

Scheme Actuarial Valuation as at 31 December 2025

ReturnToWorkSA



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While due care has been taken in preparation of the report Finity accepts no responsibility for any action which may be taken based on its contents.

10 March 2026

Mr Greg McCarthy
Chair
ReturnToWorkSA
400 King William Street
ADELAIDE SA 5000

Dear Mr McCarthy

Scheme Actuarial Valuation as at 31 December 2025

Enclosed is our report on the 31 December 2025 scheme actuarial valuation.

We would like to acknowledge the contribution of members of ReturnToWorkSA's management and staff to our valuation work.

We would be pleased to discuss our review and findings with your executives and Board as required.

Yours sincerely

Andrew McInerney - FIAA

Tim Jeffrey - FIAA

Claire White - FIAA

Scheme Actuarial Valuation as at December 2025

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Glossary

Active Claim	A claim is regarded as 'active' in the valuation models if it had a payment in the relevant period.
Actuarial Release	A 'like with like' measure of how claims management activity has impacted on scheme financial performance since the previous valuation. See Section 10.3 for additional information.
APR	Average Premium Rate – the premium charged by ReturnToWorkSA to registered employers, on average, as a percentage of leviable wages.
AWE	Average weekly earnings
BEP	Break Even Premium – the estimated cost of running the scheme for a year, including all future payments for claims incurred in the year after allowing for investment earnings, expressed as a percentage of leviable wages.
CHE	Claims handling expense
Development Quarter or DQ	The number of quarters between the injury date of a claim and the relevant activity (whether a claim report or claim payment).
EnABLE	The internal claims management team at ReturnToWorkSA that manage Severe Traumatic Injury claims.
General Claims	Claims lodged for all injuries other than Hearing Loss claims.
Hearing Loss claims	Claims lodged for noise induced hearing loss that has arisen from 'noisy work'.
IAG	Impairment Assessment Guidelines, these are the Regulated 'rules' that describe how WPI assessments should be undertaken.
IBNER	Incurred But Not Enough Reported – an allowance for cost growth on known claims in addition to the reported cost.
IBNR	Incurred But Not Reported – claims where the accident has occurred, but ReturnToWorkSA is yet to be notified.
IS	Income Support (also known as weekly benefits) payments.
LOEC	Loss of Earning Capacity, claim type (WCRA legislative provisions)
NWE	Notional Weekly Earnings.
OSC	Outstanding claims liability.
PPAC	Payments per active claim.
PPCI	Payments per claim incurred.
RTW	Return to work.
RTW Act	The Return to Work Act 2014, which governs the scheme.
Serious Injury or Serious Injury claim	A claim that meets the definition of a "Serious Injury" under the RTW Act.
Short Term claim	A claim that does not meet the Serious Injury threshold.
Super imposed inflation	An increase in costs above underlying inflation
WCRA ('old Act')	Workers Rehabilitation and Compensation Act 1986, the previous Act which governed the scheme.
WCI	Wage Cost (Price) Index – changes in the price of labour, unaffected by compositional shifts in the labour force, hours worked or employee characteristics
WPI	Whole Person Impairment.

1 Executive summary

1.1 Introduction

Finity Consulting Pty Limited (“Finity”) has been engaged by ReturnToWorkSA to undertake an actuarial review of the Return to Work Scheme (“the scheme”) as at 31 December 2025.

Our previous actuarial review was as at 30 June 2025, and was documented in a report dated 27 August 2025.

1.2 Scope of the review

The scope of the review is specified in our contract with ReturnToWorkSA.

The primary purpose of the mid-year review is to provide ReturnToWorkSA with an independent estimate of the liability for outstanding claims and projected claim costs for registered (non-self-insured) employers. ReturnToWorkSA uses this estimate to update its financial position and as input in determining the average premium rate for the coming year.

The actuarial review also aims to provide analysis of the major features of the recent scheme claims experience, and a projection baseline against which ReturnToWorkSA can manage outcomes and monitor emerging experience in the coming year.

1.3 Valuation approach

Our estimate of the outstanding claims liability is a central estimate of the liabilities. This means that the valuation assumptions have been selected such that our estimates contain no deliberate bias towards either overstatement or understatement.

Our estimates of the outstanding claims liabilities project future benefits separately for Serious Injury claims, Hearing Loss claims and General Short Term claims, reflecting the different benefits available to each group under the RTW Act.

We have also provided a recommended provision for outstanding claims which increases the central estimate to a level intended to achieve 75% probability of sufficiency.

1.3.1 Changes to Scheme ‘rules’

We are not aware of any changes to the RTW Act since our previous review. A new Regulation related to the costs of permanent impairment assessments commenced in December 2025, though this has no impact on our projections given ReturnToWorkSA was already operating this way.

The Third Edition of the Impairment Assessment Guidelines (IAGs) commenced on 1 October 2025, and given the IAGs prescribe how WPI assessments are to be undertaken they are fundamental to the future costs of running the scheme. These IAGs were drafted under the Minister’s directive that any changes be cost neutral in aggregate, and our work makes the following allowances for the new IAGs:

- 1 **No** allowance has been incorporated into the central estimate - this is consistent with the findings from work we undertook to support the Stakeholder Representative Consultation Group who developed the new IAGs, ‘if things go well’.
- 2 A 1% increase to the underlying risk margin was included at the June 2025 valuation and is retained at this review. This was added onto the ‘underlying’ risk margin on account of the increased uncertainty and risk that things ‘don’t go well’. To be clear, this is not a worst case estimate, and so if information emerges that suggests WPI scores are likely to increase as a result of the IAG changes then this will need to be incorporated into future valuation work.

1.4 Scheme environment

Other recent developments which affect the scheme's operating environment and/or the liability estimate include:

- **Growth in insured wages:** the scheme has now had four successive years with higher than normal exposure growth, with insured remuneration increasing by 44% between FY22 and FY25. All else equal, this strong economic growth will result in higher claim lodgements.
- **WPI assessments and scores:** while 'combining injuries' has been operational for a number of years now, it is still 'early days' in the context of the scheme's claim portfolio. The key learnings to date are:
 - > There was a clear stepwise increase in WPI scores once combining injuries became operational; since then, WPI scores had been more or less stable at the new higher level, although in the last six months there has been some further increase in WPI scores.
 - > There continue to be many claimants seeking to add one or more additional injuries to their claim, and this generally occurs well after the original injury when the WPI assessment is commencing. A related feature is that we continue to see many claims seeking assessments many years, decades even, post injury.
 - > More claims than expected are resolving WPI assessment disputes with WPI scores below 35% (i.e. not as a seriously injured worker). The increase in claimants with WPI scores just below the new 35% Serious Injury threshold appears to be having two effects:
 - A reduction in the number of serious injury claims.
 - A higher average WPI score for 'non-seriously injured claims'.
 - > There has been a noticeable reduction in the number of claimants receiving WPI assessments. Our current interpretation is that this appears more likely to be a 'slow down' in when claims undertake their assessment, rather than a reduction in the total number of claims expected to ultimately be assessed. Commencement of the Third Edition IAGs may be contributing to this.

Given the long term nature of the scheme's claims liabilities it is not yet clear whether the most recent trends will be sustained. Commencement of the Third Edition IAGs has the potential to impact the observed trends.

- **Digital Transformation program (DTP):** ReturnToWorkSA continues to progress its digital transformation program that will, over time, lead to substantial changes in the processes and systems used to manage claims. The program is being rolled out over a number of years, with changes to date focused on claim lodgement and eligibility determination.

Changes such as these have the potential to be (very) disruptive to the claims management process, and experience elsewhere has shown that if 'things go wrong' then meaningful cost increases can result. If any disruption to claims management occurs that impacts on claim outcomes/costs then this would be an increase above our projections.

- **Hearing Loss claim numbers and costs:** there has been very rapid growth in the numbers of Hearing Loss claims (NIHL) in recent years as well as changes in how devices are being used, which appears to be the result of targeted provider activity. ReturnToWorkSA has responded with a number of programs of work, focusing on (1) provider compliance for WPI assessments and device funding requests and (2) improving the quality of information available to assess claim eligibility.

1.5 Recent claim experience

The key features of the claims experience in the six months to 31 December 2025 were:

- For claims managed entirely under the RTW Act (excluding NIHL):
 - > New claim numbers were higher than expected, some of which will be explainable by the larger than anticipated insured wages growth. The proportion of claims accessing Income Support is also drifting higher, in part due to changes in the claims mix (such as higher growth from psychological injury claims).
 - > Income Support payments are increasing, due to the multiplying impacts of: increases in the proportion of claims accessing income, claims receiving income payments for longer durations, and above inflationary growth in payment sizes.
 - > Treatment costs are also increasing, with costs growing across a range of service types including occupational rehabilitation, medical services, attendant care, allied health, hospital and travel.
 - > The timing of lump sum assessments is slowing, meaning there are longer timeframes between injury and WPI assessments.
 - > The number of new Serious Injury claims reduced materially after the introduction of the *Sustainability Act 2022*, but have increased over the last six months. There is growing evidence that for more recent accident periods where claim numbers are lower, the claims mix is more severe, with higher medical sizes being observed and a lower s56A take-up rate (meaning that a higher proportion of claims are electing to remain on periodic benefits).

Despite the recent favourable claim number experience, new Serious Injury claims also continue to emerge many years post-injury, and in aggregate there is still material uncertainty around the ultimate number of Serious Injury claims given this ongoing tail of activity.
 - > Growing numbers of claims are accessing attendant care and support costs, and for increasing hours of care. This is particularly so for Serious Injury claims.
- Noise Induced Hearing Loss (NIHL) claim lodgements increased again in the last 6 months, after a year when volumes had been lower than recent peaks. After engaging specialist audiology support to improve NIHL WPI assessment compliance, WPI scores have reduced back to more normal levels. Costs related to hearing aid devices and provider services continue to see significant pressure though, with some providers appearing to be replacing devices more frequently than in the past.
- Activity continues for transitional ('Old Act') claims, particularly for late to commence WPI assessments and related activity such as medico-legal assessment and disputes.

Total net claim payments of \$314m were \$2m (1%) lower than projected at the previous valuation, although lump sums (-\$12m), which we believe mostly relates to a slowdown in the timing of payments, explains this difference. The remaining benefits were \$10m (4%) higher than expected.

1.6 Liability valuation results

1.6.1 Summary of results

Our central estimate of the scheme's outstanding claims liability for registered employers as at 31 December 2025 is \$3,952m. This is a discounted (present value) estimate, net of recoveries and including allowance for future expenses. Adding a risk margin of 14.0% (unchanged) to produce a provision with a 75% probability of sufficiency, consistent with ReturnToWorkSA's policy, gives an outstanding claims provision of \$4,505m, as shown in Table 1.1. The provision includes an allowance for future claims handling expenses equivalent to 11.1% of gross claim costs (up from 10.6%).

Table 1.1 – Recommended balance sheet provision

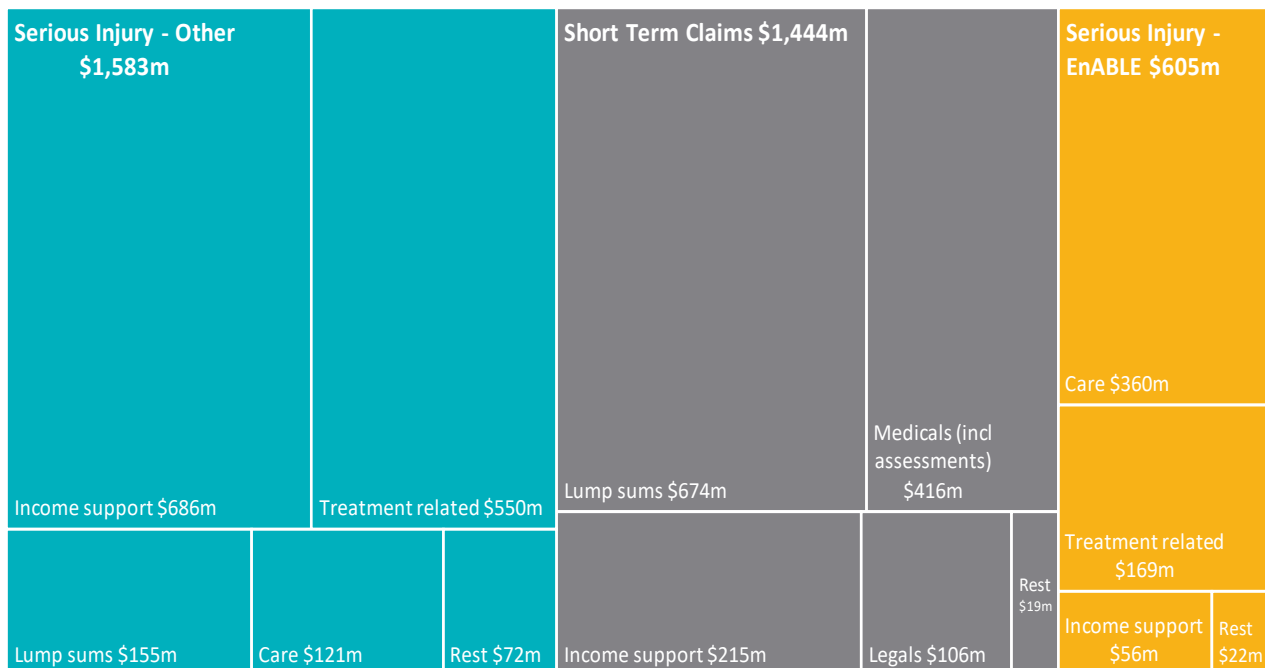
	Central Estimate	Risk Margin	Recommended Provision
	\$m	\$m	\$m
Gross Claims Cost - Serious Injuries	2,187		
Gross Claims Cost - General Short Term Claims	1,159		
Gross Claims Cost - Hearing Loss Claims	286		
Claims Handling Expenses	402		
Gross Outstanding Claims Liability	4,034	565	4,599
Recoveries	-82	-12	-94
Net Outstanding Claims Liability	3,952	553	4,505

As explained in Section 1.3.1 above, the current risk margin includes an additional uncertainty allowance of 1.0% in relation to the recent Impairment Assessment Guidelines changes, and if not for this then the risk margin would have been 13.0% at an underlying level. The risk margin is unchanged from 30 June 2025.

Figure 1.1 shows a breakdown of the gross claims liability, which demonstrates that the majority of the outstanding claims liability relates to Serious Injuries; the Serious Injury liability has been split between Severe Traumatic Injury ('EnABLE') claims (\$605m) and other Serious Injuries (\$1,583m).

When Serious Injury and Lump Sum costs are considered together – comprising 80% of the gross liability – it is easy to see why the sustainability, or not, of WPI assessments is key to determining the long-term financial outcomes for the scheme. Any changes to the Impairment Assessment Guidelines are important in this context.

Figure 1.1 – Gross central estimate (excl. expenses and risk margin) as at 31 December 2025



1.6.2 Movement in liability

Our net central estimate is \$187m lower than projected at the previous valuation. We have broken this change into two components:

- Movement in liability due to claims experience – this covers the components that are due to claim outcomes (such as changes in the number and mix of claims), as well as the impact of revisions to our valuation assumptions.
- Impact of changes in economic assumptions – the component which is mandated by accounting standards and therefore outside ReturnToWorkSA’s control.

This split also allows calculation of the actuarial release, where we add the difference between actual and expected payments to the movement in the liability due to claims experience, to give a measure of the profit impact of claims performance relative to the previous valuation; see Table 1.2.

Table 1.2 – December 2025 central estimate and determination of actuarial release/(strengthening)

	Central Estimate		
	Liability Estimate ¹	AvE payments in 6 mths to Dec-25	Actuarial Release/(Strengthening) ²
	\$m	\$m	\$m
Liability at Jun-25 Valuation	4,000		
Projected Liability at Dec-25 (from Jun-25 valuation)	4,139		
Claims Movement - General Short Term Claims	32	4	-36
Claims Movement - Hearing Loss Claims	4	-2	-3
Claims Movement - Serious Injury	-22	-4	26
Impact of Change in economic assumptions	-202		
Recommended Liability at Dec-25	3,952		
Total Actuarial Release/(Strengthening)			(12)

¹ Net central estimate of outstanding claims liability, including CHE

² Includes change in OSC and Act vs Exp payments.

There is an actuarial strengthening (cost increase) of \$12m for the period. Changes to the economic assumptions decreased the central estimate by \$202m. The components of the actuarial release are discussed briefly below in Section 1.6.3 and the economic changes in Section 1.6.4.

1.6.3 Components of the actuarial release/(strengthening)

Table 1.3 shows the \$12m actuarial strengthening by entitlement group, split between General Short Term Claims, Hearing Loss Claims, and Serious Injuries.

Table 1.3 – Actuarial release/(strengthening) by entitlement group

Entitlement Group	General Short Term Claims ³	Hearing Loss Claims ³	Serious Injury Claims ³	Total Actuarial Release ³	Release (Strengthening) as %
	\$m	\$m	\$m	\$m	
Income & Related	-16	-0	24	8	1%
Lump Sums	6	6	13	25	3%
Legals	4	-1	5	9	6%
Treatment Related ¹	-28	-7	-4	-39	-2%
Rehabilitation	-4	-0	2	-3	-9%
Other Costs ²	0	0	-0	0	2%
Recoveries	7	-	-4	3	4%
Total Claim Costs	-30	-2	35	3	0%
Expenses	-5	-1	-9	-15	-4%
Net Central Estimate	-36	-3	26	-12	-0%

¹ Medical, hospital, physical therapy, travel, other

² Investigation, common law, commutation, LOEC

³ Includes change in OSC and Act vs Exp payments.

The major movements at the current valuation are:

- For **General Short Term Claims** there is an actuarial strengthening (cost increase) of \$36m, due to:
 - > An aggregate \$32m strengthening for Treatment related and Rehabilitation costs, driven by higher volumes of claims, higher utilisation of services and longer durations of services; this is compounding the impact of above inflationary increases to fee schedules in recent years. Costs are growing across most service types, including: occupational rehabilitation, medical services, attendant care, allied health, hospital and travel.
 - > \$16m strengthening for Income Support and related costs. This reflects a higher number and proportion of claims receiving Income Support benefits, a lengthening time on benefits, and higher than expected average payment sizes.
 - > \$6m release for Lump Sum costs, primarily reflecting a further slowdown in the expected time to settlement (which results in higher discounting), which is partially offset by higher recent settlement sizes. The lower than expected payments in the last six months is largely being interpreted as a timing difference (i.e. slowdown) and so is mostly held back in the liability.
 - > \$4m release in legal costs, reflecting the continued better performance of dispute volumes and resolution timeframes after recent operational focus by ReturnToWorkSA.
 - > \$7m release from Recoveries, primarily reflecting an assumption that the higher gross costs will eventually flow through into higher recoveries (implying a stable recovery rate).
 - > \$5m strengthening in the claims handling expense allowance, reflecting the higher gross costs; the claims handling expense rate for Short Term Claims is unchanged at 16.5%.
- For **Hearing Loss Claims** there is an actuarial strengthening of \$3m which is due to two offsetting features: (1) lower lump sum payments, with WPI scores returning back to more normal levels, offset by (2) an increase in device and related servicing costs to further reflect current scheme experience.
- For **Serious Injury claims** there was an overall actuarial release of \$26m due to (note: numbers below do not match to the table, as impacts are combined across multiple benefits where relevant):
 - > A \$60m net reduction as a result of claim number changes, to reflect that more claims are finalising with WPI scores in the 30-34% range (and thus being below the Serious Injury threshold) rather than at 35%+ and becoming a Serious Injury claim.
 - > A \$24m increase related to revised mortality assumptions for Severe Traumatic Injury claims. This change reflects the key findings from a recent mortality study that covered 9 lifetime care schemes across Australia and New Zealand. Overall, the life expectancy for claims with high care needs was increased (compared to previous loadings), with a decrease in life expectancy for claims with lower care needs. This is an externally driven 'one off' change reflecting new information that was not previously available in Australia. Because this change is applied in a claimant specific way, it flows straight through to assumed higher future Care costs on those with the most severe injuries, adding \$46m to the Care liability.
 - > A \$5m increase due to other changes. This is made up of a \$13m increase for Other Serious Injury claims, predominantly due to an increase in assumed future Care average sizes, partially offset by lower costs on existing Severe Traumatic Injury claims reflecting updated information provided by ReturnToWorkSA's EnABLE team.
 - > A \$9m increase in the claims handling expense allowance, after the claims handling expense rate for Serious Injury Claims was increased to 7.5% (from 7.0%) to reflect the

current management approach that increasingly prioritises economic and social participation.

Other changes had more minor impacts on the scheme liability.

1.6.4 Impacts of economic assumption changes

Changes to inflation and discount rate assumptions decrease the net central estimate by \$202m.

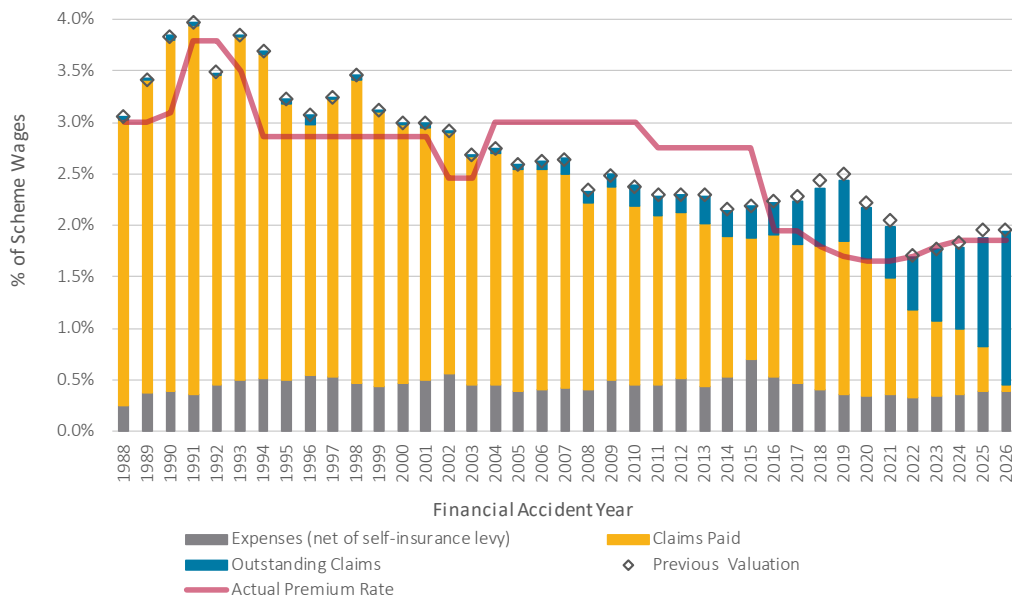
Compared to what was adopted at the June 2025 valuation, the current economic assumptions imply higher discount rates across all future years to 2056, which when combined with only very minor changes in future inflation assumptions produce larger gaps between inflation and discounting. Very long term assumptions have not been changed.

1.7 Historical scheme costs

We have estimated the ‘historical premium rate’, or the Break Even Premium rate (BEP), for each past accident year; this is the amount that would have been sufficient to fully cover claim costs, expenses and recoveries, assuming the scheme achieved risk free investment returns each year and that the current actuarial valuation is an accurate forecast of future payments. The BEP is calculated by dividing the total projected costs for the accident year (discounted to the start of that year at risk free rates) by the total scheme leviable remuneration in that year. We present the costs on this basis*, using risk free discount rates, so that a like with like comparison can be made over the history of the scheme, allowing current scheme performance to be assessed in a long term context.

Figure 1.2 shows the estimated BEP for each year, including a comparison with the estimates at our previous valuation and the scheme’s actual average premium rate charged.

Figure 1.2 – Break Even Premium rate* and actual premium rate charged



* The Break Even Premium Rate in this Figure is calculated using the risk free rate, so that a like with like comparison can be made over the history of the scheme. For clarity, this is not the same as the scheme’s pricing basis, as the scheme targets a higher than risk free rate of return when premiums are set.

The main points to note are:

- The introduction of the RTW Act reduced the BEP for accident years between 2008 and 2010 to under 2.5% of wages. For accident years between 2011 and 2015 the costs were progressively lower again, as claims had less opportunity to remain on long term benefits.

- Costs are higher for 2016 to 2019, due to the introduction of the Economic Loss Lump Sum as part of the 2015 reforms. The 2018 and 2019 years continue to develop as high cost years, due to a combination of poor early RTW outcomes, higher levels of Lump Sums, and higher than normal Serious Injury costs.
- The BEP estimates for 2020 and 2021 are lower than 2019, due to improved RTW rates and fewer projected Lump Sums and Serious Injury claims.
- A further reduction is projected for 2022 and 2023 claims, where further RTW improvements were achieved – the BEP rates for these two years also benefit from the higher than usual growth in exposure, as this was not immediately matched by growth in claim numbers or costs.
- 2024, 2025 and 2026 are emerging at a higher cost than 2022 and 2023, following increases in the number of reported claims. Our interpretation is that the high growth in exposure in 2022 and 2023 eventually (i.e. with a lag of 1-2 years) led to higher volumes of claims as the claim frequency ‘normalised’ to the current scheme size. The 2025 and 2026 years have also seen cost growth as a result of lengthening claim durations and higher utilisation of a range of treatment services, and the 2025 year is also impacted by a higher expense rate than for recent years.
- BEP costs for 2022 to 2025 are reduced at this review, primarily reflecting the higher discount rates and lower Serious Injury numbers now anticipated for these years; at an underlying level, Short Term Claims have increasing costs.

We note that these calculations assume past and future investment earnings at the risk-free rate, and adopt the annual cost of expenses in the year. All else being equal, any earnings above the risk-free rate or additional sources of income would act to reduce the required premium rate.

We emphasise that (as seen in the graph) the BEP estimates for recent accident years include a significant outstanding claims estimate and are therefore likely to change as experience emerges.

1.8 Key uncertainties

There is considerable uncertainty in the projected future claim costs, particularly around how and when claims are determined to be Serious Injuries and the WPI scores used for Lump Sums.

The main areas of uncertainty in our current estimates of the liabilities are:

- **WPI assessments** – under the RTW Act, small changes in the WPI score can equate to many tens of thousands of dollars, and WPI scores also govern access to the significant compensation available under the Serious Injury benefit package. The scheme will face significant financial consequences if this leads to any form of ‘WPI creep’.

‘Combining injuries’ for WPI purposes is still a relatively new feature of the scheme, particularly given the levels of late WPI assessments being seen; as important context to this uncertainty, there are no legislative tools that address the ‘tail risks’ that have emerged from behaviour changes since the RTW Act commenced. Indeed, the inclusion of higher lump sum amounts in conjunction with the ability to combine injuries over time arguably creates an environment which encourages claimants to delay their WPI assessments in pursuit of higher WPI scores.

As explained in Section 4.3, our work makes no allowance for WPI scores to change as a result of the Third Edition Impairment Assessment Guidelines that commenced in October 2025; if any changes to WPI scores result from this change they will need to be factored into future valuation work.

- **Behavioural risk** – related to the above, the ultimate outcomes that emerge directly depend on how claimants and their advisors seek to achieve higher WPI scores than in the past, now that the ability to combine injuries is a codified feature of the scheme.

- **Legal precedent risk** – risks here relate to the possibility of decisions which are unfavourable to the scheme or the culture and behaviour of its participants. Anecdotally, this seems to happen more frequently and/or with more financial significance in South Australia than elsewhere.
- **Legal provider behaviour** – after ReturnToWorkSA implemented its dispute resolution strategy we are seeing faster resolution, lower costs and lower new dispute lodgement volumes. These are positive features that, if maintained, could lead to consequential improvements in other areas. On the flip side, if these changes cannot be maintained then cost increases would likely result.
- **Serious Injury claim costs** –
 - > Despite recent favourable claim number experience, new Serious Injury claims also continue to emerge many years post-injury, and in aggregate there is still material uncertainty around the ultimate number of Serious Injury claims given this ongoing tail of activity.
 - > These claimants are entitled to benefits for life, and the risks for this group relate to factors that are common across most claims, meaning deviations from our assumptions could therefore compound across multiple years. There are key uncertainties in relation to each of ultimate numbers of claims, life expectancy and long term cost escalation.
- **Care cost growth** – Serious injury claims have seen increasing attendant care costs in recent years, which now appears to be leading to cost growth in other areas of ‘domestic help’. Any material increases to care that are retained for life have the potential to create significant liability strengthening. The nature of attendant care and related services mean that changes to an individual’s support plan are not quick or straightforward to reduce, and so these are important areas to monitor for cost growth risk.

Compounding this risk is that more Short Term Claims are also accessing ‘care and support’ services. These factors compound the risk of higher fee rates from the NDIS over time.

- **Hearing Loss claim numbers** – there has been unprecedented growth in Hearing Loss claim numbers in the last few years, which has led to strong cost growth. If this volume growth continues then further cost increases will eventuate.
- **Hearing aid device and related costs** – there is significant uncertainty about the number of hearing aids that claimants will require over their lifetime – currently, devices appear to be being updated more quickly and in between device replacement there are increasing levels of other costs (such as ‘battery replacements’ and ‘device adjustments’). The projections are not fully aligned to this as being a permanent feature, and so it is likely that further cost increases will eventuate if this becomes the new normal.
- **Economic environment and inflation risk** – there is considerable uncertainty in financial markets and inflation risks also remain; if changes occur the scheme’s liabilities would be impacted.
- **Digital Transformation Program** - ReturnToWorkSA has commenced a program to upgrade its technology systems including the claims lodgement portal used by employers and workers, the claims management technology used by ReturnToWorkSA’s claims agents and the technology stack that supports operational activities. The digital transformation program is in its (relative) infancy and is expected to be rolled out over the next 5+ years. Changes such as these have the potential to be (very) disruptive to the claims management process, and experience in other jurisdictions has shown that if ‘things go wrong’ then meaningful cost increases can result. If any disruption to claims management occurs that impacts on claim outcomes/costs then this would be an increase above our projections.

As context to our remarks above, it is important to remember that on current claim patterns it looks like taking around 10 years until most (but not all) Serious Injury claims are determined. As a result, in

assessing the potential uncertainties that impact on current liability assessments, it is necessary to consider not just current behaviours but also what is likely to occur over (say) the next decade.

Despite the fact that the RTW Act commenced in 2015 there are still key areas of its provisions that are being tested in the courts, and hence there is uncertainty as to their ‘real world’ boundaries. The current valuation basis reflects our best estimate of how this experience will eventuate. Over time, our basis will further reflect the actual experience as it develops, and it is possible that the experience will differ materially from our current expectations.

Figure 1.3 – Comparison of reserving risk margin to key risks and uncertainties

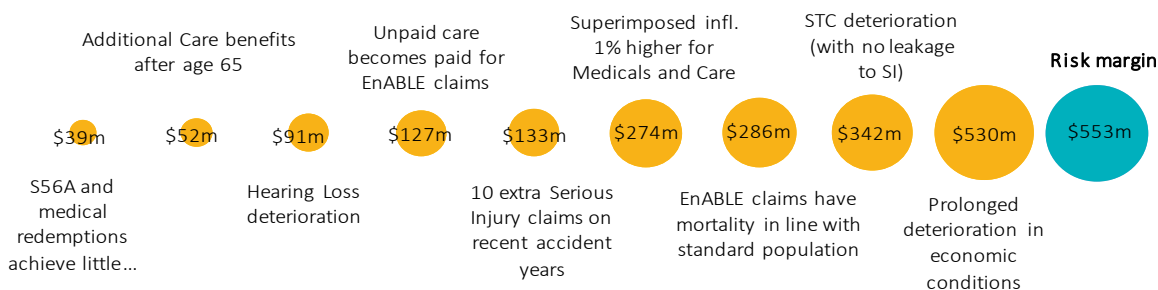


Figure 1.3 indicates that there are a range of plausible scenarios that could see the liability move by several hundreds of millions of dollars. While the most significant scenarios relate to long term economic conditions (which will continue to be the case now for the Fund, given its very long mean term of liabilities), most of the other key scenarios relate to Serious Injury claim numbers and/or costs and Lump Sums.

We observe that while most of the larger risks would emerge over the long term, a significant increase in the liability reserves could occur more quickly. In particular, any change that led to more claims meeting the criteria for Serious Injury benefits would have immediate consequences for the liability, as was demonstrated by the *Summerfield* case.

1.9 Reliances and limitations

Our results and advice are subject to a number of important limitations, reliances and assumptions. This executive summary must be read in conjunction with the full report and with reference to the reliances and limitations set out in Section 12 thereof.

This report has been prepared for the sole use of ReturnToWorkSA’s board and management for the purpose stated in Section 1. At ReturnToWorkSA’s request, we consent to the release of our report to the public, subject to the reliances and limitations noted in the report.

Third parties, whether authorised or not to receive this report, should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Finity to the third party.

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This report, including all appendices, should be considered as a whole. Finity staff are available to answer any queries, and the reader should seek that advice before drawing conclusions on any issue in doubt.

2 Introduction and scope

2.1 Introduction

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2.2 Scope of the review

The scope of the review is specified in our contract with ReturnToWorkSA.

The primary purpose of the mid-year review is to provide ReturnToWorkSA with an independent estimate of the liability for outstanding claims and projected claim costs for registered (non-self-insured) employers. ReturnToWorkSA uses this estimate to update its financial position and as input in determining the average premium rate for the coming year.

The actuarial review also aims to provide analysis of the major features of the recent scheme claims experience, and a projection baseline against which ReturnToWorkSA can manage outcomes and monitor emerging experience in the coming year.

2.3 Compliance with standards

Professional Standard 302 issued by the Institute of Actuaries of Australia sets out the expectations of actuaries preparing estimates of the liability for outstanding claims of statutory authorities involved in general insurance activities. Our valuation, and this valuation report, have been prepared in accordance with PS 302’s requirements (refer to Appendix L).

Australian Accounting Standard 1023 (AASB 1023) is adopted by ReturnToWorkSA in preparing its financial statements, and we have prepared our estimate of the outstanding claims to be consistent with our understanding of AASB 1023’s requirements.

A new insurance accounting standard, AASB 17, will apply to public sector entities such as ReturnToWorkSA for the 2026/27 financial period at which time we will prepare our advice and any comparative period to be consistent with its requirements. Until that time AASB 1023 will continue to apply.

2.4 Control processes and review

Our valuation and this report have been subject to Technical and Peer Review as part of Finity’s standard internal control process:

- Technical review focuses on the technical work involved in the project. The technical reviewer reviews the data, models, calculations and results, and also reviews our written advice from a technical perspective.
- Peer review is the professional review of a piece of work. The peer reviewer reviews the approach, assumptions and judgements, results and advice.

2.5 Structure of this Report

- Section 3 Describes the approach we have taken to the valuation, and provides a brief overview of the information provided to us.
- Section 4 Summarises the current operational landscape impacting on the scheme.
- Section 5 Summarises high level recent claims experience and our projection of ultimate claim numbers.
- Sections 6 to 8 Detail our analysis of scheme experience and the valuation assumptions for different segments of the portfolio.
- Section 9 Sets out other valuation assumptions, including the economic assumptions of inflation and discount rates, and the risk margins and claim handling expenses adopted in setting accounting provisions.
- Section 10 Shows detailed tabulations of the outstanding claims valuation results.
- Section 11 Provides sensitivity analysis of the valuation to key assumptions and highlights some of the key uncertainties in our projections.
- Section 12 Sets out important reliances and limitations.
- Section 13 Summarises the key events and changes in the South Australian scheme over time.

The appendices include detailed specifications of the valuation models and results.

Figures in the tables in this report have been rounded. There may be instances where the rounded information does not calculate directly to the total shown.

In this report, we use the current titles “ReturnToWorkSA” and “RTW scheme” to include the previous authority (WorkCoverSA) and scheme (WorkCover scheme), where relevant.

3 Approach and information used

3.1 Approach

Under the Return to Work Act 2014 (“RTW Act”), Serious Injury claims have very different entitlements from other claims and as such we have modelled these claims separately. The remaining claims are described as ‘Short Term claims’ and are modelled in two segments: ‘General Claims’ and ‘Hearing Loss claims’.

Serious Injury Claims are valued using an individual claim-based approach by payment type for Severe Traumatic Injuries, while Other Serious Injury claims and Short Term Claims are valued using aggregate methods, by payment type.

Table 3.1 summarises where the entitlement and claim cohorts are documented in this report. Additional technical detail is provided in the appendices.

Table 3.1 – Report Structure by Claim Cohort

	General Short Term Claims	Hearing Loss Short Term Claims	Serious Injury Claims	Other Assumptions	Overall Results
Valuation Basis and Results	Section 6	Section 7	Section 8	Section 9	Section 10
Economic Impacts	Section 9 (basis) and Section 10 (results)				

There have been no changes to the RTW Act since our previous review.

3.1.1 Basis of the valuation

Our estimate of outstanding claims is a central estimate of the liabilities.

This means that the valuation assumptions have been selected such that our estimates contain no deliberate bias towards either overstatement or understatement. The estimates are shown discounted to allow for the time value of money using a risk-free discount rate, consistent with accounting standards. In a technical sense, the central estimate is ‘intended to be an unbiased estimate of the mean (statistical expectation) of the outstanding claims liability’, having considered the relevant experience of the entity and any special features in the claims experience.

We have also provided a recommended provision for outstanding claims which increases the central estimate to a level intended to achieve 75% probability of sufficiency. Given the information on combining injuries is still relatively immature, along with the additional uncertainty introduced by the recent introduction of the Third Edition of the IAGs, the risk margin remains higher than normal for a scheme of this size.

We observe that despite a number of apparently ‘key legal cases’ resolving over recent years, provisions of the RTW Act have continued to be challenged over time, in particular in relation to the operation of WPI assessments. The introduction of further reforms in 2022, and the potential for these to interact with the Third Edition of the IAGs is likely to see this continue.

3.2 Information

3.2.1 Standard data extracts

Claims data was provided in the form of a transaction file with complete scheme history to 31 December 2025. We have not independently verified or audited the data, but we have reviewed it for general reasonableness and consistency, including reconciliations to the previous actuarial review information

and to information from ReturnToWorkSA’s financial statements. The claims data appears to be of high quality and contains extensive detail.

As for previous valuations, our experience analysis excludes all claims related to employers who have become self-insurers (including claims before they became self-insured).

