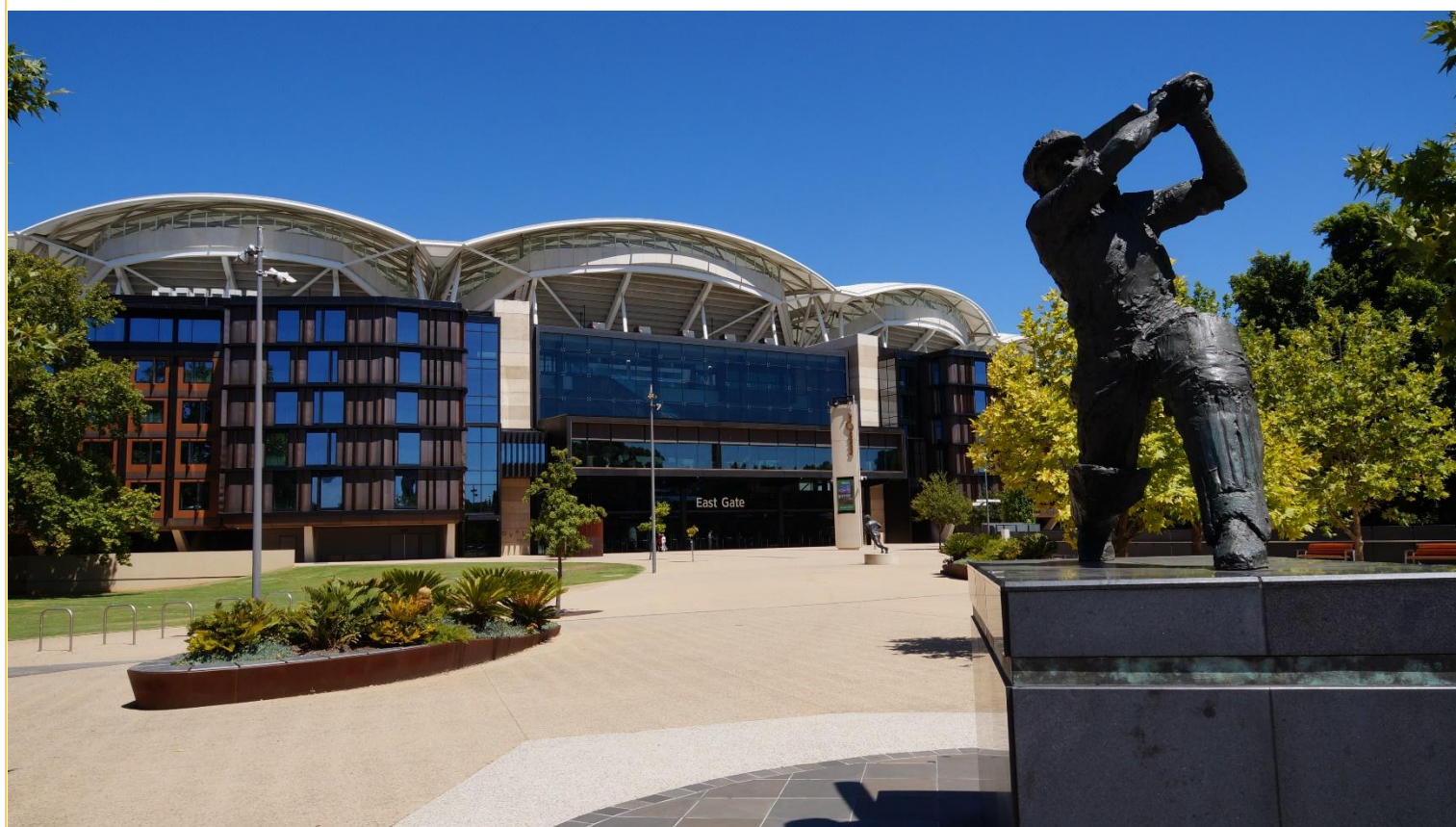


Scheme Actuarial Valuation as at 30 June 2025

ReturnToWorkSA



At ReturnToWorkSA's request we have consented 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.

27 August 2025

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

Dear Mr McCarthy

Scheme Actuarial Valuation as at 30 June 2025

Enclosed is our report on the 30 June 2025 scheme actuarial valuation.

We would like to acknowledge the contribution of members of ReturnToWorkSA's management and staff to our valuation work; their openness and effort to provide information for our use and understanding is commendable.

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 June 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 leviabale 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 leviabale 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.
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
WRCA ('old Act')	Workers Rehabilitation and Compensation Act 1986, the previous Act which governed the scheme.
WCI/WPI	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 30 June 2025.

Our previous actuarial review was as at 31 December 2024, and was documented in a report dated 12 March 2025.

1.2 Scope of the review

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

The primary purpose of the June 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 in determining the provision for outstanding claims in its annual financial accounts.

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 Recent and potential changes to Scheme ‘rules’

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.

We also note that the potential impacts of a key legal case² in relation to working from home (or in other places outside normal locations of work) is **not** being included in our estimates at this time, whilst the case is under appeal.

A separate recent decision from the Court of Appeal³ supported ReturnToWorkSA’s approach to the use of legal cost provisions related to permanent impairment disputes. Given the importance of permanent impairment assessments in the Scheme’s benefit design, and noting the generally high rates of dispute in the Scheme, this has important implications in relation to the operation of the dispute resolution system.

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

³ Return To Work Corporation of South Australia v Sweeney [2025] SASCA 50

Finally, the Third Edition of the Impairment Assessment Guidelines (IAGs) will commence on 1 October 2025; given the IAGs prescribe how WPI assessments are to be undertaken they are fundamental to assessing the future cost of running the scheme. These IAGs were drafted under the Minister's directive that any changes be cost neutral in aggregate. 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 has been included 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 had three successive years of very high exposure growth with insured remuneration increasing by +33% from FY22 to FY24. The growth outlook for FY25 is forecast to be at more normal levels.
- **Growing new claim volumes:** non-Hearing Loss claim volumes have increased in the last two years, which we interpret as a 'normalising' of claim volumes relative to the (now) larger insured workforce after large cumulative changes over the last three years as noted above.

Recent claims volumes also appear to be more 'complex' in nature, with an increasing proportion of claims receiving Income Support payments; strong growth in the number of psychological injuries is contributing to this.

- **Dispute resolution:** 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, while at the same time lowering the average cost per finalised dispute (due to shortening durations). This change in approach also appears to be allowing more claims to settle their disputes and 'move on' from the scheme.
- **Information on claims combining injuries:** combining injuries has been operational for three years and, while it is still 'early days' in the context of the scheme's claim portfolio, the key learnings are:
 - > There was a clear stepwise increase in WPI scores once combining injuries became operational; since then, WPI scores have been more or less stable at this new higher level
 - > 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.

While it is positive that average WPI scores have not continued to increase beyond the initial stepwise change when combining injuries became operational, given the long term nature of the scheme's claims liabilities it is not yet clear whether this will be sustainable. Commencement of the Third Edition IAGs has the potential to impact here.

- **Late to emerge WPI assessments:** we continue to see very late – for example, more than 10 years post-injury, and in some cases multiple decades post-injury – requests for WPI assessment, which is adding costs to the scheme. Given there is no legal time limit on claimants seeking new assessments it is likely this is an ongoing feature under the current legislative rules.

- **Growth in Hearing Loss claim numbers:** there has been very rapid growth in the numbers of Hearing Loss claims (NIHL) in recent years, which appears to be the result of targeted provider activity. Recent operational activities related to claim acceptance have managed to (for now) stabilise this growth, although it is not yet clear whether this will be sustainable. We do though continue to see significant pressure on device costs, where some providers appear to be replacing devices more frequently than in the past.
- **Claims management model:** the claims management model continues to evolve in response to the scheme's emerging needs, including changes to WPI assessments, dealing with additional injuries, focusing on eligibility decisions and strategic management of the dispute resolution process. This continues to produce very positive RTW rates as well as reducing dispute resolution costs (albeit off a very high baseline).

We note that our work makes no allowance for any changes to the claims experience as a result of the digital transformation program ReturnToWorkSA is undertaking; 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.

1.5 Recent claim experience

The key features of the claims experience in the six months to 30 June 2025 were:

- For claims managed entirely under the RTW Act (excluding NIHL):
 - > New claim numbers were broadly in line with expected, although the proportion of claims accessing Income Support is drifting higher.
 - > RTW rates have been maintained at very high levels, albeit just off the very best performance in FY23.
 - > WPI scores are higher than was seen prior to combining injuries being a feature of the scheme but have been broadly steady for the last two years. The pipeline of new WPI assessments remains steady, noting that most of this activity is from claims who are well beyond their Income Support benefit periods.
 - > The numbers of new disputes has been steady, averaging 200 per month compared to 255 per month in 2022. Disputes though still remain high by historical standards (where a normal level was more like 175 per month, or 2,000 disputes per annum).
- Noise Induced Hearing Loss (NIHL) claims growth has slowed, with operational activities also showing signs of slowing the cost growth.
- Activity continues for transitional ('Old Act') claims, particularly for late to emerge WPI assessments and related activity such as medico-legal assessment and disputes.
- For Serious Injury claims:
 - > Serious Injury claim numbers have been lower than expected over the last year, most notably for the 2021 and 2022 accident years which coincides with the periods where RTW rates started to improve. The reduction in new Serious Injury claims also appears to be linked to an offsetting increase in the number of claimants with WPI scores just below the new 35% Serious Injury threshold.

Despite this 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 for pre-2018 accident years given this ongoing tail of activity.

- > There is emerging evidence that periods with lower claim numbers and greater use of s56As and redemptions have higher Serious Injury average sizes; this suggests the severity of Serious Injury claims on ongoing benefits may be becoming more severe.
- > The take-up rate for s56A future economic loss payments and redemptions has been comparable to projected levels.

Total net claim payments of \$282m were \$23m (7%) lower than projected at the previous valuation, although lower than expected lump sums (-\$18m) explain most of this difference, and this mostly relates to the timing of payments and not a change in ultimate costs. The remaining benefits were 2% lower than expected (-\$5m).

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 30 June 2025 is \$4,000m. 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 \$4,560m, as shown in Table 1.1. The provision includes an allowance for future claims handling expenses equivalent to 10.6% of gross claim costs (up from 10.5%).

Table 1.1 – Recommended balance sheet provision

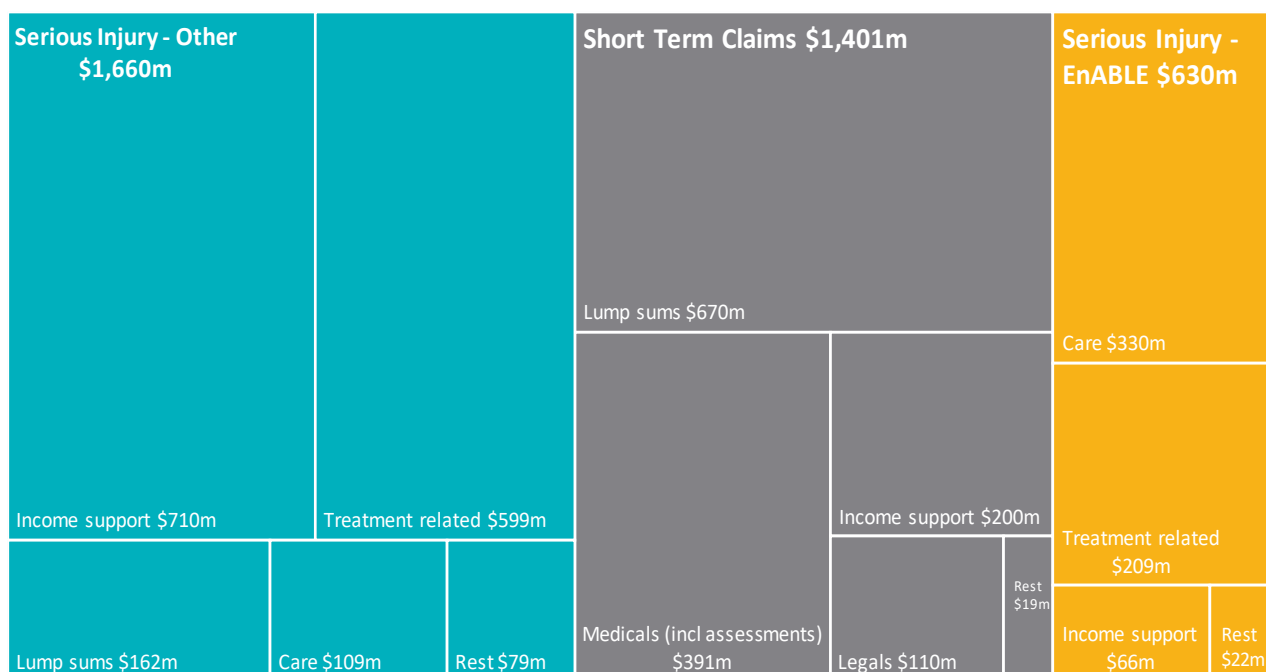
	Central Estimate	Risk Margin	Recommended Provision
	\$m	\$m	\$m
Gross Claims Cost - Serious Injuries	2,289		
Gross Claims Cost - General Short Term Claims	1,118		
Gross Claims Cost - Hearing Loss Claims	283		
Claims Handling Expenses	391		
Gross Outstanding Claims Liability	4,082	572	4,654
Recoveries	-82	-11	-93
Net Outstanding Claims Liability	4,000	560	4,560

As explained in Section 1.3.1 above, the current risk margin includes an additional uncertainty allowance of 1.0% in relation to the upcoming Impairment Assessment Guidelines changes, and if not for this then the risk margin would have reduced to be 13.0% at an underlying level.

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 EnABLE claims (\$630m) and other Serious Injuries (\$1,660m).

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 30 June 2025



1.6.2 Movement in liability

Our net central estimate is \$17m 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 – June 2025 central estimate and determination of actuarial release/(strengthening)

	Central Estimate		
	Liability Estimate ¹	AvE payments in 6 mths to Jun-25	Actuarial Release/(Strengthening) ²
	\$m	\$m	\$m
Liability at Dec-24 Valuation	3,861		
Projected Liability at Jun-25 (from Dec-24 valuation)	4,018		
Claims Movement - General Short Term Claims	36	-19	-17
Claims Movement - Hearing Loss Claims	1	-4	2
Claims Movement - Serious Injury	-110	0	110
Impact of Change in economic assumptions	55		
Recommended Liability at Jun-25	4,000		
Total Actuarial Release/(Strengthening)			95

¹ Net central estimate of outstanding claims liability, including CHE

² Includes change in OSC and Act vs Exp payments.

There is an actuarial release (cost decrease) of \$95m for the period. Changes to the economic assumptions increased the central estimate by \$55m. The components of the actuarial release are discussed briefly below.

1.6.3 Components of the actuarial release/(strengthening)

Table 1.3 shows the \$95m actuarial release 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	-17	-0	10	-7	-1%
Lump Sums	8	6	17	30	4%
Legals	-4	1	3	1	1%
Treatment Related ¹	-0	-5	71	66	4%
Rehabilitation	-2	-0	0	-2	-6%
Other Costs ²	-0	0	-0	0	1%
Recoveries	3	-	3	6	8%
Total Claim Costs	-12	2	104	94	3%
Expenses	-5	-0	7	2	0%
Net Central Estimate	-17	2	110	95	2%

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 \$17m, due to:
 - > \$17m increase for Income Support and related costs. Of this, \$8m relates to recently higher claim volumes, an increasing proportion of which are receiving Income Support benefits. A \$7m Redemptions increase follows changes in the dispute settlement approach that are shortening dispute durations and contributing to lower Serious Injury claim numbers.
 - > \$8m decrease for Lump Sum costs due to lower recent settlement sizes. The lower than expected payments over the last six months is largely being treated as a timing difference and so is mostly held back in the liability.
 - > \$4m increase in legal costs, which is entirely due to an update in the allocation of Corporation Legal costs to have more attributed to older injury years where late WPI assessment volumes continue to emerge.
 - > \$2m increase for Treatment and Rehabilitation costs, due to increasing costs per claim as a result of both above inflationary fee schedule increases and current operational strategies that have seen increased use of some services.
 - > \$3m release from Recoveries, primarily reflecting higher than expected Recoveries received in the last six months
 - > \$5m increase in the claims handling expense allowance, reflecting an increase in the gross claims cost; the claims handling expense rate for Short Term Claims is unchanged at 16.5%.

- For **Hearing Loss Claims** there is an actuarial release of \$2m which is due to two offsetting features: (1) lower volumes of new reports, offset by (2) an increase in device and related servicing costs to further reflect the increased utilisation in scheme experience.
- For **Serious Injury claims** there was an overall actuarial release of \$110m due to (note: numbers below do not match to the table, as impacts are combined across multiple benefits where relevant):
 - > A \$110m 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 \$12m increase due to changes in the assumed Other Serious Injury average size: a reduction in the assumed net benefit of s56A elections and an increase to the Care average size was partially offset by reductions in the assumed Medical and Treatment average sizes
 - > A \$5m reduction due to changes in Severe Traumatic Injuries average sizes, including the reassessment in future costs for a claim that transferred from claims agents to EnABLE
 - > A \$7m decrease in the claims handling expense allowance, following the decrease in the gross claims cost; the claims handling expense rate for Serious Injury Claims is unchanged at 7.0%.

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 increased the net central estimate by \$55m.

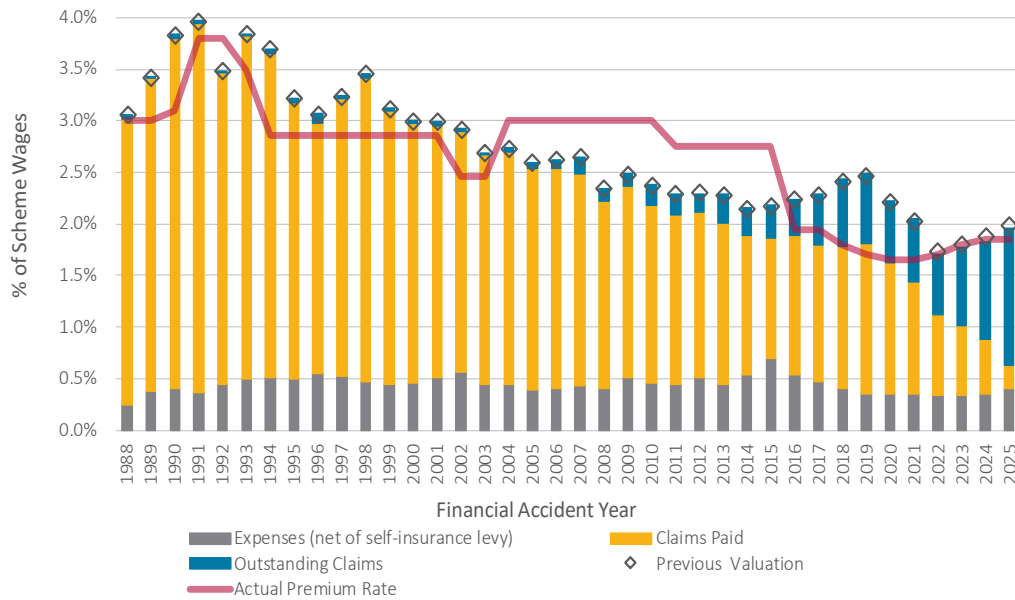
Compared to what was adopted at the previous valuation, the current economic assumptions imply lower discount rates out to 2031, which when combined with essentially unchanged future inflation assumptions produce lower (and even negative) gaps for durations out to 2031. Longer term assumptions have not moved a lot.

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 and 2025 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 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 lower Serious Injury numbers now anticipated for these years.

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, in particular 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:

- **Reform impacts** – the 2022 reforms legislated “combining” and introduced other changes that attempt to manage the financial consequences of claimants getting higher WPI scores. Given many Serious Injury claims are not recognised as such until 5 to 10 years post injury, it will be a number of years until the longer term consequences of these changes are clear; it is only in the last 12 months that Serious Injury determinations are primarily occurring under the revised 35% threshold for physical injuries.
- **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 commence in October 2025 and change the rules under which WPIs are assessed and as such add risk to this area.
 - > On the flip side, improved RTW rates in recent years could perhaps lead to fewer lump sum and/or Serious Injury claims emerging over time.
- **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 currently reducing 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.
- **WPI assessments** – under the RTW Act, small changes in the WPI score can equate to many tens of thousands of dollars in some cases, and WPI assessments 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’.

Given there is no current legislative tool that addresses the ‘tail risks’ that have emerged from behaviour changes since the RTW Act commenced, there is a chance that outcomes will be different to expected. 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 upcoming Third Edition Impairment Assessment Guidelines; if any changes to WPI scores result from this change they will need to be factored into future valuation work.

- **Serious Injury claim costs** – 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.

- **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.

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

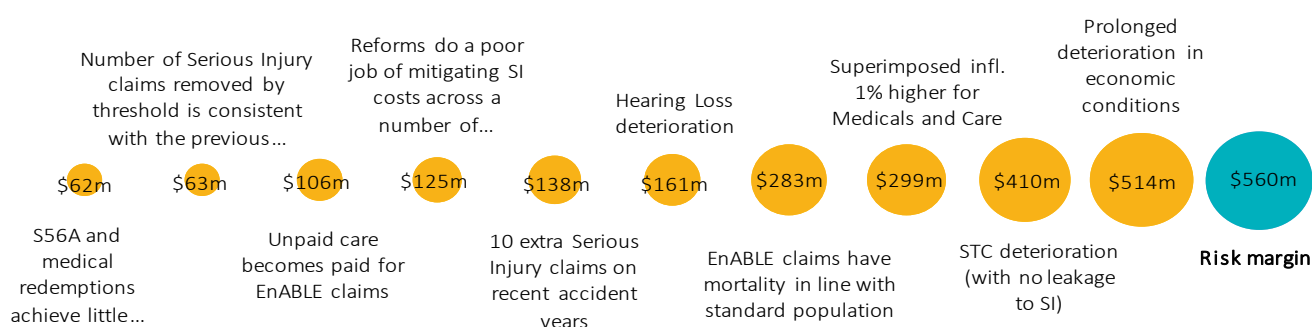


Figure 1.3 indicates that there are a range of plausible scenarios that could see the liability move by several hundreds of millions of dollars. While the most significant scenarios relate to long term economic conditions (which will continue to be the case now for the Fund, given its very long mean 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.

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.

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

Finity Consulting Pty Limited (“Finity”) has been requested by ReturnToWorkSA to undertake an actuarial review of the Return to Work scheme as at 30 June 2025.

Our previous actuarial review was as at 31 December 2024, and was documented in a report dated 12 March 2025.

2.2 Scope of the review

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

The primary purpose of the June 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 in determining the provision for outstanding claims in its annual financial accounts.

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.

The 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 upcoming 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 30 June 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 early June 2025 and operational information that was provided separately.

The additional information is outlined in Appendix B.

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*⁴ which passed last year.

4.2 Legal precedent under the RTW Act

4.2.1 Eligibility boundary

As identified in the December 2024 valuation report, a key legal case *Vercoe*⁵ remains a risk to future scheme costs (this is a self insurer’s case which ReturnToWorkSA has intervened in).

The case relates to working from home (or in other places outside normal locations of work), where the worker had autonomy in managing their own health and safety while working from home. We are advised that the present decision would be a significant expansion of current practice, as it broadens the number of areas where employment could be considered as a significant contributing cause of an injury.

There is no allowance for the outcome of this case in our cost projections, whilst it is subject to appeal. While we have not sought to test the potential significance of this case, it is likely that it could have material financial implications, particularly so for the breakeven premium rate.

