279**	**74,839**	**116,111**	**67,861**	**423,090**

2009 ($'000)

	Maturity in Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
Outstanding Claims Liability					
- Fire and General	36,830	-	-	-	36,830
- Workers' Compensation	71,971	44,539	60,496	39,749	216,755
- Liability	22,147	20,456	41,482	32,991	117,076
Total Outstanding Claims Liability	130,948	64,995	101,978	72,740	370,661

(h) Reconciliation of Loss to Net Cash Flow from Operating Activities

	2010 $'000	2009 $'000
Loss	**(10,296)**	(30,815)
Decrease/(Increase) in Assets		
Current Receivables	**(12,012)**	(2,392)
Non-Current Receivables	**19,570**	(72,288)
Increase/(Decrease) in Liabilities		
Current Payables	**(12,363)**	3,076
Current Outstanding Claims Liability	**26,048**	11,586
Non-Current Outstanding Claims Liability	**26,381**	22,893
Net Cash Flow from Operating Activities	**37,328**	(67,940)

Reconciliation of Cash

Cash and Cash Equivalents 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:

	2010 $'000	2009 $'000
Cash and Cash Equivalents	**(322)**	773

Insurance Commission of Western Australia
Key Performance Indicators

CERTIFICATION OF KEY PERFORMANCE INDICATORS

We hereby certify that the Key Performance Indicators of the Insurance Commission of Western Australia (Insurance Commission) for the financial year ended 30 June 2010:

- 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
6 September 2010

VIC EVANS
MANAGING DIRECTOR
6 September 2010

In accordance with a resolution of the Board of Commissioners of the Insurance Commission of Western Australia passed on 6 September 2010.

Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

INSURANCE COMMISSION OF WESTERN AUSTRALIA
FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2010

I have audited the accounts, financial statements, controls and key performance indicators of the Insurance Commission of Western Australia and the consolidated entity.

The financial statements comprise the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows of the Commission and the consolidated entity for the year then ended, a summary of significant accounting policies and other explanatory Notes.

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

Commission's Responsibility for the Financial Statements and Key Performance Indicators

The Commission is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. This document is available on the OAG website under "How We Audit".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators 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 and key performance indicators.

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

Insurance Commission of Western Australia
Financial Statements and Key Performance Indicators for the year ended 30 June 2010

Audit Opinion
In my opinion,

(i) the financial statements are based on proper accounts and present fairly the financial position of the Insurance Commission of Western Australia and the consolidated entity at 30 June 2010 and their financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions;

(ii) the controls exercised by the Commission provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and

(iii) the key performance indicators of the Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended 30 June 2010.

COLIN MURPHY
AUDITOR GENERAL
8 September 2010

INSURANCE COMMISSION OF WESTERN AUSTRALIA

The Insurance Commission's **Key Performance Indicators** assist in evaluating its performance in achieving both its stated mission and the achievement against higher level government-specified goals. This report includes our **'Key Outcomes'** which are expressed in the form of key ***Effectiveness*** and ***Efficiency* Performance Indicators**. The Performance Indicators are first shown for the Insurance Commission as a whole and then for each business area.

The Insurance Commission's specified desired Key Outcomes are listed in the table below showing the relationship to associated high-level Government Goals.

Government Goal	Services provided by the Insurance Commission	Insurance Commission Key Outcomes
Outcome Based Service Delivery		
Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.	Timely, equitable and efficient claims management for motor vehicle personal injury claimants.	Minimise the financial hardship of motor vehicle personal injury claimants.
	Provision of affordable premiums to owners of Western Australian registered motor vehicles.	Ensure that all Western Australian motor vehicles using public roads are registered and insured.
	Timely, equitable and efficient claims management for industrial disease claimants.	Minimise the financial hardship of industrial disease claimants.
	RiskCover claims management and claims analysis.	Meet customer risk management and self-insurance needs.
Financial and Economic Responsibility		
Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.	Fund management and Investment function.	That the Insurance Commission's revenue is sufficient to meet its expenditure.
	Risk Management Program development and implementation.	Promote and support the growth of risk management practice to maintain the cost of risk to government.

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 this Annual Report. Where appropriate, prior years' figures have been re-stated in order to enhance comparability with those of the current year.

↑ better than target

↔ on target

↓ worse than target

INSURANCE COMMISSION

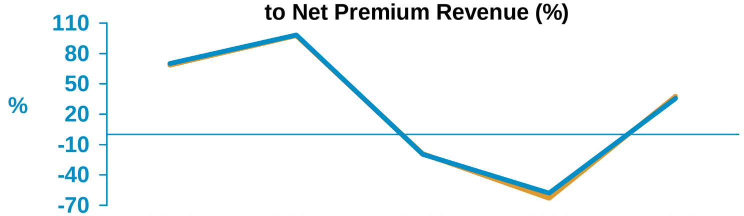
That the Insurance Commission's revenue is sufficient to meet its expenditure

Effectiveness Performance Indicators

Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit to Net Premium Revenue indicates the return the Insurance Commission has earned on its net premium revenue.

	2010 Target	2010 Actual
Insurance Commission	-3.9%	37.8%
Third Party Insurance Fund	-4.0%	35.4%

Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit to Net Premium Revenue (%)



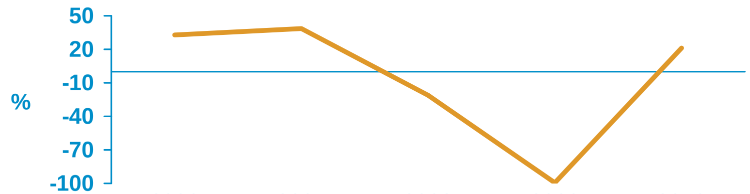
	2006	2007	2008	2009	2010
Commission	68.4	97.5	(19.1)	(63.1)	37.8
TPIF	70.2	98.1	(19.7)	(58.0)	35.4

Comments: The Insurance Commission indicator was better than target, due to profit before Income Tax of $153.3 million, being $168.9 million (1,082.4%) better than the targeted loss of $15.6 million. This was due to a net investment income of $227.8 million which was $198.4 million (676.5%) better than target. This was partially offset by finance costs which were $28.4 million (348.7%) worse than target. The Third Party Insurance Fund was also better than target with a profit before Income Tax of $143.6 million, being $159.5 million (1,000.1%) above the targeted loss of $16.0 million. This was due to net investment income being $152.4 million (435.3%) above target.