Appendix B shows summaries of the claims data, including data reconciliations.

3.2.2 Qualitative and additional information

In addition to the standard data extracts, we obtained additional information from ReturnToWorkSA and its claims agents EML and Gallagher Bassett. This included briefing sessions in December 2025 and operational information that was provided separately.

The additional information is outlined in Appendix B.

3.2.3 Data definition changes

There have been two data related changes that impact on some of the measures used in our work, namely:

- An agent led clean up of recent claims data which had shown an increase in the level of ‘Other’ injuries. This has mainly led to some claims instead being classified as ‘Physical Trauma’ claims, with the result that both groups now look more consistent with historical time series.
- A revision to the algorithm that is used to determine whether a claim has reached the threshold of 10 days of income support payments which we use to categorise “Income Support claims”. This change was necessary after changes in data capture related to the DTP.

Both changes were made to improve the reliability of our work. Additional explanation can be found in Appendix B.3.

4 Scheme environment

This section summarises changes in the scheme’s legislative and operational landscape which are considered in our valuation.

4.1 Scheme Legislation

We are not aware of any changes to the RTW Act since our previous review. Our previous report described our approach to considering the *Return to Work (Employment and Progressive Injuries) Amendment Act 2024*¹ which passed last year.

4.1.1 New Regulation re permanent impairment costs

The *Return to Work (Permanent Impairment Assessment Costs) Amendment Regulations 2025*, came into effect on 11 December 2025. This relates to the costs of permanent impairment assessments, clarifying that the relevant compensating authority is required to pay for the reasonable costs of diagnostic tests or medical investigations required by the Impairment Assessment Guidelines for the purposes of a permanent impairment assessment, along with any necessary costs reasonably incurred by the worker for required accommodation and travel related to attending those tests or medical investigations. These provisions apply even when the worker’s medical expenses entitlement period has ended.

This has no impact on our projections, given ReturnToWorkSA was already operating this way.

4.2 Legal precedent under the RTW Act

4.2.1 Eligibility boundary

Since the June 2025 valuation, the key legal case *Vercoe*² was resolved.

The decision supported the current approach to implementing the legislation, and given we had not made any adverse cost allowance after the initial SAET decision there is no impact on the valuation result itself at this time, other than to remove one area of uncertainty.

4.2.2 Ongoing legal risk

The RTW Act continues to be tested through the scheme’s dispute resolution processes, and until there is a settled legal basis that clarifies how the scheme’s boundaries should operate in practice there will be uncertainty as to the financial costs which will eventuate under the RTW Act benefit package.

The types of cases that are key to the long-term operation of the Return To Work scheme include:

- The extent to which combining injuries is allowed for in WPI assessments – the *Summerfield* decision described the interpretation as needing to be ‘an evaluative test that is to be applied adopting a common sense approach’, and how these rules should operate in practice is yet to be fully determined.
- Technical details related to WPI assessments, such as how deductions should be made for prior impairments, precise quantification of what constitutes a specific body part (e.g. the spine, a knee joint, etc).
- How and when employment is considered to be the ‘significant cause’ of secondary injuries or injuries away from the workplace.

¹ <https://www.rtwsa.com/about-us/return-to-work-scheme/changes-to-legislation>

² *Lauren Vercoe v Local Government Association Workers Compensation Scheme* [2024] SAET 91

- Legislative or interpretive change that impacts the behaviour or culture within the scheme.

Given the real world operation of the RTW Act boundaries is still evolving, and acknowledging that new areas of challenge will most likely emerge following the commencement of the Third Edition IAGs (see below), it will still be a number of years before there is confidence about how the RTW Act legislative provisions apply in practice.

4.3 Commencement of new Impairment Assessment Guidelines

The Impairment Assessment Guidelines (IAGs) prescribe how WPI assessments are to be undertaken, and therefore are fundamental to assessing future cost of running the scheme.

The Third Edition IAGs commenced 1 October 2025 and will apply to all WPI assessments that commence after this date (i.e. assessments that had already commenced prior to 1 October 2025 will be completed under the previous IAGs). The new IAGs were prepared under the Minister's directive that any changes be 'cost neutral in aggregate'.

Given the importance of the IAGs we expect that new legal challenges will emerge, and so it may take some time before their real-world impact is known.

Our work makes the following allowances for the new IAGs:

- 1 **No** allowance has been incorporated into the central estimate - this is consistent with the findings from work we undertook to support the Stakeholder Representative Consultation Group who developed the new IAGs, 'if things go well'.
- 2 A 1% increase to the underlying risk margin was included at the June 2025 valuation and is retained at this review. This was included to the 'underlying' risk margin on account of the increased uncertainty and risk that things 'don't go well'.

To be clear, this is not a worst case estimate, and so if information emerges that suggests WPI scores are likely to increase as a result of the IAG changes then this will need to be incorporated into future valuation work.

4.4 Other operational and environmental changes

This section describes recent trends in the scheme environment. Section 13 provides an overview of earlier operational and legislative changes which are useful in understanding the scheme's historical experience.

4.4.1 WPI Assessments and scores

Combining injuries has now been operational for three years, meaning a growing group of claims have outcomes from WPI assessments that were conducted wholly under the new combining rules. However, there is still uncertainty about the impacts that will ultimately result from the ability to 'combine injuries' due to a combination of factors:

- Third Edition IAGs only commenced operation in October 2025, and alter some assessment rules
- The unknown extent to which behavioural responses will impact implementation of the 2022 reforms
- The absence of clear guidance on how these rules should operate in practice as 'an evaluative test that is to be applied adopting a common sense approach'³. The cases of *English* and

³ Paraphrased from the Summerfield decision: Return To Work Corporation of South Australia v Summerfield, [2021] SASFC 17

*Williams*⁴, delivered by the Court of Appeal in November 2023, were the most recent to add to the body of knowledge regarding how this should be applied in practice.

Related to the above points, there continue to be a large number of claims – many more claims than in the past – seeking to add ‘additional injuries’; generally speaking these additional injuries come well after the original claim notification, so we continue to view this as a lead indicator of behavioural changes. The increased incentives that result from being able to combine injuries, along with the higher number of additional injuries now being sought, means this is an area that requires ongoing attention.

In the context of the described environment, the key learnings to date are:

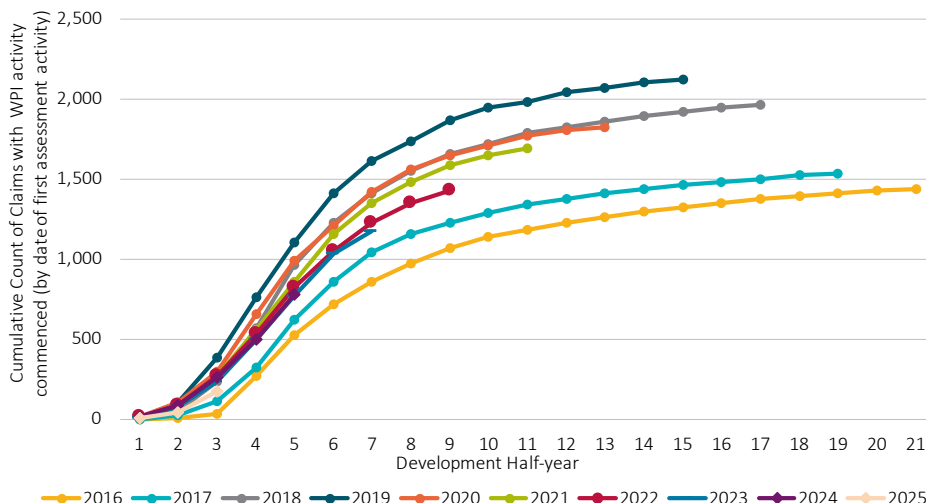
- There was a clear stepwise increase in WPI scores once combining injuries became operational; since then, WPI scores had been more or less stable at this new higher level, although in the last six months there has been some further increase in the WPI scores.
- There continue to be many claimants seeking to add one or more additional injuries to their claim, and this generally occurs well after the original injury and at the same time as the WPI assessment commencing.
- More claims than expected are resolving WPI assessment disputes with WPI scores below 35% (i.e. not as a seriously injured worker). The increase in claimants with WPI scores just below the new 35% Serious Injury threshold appears to be having two effects:
 - > A reduction in the number of serious injury claims.
 - > A higher average WPI score for ‘non-seriously injured claims’.
- There is a noticeable reduction in the number of claimants receiving WPI assessments. Our current interpretation is that this appears more likely to be a ‘slow down’ in when claims undertake their assessment, rather than a reduction in the total number of claims expected to ultimately be assessed. Commencement of the Third Edition IAGs may be contributing to this observed experience.

Given the long term nature of the scheme’s claims liabilities it is not yet clear whether the most recent trends will be sustained.

Figure 4.1 shows the number of claims starting a WPI assessment by injury year. There is a noticeable slow down since the 2020 injury year, with each subsequent year sitting at or below the prior year. Notably, 2025 has begun at a significantly lower level than all years since 2017.

⁴ Return To Work Corporation (SA) v English; Williams v Return To Work Corporation (SA) [2023] SASCA 125

Figure 4.1 – Number of claims starting a WPI assessment for each injury year (excluding Hearing Loss claims)



4.4.2 Late to emerge WPI assessments

We continue to see very late requests for WPI assessment, which is adding costs to the scheme (much of which is costs paid to a range of providers, rather than to claimants). Given there is no legal time limit on when claimants can seek a WPI assessment, we are now interpreting this ‘tail’ of claims commencing their WPI assessment (say more than 10 years after injury) as being an ongoing feature of the scheme.

For these older claims, a lower proportion of assessments lead to a lump sum payment, say 30% at 10 years (which reduces to only around 20% at 20 years, and 10% of assessments at 30 years), with the lump sum size noticeably smaller for these older claims as well.

Late emerging WPI assessments remain a source of risk for the ultimate cost of scheme costs. The current rules, which allow for injuries to be combined over time, arguably create an environment which encourages claimants to delay their WPI assessments in pursuit of higher WPI scores.

4.4.3 Dispute numbers and dispute resolution

After the RTW Act commenced in 2015, there were generally between 150 and 200 new disputes per month, consistent with a ‘normal’ level of disputes in the scheme of around 175 per month or 2,000 per annum; just prior to the 2015 reforms though disputes were running at much higher levels than this at around 350 disputes per month. Dispute volumes then increased from early 2021, with the higher dispute volumes relating primarily to ‘compensability’ and ‘lump sum’ disputes, much of which was linked to the growing volume of claimants seeking to add additional injuries to their claim.

The key features of ReturnToWorkSA’s recent experience are:

- Hearing Loss claim disputes have increased materially in recent years, with the last few years (2021+) being particularly high on the back of very high growth in new claim numbers.
- For non-hearing loss claims: Each of the years 2016 to 2020 has developed to be at a higher level than 2015 at the same development stage. On current trajectories, dispute numbers for these years appear likely to end up closer to the 2014 (pre-reform) level than to 2015.

Importantly, we observe that many disputes occur after claims have ceased Income Support benefits, which typically occurs at around development half-year 5. This supports the observation that significant dispute is related to WPI assessments.

In response to these pressures ReturnToWorkSA has been adapting its dispute resolution approach with the intention of both minimising disputes as well as more quickly resolving disputes where possible. This has led to a significant reduction in the number of open disputes and a reduction in the average cost per finalised dispute in the last few years. If these features can be maintained they have positive implications for:

- Worker Legal payments, which generally reduce with a shorter time to resolution of disputes
- The financial risk from any decisions that would led to higher than current WPI scores
- The Scheme’s frictional costs such as medical reports, which are not costs that go directly to workers.

Given the significant legal involvement in the Scheme (as discussed in Section 4.1), it is not yet clear whether the reduction in open disputes will be sustained in the long-term.

4.4.4 Growth in Hearing Loss claims (and costs)

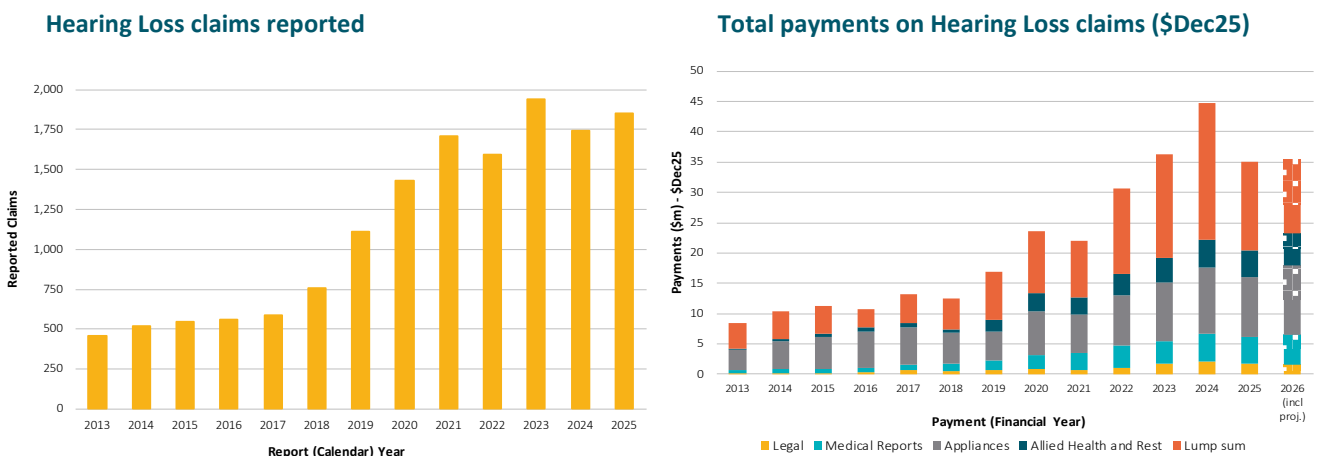
There has been very rapid growth in the numbers of Noise Induced Hearing Loss (NIHL) claims in recent years, which appears to be the result of targeted provider activity. ReturnToWorkSA has responded with a number of programs of work focusing on (1) provider compliance for WPI assessments and device fund requests and (2) improving the quality of information available to assess claim eligibility.

Key experience features to note are:

- Claim lodgements increased again in the last 6 months, after a year when volumes had been lower than recent peaks. We are advised that the quality of claim lodgement information has improved, and consequently the acceptance rate has also increased.
- ReturnToWorkSA have engaged specialist audiology support to improve NIHL WPI assessment compliance, which has also resulted in the average WPI score reducing back to more normal levels.
- Costs related to hearing aid devices and provider services continue to see significant pressure. Some providers appear to be replacing devices more frequently than in the past. This is an area of continued focus for ReturnToWorkSA.

These higher claim volumes have resulted in rapidly growing costs for Hearing Loss claims, as shown in Figure 4.3.

Figure 4.2 – Hearing Loss new claim volumes and total costs



Given the replacement of hearing aids will occur over many decades, the utilisation of aids by claimants is subject to significant longevity risk and hence uncertainty. Current trends of more frequent device replacement add material risk to the scheme's costs.

ReturnToWorkSA has also been undertaking community consultation to understand worker, provider and other stakeholders' perspectives on how hearing loss claims are being dealt with in the scheme. The results of the consultation are expected in FY26.

The rapid growth in both numbers and costs puts pressure on both the claims liabilities and the BEP, as evidenced by the payment growth. While recent operational activities have reduced some areas of risk, it is still possible that further material cost increases could be required, particularly if provider behaviour is leading to early replacement of devices.

4.4.5 ReturnToWorkSA's digital transformation program (DTP)

ReturnToWorkSA continues to progress its digital transformation program that will, over time, lead to substantial changes in the processes and systems used to manage claims. The program is being rolled out over a number of years, with changes to date focused on claim lodgement and eligibility determination.

Changes such as these have the potential to be (very) disruptive to the claims management process, and experience elsewhere has shown that if 'things go wrong' then meaningful cost increases can result. If any disruption to claims management occurs that impacts on claim outcomes/costs then this would be an increase above our projections.

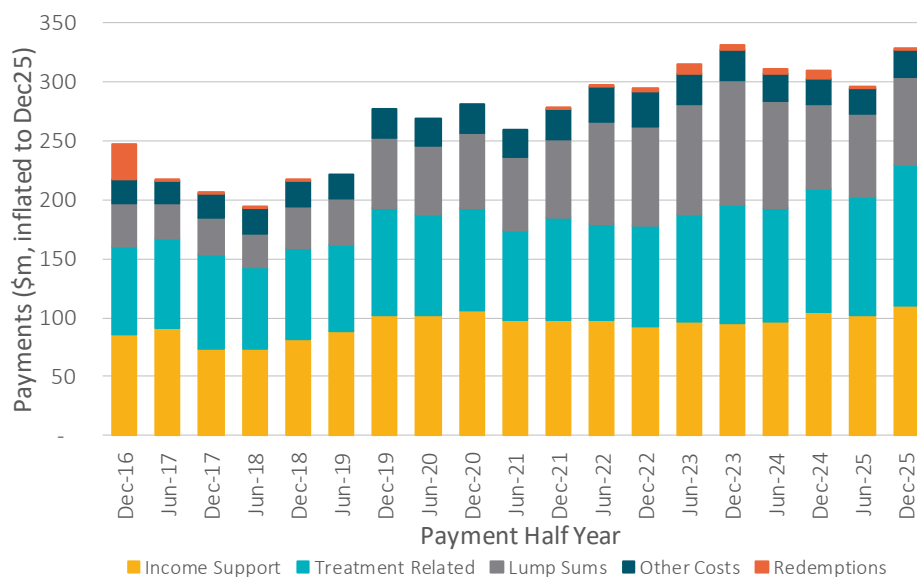
5 Recent claims experience

This section provides a high-level analysis of scheme experience, including the numbers of new claims and overall payment trends.

5.1 Overall payment experience

Figure 5.10 shows gross claim payments (before recoveries) in half-yearly periods over the last ten years, inflated to current values.

Figure 5.1 – Gross Claim Payments (\$Dec25)



Gross payments of \$328m (inflated to Dec 2025) in the last six months were 10.6% higher than the previous period. In the 12 months to Dec 2025, the increase in payments relate to strong growth in income and treatment costs. The movements at a payment type level were:

- Income Support payments were 5% higher in the 12 months to December 2025 compared to the prior 12 months. This follows growth in claim reports and a higher proportion of claims commencing income support benefits, as well as claims receiving income payments for longer durations.
- Treatment related costs were 9% higher in the 12 months to December 2025, reflecting continued increases to expenditure across most treatment related costs in recent years. This trend is driven by higher volumes of claims, higher utilisation and longer duration of services, which are compounding above inflationary increases to medical fee schedules. Treatment costs are growing across a range of service types including: occupational rehabilitation, medical services, attendant care, allied health, hospital and travel.
- Lump sum payments were 10% lower in the 12 months to December 2025. Payments had been steadily increasing since 2018, however this trend has since reversed. The primary contributors to this are lower numbers of non-Hearing Loss lump sum payments (which we mostly attribute to a slowing of the process – see Section 4.4.1), noticeably lower death benefit payments, and a slowdown in Hearing Loss claims in FY25.

After allowing for recoveries of \$10.6m in the last six months, net claim payments of \$316.4m (uninflated) were \$2.3m (1%) lower than projected at the previous valuation. Table 5.4 shows the breakdown.

Table 5.1 – Payments: actual vs expected

Entitlement Group	Six Months to Dec-25				Split by Category	
	Actual	Expected	Act - Exp	% A - E	Short Term	Serious Inj
	\$m	\$m	\$m		\$m	\$m
Income support	108.8	107.7	1.1	1%	2.9	-1.8
Redemptions	1.3	1.4	-0.1	-9%	-0.1	-0.1
Lump sums	73.9	86.2	-12.3	-14%	-11.0	-1.3
Legal - Non-contract	8.8	9.7	-0.9	-10%	-0.2	-0.7
Contract Legal	11.6	11.5	0.1	1%	0.4	-0.3
Medical	49.4	44.3	5.1	12%	5.5	-0.4
Allied Health	26.9	23.3	3.5	15%	2.9	0.6
Hospital	15.4	13.8	1.5	11%	2.0	-0.5
Travel	4.2	4.0	0.1	3%	0.1	0.0
Rehabilitation	10.5	9.2	1.3	14%	1.3	0.0
Investigation	1.6	1.7	0.0	-3%	0.0	0.0
Other	2.7	2.1	0.6	28%	0.1	0.5
Care	9.5	9.8	-0.3	-3%	0.3	-0.6
Common law	0.0	0.1	-0.1	-100%	-0.1	0.0
LOEC	0.0	0.0	0.0	-65%	0.0	0.0
Commutation	0.0	0.4	-0.4	-100%	-0.4	0.0
All Payments	324.6	325.5	-0.9	0%	3.6	-4.5
Recoveries	-10.5	-9.1	-1.4	15%	-1.9	0.5
Net Payments	314.1	316.4	-2.3	-1%	1.7	-4.0

Compared to expected costs, the key features of the last six months’ payment experience are:

- Income Support payments were higher than expected, particularly for Short Term Claims. This is partially offset by lower than expected serious injury income costs.
- Lump Sum payments were significantly lower than expected, particularly for the RTW Act injury years.
- Treatment costs were higher in most payment types
- Legal costs were lower than expected, with the volume of dispute finalisations returning nearer to ‘normal’ levels after a period of elevated activity (see section 4.4.3).

Our valuation basis for General Short Term Claims is discussed in Section 6, and Hearing Loss claims in Section 7. Section 8 discusses our valuation of Serious Injury claims.

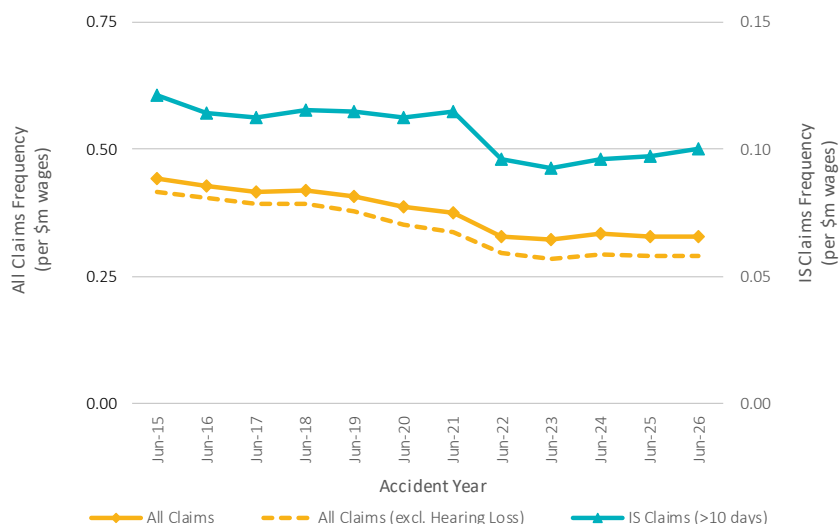
5.2 Claim incidence

We separately model claim numbers by type of injury in order to better understand the trends and their impacts on the claim cost projections. Sections 5.2.1 to 5.2.3 show the results of our aggregate projections across all injury types, with Section 5.2.4 showing the claim number projections by injury type.

5.2.1 Claim frequency trends

Figure 5.1 compares the trends in (1) total claim frequency, (2) total claim frequency excluding Hearing Loss claims, and (3) Income Support (IS) claim frequency, on an annual basis. The frequencies are expressed relative to covered scheme wages (in current values). The series are shown on different scales so the trends can be directly compared.

Figure 5.2 – Claim frequency (claims per \$m of insured wages)



For a long time, the ‘all claims’ frequency has been on a downward trend, with a particularly large decrease in the 2022 injury year following strong growth in insured wages. Since FY24, the overall claim frequency has returned to be more like historical trends, although once the impact of Hearing Loss claims is removed the claim frequency has recently been relatively flat. Overall, we currently project the FY26 frequency to be unchanged from FY25 experience.

Combined with this the IS claim frequency is projected to increase in each of the last three years. Our interpretation of the recent experience is that:

- The very strong wages growth that (unexpectedly) emerged in 2022 and 2023 was not matched by immediate claim number growth, and hence this resulted in the very favourable claim frequencies for these years.
- Changes in the injury mix (such as increased mental injury claims) and a higher proportion of claims receiving Income Support, are reflected in the IS frequency trending upwards.

The trends in claim frequency for recent injury years are summarised in Table 5.1.

Table 5.2 – Projected ultimate claim frequency: comparison to previous

Accident Year	All claims (excl. hearing loss)				Income Support Claims			
	Claim Freq (per \$m of wages)	Year on Year % Change	Prev. Proj	Change from Prev	Claim Freq (per \$m of wages)	Year on Year % Change	Prev. Proj	Change from Prev
Jun-23	0.285	-3.4%	0.285	-0.1%	0.092	-4.0%	0.090	2.4%
Jun-24	0.295	3.4%	0.295	-0.2%	0.096	4.2%	0.095	1.1%
Jun-25	0.289	-1.9%	0.288	0.4%	0.097	1.1%	0.095	2.3%
Jun-26	0.289	0.0%	0.285	1.5%	0.100	3.1%	0.097	3.8%

The trends in claim frequency by injury type are summarised in Table 5.2.

Table 5.3 – Projected ultimate claim frequency: by claim type

Accident Year	Claim Freq (per \$m of wages)				
	Injury	Psychological	Musculoskeletal	Other	NIHL
Jun-23	0.206	0.014	0.043	0.021	0.033
Jun-24	0.210	0.017	0.046	0.021	0.037
Jun-25	0.206	0.018	0.044	0.020	0.039
Jun-26	0.205	0.018	0.045	0.020	0.039

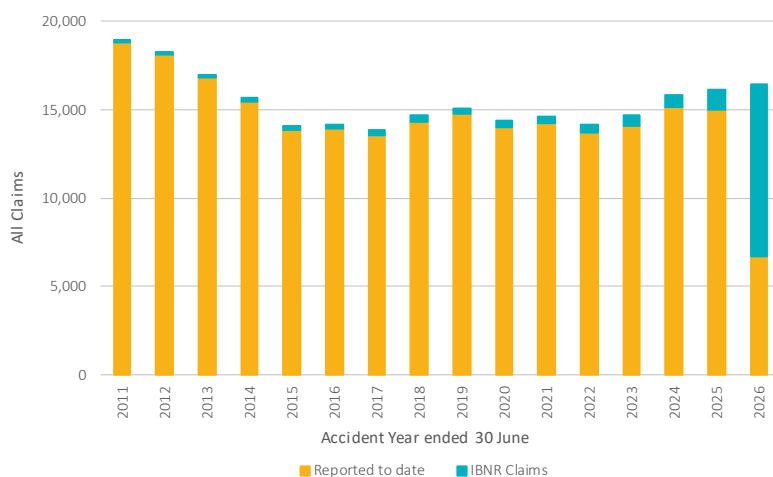
As this shows:

- The all claims (excluding Hearing Loss) frequency has increased from our previous valuation for FY25 and FY26 injury years. Overall, we currently project the FY26 frequency to be unchanged from FY25 experience.
 - > FY26 experience observes Injury Claims returning to their long-running downward trend offset by increases to psychological and musculoskeletal injury frequency.
- The Income Support frequency shows increases for the 2023 to 2025 injury years compared to our previous valuation. This is primarily due to definitional changes in the data (see Section 3.2.3). We note that the data changes were retrospective so the relative performance between years remains a valid comparison.
 - > FY26 is currently projected to have an increase in claim frequency of 3.1% - despite the total claims frequency being unchanged – which indicates that a higher proportion of claims are commencing income support payments.

5.2.2 Projected ultimate claims

Figure 5.2 shows the estimated numbers of claims incurred in recent accident years (excluding reports which are determined as ‘incidents’). The graph separates the actual numbers reported to date and our projection of claims incurred but not yet reported (IBNR).

Figure 5.3 – Ultimate number of claims (all claims)



After a long period of trending downwards, claim numbers flattened out between 2015 and 2017 injury years. Numbers increased during 2018 and 2019 but remained lower between 2020 (partly impacted by COVID) and 2022. Claim reports have since been increasing from 2023, marked with a 7.9% jump in 2024, 2% increase in FY25 and a further 1.7% increase forecast for the most recent injury year. A key driver of the increase in overall numbers is Hearing Loss claims, which have experienced significant growth since 2018. It is also important to note that the growth in insured remuneration has been above normal levels in recent years (see Section 9.6).

The increase in claim numbers reflects the following observations:

- Hearing Loss claim reports are in part impacted by market provider consolidation and the timing of claim lodgement. Claim volumes increased in the six months, to be slightly above expectation. Our current basis is unchanged from the previous valuation as we take a wait and see approach to see where volumes settle.

- Physical Trauma claims for recent injury years are emerging higher than previous expectations, some of which is attributable to higher wages growth than anticipated. The projected claim numbers for 2025 have been increased by 2.1%.
- Mental Injuries have increased significantly over the last two injury years compared to the growth seen for other injury types. Projected claim numbers in 2024 are 24% higher than 2023, 2.5% for 2025, and are forecast to increase another 4.4 % in 2026.
- Musculoskeletal claims have emerged higher than previously expected and the projected claim numbers for the 2026 accident year have been increased by 1%.
- ‘Other’ claims are relatively small in number, and with backdating of injury coding it takes a little longer to confirm numbers and trends for ‘other’. In addition there has been some re-coding of older claims that has reduced the number of ‘other claims’. The projected claim numbers for 2025 have reduced 8% and projected claim numbers for 2026 have decreased by 6%.

5.2.3 Projected ultimate Income Support claims

Income Support (IS) claims in the valuation work are those who receive more than 10 business days of lost time benefits. This means they are already a ‘more serious claim’ given they have been off work for at least two weeks.

Figure 5.3 shows our projected ultimate numbers of IS claims, split into those who have already received an IS payment and those who are expected to receive their first IS payment in future (IBNR).

Figure 5.4 - Ultimate IS claim numbers

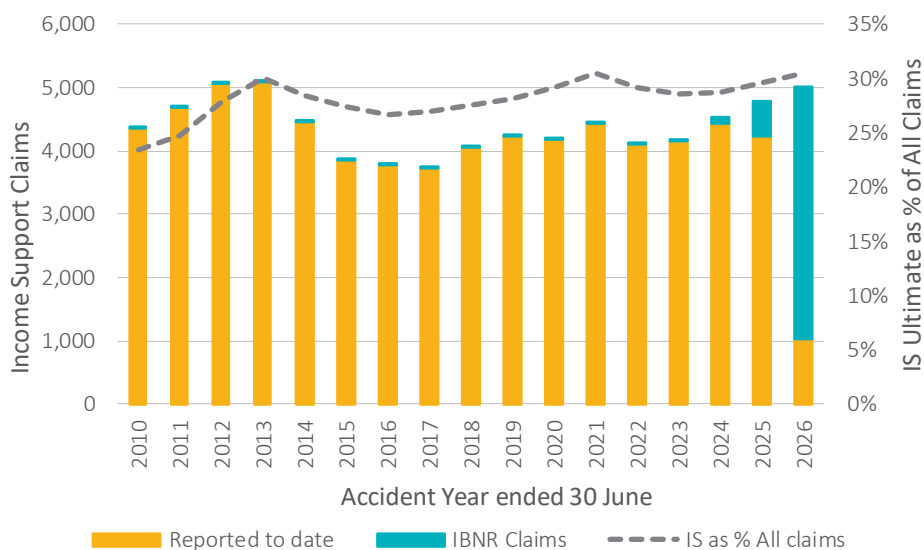


Figure 5.3 shows:

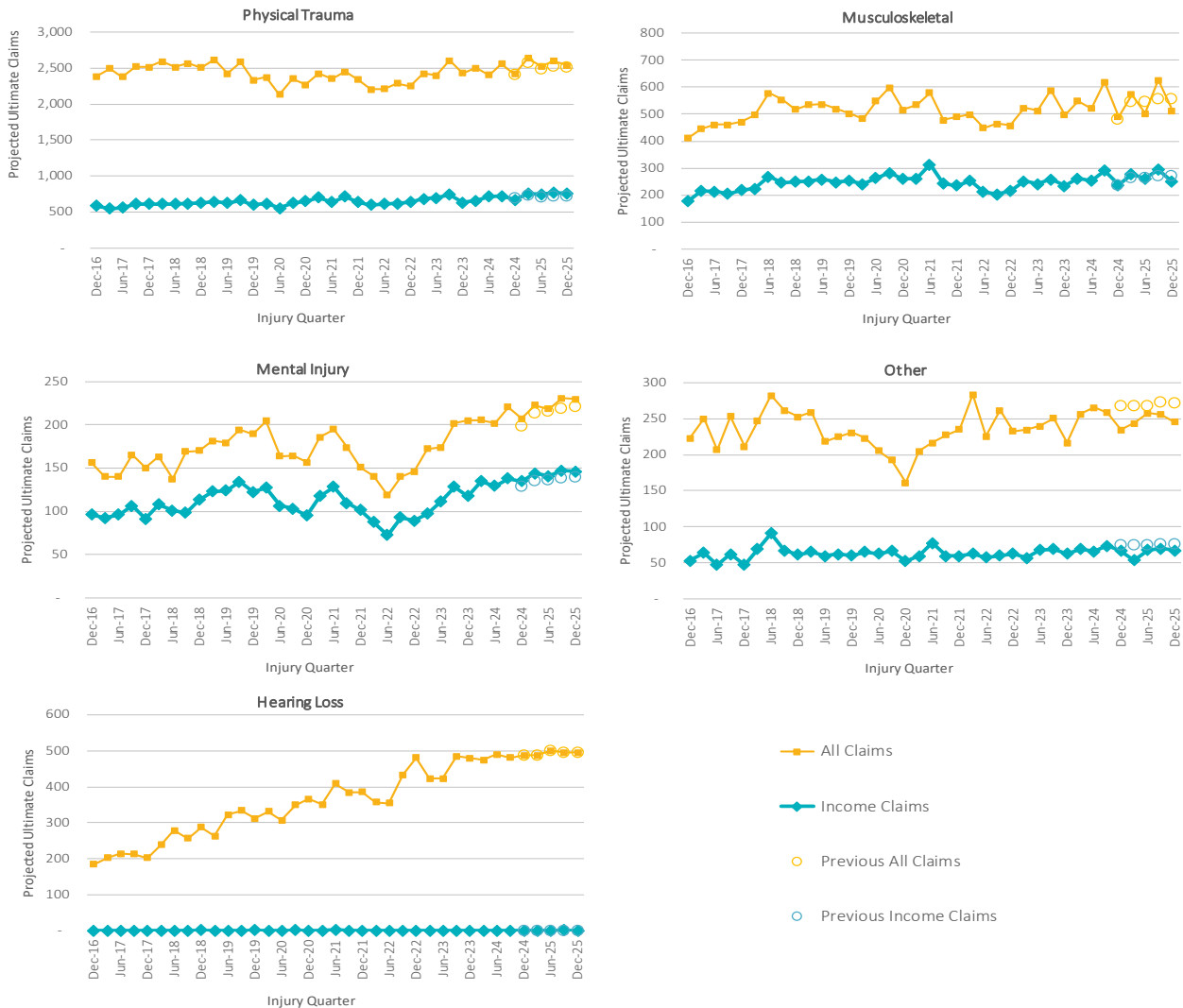
- Between 2017 and 2021 accident years IS claim numbers rose, driving the increase in the proportion of all claims receiving more than 10 business days of lost time benefits.
- The 2022 and 2023 years saw a reversal from the increasing trend, with the 2022 year ending up as a 16% reduction on 2021 claim numbers. This was due to a lower proportion of Physical Trauma, Musculoskeletal and Other injury claims receiving more than 10 days lost time; the operational focus on RTW appears to have gotten more claimants back to work in the first two weeks after injury than was previously the case.
- There has more recently been higher growth in IS claim volumes for the 2024 and later years, remembering that this comes on the back of strong growth in exposed wages as well as changes

in the claims mix (with strong growth in Mental Injury claims in particular). 2024 is forecast to be 4% higher than 2023, followed by 1% growth to 2025 and 3% growth to 2026. 2026 income claim numbers are forecast to result in the highest volume since 2013.

5.2.4 Projected ultimate claims by injury type

Figure 5.4 shows, by injury type, our projections of the total numbers of claims as well as IS claim numbers.

Figure 5.5 – All claims and IS claims by type of injury



The mix of claims by injury type has important implications for longer term IS claim costs, as there are notable differences in claim durations between the different groups.

5.3 Serious Injury claims

5.3.1 Recent experience

Table 5.3 compares actual new Serious Injury claims with our expectations over the last six months and Figure 5.5 shows the emergence of Serious Injury claims for RTW Act periods.

Table 5.4 – Actual vs expected Serious Injury claims (net of claims who are removed)

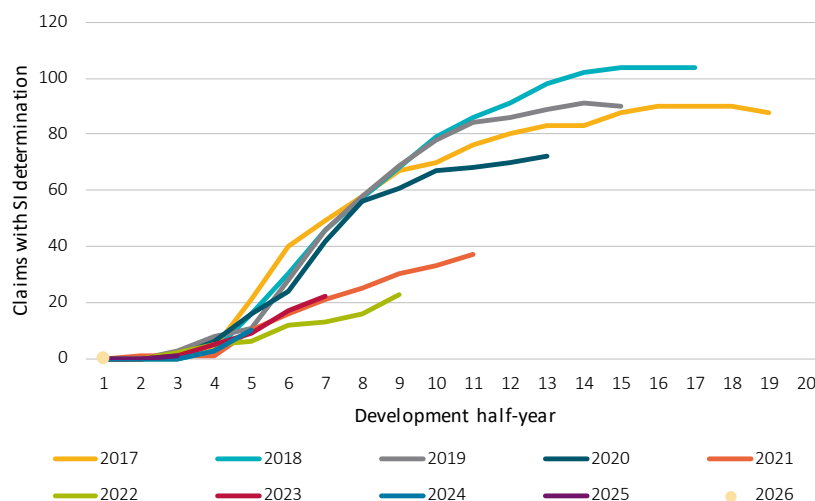
Accident year	Total claims		A-E
	Actual	Expected	
Prior	-2	3	-5
2017	0	1	-1
2018	0	2	-2
2019	-1	3	-4
2020	2	5	-3
2021	4	7	-3
2022	7	7	0
2023	5	8	-3
2024	6	6	0
2025	1	1	0
2026	0	0	0
Total	22	42	-20

Actual Serious Injury claims were lower than expected for all accident periods shown. We assess that this is a result of:

- A continued underlying reduction in the number of claims with WPI scores of 35% or greater. At this stage it is not possible to be definitive about the reasons for this change; however, we note the following:
 - > Return to work rates improved post-2020, which may flow on to Serious Injury numbers
 - > Changes to dispute resolution strategies and claimant/legal provider benefit preferences can influence Serious Injury numbers; as discussed in Section 4.4.1, it seems that more claims are not choosing to resolve with a WPI score just below 35%
 - > Operational and external influences can impact the timing of WPI assessments and Serious Injury determinations, which could mean the lower than anticipated experience to date represents a slowdown in determinations rather than a reduction in ultimate numbers.
- A higher than normal number of interim determination “exits” over the last six months (i.e. claims with an interim determination who did not reach the Serious Injury threshold when they completed their WPI assessment)

Further to the above points, it is noteworthy that the reduction in new Serious Injury claims appears to be linked to an offsetting increase in the number of claimants with WPI scores just below the new 35% Serious Injury threshold.