4.2.2 Legal costs at risk

Section 106(7) provides additional rules in relation to the legal costs of permanent impairment disputes, in particular when a worker’s legal costs are not payable by the compensating authority. Given the importance of permanent impairment assessments in the Scheme’s benefit design, and noting the generally high rates of dispute in the Scheme compared to other comparable jurisdictions, s106(7) acts to discourage excessive or inappropriate disputation behaviour that does not result in materially different WPI scores for workers.

The recent *Sweeney*⁶ decision from the Court of Appeal supported ReturnToWorkSA’s current approach to the use of these provisions. This has important implications, both financial and also from a cultural and behavioural perspective, in relation to the operation of the dispute resolution system (see Section 4.4.3 for additional detail).

4.2.3 Summary 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

⁴ <https://www.rtwsa.com/about-us/return-to-work-scheme/changes-to-legislation>

⁵ *Lauren Vercoe v Local Government Association Workers Compensation Scheme* [2024] SAET 91

⁶ *Return To Work Corporation of South Australia v Sweeney* [2025] SASCA 50

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.
- 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 upcoming 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.

At the direction of the Minister, new IAGs have been drafted and are due to commence 1 October 2025; these new IAGs will apply to all WPI assessments that commence after this date (i.e. assessments that have already commenced will be completed under the existing IAGs). The new IAGs were prepared under the Minister's directive that any changes be 'cost neutral in aggregate'.

Our work makes the following allowances for the new IAGs:

- 3 **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' (see Section 9.5).
- 4 A 1% increase to the 'underlying' risk margin has been included on account of the increased uncertainty and risk that things 'don't go well'.
 - a 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.

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.

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 Combining injuries

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 will commence operation in October 2025 and will alter the 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’⁷. The cases of *English* and *Williams*⁸, 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.

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

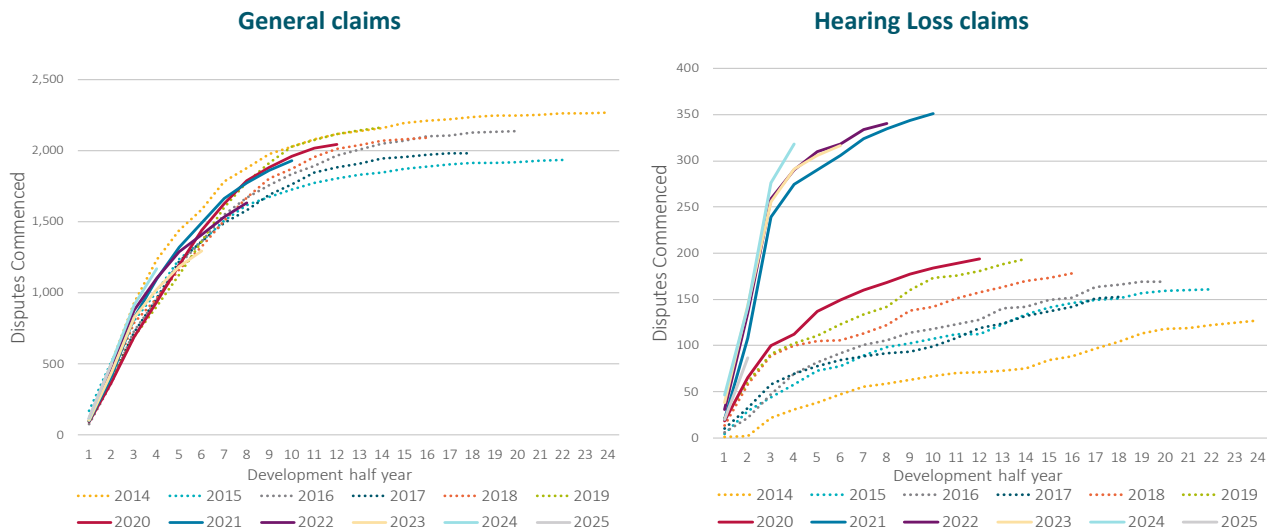
After the RTW Act commenced in 2015, there were generally between 150 and 200 new disputes per month, consistent with a ‘normal’ level of disputes in the scheme of around 175 per month or 2,000 per annum; just prior to the 2015 reforms though disputes were running at much higher levels than this at around 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. More recently, growing volumes of Hearing Loss claims have also been a key driver of increased dispute activity.

Figure 4.1 shows the cumulative number of disputes for each accident year since 2014, separately for Hearing Loss and general claims.

⁷ Paraphrased from the Summerfield decision: *Return To Work Corporation of South Australia v Summerfield*, [2021] SASFC 17

⁸ *Return To Work Corporation (SA) v English; Williams v Return To Work Corporation (SA)* [2023] SASCA 125

Figure 4.1 – Number of disputes commenced by (financial) accident year



The key features to note are:

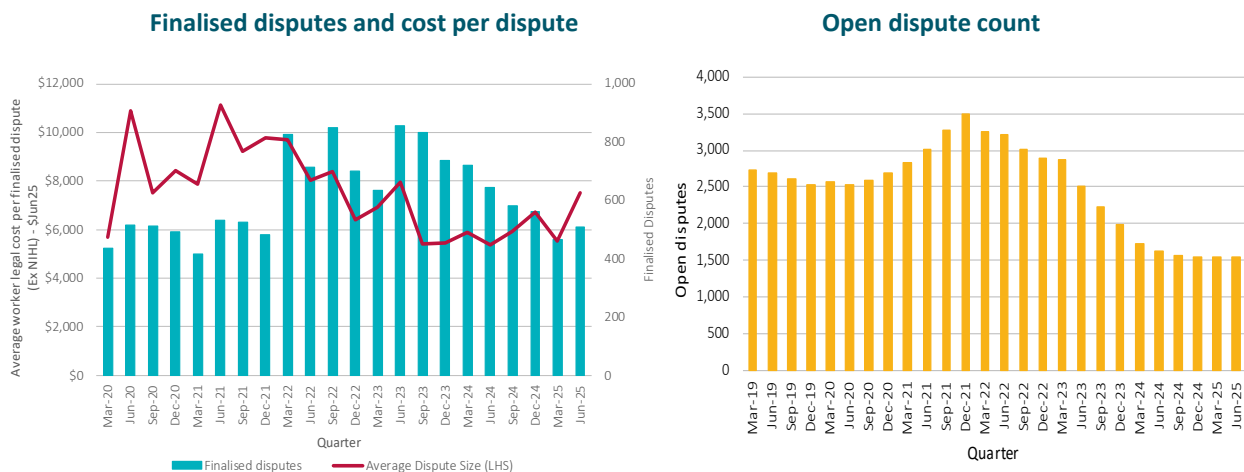
- Hearing Loss claim disputes have been increasing year-on-year, with the last few years (2021+) being particularly high on the back of very high growth in new claim numbers.
- For non-hearing loss claims:
 - > The number of disputes initially reduced under the RTW Act, with 2015 developing lower than 2014.
 - > Accident years 2016 to 2020 all started lower than 2015 (each is lower than the 2015 line out to development half-year 6). This gave weight to the view that dispute numbers were likely to be lower under the RTW Act.
 - > However, 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. As shown in Figure 4.2 below, the volume of finalised disputes (shown as columns in the first chart) has been clearly higher since early 2022, leading to a significant reduction in the number of open disputes (second chart), and at the same time the average cost per finalised dispute (red line in the first chart) has reduced. The earlier resolution of disputes also provides workers with shorter periods of uncertainty while their dispute is open.

We also note that new dispute volumes have been lower in the last six months, as indicated by the lines ‘flattening off’ somewhat in Figure 4.1.

Figure 4.2 – Open disputes, finalised dispute volumes and cost per dispute



If these features can be maintained they have positive implications for:

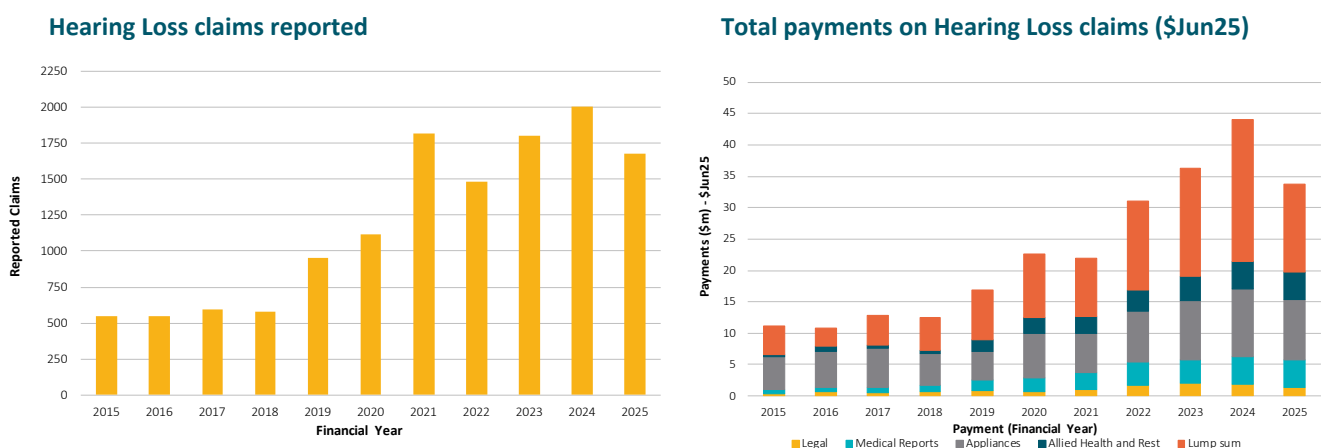
- Worker Legal payments, which generally reduce with a shorter time to resolution of disputes
- The risk level from any unfavourable decisions related to WPI scores
- The Scheme’s frictional costs such as medical reports, which are not costs that go directly to workers.

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 number of Hearing Loss claims in recent years, and while claim volumes appear to have stabilised in the last 12 months the risk remains of further claim growth as a result of targeted provider activity. Higher claim volumes is resulting in rapidly growing costs for Hearing Loss claims, as shown in Figure 4.3.

Figure 4.3 – Hearing Loss new claim volumes and total costs



Key experience features to note are:

- ReturnToWorkSA’s operational activity to ensure eligibility decisions are supported by appropriate evidence is noticeable in the most recent experience: claim lodgements in FY25 were lower than in FY24, and more claims have been withdrawn (or shifted to a ‘notification’ status)

- After increased compliance review to ensure WPI assessments meet regulatory requirements, the average WPI score has returned to be near historical levels (suggesting that the higher scores seen in FY24 were the result of assessor behaviour change, rather than a change in the impairments that presented to the scheme).
 - > Two ‘high volume assessors’ have apparently also recently withdrawn from undertaking WPI assessments, which has temporarily slowed down completed assessment volumes and in part explains the reduction in Lump Sums seen in FY25 in Figure 4.3.
- Devices appear to be being updated more quickly than in the past, and in between device replacement there are increasing levels of other costs such as ‘battery replacements’ and ‘device adjustments’. ReturnToWorkSA have recently commenced activity to educate providers on their expectations in relation to the prescribing and repair of hearing aids, to ensure these costs are appropriate.

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 commenced 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 the risk of further material cost increases being required, significant risk remains that provider behaviour is leading to early replacement of devices that would leave the current cost projection as inadequate.

4.4.5 ReturnToWorkSA’s digital transformation program

ReturnToWorkSA has continued its digital transformation program that will, over time, lead to substantial changes in the processes and systems used to manage claims. 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.

Our current work makes no allowance for any changes to the claims experience as a result of the digital transformation program, and so 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.

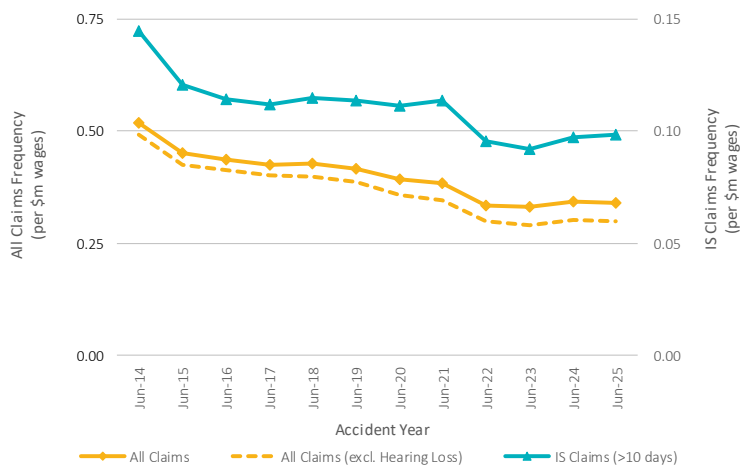
5.1 Claim incidence

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 5.1.1 to 5.1.3 show the results of our aggregate projections across all injury types, with Section 5.1.4 showing the claim number projections by injury type.

5.1.1 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 5.1 – Claim frequency (claims per \$m 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. The IS claim frequency diverged from the all claims frequency between 2016 and 2021, remaining more or less flat. Following the sharp reduction in 2022, there was a slight uptick of the all claims frequency and IS claims frequency in 2024. The IS frequency is projected to increase further for 2025, however the all claim frequency is expected to return to its long-running downwards trend.

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. Upwards pressure on both claims and wages observed in 2024 has tempered for 2025, although 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 5.1 – Projected ultimate claim frequency: comparison to previous

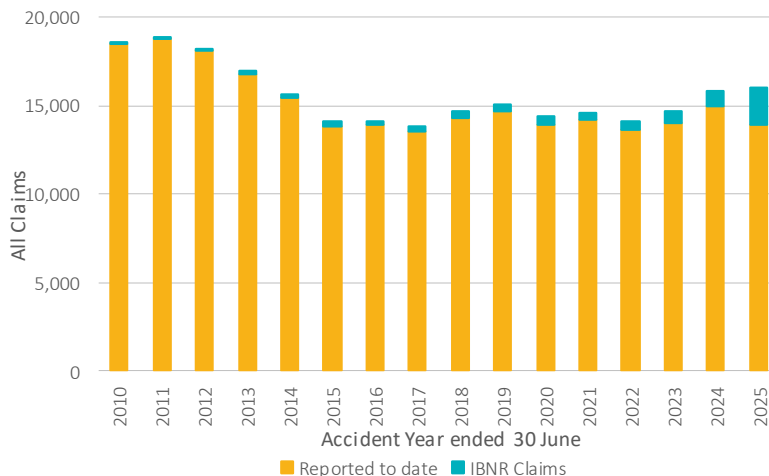
Accident Year	All claims (excl. hearing loss)				Income Support Claims			
	Claim Freq (per \$m of wages)	Year on Year % Change	Prev. Proj	Change from Prev	Claim Freq (per \$m of wages)	Year on Year % Change	Prev. Proj	Change from Prev
Jun-22	0.300	-12.8%	0.300	0.0%	0.095	-16.2%	0.095	0.0%
Jun-23	0.290	-3.3%	0.290	0.0%	0.092	-3.5%	0.092	-0.3%
Jun-24	0.300	3.5%	0.300	0.1%	0.097	5.5%	0.098	-1.3%
Jun-25	0.298	-0.9%	0.298	0.0%	0.098	1.6%	0.099	-0.9%

As this shows:

- The all claims (excluding Hearing Loss) frequency has remained largely unchanged from our previous valuation for recent injury years. The frequency for 2025 is 0.9% lower than 2024, reflecting a return towards the more normal long-running gradual trend downwards.
- The Income Support frequency shows small reductions in claim volume estimates for the 2023 to 2025 injury years compared to our previous valuation, which is due to actual claims experience. The 2025 year-on-year increase in claim frequency of 1.6% - despite the total claims frequency reducing - indicates a higher proportion of income claims in the mix.

5.1.2 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 5.2 – 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-19) and 2022. Claim reports have since been increasing from 2023, marked with a 7.9% jump in 2024 and a further 1.5% 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 saw a moderate reduction during 2025 after experiencing strong growth in recent years. In response our current basis has been reduced from the previous

valuation; a 4% reduction for the 2023 injury year and around 6% for both 2024 and 2025. We are attributing the favourable experience to ReturnToWorkSA's operational activity to ensure claims eligibility decisions are evidence based, as noted in Section 4.4.4.

- Physical Trauma claims for recent injury years are emerging in line with previous expectations. The projected claim numbers for 2025 have been marginally increased (+0.3%).
- 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 29% higher than 2023, and are forecast to increase another 4% in 2025.
- Musculoskeletal claims have emerged lower than previously expected and the projected claim numbers for the 2025 accident year have been reduced by 1.5%.
- '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'. The projected claim numbers for 2024 have reduced 0.9% and projected claim numbers for 2025 have increased by 1.4%, resulting in an overall 0.3% reduction for the last two years.

5.1.3 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 5.3 - Ultimate IS claim numbers

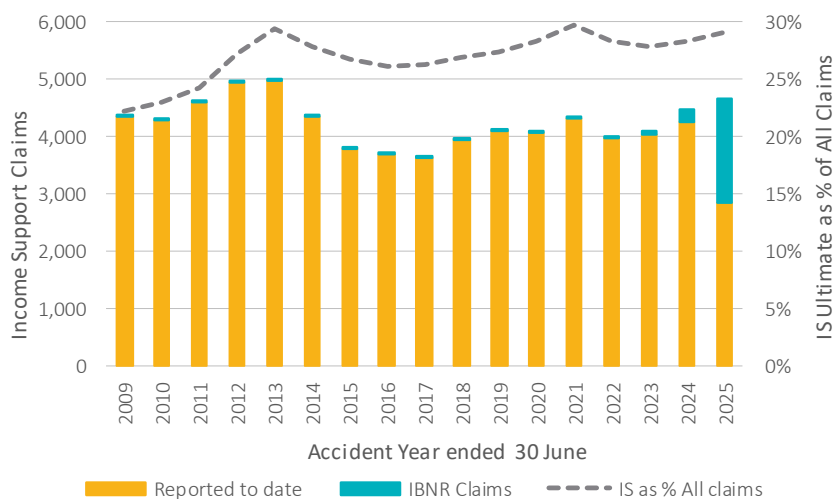


Figure 5.3 shows:

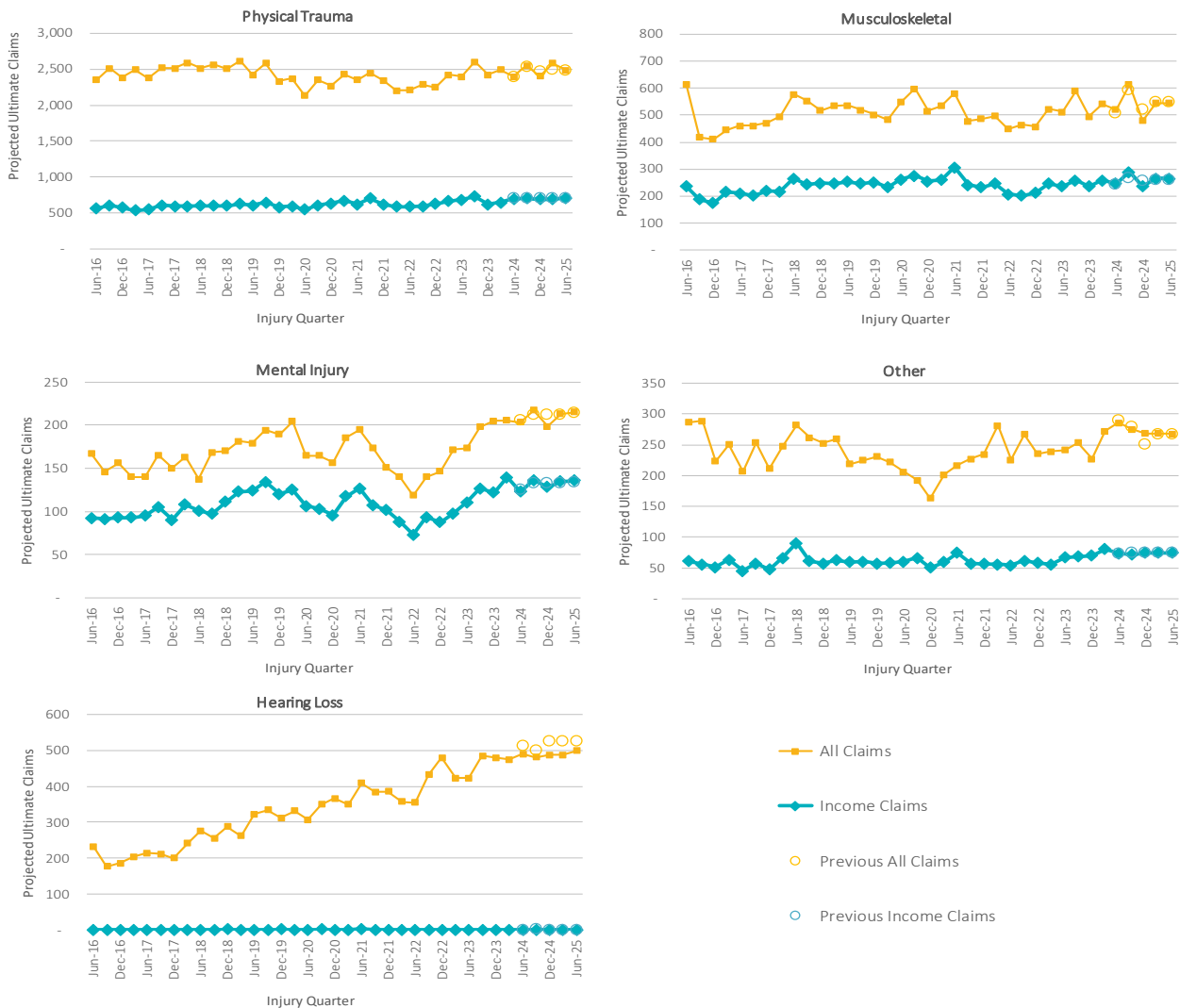
- Between 2017 and 2021 accident years IS claim numbers rose, driving the increase in the proportion of all claims receiving more than 10 business days of lost time benefits.
- The 2022 and 2023 years saw a reversal from the increasing trend, with the 2022 year ending up as a 7% reduction on 2021 claim 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 2025 years, following the slow-down in 2022 and 2023, 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). 2025 is forecast to be 4% higher than 2024, representing the highest volume since 2014.

5.1.4 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 5.4 – 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.

5.2 Serious Injury claims

5.2.1 Background and approach

Access to the Serious Injury benefit package is determined by WPI as follows:

- Psychological claims must have a WPI of at least 30%

- Following the introduction of the *Sustainability Act 2022*, for physical injuries, the WPI threshold varies as follows:
 - > A 30% WPI threshold applies to claimants who
 - Had their final WPI examination for at least one body part by 31 December 2022 *or*
 - Had an active interim determination as at 31 December 2022 and had their final WPI examination for at least one body part by 31 December 2023
 - > All other physical claims must have a WPI of at least 35%.

Due to the WPI threshold transition dates and dispute resolution timelines, new determination experience under the *Sustainability Act 2022* is still maturing. Therefore, our approach has been to:

- 1 Estimate pre-reform Serious Injury numbers
- 2 Adjust our pre-reform estimated Serious Injury numbers by the assumed proportion of claims that will be removed by the threshold changes.

Over the last 12 months the majority of claims were determined under the 35% threshold, and so we are now able to more directly assess our post-threshold projected numbers against recent experience.

5.2.2 Identification of Serious Injury claims

Table 5.2 lists the sources used to identify Serious Injury claims for the valuation, along with commentary about the status of claims in each of those sources. This is unchanged from the previous valuation.