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

	2010 Target	2010 Actual
Insurance Commission	-3.0%	21.0%

Profit/(Loss) before Income Tax Equivalent (Expense)/Benefit to Total Revenue (%)



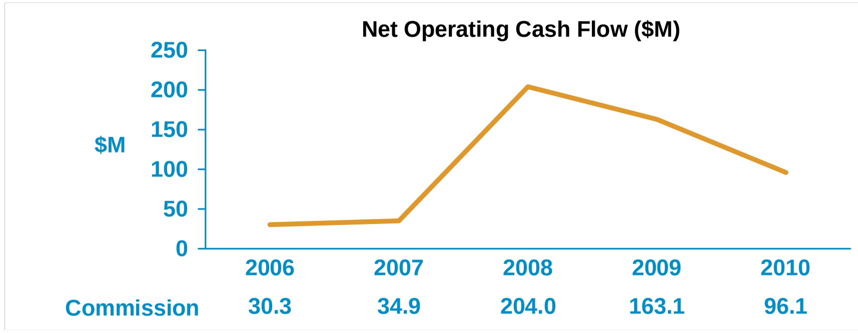
	2006	2007	2008	2009	2010
Commission	32.9	38.5	(21.1)	(99.3)	21.0

Comments: This indicator is better than target due to the profit before Income Tax of $153.3 million, being $168.9 million (1,082.4%) better than the targeted loss of $15.6 million. This was due to a net investment income of $227.8 million which was $198.4 million (676.5%) better than target. This was partially offset by finance costs which were $28.4 million (348.7%) worse than target. Total Revenue of $728.8 million was $207.6 million (39.8%) better than the target of $521.2 million, which was due to investment revenue (including movements in fair value) being $194.2 million (350.0%) better than target.

INSURANCE COMMISSION

Effectiveness Performance Indicators (continued)

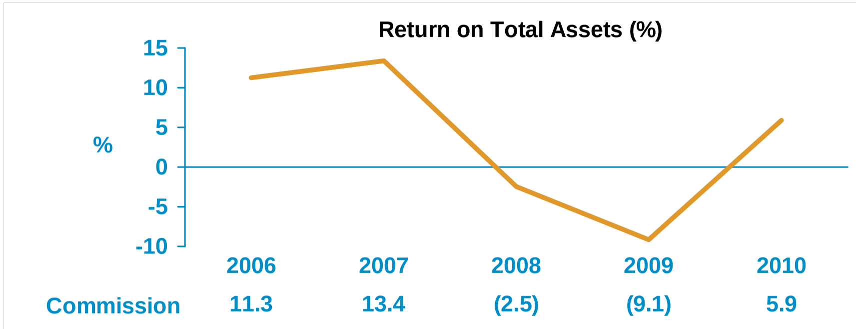
Net Operating Cash Flow equals receipts less payments from the operating activities of the Insurance Commission. It excludes cash flows from investing activities. Refer to the *Statement of Cash Flows - Net Cash Flow from Operating Activities.*



	2010 Target	2010 Actual	
Insurance Commission ($M)	**117.9**	**96.1**	↓

Comments **:** The **Net Operating Cash Flow** is $21.8 million (18.5%) worse than target. This variance was partly due to the claims paid being $23.9 million (6.3%) worse than target. Cash flow income from interest, property and dividends was $15.6 million (10.0%) worse than target. Underwriting and administration expenses (including debt recovery costs) was $4.1 million (5.5%) worse than target. This was offset by the refund of income tax equivalent received rather than a payment resulting in being $15.5 million (129.0%) better than target, and premium received being $5.0 million (1.0%) better than target.

Return on Total Assets is calculated as the Insurance Commission's profit/(loss) before income tax (expense)/benefit divided by its average total assets and is expressed as a percentage (total average assets excludes the Right of Indemnity asset from WorkCover WA *(Refer Note 9 to the Financial Statements*).



	2010 Target	2010 Actual	
Insurance Commission	**-0.6%**	**5.9%**	↑

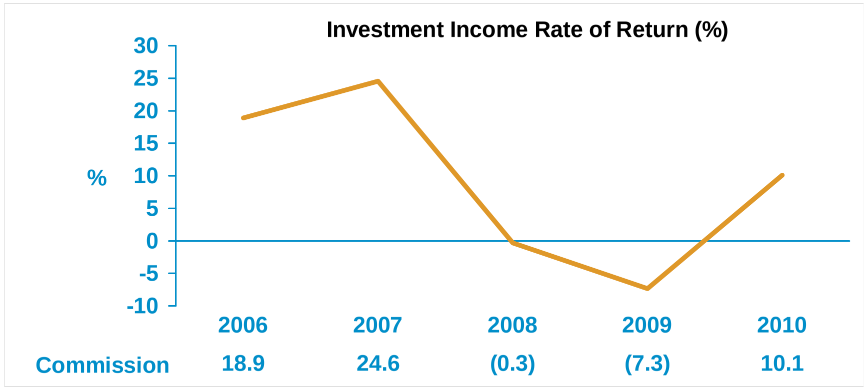
Comments: The **Return on Total Assets** is above target due to profit before Income Tax of $153.3 million, being $169.1 million (1,082.4%) better than the targeted loss of $15.6 million. This was due to a net investment income of $227.8 million which was $198.4 million (676.5%) better than target. This was partially offset by finance costs which were $28.4 million (348.7%) worse than target. Average Total Assets (less the WorkCover WA indemnity) were $2.606 billion, which was $68.0 million (2.7%) better than the target of $2.538 billion.

INSURANCE COMMISSION

Effectiveness Performance Indicators (continued)

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. This calculation includes non-investment property net income.

	2010	
	Target	Actual
Insurance Commission	1.8%	10.1%

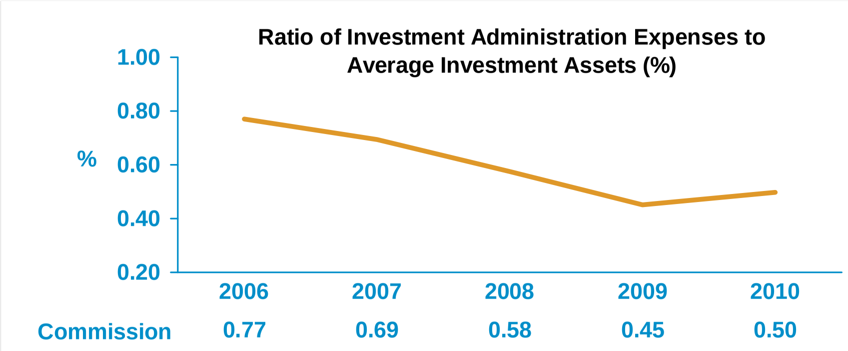


Comments: The **Investment Income Rate of Return** for 2010 of 10.1%, was significantly better than target as financial markets bounced back strongly from the negative returns experienced in the previous year. All asset class returns were better than target (Australian Shares 12.0% versus target 6.0%, Global Shares 21.1% versus target 1.0%, Australian Fixed Interest 10.9% versus target 4.5%, Global Fixed Interest 8.8% versus target 3.0%, Alternative Assets 8.2% versus target 6.0%, Property 4.3% versus target -3.0%, Cash 4.7% versus target 3.0%). Whilst this was a positive outcome, the final result masks the continued volatility in financial markets over the course of 2010.