Figure 5.6 – Serious Injury claim emergence by injury year



As can be seen in Figure 5.5, 2021 and more recent accident periods are emerging at a significantly lower level than preceding accident periods at the same duration. As discussed above, this seems to be linked to both the legislated WPI threshold change and an underlying reduction in Serious Injury numbers.

We also note that further analysis indicates that WPI assessments that fall in the 30-34% range tend to happen earlier (on average) than those that have a WPI assessment of at least 35%. This suggests that the proportion of claims that have been removed to date by the threshold change for more recent accident years (2021 and later) is higher now than will ultimately be the case for these accident periods.

5.3.2 Claim number assumptions

Approach

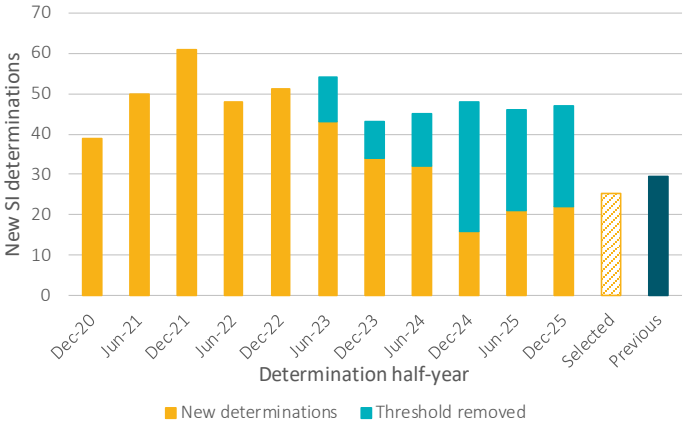
As experience under the *Sustainability Act 2022* is now more mature, we directly estimate the post-reform Serious Injury numbers based on recent experience.

This is in contrast to previous valuations where we first estimated pre-reform Serious Injury numbers and then adjusted them by an assumed proportion of claims removed by the threshold change to estimate post-reform Serious Injury numbers. See Appendix A.12 for a description of threshold change rules.

Assumptions

Figure 5.6 shows the number of new Serious Injury determinations by half-year, along with our selected number of Serious Injury numbers per half-year. For reference, we also show the number of claims removed by the threshold change (light blue columns); however, this does not influence our selection.

Figure 5.7 – Serious Injury claim numbers (excluding Severe Traumatic injuries) by determination half-year



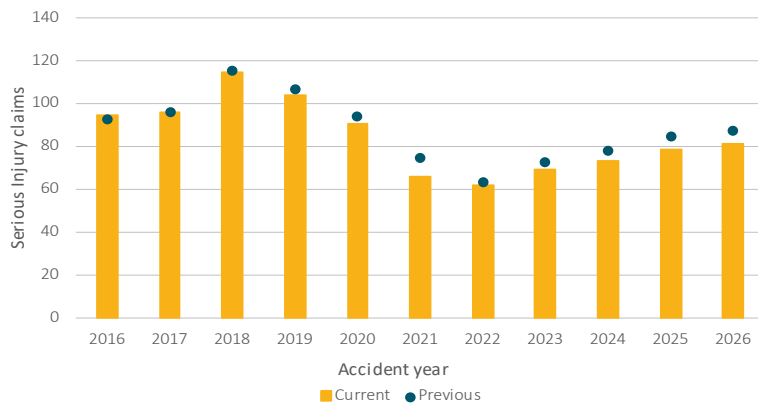
New Other Serious Injury determinations have increased over the past three half years to be 22 for the six months to December 2025. Our selection of 25 is slightly higher than experience over the last six months, noting that there were a higher than usual number of interim determination “exits” over this period. Other Serious Injury numbers would have consistently been around 40-50 per half-year had it not been for the threshold change.

On top of this, we also assume there will be 1.5 Severe Traumatic Serious Injury claims per half-year, a reduction from 2.25 at the previous valuation.

5.3.3 Projected Serious Injury claims

Figure 5.9 shows our projected post-reform ultimate Serious Injury claim numbers by accident year.

Figure 5.8 – Projected post-reform ultimate claim numbers



We have reduced our expected ultimate claim numbers for most accident years, reflecting actual vs expected experience (Table 5.3) and a reduction in our a-priori expected claims for both Other Serious Injury (Figure 5.6) and Severe Traumatic Serious Injury.

The upward slope in projected claim volumes between 2022 and 2025 recognises the strong growth in insured wages over this period and accompanying increase in Income Support claim volumes as explained in Section 5.2.

6 'General' Short Term Claims

The following section summarises the Short Term Claims results for all claims other than Hearing Loss claims; we refer to these as "General Claims". Hearing Loss claims are separately identified in Section 7.

6.1 Valuation approach

6.1.1 Income Support

Income Support payments are modelled separately for physical trauma, mental injury, musculoskeletal and other injuries; this approach allows us to better reflect the specific continuance and average size profiles of each claim segment, and allow for the changing mix of injuries over time.

IS payments in the first three years after injury are valued using a PPAC model. For payments beyond three years after injury, a PPCI model is used. The Income Support liability includes payments to dependants, back-pay and Income Support payments for late surgeries.

6.1.2 Lump Sums

We value lump Sums in three segments: Non-Economic Loss, Economic Loss and Death benefits. The *Sustainability Act 2022* changed the Serious Injury threshold from 30% to 35% for physical injuries, which has resulted in additional lump sums being paid as 'General' Short Term Claims compared to historical periods.

Our valuation basis adopts a combination of the chain ladder approach for more mature accident periods and a frequency-based approach for more recent accident periods where there is less experience and where operational changes have meaningfully impacted the pattern of payments in recent years.

More information on these methods is provided in Appendix A.

6.1.3 Legal and Treatment Related Costs

Under the RTW Act most treatment and related costs cease 12 months after Income Support ends. The exceptions to this are payments for medical aids and appliances and medico-legal costs (for example related to medical assessments for WPI). Our modelling approach captures these features using a PPCI model for the valuation of all treatment and Worker Legal liabilities. At this valuation, we also included adjustments to account for observed seasonality in the PPCIs.

Detailed descriptions of the projection models and details of all projection assumptions are included in Appendices A and H.

6.2 Short Term Claims – General Claims Results

This section summarises the results across the General Short Term Claims.

Table 6.1 – Short Term Claims: General Claims results

	Income Support	Lump sum	Worker Legal	Contract Legal	Medical	Allied Health	Hospital	Rehab	Travel	Other	Care	Rest ¹	Recoveries	Total General Claims
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Estimated liability at Jun-25	199.9	602.7	55.8	45.6	96.4	42.3	21.7	17.3	8.4	5.5	3.1	19.8	(49.0)	1,069.4
Projected liability at Dec-25	204.5	620.2	57.1	46.0	98.7	43.6	22.2	17.8	8.6	5.6	3.2	19.9	(50.2)	1,097.1
Dec-25 valuation														
Claims performance impacts	12.6	1.4	(3.2)	(0.6)	9.2	3.6	3.8	3.0	0.3	0.6	0.7	0.6	(5.2)	26.8
Estimated liability at Dec-25 (Jun-25 ecos)	217.0	621.6	54.0	45.5	107.8	47.2	26.0	20.8	8.9	6.2	3.9	20.4	(55.4)	1,123.9
Impact of change in economic assumptions	(2.0)	(13.6)	(1.2)	(0.5)	(1.7)	(0.5)	(0.3)	(0.1)	(0.1)	(0.1)	(0.0)	(0.5)	1.1	(19.6)
Estimated liability at Dec-25 (Dec-25 ecos)	215.0	608.0	52.8	44.9	106.1	46.7	25.7	20.6	8.8	6.1	3.9	20.0	(54.3)	1,104.3
AvE payments - six months to Dec-25	2.8	(7.3)	(0.5)	0.2	4.5	2.5	2.0	1.3	0.1	0.1	0.3	(0.7)	(1.9)	3.5
Actuarial release (strengthening) at Dec-25	(15.4)	5.9	3.7	0.3	(13.7)	(6.1)	(5.8)	(4.3)	(0.4)	(0.7)	(1.0)	0.1	7.2	(30.4)

¹ Rest includes: Investigation, Commutation, Common Law, LOEC and Redemptions

At a total level, there is an actuarial strengthening (cost increase) of \$30.4m for the General Short Term Claims valuation. This comprises an increase of \$26.8m in the liability estimate and \$3.5m of higher payments than expected over the past six months. The key movements in the liability estimate are:

- Treatment and Medical (Medical, Allied Health, Hospital, Travel, Other, Care) - an actuarial strengthening of \$27.9m in aggregate, due to (1) higher claim numbers, (2) wider usage of a range of treatment costs, and (3) a general lengthening of treatment durations.
- Income Support – an actuarial strengthening of \$15.4m due to (1) higher claim numbers and an increasing proportion of these claims receiving income support benefits, (2) lengthening income durations, and (3) above wage inflation growth in workers' NWE.
- Lump Sums – an actuarial release of \$5.9m which reflects: (1) lower than expected claim payments over the last six months, (2) slightly fewer and later lump sums, partially offset by (3) higher average sizes.
- Worker Legal and Contract Legal – an actuarial release of \$4.0m which primarily reflects further releases from the Worker Legal payments as we give more weight to lower dispute settlement costs in recent years.
- Rehabilitation – an actuarial strengthening of \$4.3m, due to greater use of these services.
- Recoveries – the actuarial release of \$7.2m primarily reflects an assumed higher level of recoveries over time as a result of the increases to gross costs (i.e. that the recovery rate will largely be maintained).
- Movements due to economic assumptions result in a \$19.6m decrease in the liability.

Table 6.2 below shows the actuarial release for Short Term Claims by accident period.

Table 6.2 – Short Term Claims: actuarial release by accident period

Accident Period	Income Support	Lump Sum	Worker Legal	Medical	Allied Health	Hospital	Rehab	Travel	Other	Care	Rest ¹	Recoveries	Total excl. Contract Legal	Contract Legal	Total incl. Contract Legal
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Pre Jun-16	0.0	1.9	0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.2	2.0		
Jun-17	0.1	1.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.0	2.5		
Jun-18	0.3	3.3	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.2	3.7		
Jun-19	0.2	4.2	0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	4.5		
Jun-20	-0.1	1.7	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.2	1.5		
Jun-21	0.2	1.1	0.4	-0.3	-0.1	0.1	0.0	0.0	0.0	0.0	-0.1	-0.5	0.8		
Jun-22	0.0	2.9	0.5	-0.4	-0.2	0.1	-0.1	0.0	-0.1	0.0	-0.2	0.3	2.7		
Jun-23	-0.4	-1.3	1.0	-0.6	-0.4	0.0	-0.2	0.0	-0.1	0.0	0.1	0.9	-1.1		
Jun-24	-2.3	-1.4	0.6	-2.0	-1.1	-0.7	-0.9	-0.1	-0.1	-0.2	0.0	1.2	-7.0		
Jun-25	-5.7	-5.5	0.7	-5.4	-2.5	-3.6	-1.7	-0.1	-0.3	-0.5	0.1	2.1	-22.6		
Dec-25	-7.8	-2.3	0.2	-4.3	-1.5	-1.7	-1.2	-0.1	-0.2	-0.4	-0.1	1.5	-17.8		
Total	-15.4	5.9	3.7	-13.7	-6.1	-5.8	-4.3	-0.4	-0.7	-1.0	0.1	7.2	-30.7	0.3	-30.4

¹ Rest includes: Investigation, Commutation, Common Law, LOEC and Redemptions

The impact of higher claim reports, an increasing proportion of claims receiving income support payments, and lengthening in income support and treatment durations, is particularly evident in the FY24 to FY26 injury years. Prior injury years are primarily impacted by lower Lump Sums and related legal, investigation and medical report expenditure.

Additional detail is provided on the valuation basis for the main benefit types in the remainder of Section 6. For benefit types where there is less than \$10m in liabilities we have included the detailed assumptions in Appendix A; this covers Travel, Other, Care, Investigation, Common law, LOEC and Commutations.

6.3 Income support

This section describes our valuation of Income Support (IS) payments for Short Term Claims (STC) only.

6.3.1 Data definition change

As noted in Section 3.2.3, the definition of ‘10 days’ income support has been revised at this valuation.

6.3.2 Summary of results

Table 6.3 summarises the movements in our liability estimates for IS payments since the previous valuation.

Table 6.3 – Valuation Results: Income Support

	\$m	\$m	\$m
Jun-25 Valuation			
Estimated Liab at Jun-25	199.9		
Projected Liab at Dec-25	204.5		
Dec-25 Valuation		AvE pmts	Strengthening
Movement in liability due to claims performance	12.6	2.8	(15.4)
Estimated Liab at Dec-25 (Jun-25 eco assumptions)	217.0		
Impact of change in eco assumptions	(2.0)		
Estimated Liab at Dec-25 (Dec-25 eco assumptions)	215.0		

At December 2025 there is an actuarial strengthening of \$15.4m, reflecting the claims experience since June 2025 and our valuation response. The impact of economic assumptions is a \$2.0m decrease.

6.3.3 Experience vs expectations

Payments

Table 6.4 compares the IS payments in the six months to 31 December 2025 with the expected payments from our June 2025 valuation projection.

Table 6.4 – Actual vs Expected Payments: IS

Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	Difference
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.3	(0.1)	-53%
2005/06 - 2014/15	0.4	0.5	(0.1)	-12%
2015/16 - 2022/23	5.3	5.5	(0.2)	-3%
2023/24 - 2024/25	69.6	67.4	2.3	3%
2025/26 ¹	11.5	10.6	0.9	9%
Total	87.1	84.3	2.8	3%

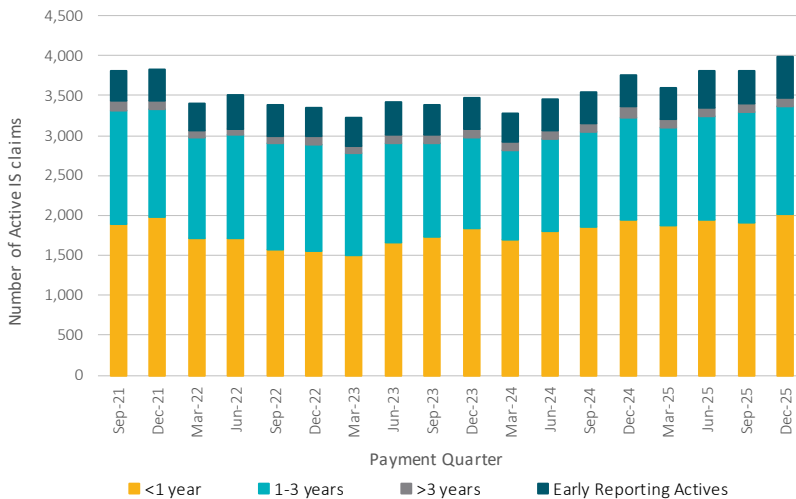
¹ Accidents to Dec25

IS payments were 3% higher than expected (\$2.8m higher than expected) overall in the six months to December 2025. 2023/24 -2024/25 years are impacted by lengthening income durations and 2025/26 is impacted by both increasing income claim volumes and lengthening durations. 2022/23 and older accident years payments largely relate to surgery, late incapacity and dependent benefits which are smaller in magnitude and can be volatile.

Active claims and exits

Figure 6.1 shows the numbers of (quarterly) active IS claims, split by duration.

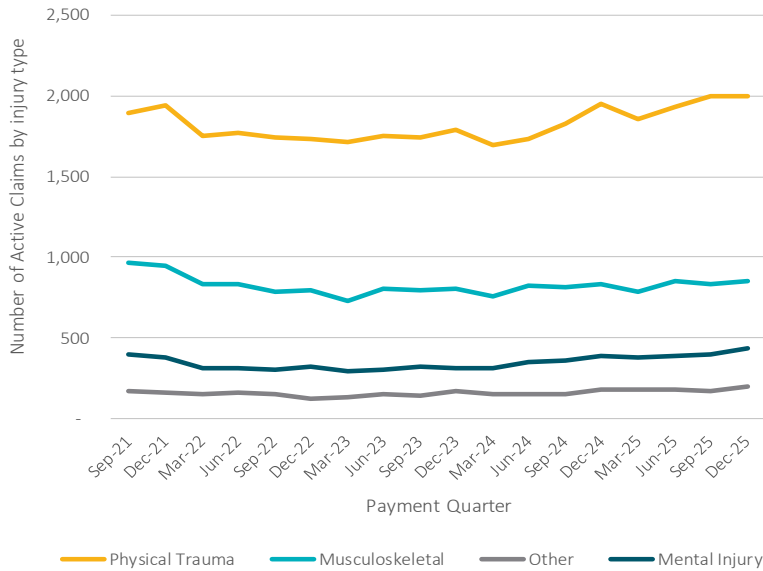
Figure 6.1 – Numbers of Active IS Claims



Active claims increased over 2024 and 2025, following higher new claim volumes and lengthening income durations. We note that some volume growth is to be expected, after the very high growth in insured wages in the last few years. However, an increasing proportion of claims receiving income payments is also observed, which is not explainable by the insured wages growth. Actives at 31 December 2025 are just short of 4,000 which is the highest number since September 2020.

Figure 6.2 shows the numbers of (quarterly) active IS claims, split by injury type. Increasing volumes have been observed since December 2024 across all injury types following increased claim volumes and, more recently, lengthening durations.

Figure 6.2 – Number of Active IS Claims (excluding early reporting) by injury type



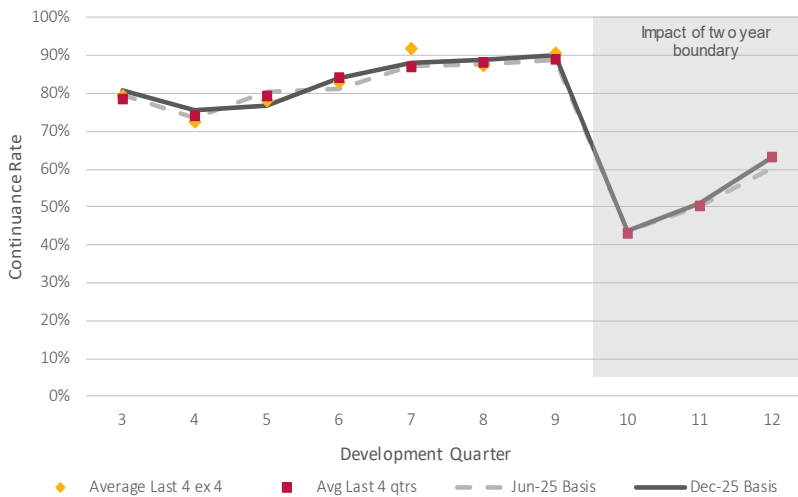
Actual and expected actives are not shown at this valuation due to a change in calculation methodology.

6.3.4 Valuation basis: IS payments in years 1-3: PPAC model

Projection of active claims

Figure 6.3 shows the combined continuance rates compared to those selected at June 2025.

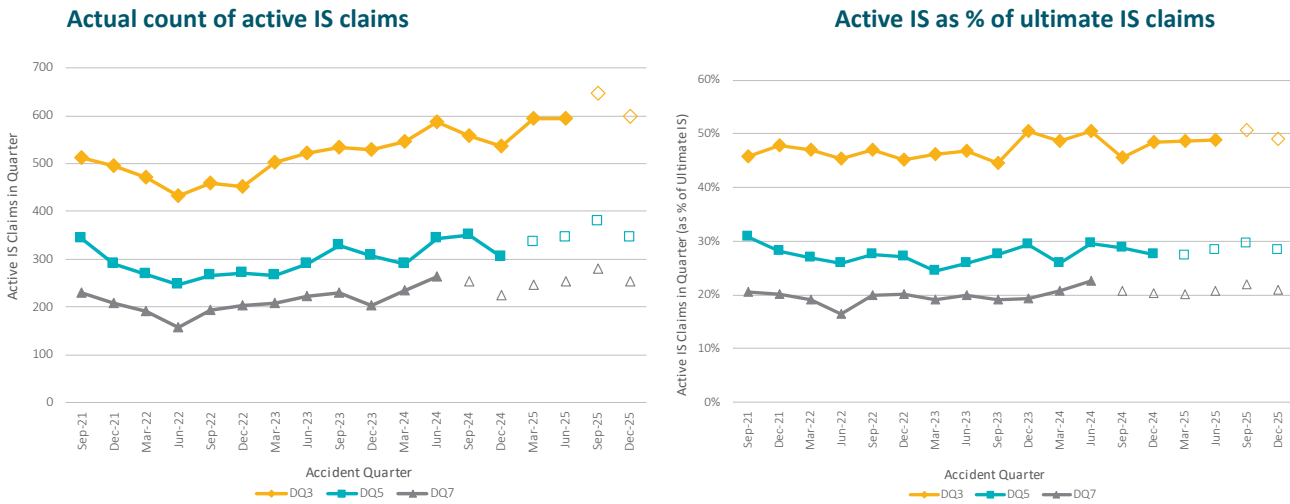
Figure 6.3 – Continuance rates – implied overall assumptions



The overall average continuance rates are higher at this valuation. The mix of claims has moved towards more complex cohorts, which explains some of the higher overall continuance rate.

Figure 6.4 below shows the outworking of our projection of active claims at development quarters 3, 5 and 7. The solid lines show the actual number of active claims and the dots show our projection. We have also shown the actives as a percentage of ultimate IS claims for the accident quarter, to help demonstrate the impact of claim volume changes over time.

Figure 6.4 – Income Support claims reaching specified durations



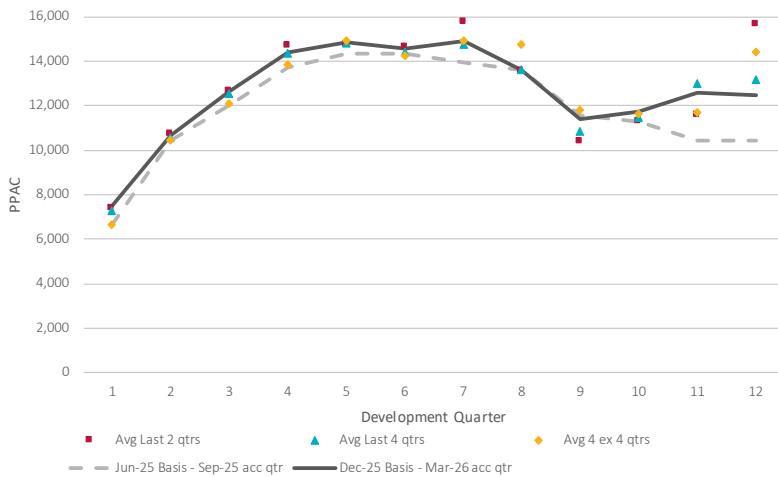
As Figure 6.4 shows, the impact of the higher volume of new claims can be seen in the active claims in recent accident periods (which are increasing). Comparing actives to the ultimate IS claims, our projections are that active claim numbers at DQ5 and DQ7 are higher than FY2023 observed experience and more similar to FY2024 experience.

To be clear, the active claims projection does not allow for any further deterioration in experience from the current observed experience; this is an identified risk.

Payments per active claim

Figure 6.5 shows the implied average payment size across all injury types.

Figure 6.5 – Payments per active claim (\$Dec-25): implied overall assumption



The recent overall PPAC experience is emerging higher than our June 2025 basis, and we have responded with increases in our adopted PPACs as shown. In early development quarters this seems attributable to increases in pre-injury earnings amounts, whereas at longer durations it is primarily due to lengthening income durations.

6.3.5 Valuation Basis: IS payments after year 3: PPCI model

IS payments after 3 years are modelled using a PPCI model based on the ultimate number of claims (excluding Hearing Loss). The overall adopted average PPCI size of \$631 per reported claim is unchanged (but for inflation) and is made up of two components:

- The allowance for ongoing dependant benefits of \$228 per reported claim, this is unchanged.
- An allowance for post-surgery IS payments, claims with 'late starting incapacity' and claims with back-pay (usually after a dispute is resolved), of about \$403 per reported claim. This is unchanged at the current valuation.

Details of the valuation basis can be found in Appendix A.

6.4 Lump Sums

This section describes our valuation of Lump Sum payments for General Short Term claims. A Lump Sum is payable to a worker who suffers a compensable injury that results in at least 5% whole person impairment (WPI). Separate Lump Sums compensate claimants for non-economic loss and future economic loss, with compensation for future economic loss only available to claims with injuries from 1 July 2015.

We value these Lump Sums in three segments:

- “Non-Economic Loss” lump sums
- “Economic Loss” lump sums – only available under the RTW Act to new injuries from 1 July 2015, and subject to deductions for previous Economic Loss lump sum payments.
- “Death” and funeral claims

Appendix A specifies the complete definitions for the lump sum valuation.

6.4.1 Summary of results

Table 6.6 summarises the movements in our liability estimates for Lump Sum payments since the June 2025 valuation.

Table 6.5 – Valuation results: Lump Sums

	\$m	\$m	\$m
Jun-25 Valuation			
Estimated Liab at Jun-25	602.7		
Projected Liab at Dec-25	620.2		
Dec-25 Valuation		AvE pmts	Release
Movement in liability due to claims performance	1.4	(7.3)	5.9
Estimated Liab at Dec-25 (Jun-25 eco assumptions)	621.6		
Impact of change in eco assumptions	(13.6)		
Estimated Liab at Dec-25 (Dec-25 eco assumptions)	608.0		

The December 2025 liability shows an actuarial release of \$5.9m since June 2025, reflecting an increase of \$1.4m in the liability offset by \$7.3m of lower claim payments. Changes to economic assumptions reduce the liability by a further \$13.6m.

A breakdown of the key drivers of the actuarial release are:

- A broadly neutral impact from the lower than expected payments, given we have retained this costs in the liability (thus increasing the liability, which produces an overall neutral result).
- A \$29m decrease driven by a lengthening of the payment pattern, reflecting the extended time currently taken for claims to be paid as a lump sum from the date of injury. The longer payment pattern increases the discounting impact on the liability (without any offset from claims inflation, as lump-sum payments are indexed to the injury date)
- A small reduction in ultimate claim numbers for 2022 and later accident years due to lower WPI assessment activity.

- A \$16m increase driven by higher average lump sum sizes, reflecting elevated WPI scores in recent assessments. While WPI scores have risen for Short Term Claims, this should be considered alongside the reduction in claims reaching the Serious Injury threshold, which produces an overall saving for the scheme.
- A \$2m increase reflecting a higher proportion of Death benefit lump sums emerging in the recent experience.

6.4.2 Payment experience

Table 6.7 compares the payments in the six months to December 2025 with the expected payments from our June 2025 valuation projection. The table includes lump sum payments related to Economic Loss, Non-Economic Loss, Death and funeral benefits for all Short Term Claims (i.e. it excludes Hearing Loss claims).

Table 6.6 – Actual vs expected payments: lump sums

Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Difference
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.3	(0.2)	-55%
2005/06 - 2014/15	0.6	1.3	(0.7)	-52%
2015/16 - 2021/22	35.7	39.2	(3.5)	-9%
2022/23 - 2024/25	21.3	24.0	(2.7)	-11%
2025/26 ¹	0.0	0.2	(0.2)	-100%
Total	57.7	65.1	(7.3)	-11%

¹ Accidents to Dec25

Payments were overall 11% lower than expected in the six months to 31 December 2025 with lower payments across all injury periods.

The lower payments were mainly driven by lower than expected numbers of payments across non-economic loss and economic loss lump sums partly offset by higher average sizes and more Death benefit claims.

6.4.3 Non-Economic Loss lump sums

Our valuation basis adopts a combination of the chain ladder approach for more mature accident periods and a frequency-based approach for more recent accident periods where there is less experience and there have been changes in the pattern of payments. Table 6.8 below compares the actual and expected number of Non-Economic Loss lump sums paid in the six months to December 2025.

Table 6.7 – Actual vs expected numbers: Non-Economic Loss lump sums

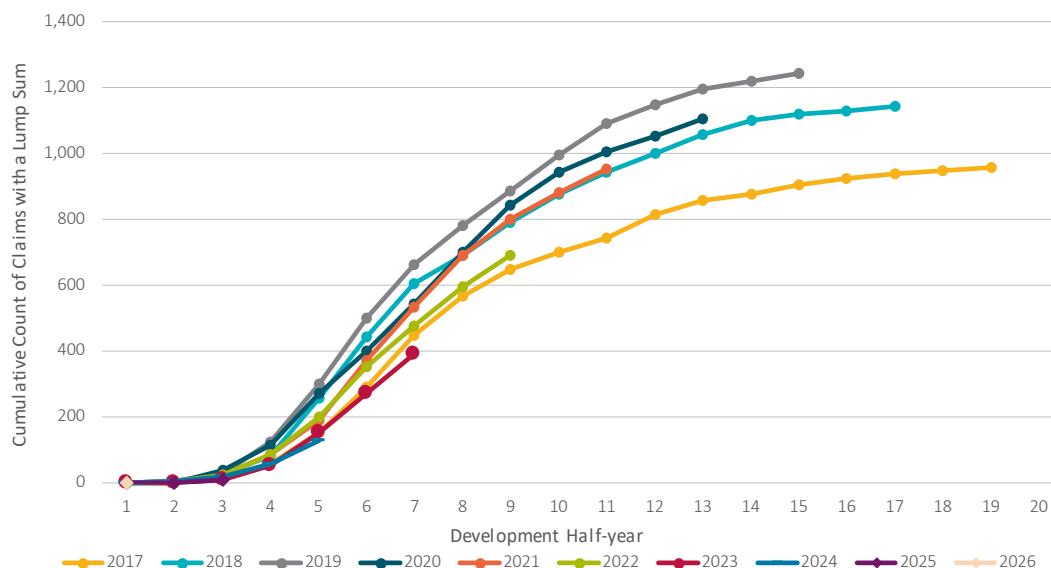
Accident Period	Number of Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Difference
To 30 Jun 05	7	14	-7	-52%
2005/06 - 2014/15	17	44	-27	-61%
2015/16 - 2021/22	266	313	-47	-15%
2022/23 - 2024/25	196	284	-88	-31%
2025/26 ¹	0	0	0	n/a
Total	486	656	-170	-26%

¹ Accidents to Dec25

The number of Non-Economic Loss lump sums in the last six months was lower than expected across all injury periods. This is the second consecutive valuation in which we have observed a substantial reduction in lump-sum activity, which we consider to be primarily a timing issue. As shown in Figure 6.6, there are noticeable differences in the speed at which lump sums are being finalised: claims from 2018–

2020 emerged more quickly than those from 2017, whereas 2020 and later years are tracking below each preceding year, and claims from 2023 onwards are now progressing more slowly than those from 2017.

Figure 6.6 – Emergence of Non-Economic Loss lump sums by accident year (excluding Hearing Loss)



Valuation basis

There continues to be a steady inflow of new WPI assessment applications at long durations from injury (>10 years). The previous valuation basis allows for an ongoing tail of claims starting WPI assessments (and a proportion of these claims resulting in a lump sum payment), and the experience over the last six months suggests this additional allowance is still appropriate.

In addition to the steady inflow of new WPI assessments, we have also observed growth in the cohort of claims with pending WPI assessments; this ordinarily suggests there has been a degree of slowdown in the finalisation of assessments (and subsequently in the payment of lump sums), which would be consistent with the observations made re Figure 6.6. The selected basis at the current valuation for pre-2022 injury years largely retains the ultimate volume of lump sum payments from the previous valuation and assumes the recently lower payment volumes is mostly a timing issue.

WPI assessments for more recent injury years (2022 and later years) show indications of reductions, and our selected basis for these years gives some weight to this experience with reductions of around 30 to 40 claims per year.

Importantly, our selected basis still assumes that the higher numbers of lump sums for the 2018 and 2019 years (in particular) will **not** fully flow through to post-2020 injury years. This approach reflects a view that the different management approach that was in place for 2018 and 2019 claims (both for lump sum benefits and income support), as well as the relatively high volume of Income Support claims that reached longer durations on benefits for these years, are the main reasons for the higher lump sum volumes that have emerged for these injury years.

To address the slowdown in lump sum payments, we have extended the assumed payment pattern, which reduces the discounted liability. This occurs because payments made later attract a larger discounting effect, without any offset from claims inflation, as lump-sum amounts are indexed to the injury date rather than the payment date.

Overall projected lump sums

Figure 6.7 shows the projected ultimate numbers of Non-Economic Loss lump sums, split into paid and IBNR claims.

Figure 6.7 – Projected ultimate numbers of Non-Economic Loss lump sums

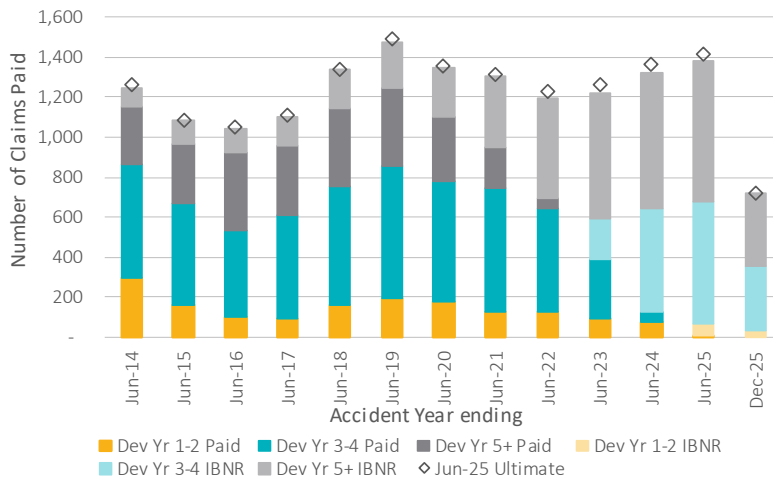


Figure 6.7 shows:

- The 2015 to 2017 years show the impact of the slowdown in lump sum payments, with the number paid up to the end of the fourth development year (the height of the aqua part of the bar) being much lower than occurred historically.
- The 2018 and 2019 accident years have noticeably higher ultimate claim numbers than other years.
- 2020 and later accident years are anticipated to have a lower volume of lump sums than 2018 and 2019, in line with the lower numbers of longer duration Income Support claims for these years.
- 2024 and 2025 are projected to increase above 2023, due to an assumption that the higher volumes of claims will eventually flow through to increased lump sums as well.
- The current valuation allowance sits in line with the previous basis (diamonds) in the figure above up for injury years up to 2021. For the 2022 to 2025 injury years, we have put through a minor reduction given the lower levels of WPI assessments observed to date for these injury years.

Projected average payment sizes

Figure 6.8 below shows the actual and projected average payments for Non-Economic Loss.

Figure 6.8 – Average payments for Non-Economic Loss lump sums (\$nominal)



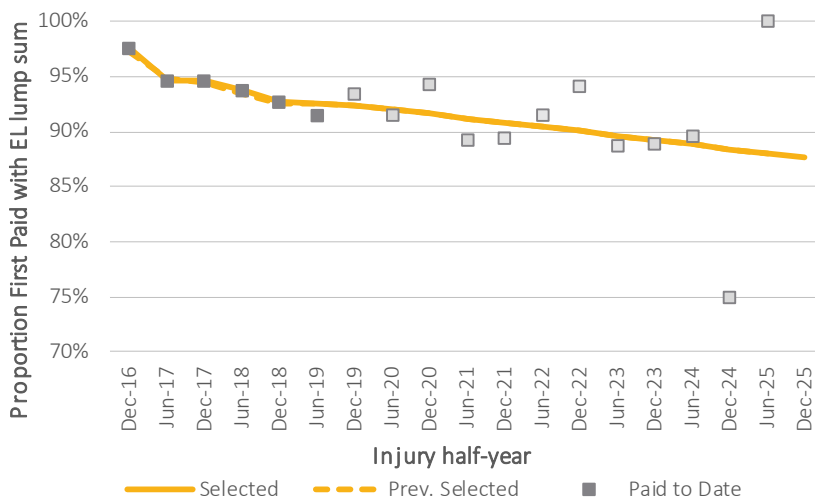
Average sizes emerged higher than expected over the last six months, and also higher than the preceding three and a half years. The increase in average sizes in the recent experience is consistent with our interpretation that more 30%-34% WPI lump sums are now emerging in this segment of the claims experience. This follows a significant increase in sizes during the 2022 calendar year after the introduction of “combining injuries”. At this valuation we have put through an increase in our average size pattern giving some weight to the emerging experience.

6.4.4 Economic Loss lump sums

Economic Loss lump sums are paid to a worker for loss of future earning capacity. This benefit is only available under the RTW Act and is therefore available to injuries from 1 July 2015.

The numbers of future Economic Loss lump sum payments are modelled as a percentage of Non-Economic Loss lump sums. Only a small group of such claims are not entitled to an Economic Loss lump sum, namely: where the hours worked formula ends up being nil, or where deductions for prior Economic Loss lump sums paid to the worker reduce the payment to nil. Figure 6.9 below shows the number of Economic Loss lump sums paid to date as a proportion of Non-Economic Loss lump sums and our selections for each injury half-year.