Table 5.2 – Serious Injury sources

Source	Commentary
Serious Injury determinations	These claims have a formal Serious Injury determination. This decision cannot be reversed.
Serious Injury interim determinations	<p>Serious Injury interim determinations provide access to Serious Injury benefits for claims who ReturnToWorkSA deems as likely to reach the Serious Injury threshold, but who cannot have a WPI assessment at this point due to reasons such as not being at their maximum medical improvement.</p> <p>It is possible that some claims in this cohort ultimately won't reach the Serious Injury threshold when their WPI is completed; however, given ReturnToWorkSA only make interim determinations where there is strong evidence to support a WPI that will meet the Serious Injury threshold, we expect most of these claims will ultimately be determined as a Serious Injury.</p>
Other sources	Most claims identified through other sources have some Lump Sum information that indicates they would have reached the Serious Injury threshold; however, the majority of these claims relate to older accident periods (2013 and prior) and had disengaged from the Scheme prior to the commencement of the RTW Act and so will never have a formal Serious Injury determination.

5.2.3 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 5.3 – Actual vs expected Serious Injury claims

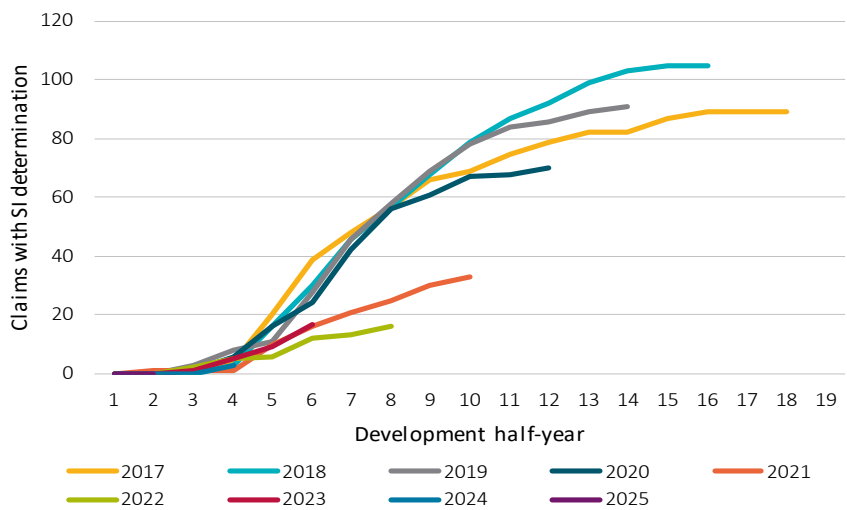
Accident year	Total claims		A-E
	Actual	Expected	
Prior	2	3	-1
2017	0	1	-1
2018	0	2	-2
2019	2	3	-1
2020	2	5	-3
2021	3	6	-3
2022	3	10	-7
2023	7	8	-1
2024	2	3	-1
2025	0	0	0
Total	21	41	-20

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

- A higher proportion of claims than assumed being removed (to date) due to the threshold change. Current experience suggests that 40-45% of what would previously have been Serious Injury claims will be removed due to the threshold increase, compared to our previous assumption of 30-35%. In response to this we have revised our assumed proportion of claims removed by the threshold change (discussed further below)
- An 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 have flow on effects to Serious Injury numbers
 - > Changes to dispute resolution strategies and claimant/legal provider benefit preferences can influence Serious Injury numbers
 - > 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 slightly higher proportion of claims being assessed against the 35% threshold over the last six months than anticipated.

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 5.5 – Serious Injury claim emergence



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, we believe that this is linked to both the 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.

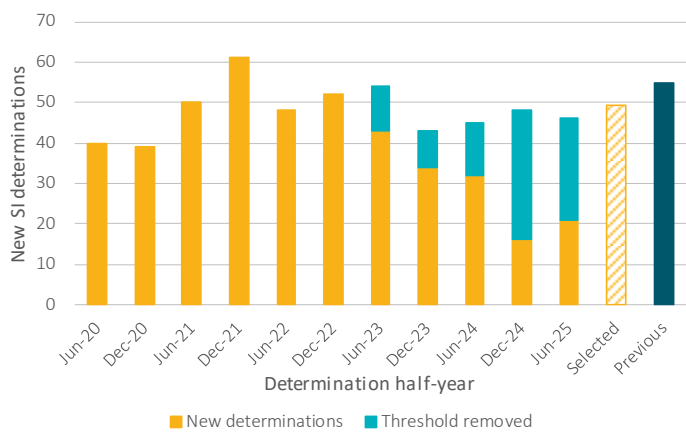
5.2.4 Claim number assumptions

As discussed in Section 5.2.1, our approach is to first set a pre-threshold change estimate of ultimate claim numbers, then apply an allowance for the expected threshold change impact.

Pre-reform assumptions

Figure 5.6 shows the number of new Serious Injury determinations by half-year, along with our selected pre-reform number of Serious Injury numbers per half-year. To make recent experience comparable with the history, we also show the number of claims removed by the threshold change (blue shading).

Figure 5.6 – Serious Injury claim numbers (excluding Severe Traumatic injuries) by determination half-year



Other Serious Injury numbers would have consistently been around 40-50 per half-year had it not been for the threshold change. We have slightly reduced our selected pre-threshold Other Serious Injury numbers to align with this experience.

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

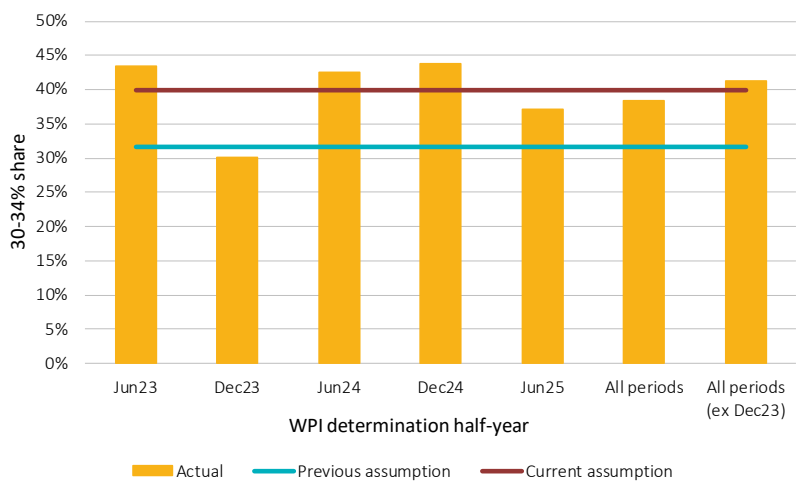
Reform assumptions

At the previous valuation we assumed that 32% of claims would be removed by the threshold change; this was aligned with our initial reform costing as we waited for post-reform experience to mature before revising this assumption.

At the current valuation, we have reviewed this assumption by analysing the proportion of claims with a WPI of 30-34% (for those with a WPI of at least 30%). This analysis has been limited to WPI determinations post December 2022 to align with when the threshold change took effect.

Figure 5.7 summarises this experience by WPI determination half-year.

Figure 5.7 – 30%+ determinations: 30-34% proportion by WPI determination period

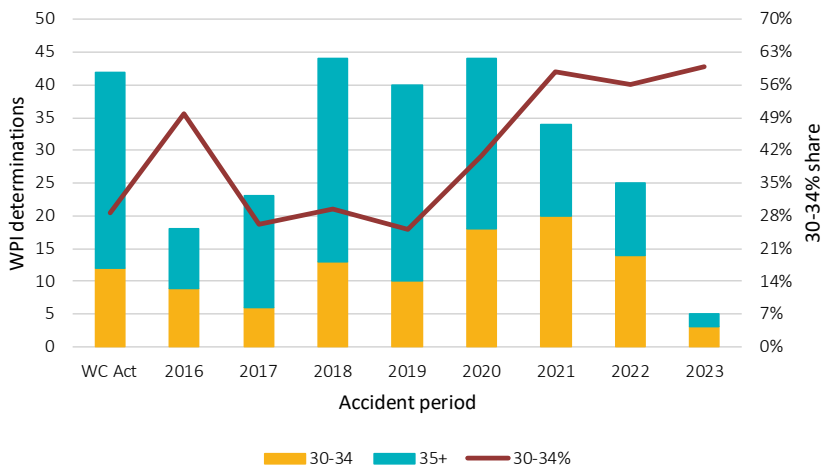


For all periods except December 2023, the actual proportion of claims falling in the 30-34% range is higher than our previous assumption of 32%. Further, December 2023 was impacted by a large number of existing interim Serious Injury claims having a WPI assessment due to threshold changes taking effect; it appears existing interim claims were biased towards higher WPI scores and as such we do not believe this period is representative.

We have revised our assumed proportion of claims removed by the threshold increase, up from 32% to 40%, to be in line with WPI determinations post December 2022.

Figure 5.8 shows the same information summarised by accident year.

Figure 5.8 – 30%+ determinations: 30-34% proportion by accident period (post Dec22 determinations only)



Despite the 30-34% proportion being consistently around 40% when summarised by WPI determination half-year, there are clear differences by accident period, with more recent accident periods having a higher proportion of claims falling in the 30-34% band to date, while it has been lower for older accident periods (for WPI determinations post December 2022). Our interpretation is that assessments for claims with a WPI of 30-34% tend to happen earlier on average than assessments for claims with a WPI of at least 35%.

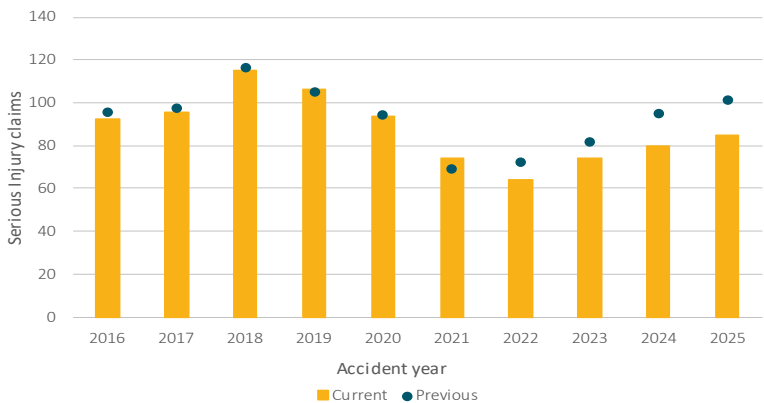
Given this, we have made two changes to our assumed threshold impact:

- 1 We have increased the assumed proportion of claims removed by the threshold from 32% to 40% on an ultimate basis
- 2 We have ‘shaped’ the allowance to gradually reduce the proportion of IBNR claims that will be removed by the threshold increase, such that it is 40% for 2025 but scales back to 25% for 2019 and earlier accident periods. This reflects our belief that 35% plus WPI assessments happen later on average, and so fewer IBNR claims for older accident periods will be removed by the threshold change (as IBNR claims for older accident years are by definition those with a longer delay to WPI assessment).

5.2.5 Projected Serious Injury claims

Figure 5.9 shows our projected post-reform ultimate Serious Injury claim numbers, which combines our revised pre-reform estimates with the assumed reduction due to the threshold change.

Figure 5.9 – Projected post-reform ultimate claim numbers



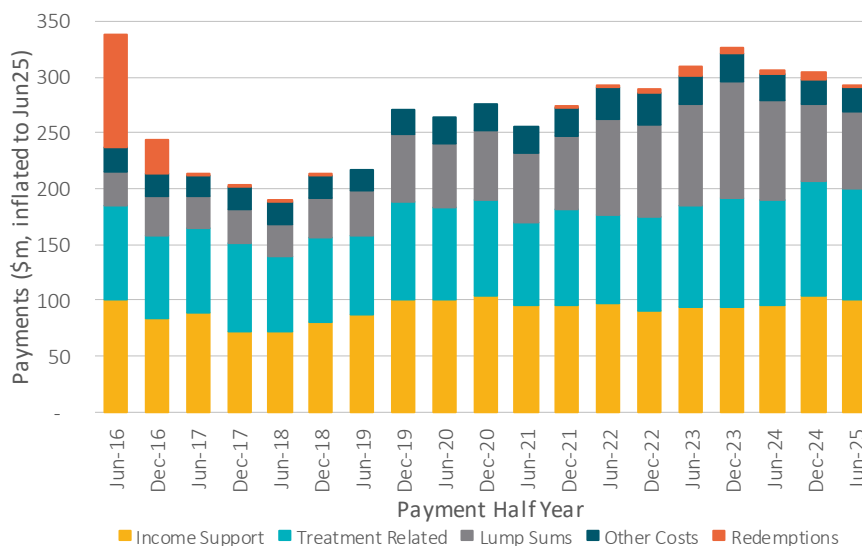
We have reduced our expected ultimate claim numbers for most accident years, reflecting the increase in our assumed proportion of claims removed by the threshold change. For 2021 and prior periods there has been little change to our ultimate numbers, as better than expected experience over the last six months has been offset by a reduction in the assumed proportion of IBNR claims that will be removed by the threshold change for these periods (as discussed above).

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 5.1.

5.3 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 5.10 – Gross Claim Payments (\$Jun25)



Gross payments of \$292m (inflated to June 2025) in the last six months were 4.1% lower than the previous period. In the 12 months to June 2025, the overall reduction in payments was driven by large reductions in lump sum payments more than offsetting increases seen elsewhere across other payment types. The movements at a payment type level were:

- Income Support payments were 8% higher in the 12 months to June 2025 compared to the prior 12 months. This is linked to the growth in claim reports and the proportion commencing income support benefits.
- Treatment related costs were 5% higher in 2025 than 2024, reflecting continued increases to spending across most treatment related costs in recent years. This trend is driven by higher volumes of claims, higher utilisation of some services, and above inflationary increases to medical fee schedules.
- Lump sum payments were 28% lower in 2025 compared to 2024—this is the key driver of reduced overall claim payments. Payments had been steadily increasing since 2018, however this trend has reversed in the last three half-years. 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), noticeably lower death benefit payments, and fewer Hearing Loss claims.

After allowing for recoveries of \$8.6m in the last six months, net claim payments of \$281.5m (uninflated) were \$22.6m (7%) lower than projected at the previous valuation. Table 5.4 shows the breakdown.

Table 5.4 – Payments: actual vs expected

Entitlement Group	Six Months to Jun-25				Split by Category	
	Actual	Expected	Act - Exp	% A - E	Short Term	Serious Inj
	\$m	\$m	\$m		\$m	\$m
Income support	99.8	101.7	-1.8	-2%	0.1	-1.9
Redemptions	1.9	1.1	0.8	68%	0.4	0.4
Lump sums	68.7	86.5	-17.9	-21%	-19.7	1.8
Legal - Non-contract	8.1	9.7	-1.6	-17%	-0.8	-0.8
Contract Legal	11.4	11.3	0.1	1%	0.6	-0.5
Medical	40.4	41.8	-1.4	-3%	-0.4	-1.0
Allied Health	21.4	21.4	0.1	0%	-0.1	0.2
Hospital	12.8	13.2	-0.4	-3%	-0.1	-0.3
Travel	3.6	4.0	-0.4	-10%	-0.2	-0.1
Rehabilitation	8.8	7.9	0.9	12%	0.9	0.0
Investigation	1.5	1.4	0.1	7%	0.1	0.0
Other	2.3	2.0	0.2	12%	0.1	0.1
Care	9.2	8.9	0.2	3%	0.0	0.3
Common law	0.0	0.1	-0.1	-100%	-0.1	0.0
LOEC	0.0	0.0	0.0	-4%	0.0	0.0
Commutation	0.4	0.4	-0.1	-18%	-0.1	0.0
All Payments	290.1	311.4	-21.3	-7%	-19.4	-1.9
Recoveries	-8.6	-7.3	-1.3	18%	-2.8	1.5
Net Payments	281.5	304.1	-22.6	-7%	-22.1	-0.5

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

- Income Support payments were lower than expected, driven by lower Serious Injury claim volumes (including the backpays that often come with them).
- Lump Sum payments were significantly lower than expected, particularly for the RTW Act injury years.
- Treatment costs reflected a mix of higher Rehabilitation costs than expected offset by better performance than expected elsewhere.
- 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.

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.

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 Dec-24	185.2	568.2	55.1	39.5	92.0	38.8	21.5	15.1	8.0	4.9	3.0	12.5	(47.3)	996.6
Projected liability at Jun-25	188.8	586.5	56.4	40.1	94.9	40.6	22.4	15.8	8.3	5.1	3.1	12.7	(48.2)	1,026.5
Jun-25 valuation														
Claims performance impacts	9.8	8.1	(1.5)	5.3	0.4	1.4	(1.0)	1.3	0.0	0.3	(0.0)	6.7	0.1	30.9
Estimated liability at Jun-25 (Dec-24 ecos)	198.6	594.6	54.9	45.4	95.4	42.0	21.5	17.2	8.3	5.4	3.1	19.4	(48.2)	1,057.4
Impact of change in economic assumptions	1.4	8.1	0.9	0.2	1.1	0.3	0.2	0.1	0.1	0.1	0.0	0.3	(0.8)	12.0
Estimated liability at Jun-25 (Jun-25 ecos)	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
AvE payments - six months to Jun-25	0.1	(15.7)	(0.6)	0.4	(0.6)	(0.2)	(0.1)	0.9	(0.3)	0.1	(0.0)	0.2	(2.8)	(18.6)
Actuarial release (strengthening) at Jun-25	(9.8)	7.7	2.1	(5.7)	0.2	(1.2)	1.1	(2.3)	0.2	(0.4)	0.1	(6.9)	2.7	(12.3)

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

At a total level, there is an actuarial strengthening (cost increase) of \$12.3m for the General Short Term Claims valuation. This comprises an increase of \$30.9m in the liability estimate partly offset by \$18.6m of lower payments than expected over the past six months. The key movements in the liability estimate are:

- Income Support – an actuarial strengthening of \$9.8m mainly due to (1) higher claim numbers, (2) an increasing proportion of these claims receiving income support benefits, and (3) dependent benefit related increases.
- Lump Sums – an actuarial release of \$7.7m which reflects: (1) lower than expected claim numbers over the last six months and (2) lower future settlement sizes in line with the recent experience.
- Worker Legal and Contract Legal – an actuarial strengthening of \$3.6m which reflects a small release in Worker Legal payments giving more weight to lower dispute settlement costs in recent years offset by a higher allocation of the Contract Legal costs to older injury years to recognise the ongoing tail of WPI assessment activity (which are an activity driver for disputes).
- Treatment and Medical (Medical, Allied Health, Hospital, Travel, Other, Care) - an actuarial strengthening of \$0.1m in aggregate, with small ups and downs in the component models.
- Rehabilitation – an actuarial strengthening of \$2.3m related to the wider usage of programs to support return to work.
- Rest includes Investigation and Redemptions, both of which have increased due to operational changes, and have an actuarial strengthening of \$6.9m.
- Recoveries – an actuarial release of \$2.7m primarily reflecting higher than expected recoveries in the last six months.
- Movements due to economic assumptions result in a \$12.1m increase 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	-0.6	0.4	0.0	0.0	-0.1	0.0	0.0	0.0	-0.2	0.0	-0.8	0.1	-1.1		
Jun-16	-0.4	0.8	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.4	0.4		
Jun-17	0.0	1.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	0.6	1.7		
Jun-18	0.1	-0.6	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	0.9	-0.2		
Jun-19	-0.1	2.7	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-1.1	-0.4	1.5		
Jun-20	-0.4	0.2	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	1.7	0.9		
Jun-21	-0.4	1.6	0.3	0.1	0.0	0.1	0.0	0.0	-0.1	0.0	-0.5	0.1	1.0		
Jun-22	0.5	1.3	0.4	0.4	0.0	0.1	0.0	0.0	0.0	0.0	-0.5	0.0	2.0		
Jun-23	-0.3	0.1	0.3	0.2	-0.1	0.1	-0.2	0.1	0.0	0.0	-0.7	-0.3	-0.6		
Jun-24	-2.2	1.1	0.3	-0.1	-0.5	0.7	-0.7	0.1	0.0	0.0	-0.7	-0.2	-2.2		
Jun-25	-5.9	-1.3	0.1	-0.2	-0.4	0.0	-1.4	0.1	-0.1	0.0	-0.8	-0.1	-10.0		
Total	-9.8	7.7	2.1	0.2	-1.2	1.1	-2.3	0.2	-0.4	0.1	-6.9	2.7	-6.6	-5.7	-12.3

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

The impact of higher claim reports and an increasing proportion of claims receiving income support payments is visible in the FY24 and FY25 injury years. Prior injury years are primarily impacted by higher 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 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
Dec-24 Valuation			
Estimated Liab at Dec-24	185.2		
Projected Liab at Jun-25	188.8		
Jun-25 Valuation		AvE pmts	Strengthening
Movement in liability due to claims performance	9.8	0.1	(9.8)
Estimated Liab at Jun-25 (Dec-24 eco assumptions)	198.6		
Impact of change in eco assumptions	1.4		
Estimated Liab at Jun-25 (Jun-25 eco assumptions)	199.9		

At June 2025 there is an actuarial strengthening of \$9.8m, reflecting the claims experience since December 2024 and our valuation response. The impact of economic assumptions is a \$1.4m increase.

6.3.2 Experience vs expectations

Payments

Table 6.4 compares the IS payments in the six months to 30 June 2025 with the expected payments from our December 2024 valuation projection.

Table 6.4 – Actual vs Expected Payments: IS

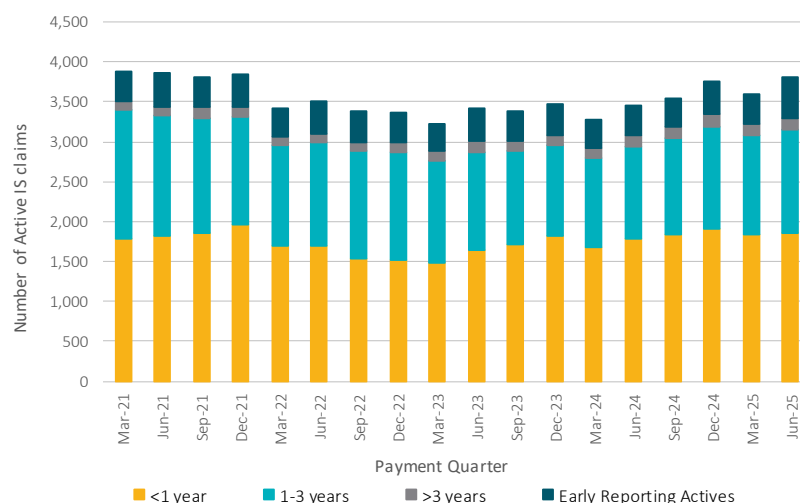
Accident Period	Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	Difference
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.2	(0.1)	-48%
2005/06 - 2014/15	0.3	0.5	(0.2)	-34%
2015/16 - 2021/22	3.0	3.6	(0.6)	-16%
2022/23 - 2023/24	38.9	38.7	0.2	1%
2024/25	36.8	36.1	0.7	2%
Total	79.2	79.1	0.1	0%

IS payments were close to expected (\$0.1m higher than expected) overall in the six months to June 2025. This was due to:

- \$0.7m (2.0%) higher payments for 2024/25, due to new claim volumes being higher than expected
- \$0.2m (0.6%) higher payments across the 2022/23 and 2023/24 accident years
- \$0.9m (20%) lower payments in 2021/22 and older accident years; payments in these periods largely relate to surgery, late incapacity and dependent benefits.