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. Non-investment property assets are included in the calculation.

	2010	
	Target	Actual
Insurance Commission	0.45%	0.50%



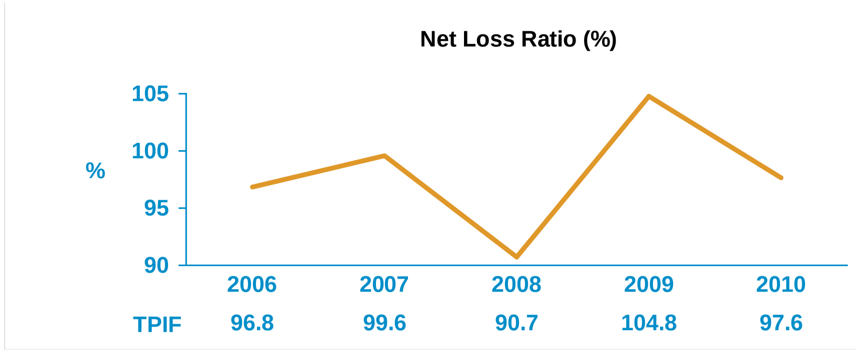
Comments: The **Ratio of Investment Administration Expenses to Average Investment Assets** of 0.50% for the year exceeded the target of 0.45% due to higher investment expenses of $13.5 million (target $11.4 million) and higher average investment assets of $2.7 million (target $2.6 million).

INSURANCE COMMISSION

Efficiency Performance Indicators (continued)

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

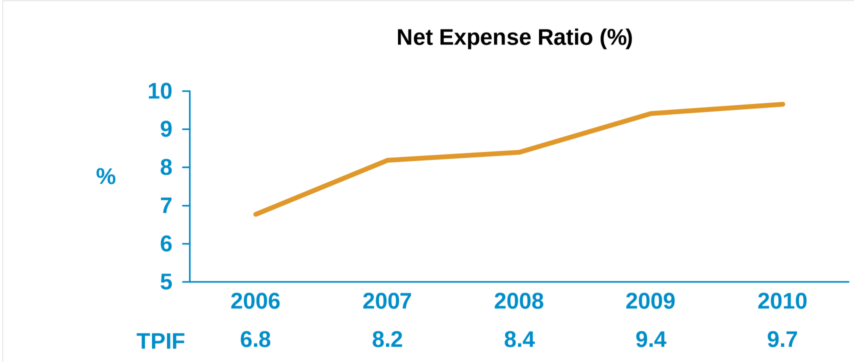
	2010	
	Target	Actual
Third Party Insurance Fund	99.6%	97.6%



Comments: The **Net Loss Ratio** is better than target due to higher than targeted net premium revenue ($2.3 million) and better than targeted outcome for net claims incurred ($5.8 million). The better than expected result for net claims incurred results from a lower than targeted movement in outstanding claims provisions ($27.5 million), partially offset by higher than expected gross claims payments ($22.8 million).

Net Expense Ratio shows the percentage of underwriting and administration expenses against net premium revenue. 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 or debt recovery costs.

	2010	
	Target	Actual
Third Party Insurance Fund	9.7%	9.7%



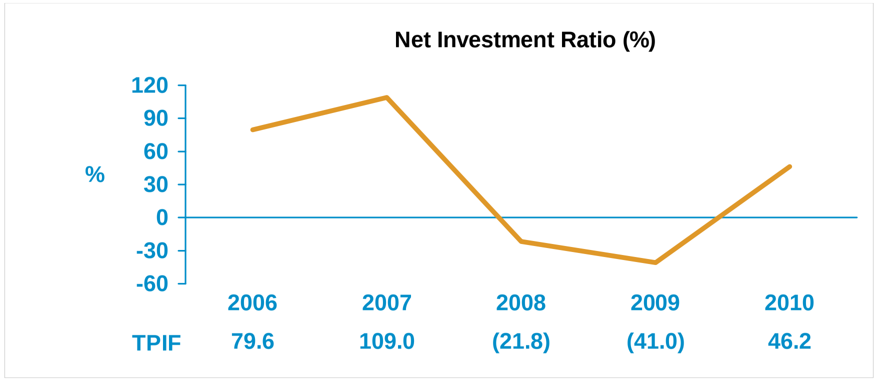
Comments: The **Net Expense Ratio** is on target. Whilst underwriting and acquisition costs were higher than target (1.3%), this was offset by marginally higher than targeted net premium revenue (0.6%) and lower than targeted administration costs (0.5%).

INSURANCE COMMISSION

Efficiency Performance Indicators (continued)

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

	2010		
	Target	Actual	
Third Party Insurance Fund	**8.7%**	**46.2%**	↑



Comments: The **Net Investment Ratio** is significantly better than target, due to a better than expected investment income rate of return of 10.1% (target 1.8%) as financial markets bounced back strongly from the negative returns experienced in the previous year. All asset class returns were better than target (Australian Shares 12.0% versus target 6.0%, Global Shares 21.1% versus target 1.0%, Australian Fixed Interest 10.9% versus target 4.5%, Global Fixed Interest 8.8% versus target 3.0%, Alternative Assets 8.2% versus target 6.0%, Property 4.3% versus target -3.0%, Cash 4.7% versus target 3.0%). Whilst this was a positive outcome, the final result masks the continued volatility in financial markets over the course of 2010.

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 2.3 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.