Figure 6.9 – Proportion of Non-Economic Loss lump sums receiving Economic Loss lump sum

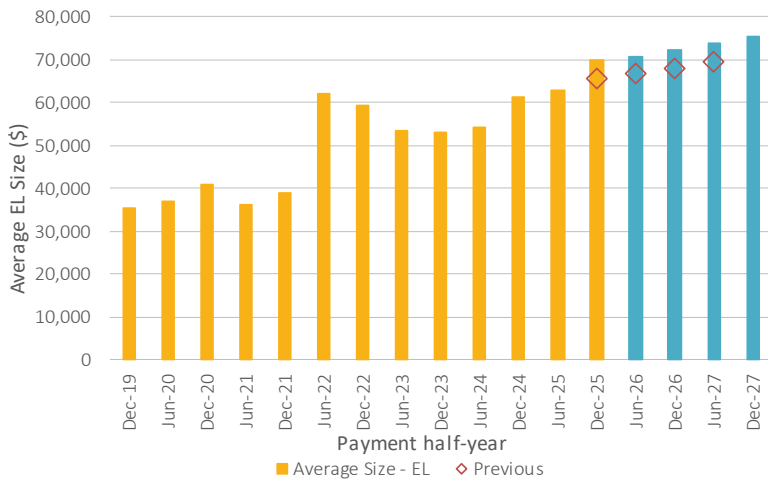


Up to December 2018, our selected proportion is consistent with the paid to date experience. Beyond 2018 where there is still a significant proportion of unpaid claims, we assume that 7.5% of 2019 claims will not receive the Economic Loss lump sum, and our assumption then increases linearly to 12% for the

2025 accident year. This assumption is unchanged from the previous valuation and is consistent with the emerging experience (noting that the latest few injury periods are based on very limited actual claims data as yet).

Figure 6.10 below shows the actual and projected average payments for Economic Loss lump sums

Figure 6.10 – Average payments for Economic Loss lump sums (\$nominal)



The average claim size in the last six months was higher than expected and is the highest experience to date. Like non-economic loss lump sums, the increase in average sizes in the recent experience is consistent with our interpretation that more 30%-34% WPI lump sums are now emerging in this segment of the claims experience. At this valuation we have put through an increase in the assumed size pattern to reflect the emerging experience.

6.4.5 Death lump sums

Death (and funeral) lump sum payment numbers were higher than expected over the last six months, noting these numbers have high variability from period to period.

Figure 6.11 shows the projected numbers of Death lump sums by accident year. We have increased the numbers of expected payments for those accident years with higher claim volumes.

Figure 6.11 – Projected ultimate numbers of Death lump sums

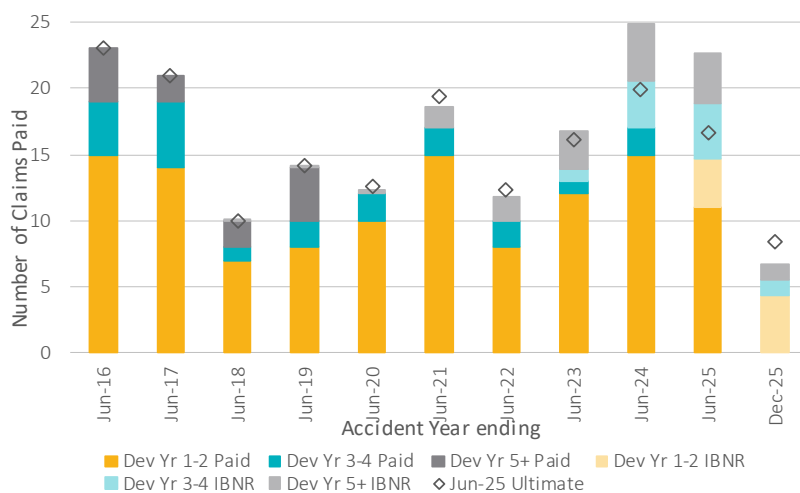
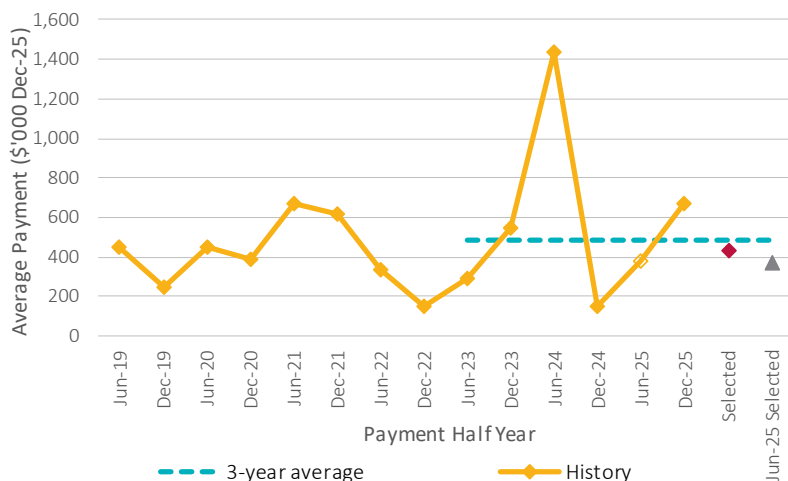


Figure 6.12 shows the average benefit paid to a Death lump sum claim, by payment half year. The very high observed size in the Jun-24 half-year results from a mismatch in payment timing, as a number of funeral payments appear to have been made in the Dec-22 and Jun-23 periods (thus triggering the ‘first paid’ definition in our model), but with the death benefits coming later.

Figure 6.12 – Average lump sum death payment (\$Dec-25)



We have increased the selected average size at the current valuation reflecting a higher proportion of Death lump sums relative to funeral benefits in the recent experience.

6.5 Treatment and related costs

Workers who suffer a compensable injury are entitled to compensation for a range of medical and other treatment related costs. For the valuation we split these entitlements into the following groups: Medical (including medico-legal assessment), Allied Health, Hospital, Rehabilitation (Vocational Rehabilitation). Medical payments are the most significant of these entitlements.

6.5.1 Methodology change

At this valuation we have incorporated seasonality shape into the projection of cash flows. This means

- The assessment of payments (or payment per claim incurred) occurs in an aggregate framework, unchanged from previous reviews
- The projection of cash flows now allows for relative shape in the emergence of payments (for example payments are generally lower in the March quarter and higher in the September quarter). The total cash flows for the year are equivalent to the overall average.
 - > Seasonality is incorporated in the first two years of cash flows beyond the injury quarter. Beyond this the cash flows are smaller and there is no systemic evidence of seasonality.
- This results in a \$1.8m decrease in the valuation result of as a consequence of the discounting impact of this change.

See Appendix A for more details.

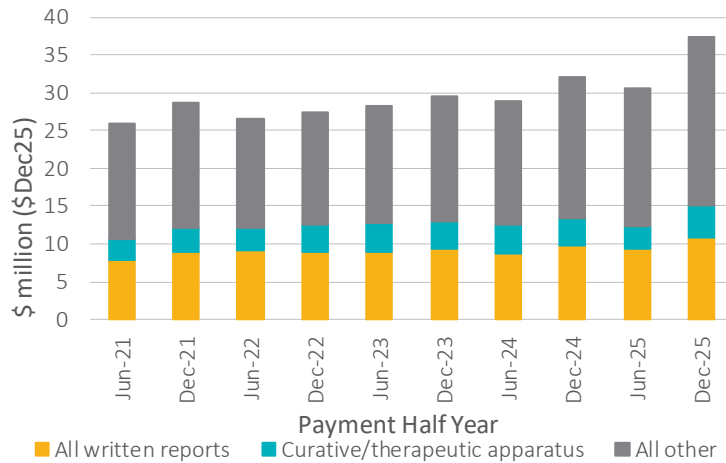
6.5.2 Medical

Medical payments include payments for treating doctors, written medical reports and therapeutic devices, including medico-legal costs.

Payments vs expectations

Figure 6.13 below shows medical payments by six-month period, split by the type of service.

Figure 6.13 – Medical half-yearly payments (\$Dec25)



Medical payments have continued to trend upward since the previous valuation, with a stronger increase observed in the six months to December 2025.

Table 6.9 shows that there were \$37.0m in payments in the last 6 months which was 14% higher than expected.

Table 6.8 – Medical AvE Payments

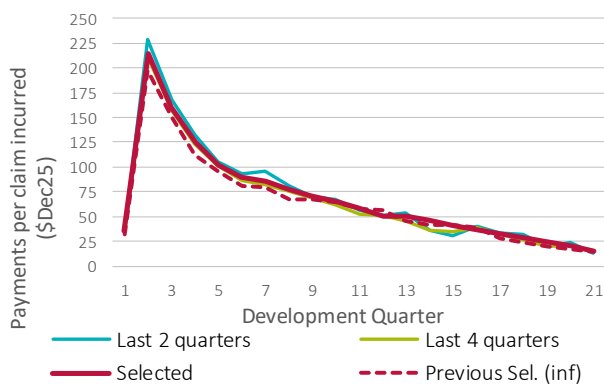
Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.2	(0.1)	-54%
2005/06 - 2014/15	0.3	0.2	0.1	27%
2015/16 - 2022/23	6.3	6.0	0.4	6%
2023/24 - 2024/25	23.4	20.2	3.2	16%
2025/26 ¹	6.9	6.0	1.0	16%
Total	37.0	32.5	4.5	14%

Valuation basis

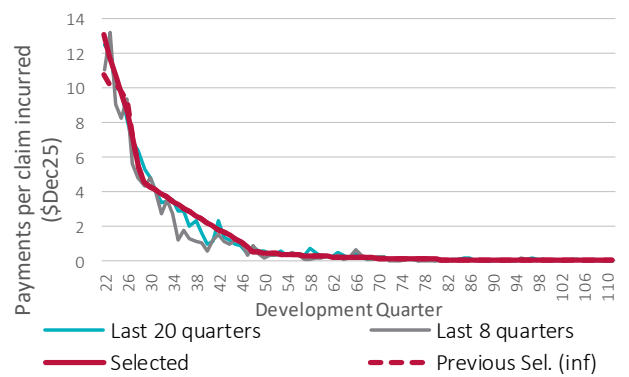
Figure 6.14 below shows the recent experience and selected basis for medical payments.

Figure 6.14 – Medical experience and selections

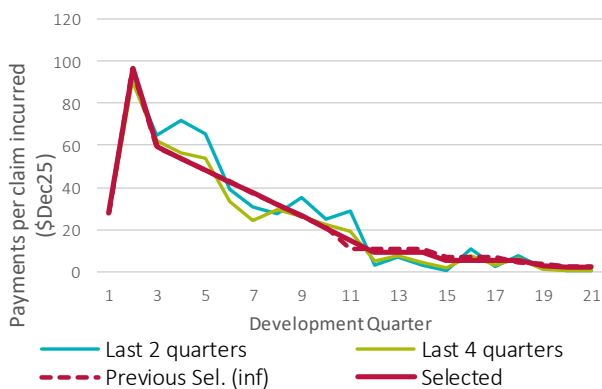
PPCI – Medical written reports



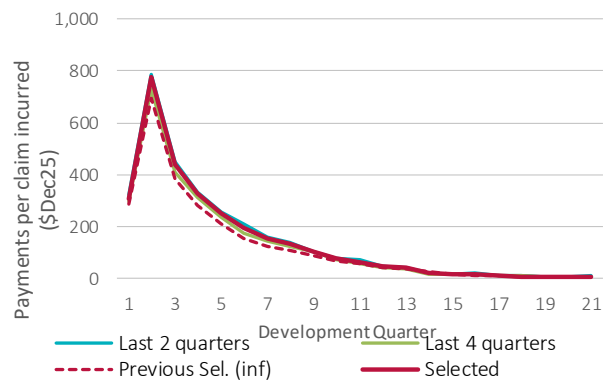
PPCI – Medical written reports (Tail)



PPCI – Medical aids and appliances



PPCI – Medical other



Our comments on the experience and selected assumptions are:

- PPCI (Medical written reports): cost have been increasing, the basis reflects the most recent experience (between average two and four), where costs associated with written medical reports have remained high. Higher payments in the last two quarters are also attributed to seasonality factors.
- PPCI (Medical other): costs have been increasing, the selected basis reflects the most recent experience (average two) where costs have increased significantly in the December 2025 half year.
- PPCI (Medical aids and appliances): costs associated with aids and appliances have remained relatively stable, the basis reflects the most recent experience (average four), where costs have slightly decreased (DQ12 to DQ20). Otherwise, the selections are broadly similar to the previous review.

Further exhibits are shown in Appendix A.6.1.

Super imposed inflation

The super imposed inflation assumption of 1% p.a. has been added to medical services (was not allowed for at the previous valuation). Appendix A.6.6 has more details.

6.5.3 Allied Health

Allied Health relates to payments to Allied Health practitioners and includes physiotherapists, chiropractors, exercise physiologists, osteopathy, psychology, pharmaceuticals, dentist costs, remedial massage and speech pathology.

Payments vs expectations

Figure 6.15 compares actual and expected payments for Allied Health in the six months to December 2025, which were 14% above expectations.

Figure 6.15 – Allied Health AvE payments

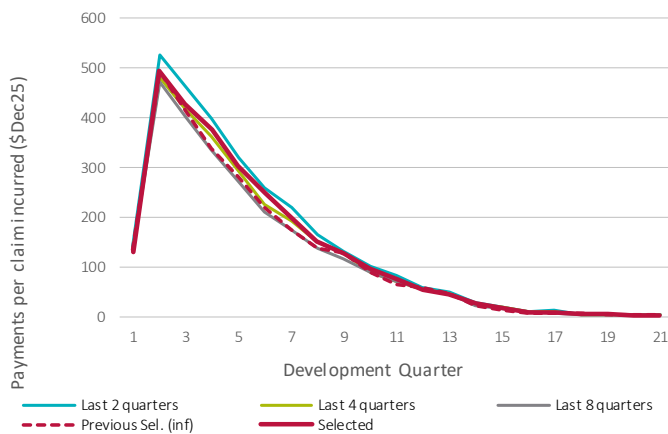
Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Act - Exp
To 30 Jun 05	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.0	0.0	103%
2005/06 - 2014/15	0.1	0.0	0.0	38%
2015/16 - 2022/23	2.3	1.9	0.4	21%
2023/24 - 2024/25	15.8	13.9	1.9	13%
2025/26 ¹	2.9	2.7	0.2	8%
Total	21.1	18.5	2.5	14%

¹ Accidents to Dec25

Valuation basis

Figure 6.16 below shows the recent experience and selected basis for Allied Health payments.

Figure 6.16 – Allied Health experience and selections (\$Dec25)



Cost have been increasing, the increased basis reflects the most recent experience (between average two and four), where costs associated with allied health expenditure have increased. Higher payments in the last two are also partly attributed to seasonality factors.

6.5.4 Hospital

Hospital payments include payments made to public and private hospitals.

Payments vs expectations

Table 6.10 below compares actual and expected payments for Hospital in the six months to December 2025, which were 16% higher than expected.

Table 6.9 – Hospital AvE payments

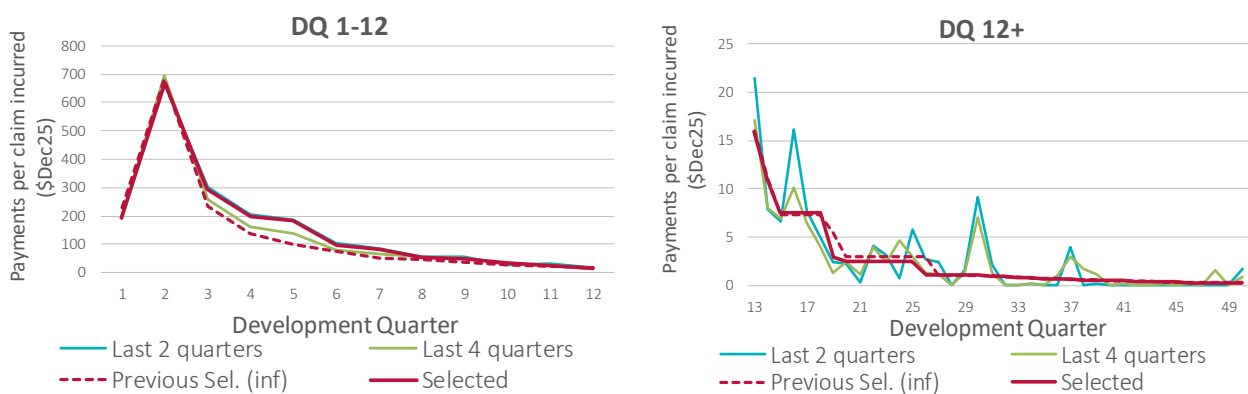
Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Act - Exp
To 30 Jun 05	\$m	\$m	\$m	
To 30 Jun 05	0.0	0.0	(0.0)	-84%
2005/06 - 2014/15	0.1	0.1	(0.0)	-1%
2015/16 - 2022/23	1.1	0.9	0.1	15%
2023/24 - 2024/25	9.4	7.2	2.2	30%
2025/26 ¹	3.8	4.1	(0.3)	-7%
Total	14.3	12.3	2.0	16%

¹ Accidents to Dec25

Valuation basis

Figure 6.17 below shows the recent experience and selected basis for Hospital payments.

Figure 6.17 – Hospital experience and selections



Cost have increased significantly in the last year, the increased basis reflects the most recent experience (average 2). There are some lower costs at longer durations (DQ20-30) which we have also revised.

6.5.5 Rehabilitation

The Rehabilitation payment type includes payments made to approved vocational rehabilitation providers and job search agencies.

Payments vs expectations

Table 6.11 compares actual and expected Rehabilitation payments in the six months to December 2025, which are 15% above expectation.

Table 6.10 – Rehabilitation AvE payments

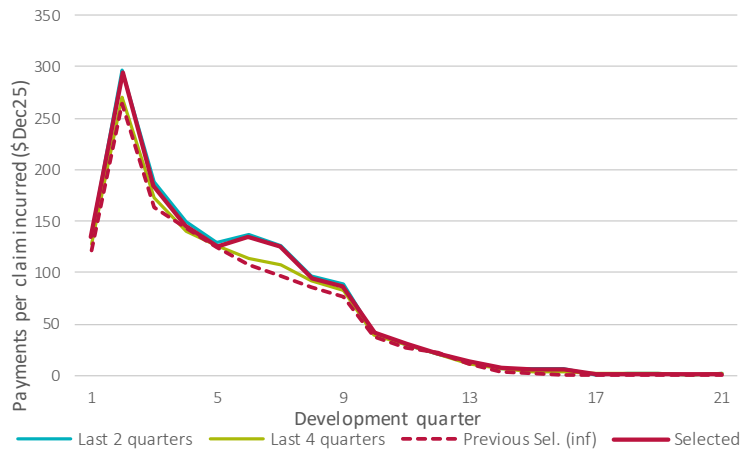
Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Act - Exp
To 30 Jun 05	\$m	\$m	\$m	
To 30 Jun 05	0.0	0.0	0.0	n/a
2005/06 - 2014/15	0.0	0.0	0.0	n/a
2015/16 - 2022/23	0.7	0.6	0.1	24%
2023/24 - 2024/25	7.6	6.6	0.9	14%
2025/26 ¹	2.0	1.8	0.2	13%
Total	10.3	9.0	1.3	15%

¹ Accidents to Dec25

Valuation basis

Figure 6.18 below shows the recent experience and selected basis for Rehabilitation payments.

Figure 6.18 – Rehabilitation experience and selections (\$Dec25)



Cost have been increasing, the increased basis reflects the most recent experience (average two), where costs associated with occupational rehabilitation have increased.

6.6 Legal costs and Recoveries

This section presents results for legal costs and recoveries.

Our valuation of legal costs separately models legal fees paid to ReturnToWorkSA’s contracted legal advisers (Minter Ellison and Sparke Helmore), which we call ‘Corporation Legal’, and legal fees paid to workers’ representatives and employers, which we call ‘Worker Legal’.

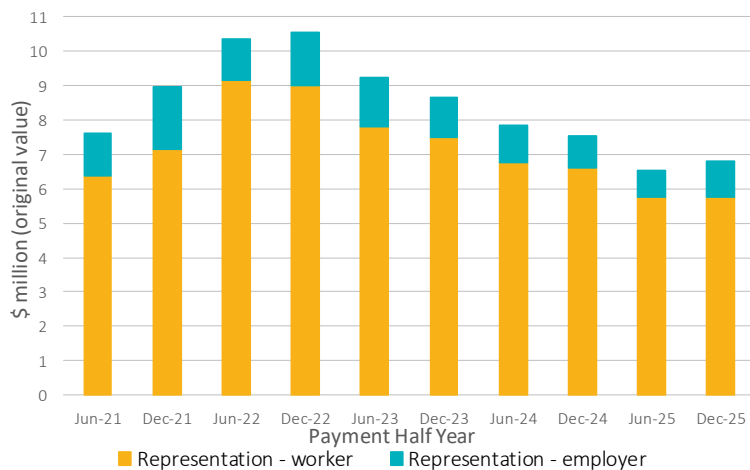
6.6.1 Worker Legal Costs

Disputes are the main driver of expenditure for both Worker and Corporation Legal fees, and were discussed in Section 4.4.3. Worker Legal accounts are generally only submitted upon completion of the dispute and therefore any changes in dispute numbers will usually involve a delay before they are translated into changes in Worker Legal costs.

Experience

Figure 6.19 below shows Worker Legal payments in each six-month period over the last five years.

Figure 6.19 – Worker Legal Half Yearly Payments (original values)



Worker Legal expenditure increased slightly in the six months to December 2025 compared to the previous payment half year. This follows five half-years of consecutive reductions as the dispute resolution program ‘matures’ and we are seeing more disputes finalised at shorter durations and earlier stages of dispute translating into lower average dispute settlement costs. More recently, the number of open disputes in the scheme has reduced, as the number of new disputes are more than offset by the number of dispute finalisations.

Table 6.12 below compares actual and expected Worker Legal payments in the six months to December 2025 which were 7% below expectation. The lower than expected payments were largely driven by the 2015/16 to 2022/23 injury years.

Table 6.11 – AvE Worker Legal Payments

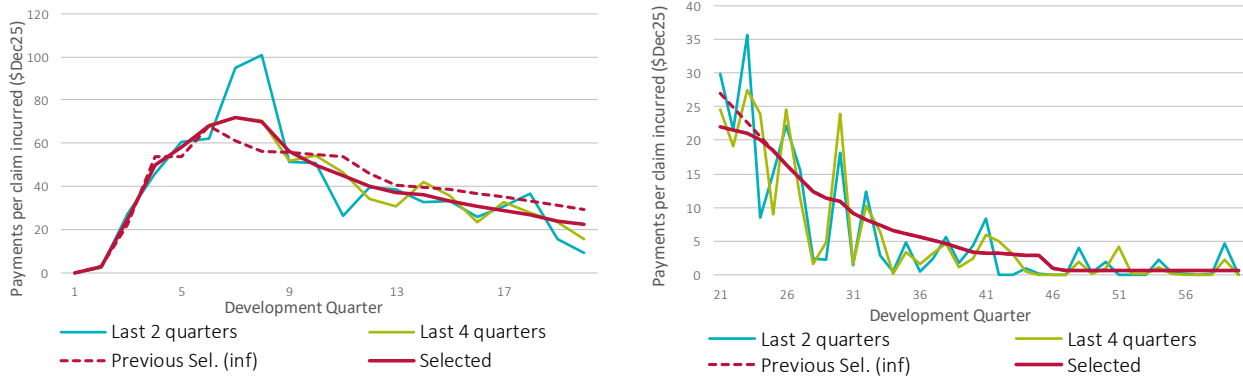
Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	0.0	0.1	(0.0)	-73%
2005/06 - 2014/15	0.2	0.3	(0.1)	-46%
2015/16 - 2022/23	3.5	4.2	(0.7)	-17%
2023/24 - 2024/25	3.2	2.8	0.4	14%
2025/26 ¹	0.0	0.0	(0.0)	-53%
Total	6.8	7.3	(0.5)	-7%

¹ Accidents to Dec25

Valuation basis

A PPCI model is used to value Worker Legal fees. Figure 6.20 below shows the recent experience and selected basis for Worker Legal payments.

Figure 6.20 – Worker Legal experience and selections (\$Dec25)



The selected basis broadly follows the average experience across the last 4 quarters and represents an overall reduction compared to our previous valuation basis.

6.6.2 Corporation Legal

Corporation Legal refers to legal fees paid to ReturnToWorkSA’s contracted legal advisers, Minter Ellison and Sparke Helmore, and other provider legal fees related to third party recoveries, staff claims and extraordinary matters which we refer to as “non-contract” providers in the remainder of this section.

Actual v Expected Experience

Corporation legal payments totalled \$11.0m in the 6 months to December 2025 which was \$0.2m higher than expected (+2%) due to higher complex matter fees.

Valuation basis

Under the current contract, a fixed amount is paid to each legal provider each month regardless of the number of non-complex matters referred. Table 6.13 below summarises the payments applicable under the current contract.

Table 6.12 – Corporation Legal contract components⁵

Matter Type	Contract Terms
	Current
Advice only	Fixed Fee per month
Dispute representation	
Complex matters	Paid per matter
Performance Fee	Paid at the end of quarter

To project future Corporation Legal costs we have:

- Adopted the fixed monthly fees payable to each provider under the contract. The fixed fee is increased in accordance with the current contract, beyond which we have only allowed for fees to increase with CPI inflation, reflecting the relative stability in the contract costs over recent years despite changes in the level and time to resolution of disputes in the scheme, and noting that ReturnToWorkSA management are strongly of the view that these costs are not expected to increase at future contract renewals.

⁵ From 1 July 2025, a 5-year contract was agreed upon whereby the contracted legal advisers would be paid a pre-determined fixed fee each month throughout the contract period. Fees for advice and representation pertaining to complex cases are paid at an agreed hourly rate in addition to the fixed fee each month. A performance fee is also payable at the end of each quarter based on the achievement of certain performance outcomes.

- Estimated the number of complex matters that will be referred each year for the duration of the contract and multiplied this by a selected average size consistent with recent experience.
- Allowed for payment of any performance fees as specified in the terms of the contract.
- Estimated a separate allowance for matters handled by “non-contract” providers. We have increased this allowance at the current valuation as costs related to more complex claims that were previously included in the Serious Injury cohort now no longer reach the Serious Injury threshold and therefore sit within Short Term Claims.

Beyond the current contract, payments for Corporation Legal are projected to increase in line with inflation. Cash flows are allocated in each payment year across accident periods for reporting purposes⁶. The allocation is unchanged at the current valuation.

6.6.3 Recoveries

Recoveries can be made by ReturnToWorkSA from overpayments to workers, from the Motor Accident Commission (MAC) and private insurers for CTP claims, or from third parties for recoveries relating to negligence claims. Third parties for negligence claims will often be companies engaged in labour hire and owners or head contractors on construction sites, as ReturnToWorkSA cannot recover money from an employer for negligence.

Experience

Table 6.14 below compares actual and expected Recovery payments in the six months to December 2025, which were 32% above expectation.

Table 6.13 – Recovery half yearly payments received

Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	(0.0)	(0.0)	(0.0)	n/a
2005/06 - 2014/15	(0.0)	(0.0)	(0.0)	12694%
2015/16 - 2022/23	(6.6)	(4.8)	(1.8)	37%
2023/24 - 2024/25	(0.6)	(0.7)	0.1	-12%
2025/26 ¹	(0.0)	(0.0)	0.0	-3%
Total	(7.3)	(5.6)	(1.8)	32%

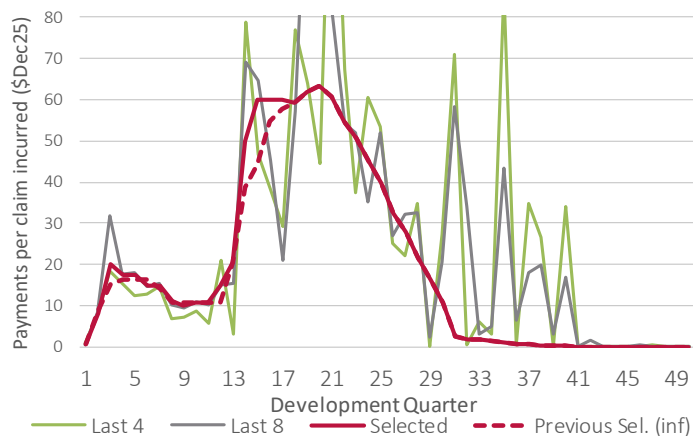
¹ Accidents to Dec25

Valuation basis

A PPCI model is used for recovery payments. Figure 6.21 below shows the recent experience and selected basis. We note that for the Recoveries PPCI model, ‘claims incurred’ are defined as all reports excluding Hearing Loss claims.

⁶ The allocation of cash flows across accident periods is based on the observed experience in Worker Legal costs, with an adjustment to reflect the quicker payment pattern of Corporation Legal costs (as they are paid in advance, not arrears). We also assume that as transition claims eventually run off, dispute lodgements will occur slightly earlier due to the shorter duration of claims under the RTW Act.

Figure 6.21 – PPCI experience and selections: Recoveries (\$Dec25)



Recovery payments in recent years have been significantly above expectation, however we understand ReturnToWorkSA expects recoveries to be lower over the next few years. The expected reduction stems from claims occurring during the ‘COVID period’ (i.e. Sep-20 to Dec-21), where there was a reduction in motor-related claims during this time. Post COVID, motor-related claims have been increasing back toward pre-COVID levels, although for now they still remain lower than pre-COVID levels.

As a result, our basis combines an underlying ‘normalised view’, with the selection being set in line with the last 8 quarters. We have then scaled down the normal expected recoveries for accident periods from September 2020 by 10% reducing to 7% from September 2021 to June 2023 in line with the reduction in the proportion of motor vehicle claims and the share of recoveries that have historically emerged from such claims.

For 2025 and later years, we have scaled up the normal expected recoveries by 5% from September 2024 increasing to 9% in September 2025 and beyond. This is because gross costs have increased further than the increase in claim numbers for these years and we have assumed that the recovery rate will remain much the same as historical norms, which increases the volume of expected recoveries for these years.

We have tested the appropriateness of these adjustments by comparing the total projected recoveries for an accident year to the gross claims cost, to ensure there is a good level of consistency.

We also note that there is lower recoverability of costs under the RTW Act (where gross payments are lower) and following CTP reforms in 2014. Therefore, our selection does not fully reflect the recent experience at very long durations, where larger than expected recoveries have mostly come from older, transitional claim accident periods.

7 Hearing Loss Claims

Workers who suffer a compensable hearing loss injury are entitled to hearing aids and other treatment costs, and (depending on the assessed WPI) a lump sum payment.

7.1 Valuation approach

Our valuation of Hearing Loss claims builds up from our claim number projection for Hearing Loss claims, which were described in Section 5.2. The key features are:

- **Lump sums:** our valuation basis adopts a combination of the chain ladder approach for more mature accident periods and a frequency-based approach for more recent accident periods where there is less experience and there have been changes in the pattern of payments. In each case the projected proportions of claims who are projected to receive a lump sum are used as a 'sense check' on the projections.
- **Medical Reports:** there is a strong relationship between written report costs and the number of newly reported Hearing Loss claims (with a one quarter delay), and we use this to project future costs.
- **Worker Legals:** legal payments are primarily related to rejected claims that are disputing eligibility; Worker Legals tend to be paid at the resolution of the dispute, so our model links Worker Legals to the reported claims, with a delay to allow time for the dispute to resolve (average payments per yearly average of incremental reports, with a two quarter delay).
- **Medical Aids and Appliances:** Hearing Loss claims may incur regular replacement and repair costs for hearing aids, running for decades after the injury is initially reported. We use an average payments per claim incurred approach for these costs.
- **Allied Health:** these are mainly professional 'fitting fees' for the provision of hearing aids and have a steady cost relationship with the device costs; we model these costs as a loading on the Medical Aids and appliances costs.
- **Payments for other benefit types** are minimal. Costs are projected in aggregate and allocated to the broader payment groups by selecting a percentage allocation to separate projected cash flows.

Detailed descriptions of the projection models and details of all projection assumptions are included in Appendices A and H.

7.2 Summary of results

Table 7.1 summarises the liability estimates for Hearing Loss claims.

Table 7.1 – Valuation results: Hearing Loss claims

	Lump Sums	Medical	Allied Health	Worker Legals	Other Benefits ¹	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Jun-25 Valuation						
Estimated Liability at Jun-25	66.9	152.5	50.1	8.4	5.0	283.0
Estimated Liability at Dec-25	70.7	158.7	52.5	8.7	5.3	295.9
Dec-25 Valuation						
Movement in liability due to claims performance	(2.3)	1.6	4.1	0.3	0.1	3.8
Estimated liability at Dec-25 (Jun-25 ecos)	68.4	160.4	56.7	9.0	5.4	299.8
Impact of change in eco assumptions	(2.1)	(8.4)	(3.2)	(0.3)	(0.3)	(14.2)
Estimated liability at Dec-25 (Dec-25 ecos)	66.3	152.0	53.5	8.7	5.1	285.5
¹ Rest includes: Travel, Investigation, Other						
AvE Payments	(3.7)	1.0	0.4	0.3	0.2	(1.8)
Actuarial Release/(Strengthening)	6.0	(2.6)	(4.5)	(0.6)	(0.3)	(2.0)

There is an overall actuarial strengthening of \$2.0m for Hearing Loss claims. This is comprised of an increase of \$3.8m in the liability estimate and \$1.8m of lower than expected payments over the past six months. The key components of the actuarial strengthening are:

- An actuarial release of \$6.0m relating to Lump Sum costs, following reductions in the WPI scores for NIHL claims after ReturnToWorkSA initiatives. With the return of WPI scores back to historical norms, we have revised our expectation to assume average lump sum payments will remain at the more recent levels.
- An actuarial strengthening of \$7.1m relating to Medical and Allied Health services, reflecting the ongoing high costs for hearing aids and related Allied Health services.
- Small movements on the other groups.
- Movements due to economic assumptions result in a \$14.2m decrease in the liability, given the relatively long tail for device costs.

Table 7.2 below shows the actuarial release for Hearing Loss claims by accident period.

Table 7.2 – Hearing Loss claims: actuarial release (strengthening) by accident period

Accident Period	Lump Sums	Medical + Allied health	Worker Legals	Other Benefits ¹	Total
	\$m	\$m	\$m	\$m	\$m
To 30 June 15	0.9	-1.8	-0.1	0.0	-1.0
2015/16 - 2021/22	1.2	-2.0	-0.1	-0.1	-0.9
2022/23 - 2024/25	2.9	-2.9	-0.4	-0.2	-0.6
2025/26 ¹	1.0	-0.4	0.0	0.0	0.5
Total	6.0	-7.1	-0.6	-0.3	-2.0

¹ Accidents to Dec25

The decreases relating to lump sums are primarily in the most recent accident years as lump sum payments are made relatively quickly post claim lodgement (and associated injury date) to NIHL claims. The increases relating to hearing aid devices and associated professional costs are spread over all injury years as these costs are incurred over many decades.

The remainder of this section deals with the payment experience and valuation basis.

7.3 Lump sums

Payment experience

Table 7.3 summarises the payments in the six months to 31 December 2025 with the expected payments from our June 2025 valuation projection. Payments were 44% lower than expected in the last six months due to fewer lump sum payments. As context to this we note that two 'high volume assessors' have recently withdrawn from undertaking WPI assessments and this has led to a slowdown in the normal timing from claim lodgement to lump sums being paid.

Table 7.3 – Actual vs expected payments: Hearing Loss claims lump sums

Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Difference
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.2	(0.1)	-46%
2005/06 - 2014/15	0.4	0.6	(0.3)	-44%
2015/16 - 2022/23	1.0	1.6	(0.6)	-35%
2023/24 - 2024/25	3.3	6.0	(2.7)	-45%
2025/26 ¹	0.0	0.0	(0.0)	-100%
Total	4.8	8.4	(3.7)	-44%

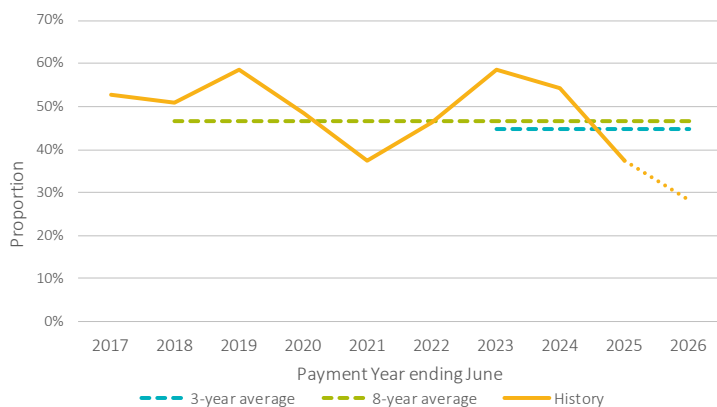
¹ Accidents to Dec25

Valuation basis

When estimating the number of future Hearing Loss lump sums, we explicitly track the proportion of claims that are reaching the 5% WPI threshold, given the major changes to claim volumes in recent years and changes in processing at times.

Figure 7.1 shows the number of Hearing Loss lump sum payments as a proportion of overall Hearing Loss claim reports, as a test of whether the rapid growth in new claims has led to any apparent change in the utilisation of lump sums. To allow for payment delays, the payments in a period are expressed relative to reports from the previous six months.

Figure 7.1 – Proportion of Hearing Loss claims getting a lump sum



The key features we note are:

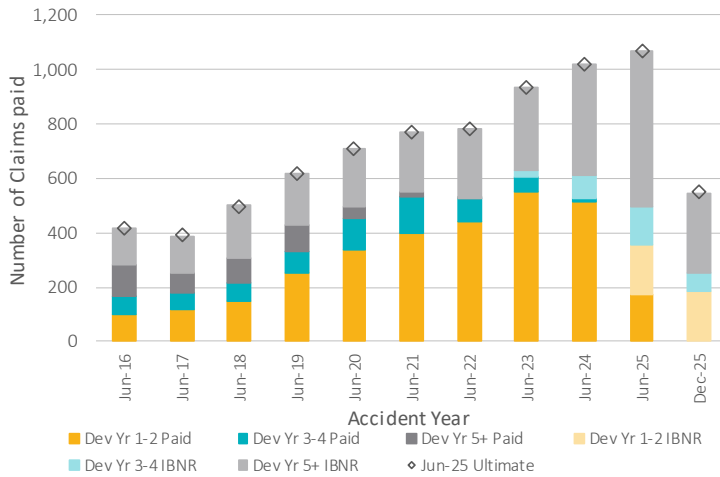
- The proportion of Hearing Loss claims receiving a lump sum was around 50% up to 2018 and increased close to 60% in 2019.
- 2020 and 2021 dropped below 50%, with 2020 partially impacted and 2021 heavily impacted by COVID restrictions that limited the ability to get assessments. Operational changes around that time to strengthen claim acceptance processes will also have increased the time between lodgement and lump sum. Collectively, this resulted in the proportion falling below 40% in 2021.
- Experience after 2022 shows a rebound of lump sum payments, with 50%-60% of reports from the proceeding six month period receiving a lump sum payment in 2023 and 2024.
- The experience to date for 2025 (and 2026) sits below 40%, being impacted by changes in processing and the removal of two high volume assessors that has slowed down the timing to lump sum.