Active claims and exits

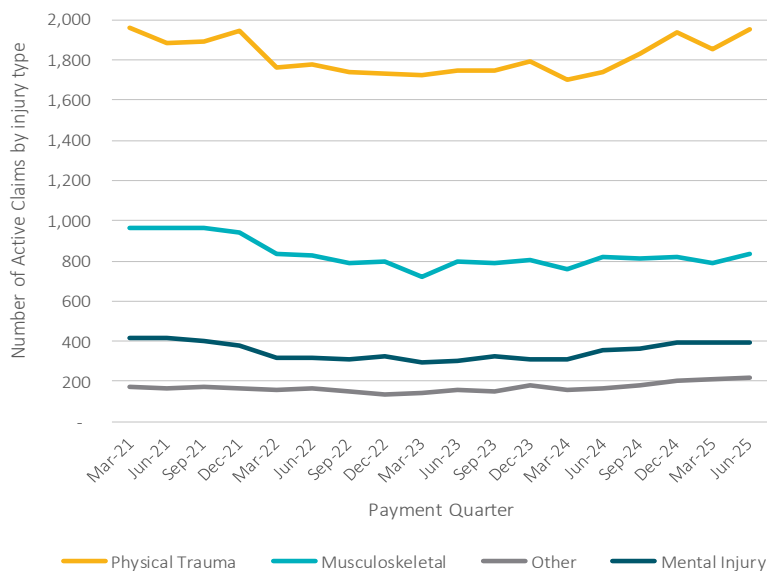
Table 6.1 shows the numbers of (quarterly) active IS claims, split by duration.

Figure 6.1 – Numbers of Active IS Claims

Since a step reduction in active claims in March-22, active claim volumes had remained below 3,500 as a result of improving return to work rates. However, actives increased slightly over 2023 and then more strongly over 2024 and 2025, following higher new claim volumes; we note that the volume growth is not unexpected after the very high growth in insured wages in the last few years. An increasing proportion of claims receiving income payments is also observed.

Figure 6.2 shows the numbers of (quarterly) active IS claims, split by injury type.

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



The step reduction in March-2022 was seen across physical trauma, musculoskeletal and mental injury types. In the December 2024 to June 2025 quarters, Mental Injury active claims are proportionally higher, following increased claim volumes.

In Table 6.5 we compare the numbers of active IS claims at June 2025 with our December 2024 valuation projection alongside payments compared to expectation. This has been done only for periods where we projected future active claims (accident quarters September 2022 and later).

Table 6.5 – AvE Payments and Active Claims

Accident FY	Payments (\$m)				Actives (#)			
	Actual	Expected	Difference	Difference %	Actual	Expected	Difference	Difference %
2023	8.8	8.6	0.3	3%	293	291	2	0%
2024	30.1	30.1	0.0	0%	1,008	991	10	1%
2025	36.8	36.1	0.7	2%	1,854	1,899	-25	-3%

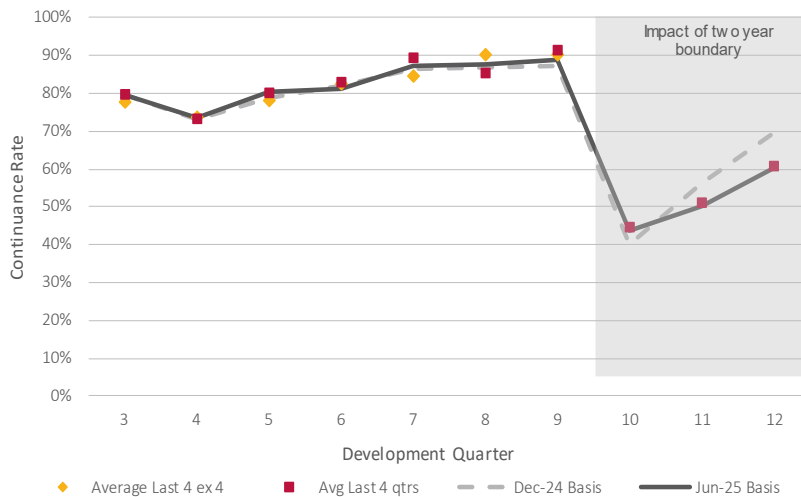
Overall active claim numbers were below expectations for the FY25 injury year. Payments were broadly in line with expectations. The higher payments in FY24 and FY25 are a combination of (1) changing mix towards higher cost claims, and (2) higher levels of backpay as a result of the high level of finalised disputes.

6.3.3 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 December 2024.

Figure 6.3 – Continuance rates – implied overall assumptions

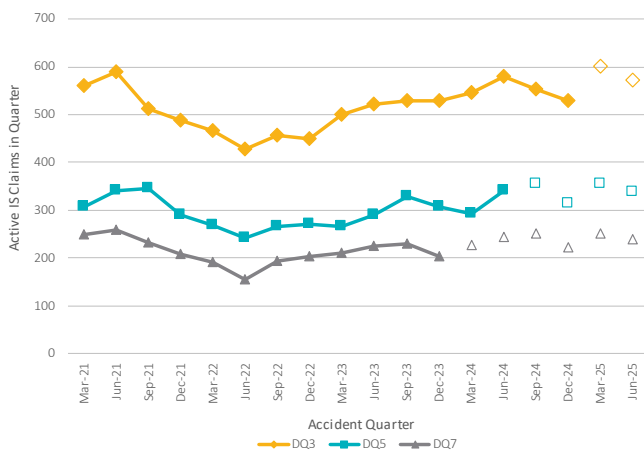


The overall average continuance rates for development quarters 5, 7 to 10 are higher at this valuation. While RTW rates have remained at strong levels, in FY25 they were slightly lower than the scheme’s best experience to date. The mix of claims has also moved towards more complex and longer duration cohorts, which acts to push up the implied overall continuance rate.

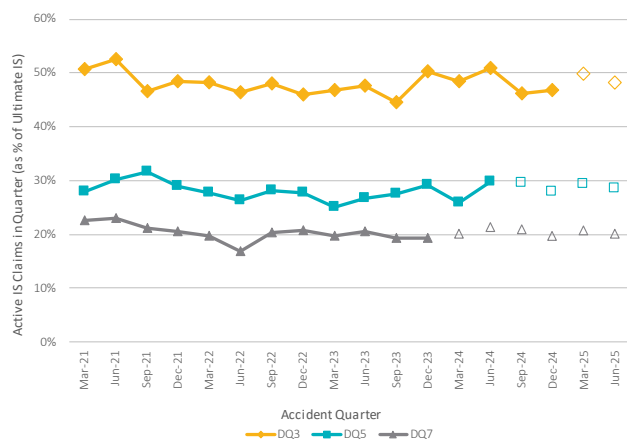
Figure 6.4 below shows the outworking of our projection of active claims at development quarters 3, 5 and 7. The solid lines show the actual number of active claims and the dots show our projection. We have also shown the actives as a percentage of ultimate IS claims for the accident quarter, to help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

Figure 6.4 – Income Support claims reaching specified durations

Actual count of active IS claims



Active IS as % of ultimate IS claims

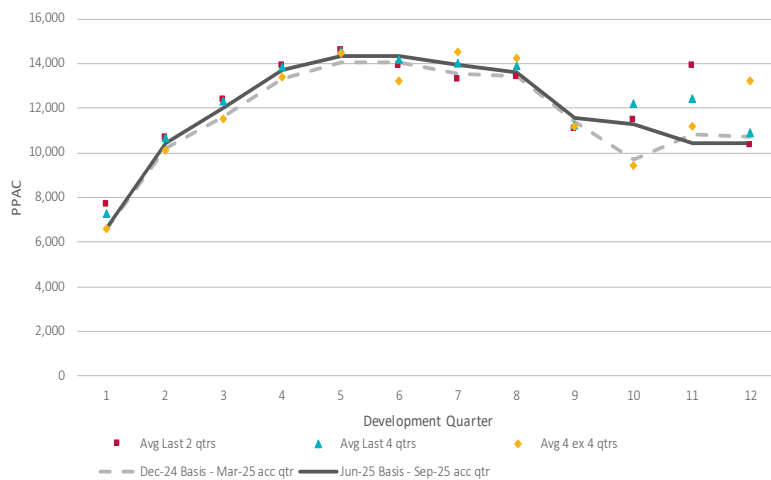


As Figure 6.4 shows, the impact of the higher volume of new claims can be seen in the active claims in recent accident periods (which are increasing). Comparing actives to the ultimate IS claims, our projections are that active claim numbers at DQ7 have remained steady relative to reported claim volumes (unless further improvements in RTW are achieved, that is), while DQ5 actives relative to claim volumes have increased a little.

Payments per active claim

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

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



The recent overall PPAC experience is emerging higher than our December 2024 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 higher backpay amounts under the new dispute settlement approach. Our basis is intended to be a ‘normalised’ view once the dispute finalisation activity stabilises at a BAU level.

6.3.4 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 \$623 per reported claim is made up of two components:

- The allowance for ongoing dependant benefits of \$225 per reported claim, this has been increased at the current valuation (up from \$201 previously) to better align with the current profile of dependant benefit claims.
- 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 \$398 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 December 2024 valuation.

Table 6.6 – Valuation results: Lump Sums

Dec-24 Valuation	\$m	\$m	\$m
Estimated Liab at Dec-24	568.2		
Projected Liab at Jun-25	586.5		
Jun-25 Valuation		AvE pmts	Release
Movement in liability due to claims performance	8.1	(15.7)	7.7
Estimated Liab at Jun-25 (Dec-24 eco assumptions)	594.6		
Impact of change in eco assumptions	8.1		
Estimated Liab at Jun-25 (Jun-25 eco assumptions)	602.7		

The June 2025 liability shows an actuarial release of \$7.7m since December 2024, reflecting an increase of \$8.1m in the liability offset by \$15.7m of lower claim payments. Changes to economic assumptions increase the liability by \$8.1m.

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

- A \$12m increase due to slower than expected payments over the last six months; this is essentially retaining most of the \$16m lower than expected payments in our liability estimate.
- A \$3m increase due flow through the anticipated impact of higher numbers of claims.
- A \$7m decrease due to a lower size allowance for non-Death lump sums, giving more weight to the favourable emerging experience.

6.4.2 Payment experience

Table 6.7 compares the payments in the six months to June 2025 with the expected payments from our December 2024 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 6.7 – Actual vs expected payments: lump sums

Accident Period	Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Difference
	\$m	\$m	\$m	
To 30 Jun 05	0.2	0.3	(0.1)	-30%
2005/06 - 2014/15	0.8	1.4	(0.6)	-45%
2015/16 - 2020/21	22.0	31.2	(9.1)	-29%
2021/22 - 2023/24	22.9	28.0	(5.1)	-18%
2024/25	0.7	1.5	(0.8)	-54%
Total	46.6	62.4	(15.7)	-25%

Payments were overall 25% lower than expected in the six months to 30 June 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, and lower average sizes.

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

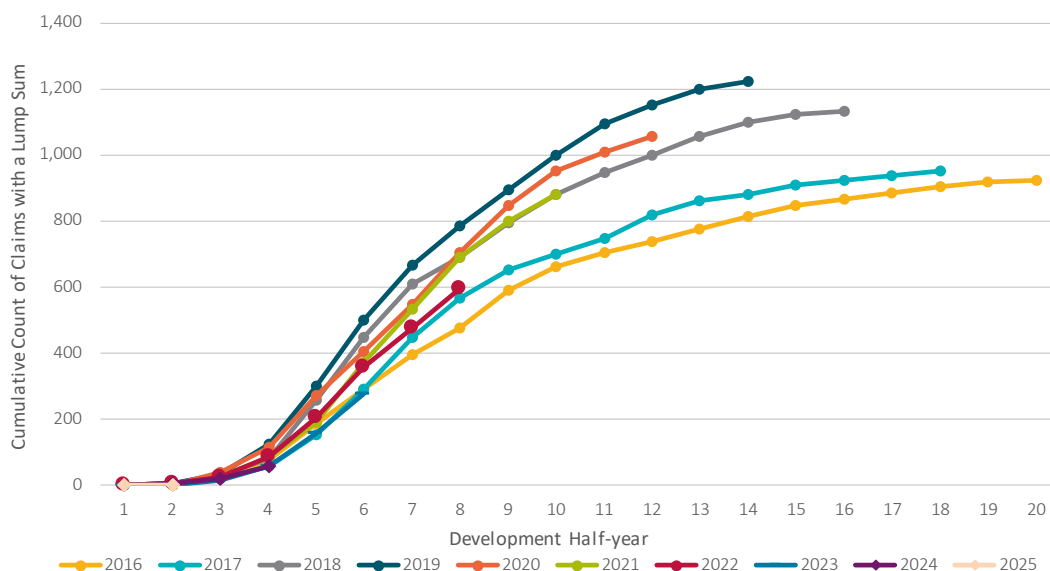
there have been changes in the pattern of payments. Table 6.8 below compares the actual and expected number of Non-Economic Loss lump sums paid in the six months to June 2025.

Table 6.8 – Actual vs expected numbers: Non-Economic Loss lump sums

Accident Period	Number of Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Difference
To 30 Jun 05	13	15	-2	-12%
2005/06 - 2014/15	27	46	-19	-41%
2015/16 - 2020/21	183	237	-54	-23%
2021/22 - 2023/24	271	329	-58	-18%
2024/25	0	3	-3	-100%
Total	494	630	-136	-22%

The number of Non-Economic Loss lump sums in the last six months was lower than expected across all injury periods. We interpret this as largely a timing difference, with our previous expected numbers having a faster payment pattern (as it was based on the 2018 to 2020 injury periods) than the emerging experience – as shown in Figure 6.6 below, there have been meaningful differences in the speed lump sums occur, with the 2018 to 2020 years emerging more quickly than the 2016-2017 years, before 2022 and later years appear to have reverted to be more like the 2016-2017 emergence.

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, including at long durations from injury (>10 years). The December 2024 valuation included a liability increase to allow 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 in Figure 6.6. The selected basis at the current valuation 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.

For the 2025 and later injury years, we have increased future lump sum volumes by around 20-30 claims per year, consistent with the higher volumes of claims on income support for these years.

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.

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

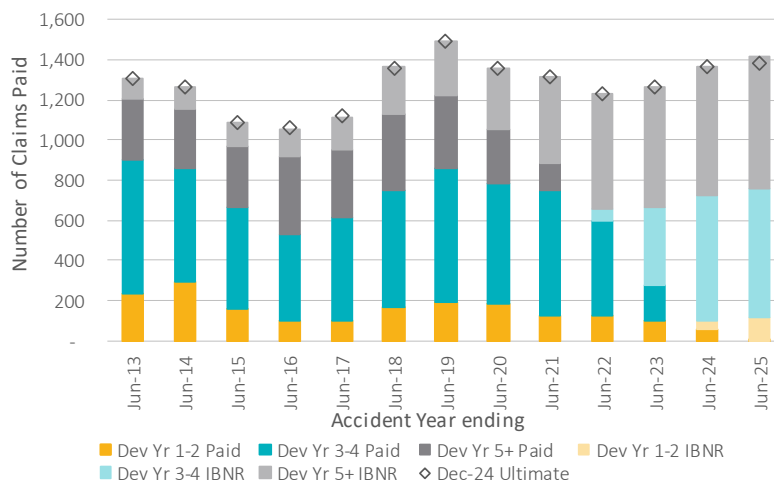


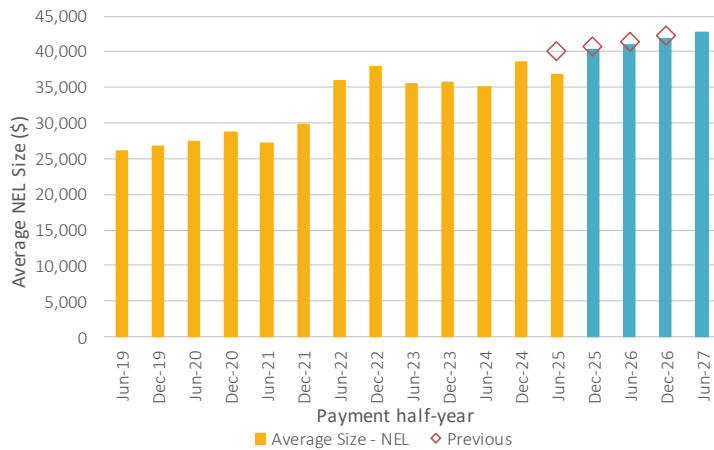
Figure 6.7 shows:

- 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 for all injury years with the exception of 2025 where we have put through a minor increase.

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)



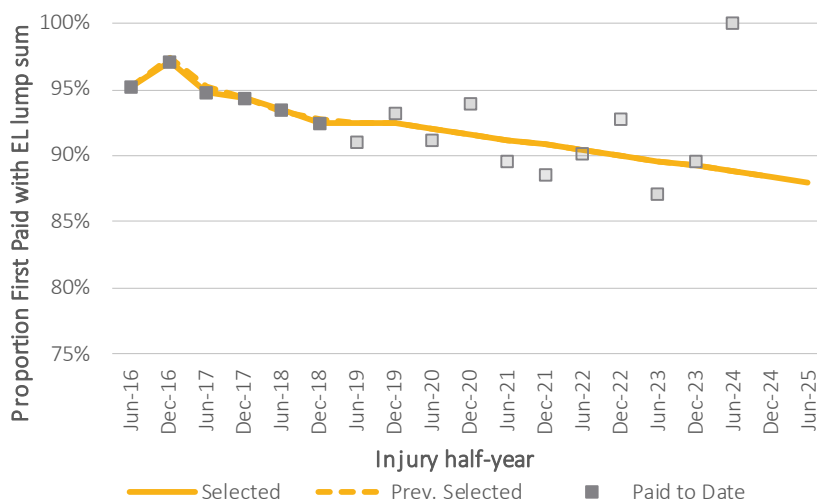
Average sizes emerged better than expected over the last six months, but in the last 12 months were higher than the Jun-23 to Jun-24 period. The increase in average sizes in the recent experience is consistent with our interpretation that more 30%-34% WPI lump sums are now emerging in this segment of 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 a minor decrease in our average size pattern giving some weight to the favourable 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

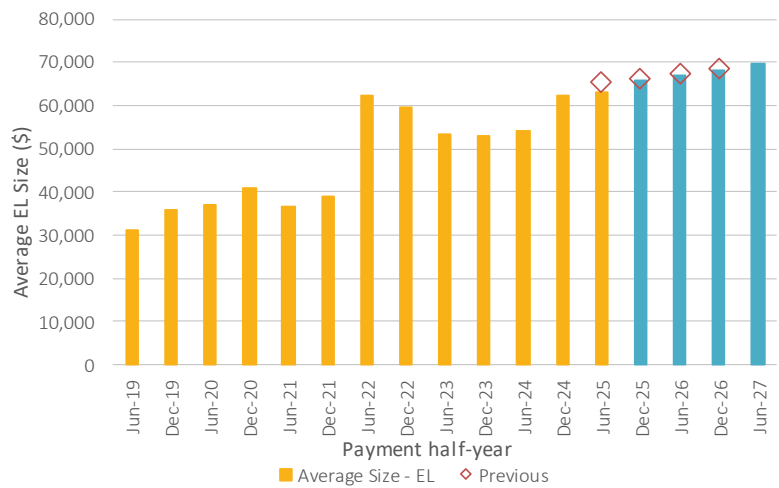


Up to December 2018, our selected proportion is consistent with the paid to date experience. Beyond 2018 where there is still a significant proportion of unpaid claims, we assume that 7.5% of 2018 claims will not receive the Economic Loss lump sum, and our assumption then increases linearly to 12% for 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 lower than expected, but still the highest experience to date. At this valuation we have put through a very minor reduction in our average size pattern to reflect the emerging experience.

6.4.5 Death lump sums

Death (and funeral) lump sum payment numbers were lower 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 reduced the numbers of expected payments for those accident years with lower claim volumes.

Figure 6.11 – Projected ultimate numbers of Death lump sums

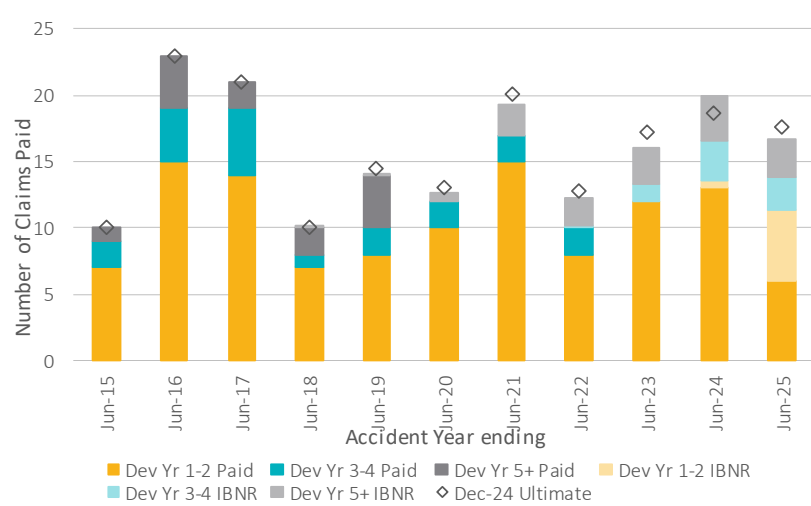
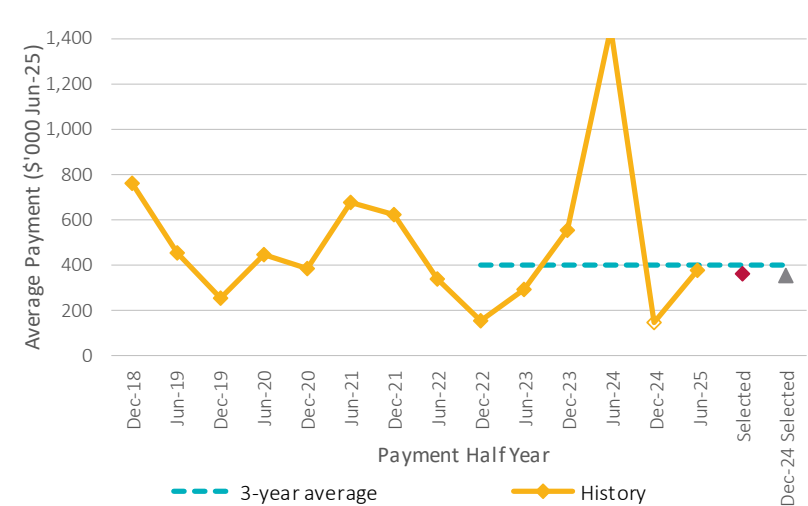


Figure 6.12 shows the average benefit paid to a Death lump sum claim, by payment half year. The very high observed size in the Jun-24 half-year results from a mismatch in payment timing, as a number of

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 (\$Jun-25)



The selected average size is unchanged from our previous valuation and is consistent with ‘normal’ 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.

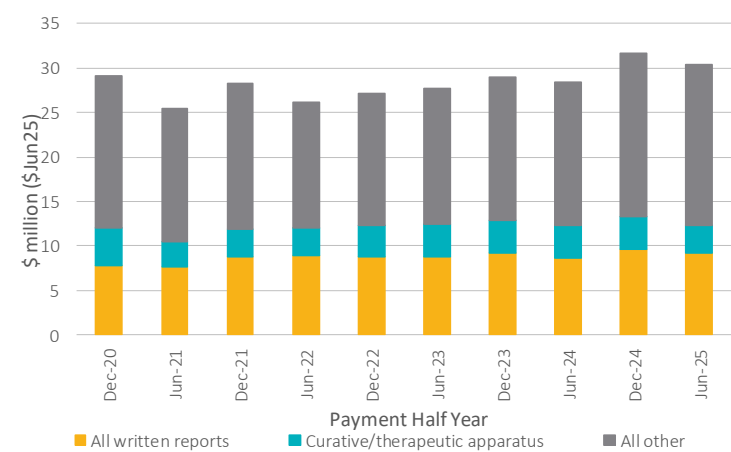
6.5.1 Medical

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 (\$Jun25)



Medical payments have trended higher since June 2022, with the six months to June 2025 being relatively stable following a larger increase in the December 2024 half year.

Table 6.9 shows that there were \$30.1m in payments in the last 6 months which was 2% lower than expected.