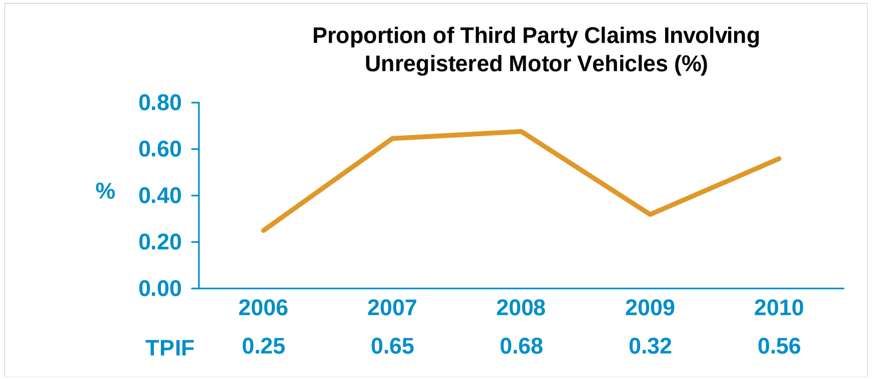
(a) That the Fund's revenue is sufficient to meet its expenditure *(refer Insurance Commission Indicators for this outcome)*

(b) Ensure that all Western Australian motor vehicles using public roads are registered and insured

Effectiveness Performance Indicators

The **Proportion of Third Party Claims Involving Unregistered Motor Vehicles** measures the number of claims received involving unregistered motor vehicles compared to the total number of claims received.

	2010 Target	2010 Actual
Third Party Insurance Fund	**0.00%**	**0.56%** ↓

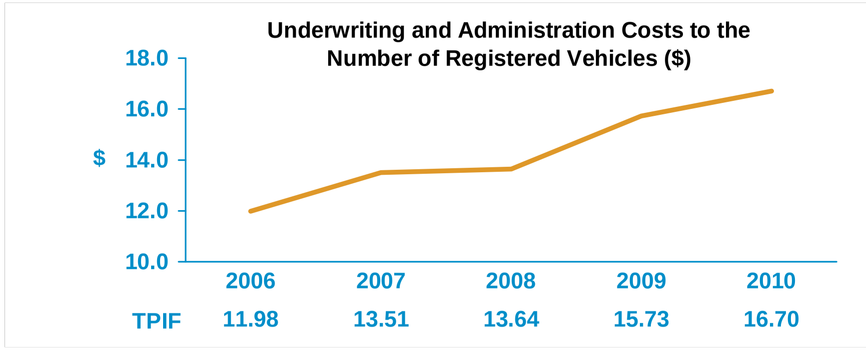


Comments **:** The **Proportion of Third Party Claims Involving Unregistered Motor Vehicles** is unfavourable compared to target. The number of claims involving unregistered motor vehicles in 2010 was 15, compared to the previous year's total of 9, whilst the number of new claims received for this accident year was lower than 2009 (2,683 for 2010 compared to 2,819 in 2009). The net result is an overall deterioration in 2010 compared to the 2009 result of 0.2%.

Efficiency Performance Indicators

Underwriting and Administration Costs to the Number of Registered Vehicles measures the cost of administering the TPIF per registered vehicle in Western Australia. Accident prevention and debt recovery costs are excluded from this calculation.

	2010 Target	2010 Actual
Third Party Insurance Fund	**$16.75**	**$16.70** ↑



Comments: **Underwriting and Administration Costs to the Number of Registered Vehicles** is favourable compared to target due to underwriting and administration costs being approximately in line with targeted estimates whilst vehicle growth for the year was marginally higher than projected (2.9% actual compared to a target of 2.3%).

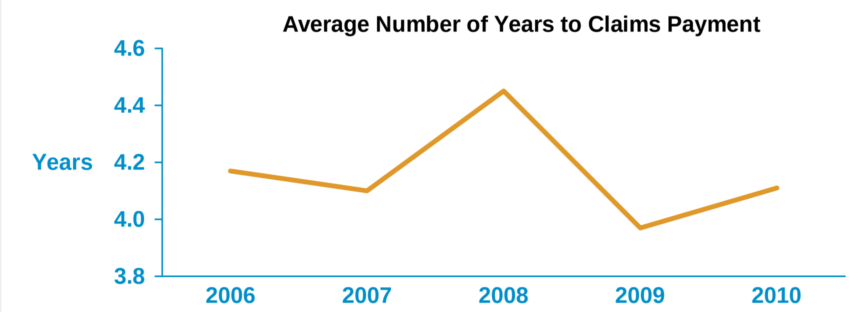
THIRD PARTY INSURANCE FUND

(c) Minimise the financial hardship of Motor Vehicle Personal Injury Claimants

Effectiveness Performance Indicators

The **Average Number of Years to Claims Payment** represents the weighted average number of years between the accident date and the date of claim payments made during this financial year. This Performance Indicator relates to long-tail claims. It is calculated exclusive of payments made during a year in respect of claims incurred during the current accident year.

	2010 Target	2010 Actual
Third Party Insurance Fund	4.1	4.1

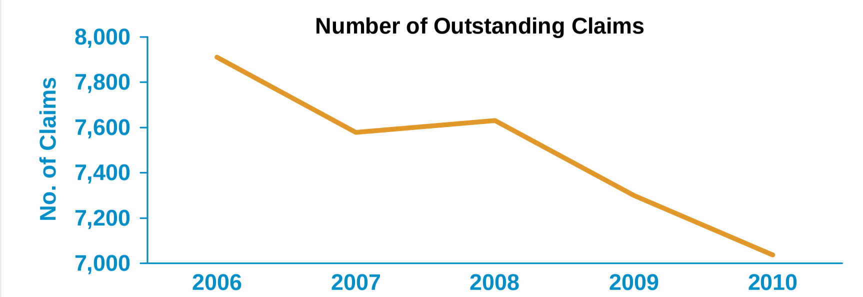


	2006	2007	2008	2009	2010
TPIF	4.2	4.1	4.5	4.0	4.1

Comments: The **Average Number of Years to Claims Payment** is broadly in line with target and reflects the fact that overall, the actual proportion of claims payments for each accident year is comparable to projections, albeit with some minor differences between years.