The selected basis is unchanged from our previous valuation and implies that the patterns will remain similar to recent levels, with ultimate lump sums at around 53% of ultimate Hearing Loss claims for recent injury years up to 2024. For 2025 and later years, the ultimate lump sum proportion increases to

55% of reported claims in anticipation of a higher proportion of accepted Hearing Loss claims due to recent operational changes to the claims acceptance process that will result in some previously rejected claims instead being recorded as 'notifications' (and thus not being counted in our claims count).

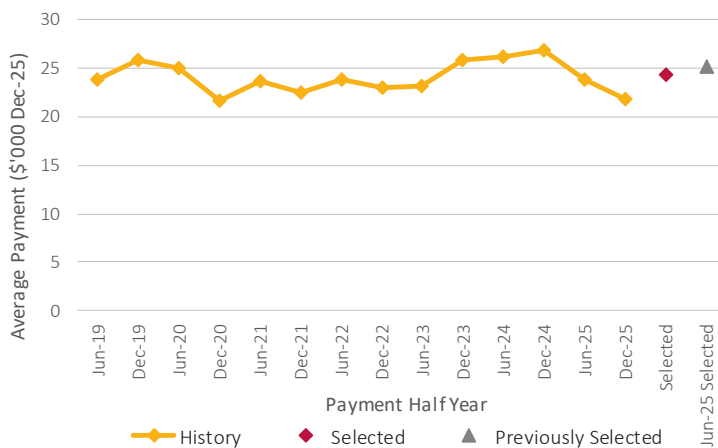
Figure 7.2 shows the projected numbers of Hearing Loss lump sums by accident year. The tail of Hearing Loss IBNR claims is long, with claims still emerging many years after the end of exposure. The expected number of lump sum payments for the three latest injury years have reduced in line with lower claim reports.

Figure 7.2 – Projected ultimate numbers of Hearing Loss lump sums



The average benefit paid for a Hearing Loss lump sum claims is 3.8% of the maximum lump sum benefit scale and represents a reduction of 0.1% from the previous valuation. At the current valuation, we reduced the average size pattern in response to the emerging experience. There is scope to further reduce the selected sizes if the recent performance is maintained.

Figure 7.3 – Hearing Loss lump sum average sizes



7.4 Legal costs

This section presents results relating to worker legal costs only. While some corporation legal costs will relate to the management of Hearing Loss claims, these expenses are not allocated between claim types and so are not separated for our work.

Payment Experience

Table 7.4 summarises the payments in the six months to 30 December 2025 with the expected payments from our June 2025 valuation projection; Payments were 37% higher than expected.

Table 7.4 – Actual vs expected payments: Hearing Loss claims legal payments

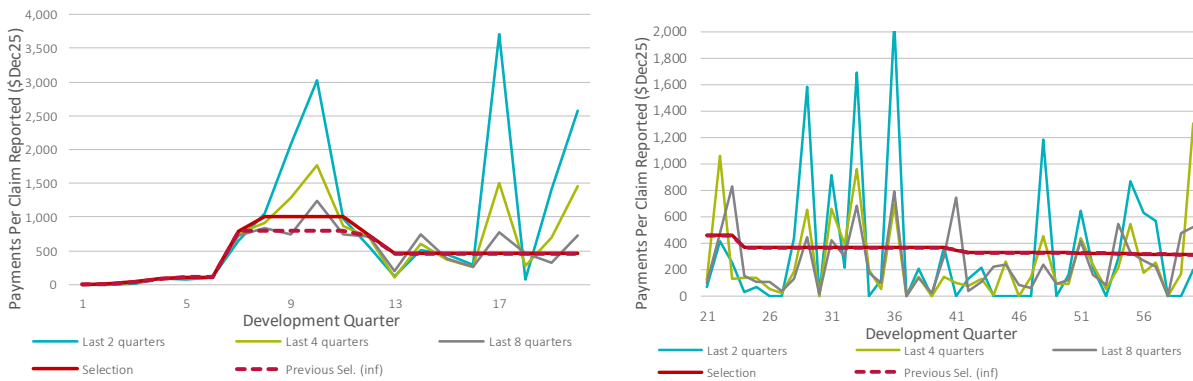
Accident Period	Payments in Six Months to Dec 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.0	0.0	169%
2005/06 - 2014/15	0.1	0.1	0.0	4%
2015/16 - 2022/23	0.4	0.3	0.1	39%
2023/24 - 2024/25	0.5	0.3	0.1	36%
2025/26 ¹	0.0	0.0	(0.0)	-54%
Total	1.0	0.7	0.3	37%

¹ Accidents to Dec25

Valuation basis

A PPCR model is used to value Worker Legal fees. Figure 7.4 below shows the recent experience and selected basis for Worker Legal payments.

Figure 7.4 – Worker Legal experience and selections: Hearing Loss claims (\$Dec25)



Our selected basis has been increased from the previous valuation in response to the higher payments than previous expected in the second year from injury.

7.5 Medical and other entitlements

For the valuation we split the remaining entitlements into the following groups: Medical Reports (medico-legal assessment costs), Medical Aids and Appliances and Other costs combined (this includes Allied Health, Medical Services, Investigation, Travel, Other and minor payments for Hospital, Care, Rehabilitation).

Payments vs expectations

Table 7.5 summarises the payments in the six months to 31 December 2025 with the expected payments from our June 2025 valuation projection.

Table 7.5 – Actual vs expected payments: Hearing Loss claims Medical costs

Accident Period	Medical Report Payments in Six Months to Dec 25				Medical Aid and Appliances Payments in Six Months to Dec 25				Other Payments in Six Months to Dec 25			
	Actual \$m	Expected \$m	Act - Exp \$m	% Act - Exp	Actual \$m	Expected \$m	Act - Exp \$m	% Act - Exp	Actual \$m	Expected \$m	Act - Exp \$m	% Act - Exp
To 30 Jun 05	0.1	0.1	0.0	31%	0.8	0.7	0.1	11%	0.4	0.3	0.1	32%
2005/06 - 2014/15	0.2	0.2	0.0	26%	1.3	1.0	0.3	24%	0.6	0.4	0.2	41%
2015/16 - 2022/23	0.5	0.4	0.2	43%	1.8	1.8	0.1	5%	0.8	0.7	0.1	13%
2023/24 - 2024/25	1.4	1.2	0.3	24%	1.6	1.5	0.1	9%	0.9	0.7	0.2	28%
2025/26 ¹	0.3	0.3	0.1	20%	0.2	0.2	0.0	28%	0.2	0.1	0.1	60%
Total	2.6	2.0	0.6	28%	5.8	5.2	0.6	11%	2.9	2.2	0.6	27%

¹ Accidents to Dec25

¹ Accidents to Dec25

¹ Accidents to Dec25

Overall, payments were 19% higher than expectation with higher-than-expected payments across almost all accident periods. The overall experience comprises:

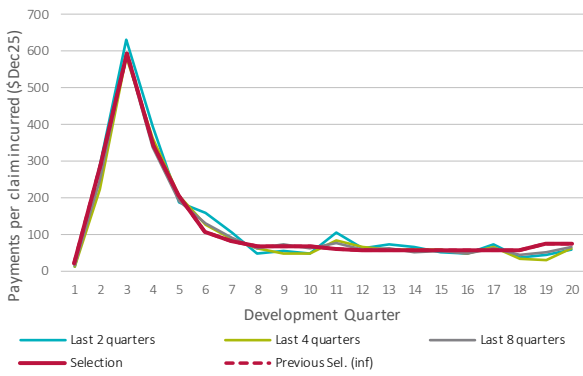
- Medical reports \$0.6m (28%) higher than expected.
- Medical Aids and Appliances \$0.6m (11%) higher than expected.
- Other payments \$0.6m (27%) higher than expected.

Valuation basis

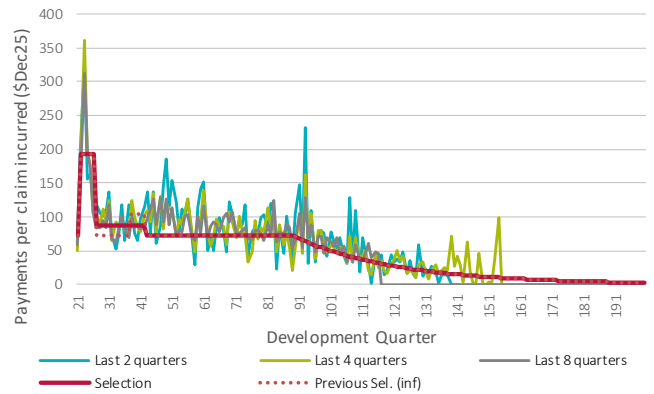
Figure 7.5 below shows the recent experience and selected basis for medical payments across the various components that are separately modelled.

Figure 7.5 – Medical experience and selections (\$Dec25)

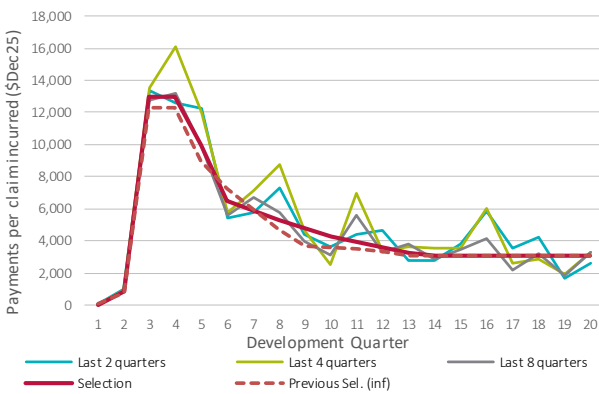
PPCI – Medical Aids and Appliances



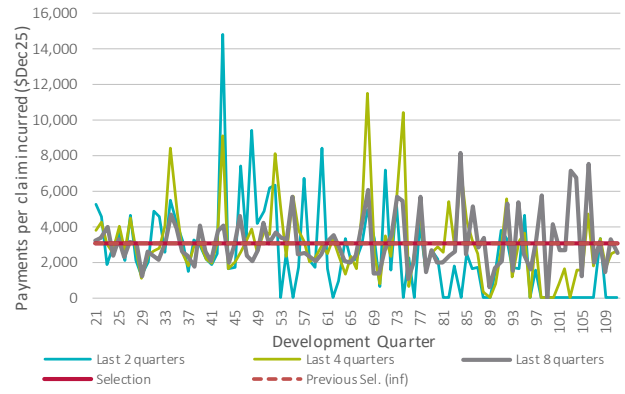
Tail PPCI – Medical Aids and Appliances



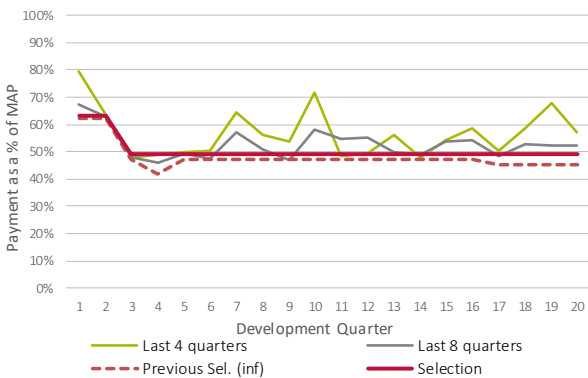
PPCR – Medical Reports



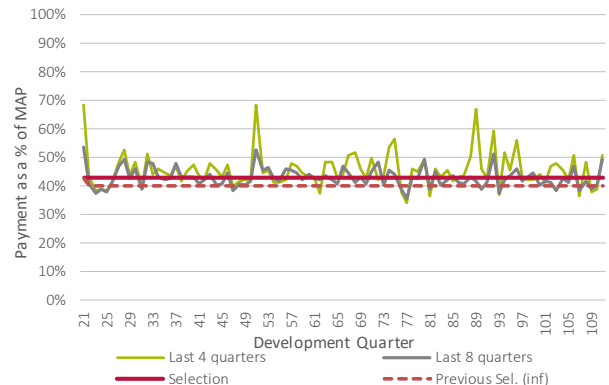
Tail PPCR – Medical Reports



Payment as a % of MAP – Treatment Rest



Tail Payment as a % of MAP – Treatment Rest



Our comments on the experience and selected assumptions are:

- PPCI (Medical aids and appliances)
 - > Assumptions have increased from our previous basis reflected in a reshaping of payments 7-10 years from injury and 1% additional cost for all periods beyond this.
 - > Average size relativity (not shown above) – changes to claim acceptance of Hearing Loss claims means that the ultimate proportion of claims that are expected to receive payments is broadly unchanged for all periods up to 30 June 2019. For more recent periods some

adjustments are made for changes in acceptance rates (all unchanged from the previous valuation), namely:

- 1 July 2019 to 30 June 2020: 1% less future claims cost
 - 1 July 2020 to 30 June 2021: 5% less future claims cost
 - 1 July 2021 to 30 June 2022: 4% less future claims cost
 - 1 July 2022 and later: 2% less future claims cost.
- PPCR (Medical Reports):
 - > Our selected PPCR has been increased in earlier periods to realign to the 'last 8' quarters. Given recent levels have been higher than this there is a risk that further increases could be required.
 - Percentage of (Allied health and remaining entitlements)
 - > There is a relatively stable relationship between the payment for aids and the costs for allied health services. There has recently been upward pressure on the cost of allied health relative to aids, possibly reflecting increased 'fitting fees' relative to device purchasing. The assumptions have been increased at this review reflecting higher observed costs.
 - > The remaining entitlements are spread over the other benefits by selecting a proportion related to the average payments over the last 3 years. Our selection of 85.5% of payments being allocated to Allied Health, with the remaining costs allocated to Medical (primarily professional fees), Investigation and Other.

8 Serious Injury claims

The following sections summarise the Serious Injury claim results.

8.1 Background

“Serious Injury” claims are those who meet the applicable WPI threshold of 30% or 35% (threshold determined by date of assessment) and as a result are eligible to receive Income Support to retirement and other benefits for life under the RTW Act unless otherwise closed out via a s56A future economic loss payment or redemption.

The number and characteristics of the Serious Injury cohort have a significant level of uncertainty as:

- Serious Injury claims were not identified before the RTW Act commenced
- The introduction of ‘combining injuries’ led to a stepwise increase in the number of Serious Injury claims
- The 2022 reforms increased the Serious Injury WPI threshold and changed the type of benefits available to these claims (by providing the option to take a lump sum payment rather than the lifetime benefit package).

Section 5.3 describes our projection of Serious Injury claim numbers.

Our valuation work separately considers claims managed internally by ReturnToWorkSA in the EnABLE group, which are generally more like Severe Traumatic Injuries (who require significant levels of care and support, or have other special needs), and “Other Serious Injuries” that are not internally managed by ReturnToWorkSA.

8.2 Valuation approach

As Serious Injury claims are essentially entitled to lifetime benefits, it is important to consider the characteristics of individual claims when projecting future costs. Our valuation approach balances reflecting individual claim characteristics while utilising aggregate payment experience where appropriate.

Our valuation approach is summarised in the following table; more detail on assumptions is provided in Appendix A. With the exception of the calibration of morbidity assumptions for the Severe Traumatic cohort, no changes to valuation approach have been made since the previous valuation.

Table 8.1 – Approach to setting valuation assumptions for Serious Injury claims¹

	Severe Traumatic Injuries	Other Serious Injury
Life expectancy	<p>No allowance for future mortality improvement (improvement of 0.5% p.a. assumed previously).</p> <p>Mortality loadings based on each claim’s care needs, injury type and duration since injury. On average, assumed mortality loadings reduce life expectancy on claims with high care needs by 12 years. Similarly, our mortality loadings have reduced life expectancy on claims with moderate and low care needs by 7 and 5 years respectively.</p> <p>See Appendix A.12.4 for further details.</p>	<p>Mortality improvement of 0.5% p.a. (unchanged from previous valuation).</p>

	Severe Traumatic Injuries	Other Serious Injury
Income Support	<p>Duration: To retirement age on all IS ongoing claims, given the high level of needs for these claims we do not allow for any future s56A elections or Income Support redemptions unless ReturnToWorkSA advise that this is likely based on claimant discussions.</p> <p>Payment amount: Based on individual claim historical experience and estimates provided by ReturnToWorkSA.</p>	<p>Duration: To retirement age on all IS active claims, with an allowance for s56A elections and income redemptions which finalises entitlement to income benefits (see Appendix A.12 for more details).</p> <p>Payment amount: Selected based on payment per active claim curves, split between those becoming IS active as a Serious Injury claim for the first time (which are often associated with a large backpay) and continuing Serious Injury actives (in receipt of regular Income Support).</p>
Treatment Related Costs and Other ²	<p>Duration: Paid for life, and consistent with Income Support projections, we do not make any allowance for redemptions unless advised by ReturnToWorkSA that this is likely based on claimant discussions.</p> <p>Payment amount: Based on individual claim historical experience and estimates provided by ReturnToWorkSA, with the exception of Hospital costs, which are based on selected payment per active claim curves for this cohort.</p> <p>Allowance for IBNER on Other and Medical costs above identified costs.</p>	<p>Duration: Paid for life, with an allowance for medical redemptions which finalises entitlement to medical benefits (see Appendix A.12 for more details).</p> <p>Average amount: Selected based on payment per active claim curves</p>
Non-economic loss	<p>Claim numbers: Assumed to be paid to all claimants with a physical injury.</p> <p>Average size: Based on a combination of the historical WPI distribution and payment schedule for non-economic loss payments, and historical experience.</p>	
s56A and Income Support redemptions	<p>Claim numbers: Ultimate Other Serious Injury numbers are multiplied by an assumed s56A/Income Support redemption take-up rate (as noted above we do not allow for any future s56A or Income Support redemptions for the Severe Traumatic Injury cohort unless advised by ReturnToWorkSA).</p> <p>Average size: Based on a combination of the historical WPI distribution and payment schedule for s56A payments, and historical experience.</p>	
Medical redemptions	<p>Claim numbers: Assumed proportion of s56A/Income Support redemptions, based on historical experience.</p> <p>Average size: Average medical redemption amount, based on historical experience.</p>	
Legal and Investigation	<p>Legal costs are modelled as a percentage of IS costs, net of payments to date.</p> <p>An average ultimate investigation cost per claim is adopted, net of payments to date.</p>	Modelled as payment per claim incurred.
Recoveries	Projected for claims identified by ReturnToWorkSA as having recovery potential.	Applied a recovery as a proportion of gross payments for future periods.
Common Law	Not available to pre-1 July 2015 claims, and included in the cost of statutory entitlements for post-1 July 2015 claims.	

	Severe Traumatic Injuries	Other Serious Injury
Future cost escalation	<p>WCI: Income Support.</p> <p>AWE: Recoveries, Treatment and Other, Legal and Investigation.</p> <p>Superimposed: 2% p.a. on Treatment, 1.5% on Other.</p> <p>Care inflation: 3.95% p.a. overall inflation in FY26 (noting that FY26 rates have already taken effect on 1 July 2025), increasing to 5.38% in FY27 before progressively reducing to around 4.2% p.a. overall inflation by FY57.</p> <p>Needs Utilisation: 75% loading applied at age 65 on Treatment and Other, capped at 30 hours of care per day.</p>	<p>WCI: Income Support.</p> <p>AWE: Recoveries, Treatment and Other, Legal and Investigation.</p> <p>Superimposed: 2% p.a. on Treatment, 1.5% on Other.</p> <p>Care inflation: as for Severe Traumatic Injuries, plus an additional allowance over the next 7 years reflecting strong recent growth in the care utilisation and average spend for this cohort, which we expect to continue over the short term.</p>
IBNR Assumptions	<p>IBNR claims for the latest five accident years only.</p> <p>Claim size based on historical experience of current claims.</p>	<p>IBNR claims for all accident years, reflecting the historical experience regarding the delay from injury to determination, and the estimated ultimate frequency as a proportion of claims receiving Income Support.</p>
Reform Transition Provisions	<p>We assume that reform transition provisions have now been completed, and future experience will be fully reflective of post-reform rules. We have considered how transition provisions impacted historical experience when setting assumptions.</p>	

¹ Projected costs are those paid after the claim has been identified as Serious Injury.

² Treatment related costs relate to Medical (including Aids and Appliances), Hospital, Rehab, Allied Health, and Travel. Other costs have been split into "Care" and "Other" for the purposes of the valuation. Care relates to services such as attendant, respite and/or nursing care. The remaining payments in 'Other' mainly relate to home and vehicle modifications and domestic services.

As noted in Table 8.1, the Severe Traumatic Injury valuation is reliant on estimates provided by ReturnToWorkSA. Estimates provided are updated every six months where:

- Claimant circumstance have changed
- There are new entrants into the EnABLE cohort
- It has been a significant period since estimates were reviewed and recent payments have diverged from the estimated half-yearly spend.

Estimates are not updated for short-term fluctuations in benefit utilisation as this would introduce undue volatility into a lifetime valuation.

8.3 Overall results

Table 8.2 shows the central estimate of Serious Injury claims costs at 31 December 2025 and movement in our liability estimates since the June 2025 valuation.

Table 8.2 – Serious injury claims valuation results (excluding CHE)

	Income Support	Hospital	Medical	Travel	Rehabilitation	Allied Health	Investigation	Other	Care	Legal - Non-Contract	Lump sums	Redemptions	Legal Contract	Recoveries	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Jun-25 Valuation															
Estimated Liab at Jun-25	768	122	368	51	16	252	0	49	439	33	174	8	10	-33	2,257
Projected Liab at Dec-25	796	128	385	53	17	264	0	51	449	33	181	8	10	-33	2,342
Dec25 Valuation															
Movement in liability due to claims performance	-21	-11	-40	-9	-2	-3	0	-3	70	-4	-12	-1	-0	4	-31
Estimated Liab at Dec25 (Jun25 ecos)	775	117	344	44	15	261	1	48	519	29	170	7	9	-29	2,310
Impact of change in ecos	-41	-9	-28	-4	-1	-21	-0	-4	-1	-4	-0	-0	-0	1	-151
Estimated Liab at Dec25 (Dec25 ecos)	734	107	317	41	14	240	1	44	481	28	165	7	9	-28	2,159
AVE Payments - six months to Dec-25	-2	-0	-0	-0	-0	1	0	0	-1	-1	-1	-0	-0	1	-4
Actuarial Release at Dec-25 ¹	23	11	41	9	2	2	-0	3	-70	5	13	1	1	-4	35

¹Excluding CHE

The outstanding claims cost for Serious Injury claims (excluding CHE) is \$2,159m at 31 December 2025. The main movements from our June 2025 projection of the December 2025 liability are:

- Claims experience and basis changes decreased the liability by \$31m, as a result of:
 - > A \$60m net reduction as a result of claim number changes (see Section 5.3)
 - > A \$24m strengthening due to revised morbidity assumptions for Severe Traumatic Injury claims
 - > A \$5m increase due to other changes. This is made up a of \$13m increase for Other Serious Injury claims predominantly due to an increase in assumed future Care average sizes, partially offset by lower costs on existing Severe Traumatic Injury claims reflecting updated information provided by ReturnToWorkSA’s EnABLE team.
- Payments were \$4m lower than expected over the six months.
- Updating economic assumptions at the current valuation resulted in a release of \$151m.

Table 8.3 shows the actuarial release by accident period for Serious Injury claims.

Table 8.3 – Actuarial release: Serious Injuries

Accident Period	Actuarial Release ¹	Release as %
	\$m	
To 30 Jun 15	-28	-4%
2015/16 - 2019/20	31	4%
2020/21 - 2021/22	18	6%
2022/23 - 2024/25	15	2%
Total	35	2%

¹ Includes change in OSC and Act vs Exp payments.

Positive values represent accounting profit (valuation release), negative values represent accounting loss

All Return To Work Act periods have experienced a release, largely due to reductions in Other Serious Injury claim numbers. Workers Compensation Act periods had a minor (4%) strengthening due to a combination of changes to the assumed morbidity loading for Severe Traumatic Injury claims (see Section 8.4.3), higher future Care average sizes for Other Serious Injury claims and a slight lengthening of the determination pattern for Other Serious Injury claims.

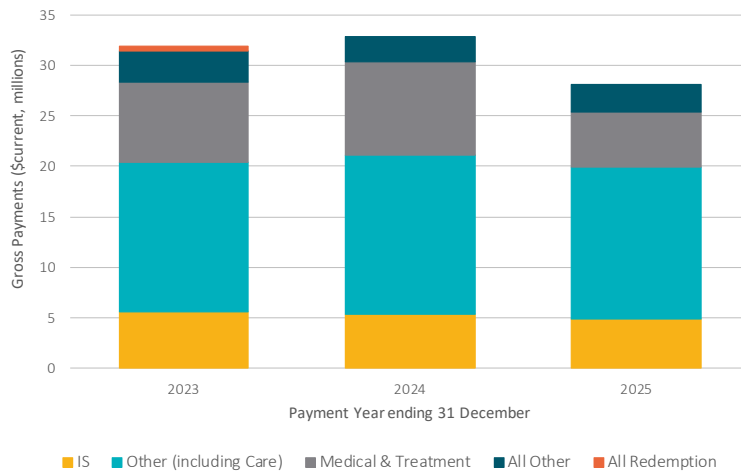
The remainder of this section deals with the payment experience and valuation basis.

8.4 Severe Traumatic Injury claims

8.4.1 Payments by type

Figure 8.1 shows claim payments over the past three years for Severe Traumatic Injury claims.

Figure 8.1 – Severe Traumatic Injury claim payments (\$Dec25)



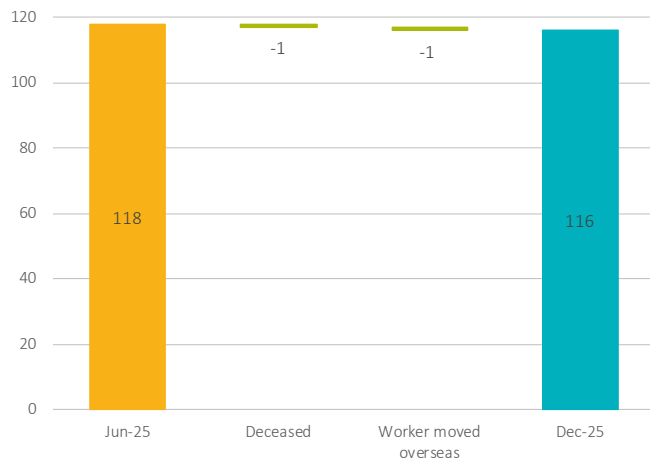
\$93m has been paid to Severe Traumatic Injury claims in the last three years. After allowing for recoveries of \$3m over this same period, this equates to an average of around \$30m p.a. in net claim payments (in 31 December 2025 values), comprising around:

- \$15m p.a. in care and other costs.
- \$8m p.a. in medical, treatment and related benefits. Spend on these benefits was materially lower in 2025 relative to 2023 and 2024, after a claimant with extremely high hospital costs passed away.
- \$5m p.a. in income support.
- \$2m p.a. in lump sums.
- Small amounts of legal, investigation and redemption payments (\$0.6m p.a.).
- \$1m p.a. in recoveries.

8.4.2 Claimant profile

Figure 8.2 shows the number of active Severe Traumatic Injury claims (i.e. those being valued) at the current and previous valuations, along with the reasons for movement in the number of claims being valued.

Figure 8.2 – Movement in Severe Traumatic Injury claim numbers

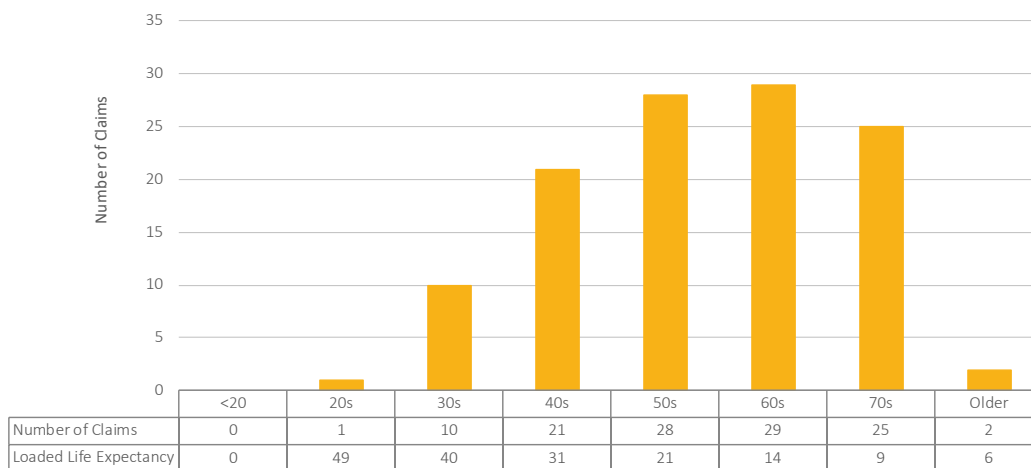


There are 116 active Severe Traumatic Injury claims with expected ongoing benefits at December 2025, two fewer than at the previous valuation. The movements were:

- There was one death in the six months to 31 December 2025
- One worker has moved overseas and as a result is not expected to continue receiving benefits.

Figure 8.3 shows the age and life expectancy of the current Severe Traumatic Injuries.

Figure 8.3 – Age distribution and life expectancy (in years) of Severe Traumatic Injuries



Severe Traumatic Injury claimants are currently aged around 60 on average, with an expected future life expectancy of about 21 years (after allowing for mortality, mortality improvements and mortality loadings). The average age at injury was about 41 years.

Around 65% of the current Severe Traumatic Injuries have a WPI assessment, with an average WPI of around 57%; the relatively low completion rate is partly explained by older claims being paid their lump sum prior to the introduction of WPI assessments in 2009. At this valuation, there are 24 claims with recorded WPI assessments below 35%; ignoring these claims, the average assessed WPI is approximately 65%.

8.4.3 Morbidity loadings

At the current valuation we have revised our morbidity loadings and mortality improvement assumptions for Severe Traumatic claims to reflect key findings from a recent mortality study⁷ that covered 9 lifetime care schemes across Australia and New Zealand (NB: participants in lifetime care schemes have a similar injury profile to the Severe Traumatic claims cohort; however the findings are not applicable to Other Serious Injury claims). Key findings from the study include:

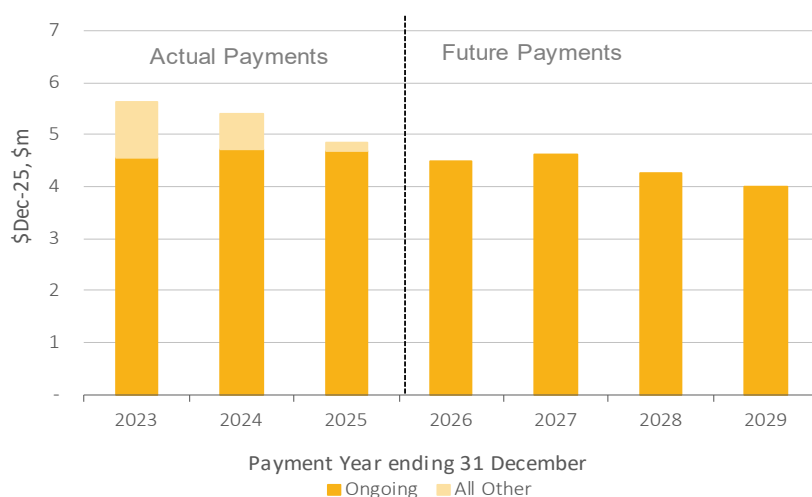
- There is limited or no evidence of mortality improvement for severely injured people.
- People with spinal cord injuries have a lower life expectancy than people with other severe injuries.
- Life expectancy varies by gender and duration since injury.

The main resulting changes (compared to the previous loadings) are an increase in life expectancy for claims with high care needs and a decrease in life expectancy for claims with lower care needs. This produced an overall strengthening of \$24m, broken down into a \$46m strengthening for Care and a \$22m decrease for other payment types. See Appendix A.12.4 for more details.

8.4.4 Income Support

Figure 8.4 shows historical and projected Income Support payments for Severe Traumatic Injury claims (including IBNR claims for existing accident years).

Figure 8.4 – IS Payments: Severe Traumatic Injury Claims (\$Dec25)



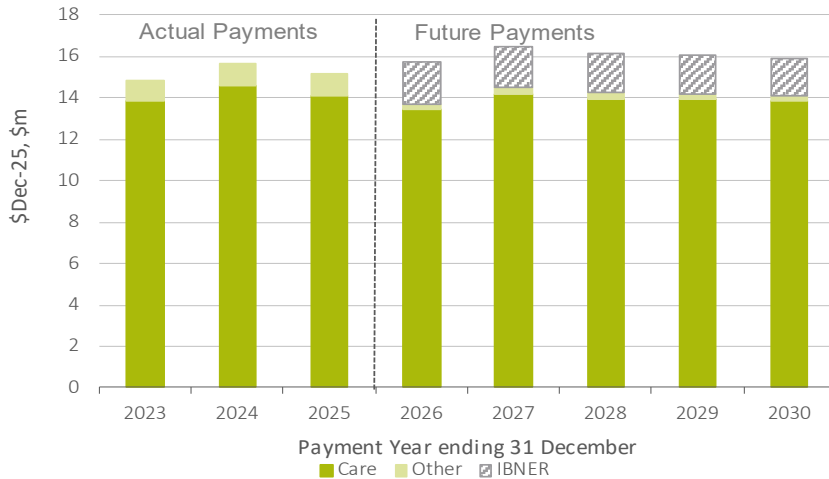
We estimate around \$4.5m will be paid in Income Support to Severe Traumatic Injury claims in 2026 – lower than 2025 actual payments, driven by the death of two workers in the last year, one worker emigrating out of Australia and the cessation of benefits on four claims due to retirement in the last year. Projected future payments reduce over time in line with changes in replacement ratios, expected mortality and retirement. The projected payments for known claims are equivalent to 12 years’ worth of the expected 2026 payments.

⁷ Cutter, A., Poon, A., Verbelen, R., Jain, M., Desai, V. (2025). Modelling mortality rates for catastrophically injured individuals in Australian and New Zealand injury and disability schemes. Injury and Disability Scheme Seminar, the Institute of Actuaries of Australia

8.4.5 Care and other costs

Figure 8.5 shows historical and projected care and other payments for Severe Traumatic Injury claims (including IBNR claims). There has been pressure on care costs in recent years (which is partially attributable to the NDIS), with care estimates provided by ReturnToWorkSA on Severe Traumatic Injury Claims increasing from around \$125k per week in December 2018 to around \$270k at December 2025. This has been considered in our inflationary allowances that were summarised in Table 8.1.

Figure 8.5 – Care (incl. Other) payments: Severe Traumatic Injury claims (\$Dec25)



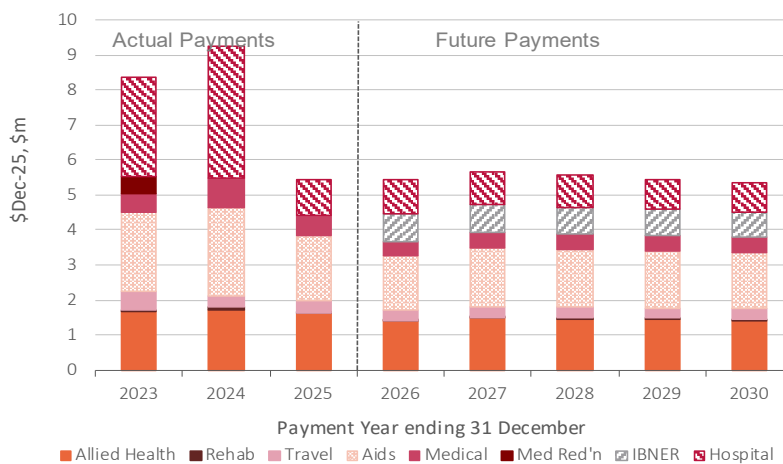
We expect around \$16m of care and other payments in 2026, which is marginally higher than 2025 actual payments due to the inclusion of our IBNER allowance which is intended to capture an annualised contribution for other benefits (primarily modifications and transfers from initial hospital care into home care, or from unpaid family care to paid care).

Projected payments reduce slowly over time due to mortality, with the outstanding claims projection equivalent to 22 years of the expected 2026 payments, including the IBNER allowances (NB: this is lower than the multiple for treatment costs, as claims with very high care needs tend to have higher mortality).

8.4.6 Treatment and related costs

Figure 8.6 shows historical and projected treatment and related costs for Severe Traumatic Injury claims (including IBNR claims).