Table 6.9 – Medical AvE Payments

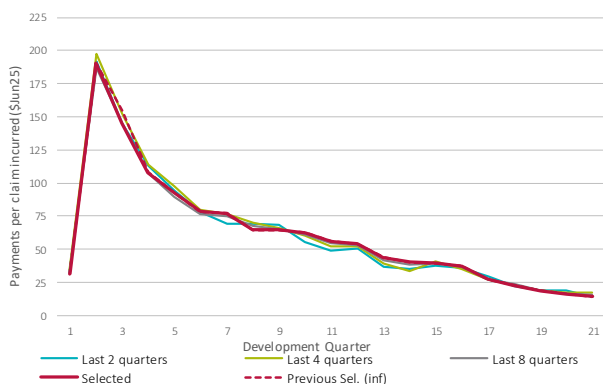
Accident Period	Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.2	(0.1)	-54%
2005/06 - 2014/15	0.3	0.2	0.0	14%
2015/16 - 2021/22	3.7	4.1	(0.4)	-11%
2022/23 - 2023/24	11.6	11.6	0.0	0%
2024/25	14.5	14.6	(0.2)	-1%
Total	30.1	30.7	(0.6)	-2%

Valuation basis

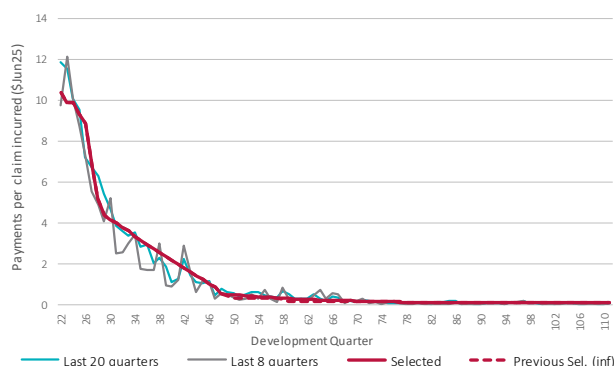
Figure 6.14 below shows the recent experience and selected basis for medical payments.

Figure 6.14 – Medical experience and selections

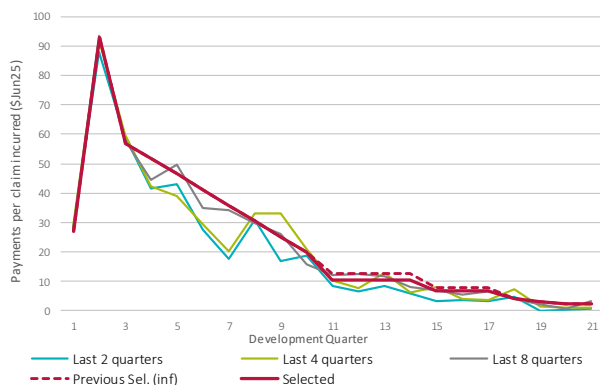
PPCI – Medical written reports



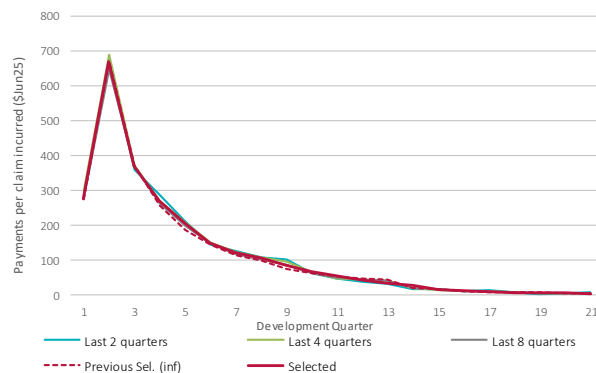
PPCI – Medical written reports (Tail)



PPCI – Medical aids and appliances



PPCI – Medical other



Our comments on the experience and selected assumptions are:

- PPCI (Medical written reports): the basis reflects the most recent experience (average four), where costs associated with written medical reports have remained high. The selections are slightly reshaped, allowing for more cost in the tail.

- PPCI (Medical aids and appliances): the basis reflects the most recent experience (average four), where costs associated with aids and appliances have slightly decreased (DQ11 to DQ17). Otherwise, the selections are broadly similar to the previous review. Not shown, the PPCI tail has been reduced, reflecting payments experience (see Appendix A.6.1).
- PPCI (Medical other): the selected basis is aligned with the average of payments over the last 4 quarters; the selections are higher than the previous review.

6.5.2 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 June 2025, which were 1% below expectations.

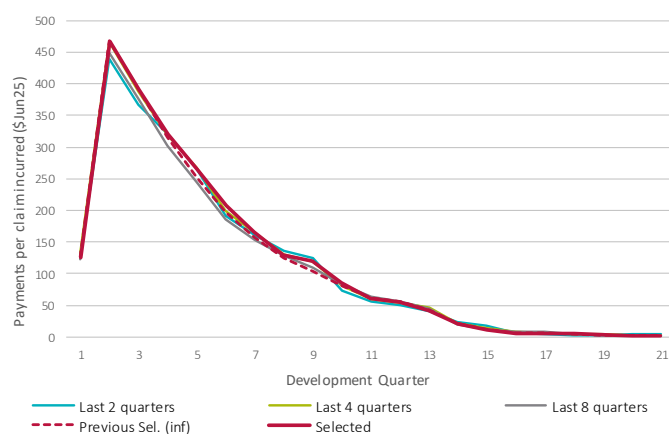
Figure 6.15 – Allied Health AvE payments

Accident Period	Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	0.0	0.0	0.0	101%
2005/06 - 2014/15	0.0	0.0	(0.0)	-27%
2015/16 - 2021/22	0.9	0.9	0.0	1%
2022/23 - 2023/24	8.1	7.9	0.2	2%
2024/25	7.7	8.1	(0.4)	-5%
Total	16.7	16.9	(0.2)	-1%

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 (\$Jun25)



Our adopted basis at this valuation has increased from the previous valuation.

6.5.3 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 June 2025, which were similar to expectations.

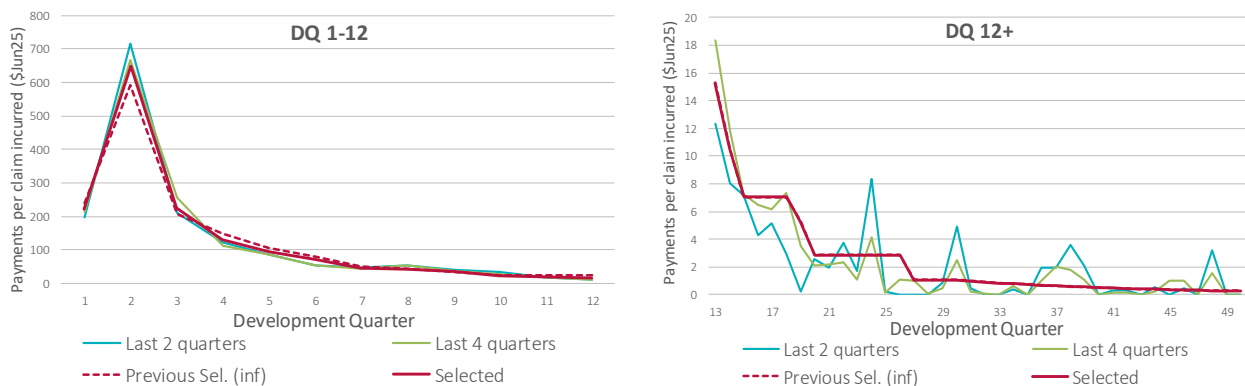
Table 6.10 – Hospital AvE payments

Accident Period	Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	0.0	0.0	(0.0)	-48%
2005/06 - 2014/15	0.1	0.1	(0.0)	-15%
2015/16 - 2021/22	0.5	0.7	(0.2)	-24%
2022/23 - 2023/24	2.6	3.0	(0.4)	-13%
2024/25	8.3	7.8	0.5	6%
Total	11.5	11.6	(0.1)	-1%

Valuation basis

Figure 6.17 below shows the recent experience and selected basis for Hospital payments. Payments are often volatile in six-month periods and we generally take a longer-term view when selecting our assumptions for Hospital.

Figure 6.17 – Hospital experience and selections



The adopted basis is similar to the experience over the last four quarters and reshaped from the previous valuation.

6.5.4 Rehabilitation

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

Payments vs expectations

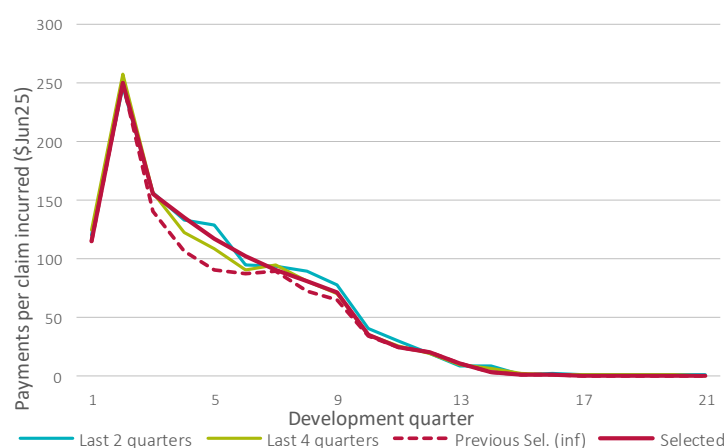
Table 6.11 compares actual and expected Rehabilitation payments in the six months to June 2025, which are 12% above expectation.

Table 6.11 – Rehabilitation AvE payments

Accident Period	Payments in Six Months to Jun 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	n/a
2015/16 - 2021/22	0.2	0.2	0.0	22%
2022/23 - 2023/24	4.3	3.6	0.7	19%
2024/25	4.1	3.9	0.2	5%
Total	8.6	7.7	0.9	12%

Valuation basis

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

Figure 6.18 – Rehabilitation experience and selections (\$Jun25)

The adopted basis has been increased from the previous review to be in line with the experience over the last four quarters.

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'.

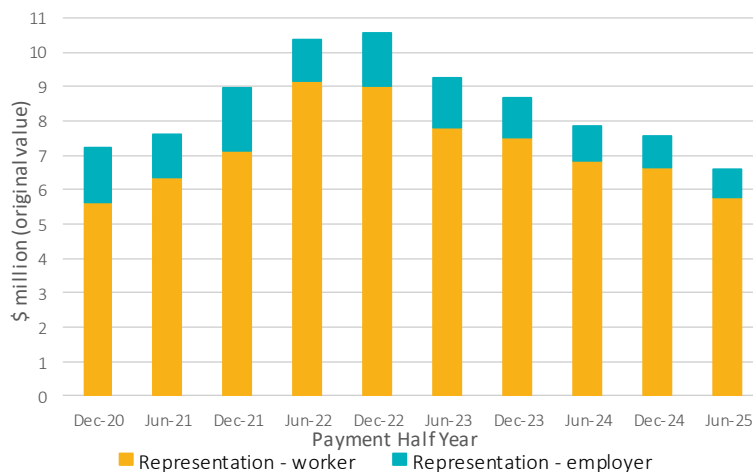
6.6.1 Worker Legal Costs

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 reduced again in the six months to June 2025. As the dispute resolution program ‘matures’ we are seeing more disputes finalised at shorter durations and earlier stages of dispute. This translates into lower average dispute settlement costs. More recently, the number of open disputes in the scheme has stabilised, as the number of new disputes are offset by the number of dispute finalisations.

Table 6.12 below compares actual and expected Worker Legal payments in the six months to June 2025 which were 9% below expectation. The lower than expected payments were largely driven by the 2015/16 to 2021/22 injury years.

Table 6.12 – AvE Worker Legal Payments

Accident Period	Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.1	0.0	62%
2005/06 - 2014/15	0.3	0.3	(0.0)	-1%
2015/16 - 2021/22	2.9	3.5	(0.7)	-19%
2022/23 - 2023/24	2.9	2.9	(0.0)	-1%
2024/25	0.4	0.3	0.0	15%
Total	6.6	7.2	(0.6)	-9%

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 (\$Jun25)



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 fees were \$11.1m paid in the 6 months to June 2025 which was \$0.6m higher than expected (+5%) 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 6.13 – Corporation Legal contract components⁹

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.
- 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. This allowance is unchanged from the previous valuation basis.

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 purposes¹⁰.

⁹ 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.

¹⁰ 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.

At the current valuation, we have updated the allocation to allow for more costs on accident periods more than seven years ago, consistent with the lengthened tail of WPI assessments.

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 June 2025, which were 48% above expectation.

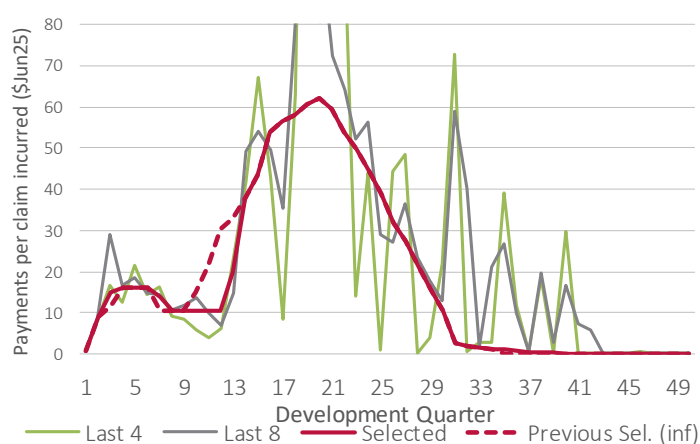
Table 6.14 – Recovery half yearly payments received

Accident Period	Payments in Six Months to Jun 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	(0.3)	(0.0)	(0.3)	1403%
2015/16 - 2021/22	(7.4)	(4.8)	(2.7)	55%
2022/23 - 2023/24	(0.5)	(0.7)	0.2	-32%
2024/25	(0.2)	(0.2)	(0.1)	33%
Total	(8.5)	(5.7)	(2.7)	48%

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.

Figure 6.21 – PPCI experience and selections: Recoveries (\$Jun25)



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 onwards in line with the reduction in the proportion of motor vehicle claims and the share of recoveries that have historically emerged from such claims. 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 5.1. 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
Dec-24 Valuation	\$m	\$m	\$m	\$m	\$m	\$m
Estimated Liability at Dec-24	65.4	138.8	45.9	9.3	4.6	264.0
Estimated Liability at Jun-25	68.1	145.8	48.5	9.7	4.9	276.9
Jun-25 Valuation						
Movement in liability due to claims performance	(2.1)	3.9	0.7	(1.4)	0.1	1.2
Estimated liability at Jun-25 (Dec-24 ecos)	65.9	149.7	49.3	8.3	4.9	278.1
Impact of change in eco assumptions	1.0	2.7	0.9	0.2	0.1	4.8
Estimated liability at Jun-25 (Jun-25 ecos)	66.9	152.5	50.1	8.4	5.0	283.0
¹ Rest includes: Travel, Investigation, Other						
AvE Payments	(3.9)	0.2	0.1	(0.2)	0.3	(3.5)
Actuarial Release/(Strengthening)	6.1	(4.2)	(0.8)	1.6	(0.3)	2.3

There is an overall actuarial release of \$2.3m for Hearing Loss claims. This is comprised of an increase of \$1.2m in the liability estimate and \$3.5m of lower than expected payments over the past six months. The key components of the actuarial strengthening are:

- An actuarial release of \$6.1m relating to Lump Sum costs, following the reductions in projected ultimate claim numbers.
- An actuarial strengthening of \$4.2m relating to Medical and \$0.8m on Allied Health services, reflecting the ongoing high costs for hearing aids and related Allied Health services that more than offsets the impacts of the lower claim numbers.
- Small movements on the other groups.
- Movements due to economic assumptions result in a \$4.8m increase in the liability.

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
Pre Jun-15	-0.7	0.2	0.2	0.1	-0.2
Jun-16	0.1	-0.1	0.0	0.0	0.0
Jun-17	0.0	-0.2	0.0	0.0	-0.2
Jun-18	0.3	-0.3	0.0	0.0	0.0
Jun-19	0.3	-0.3	0.1	0.0	0.0
Jun-20	0.3	-1.3	0.1	0.0	-0.9
Jun-21	0.3	-1.3	0.1	-0.2	-1.1
Jun-22	0.5	-1.2	0.1	-0.1	-0.7
Jun-23	1.2	-0.6	0.2	0.0	0.8
Jun-24	1.8	-0.2	0.4	0.0	2.0
Jun-25	2.0	0.4	0.4	0.0	2.7
Total	6.1	-5.0	1.6	-0.3	2.3

The overall release is driven by recent accident periods where claim numbers have been lower, with strengthening from accident years Jun-22 and prior where the higher device costs are not being offset by changes in claim numbers.

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 30 June 2025 with the expected payments from our December 2024 valuation projection. Payments were 37% lower than expected in the last six months due to fewer lump sum payments. As context to this, as explained in Section 4.4.4 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.

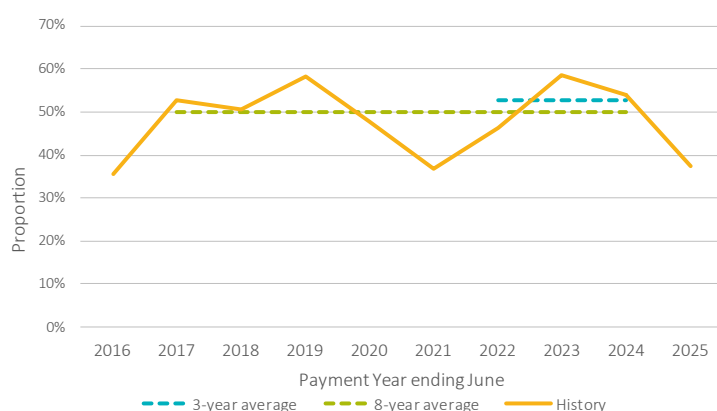
Table 7.3 – Actual vs expected payments: Hearing Loss claims lump sums

Accident Period	Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Difference
	\$m	\$m	\$m	
To 30 Jun 05	0.2	0.4	(0.3)	-63%
2005/06 - 2014/15	0.6	1.0	(0.5)	-45%
2015/16 - 2021/22	1.1	1.9	(0.7)	-40%
2022/23 - 2023/24	3.5	3.9	(0.4)	-10%
2024/25	1.3	3.4	(2.1)	-61%
Total	6.6	10.5	(3.9)	-37%

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:

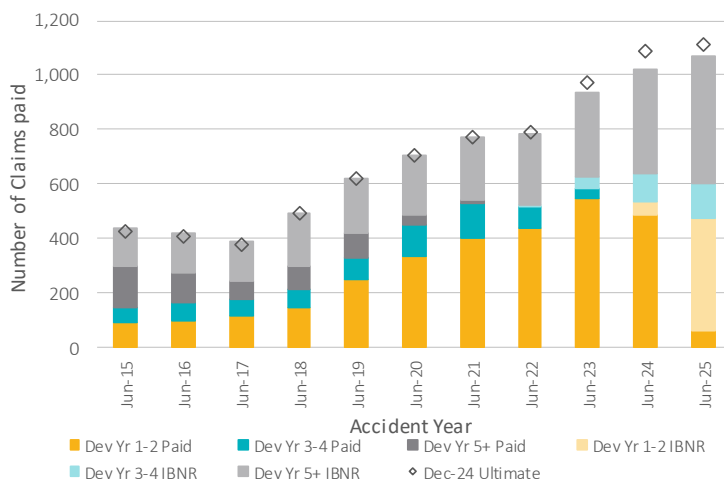
- The proportion of Hearing Loss claims receiving a lump sum was around 50% up to 2018 and increased close to 60% in 2019.
- 2020 and 2021 dropped below 50%, with 2020 partially impacted and 2021 heavily impacted by COVID-19 restrictions that limited the ability to get assessments. Operational changes 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 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.

Our selected basis 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. This is unchanged from the previous valuation basis. For 2025 we have increased the ultimate lump sum proportion 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).

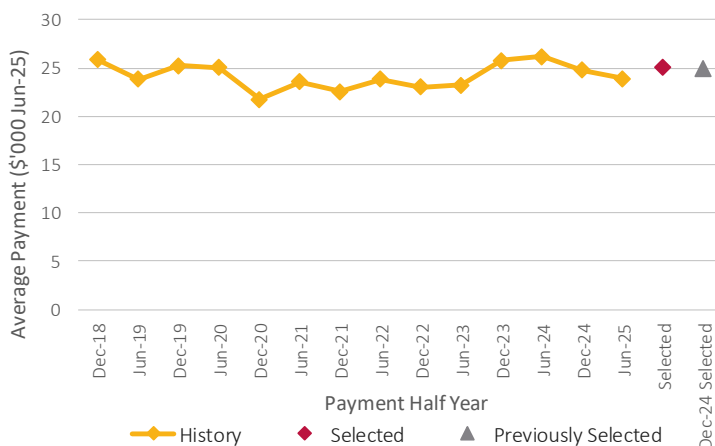
Figure 7.2 shows the projected numbers of Hearing Loss lump sums by accident year. The tail of Hearing Loss IBNR claims is long, with claims still emerging many years after the end of exposure. The expected number of lump sum payments for the three latest injury years have reduced in line with lower 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 3.9% of the maximum lump sum benefit scale and is virtually unchanged from the previous valuation. At the current valuation, we have re-shaped the average size pattern by increasing selections at earlier durations offset by a reduction in the tail consistent with the experience over the last 2 years. This has resulted in a very minor increase to the overall basis.

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 June 2025 with the expected payments from our December 2024 valuation projection; Payments were 21% lower than expected. ReturnToWorkSA's operational changes around claims acceptance, which are reducing dispute volumes, are a key driver of this.

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

Accident Period	Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m	
To 30 Jun 05	0.1	0.0	0.0	31%
2005/06 - 2014/15	0.1	0.1	(0.1)	-46%
2015/16 - 2021/22	0.2	0.2	(0.0)	-20%
2022/23 - 2023/24	0.4	0.4	(0.1)	-18%
2024/25	0.0	0.1	(0.0)	-40%
Total	0.7	0.9	(0.2)	-21%

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 (\$Jun25)



Our selected basis has been reduced from the previous valuation in response to the favourable experience.

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 30 June 2025 with the expected payments from our December 2024 valuation projection.

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

Accident Period	Medical Report Payments in Six Months to Jun 25				Medical Aid and Appliances Payments in Six Months to Jun 25				Other Payments in Six Months to Jun 25			
	Actual	Expected	Act - Exp	% Act - Exp	Actual	Expected	Act - Exp	% Act - Exp	Actual	Expected	Act - Exp	% Act - Exp
	\$m	\$m	\$m		\$m	\$m	\$m		\$m	\$m	\$m	
To 30 Jun 05	0.1	0.1	0.0	25%	0.6	0.7	(0.1)	-13%	0.3	0.3	(0.0)	-5%
2005/06 - 2014/15	0.2	0.2	0.0	23%	1.1	1.0	0.0	5%	0.5	0.4	0.1	24%
2015/16 - 2021/22	0.3	0.3	0.1	32%	1.5	1.1	0.4	37%	0.8	0.5	0.4	84%
2022/23 - 2023/24	0.7	0.5	0.2	40%	0.7	0.9	(0.1)	-14%	0.4	0.4	(0.0)	-4%
2024/25	0.9	1.0	(0.2)	-16%	0.8	1.0	(0.2)	-20%	0.4	0.5	(0.1)	-20%
Total	2.2	2.0	0.2	9%	4.8	4.7	0.0	1%	2.4	2.1	0.3	16%

Overall, payments were marginally higher than expectation, with:

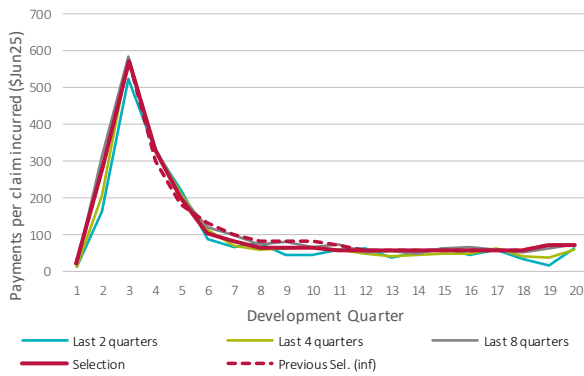
- Medical reports \$0.2m (9%) higher than expected
- Medical Aids and Appliances payments were in line with expectation, although lower for more recent accident periods where claim volumes have been lower.
- Other payments \$0.3m (16%) above expectations, driven by older accident periods.