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

	2010 Target	2010 Actual
Third Party Insurance Fund	7,334	7,037



	2006	2007	2008	2009	2010
TPIF	7,911	7,579	7,631	7,300	7,037

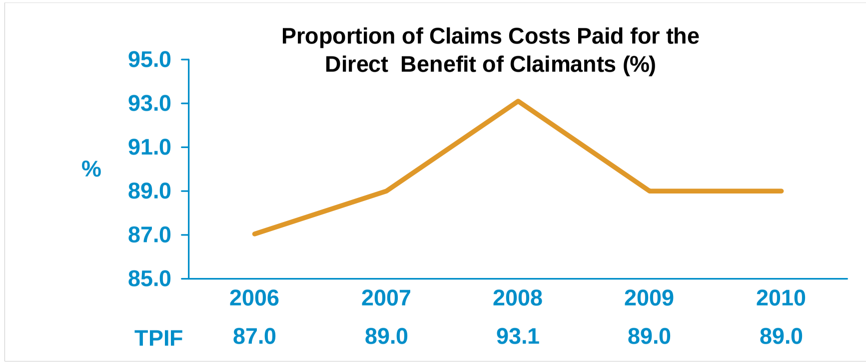
Comments: The **Number of Outstanding Claims** is better than target with 263 fewer claims outstanding at 30 June 2010 than at 30 June 2009. This results from a higher than forecast number of claim closures (4,299 actual compared to a target of 3,998) which more than offsets a marginally higher than forecast number of new claims received during the year (4,036 actual compared to 4,007 projected).

THIRD PARTY INSURANCE FUND

Effectiveness Performance Indicators (continued)

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.

	2010 Target	2010 Actual
Third Party Insurance Fund	**90.0%**	**89.0%**

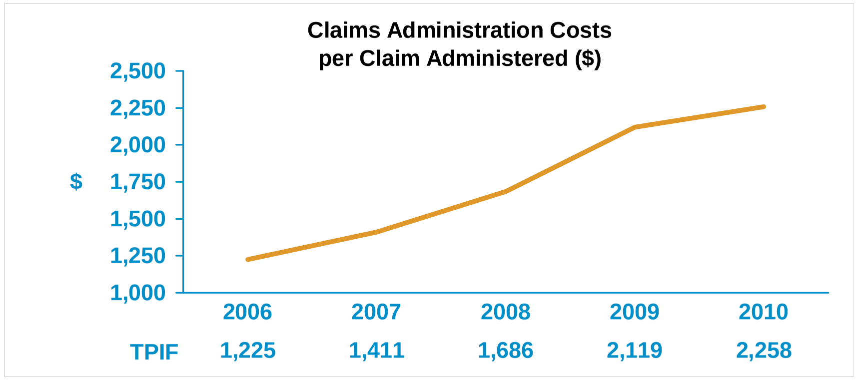


Comments: The **Proportion of Claims Costs Paid for the Direct Benefit of Claimants** is marginally worse than target. Total claims payments for the year were $361.5 million, of which approximately $320.5 million (89%) was paid for the direct benefit of claimants by way of pecuniary and non-pecuniary losses. Of this sum, approximately $279 million (87%) was paid for general damages, past and future economic loss, past and future medical expenses and past and future care and services. The balance comprises sundry expenses including approximately $18.8 million for ambulance and hospital expenses and $20.6 million in claimants' legal costs.

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. Debt recovery costs are also excluded.

	2010 Target	2010 Actual
Third Party Insurance Fund	**$2,269**	**$2,258**



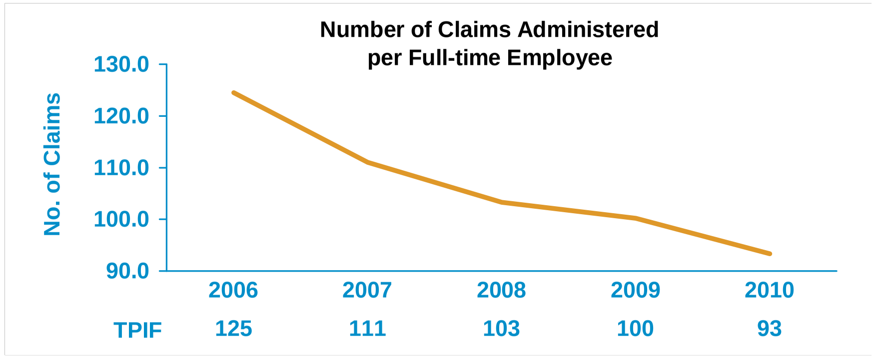
Comments: **Claims Administration Costs per Claim Administered** is marginally better than target. This results from claims administration costs being lower than budget, offset by the number of claims administered (11,336) also being marginally (0.5%) lower than expected.

THIRD PARTY INSURANCE FUND

Efficiency Performance Indicators (continued)

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.

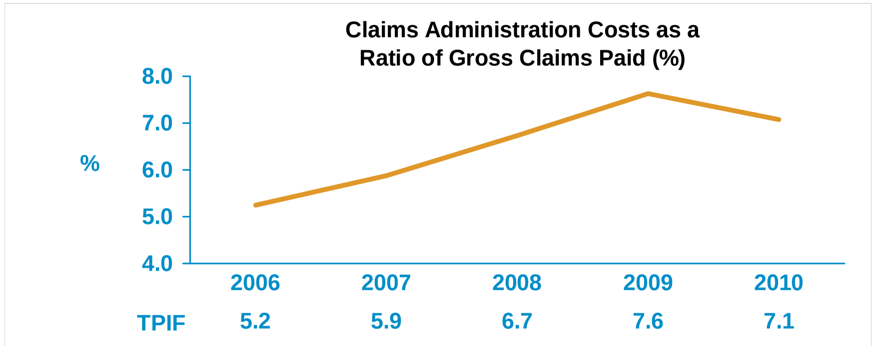
	2010 Target	2010 Actual	
Third Party Insurance Fund	91	93	↑



Comments: **Number of Claims Administered per Full-time Employee** is better than target. Whilst the number of claims administered was only marginally below expected (11,336 actual compared to a target of 11,384), this was offset by a lower number of full-time equivalent employees (FTEs) (121.5 actual compared to 125 forecast). The lower than expected FTE count results from a number of positions which remained unfilled at year-end.

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. Debt recovery costs are also excluded.

	2010 Target	2010 Actual	
Third Party Insurance Fund	7.6%	7.1%	↑



Comments: **Claims Administration Costs as a Ratio of Gross Claims Paid** is better than target. This is due to claims administration costs being marginally below projections (1%) whilst gross claims payments were approximately 7% higher than expected.

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 10 to the Financial Statements). Any accumulated deficit in RiskCover represents a liability of the Government of Western Australia and not of the Insurance Commission.