Figure 8.6 – Treatment and related payments: Severe Traumatic Injury claims (\$Dec25)



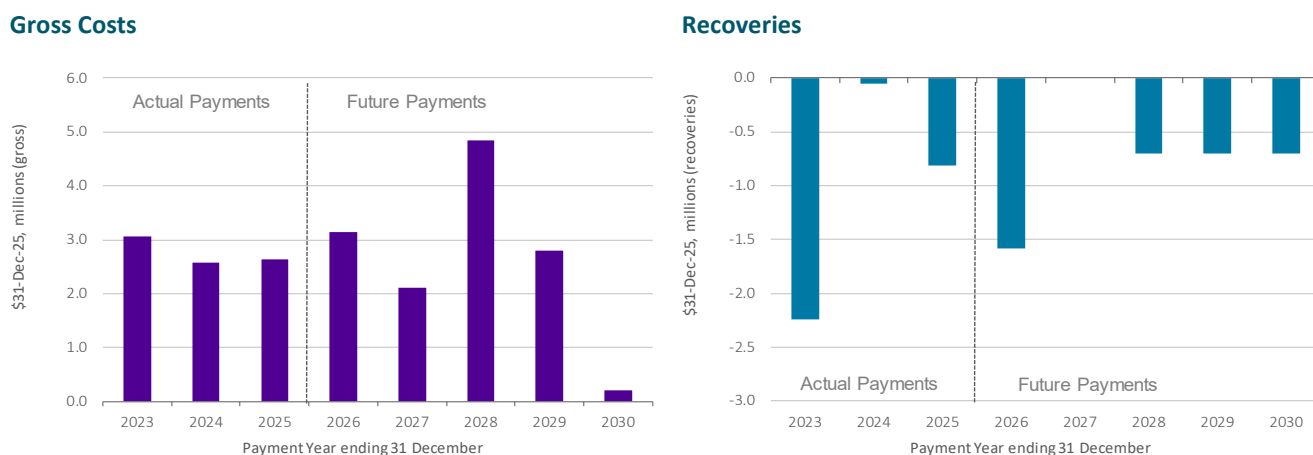
Hospital payments were very high in 2023 and 2024 but reduced significantly in 2025. This is predominantly due to a single high hospital cost claim that passed away in 2025.

We expect future treatment and related payments of \$5.4m in 2026, similar to payments in 2025. The outstanding claims projection is equivalent to 25 years of the expected 2026 payments, including the IBNER allowances.

8.4.7 All other payments

The following graph shows historical and projected other benefits for Severe Traumatic Injury claims – this includes one-off payments such as permanent impairment lump sums and recoveries, and smaller payments such as legal and investigation costs.

Figure 8.7 – All other payments: Severe Traumatic Injury claims (\$Dec25)



In the three years to 30 June 2025, a net \$5.2m of other benefits was paid for Severe Traumatic Injury claims. Our future projections for claims occurring prior to 31 December 2025 include (in current dollars):

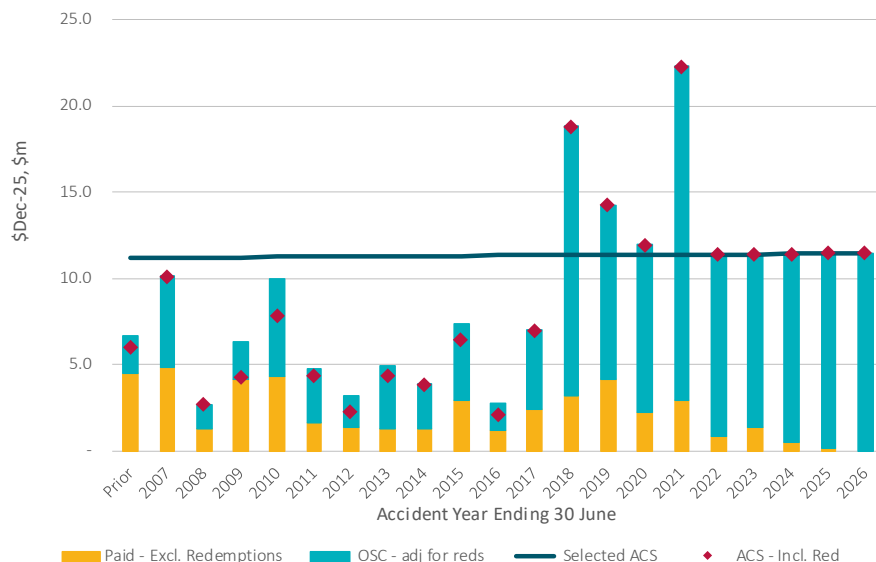
- Lump sum benefits of \$11.4m paid to claims who have not yet had a lump sum. We have not allowed for any future s56A lump sums and medical redemptions in the EnABLE cohort.
- Legal and investigation costs of \$3.3m.
- Recoveries of \$3.7m, \$1.6m of which is for those claims where ReturnToWorkSA has identified recovery potential, with the remaining amount attributable to IBNR claims. The recovery allowance is based on input from the relevant ReturnToWorkSA staff.

Due to the one-off nature of most of these payments, the outstanding liability is a much lower multiple of expected 2026 expenditure.

8.4.8 Overall results and implications

Figure 8.8 shows the net ultimate average claim size across current Severe Traumatic Injury claims. A large proportion of the estimated cost is projected future payments, so there is greater uncertainty about ultimate costs than in other areas of the valuation.

Figure 8.8 – Average claim size: reported Severe Traumatic Injury claims (\$Dec25)



The average claim size across current Severe Traumatic Injury claims is around \$6.2m in current values; however, this includes claims that (in the past) were redeemed at less than the full lifetime value. Excluding redeemed claims, the average claim size is \$7.3m.

In recent accident years (2018 onwards) we have observed a reduction in the number of Severe Traumatic Injury claims; however, these periods have had a materially higher average size (see Figure 8.8). At this valuation we have re-balanced our IBNR assumptions to better reflect this dynamic by:

- Reducing our expected number of claims for a new accident year from 4.5 to 3
- Increasing our assumed average size from \$7.9m to \$11.5m (\$Dec-25).

In aggregate, this leads to only a minor change in our assumed ultimate cost for a new accident year (\$36m previously vs \$35m current, in \$Dec-25).

8.5 Other Serious Injury claims

8.5.1 2022 reforms

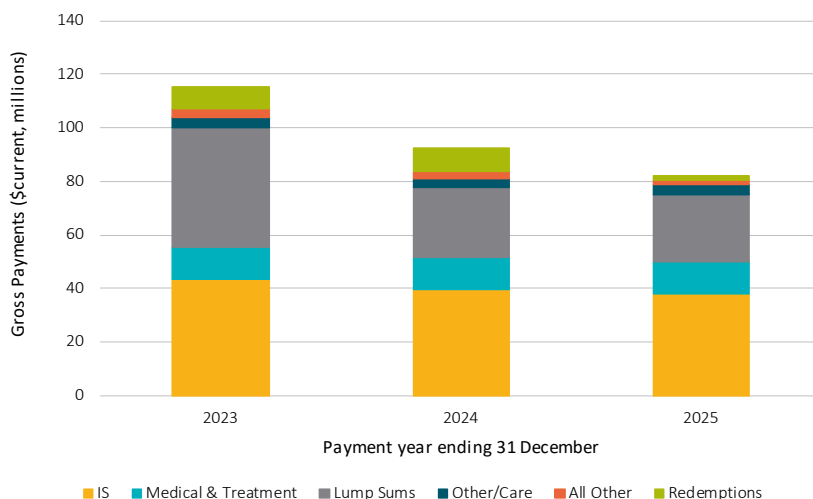
The *Sustainability Act 2022* had the following impacts on the Serious Injury valuation:

- ‘Combining injuries’ was codified
- The Serious Injury WPI threshold for physical injuries was increased from 30% to 35% (see Appendix A.12 for details on threshold transition details). Our allowance for this is summarised in Section 5.3.2.
- Claims have the ability to commute their Income Support and Medical payments via a s56A election (commutes Income Support and Return to Work and Rehab services) and redemptions (available for both Income Support and Medical).

8.5.2 Payments by type

Figure 8.9 shows claim payments over the past three years for the Other Serious Injury claims (i.e. excluding Severe Traumatic Injuries).

Figure 8.9 – Other Serious Injury claim payments (\$Dec25)



Around \$290m has been paid to Other Serious Injury claims in the last three years. After allowing for recoveries of \$15m over this same period, this equates to an average of around \$92m p.a. in net claim payments (in 31 December 2025 values), comprising:

- \$40m p.a. in Income Support
- \$12m p.a. in medical, treatment and related benefits.
- \$32m p.a. in lump sums – noting that this is driven by a high of \$48m per annum in 2023, the average reduces to \$28m only considering 2024 and 2025, this is a result of:
 - > Lower Serious Injury claim numbers beginning to translate to lower lump sum payments
 - > Threshold change cut-offs motivating claims to have their WPI assessments prior to December 2022 (for claims not interim Serious Injury at that point) and prior to December 2023 (for claims that were interim Serious Injury at December 2022)
 - > An initial influx of s56A elections following the *Sustainability Act 2022* that have now been completed
- Small amounts of other benefits (\$6m) and redemptions (\$6m).
- \$5m p.a. in recoveries.

8.5.3 Income support

Experience vs expectations

Table 8.5 compares actual Income Support experience with expectations from the previous valuation.

Table 8.4 – Actual vs Expected Experience: Income Support

		Actual	Expected	A-E	A/E -1
First actives	<i>Active claims</i>	23	33	(10)	-31%
	<i>PPAC (\$000)</i>	111	122	-11	-9%
	<i>Payments (\$000)</i>	2,547	4,048	-1,502	-37%
Continuing actives	<i>Active claims</i>	502	502	0	0%
	<i>PPAC (\$000)</i>	33	34	-1	-3%
	<i>Payments (\$000)</i>	16,706	17,136	-430	-3%
Total actives	<i>Active claims</i>	525	535	(10)	-2%
	<i>PPAC (\$000)</i>	37	40	-3	-7%
	<i>Payments (\$000)</i>	19,253	21,184	-1,932	-9%

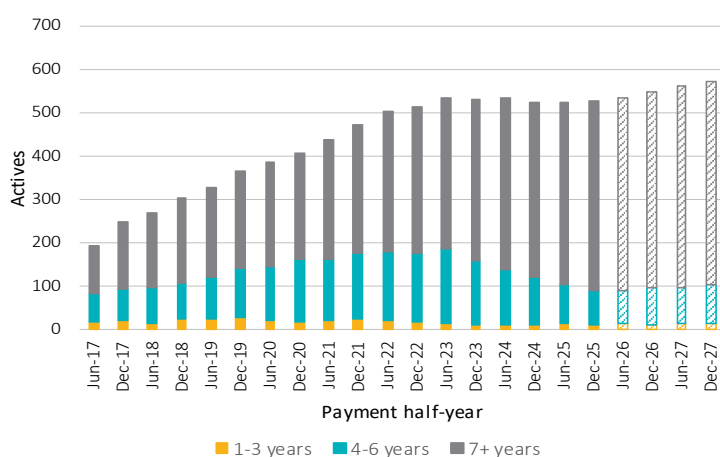
Our comments are as follows:

- Payments for first active claims were 37% lower than expected driven by:
 - > The number of first active claims were 31% lower than expected, as a result of fewer new Serious Injury claims than expected (see Section 5.3.1)
 - > Payments per active claim (PPACs) were 9% lower than expected, noting that there can be significant volatility in the average size of first actives depending on the level of backpay included
- Payments for continuing actives were close to expectations (3% lower) with both the number of active claims and PPACs close to expected
- Overall payments were 9% lower than expected, largely due to lower than expected first actives.

Active claims

Figure 8.10 shows historical and projected Income Support actives for Other Serious Injury claims, split by duration.

Figure 8.10 – Income Support actives: Other Serious Injury claims



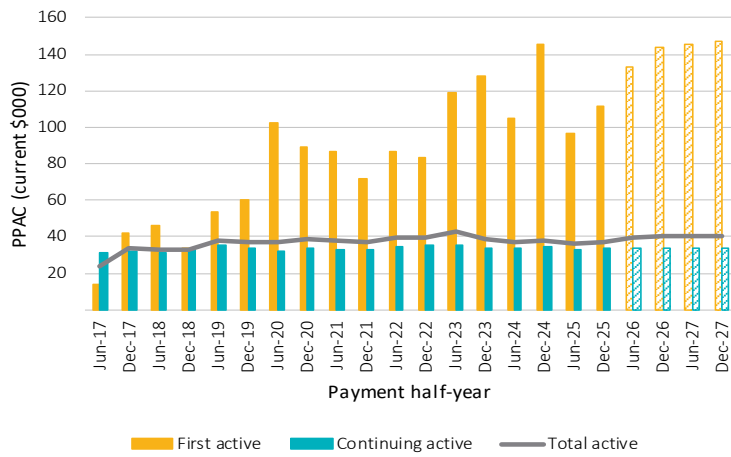
Our comments are as follows:

- Income Support actives increased up until June 2023, reflecting the maturation of the Serious Injury cohort
- Income support actives have since remained stable, despite the underlying pool of claims growing. This is driven by a combination of:
 - > A reduction in new Serious Injury determinations (refer to Section 5.3)
 - > The introduction of s56A/Income Support redemptions for Serious Injury claims, noting that there was an initial spike in s56A/Income Support redemptions once they became available to all Serious Injury claims on 17 October 2022 (s56A elections are limited to Return To Work Act claims)
- We project that Income Support actives will begin to grow over the next couple of years, as new determinations and s56A/Income Support redemptions settle at a more stable level and the cohort continues to mature.

Average payment amount

Figure 8.11 shows the historical and project payment amount per active claim, split between the average size of first actives, continuing actives and total actives.

Figure 8.11 – Income Support PPAC: Other Serious Injury claims (\$Dec25)



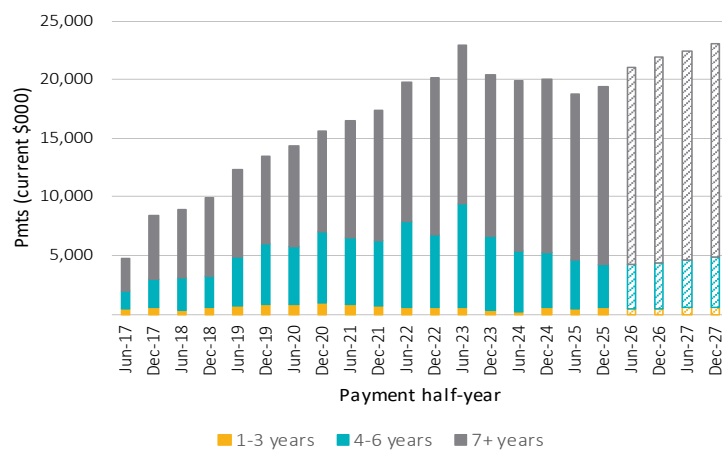
Our comments are as follows:

- First actives have a much higher PPAC, reflecting the significant backpay that is often associated with Serious Injury determination
- Average payment amounts trended up until June 2023, but have remained fairly level from this point on, although volatile between half-years.
- Our projected average size is at a similar level to the highs of recent experience.

Payments

Figure 8.12 shows historical and projected Income Support payments, split by duration

Figure 8.12 – Income Support payments: Other Serious Injury claims (\$Dec25)



Payments follow a similar trend to Income Support actives.

8.5.4 Treatment and related

Experience vs expectations

Table 8.6 compares actual treatment and related experience with expectations from the previous valuation.

Table 8.5 – Actual vs Expected Experience: Treatment and related

		Actual	Expected	A-E	A/E -1
Actives (#)	<i>First actives</i>	28	39	(11)	-28%
	<i>Continuing actives</i>	701	711	(10)	-1%
	Total	729	749	(20)	-3%
PPAC (\$)	<i>Medical and Treatment</i>	8,412	8,424	(12)	0%
	<i>Other and Care</i>	2,485	2,457	28	1%
	Total	10,897	10,881	16	0%
Payments (\$000)	<i>Medical and Treatment</i>	6,132	6,313	(181)	-3%
	<i>Other and Care</i>	1,812	1,841	(30)	-2%
	Total	7,944	8,154	(210)	-3%

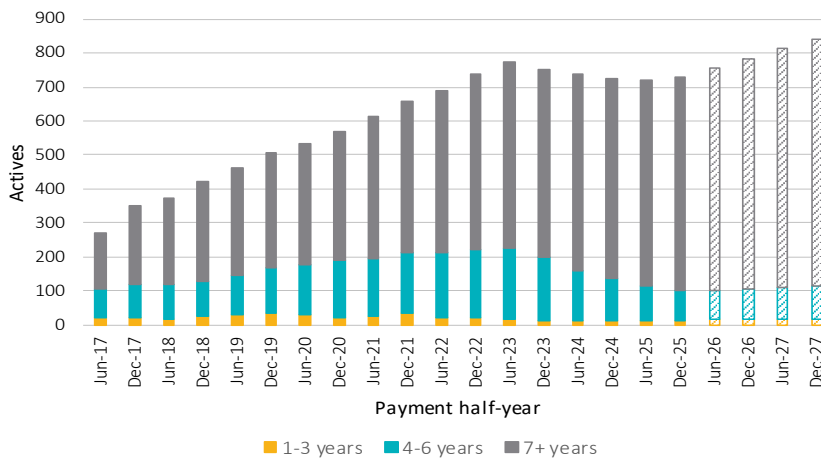
Our comments are as follows:

- As for Income Support, actives were close to expected in aggregate, but first actives were materially lower than expected
- PPACs were in line with expectations
- Overall payments were 3% lower than expected, predominantly driven by lower than expected first actives.

Active claims

Figure 8.13 shows historical and projected Treatment and related actives for Other Serious Injury claims, split by duration.

Figure 8.13 – Treatment and related actives: Other Serious Injury claims

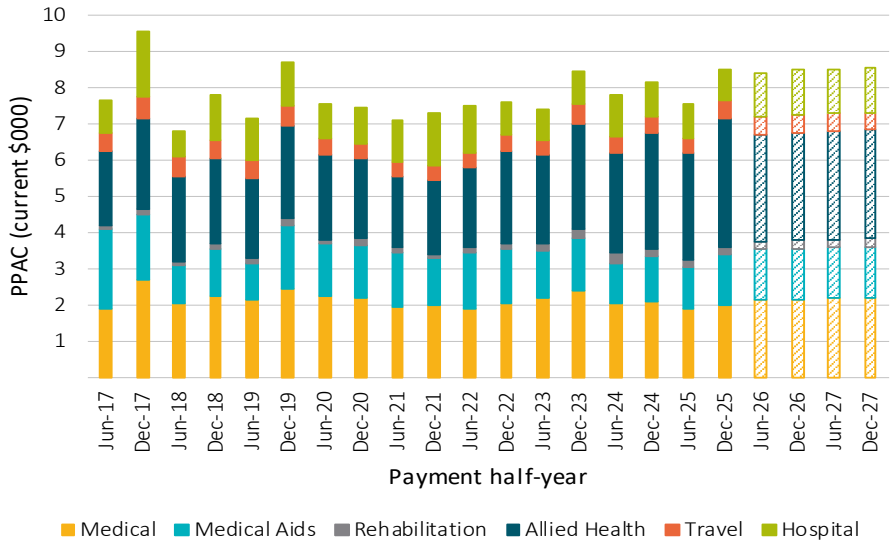


Treatment and related actives follow a similar pattern to Income Support active claims.

Average payment amount

Figure 8.14 shows the historical and projected payment amount per active claim, excluding the Other and Care payment types.

Figure 8.14 – Treatment and related (ex. Other and Care) PPAC: Other Serious Injury claims (\$Dec25)

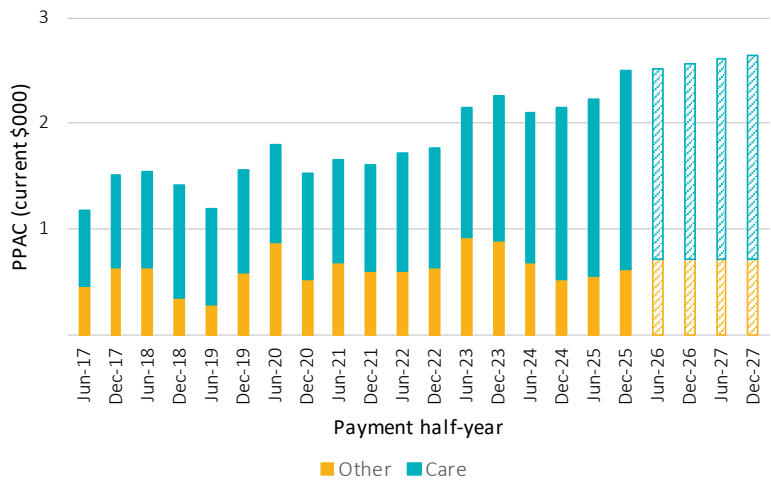


Our comments are as follows:

- After remaining at a stable level of around \$7,400 from June 2020 to June 2023, average sizes in the last five half-years have increased to around \$8,100, in 31 December 2025 values. As for the previous valuation, we believe it is possible the increase in average size is linked to the introduction of medical redemptions (where it seems that lower cost claims are more likely to take a medical redemption) and/or that the reduction in claim numbers is biased towards lower needs claims, resulting in a higher average payment amount for remaining claims.
- Our projected average payment amounts are in line with the recent experience, noting that we include an allowance for average sizes to continue to drift upwards as redemption and lower claim number experience matures.

Figure 8.15 shows the historical and projected payment amount per active claim for the Other and Care payment types.

Figure 8.15 – Other and Care PPAC: Other Serious Injury claims (\$Dec25)



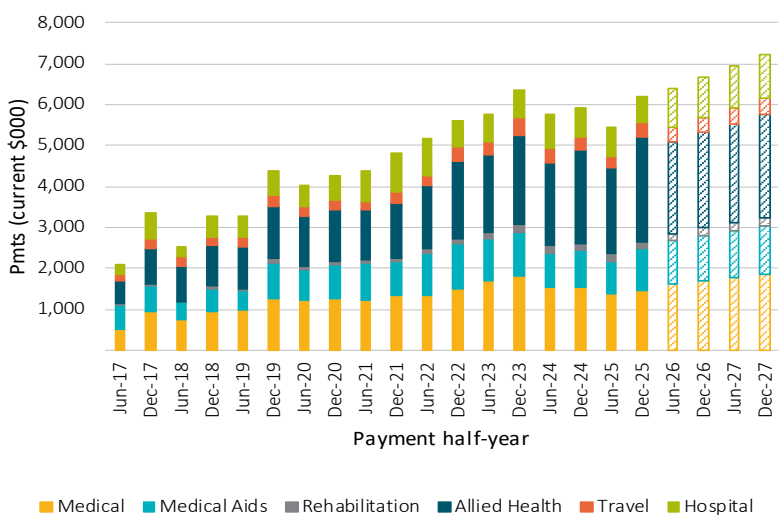
Our comments are as follows:

- Average sizes for Care claims have increased significantly over the past three years, driven by a combination of higher utilisation of Care services for Other Serious Injury claims and an increase in the average spend for claims that do utilise Care services.
- Our projected average size for the Jun-26 half-year is in line with the most recent (higher) experience for both Other and Care and we project this to continue to grow in line with the upward trend observed in recent years. The continued growth is due to an explicit allowance for care utilisation and the average amount of care received to continue to increase over the next few years (see Table 8.1).

Payments

Figure 8.16 shows historical and projected Treatment and related payments, excluding Other and Care

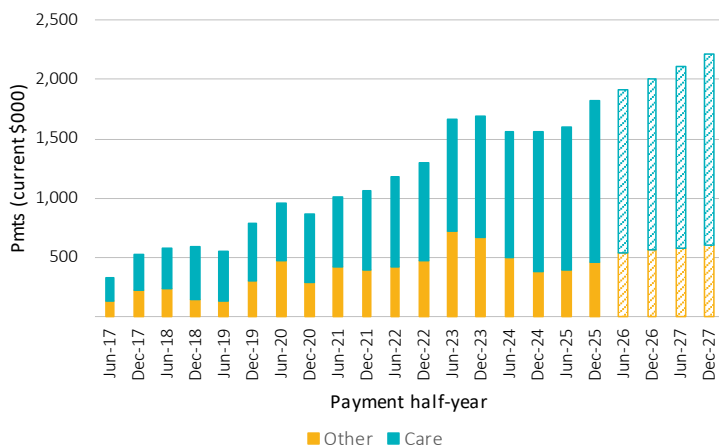
Figure 8.16 – Treatment and related payments (ex. Other and Care): Other Serious Injury claims (\$Dec25)



Payments follow a similar trend to Treatment and related actives.

Figure 8.17 shows historical and projected Other and Care payments.

Figure 8.17 – Other and Care payments: Other Serious Injury claims (\$Dec25)



Other and Care payments are projected to increase from recent levels due to a combination of growth in projected actives, an average size at the upper end of the most recent experience and an explicit allowance for continued utilisation growth.

8.5.5 Non-economic loss

Experience vs expectations

Table 8.7 compares actual non-economic loss experience with expectations from the previous valuation.

Table 8.6 – Actual vs Expected Experience: NEL

	Actual	Expected	A-E	A/E -1
Claims (#)	24	28	(4)	-15%
Avg Size (\$000)	415	338	76	23%
Payments (\$000)	9,950	9,571	379	4%

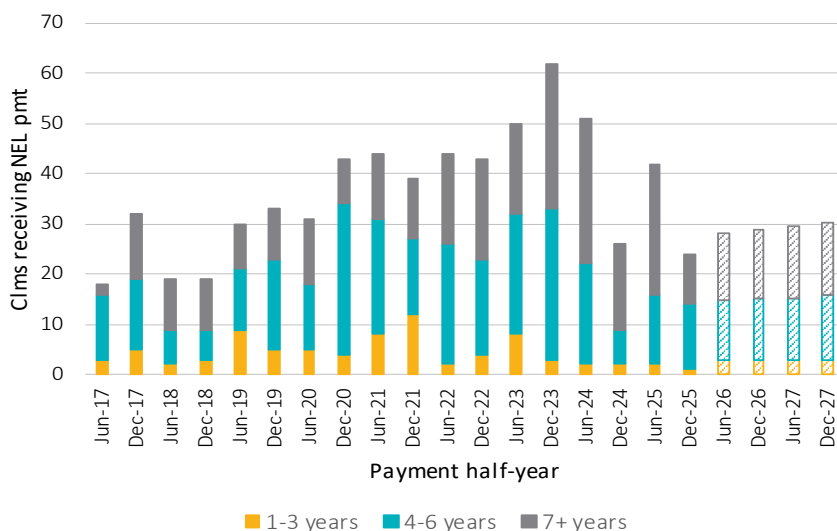
Our comments are as follows:

- The number of claims receiving a non-economic loss payment was 15% lower than expected. We note that as all Serious Injury claims are entitled to a non-economic loss payment (with the exception of Psychological claims), this is a timing issue only.
- The average size of non-economic loss payments was 23% higher than expected, reflecting a higher than usual WPI score for claims with a non-economic loss payment in the last six months
- Payments were 4% higher than expected, driven by the higher average size which was largely offset by the lower number of claims receiving a non-economic loss payment.

Claim numbers

Figure 8.18 shows the number of claims receiving a non-economic loss payment, split by duration.

Figure 8.18 – Claims receiving Non-Economic Loss payment: Other Serious Injury claims



Our comments are as follows:

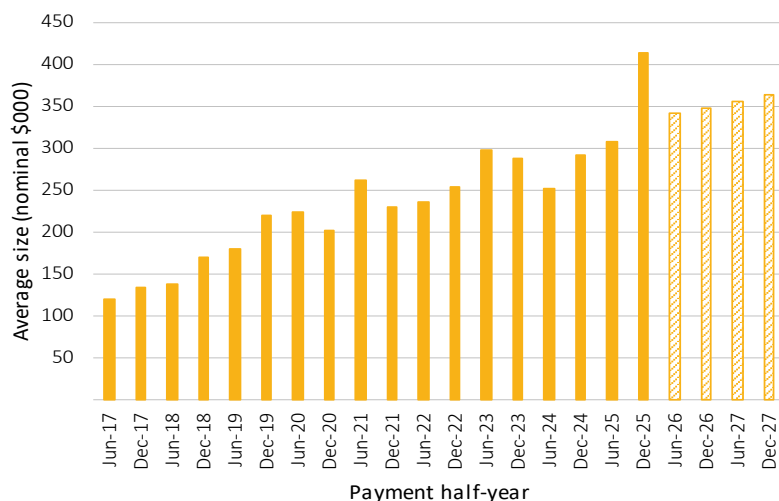
- The number of claims receiving a non-economic loss payments peaked at slightly over 60 in the December 2023 half-year, linked to the threshold change deadline for interim Serious Injury claims.
- The number of claims receiving a non-economic loss payment reduced significantly in the December 2024 half-year, slightly lagging the reduction in overall number of Serious Injury determinations (noting that non-economic loss payments will align with the full Serious Injury determination, rather than an interim Serious Injury determination).
- It then rebounded to just over 40 claims in the June 2025 half-year

- The December 2025 half-year has emerged at a similar level to the low of December 2024 half-year.
- Our future projected numbers are around 30 claims per half-year, reflecting the reduction in projected Serious Injury numbers.

Average size

Figure 8.19 shows the historical and projected average size for non-economic loss payments. For non-economic loss payments we show average sizes and payments in nominal dollars, as the amount payable for each accident year for a given WPI is fixed.

Figure 8.19 – Non-Economic Loss average size: Other Serious Injury claims (nominal dollars)



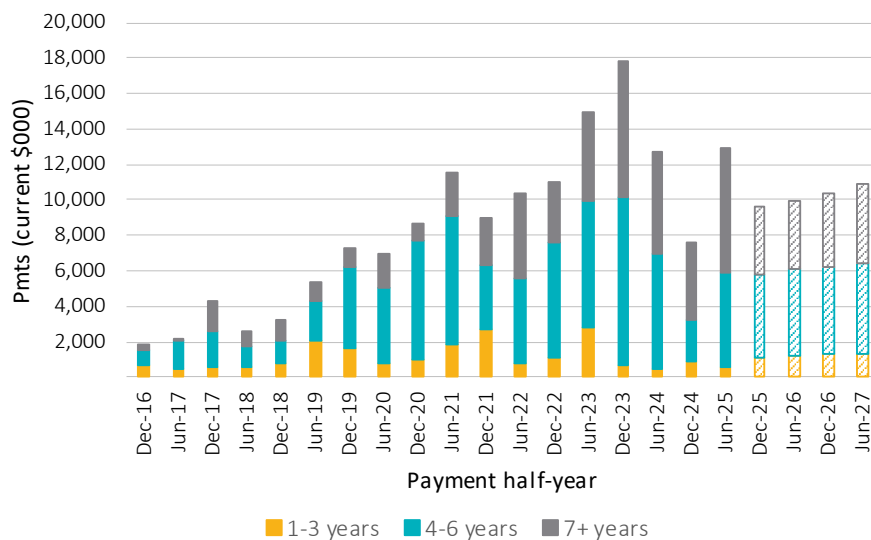
Our comments are as follows:

- Sizes have trended upward over the period shown, due to a combination of:
 - > A stepwise change to the schedule of payments available for pre and post Return To Work Act accidents
 - > Yearly inflationary increases to the schedule of payments
 - > An increase in the average WPI score as the threshold change flows through to non-economic loss payments
- Our projected average size continues the upward trend, largely due to the higher average WPI score as a result of the threshold change and strong indexation in the schedule of payments for more recent accidents due to high CPI inflation around COVID.
- As noted earlier, the average size for the six months to December 2025 was impacted by a higher than usual average WPI score for this period.

Payments

Figure 8.20 shows historical and projected payments non-economic loss payments.

Figure 8.20 – Non-Economic Loss payments: Other Serious Injury claims (nominal dollars)



We project between \$9m and \$11m of payments per half-year over the next two years.

8.5.6 s56A and Income Support redemptions

Experience vs expectations

Table 8.8 compares actual s56A and Income Support redemption experience with expectations from the previous valuation.

Table 8.7 – Actual vs Expected Payments: s56A or IS redemption

	Actual	Expected	A-E	A/E -1
Claims (#)	4	8	(4)	-52%
Avg Size (\$000)	225	237	(12)	-5%
Payments (\$000)	900	1,965	(1,065)	-54%

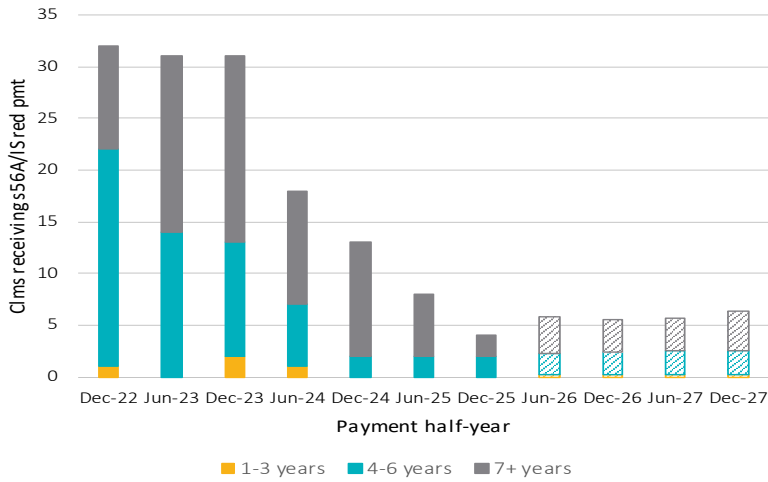
Our comments are as follows:

- The number of claims receiving a s56A or Income Support redemption payment was lower than expected; these volumes have been trending down over time
- The average size of s56A or Income Support redemptions was in line with expected, noting there is more volatility associated with Income Support redemption average sizes as they are a negotiated amount
- Payments were 54% lower than expected.

Claim numbers

Figure 8.21 shows the number of claims receiving a s56A or Income Support redemption payment, split by duration. As s56A elections were only available from 17 October 2022, we do not show any history prior to the December 2022 half-year.

Figure 8.21 – Claims receiving s56A or Income Support redemption payment: Other Serious Injury claims



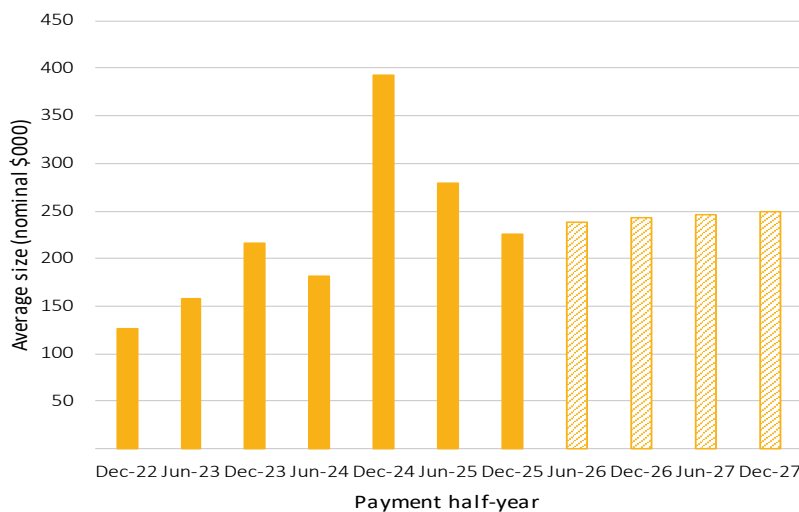
Our comments are as follows:

- Following the introduction of s56A elections, the number of claims receiving either a s56A or Income Support redemption payment was between 30 and 35 for the three half-years to December 2023. We consider this period artificially high, as this benefit became available to all existing Serious Injury claims on 17 October 2022.
- The number of claims has been decreasing for the four half-years since December 2023. The initial reduction was a result of the backlog of claims being worked through, with further reductions linked to reductions in overall Serious Injury numbers.
- Our future projected numbers are at a similar level to mid-point of the June 2025 and December 2025 half-years, which we interpret as being indicative of the ongoing ‘steady state’ level.

Average size

Figure 8.22 shows the historical and projected average size for s56A and Income Support redemption payments. As for non-economic loss payments we show average sizes and payments in nominal dollars.

Figure 8.22 – s56A and Income Support redemption average size: Other Serious Injury claims (nominal dollars)



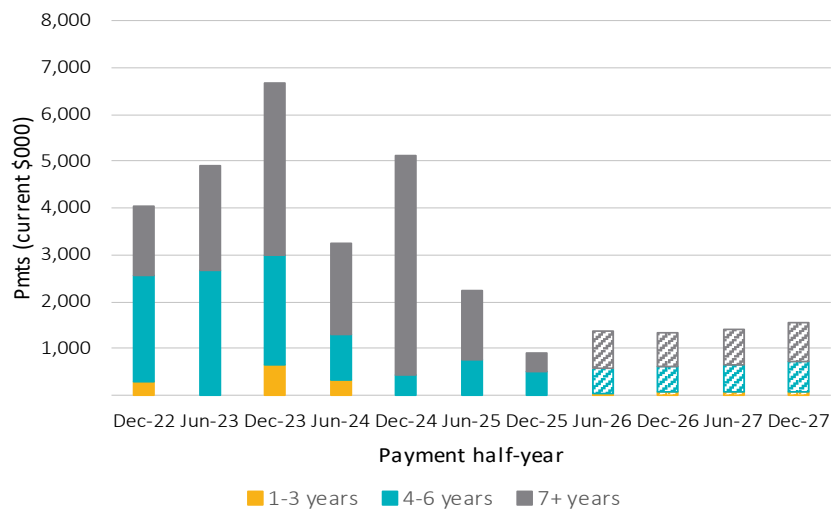
Our comments are as follows:

- Average sizes have been volatile over the period shown. Periods with particularly high average sizes are impacted by large Income Support redemptions. As noted earlier, unlike s56A payments, redemptions are a negotiated amount and so there is no upper cap on redemption average sizes.
- Our projected average size is similar to the average over the last year, to be consistent with the claim number projections shown above.

Payments

Figure 8.23 shows historical and projected payments s56A and Income Support redemption payments.

Figure 8.23 – s56A and Income Support redemption payments: Other Serious Injury claims (nominal dollars)



We project between \$1.3m and \$1.6m of payments per half-year over the next two years.

8.5.7 Medical redemptions

Experience vs expectations

Table 8.9 compares actual Medical redemption experience with expectations from the previous valuation.