Valuation basis

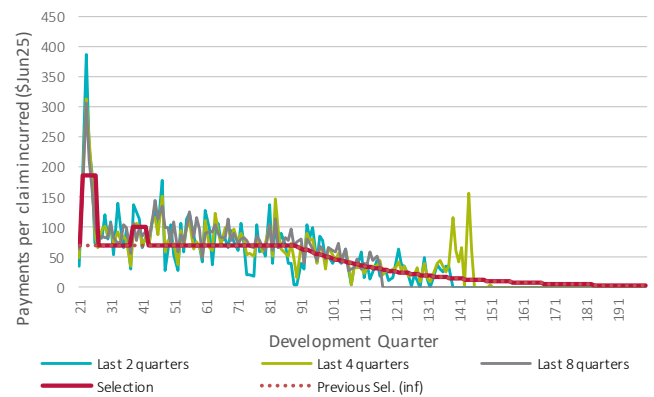
Figure 7.5 below shows the recent experience and selected basis for medical payments across the various components that are separately modelled.

Figure 7.5 – Medical experience and selections (\$Jun25)

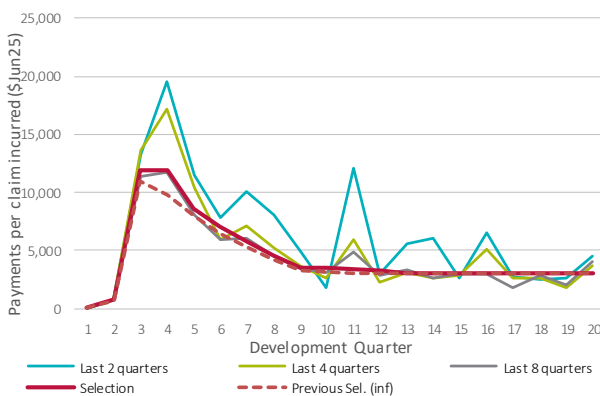
PPCI – Medical Aids and Appliances



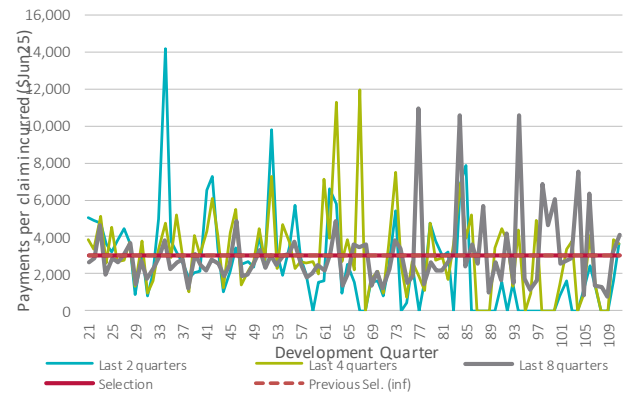
Tail PPCI – Medical Aids and Appliances



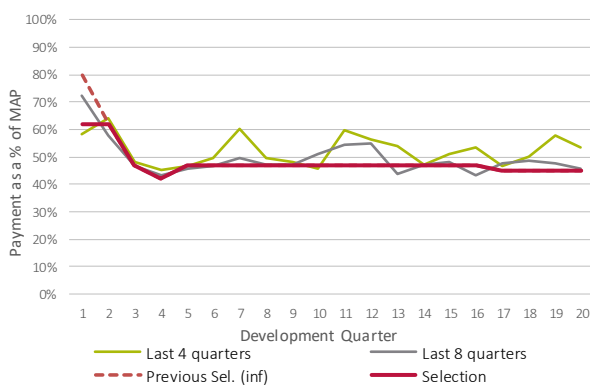
PPCR – Medical Reports



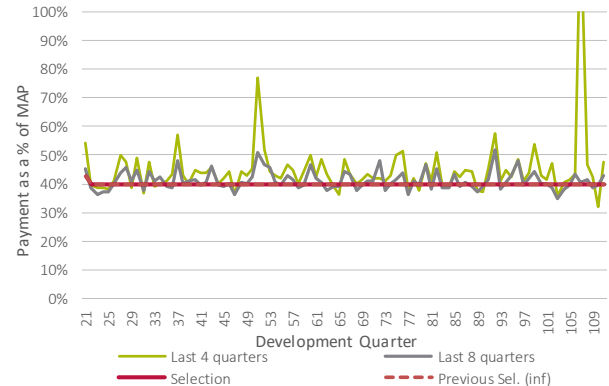
Tail PPCR – Medical Reports



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 are increased overall from our previous basis
 - Assumptions in the first three years from injury were reshaped, with higher payments in the first year and a half from injury in line with the last four average.
 - Payments beyond five years from injury have increased at this review. We have assumed higher ongoing aid replacement, nearer to recent experience.

- > 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. Only minor changes have been made at this review, though as for Medical Report costs there is a risk that further cost increases may be required in future.
 - > 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% 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 5.2 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. 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
	Mortality improvement of 0.5% p.a. (unchanged from previous valuation).	Mortality improvement of 0.5% p.a. (unchanged from previous valuation).
Life expectancy	Mortality loadings for claims with high care needs (reducing life expectancy by 17 years) and for moderate care needs (reducing life expectancy by 7 years).	

	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 (based on published FY26 rates), increasing to 5.43% 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.</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 30 June 2025 and movement in our liability estimates since the December 2024 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
Dec-24 Valuation															
Estimated Liab at Dec-24	730	118	380	55	15	250	0	52	422	33	181	7	10	-26	2,227
Projected Liab at Jun-25	762	125	401	58	16	263	0	55	433	34	190	8	10	-28	2,326
Jun25 Valuation															
Movement in liability due to claims performance	-8	-4	-37	-8	-0	-14	-0	-7	0	-2	-18	0	-0	-4	-103
Estimated Liab at Jun25 (Dec24 ecos)	754	120	364	50	16	249	0	48	433	32	172	8	9	-32	2,223
Impact of change in ecos	14	1	4	1	0	3	0	1		1	3	0	0	-1	33
Estimated Liab at Jun25 (Jun25 ecos)	768	122	368	51	16	252	0	49	439	33	174	8	10	-33	2,257
AvE Payments - six months to Jun-25	-2	-0	-1	-0	0	0	0	0	0	-1	2	0	-0	1	-0
Actuarial Release at Jun-25 ¹	10	4	38	8	0	14	-0	7	-1	2	17	-0	1	3	104

¹Excluding CHE

The outstanding claims cost for Serious Injury claims (excluding CHE) is \$2,257m at 30 June 2025. The main movements from our December 2024 projection of the June 2025 liability are:

- Claims experience and basis changes decreased the liability by \$103m, as a result of:
 - > A \$110m net reduction as a result of claim number changes (see Section 5.2)
 - > A \$12m increase due to changes in the assumed Other Serious Injury average size: a reduction in the assumed net benefit of s56A elections and an increase to the Care average size was partially offset by reductions in the assumed Medical and Treatment average sizes
 - > A \$5m reduction due to changes in Severe Traumatic Injuries average sizes, including the reassessment in future costs for a claim that transferred from claims agents to EnABLE
- Payments were in line with expected over the six months.
- Updating economic assumptions at the current valuation resulted in a strengthening of \$33m.

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	14	2%
2015/16 - 2019/20	4	0%
2020/21 - 2021/22	11	4%
2022/23 - 2024/25	75	12%
Total	104	4%

¹ Includes change in OSC and Act vs Exp payments. Positive values represent accounting profit (valuation release), negative values represent accounting loss

All accident periods had an actuarial release; however, the impact is strongest for more recent periods where revisions to ultimate numbers have had the greatest effect.

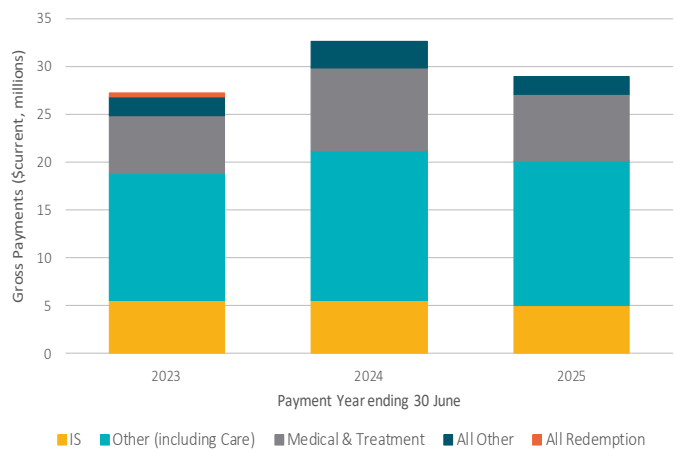
The remainder of this section deals with the payment experience and valuation basis.

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 (\$Jun25)



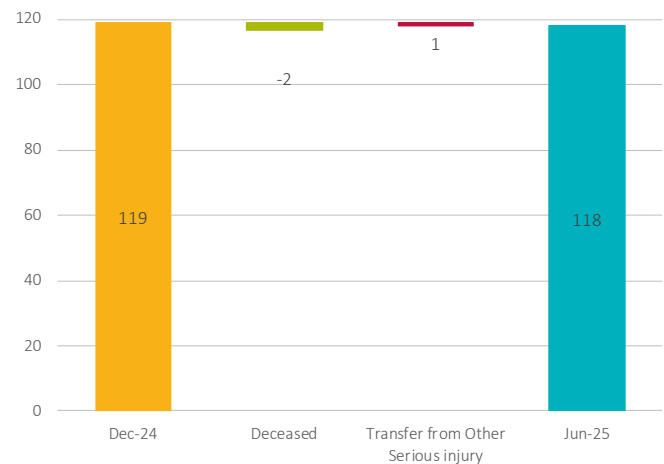
\$89m has been paid to Severe Traumatic Injury claims in the last three years. After allowing for recoveries of \$2m over this same period, this equates to an average of around \$29m p.a. in net claim payments (in 30 June 2025 values), comprising around:

- \$15m p.a. in care and other costs.
- \$7m p.a. in medical, treatment and related benefits.
- \$5m p.a. in income support.
- \$2m p.a. in lump sums.
- Small amounts of legal, investigation and redemption payments (\$0.4m 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



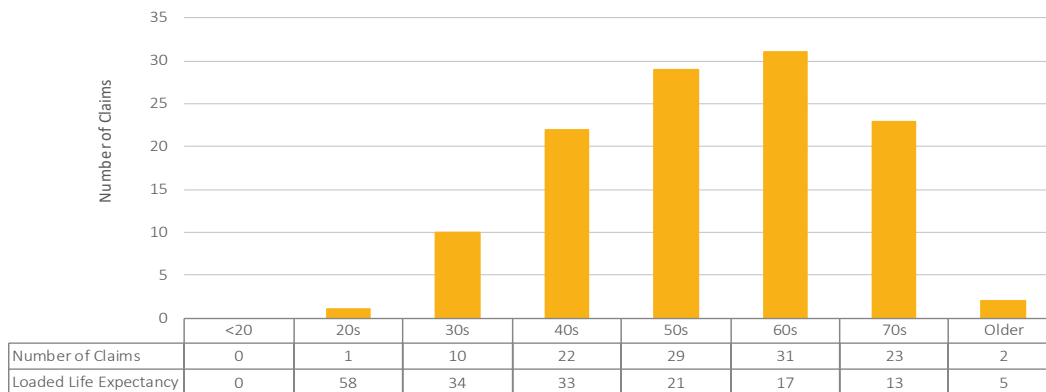
There are 118 active Severe Traumatic Injury claims with expected ongoing benefits at June 2025, one fewer than at the previous valuation. The movements were:

- There have been two deaths in the six months to 30 June 2025

- One transfer in from the Other Serious Injury claims segment.

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



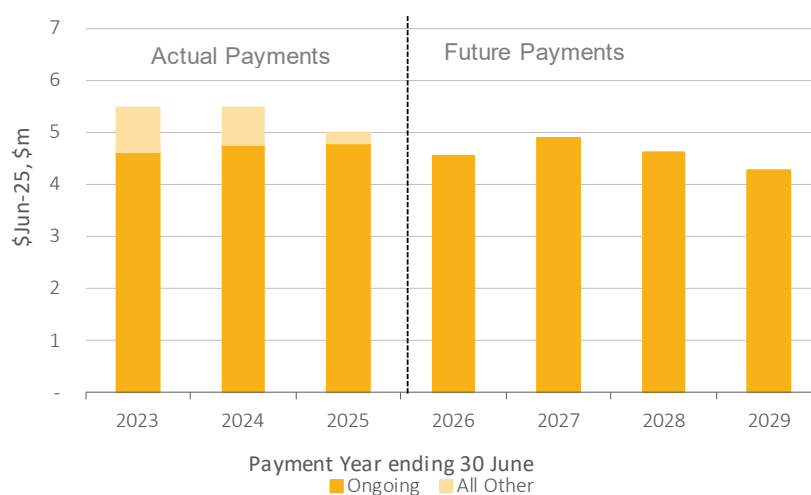
Severe Traumatic Injury claimants are currently aged around 59 on average, with an expected future life expectancy of about 25 years (after allowing for mortality, mortality improvements and mortality loadings). The average age at injury was about 41 years.

Around 65% of the current Severe Traumatic Injuries have a WPI assessment, with an average WPI of around 58%; 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 22 claims with recorded WPI assessments below 35%; ignoring these claims, the average assessed WPI is approximately 66%.

8.4.3 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 (\$Jun25)



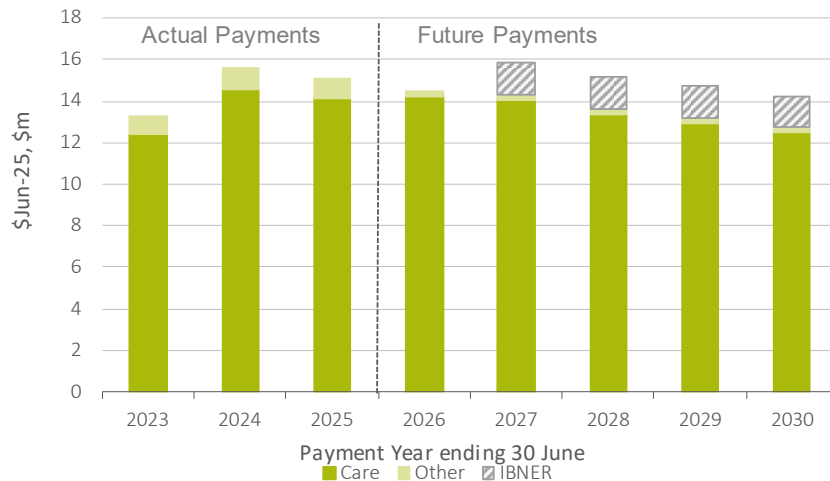
We estimate around \$4.6m will be paid in Income Support to Severe Traumatic Injury claims in 2026 – lower than 2025 actual payments, driven by the death of four workers over the year plus a few claims whose Income Support benefits have recently ceased or will soon do so due to retirement. Projected 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 13 years' worth of the expected 2026 payments.

8.4.4 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 \$280k at June 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 (\$Jun25)

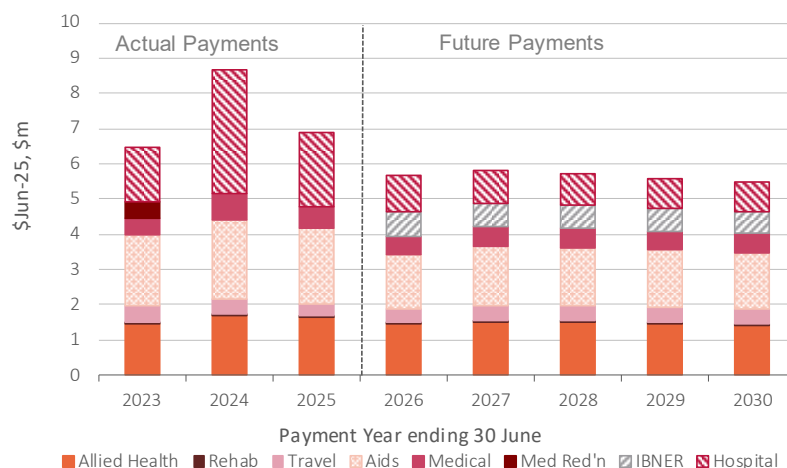


We expect around \$14m of care and other payments in 2026, which is marginally lower than 2025 actual payments. Projected payments then increase in FY27, due to our IBNER allowance which is intended to capture an annualised contribution for other benefits (primarily modifications and transfers from initial hospital care into home care, or from unpaid family care to paid care). These increases are slowly offset by reductions due to mortality, with the outstanding claims projection equivalent to 21 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).

8.4.5 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 (\$Jun25)



Hospital payments were high in the last three years, due to high costs on a small number of relatively new claims that were still in the early stages of recovery; once injuries stabilise for these claims we generally see hospital costs reduce.

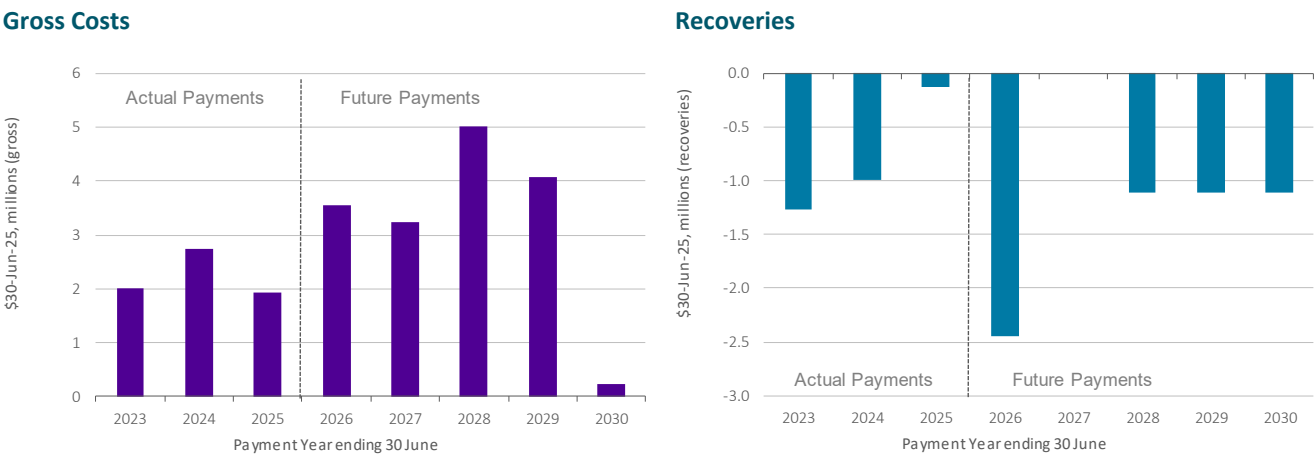
We expect future treatment and related payments of \$5.7m in 2026, slightly lower than paid in 2025. Excluding hospital costs, we expect future treatment and related payments of \$4.6m, close to experience in the latest year.

The outstanding claims projection is equivalent to 27 years of the expected 2026 payments, including the IBNR allowances.

8.4.6 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 (\$Jun25)



In the three years to 30 June 2025, a net \$4.3m of other benefits was paid for Severe Traumatic Injury claims. Our future projections for claims occurring prior to 30 June 2025 include (in current dollars):

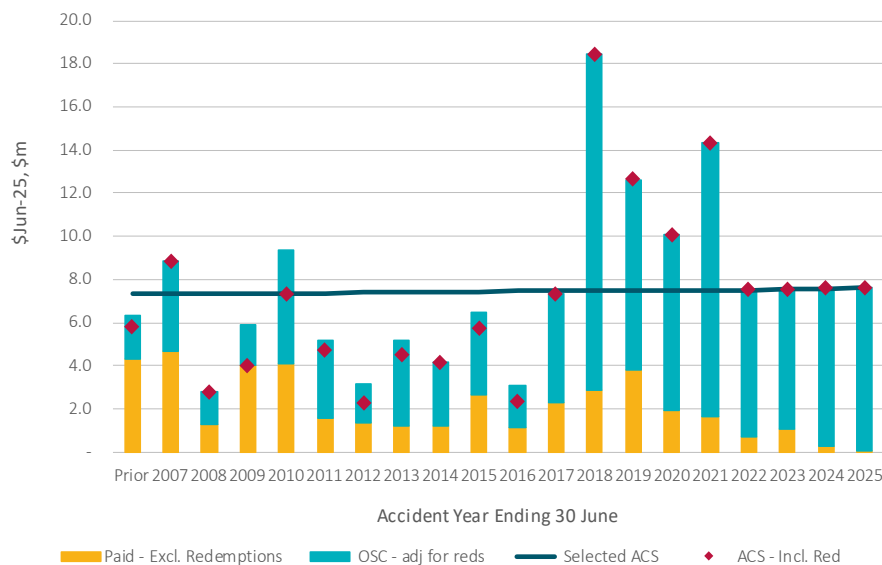
- Lump sum benefits of \$14.0m paid to claims who have not yet had a lump sum. We have not allowed for any future s56A lump sums and medical redemptions in the EnABLE cohort.
- Legal and investigation costs of \$4.1m.
- Recoveries of \$5.8m, \$2.5m of which is for those claims where ReturnToWorkSA has 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.

8.4.7 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 (\$Jun25)



The average claim size across current Severe Traumatic Injury claims is around \$6.0m 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 \$6.7m.

In recent years, there have been fewer claims than the longer-term history and we have investigated whether this has resulted in a more complex injury profile and a higher average claim size. The table below compares the average size for accident years with five or fewer claims to those with greater than five claims.

Table 8.4 – Average size by no. of claims in accident year

Claims in Accident Year	Claim Count	ACS
		\$m
5 or Fewer	77	7.5
More than 5	69	5.8
Total	146	6.7

*Excludes redeemed claims

Our selected average size of \$7.6m was set with reference to the average size of claims from accident years with five or fewer claims, noting that we currently assume around five claims for a new accident year.

We also note that for more recent accident periods (2018 onwards) the average size is emerging at a higher level than the \$7.6m we assume for IBNR claims. However, claim numbers for these periods are also emerging at a lower level than our assumed 5 claims for a new accident year. On balance, we believe that our IBNR allowance remains appropriate; however, if recent experience continues then we will likely rebalance our assumptions by reducing assumed IBNR numbers and making a commensurate increase to IBNR average sizes.