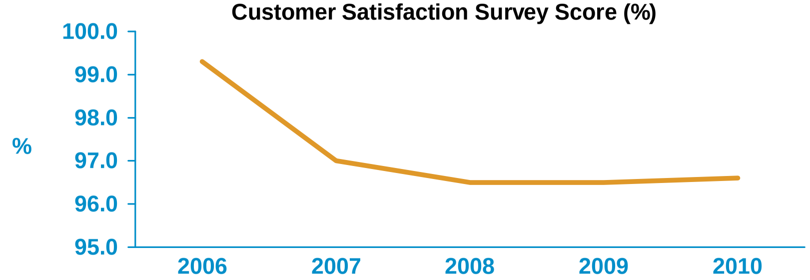
(a) Meet customer risk management and self-insurance needs

Effectiveness Performance Indicator

Each year RiskCover conducts a survey of its Public Authority customer base. The **Customer Satisfaction Survey Score** is the percentage of those respondents to the survey who rated RiskCover's performance as either good, very good or excellent. This indicator provides the average customer satisfaction result from the survey.

	2010	
	Target	Actual
RiskCover	97.5%	96.6%

Customer Satisfaction Survey Score (%)



	2006	2007	2008	2009	2010
RiskCover	99.3	97.0	96.5	96.5	96.6

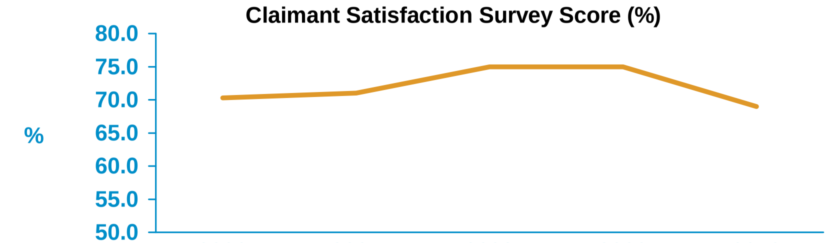
Comments: Whilst marginally worse than target, the RiskCover Division has continued to rate highly in customer satisfaction. Overall 84% of all agencies responded to the Customer Satisfaction Survey. Of the agencies that responded, 96.6% had a 'Good' or better impression of RiskCover.

RISKCOVER

Effectiveness Performance Indicator (continued)

RiskCover conducts a survey of claimants who received services from RiskCover. The **Claimant Satisfaction Survey Score** is the proportion of claimants, who dealt directly with RiskCover, that were satisfied or very satisfied with the level of service provided by RiskCover as per the independent survey conducted.

	2010 Target	2010 Actual	
RiskCover	77.0%	69.0%	↓



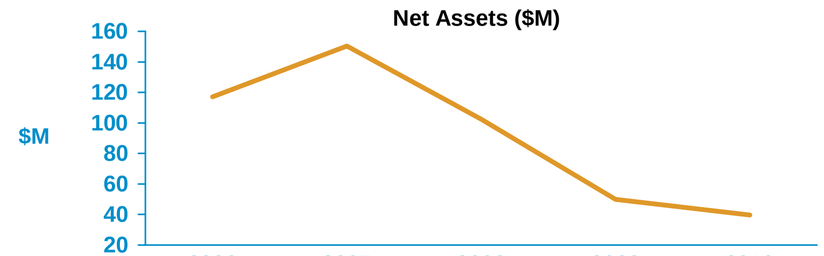
	2006	2007	2008	2009	2010
RiskCover	70.3	71.0	75.0	75.0	69.0

Comments: This year's result in Claimant Satisfaction Survey was a reduction from 2009, with 69% of claimants being satisfied with RiskCover's overall level of service. RiskCover will endeavour to improve on this result by working in partnership with client agencies and using the feedback from the survey, to ensure claimants continue to receive a satisfactory level of service.

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.

	2010 Target	2010 Actual	
RiskCover ($M)	53.3	39.6	↓



	2006	2007	2008	2009	2010
RiskCover	117.1	150.4	102.5	49.9	39.6

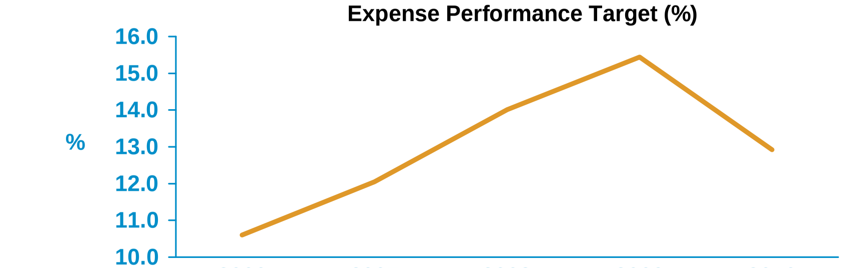
Comments: **Net Assets** are $13.7 million worse than target due to a large negative movement in outstanding claims (predominantly workers' compensation), which has been partially offset by a better than anticipated investment return.

RISKCOVER

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.

	2010	
	Target	Actual
RiskCover	13.1%	12.9% ↑

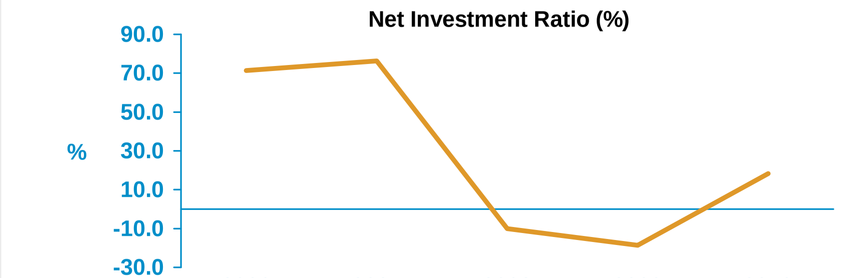


	2006	2007	2008	2009	2010
RiskCover	10.6	12.1	14.0	15.4	12.9

Comments: The **Expense Performance Target** was better than target where agency contributions were close to target and the RiskCover Management Fee is slightly better than target.

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

	2010	
	Target	Actual
RiskCover	4.1%	18.4% ↑



	2006	2007	2008	2009	2010
RiskCover	71.3	76.4	(10.0)	(18.6)	18.4

Comments: The **Net Investment Ratio** is better than target due to a better than expected investment income rate of return of 10.1% (target 1.8%) as financial markets bounced back strongly from the negative returns experienced in the previous year. All asset class returns were better than target (Australian Shares 12.0% versus target 6.0%, Global Shares 21.1% versus target 1.0%, Australian Fixed Interest 10.9% versus target 4.5%, Global Fixed Interest 8.8% versus target 3.0%, Alternative Assets 8.2% versus target 6.0%, Property 4.3% versus target -3.0%, Cash 4.7% versus target 3.0%). Whilst this was a positive outcome, the final result masks the continued volatility in financial markets over the course of 2010.