Table 8.8 – Actual vs Expected Experience: Medical redemption

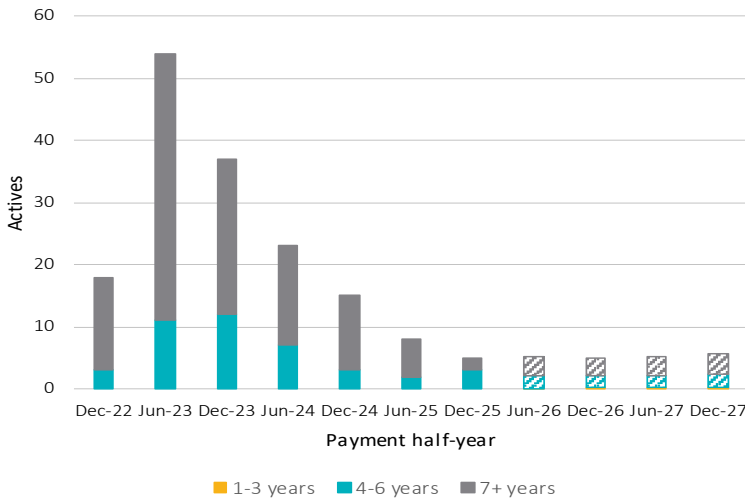
	Actual	Expected	A-E	A/E -1
Claims (#)	5	6	(1)	-20%
Avg Size (\$000)	35	94	(59)	-63%
Payments (\$000)	175	583	(408)	-70%

The number of claims receiving a Medical redemption and the average size of Medical redemptions was lower than expected.

Claim numbers

Figure 8.24 shows the number of claims receiving a Medical redemption payment, split by duration. Use of Medical redemptions for the Serious Injury cohort largely coincided with the introduction of s56A elections; hence, we do not show any history prior to the December 2022 half-year.

Figure 8.24 – Claims receiving Medical redemption payment: Other Serious Injury claims

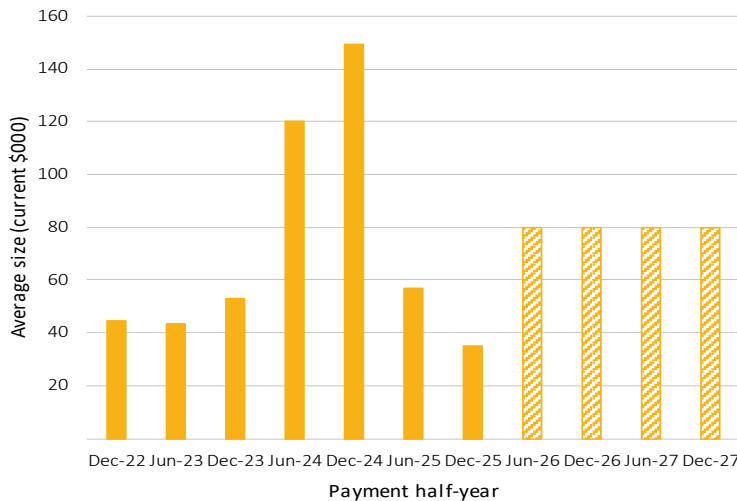


As for s56A and Income Support redemptions, the number of claims receiving a Medical redemption has reduced markedly over the last six half-years. We expect that future Medical redemptions will remain in line with the most recent experience.

Average size

Figure 8.25 shows the historical and projected average size for Medical redemption payments.

Figure 8.25 – Medical redemption average size: Other Serious Injury claims (\$Dec25)



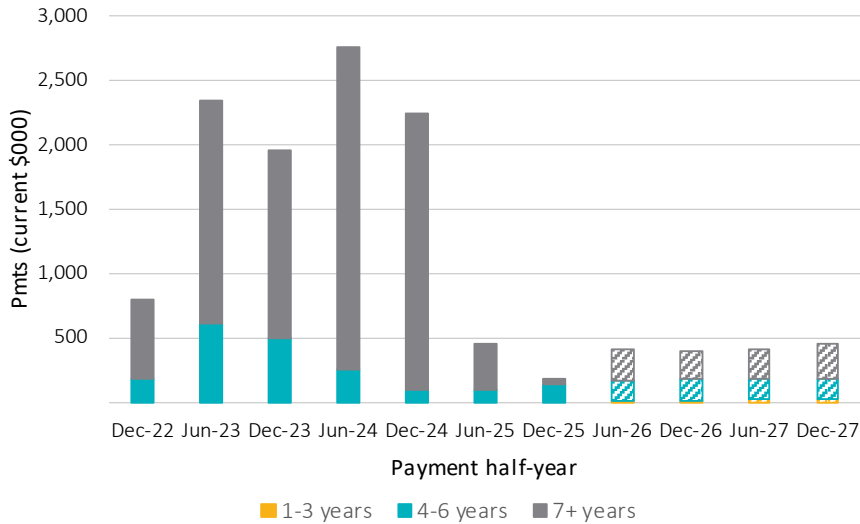
Our comments are as follows:

- Average sizes have been volatile over the period shown
- Our projected average size is close to the experience over the last two years.

Payments

Figure 8.26 shows historical and projected payments s56A and Medical redemption payments.

Figure 8.26 – Medical redemption payments: Other Serious Injury claims (\$Dec25)



Our projected payments are similar to the last 12 months, but lower than longer term experience largely due to lower projected future redemptions.

8.5.8 Small payment types

Table 8.10 compares actual smaller payment type experience with expectations from the previous valuation.

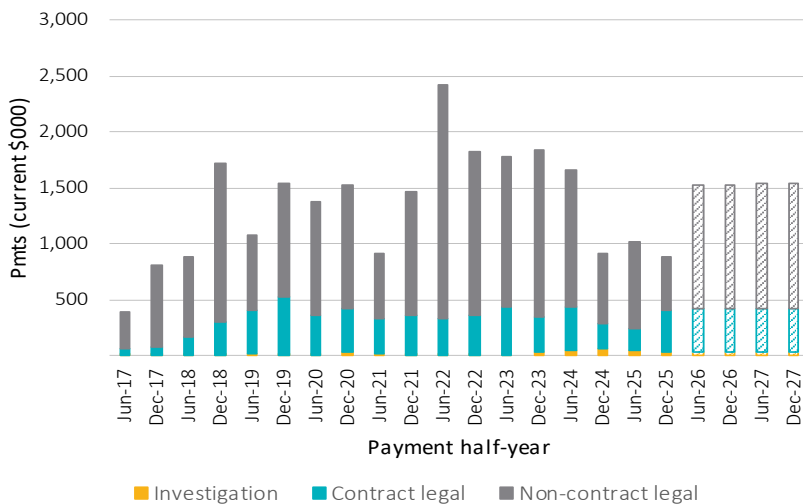
Table 8.9 – Actual vs Expected Payments (\$000): Small payment types

	Actual	Expected	A-E	A/E -1
<i>Investigation</i>	35	25	10	38%
<i>Contract Legal</i>	376	402	(26)	-6%
<i>Non-contract Legal</i>	468	1,310	(842)	-64%
Total	879	1,737	(858)	-49%

Investigation costs were higher than expected, while legal expenditure was lower than expected.

Figure 8.27 shows historical and projected investigation and legal costs for Other Serious Injury claims (including IBNR claims).

Figure 8.27 – Investigation and legal payments: Other Serious Injury claims (\$Dec25)



We project around \$1.5m of investigation and legal payments over the next four half-years, higher than experience in the last three half-years as a result of our projection for non-contract legal being aligned to longer term spend.

We will continue to monitor legal expenditure for Serious Injury claims and adjust our assumptions at future valuations if experience continues; it is possible that ReturnToWorkSA’s dispute resolution strategy is also impacting legal costs for Serious Injury claims.

8.5.9 Recoveries

Table 8.11 compares actual recovery experience with expectations from the previous valuation.

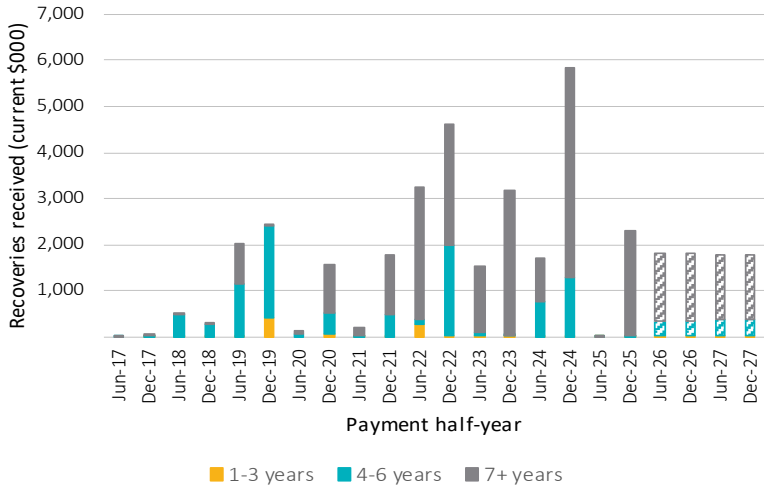
Table 8.10 – Actual vs Expected Payments (\$000): Recoveries

	Actual	Expected	A-E	A/E -1
Recoveries	(2,280)	(1,943)	(337)	17%

Recoveries were higher than expected over the six months to December 2025, this is a bounce back from the negligible recoveries received in the June 2025 half year. We note that recoveries for Serious Injury claims are volatile as they relate to a small number of claims in any six-month period.

Figure 8.28 shows historical and projected recoveries for Other Serious Injury claims.

Figure 8.28 – Recoveries: Other Serious Injury claims (\$Dec25)

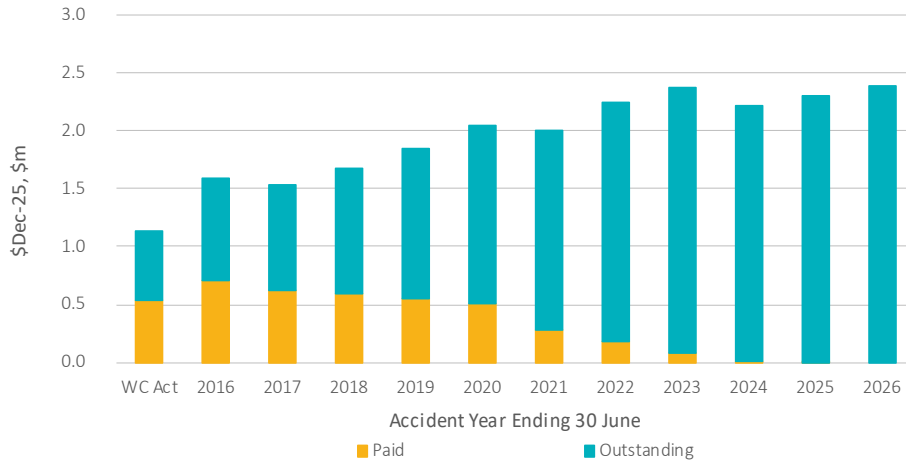


We project roughly \$1.8m of recoveries per half-year for the next two years.

8.5.10 Overall average size

Figure 8.29 shows the net ultimate average claim size (in 31 December 2025 values) across all Other Serious Injury claims, including redemptions. The average size shown here represents the cost of claims once they have a Serious Injury determination.

Figure 8.29 – Average size by payment type: Other Serious Injury claims (\$Dec25)



For more recent accident periods, our average size is roughly \$2.3m. It is of note that the average size drifts up over time. This is primarily a result of:

- For old ‘Workers Compensation Act’ claims there were greater ‘exits’ from this group (for example, under the old work capacity provisions)
- Non-economic loss average sizes will be higher for periods with a greater proportion of claims assessed under the new, higher WPI threshold
- We assume that for more recent accident years the reduction in claim numbers will be biased towards lower needs claims, resulting in a more severely injured, higher average size cohort of claims remaining.

More detail on the selections underlying our adopted average sizes can be found in Appendix A.12

9 Economic and other assumptions

9.1 Discount rate

The discounted mean term (DMT) of the liabilities is 10.4 years, down from 10.9 years at the previous valuation. The high DMT is driven by the large proportion of the liability that relates to Serious Injury liabilities. As a result, even relatively small changes to economic assumptions can have a material impact on the liability.

9.1.1 Approach

AASB 1023 states the discount rates used in measuring the present value of expected future claim payments should be: “risk free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations”. It also says that:

“the discount rates are not intended to reflect risks inherent in the liability cash flows”, and

“typically, government bond rates may be appropriate discount rates for the purpose of this Standard, or they may be an appropriate starting point in determining such discount rates”.

We derive forward interest rates applying to each future duration by:

- Taking the quoted market yields on Australian Government coupon bonds for the durations they are available, as at the date of the valuation – this information is sourced from Yieldbroker (previously the RBA, until they stopped publishing the quoted market yields).
- Using these zero-coupon yields to determine forward rates.
- At longer durations we extrapolate the forward yield curve between current market rates and our expected long-term forward rate. The assumed long-term forward rate and extrapolation take account of:
 - > The duration that government bonds are available to, and the volumes of longer-term bonds traded
 - > Long-term risk-free rates of return
 - > General economic factors
 - > Current monetary policy (e.g. CPI target range of 2% to 3%), combined with expectations of long-term real yields.
- Beyond the end of our extrapolation, the yield is maintained at the long-term forward rate.

The resulting forward rates are applied to the projected cash flows for each future period. When discounting using forward rates, the relevant rates must be ‘chained’ together, for example a payment at the end of year three is discounted using the product of the first, second and third year forward rates.

9.1.2 Current assumptions

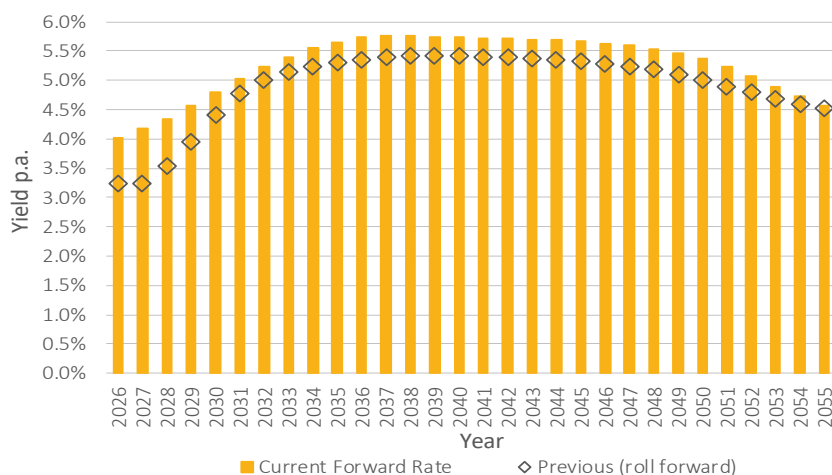
Since the previous valuation there has been an overall increased effect of discounting, driven by an increase in yields across all durations in the next thirty years:

- At very short durations (1-2 years), yields have increased by as much as 94 basis points.
- At short to mid durations (3-6 years) yields have increased by 52 basis points on average.
- At longer durations, yields have increased by an average of 31 basis points relative to the comparative rollforward yield rates.

- Our assumed very long-term discount rate of 4.50% is unchanged from our previous valuation. Given the relatively low volumes of bonds traded at very long durations, we take a cautious approach to setting the very long-term discount rate, although we note that market based data indicates this rate may be starting to increase.

A comparison of the currently adopted yield curve to previous is shown in Figure 9.1. The equivalent single discount rate increased from 4.56% p.a. at 30 June 2025 to 5.02% p.a. at 31 December 2025.

Figure 9.1 – Risk free forward rate vs previous valuation



Details of the discount rates by year are included in Appendix C.1.

9.2 Inflation

In setting our inflation assumptions we consider:

- Forecasts of CPI and wage inflation.
- RBA monetary policy.
- Market-based information on inflation, with the aim of obtaining inflation expectations which are consistent with the discount rate expectations (as the discount rates are market based), for example using Treasury Indexed Bonds (TIBs). TIBs are essentially Government bonds where the original capital invested, and subsequent coupon payments, are indexed for CPI inflation. The difference between yields on TIBs and on nominal government bonds gives an implied breakeven rate of CPI inflation.

Given there is a prescribed inflation index for income support payments that is specific to South Australian conditions, our inflation assumptions consider inflation at a SA specific level for this portfolio. It is also important to note that the selected inflation assumptions are intended to reflect increases in claims cost over time, rather than being a pure forecast of the various inflation indices, and this is also a consideration when selecting our inflation assumptions.

In summary, our assumptions at the current valuation are:

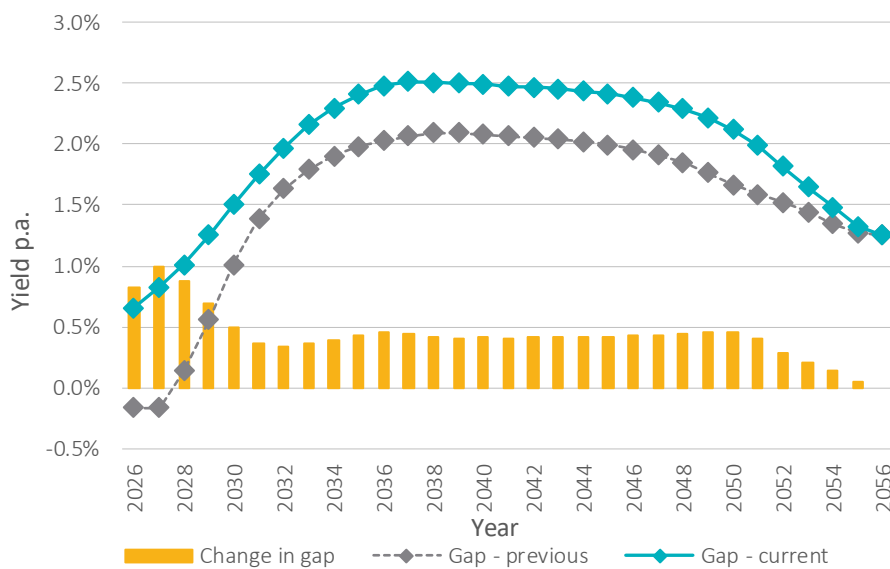
- Our Wage Cost Index (WCI, otherwise known as Wage Price Index) inflation assumptions have decreased slightly since the previous valuation for all durations over the next thirty years.
- WCI inflation is assumed to be 3.36% p.a. in the year to December 2026, then steadily decrease to 3.25% p.a. over the subsequent seven years. It is assumed to remain steady at a long-term rate

of 3.25%. This long-term assumption represents a 1.25% p.a. gap between WCI inflation and forward discount rates, unchanged from our June 2025 valuation.

- Average Weekly Earnings (AWE) inflation is set as equal to WCI inflation plus a gap of 0.25% for all periods. This is unchanged from our previous valuation.
- CPI inflation is assumed to decrease from the latest observed position of 3.3% p.a. at December 2025 to 2.5% p.a. by December 2027. It is assumed to remain at a long-term level of 2.5% p.a., which sits in the middle of the Reserve Bank’s targeted range of 2-3% p.a.

The movements, compared to previous assumptions, in adopted inflation and discount rates have an impact on the ‘gap’ between inflation and discount rates (a positive gap indicates higher discount rates than inflation assumptions). As Figure 9.2 below shows, the current economic assumptions imply a larger gap across all durations over the next thirty years compared to the previous valuation, driven by increases in yields across all durations.

Figure 9.2 – Gap between adopted AWE and discount rates



The net impact of these changes on the scheme liability is to produce a decrease of \$202m.

The rates of inflation are applied to entitlement types as follows:

- Income Support entitlements and related expenditure for Short Term claims have no inflation applied for the current cohort of claims, consistent with the RTW Act. AWE is initially applied for future injuries.
- Income Support entitlements and related expenditure for Serious Injury claims are inflated using the projected Wage Cost (Price) Inflation rate until retirement.
- The maximum Lump Sum entitlement is indexed annually by the adopted CPI rate (the maximum entitlement applies to all accidents occurring in a year).
- All other entitlements are inflated at the adopted AWE rate, with allowance for superimposed inflation where warranted.

We have made assumptions about superimposed inflation for some payment types, and on the timing of the application of inflation. These assumptions are detailed in Appendix C.

9.3 Expenses

In setting provisions for outstanding claims, it is necessary under accounting and actuarial standards to include an allowance for the future costs of claim administration that are not allocated to individual claims.

To assess the expense rate we have:

- Smoothed the cash flows to account for unusually high levels of lump sums and redemption payments as a consequence of the 2022 legislative change. This ensures the cash flows are more 'like with like' compared to the expected ongoing payments.
- Considered ReturnToWorkSA's actual and budgeted expenses and the appropriate allocation to CHE.

These calculations are shown in Appendix C.3.

Table 9.1 shows the assessed allocated CHE as a proportion of smoothed claim payments over the past three years along with the forecast figure for 2025/26 and the selected CHE assumption.

Table 9.1 – Claims handling expense rate (% of claim payments)

	CHE Expenses / Claim Payments - by financial year						CHE Assumption	
	2020-21	2021-22	2022-23	2023-24	2024/25 Actual	2025-26 (Forecast)	Selected	Previous
	Serious Injury	7.2%	6.2%	7.6%	7.0%	7.6%	7.5%	7.5%
Short Term Claims	15.4%	14.7%	16.5%	16.9%	17.4%	16.0%	16.5%	16.5%
Liability Weighted Average %							11.1%	10.6%

Around 50% of ReturnToWorkSA's expenses relate to claims management fees for the outsourced claims agent functions. Since 2022-23, ReturnToWorkSA's claims agent related expenses have had a higher allowance for the management of serious injury claims than they did historically, with greater emphasis put on boosting the economic and social participation of Seriously Injured workers. For 2024/25 and 2025/26 this cost is expected to reflect 7.5% of cash flows. We have increased the CHE allowance for serious injury claims to 7.5% (from 7.0%) to account for this.

For short term claims the allowance is 16.5%, unchanged from the previous valuation and consistent with the recent experience.

The overall expense rate equates to 11.1% of gross outstanding claims, higher than the 10.6% at the previous valuation.

9.4 GST recoveries

Entitlements are modelled net of GST (ITC) recoveries.

9.5 Risk margins

Since June 2017 ReturnToWorkSA has established its outstanding claims provision with a 75% probability of sufficiency. Our recommended claims provision is consistent with this reserving policy.

For this valuation, our approach to setting the risk margin has two parts:

- 1 The underlying variability in our projection of future claim costs was assessed as normal (as explained below), and

- 2 The additional uncertainties related to recent changes to the Impairment Assessment Guidelines were separately considered, and a judgmental allowance was included on account of the change in risk this creates.

We have undertaken a high-level review of the risk margin scorecards for internal and external systemic risks at this valuation. Our approach is based on the key elements of the framework proposed by the Institute of Actuaries of Australia’s Risk Margin Taskforce in their paper “Framework for Assessing Risk Margins” (‘the task force paper’). Specifically, we have examined Coefficients of Variation (CVs) – a measure of the variability in the statistical distribution – arising from internal systemic error and external systemic error. A summary of the framework is included in Appendix C.

We have split the various entitlements into six groups for the purposes of risk margins analysis. For each risk margins group, we derive assumptions about the independent error, internal systemic error and external systemic error, which are then combined to estimate the total CV for that risk margin group. We assume that there is some correlation between risk margins group within internal and external systemic error, while we assume that independent error is (by definition) uncorrelated. This leads to a ‘diversification benefit’ in the overall Scheme risk margin.

Our current estimate of the underlying CVs for each entitlement group, along with the total diversified and undiversified CV, are set out in Table 9.1 below.

Table 9.2 – Underlying co-efficient of Variation

Risk Margin Group	Total CV	
	Dec-25	Jun-25
Serious Injury	26.5%	26.5%
Short Term Claims		
Income Support	17.1%	15.7%
Lump sum	25.7%	25.7%
Legal + Investigation	26.0%	25.8%
Medical and Other Treatment	24.2%	24.2%
Recoveries	20.9%	20.9%
Total (Undiversified)	25.6%	25.6%
Total (Diversified)	19.6%	19.8%
Diversification	23.4%	22.5%

The changes to note are:

- An increase in the Income Support CV, due to recent increases in the proportion of claims accessing Income Support and variability around exit rates.
- A small increase in the Legal and Investigation CV, due to ongoing risk around disputation rates for transition claims which still appears to be a feature of the scheme.

Based on a diversified coefficient of variation of 19.6% and our modelled distribution (which is a blend between a normal and lognormal distribution), we have selected an “underlying risk margin” of 13.0%, unchanged the previous valuation.

We have then added to this a 1.0% allowance for additional uncertainty related to the recent Impairment Assessment Guidelines changes, which equates to an additional \$40m in the risk margin. This has been set with consideration of the areas of risk related to the new IAGs, and could be interpreted as an additional 20 Serious Injury claims arising from unintended areas post the new IAGs.

The above results in an aggregate risk margin of 14.0%, which is the same as previously adopted.

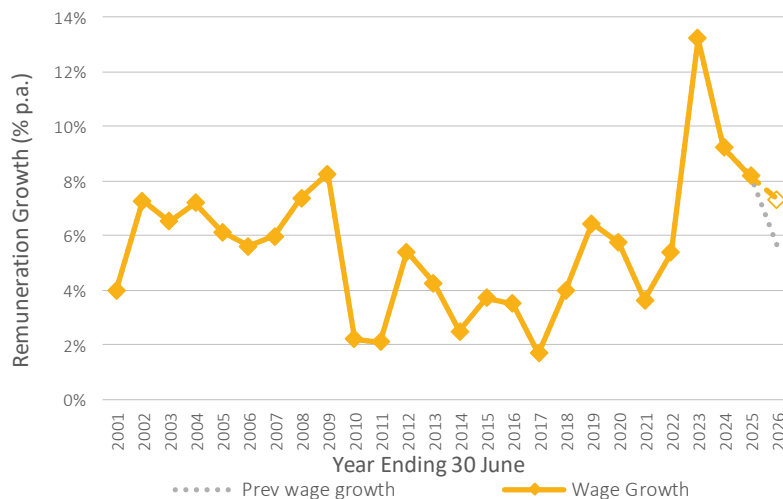
9.6 Non-exempt remuneration ('insured wages')

When making our assessment of the cost of claims, we consider the underlying insured employee remuneration pool as a measure of the exposure from which claims will arise.

The movement in the remuneration pool over time is the net result of several influences: (1) growth in average weekly earnings, (2) growth in the number of employees, and (3) movements of firms out of/into the scheme due to becoming self-insured or exiting self-insurance.

The remuneration projection for current and future years is undertaken by ReturnToWorkSA. The implied annual growth in the total non-exempt remuneration by year is shown below in Figure 9.3.

Figure 9.3 – Non-exempt leviable remuneration: annual growth



The growth rate of insured remuneration for FY2025 was higher than forecast (7.3% compared to the previous forecast of 5.6%). This follows on the back of three years of high growth, resulting in an overall increase of 44% in wages in the four years from FY2022 to FY2025. ReturnToWorkSA forecast wages growth to be 5.3% in FY2026, unchanged from the previous estimate and more in line with pre-2022 levels. We have adopted ReturnToWorkSA's remuneration projection of \$49.9 billion for 2025/26, noting that it is subject to estimation as wage declarations are not yet complete. The key features we note in the remuneration experience are:

- The remuneration growth for 2009 and 2010 was the lowest seen since the early 1990's (the time of the last significant recession in Australia). There were two key contributors to this experience: the global financial crisis (GFC) and a change in the definition of leviable remuneration from 1 July 2008 (to exclude wages for trainees and apprentices).
 - Despite remuneration growth briefly heading up to more 'normal' historical levels in 2011 and 2012, wage growth then reduced again towards levels seen during the GFC, and then stayed low until 2017.
 - In the five years from 2017 to 2021 remuneration growth moved between around 4-6% (noting that wages growth for 2020 was impacted by COVID).
 - 2022 then ended up with the highest growth rate in the history of the scheme at 13.2%. This was followed by strong growth again in 2023 of 9.2% and in 2024 of 8.2%.
 - 2025 has had higher than expected growth at 7.3% (up from 5.6% expected at the previous valuation).
- 2026 is forecast to have 5.3% growth, dropping to 5.0% in 2027 and 5.0% in 2028.

10 Valuation results

This section of the report summarises the valuation results, namely:

- The central estimate of outstanding claims as at 31 December 2025.
- Our recommended balance sheet provision.
- Movement in the central estimate compared to what was projected at the previous valuation.
- Estimated historical scheme costs.
- Projected future cash flows for the current outstanding claims.
- Projected outstanding claims as at 30 June 2026 and 31 December 2026.
- Reconciliation of results with 30 June 2025 projections.

10.1 Outstanding claims – central estimate

Our central estimate of the outstanding claims by entitlement type as at 31 December 2025 is set out in Table 10.1. This liability relates to all claims that occurred on or before 31 December 2025 and includes the impact of updated economic assumptions.

Table 10.1 – Central Estimate of outstanding claims by entitlement type

Entitlement Group	General	Hearing	Serious Injuries	Total	% of Net Cent Est
	Short Term Claims	Loss Claims			
	\$m	\$m	\$m	\$m	
Income	215	-	734	949	24%
Medical	106	152	317	575	15%
Other	6	-	44	50	1%
Care	4	-	481	484	12%
Lump sums	608	66	165	840	21%
Hospital	26	-	107	133	3%
Travel & Accommodatior	9	2	41	52	1%
Worker legal	53	9	28	89	2%
Corporation legal	45	-	9	54	1%
Allied Health	47	53	240	340	9%
Rehabilitation	21	-	14	35	0.88%
Investigation	4	3	1	7	0.19%
Common law	2	-	-	2	0.04%
Commutation	4	-	-	4	0.11%
LOEC	-	-	-	-	0.00%
Redemptions	10	-	7	17	0.43%
Gross Liability	1,159	286	2,187	3,632	92%
Recoveries ¹	-54		-28	-82	-2%
Expenses	191	47	164	402	10%
Net Central Estimate	1,296	333	2,323	3,952	100%

¹Recoveries not split between General Short Term and Hearing Loss claims

The outstanding claims liability before recoveries and expenses is estimated to be \$3,632m. The net central estimate, allowing for recoveries and including an allowance for claims handling expenses, is \$3,952m.

Table 10.2 details the outstanding claims result by accident year.

Table 10.2 – Central Estimate of outstanding claims by accident year

Accident Year	General Short Term Claims	Hearing Loss Claims	Serious Injuries	Total	% of Net Cent Est
	\$m		\$m	\$m	
Pre Jun-15	36	67	645	749	19%
Jun-16	10	8	81	99	3%
Jun-17	13	9	115	137	3%
Jun-18	20	11	157	188	5%
Jun-19	25	13	170	208	5%
Jun-20	31	16	138	185	5%
Jun-21	49	18	123	190	5%
Jun-22	73	20	130	223	6%
Jun-23	125	25	180	330	8%
Jun-24	202	31	169	402	10%
Jun-25	328	42	182	552	14%
Dec-25	247	25	98	370	9%
Gross Liability	1,159	286	2,187	3,632	92%
Recoveries ¹	-54		-28	-82	-2%
Expenses	191	47	164	402	10%
Net Central Estimate	1,296	333	2,323	3,952	100%

¹Recoveries not split between General Short Term and Hearing Loss claims

Table 10.3 shows the overall liability split between Serious Injuries and Short Term claims, both before and after discounting. There is a significant level of discounting in relation to the Serious Injury claims liability due to its long payment pattern, with Hearing Loss claims also having a high level of discounting.

Table 10.3 – Impact of discounting

	General Short Term Claims	Hearing Loss Claims	Serious Injuries	Total
	\$m	\$m	\$m	\$m
Inflated	1,498	580	6,071	8,149
Inflated and Discounted	1,296	333	2,323	3,952
Ratio	86%	57%	38%	48%

10.2 Provision for outstanding claims

Table 10.4 sets out the components of our recommended provision at 75% probability of sufficiency, \$4,505m.

As explained in Section 9.5, the recommended risk margin is 14.0%, unchanged from the previous valuation. Adopting this results in a risk margin of \$553m being held.

Table 10.4 – Recommended balance sheet provision at 75% probability of sufficiency

	Central Estimate	Risk Margin	Recommended Provision
	\$m	\$m	\$m
Gross Claims Cost - Serious Injuries	2,187		
Gross Claims Cost - General Short Term Claims	1,159		
Gross Claims Cost - Hearing Loss Claims	286		
Claims Handling Expenses	402		
Gross Outstanding Claims Liability	4,034	565	4,599
Recoveries	-82	-12	-94
Net Outstanding Claims Liability	3,952	553	4,505

As explained in Section 9.5 the current risk margin includes an additional uncertainty allowance of 1.0% in relation to the recent Impairment Assessment Guidelines changes, and if not for this then the risk margin would have reduced to be 13.0% at an underlying level.

10.3 Movement in liability

Our net central estimate including CHE is \$187m lower than projected at the previous valuation, as shown in Table 10.5.

Table 10.5 – Movement from previous valuation

	Gross	Recoveries	CHE	Net
	\$m	\$m	\$m	\$m
Liability as at Jun-25	3,691	-82	391	4,000
Plus liability for claims incurred in the period	387	-9	54	433
Less Expected Payments to Dec-25	326	-9	48	364
Plus Interest (unwinding of discount)	65	-1	7	70
Liability Projected from Previous Valuation	3,817	-83	404	4,139
Current Valuation	3,632	-82	402	3,952
Difference	-186	0	-2	-187

We have attributed the change in central estimate into the following components:

- Movement in liability due to claims experience – this covers the components that are due to claim outcomes (such as changes in the number and mix of claims), as well as the impact of revisions to our valuation assumptions.
- Impact of changes in economic assumptions – the component which is mandated by accounting standards (and therefore outside ReturnToWorkSA’s control).

This split also allows calculation of the actuarial release, where we add the difference between actual and expected payments to the movement in the liability due to claims experience, to give a measure of the ‘profit’ impact of claims performance relative to the previous valuation. The overall impact is a \$12m actuarial strengthening (i.e. a cost increase), with some offsetting movements in Serious Injury and Short Term claims costs, as shown in Table 10.6.

Table 10.6 – Movement in central estimate and determination of actuarial release

	Liability Estimate ¹	AvE payments in 6 mths to Dec-25	Actuarial Release/ (Strengthening) ²
	\$m	\$m	\$m
Liability at Jun-25 Valuation	4,000		
Projected Liability at Dec-25 (from Jun-25 valuation)	4,139		
Claims Movement - General Short Term Claims	32	4	-36
Claims Movement - Hearing Loss Claims	4	-2	-3
Claims Movement - Serious Injury	-22	-4	26
Impact of Change in economic assumptions	-202		
Recommended Liability at Dec-25	3,952		
Total Actuarial Release/(Strengthening)			(12)

¹ Net central estimate of outstanding claims liability, including CHE

² Includes change in OSC and Act vs Exp payments.

Each of these components is discussed in the following sections.

10.3.1 Actuarial release at December 2025

There is an overall actuarial strengthening of \$12m. Table 10.7 shows this overall result, with the actuarial release/strengthening split by claim type and entitlement group.

Table 10.7 – Actuarial release/(strengthening) by entitlement type

Entitlement Group	General Short Term Claims ¹	Hearing Loss Claims ¹	Serious Injury Claims ¹	Total Actuarial Release ¹	Release %
	\$m	\$m	\$m	\$m	
Income Support	-15.4	-0.0	23.2	7.7	0.8%
Redemptions	-0.1	-	0.9	0.7	6.6%
Lump Sums	5.9	6.0	12.9	24.8	2.9%
Worker legal	3.7	-0.6	4.5	7.6	7.6%
Corporation legal	0.3	-0.2	0.8	1.0	1.9%
Investigation	-0.4	0.1	-0.0	-0.3	-4.0%
Medical	-13.7	-2.6	40.6	24.3	3.8%
Allied Health	-6.1	-4.5	2.2	-8.5	-2.4%
Other	-0.7	-0.0	2.7	2.0	3.3%
Care	-1.0	-0.0	-69.6	-70.7	-16.2%
Hospital	-5.8	-0.0	11.5	5.7	3.9%
Travel	-0.4	-0.2	8.8	8.1	12.0%
Rehabilitation	-4.3	-0.0	1.5	-2.8	-8.7%
Common Law	0.1	-	-	0.1	7.7%
LOEC	0.0	-	-	0.0	268.9%
Commutation	0.4	-	-	0.4	10.1%
Gross Liability	-37.5	-2.0	39.8	0.3	0.0%
Recoveries	7.2	-	-4.3	2.8	-3.7%
Expenses	-5.3	-0.6	-9.2	-15.2	-3.9%
Net Central Estimate	-35.7	-2.7	26.3	-12.0	-0.3%

¹ Includes change in OSC and Act vs Exp payments, excludes economic impacts

The major movements at the current valuation are:

- For **General Short Term Claims** there is an actuarial strengthening (cost increase) of \$35.7m, due to:
 - > An aggregate \$32m strengthening for Treatment related and Rehabilitation costs, driven by higher volumes of claims, higher utilisation of services and longer durations of services; this is compounding the impact of above inflationary increases to fee schedules in recent years. Costs are growing across most service types, including: occupational rehabilitation, medical services, attendant care, allied health, hospital and travel.
 - > \$16m strengthening for Income Support and related costs. This reflects a higher number and proportion of claims receiving Income Support benefits, a lengthening time on benefits, and higher than expected average payment sizes.
 - > \$6m release for Lump Sum costs, primarily reflecting a further slowdown in the expected time to settlement (which results in higher discounting), which is partially offset by higher recent settlement sizes. The lower than expected payments in the last six months is largely being interpreted as a timing difference (i.e. slowdown) and so is mostly held back in the liability.
 - > \$4m release in legal costs, reflecting the continued better performance of dispute volumes and resolution timeframes after recent operational focus by ReturnToWorkSA.
 - > \$7m release from Recoveries, primarily reflecting an assumption that the higher gross costs will eventually flow through into higher recoveries (implying a stable recovery rate).

- > \$5m strengthening in the claims handling expense allowance, reflecting the higher gross costs; the claims handling expense rate for Short Term Claims is unchanged at 16.5%.
- For **Hearing Loss Claims** there is an actuarial strengthening of \$3m which is due to two offsetting features: (1) lower lump sum payments, with WPI scores returning back to more normal levels, offset by (2) an increase in device and related servicing costs to further reflect current scheme experience.
- For **Serious Injury claims** there was an overall actuarial release of \$26m due to (note: numbers below do not match to the table, as impacts are combined across multiple benefits where relevant):
 - > A \$60m net reduction as a result of claim number changes, to reflect that more claims are finalising with WPI scores in the 30-34% range (and thus being below the Serious Injury threshold) rather than at 35%+ and becoming a Serious Injury.
 - > A \$24m increase related to revised mortality assumptions for Severe Traumatic Injury claims. This change reflects the key findings from a recent mortality study that covered 9 lifetime care schemes across Australia and New Zealand. Overall, the life expectancy for claims with high care needs was increased (compared to previous loadings), with a decrease in life expectancy for claims with lower care needs. This is an externally driven 'one off' change reflecting new information that was not previously available in Australia. Because this change is applied in a claimant specific way, it flows straight through to assumed higher future Care costs on those with the most severe injuries, adding \$46m to the Care liability.
 - > A \$5m increase due to other changes. This is made up a of \$13m increase for Other Serious Injury claims, predominantly due to an increase in assumed future Care average sizes, partially offset by lower costs on existing Severe Traumatic Injury claims reflecting updated information provided by ReturnToWorkSA's EnABLE team.
 - > A \$9m increase in the claims handling expense allowance, after the claims handling expense rate for Serious Injury Claims was increased to 7.5% (from 7.0%) to reflect the current management approach that increasingly prioritises economic and social participation.