8.5 Other Serious Injury claims

8.5.1 2022 reforms

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

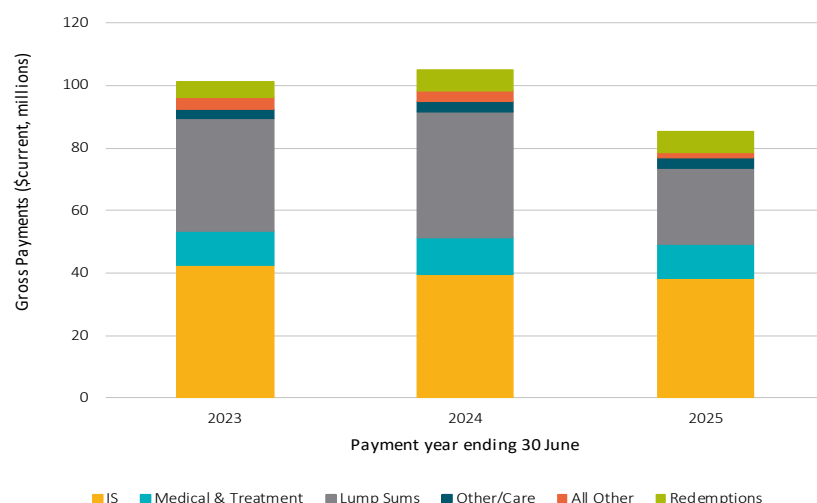
- ‘Combining injuries’ was codified

- The Serious Injury WPI threshold for physical injuries was increased from 30% to 35% (see Section 5.2 for details on threshold transition details). Our allowance for this is summarised in Section 5.2.4.
- 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 (\$Jun25)



Around \$292m has been paid to Other Serious Injury claims in the last three years. After allowing for recoveries of \$17m over this same period, this equates to an average of around \$92m p.a. in net claim payments (in 30 June 2025 values), comprising:

- \$40m p.a. in Income Support
- \$11m p.a. in medical, treatment and related benefits.
- \$34m p.a. in lump sums – after averaging \$38m per annum in 2023 and 2024, this reduced to \$24m in 2025 as 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).
- \$6m 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 8.5 – Actual vs Expected Experience: Income Support

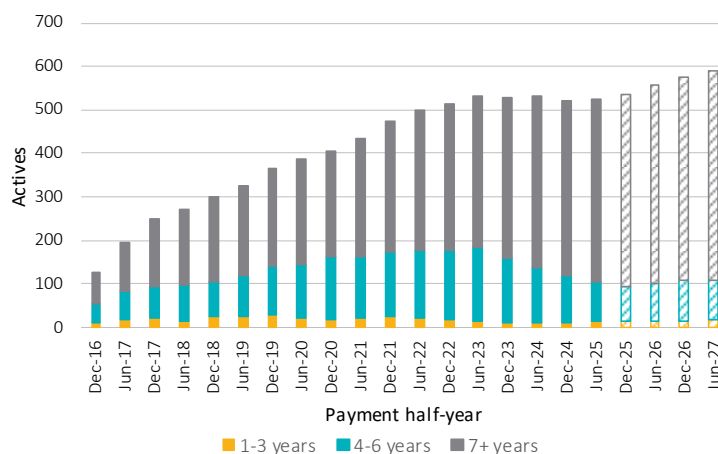
		Actual	Expected	A-E	A/E -1
First actives	<i>Active claims</i>	25	32	(7)	-23%
	<i>PPAC (\$000)</i>	95	114	-19	-17%
	<i>Payments (\$000)</i>	2,365	3,687	-1,322	-36%
Continuing actives	<i>Active claims</i>	498	503	(5)	-1%
	<i>PPAC (\$000)</i>	32	33	-1	-3%
	<i>Payments (\$000)</i>	15,963	16,611	-648	-4%
Total actives	<i>Active claims</i>	523	536	(13)	-2%
	<i>PPAC (\$000)</i>	35	38	-3	-7%
	<i>Payments (\$000)</i>	18,329	20,298	-1,970	-10%

Our comments are as follows:

- Payments for first active claims were 36% lower than expected driven by:
 - > The number of first active claims were 23% lower than expected, as a result of fewer new Serious Injury claims than expected (see Section 5.2.3)
 - > Payments per active claim (PPACs) were 17% 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 (4% lower) with both the number of active claims and PPACs close to expected
- Overall payments were 10% lower than expected, largely due to lower than expected payments for 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:

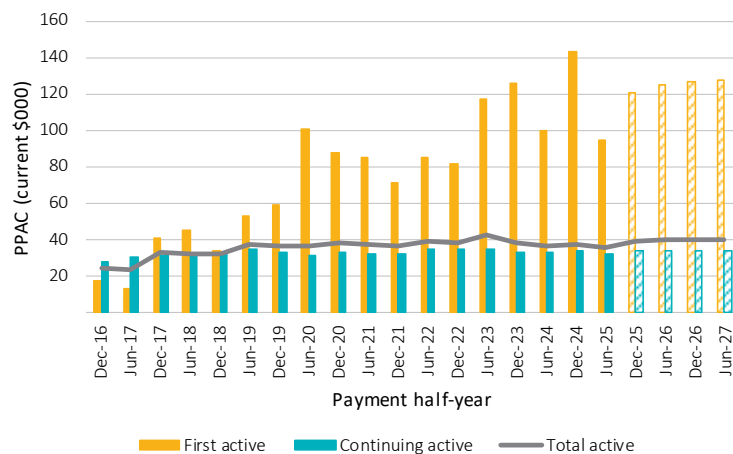
- Income Support actives increased up until June 2023, reflecting the maturation of the Serious Injury cohort
- Income support actives have since remained stable, despite the underlying pool of claims growing. This is driven by a combination of:
 - > A reduction in new Serious Injury determinations (refer to Section 5.2)

- > 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 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 (\$Jun25)



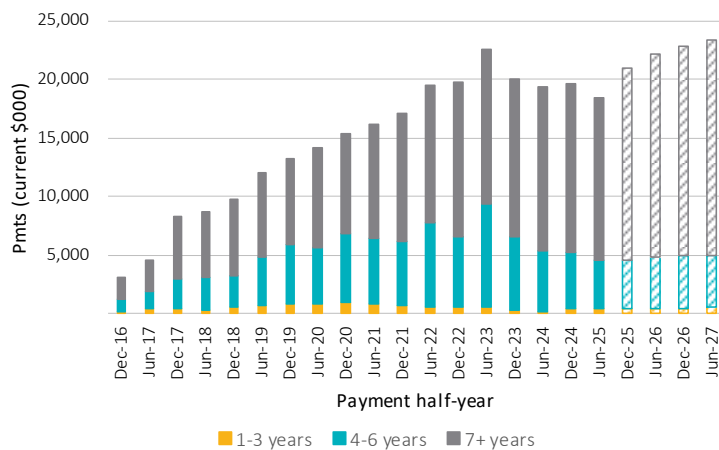
Our comments are as follows:

- 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.
- Our projected average size is at a similar level to 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 (\$Jun25)



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 8.6 – Actual vs Expected Experience: Treatment and related

		Actual	Expected	A-E	A/E -1
Actives (#)	<i>First actives</i>	24	38	(14)	-36%
	<i>Continuing actives</i>	695	715	(20)	-3%
	Total	719	753	(34)	-4%
PPAC (\$)	<i>Medical and Treatment</i>	7,468	8,438	(970)	-12%
	<i>Other and Care</i>	2,187	2,332	(146)	-6%
	Total	9,654	10,770	(1,116)	-10%
Payments (\$000)	<i>Medical and Treatment</i>	5,369	6,350	(981)	-15%
	<i>Other and Care</i>	1,572	1,755	(183)	-10%
	Total	6,941	8,105	(1,163)	-14%

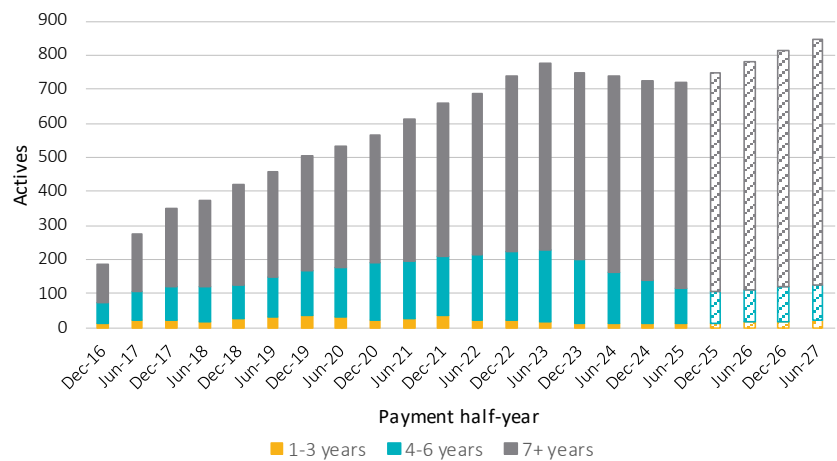
Our comments are as follows:

- As for Income Support, actives were close to expected in aggregate; however, first actives were lower than expected due to fewer new Serious Injury claims than expected
- PPACs were 10% lower than expected in aggregate, with
 - Medical and Treatment PPACs 12% lower than expected, noting there is even greater variation at the individual payment type level (which is not unusual on a portfolio like this)
 - Other and Care PPACs were 6% lower than expected. We note that our expected payments for Care included a high cost claim that has since transferred to EnABLE (and so is not included in actual payments). Excluding expected payments for this claim, Other and Care PPACs were 3% higher than expected
- Overall payments were 14% lower than expected, predominantly driven by lower than expected PPACs.

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

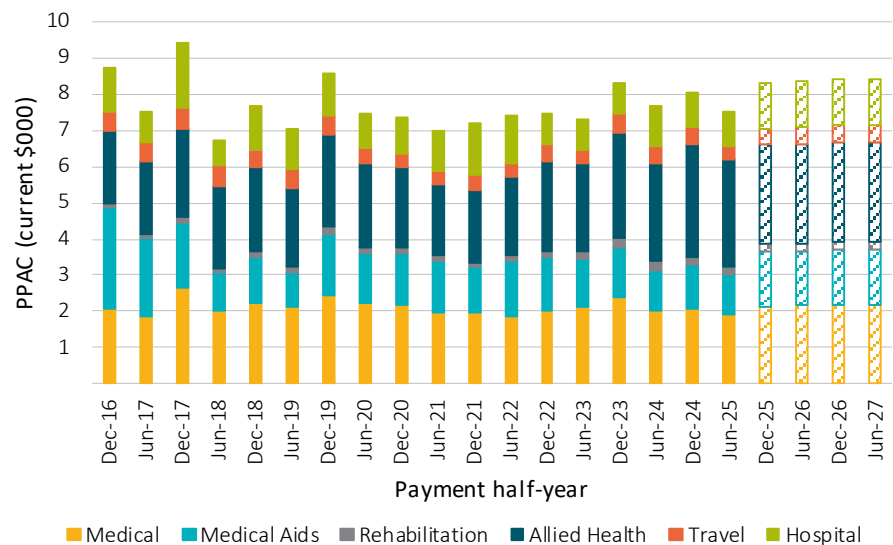


Treatment and related actives follow a similar pattern to Income Support active claims.

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 (\$Jun25)

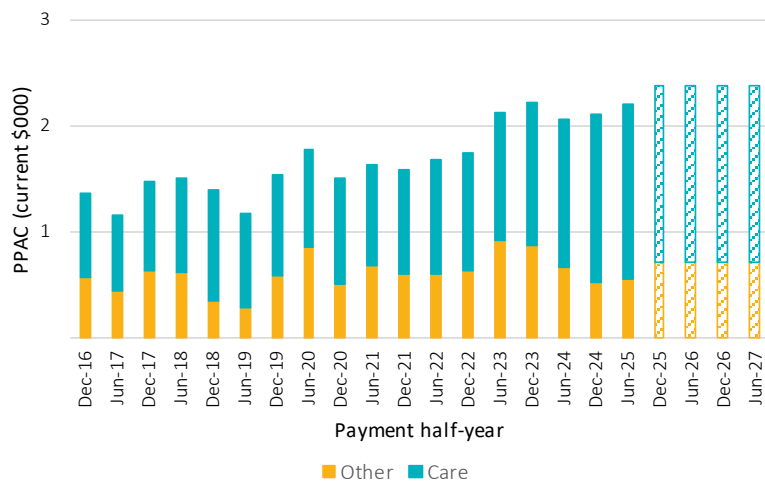


Our comments are as follows:

- After remaining at a stable level of around \$7,300 from June 2020 to June 2023, average sizes in the last four half-years have increased to around \$7,800. 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 at a slightly higher level than 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 (\$Jun25)



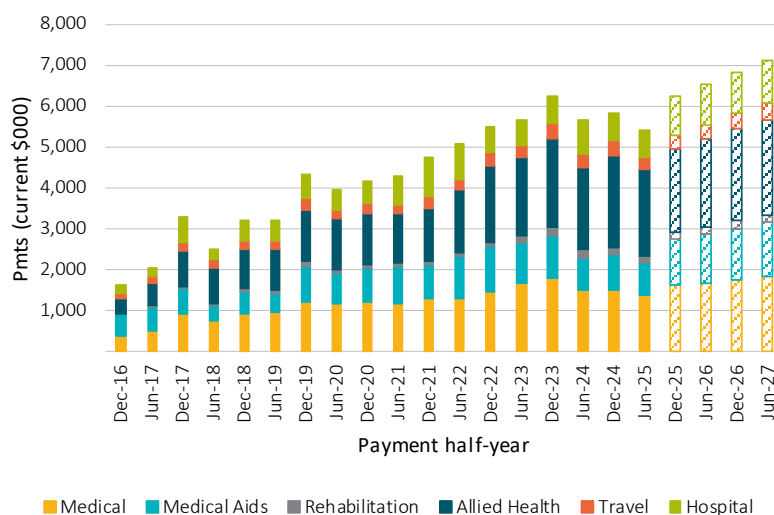
Our comments are as follows:

- 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 is slightly higher than recent experience as a result of our Care PPAC assumptions being in line with the most recent (higher) experience, while our Other PPAC is aligned to longer term average spend which is slightly higher than the most recent experience.

Payments

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

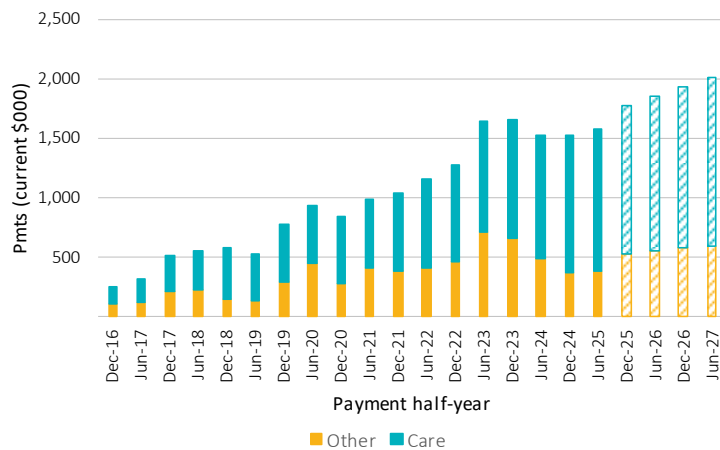
Figure 8.16 – Treatment and related payments (ex. Other and Care): Other Serious Injury claims (\$Jun25)



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 (\$Jun25)



Other and Care payments are projected to increase from recent levels due to a combination of growth in projected actives and a slightly higher average size than the most recent experience (as discussed above).

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 8.7 – Actual vs Expected Experience: NEL

	Actual	Expected	A-E	A/E -1
Claims (#)	42	31	11	36%
Avg Size (\$000)	308	320	(12)	-4%
Payments (\$000)	12,925	9,874	3,052	31%

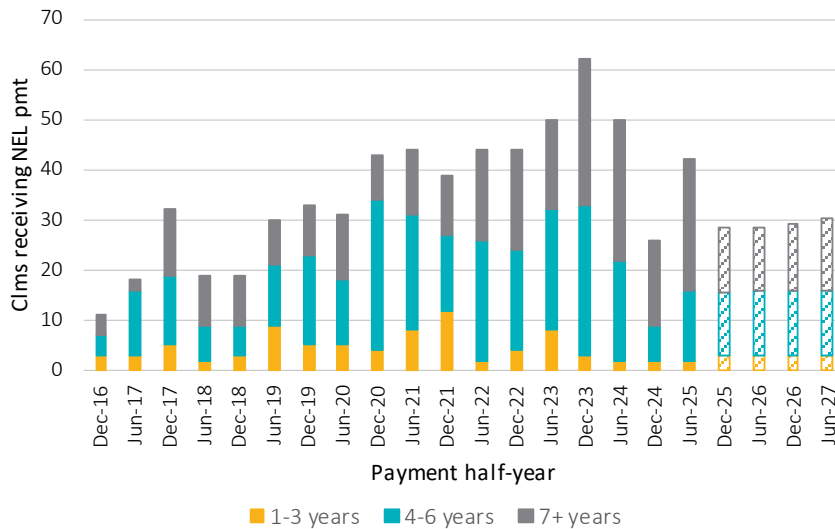
Our comments are as follows:

- The number of claims receiving a non-economic loss payment was 36% higher 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 close to expectations
- Payments were 31% higher than expected, driven by a higher 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



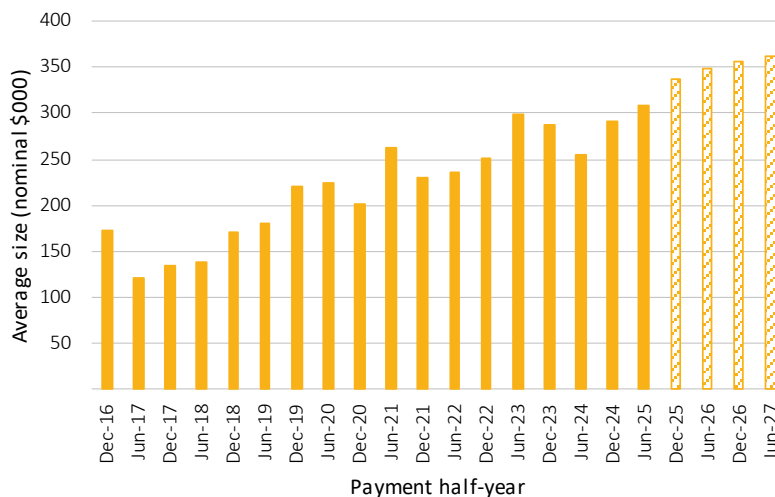
Our comments are as follows:

- 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
- 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)



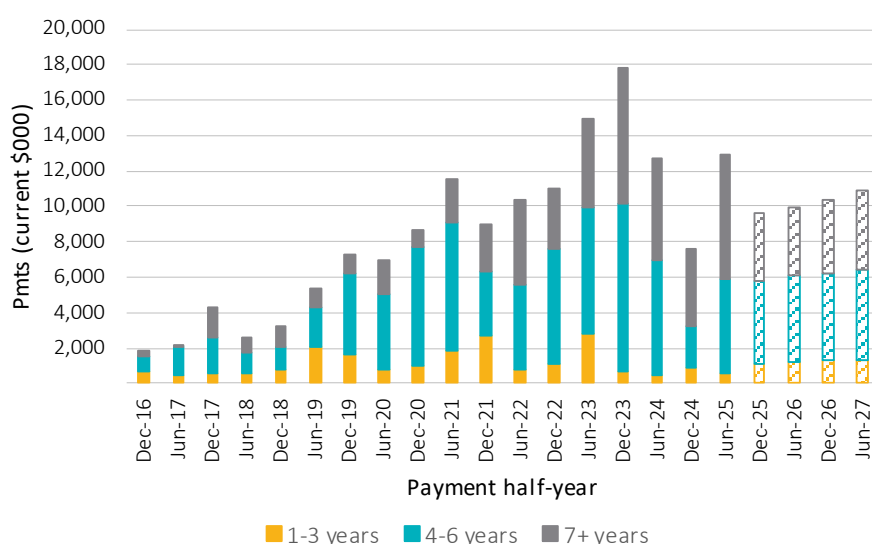
Our comments are as follows:

- 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.

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 Table 8.7 compares actual s56A and Income Support redemption experience with expectations from the previous valuation.

Table 8.8 – Actual vs Expected Payments: s56A or IS redemption

	Actual	Expected	A-E	A/E -1
Claims (#)	8	12	(4)	-32%
Avg Size (\$000)	280	215	65	30%
Payments (\$000)	2,240	2,543	(304)	-12%

Our comments are as follows:

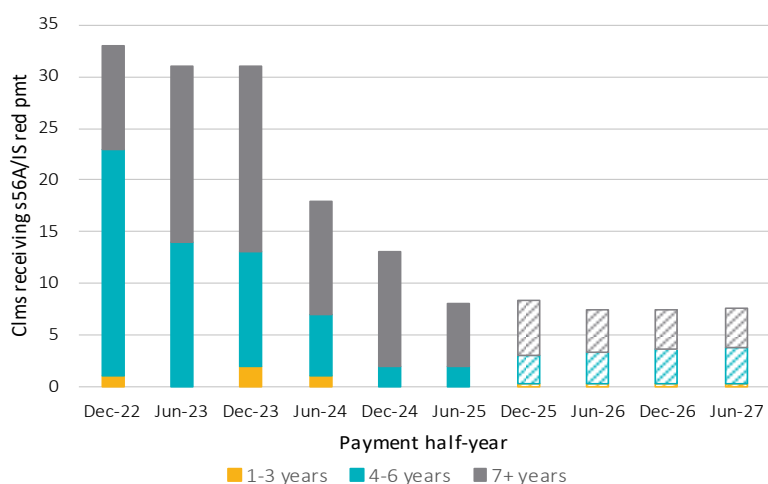
- The number of claims receiving a s56A or Income Support redemption payment was lower than expected; these volumes have been trending down over time

- The average size of s56A or Income Support redemptions was higher than expected, noting there is more volatility associated with Income Support redemption average sizes as they are a negotiated amount
- Payments were 12% 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



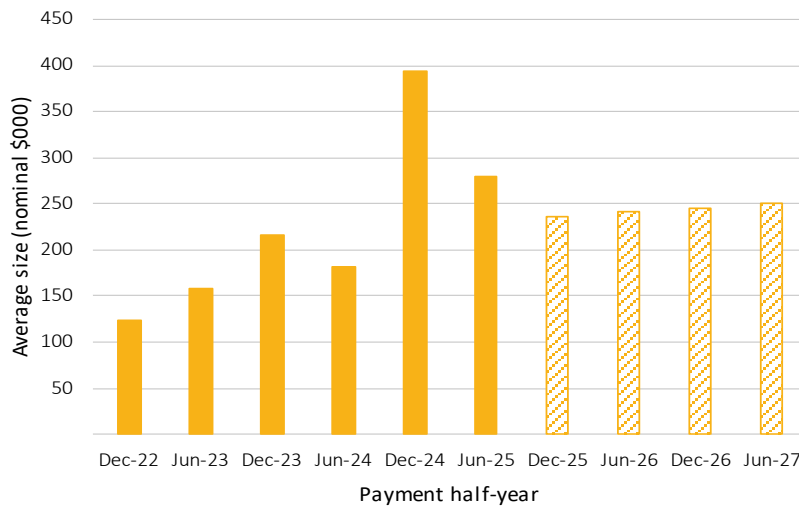
Our comments are as follows:

- 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 three 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 the June 2025 half-year, 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)



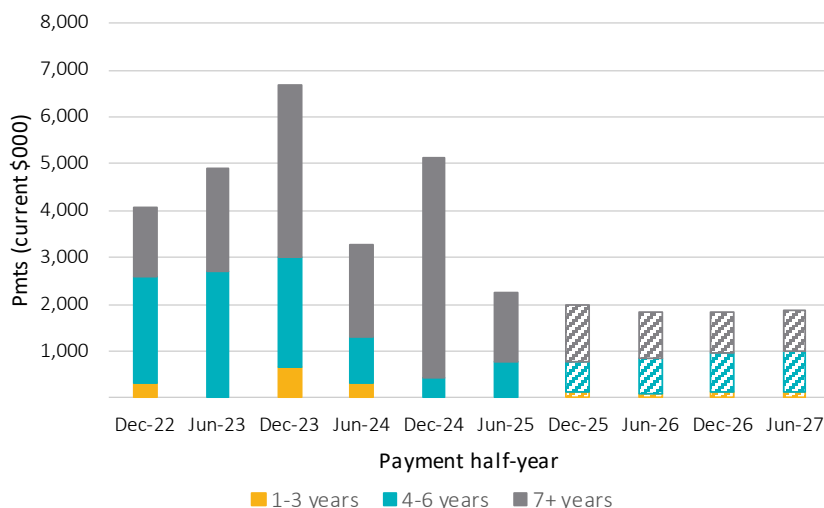
Our comments are as follows:

- 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 two years, 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 \$1.8m and \$2m of payments per half-year over the next two years, slightly lower than the most recent experience.

