

Insurance Commission of Western Australia —

Mr R.S. Love, Chair.

Mr B.S. Wyatt, Treasurer.

Mr R. Howe, Acting Chief Executive.

Mr D. de Nooyer, Chief Finance Officer.

Mr K. Blackman, Commission Secretary.

Ms J. O'Neill, Chief Investment Officer.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the Leader of the Opposition.

Dr M.D. NAHAN: I note the dividends and income payment expectation over the forward estimates from the Insurance Commission of WA. Are there any noticeable trends? It looks like it is quite variable. Does that indicate that the profit is variable for the business?

Mr B.S. WYATT: I will ask Mr Howe to make some comments

Mr R. Howe: I will ask Mr de Nooyer to answer.

Mr D. de Nooyer: The profits are quite variable. We are dependent on a number of things, whether that is forecast investment returns or forecast actuarial results. Those forecast actuarial numbers are based on a number of economic factors such as future discount rates and future inflation. Small changes in those can have quite a large impact on our profit and loss. When it comes to the payment of dividends, the member will notice in 2017–18 a forecast of about \$100 million. That includes a special dividend that was agreed and paid for in the 2016–17 financial year on the back of very good investment returns in that year. The dividend payments declined slightly over the forward estimates. Again, that is essentially because, as those forward estimates go out, there is more volatility or more risk for margin of error when it comes to those numbers and a higher-risk margin is applied to those outward years. A higher-risk margin creates slightly lower profits and slightly lower dividends.

Dr M.D. NAHAN: Is the commission planning to sell any more assets?

Mr D. de Nooyer: No, we have sold all our property assets.

Dr M.D. NAHAN: What has that money been reinvested into?

Mr B.S. WYATT: I might pass over to the Chief Investments Officer.

Ms J. O'Neill: That money has been reinvested into some other property investments, both trust investments and some listed property securities.

Dr M.D. NAHAN: In Australia?

Ms J. O'Neill: No. The listed property securities are in a global mandate, so they are global securities, and the trust investment is in Australia.

Dr M.D. NAHAN: How is the no-fault catastrophic injury scheme going?

Mr B.S. WYATT: I will pass again to Mr Howe.

Mr R. Howe: The new catastrophic injury scheme, effective from 1 July 2016, is approaching its second anniversary. The scheme is running well. We are very happy with the performance from a financial perspective. We have had different outcomes to some degree from those that were predicted, in that the volume or the frequency of the occurrences putting people into that scheme is a little lower than we expected, but at the same time, the severity of the people injured to date has been a little higher than we expected. Overall, that means financially we are sitting roughly where we expected to be. We are pleased with the performance of the care that we have

organised, which was a new capability put into the Insurance Commission. The feedback from the participants in the scheme who have benefited from that is that they have appreciated its outcomes. We are happy overall that the thought that went into planning the scheme has been effective. We have been able to get through almost the first two years reasonably effectively.

Dr M.D. NAHAN: The plan was to use the first few years to accumulate a stock of capital to fund the variations in the demand over time. Have the accumulations been on forecast?

Mr R. Howe: The solvency of the fund is expected to grow over time. At this point, the volatility in the early years, particularly with the projections that come from actuaries on the future value of the claims that we have, is subject to substantial variation, and we have seen substantial variation month by month up until now. The current position of the fund is that it is marginally ahead of the original solvency position anticipated, but it is in a place that we are comfortable with. We expect over time that we will grow to have a reliable and hopefully very solvent fund to meet all the liabilities that go with that.

Dr M.D. NAHAN: Is the commission paying a dividend on those?

Mr B.S. WYATT: No.

The CHAIR: That completes the examination of the Insurance Commission of WA. Thank you very much.

[7.10 pm]