Other changes had more minor impacts on the scheme liability.

10.3.2 Impact of economic assumption changes

Changes to inflation and discount rate assumptions decreased the net central estimate by \$202m.

Compared to what was adopted at the June 2025 valuation, the current economic assumptions imply higher discount rates across all future years to 2056, which when combined with only very minor changes in future inflation assumptions produce larger gaps between inflation and discounting. Very long term assumptions have not been changed.

10.4 Historical scheme costs

As part of our valuation we have estimated the 'historical cost' for each past accident year. This represents our estimate of total projected costs for the accident year, including expenses, and is discounted to the start of the accident year. Historical claims handling, operating expense and self-insurer levy figures are taken from ReturnToWorkSA's published annual accounts and the latest information from ReturnToWorkSA for 2025.

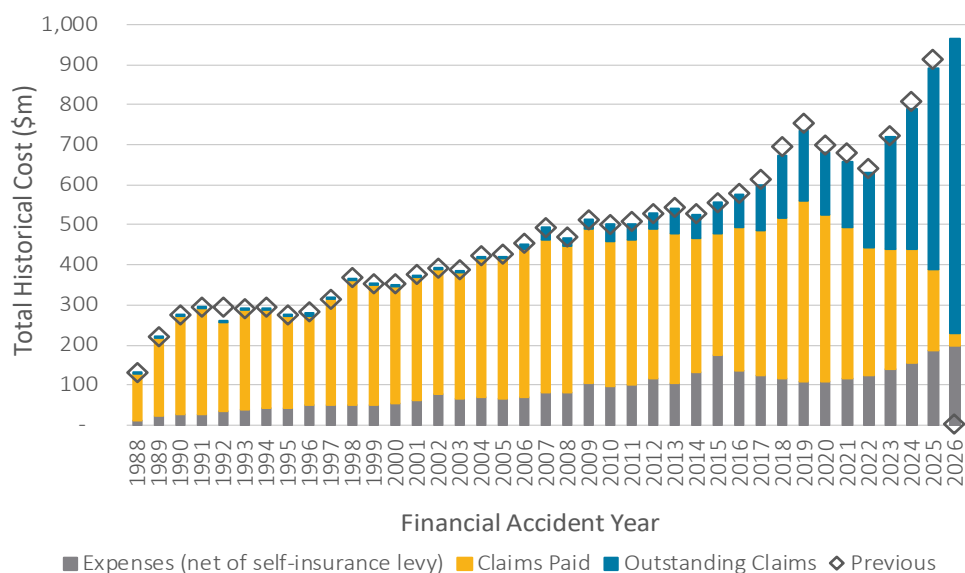
Figure 10.1 summarises the currently estimated historical costs for each year since the scheme began. As this shows, commencement of the RTW Act had initially acted to contain the cost for accident years up to

2016 at around \$550m, breaking the strong upward trend seen in the lead up to that time. Scheme expenses were particularly high in 2015 as a result of additional transition related costs.

For recent accident years the costs are projected to be higher than the pre-2016 level as a result of:

- Growth in the number of Serious Injury claims that are expected to ultimately emerge, particularly once the impact of ‘combining injuries’ became apparent in the lead up to the 2022 reforms which then increased the threshold for claims to access Serious Injury benefits.
- There was a period of deterioration in RTW outcomes up to 2019, before the trend reversed in 2020 and later years up to 2022.
- For 2019 there are also a number of very high cost claims in the Severe Traumatic Injury cohort. This dynamic makes the increase from 2018 to 2019 more pronounced than it would otherwise be, and is not an indication of deterioration in experience; rather it reflects the volatile nature of Severe Traumatic Injury claim numbers, given the low volume. The 2020 year on the other hand has a low cost for Severe Traumatic Injury claims.
- Projected costs for 2023 to 2025 have higher than normal growth, a key driver for which is the very strong growth in insured remuneration in recent years (i.e. this follows much larger than normal exposure growth, and is not just deterioration). Our estimate of ultimate costs for these years have reduced from the previous valuation due to lower expectations of Serious Injury claim numbers.
- Higher costs for Hearing Loss claims.

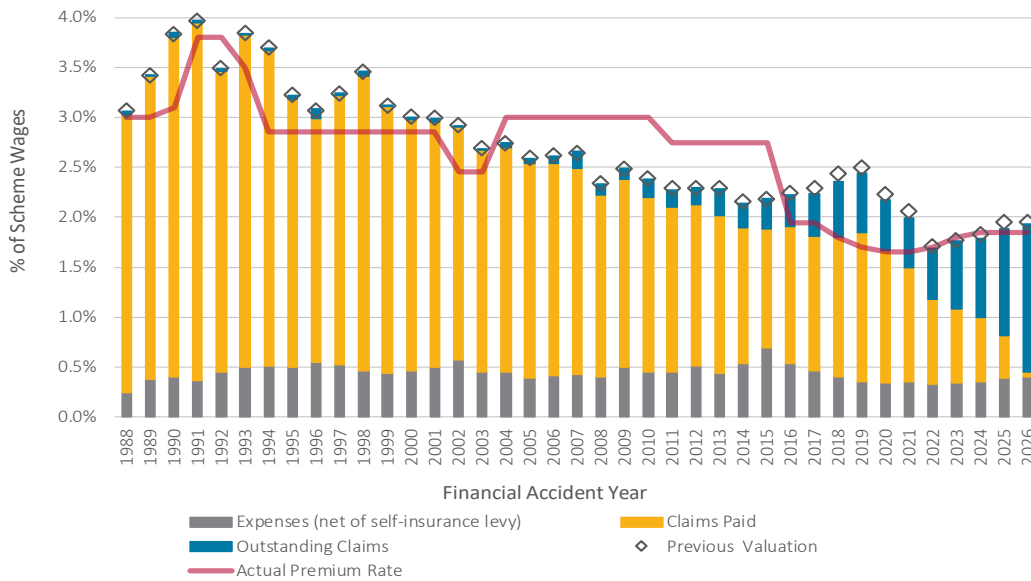
Figure 10.1 – Historical cost discounted to accident year



Using these costs we have estimated the ‘historical premium rate’, or the Break Even Premium (BEP) rate, for each past accident year; this is the amount that would have been sufficient to fully cover claim costs, including expenses and recoveries, assuming the scheme achieved risk free returns each year and the current actuarial valuation is an accurate forecast of future payments. The BEP is calculated by dividing the total projected costs for the accident year (from Figure 10.1) by the total scheme leviable remuneration in that year (discussed in Section 9.6). We present the costs on this basis, i.e. using risk free discount rates, so that a like with like comparison can be made over the history of the scheme, which allows current scheme performance to be assessed in a long term context.

Figure 10.2 summarises the estimated annual BEP since the scheme began, including a comparison with the estimates at our previous valuation and the scheme’s actual average premium rate charged for each year.

Figure 10.2 – Break even premium rate and actual premium rate charged



* The Break Even Premium Rate in this Figure is calculated using the risk free rate, so that a like with like comparison can be made over the history of the scheme. For clarity, this is not the same as the scheme’s pricing basis as the scheme targets a higher than risk free rate of return when premiums are set.

The main points to note are:

- The introduction of the RTW Act reduced the BEP for accident years between 2008 and 2010 to under 2.5% of wages. For accident years between 2011 and 2015 the costs were progressively lower again, as claims had less opportunity to remain on long term benefits.
- Costs are higher for 2016 to 2019, due to the introduction of the Economic Loss Lump Sum as part of the 2015 reforms. The 2018 and 2019 years continue to develop as high cost years, due to a combination of poor early RTW outcomes, higher levels of Lump Sums, and higher than normal Serious Injury costs.
- The BEP estimates for 2020 and 2021 are lower than 2019, due to improved RTW rates and fewer projected Lump Sums and Serious Injury claims.
- A further reduction is projected for 2022 and 2023 claims, where further RTW improvements were achieved – the BEP rates for these two years also benefit from the higher than usual growth in exposure, as this was not immediately matched by growth in claim numbers or costs.
- 2024, 2025 and 2026 are emerging at a higher cost than 2022 and 2023, following increases in the number of reported claims. Our interpretation is that the high growth in exposure in 2022 and 2023 eventually (i.e. with a lag of 1-2 years) led to higher volumes of claims as the claim frequency ‘normalised’ to the current scheme size. The 2025 and 2026 years have also seen cost growth as a result of lengthening claim durations and higher utilisation of a range of treatment services, and the 2025 year is also impacted by a higher expense rate than for recent years.
- BEP costs for 2022 to 2025 are reduced at this review, primarily reflecting the higher discount rates and lower Serious Injury numbers now anticipated for these years; at an underlying level, Short Term Claims have increasing costs.

We note that these calculations assume past and future investment earnings at the risk-free rate, and adopt the annual cost of expenses in the year. All else being equal, any earnings above the risk-free rate or additional sources of income would act to reduce the required premium rate.

We emphasise that (as seen in the graph) the BEP estimates for recent accident years include a significant outstanding claims estimate and are therefore likely to change as experience emerges. Compounding the uncertainty is the impact of recent reforms and pending changes to Impairment Assessment Guidelines, which are subject to a higher than normal degree of estimation uncertainty.

10.5 Future cash flows

Table 10.8 presents projected cash flows for the coming four half-years, by entitlement type. These cash flows include allowance for future claims incurred as described in Section 10.6, but make no allowance for expenses.

Table 10.8 – Projected cash flows

Entitlement Group	Projected Cashflows for Period			
	Dec-25 to Jun-26	Jun-26 to Dec-26	Dec-26 to Jun-27	Jun-27 to Dec-27
	\$m	\$m	\$m	\$m
Income Support	115.9	120.1	124.9	129.7
Medical	47.5	52.2	50.6	55.5
Lump sums	84.6	87.3	91.3	93.5
Rehabilitation	10.1	11.7	10.8	12.5
Allied Health	24.1	28.1	26.0	30.2
Hospital	15.4	16.7	16.4	17.8
Legal - Non-Contract	9.3	9.5	9.8	10.0
Other	2.4	2.4	2.5	2.6
Care	10.5	11.1	11.6	12.2
Legal Contract	11.4	11.2	11.2	11.4
Travel	4.1	4.4	4.3	4.6
Investigation	1.7	1.9	1.9	2.0
Commutation	0.4	0.4	0.4	0.4
LOEC	0.0	0.0	0.0	0.0
Common law	0.1	0.1	0.1	0.1
Recoveries	-9.4	-8.0	-8.3	-8.6
Redemptions	1.3	1.4	1.4	1.3
Net Claims Cost - Total	329.4	350.5	355.0	375.4
Serious Injuries (net)	53.6	58.0	61.3	62.4
Short Term Claims (net)	275.8	292.5	293.8	313.0

Cash flows for Short Term Claims are expected to grow at above inflation, while the Serious Injury cashflows are projected to continue growing over time as the portfolio is yet to reach maturity.

10.6 Projected outstanding claims

Table 10.9 shows the outstanding claims projected to 30 June 2026, 31 December 2026 and 30 June 2027. We note the payments shown here are based on those in Table 10.8, but also include an allowance for claims handling expenses for consistency with our liability estimate.

Importantly, we note that these projections are based on the current central estimate allowances and assume that outcomes emerge exactly as projected over time, including in relation to economic factors. These projections also assume that the current risk margin is maintained over time which may not be the

case – as explained in Section 9.5, there is currently an additional (hopefully temporary) uncertainty allowance for the recent changes to the Impairment Assessment Guidelines.

Table 10.9 – Projected outstanding claims provision
(30 June 2026, 31 December 2026 and 30 June 2027)

	Half year ending		
	Jun-26	Dec-26	Jun-27
	\$m	\$m	\$m
Provision at Period Start	4,505	4,679	4,842
Less Risk Margin	553	575	595
Central Estimate at Period Start	3,952	4,105	4,248
Plus Additional Liability Incurred in Period	449	460	474
Less Expected Payments in Period	-380	-404	-409
Plus Interest (unwind of discount)	84	87	93
Projected Central Estimate at Period End	4,105	4,248	4,406
Plus Risk Margin	575	595	617
Projected Provision at Period End	4,679	4,842	5,023

We project the central estimate for the net outstanding claims liability at 30 June 2026 to be \$4,105m; this estimate includes allowance for claim payments and expenses, discount rate movements in line with forward rates and new claims incurred in the period 1 January 2026 to 30 June 2026. The corresponding provision at a 75% probability of sufficiency is \$4,679m.

The projected increase to the 31 December 2025 liabilities relates to the fact that the additional liability incurred on new Serious Injury claims is more than the expected payments on existing Serious Injury claims; for Short Term claims the half-yearly ins and outs are closer to offsetting.

10.7 Reconciliation of incurred cost with previous projection

At the 30 June 2025 valuation we projected an additional claim cost liability of \$379m (excluding expenses) would be incurred from claims arising in the half-year to 31 December 2025. Our current projection for the ultimate value of this liability is \$389m, an increase of 2.8% or \$11m.

Table 10.10 – Comparison of June 2025 projections to current valuation

For period 1 Jul 2025 to 31 Dec 2025		
Incurring Claims Liability (\$m, excl. expenses):	Difference	
Projected in Jun-25 Valuation	379	
Incurring (current valuation)	389	2.8%

11 Uncertainty and sensitivity analysis

In this section we discuss the major areas of uncertainty involved in estimating the balance sheet outstanding claims provision (OSC, including allowance for expenses and risk margins, with provision at 75% probability of sufficiency).

In addition to the underlying uncertainties in our projection of future claim costs, there are still additional temporary uncertainties related to the 2022 reforms. Importantly, the 2022 reforms do not remove the "combining uncertainty" that was introduced after the *Summerfield* legal decision, but rather they modify it by introducing other elements of legislative change, each of which has their own uncertainties that need to be considered; this is compounded by commencement of the Third Edition IAGs in October 2025, which alter the rules governing the assessment of WPI.

11.1 Key uncertainties

There is considerable uncertainty in the projected future claim costs, particularly around how and when claims are determined to be Serious Injuries and the WPI scores used for Lump Sums.

The main areas of uncertainty in our current estimates of the liabilities are:

- **WPI assessments** – under the RTW Act, small changes in the WPI score can equate to many tens of thousands of dollars, and WPI scores also govern access to the significant compensation available under the Serious Injury benefit package. The scheme will face significant financial consequences if this leads to any form of 'WPI creep'.

'Combining injuries' for WPI purposes is still a relatively new feature of the scheme, particularly given the levels of late WPI assessments being seen; as important context to this uncertainty, there are no legislative tools that address the 'tail risks' that have emerged from behaviour changes since the RTW Act commenced. Indeed, the inclusion of higher lump sum amounts in conjunction with the ability to combine injuries over time arguably creates an environment which encourages claimants to delay their WPI assessments in pursuit of higher WPI scores.

As explained in Section 4.3, our work makes no allowance for WPI scores to change as a result of the Third Edition Impairment Assessment Guidelines that commenced in October 2025; if any changes to WPI scores result from this change they will need to be factored into future valuation work.

- **Behavioural risk** – related to the above, the ultimate outcomes that emerge directly depend on how claimants and their advisors seek to achieve higher WPI scores than in the past, now that the ability to combine injuries is a codified feature of the scheme.
 - > After the 2022 reforms, the incentives have changed such that claimants are now likely to simply seek the highest WPI. Given the high level of legal involvement in the scheme, the risk of adverse behavioural change is high. As an example of this, claimants have changed their behaviour to try to add more injuries to their claim than was seen in the past.
 - > The Third Edition IAGs commenced in October 2025 and change the rules under which WPIs are assessed and as such add risk to this area.
- **Legal precedent risk** – risks here relate to the possibility of decisions which are unfavourable to the scheme or the culture and behaviour of its participants. Anecdotally, this seems to happen more frequently and/or with more financial significance in South Australia than elsewhere.
- **Legal provider behaviour** – after ReturnToWorkSA implemented its dispute resolution strategy we are seeing faster resolution, lower costs and lower new lodgement volumes. These are positive features that, if maintained, could lead to consequential improvements in other areas. On the flip side, if these changes cannot be maintained then cost increases would likely result.

- **Serious Injury claim costs** –
 - > Despite recent favourable claim number experience, new Serious Injury claims also continue to emerge many years post-injury, and in aggregate there is still material uncertainty around the ultimate number of Serious Injury claims given this ongoing tail of activity.
 - > These claimants are entitled to benefits for life, and the risks for this group relate to factors that are common across most claims, meaning deviations from our assumptions could therefore compound across multiple years. There are key uncertainties in relation to each of ultimate numbers of claims, life expectancy and long term cost escalation.
- **Care cost growth** – Serious injury claims have seen increasing attendant care costs in recent years, which now appears to be leading to cost growth in other areas of ‘domestic help’. Any material increases to care that are retained for life have the potential to create significant liability strengthening. The nature of attendant care and related services mean that changes to an individual’s support plan are not quick or straightforward to reduce, and so these are important areas to monitor for cost growth risk.

Compounding this risk is that more Short Term Claims are also accessing ‘care and support’ services. These factors compound the risk of higher fee rates from the NDIS over time.

- **Hearing Loss claim numbers** – there has been unprecedented growth in Hearing Loss claim numbers in the last few years, which has led to strong cost growth. If this volume growth continues then further cost increases will eventuate.
- **Hearing aid device and related costs** – there is significant uncertainty about the number of hearing aids that claimants will require over their lifetime – currently, devices appear to be being updated more quickly and in between device replacement there are increasing levels of other costs (such as ‘battery replacements’ and ‘device adjustments’). The projections are not fully aligned to this as being a permanent feature, and so it is likely that further cost increases will eventuate if this becomes the new normal.
- **Economic environment and inflation risk** – there is considerable uncertainty in financial markets and inflation risks also remain; if changes occur the scheme’s liabilities would be impacted.
- **Digital Transformation Program** - ReturnToWorkSA has commenced a program to upgrade its technology systems including the claims lodgement portal used by employers and workers, the claims management technology used by ReturnToWorkSA’s claims agents and the technology stack that supports operational activities. The digital transformation program is in its (relative) infancy and is expected to be rolled out over the next 5+ years. Changes such as these have the potential to be (very) disruptive to the claims management process, and experience in other jurisdictions has shown that if ‘things go wrong’ then meaningful cost increases can result. If any disruption to claims management occurs that impacts on claim outcomes/costs then this would be an increase above our projections.

As context to our remarks above, it is important to remember that on current claim patterns it looks like taking around 10 years until most (but not all) Serious Injury claims are determined. As a result, in assessing the potential uncertainties that impact on current liability assessments, it is necessary to consider not just current behaviours but also what is likely to occur over (say) the next decade.

Despite the fact that the RTW Act commenced in 2015 there are still key areas of its provisions that are being tested in the courts, and hence there is uncertainty as to their ‘real world’ boundaries. The current valuation basis reflects our best estimate of how this experience will eventuate. Over time, our basis will further reflect the actual experience as it develops, and it is possible that the experience will differ materially from our current expectations.

11.2 Sensitivity analysis

To assist in understanding the uncertainty, we have designed a range of scenarios which illustrate potential scheme outcomes. For each scenario we have made an approximate estimate of its impact on the outstanding claims provision.

We have considered the uncertainty in four broad categories:

- Economic – employment, inflation, investment markets.
- Legal and legislative – outcomes relating to the impact of reforms, focussing on Serious Injury numbers and the s56A election
- Short Term Claims – outcomes relating to claims whose entitlements are subject to the hard boundaries.
- Serious Injury claims – outcomes for claims who are entitled to long term payments from the scheme.

There is overlap and interaction between these categories. ReturnToWorkSA has essentially no control over economic influences, full control over scheme management and some influence (but not control) over legal and behavioural risks.

We note that sensitivity analysis is indicative only of a range of possible liability outcomes. The sensitivities shown below do not represent upper or lower bounds to the scheme's outstanding claims liabilities, and it is possible that multiple impacts could emerge at once that would lead to larger overall impacts than shown in the specific scenarios.

11.2.1 Economic scenarios

In brief, the scenarios we have considered are a stronger economy, a weaker economy and an unexpected wage inflation 'spike' that saw wage inflation increase to 5% p.a. for the next two years; as summarised below.

Table 11.1 – Economic Scenarios

	Stronger	Weaker	Inflation spike
Wage inflation ¹	4.0% pa	5.0% pa	5% p.a. in next two years, before reverting
Investment earnings	6.0% pa	5.0% pa	Unchanged
Real Long-term 'Gap' ²	2.0%	0.0%	Unchanged

¹ Wage Cost (Price) Index (WCI) inflation, ² Difference between WCI inflation and discount rate

The impact of these alternative economic assumptions is shown below.

Table 11.2 – Economic sensitivities

	OSC Impact	
	\$m	%
31 Dec 25 OSC estimate (Including risk margin at 75% POS)	4,505	
Stronger Economic Scenario (2% gap between inflation and discount rate)	-220	-5%
Weaker Economic Conditions (0% gap)	+604	+13%
Temporary wage inflation 'spike'	+56	+1%

While economic conditions are still less favourable for scheme performance relative to very long term historical norms, we have seen a widening in the gap between the discount rate and inflation at the

current valuation that resulted in a material financial saving. If conditions continue to improve, the implications for both funding and premiums are favourable; for example, in the strong scenario the discounted liabilities reduce by \$220m. Of course, conditions can also move the other way, as they have a number of times over the last few years.

Following increases in price inflation over the last two years it is possible that wage inflation could increase more than anticipated, and a scenario whereby wage inflation increased to 5% for two years before reverting back to the normal allowances would increase the liability by \$56m.

11.2.2 Expenses scenario

If the adopted claims handling expenses were to deteriorate (noting that we increased the allowance for Serious Injury Claims at this valuation by 0.5%) then the loading could be tens of millions higher, as shown below.

Table 11.3 – Expenses sensitivities

	OSC Impact	
	\$m	%
31 Dec 25 OSC estimate (Including risk margin at 75% POS)	4,505	
Scheme expenses are higher than allowed (17.5% for STC and 8.5% for Serious Injuries)	+41	+0.9%

11.2.3 Short Term Claim scenarios

Commencement of the RTW Act brought significant change to the scheme and areas of change in the scheme’s culture. In recent years there has been wide variation in claim patterns, covering RTW outcomes, dispute lodgement, WPI assessment and in attempts to add ‘additional injuries’ to claims. It is possible that the scheme experience could either outperform or underperform relative to current projections, and the actual outcomes that emerge over time will depend strongly on the claims management approach and behaviour of scheme participants.

Table 11.4 summarises a number of sensitivities that help demonstrate the potential for variability in the Short Term Claim cohort.

Table 11.4 – Short Term Claim sensitivities

	OSC Impact	
	\$m	%
31 Dec 25 OSC estimate (Including risk margin at 75% POS)	4,505	
Claim numbers		
Claim frequency for non-hearing loss claims (both total and for 10 days of IS) return to 2021 levels with no flow-on impact to Serious Injury Claim numbers	+158	+3.5%
Claim frequency for non-hearing loss claims (both total and for 10 days of IS) improves by around 5% p.a. for FY22 and beyond, with no flow-on impact to Serious Injury Claim numbers	-53	-1.2%
Psychological injury numbers increase by 100% above current allowances	+113	+2.5%
Income Support		
RTW continues to deteriorate, resulting in IS costs returning to 2018 levels.	+53	+1.2%
RTW improves resulting in IS costs reducing to 2024 levels.	-30	-0.7%
Treatment costs		
Hearing loss aids and appliances cost continue for longer in the tail and occur more frequently	+104	+2.3%
Superimposed inflation emerges at 1% higher per annum than currently allowed for Medical, Allied Health and Rehabilitation (NIHL and General Claims)	+30	+0.7%
Legal fees		
Dispute volumes increase due to more WPI related disputes	+31	+0.7%
Lower average cost of legal fees for all claims due to disputes finalising earlier in the disputation process	-18	-0.4%
Lump Sums		
Lump sum claim numbers emerge at 2019 levels (relative to income support numbers) for all recent accident years	+207	+4.6%
First Paid and Economic Loss lump sums emerge at even higher sizes (+10%) due to various sources incl. more 30%-34% claims and WPI score increases	+68	+1.5%

These scenarios illustrate some of the key areas of uncertainty for Short Term Claim costs including:

- A reversal of recent improvements in claim numbers, such that numbers increased back to 2021 levels, would increase Income Support, Lump Sum and flow-on costs (excluding Serious Injury and Hearing Loss) by \$158m. However if improvements in frequency were to continue beyond 2021 in line with the long-term trend then the liability could reduce by \$53m.
- A 100% increase in the number of active psychological injury claims would add \$113m to the liability.
- For Income Support costs, if the claims experience reverted to levels seen in 2018, then Income Support costs would increase by \$53m. There would also likely be flow on increases to other costs that we have not captured in this scenario. Conversely, if experience were to improve to levels seen in 2024 then this would result in a reduction of \$30m in the liability.
- Treatment costs:
 - > Historically, many hearing loss claims have *not* gotten replacement hearing aids in the very long term, as claimants age; more recently we are seeing both higher rates of device replacement and more frequent ‘turnover’ of devices. The valuation basis is not fully aligned to this most recent experience, and if claims do continue receiving hearing aids on a more frequent basis this could add \$104m to the provision. If trends continue worsening over time then the costs could be even higher.
 - > An additional superimposed inflation allowance of 1% for STC Medical payments (over what is already allowed for in the valuation) would add \$30m to the provision.

- Dispute related costs have reduced recently and if dispute volumes were to reverse and increase again from additional WPI related disputes then this would add \$31m to the provision. If dispute resolution times continue to improve and disputes are settled at an earlier stage then a saving of \$18m could be achieved in the liability.
- Lump sums are impacted by multiple areas of uncertainty, including:
 - > If Lump Sum claim numbers stay at 2019 levels (around 200 extra claims per year), this would add \$207m to the provision. This scenario focuses on accident periods 2020 to 2026, where we are forecasting that experience will improve compared to 2019 as a result of the improved RTW outcomes and change in management approach.
 - > If average sizes increase further by 10%, whether due to higher WPI scores or a greater proportion of 30%-34% WPI lump sums, then it could plausibly add \$68m to the provision.

11.2.4 Serious Injury scenarios

With significantly higher benefits available to Serious Injury claims, the numbers of claimants becoming eligible for these benefits will have significant financial consequences for the scheme. In addition, with an increasing proportion of future claims liabilities relating to Serious Injury claims, changes in life expectancy and escalation of costs for Serious Injury claims costs will also have significant financial impacts.

Table 11.5 – Serious Injury sensitivities

	OSC Impact	
	\$m	%
31 Dec 25 OSC estimate (Including risk margin at 75% POS)	4,505	
Other Serious Injury		
Higher than expected SI numbers by 10 extra claims per year for recent years	+152	+3%
Lower than expected SI numbers by 5 less claims per year for recent years	-76	-2%
Material Serious Injury exits for reasons other than s56A/redemptions, retirement or death	-223	-5%
s56A and medical redemptions achieve little savings (either through low take-up rate or due to rational decisions by workers)	+45	+1%
No increase in the severity of claims as a result of lower claim numbers or medical redemptions	-71	-2%
Severe Traumatic Injury		
Unpaid care on EnABLE cohort ceases immediately and is replaced with paid care	+144	+3%
No increase in utilisation of Care benefits after age 65	-71	-2%
Twice the additional allowance for utilisation of Care benefits after age 65	+59	+1%
Mortality		
Impact of all EnABLE claims having mortality in line with standard population life expectancy	+326	+7%
Inflation		
Superimposed inflation is 1% p.a. higher than assumed for medical and care, whether due to higher utilisation of services such as care and treatment, or from increasingly expensive treatments, above average award wage increases for carers, increased pressure as current unpaid family carers age, etc.	+312	+7%

Because of the very long tail of Serious Injury claims and the consequent leverage in the scheme's financial results, the scenarios illustrate some very large potential changes in the outstanding claims liability:

- Other Serious Injury numbers

- > Despite the recent favourable experience, it will still be many years until ultimate claim numbers for more recent accident years are known with any certainty. As an example of the potential financial impact, if the number of Serious Injury claims is 10 higher per year for recent accident years the provision would increase by \$152m. Our allowance for future Serious Injury claims are a very small portion of the claims that are still in the system and so even a slightly higher conversion rate would have material implications for the liability.
- > Conversely, if actual claim numbers continue to be lower than anticipated, reductions could occur at future valuations.
- Other Serious Injury exits and profile
 - > If there were material exits for reasons other than we have explicitly modelled (s56A/redemption, retirement or death) then savings of up to \$225m could be achieved
 - > If s56A and redemptions achieve little savings, then the liability could increase by up to \$70m
 - > If periods with lower claim numbers do not have a higher average size then savings of up to \$70m could be realised
- Severe Traumatic Injury: differences in the utilisation of services as claimants age and the proportion of Care that is unpaid relative to current valuation assumptions could plausibly have impacts (both positive and negative) of up to \$150m
- Mortality and inflation: Due to the lifespan of the claims involved, differences between assumed and actual mortality or inflation rates could realistically increase the liability by over \$300m; however, this would be slow to emerge.

12 Reliances and limitations

Our results and advice are subject to a number of limitations, reliances and assumptions. The main ones are outlined below.

12.1 Reliance on data and other information

We have relied on the accuracy and completeness of the data and other information (qualitative, quantitative, written and verbal) provided to us by ReturnToWorkSA for the purpose of this report. We have not independently verified or audited the data, but we have reviewed the information for general reasonableness and consistency. The reader of this report is relying on ReturnToWorkSA and not Finity for the accuracy and reliability of the data. If any of the data or other information provided is inaccurate or incomplete, our advice may need to be revised and the report amended accordingly.

An important information source for this valuation was the guidance and input previously provided by ReturnToWorkSA's internal subject matter experts and legal advisors, who supported our work to estimate the likely impacts of the implementation of the 2022 reforms.

12.2 Uncertainty

12.2.1 Impact of Reform

The uncertainty at the current valuation is heightened by the impacts of the *Return to Work (Scheme Sustainability) Amendment Act 2022*. These amendments made very significant changes to the Scheme and it will still be a number of years before direct information can be used to determine its impacts. Consequently, significant uncertainties remain in our work and it is possible that outcomes could be materially different to our estimates.

A key uncertainty in determining the ultimate financial impacts of the reforms will be how significant, or not, behavioural changes are. As observed in the body of our report, South Australia's workers compensation system is regarded as being relatively litigious (compared to other states), and we have seen past examples of claimants changing behaviour in response to a change.

An important area that has the potential to meaningfully impact on how the reforms emerge is the implementation of the Third Edition Impairment Assessment Guidelines. These Guidelines are a crucial feature of how the Scheme works in practice given the legislative design's reliance on WPI assessments. If the Guideline change results in higher WPI scores then the financial outcomes could be very significant.

12.2.2 Emergence of key legal precedent

Realising the expected long-term financial savings from the RTW Act depends on the effectiveness of maintaining the boundaries in practice. Any legal precedent that causes 'slippage' in the application of the boundaries will have an unfavourable impact on scheme costs.

Until there is clarity around the operational implementation of the relevant provisions there will be uncertainty as to the financial costs which eventuate under the RTW Act benefit package.

12.2.3 Other uncertainty

There is considerable uncertainty in the projected outcomes of future claims costs, particularly for long tail claims; it is not possible to value or project long tail claims with certainty. Our payment projections for Serious Injury claims, in particular, include payments which are expected to occur many decades into the future.

We have prepared our estimates on the basis that they represent our current assessment of the likely future experience of the scheme. Sources of uncertainty include difficulties caused by limitations of

historical information, as well as the fact that outcomes remain dependent on future events, including legislative, social and economic forces, and behaviour by scheme stakeholders such as Corporation management, claimants and claims agents.

In our judgement, we have employed techniques and assumptions that are appropriate, and the conclusions presented herein are reasonable given the information currently available, subject to our comments above. However, it should be recognised that future claim outcomes and costs will likely deviate, perhaps materially, from the estimates shown in this report.

Our valuation assumes a continuation of the current environment with allowance for known changes where we have been able to quantify or estimate the effects. It is possible that one or more changes to the environment could produce a financial outcome materially different from our estimates.

12.3 Latent claims

We have made no allowance for catastrophic aggregation of claims from latent sources (such as claims relating to asbestos) other than as reflected in the data and information we have received. Latent claim sources are those where the date of origin of a claim is many years before the claim is reported.

There has been a lot of focus on potential new sources of silicosis claims recently, but at this time it does not appear that ReturnToWorkSA is impacted anywhere near as much as some of the Eastern states. While there are negligible claims to date, external screening continues to take place. As such, it is possible that more silicosis claims could emerge over time, and we will continue to monitor developments regarding this area of risk.

12.4 Limitations on use

This report has been prepared for the sole use of ReturnToWorkSA's board and management for the purpose stated in Section 2.2. At ReturnToWorkSA's request, we consent to the release of this report to the public, subject to the reliances and limitations noted in the report.

Third parties, whether authorised or not to receive this report, should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Finity to the third party.

While due care has been taken in preparation of the report Finity accepts no responsibility for any action which may be taken based on its contents.

Finity has performed the work assigned and has prepared this report in conformity with its intended utilisation by a person technically competent in the areas addressed and for the stated purpose only. Judgements about the conclusions drawn in this report should be made only after considering the report in its entirety, as the conclusions reached by a review of a section or sections on an isolated basis may be incorrect.

This report, including all appendices, should be considered as a whole. Finity staff are available to answer any questions, and the reader should seek that advice before drawing conclusions on any issue in doubt.

Any reference to Finity in reference to this analysis in any report, accounts or any other published document or any other verbal report is not authorised without our prior written consent.

13 Scheme history

This section summarises the key events and changes in the scheme since major reforms in 2007.

2007-08

Changes to the Workers Rehabilitation and Compensation Act passed by the South Australian Parliament. The key aim was to place greater focus on earlier rehabilitation and return to work outcomes.

2008-09

Key components of the 2008 legislative changes commenced: earlier step-downs for IS claims; Work Capacity Assessment; changes to non-economic loss payments; changes to the dispute resolution framework (including Medical Panels introduced); provisional liability.

2009-10

- 'Window' for continuation of redemptions under previous legislation closed 1 July 2010.
- Replacement of IT system IDEAS with Curam.
- Change to process for reimbursement of weekly payments to employers.
- Initial projects commenced under the \$15m Return to Work Fund.

2010-11

- Bonus/Penalty scheme for employer levies discontinued.

2011-12

Claims estimates introduced for all claims.

2012-13

- New employer payments scheme commenced 1 July 2012, with compulsory experience rating for medium and large employers, and optional 'retro paid loss' arrangement for large employers.
- Second claims agent, Gallagher Bassett, commenced 1 January 2013 (Employers Mutual Limited had been the sole agent since 1 July 2006).
- Second legal service provider, Sparke Helmore, commenced 1 January 2013.

2014-15

The **Return To Work Act 2014** was passed in late 2014, with major changes to the scheme and claimant entitlements. Key provisions took effect 1 July 2015.

The main features of the reforms, for claims occurring from 1 July 2015, were:

- A tighter link between employment and injury before compensation is available.
- For Seriously Injured workers: ongoing benefits, reduced emphasis on RTW, access to common law benefits for economic loss.
- Introduction of boundaries on claim duration for 'non-serious injuries': 104 weeks for weekly benefits and 52 weeks thereafter for medical costs.
- New lump sum payment for loss of future earning capacity for non-serious injuries with WPI of 5% or more.

A number of **Regulations** in June 2015 impacted on the operation of the RTW Act. The changes related to pre-1 July 2015 injuries and allow:

- ‘Top-up’ payments for non-economic loss in limited circumstances; approval to seek further compensation was required before 1 July 2016.
- Coverage of future surgeries and up to 13 weeks of IS benefits for existing non-Serious Injuries, even if surgery falls outside the standard time boundaries.

2015-16

The premium system was changed so that nearly all employers were subject to experience rating, but under a new and much simpler system.

2021-22

The *Return to Work (Scheme Sustainability) Amendment Act 2022* was passed in July 2022, with major changes to the scheme and claimant entitlements. The key changes relate to:

- Codifying the ‘combining’ of injuries for assessment of WPI, which is used to determine lump sum entitlements and serious injury eligibility
- Increasing the serious injury threshold to 35% WPI for physical injuries
- Revising the WPI scale for lump sum benefits to align to the increase of the serious injury threshold (by specifying the scale between 30 and 34% WPI)
- Allow seriously injured workers to elect to receive an economic loss lump sum (as per the economic loss lump sum scale) instead of ongoing income support entitlements
- Allow seriously injured workers to negotiate a settlement of their medical entitlements as a redemption
- Remove the concept of ‘once and for all’ impairment assessments with allowance for additional injuries to be assessed if they occur after an earlier impairment assessment is completed. These additional injuries cannot be combined with the earlier assessment and will be assessed individually.

Recent years

The *Return to Work (Employment and Progressive Injuries) Amendment Act 2024*⁸ passed in 2024, with the resulting financial changes are anticipated to be relatively minor in the context of ReturnToWorkSA’s overall liabilities. The key changes include:

- Changing ‘maximum medical improvement’ to ‘stabilisation’ of a work injury for the purposes of permanent impairment assessment.
- Allowing workers with a prescribed dust disease injury to elect to have their average weekly earnings based on their employment at time of injury, or time of diagnosis.
- Changes to employers’ obligations in respect to providing return to work opportunities for injured workers.
- For completeness we note there are a small number of other less material changes.

⁸ <https://www.rtwsa.com/about-us/return-to-work-scheme/changes-to-legislation>