RISKCOVER

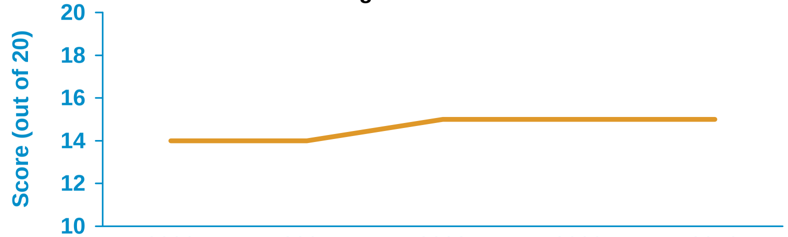
(b) Promote and support the growth of risk management practices to minimise the cost of risk to Government

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.

	2010	
	Target	Actual
RiskCover	**15**	**15**

Risk Management Performance Score



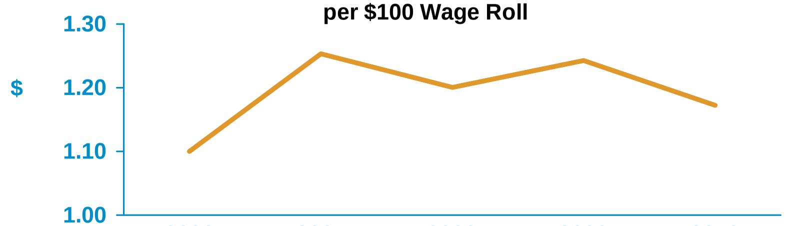
	2006	2007	2008	2009	2010
RiskCover	14	14	15	15	15

Comments: Targeted result of 15 out of 20 was achieved. RiskCover continues to work extensively with agencies to improve their risk management practices.

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 State Government agencies included in the RiskCover Scheme.

	2010	
	Target	Actual
RiskCover	**$1.10**	**$1.17**

Workers' Compensation Claims Incurred per $100 Wage Roll



	2006	2007	2008	2009	2010
RiskCover	1.10	1.25	1.20	1.24	1.17

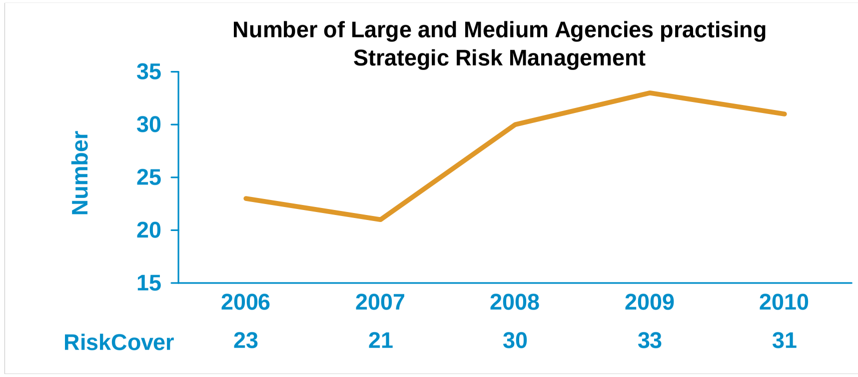
Comments: The 2010 result is worse than target, but is better than the 2009 result. This was mainly due to a large increase in the wage roll, compared with only a comparatively slight increase in claim payments.

RISKCOVER

Effectiveness Performance Indicator (continued)

This indicator demonstrates RiskCover's success rate in introducing and implementing the principles and benefits of Strategic Risk Management practices in the larger WA State Government agencies.

	2010	
	Target	Actual
RiskCover	20	31

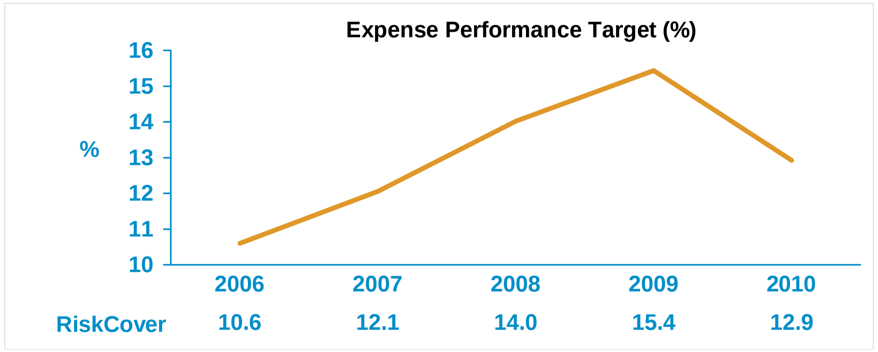


Comments: This is an excellent result for the 2010 financial year, 31 large and medium agencies were practising strategic risk management. Agencies are continuing to integrate risk thinking into their planning processes which will yield future benefits.

Efficiency Performance Indicators

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

	2010	
	Target	Actual
RiskCover	13.1%	12.9%



Comments: The **Expense Performance Target** was better than target where agency contributions were close to target and the RiskCover Management Fee is slightly better than target.

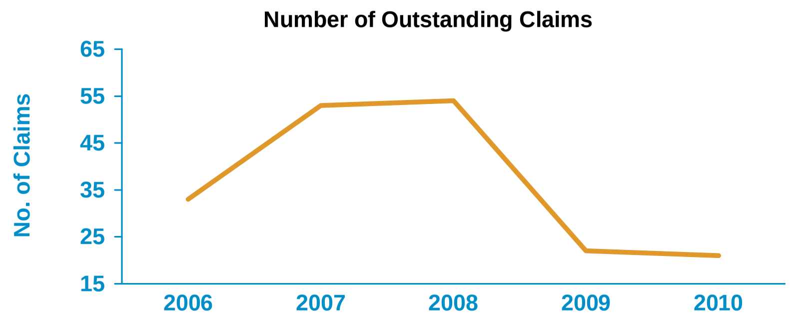
COMPENSATION (INDUSTRIAL DISEASES) FUND

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).

	2010 Target	2010 Actual
C(ID)F	22	21 ↑

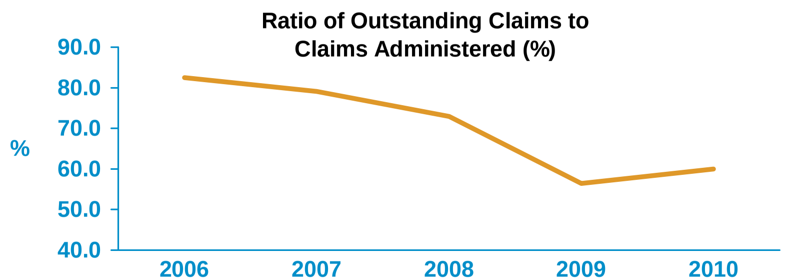


	2006	2007	2008	2009	2010
C(ID)F	33	53	54	22	21

Comments: As the latency of development of Industrial Disease claims is over a number of decades and the number of incidents being relatively small, an accurate prediction of the number of outstanding claims at the end of any one year is problematic. The 2010 result is due to fewer new claims than anticipated being reported during the period.

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

	2010 Target	2010 Actual
C(ID)F	56.4%	60.0% ↓



	2006	2007	2008	2009	2010
C(ID)F	82.5	79.1	73.0	56.4	60.0

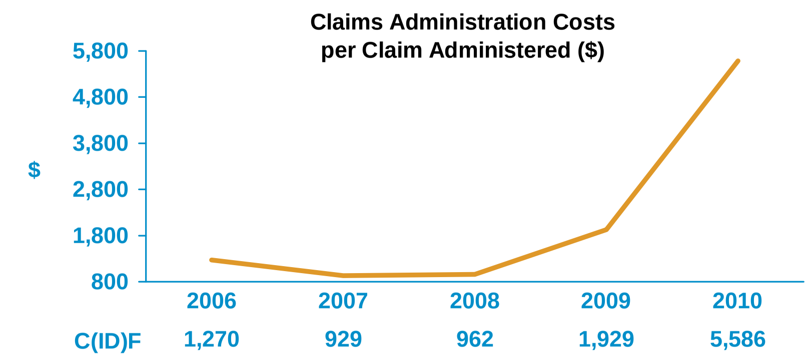
Comments: As the latency of development of Industrial Disease claims is over a number of decades and the number of incidents being relatively small, an accurate prediction of the number of outstanding claims at the end of any one year is problematic. There has been a slight increase in 2010 as a result of fewer than anticipated Industrial Disease claims being closed.

COMPENSATION (INDUSTRIAL DISEASES) FUND

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.

	2010 Target	2010 Actual
C(ID)F	**$2,071**	**$5,586**



Comments: The result for the 2010 financial year is higher than target due to a combination of increases in administration expenses and fewer new claims in the year.

GLOSSARY

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

1. ACQUISITION COSTS
Acquisition costs relate to all costs charged by the Department of Transport for administering the collection of motor vehicle third party insurance premiums.

2. ASSET REVALUATION RESERVE
The asset revaluation reserve represents the surplus in fair value of land and buildings after revaluation.

3. CLAIMS

Average Term to Settlement
The term from notification of claim to its settlement date.

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

Case Estimate Payment Factors
Used in determining the estimate amount of claim payments, may for example include, size of court awards, and changes in claimant attitudes.

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.

Claims Handling/Management Expenses
The costs incurred in relation to the administration and processing of claims.

Discount Rate
The rate used to adjust expected future payments for the time value of money.

EISF Act
Employers Indemnity Supplementation Fund Act (1980)

IBNR and IBNER Claims
Incurred but not reported (IBNR) claims arise from events which have occurred but have not been reported at the end of the reporting period. Incurred but not enough reported (IBNER) claims arise from events which have occurred and been reported as at the end of the reporting period, 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.

Inflation Rates
Expected future payments are inflated to take account of increases in the general economy.

Liability Adequacy Test
An assessment of whether the Unearned Premium Liability (less any deferred acquisition costs) recognised in the Statement of Financial Position is sufficient to meet the estimated present value of future cashflows, plus an additional risk margin, related to future claims, that arise under current general insurance obligations.

If the Unearned Premium Liability is assessed to be insufficient to meet these future claims costs, then a deficiency is recognised in the Statement of Comprehensive Income and an additional liability presented in the Statement of Financial Position as "Unexpired Risk Liability".

Liability for Outstanding Claims
A provision for the future estimated cost of claims outstanding as at the end of the reporting period, 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.

Loss Ratio for Australian Casualty Proportional
Used as a basis for projecting the ultimate incurred cost in relation to the Australian Casualty Proportional portfolio of the Corporation.

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.

Superimposed Inflation Rate
In addition to the general economic inflation rate, an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards.

Third Party Recoveries
May include amounts recovered from other insurers or private parties.

Unexpired Risk Liability
Arises as a result of an assessed deficiency in the "Liability Adequacy Test".

4. **COMPENSATION (INDUSTRIAL DISEASES) FUND RESERVE**
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* 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.

5. **DAIP**
Disability Access and Inclusion Plan.

6. **DEFERRED ACQUISITION COSTS**
Acquisition costs are deferred and recognised as assets when they give rise to revenue that will be recognised in future reporting periods.

7. **ESG**
Environmental, Social and Governance.

8. **FINANCE RECOUP/COSTS**
Finance Recoup / Costs includes interest recoup or paid and movements in discounts on receivables.

9. **INSURANCE COMMISSION'S FUNDS**

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

10. **INVESTMENT EXPENSES**
Investment expenses relates to costs associated with deriving investment income.

11. **INVESTMENT INCOME/LOSS INCLUDING MOVEMENTS IN FAIR VALUE**
Realised and unrealised gains and losses relating to assets classified on the Statement of Financial Position as Financial Assets at Fair Value through Profit or Loss and those associated with the revaluation of investment properties.

12. **MVPI**
Motor Vehicle Personal Injury.

13. **NET MOVEMENT IN UNEXPIRED RISK LIABILITY**
The net movement in Unexpired Risk Liability represents the gross movement less any associated reinsurance or other recoveries.

14. **OCRF**
On-line Crash Reporting Facility.

15. **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 Premium Revenue
Premium revenue plus the outwards reinsurance commission earned less than the outwards reinsurance expense. Net Premium Revenue has previously been referred to as Net Earned Premium.

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 the end of the reporting period.

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 the end of the reporting period.

Unearned Premium
The portion of premium written, which relates to risks for periods of insurance subsequent to the end of the reporting period.

16. 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.

17. 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.

18. RSC
Road Safety Council.

19. SID
Special Investigations Division.

20. OTHER
Run-off
Run-off refers to closed insurance portfolios where the applicable liabilities of claims 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.

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