8.5.7 Medical redemptions

Experience vs expectations

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

Table 8.9 – Actual vs Expected Experience: Medical redemption

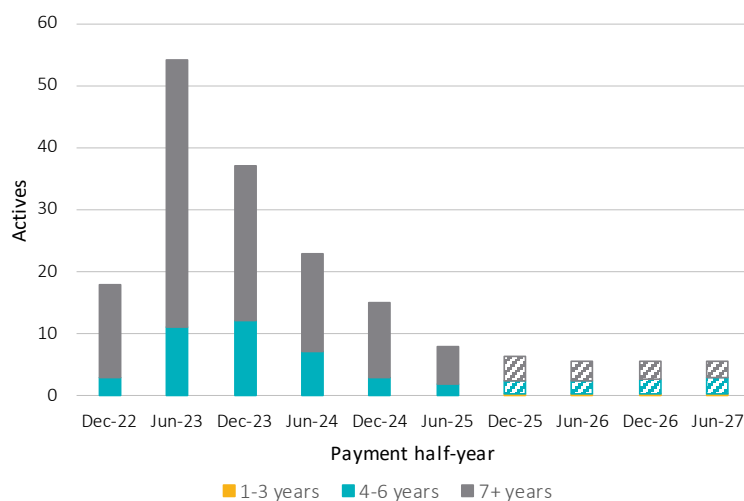
	Actual	Expected	A-E	A/E -1
Claims (#)	8	8	(0)	-4%
Avg Size (\$000)	55	91	(36)	-39%
Payments (\$000)	443	757	(314)	-41%

The number of claims receiving a Medical redemption was in line with expectations, while average sizes were 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

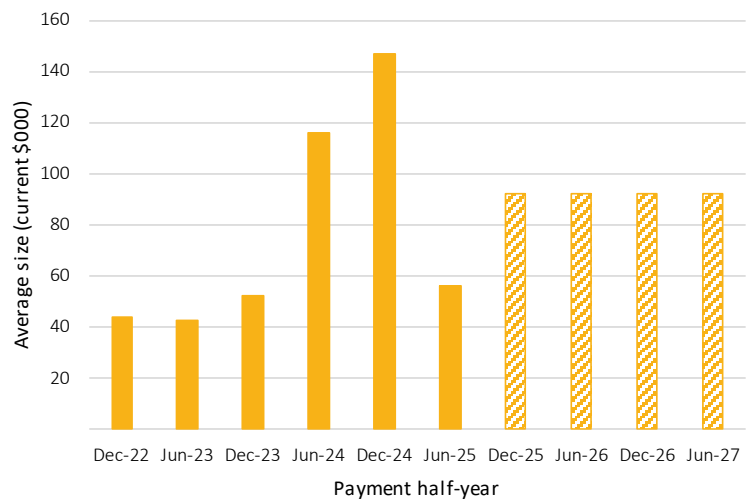


As for s56A and Income Support redemptions, the number of claims receiving a Medical redemption has reduced markedly over the last five half-years. We expect that future Medical redemptions will reduce slightly further from the most recent experience, as Medical redemptions opportunities on the existing Serious Injury cohort reduce.

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 (\$Jun25)



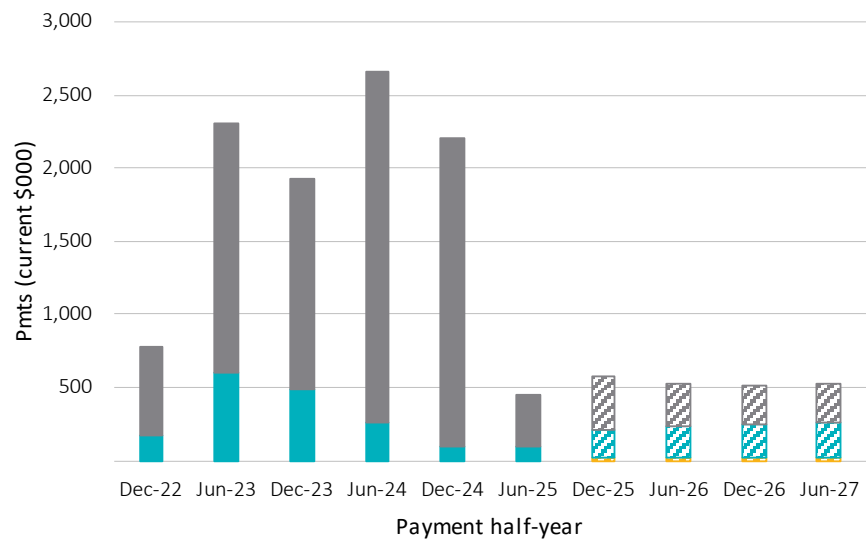
Our comments are as follows:

- Average sizes have been volatile over the period shown
- As for s56A and Income Support redemptions, 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 (\$Jun25)



Our projected payments are similar to the June 2025 half-year, but lower than longer term experience largely due to lower projected future redemptions.

8.5.8 Small payment types

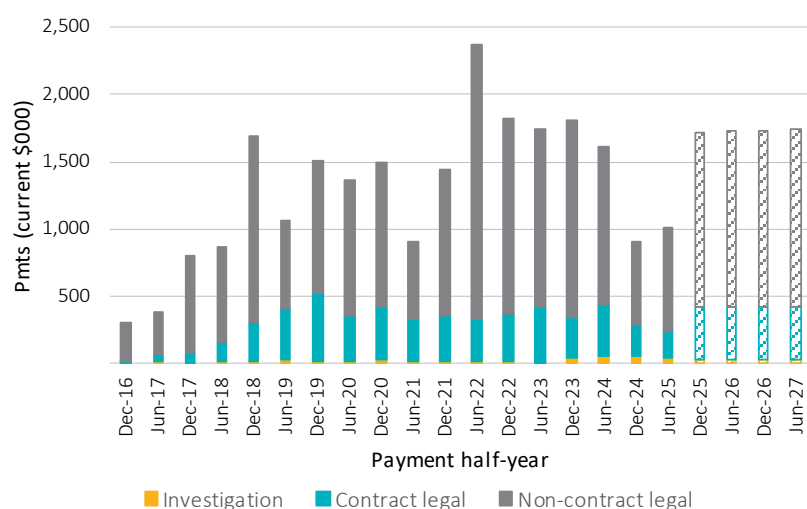
Table 8.10 compares actual smaller payment type experience with expectations from the previous valuation.

Table 8.10 – Actual vs Expected Payments (\$000): Small payment types

	Actual	Expected	A-E	A/E -1
<i>Investigation</i>	42	22	20	93%
<i>Contract Legal</i>	200	398	(198)	-50%
<i>Non-contract Legal</i>	764	1,292	(528)	-41%
Total	1,006	1,712	(706)	-41%

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 (\$Jun25)

We project between \$1.5m and \$2.0m of investigation and legal payments over the next four half-years, higher than experience in the last 12 months 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.

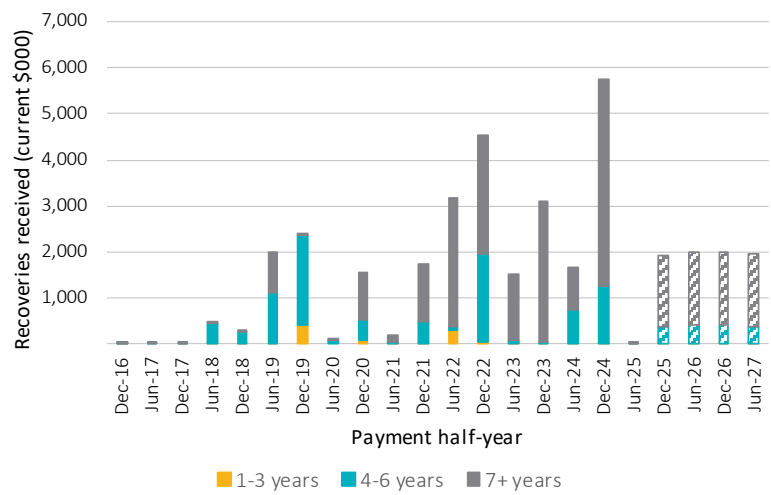
Table 8.11 – Actual vs Expected Payments (\$000): Recoveries

	Actual	Expected	A-E	A/E -1
<i>Recoveries</i>	(12)	(1,579)	1,567	-99%

Recoveries were significantly lower than expected over the six months, with negligible amounts being received. We note that recoveries for Serious Injury claims are volatile as they relate to a small number of claims in any six month period. Discussions with ReturnToWorkSA indicate there has been no change to recovery actions for Serious Injury claims, and so for now we have treated this as a temporary feature.

Figure 8.28 shows historical and projected recoveries for Other Serious Injury claims, which also demonstrates that occasional 'negligible recoveries' periods are not unusual.

Figure 8.28 – Recoveries: Other Serious Injury claims (\$Jun25)

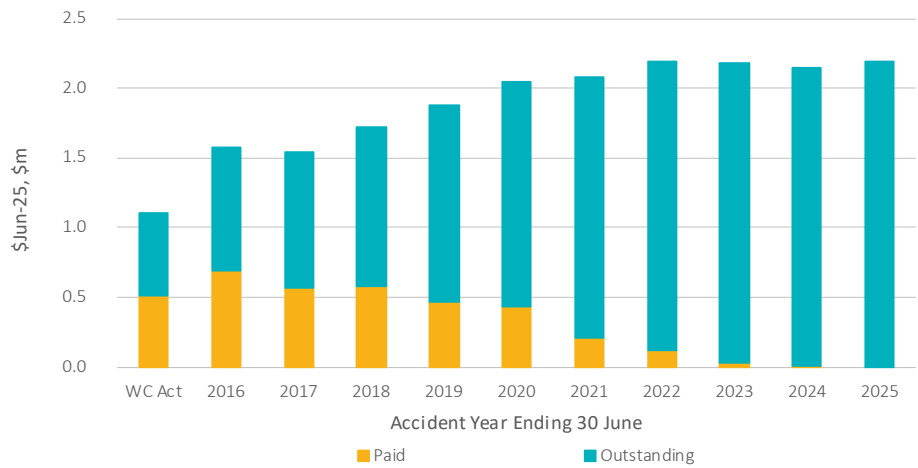


We project roughly \$2m of recoveries per half-year for the next two years.

8.5.10 Overall average size

Figure 8.29 shows the net ultimate average claim size (in 30 June 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 (\$Jun25)



For more recent accident periods, our average size is roughly \$2.2m. It is of note that the average size for old ‘Workers Compensation Act’ claims is much lower, which is primarily due to the existence of more ‘exits’ from this group (for example, under the old work capacity provisions).

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 10.9 years, down slightly from 11.2 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

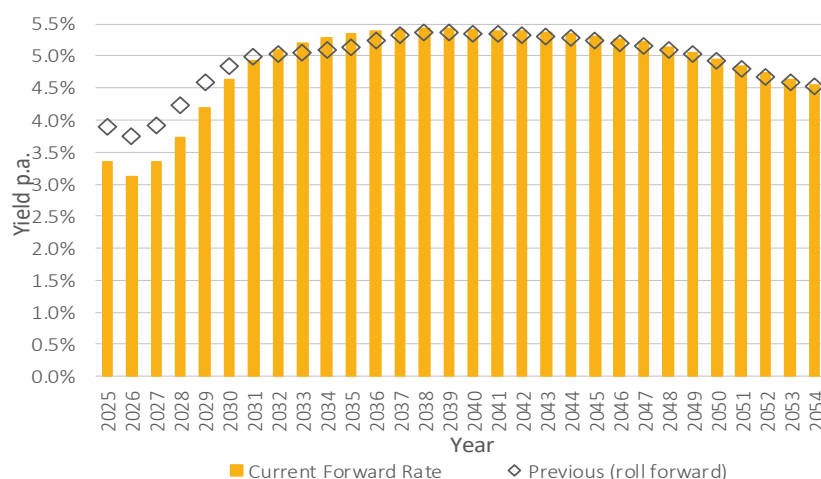
Since the previous valuation there has been an overall decreased effect of discounting, driven by a reduction in short term yields:

- At very short durations, yields reduced by as much as 63 basis points.
- At short to mid durations yields have decreased by 42 basis points on average.
- At longer durations, yields have increased by an average of 7 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 decreased from 4.69% p.a. at 31 December 2024 to 4.56% p.a. at 30 June 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:

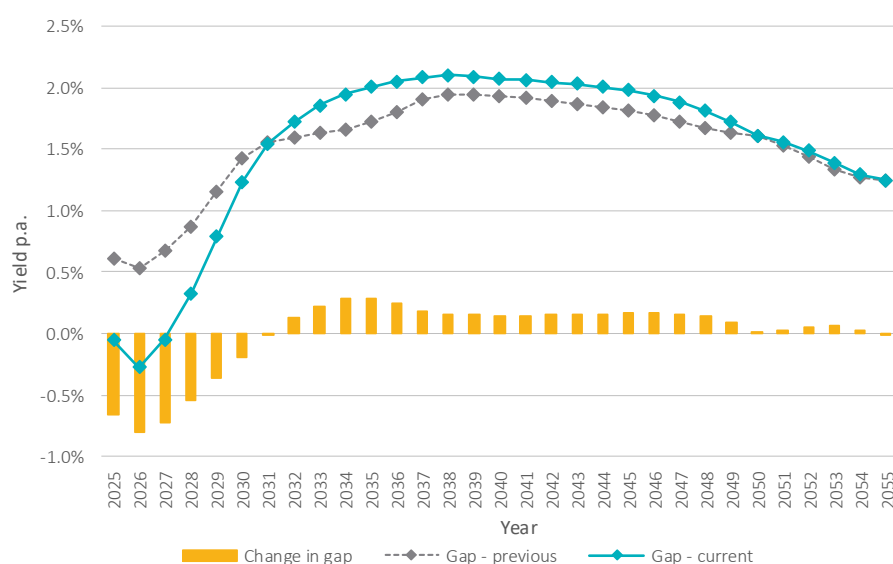
- Our Wage Price Index (WPI) inflation assumptions have increased marginally at short durations since the previous valuation, while at mid to long durations our wage inflation assumptions have reduced slightly. WPI inflation is assumed to be 3.40% p.a. over the next five years.
- WPI inflation assumptions then gradually reduce over the subsequent five years, after which it remains steady at 3.33% p.a. for around 20 years, before reducing to a long-term rate of 3.25%.

This long-term assumption represents a 1.25% p.a. gap between WPI inflation and forward discount rates, unchanged from our December 2024 valuation.

- Average Weekly Earnings (AWE) inflation is set as equal to WPI inflation plus a gap of 0.25% for all periods. This is unchanged from our previous valuation.
- CPI inflation is assumed to increase to 2.75% by June 2027, before reducing to 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. This is shown in Figure 9.2 below. As this shows, the current economic assumptions imply a smaller, and even negative, gap at short durations (driven by reduction in short term yields) followed by a larger gap at medium to long term durations.

Figure 9.2 – Gap between adopted AWE and discount rates



The net impact of these changes on the scheme liability is to produce an increase of \$55m.

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 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.

Table 9.1 shows the allocated CHE as a proportion of 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	
	2022-23	2023-24	2024-25	2025-26	Selected	Previous
	Actual	Actual	(Draft)	(Budget)		
Serious Injury	4.4%	7.0%	8.8%	8.7%	7.0%	7.0%
Short Term Claims	15.8%	15.7%	17.6%	15.7%	16.5%	16.5%
Liability Weighted Average %					10.6%	10.5%

The low Serious Injury expense rate in 2023 related to the significant increase in serious injury payments (which were from redemptions and lump sum payments, not from recurrent costs) in this period, as opposed to any reduction in actual expenses related to managing claims. The assumptions for our claims handling expense allowances for the outstanding claims valuation are as follows:

- For serious injury claims the allowance is 7.0%, consistent with the previous valuation. As shown in the table, additional fees have been added for the FY25 forecast and FY26 budget as additional programs of work are being rolled out to support Seriously Injured claimants, which at this point are not intended to be sustained over time. If it emerges that costs continue to be higher than actual costs in recent years then we will need to increase the CHE loading to reflect 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 10.6% of gross outstanding claims, marginally higher than the 10.5% at the previous valuation due to a higher proportion of Short Term Claims in the overall liability.

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 upcoming 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	
	Jun-25	Dec-24
Serious Injury	26.5%	27.9%
Short Term Claims		
Income Support	15.7%	14.5%
Lump sum	25.7%	28.0%
Legal + Investigation	25.8%	25.8%
Medical and Other Treatment	24.2%	24.2%
Recoveries	20.9%	20.9%
Total (Undiversified)	25.6%	26.9%
Total (Diversified)	19.8%	21.0%
Diversification	22.5%	21.7%

The changes to note are:

- A decrease in the Serious Injury CV due to reduced uncertainty around the reform related impacts on Serious Injury claim numbers.
- An increase in the Income CV due to higher uncertainty around recent data changes to early reporting identification and increased inflationary risk for average weekly earnings.
- A decrease in Lump sum CV as there is more upside risk to lump sum numbers from the lower payments to date (where the central estimate assumes the recent lower levels are a timing issue). Like Serious Injury, there is also reduced uncertainty around the impact of reform related impacts.

Based on a diversified coefficient of variation of 19.8% and our modelled distribution (which is a blend between a normal and lognormal distribution), we have selected an “underlying risk margin” of 13.0%, reduced from 14.0% at the previous valuation.

We have then added to this a 1.0% allowance for additional uncertainty related to the upcoming 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.

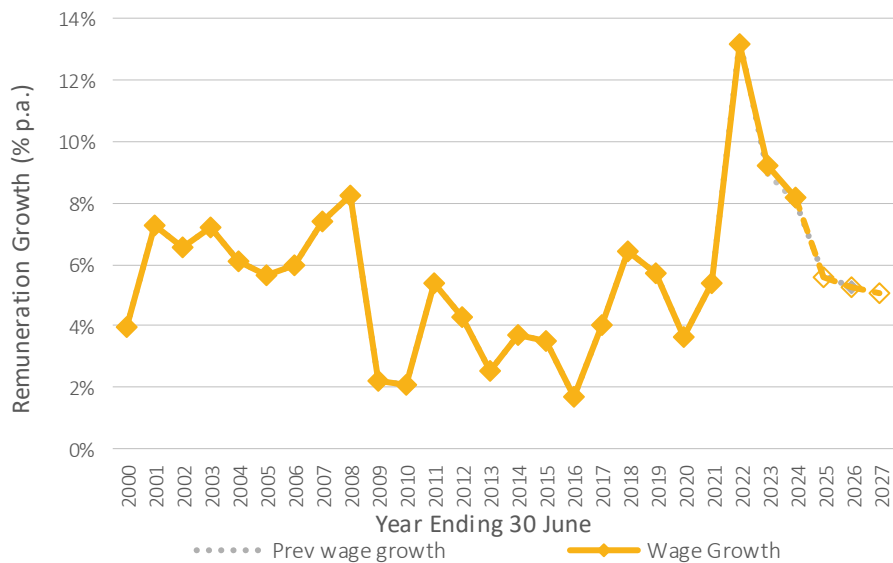
9.6 Non-exempt remuneration

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 is forecast to be 5.6%, largely unchanged from the previous estimate of 5.7%. This is more in line with normal levels, following a high 34% increase in insured remuneration over the three years to 2024. We have adopted ReturnToWorkSA’s remuneration projection of \$46.7 billion for 2024/25, 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-19).
- 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 is forecast to have 5.6% growth, dropping to 5.3% in 2026 and 5.0% in 2027.

10 Valuation results

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

- The central estimate of outstanding claims as at 30 June 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 31 December 2025 and 30 June 2026.
- Reconciliation of results with 31 December 2024 projections.

10.1 Outstanding claims – central estimate

Our central estimate of the outstanding claims by entitlement type as at 30 June 2025 is set out in Table 10.1. This liability relates to all claims that occurred on or before 30 June 2025 and includes the impact of updated economic assumptions.

Table 10.1 – Central Estimate of outstanding claims by entitlement type

Entitlement Group	General Short Term Claims	Hearing Loss Claims	Serious Injuries	Total	% of Net Cent Est
	\$m	\$m	\$m	\$m	
Income	200	-	768	968	24%
Medical	96	152	368	617	15%
Other	5	-	49	54	1%
Care	3	-	439	442	11%
Lump sums	603	67	174	844	21%
Hospital	22	-	122	143	4%
Travel & Accommodation	8	2	51	61	2%
Worker legal	56	8	33	97	2%
Corporation legal	46	-	10	55	1%
Allied Health	42	50	252	344	9%
Rehabilitation	17	-	16	33	0.84%
Investigation	4	3	0	7	0.18%
Common law	2	-	-	2	0.04%
Commutation	4	-	-	4	0.11%
LOEC	0	-	-	0	0.00%
Redemptions	10	-	8	18	0.45%
Gross Liability	1,118	283	2,289	3,691	92%
Recoveries ¹	-49		-33	-82	-2%
Expenses	185	47	160	391	10%
Net Central Estimate	1,254	330	2,417	4,000	100%

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

The outstanding claims liability before recoveries and expenses is estimated to be \$3,691m. The net central estimate, allowing for recoveries and including an allowance for claims handling expenses, is \$4,000m.

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	40	72	668	780	20%
Jun-16	12	9	85	106	3%
Jun-17	16	9	132	157	4%
Jun-18	26	12	179	216	5%
Jun-19	33	14	191	238	6%
Jun-20	42	17	159	218	5%
Jun-21	63	19	153	235	6%
Jun-22	94	21	140	255	6%
Jun-23	148	26	182	356	9%
Jun-24	244	34	190	467	12%
Jun-25	402	49	211	662	17%
Gross Liability	1,118	283	2,289	3,691	92%
Recoveries ¹	-49		-33	-82	-2%
Expenses	185	47	160	391	10%
Net Central Estimate	1,254	330	2,417	4,000	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	1,416	546	6,057	8,020
Inflated and Discounted	1,254	330	2,417	4,000
Ratio	89%	60%	40%	50%

10.2 Provision for outstanding claims

Table 10.4 sets out the components of our recommended provision at 75% probability of sufficiency, \$4,560m.

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 \$560m 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	2,289		
Gross Claims Cost - General Short Term Claims	1,118		
Gross Claims Cost - Hearing Loss Claims	283		
Claims Handling Expenses	391		
Gross Outstanding Claims Liability	4,082	572	4,654
Recoveries	-82	-11	-93
Net Outstanding Claims Liability	4,000	560	4,560

As explained in Section 9.5 the current risk margin includes an additional uncertainty allowance of 1.0% in relation to the upcoming 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 \$17m 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 Dec-24	3,561	-74	374	3,861
Plus liability for claims incurred in the period	380	-8	52	424
Less Expected Payments to Jun-25	311	-7	46	350
Plus Interest (unwinding of discount)	76	-2	8	82
Liability Projected from Previous Valuation	3,706	-76	388	4,018
Current Valuation	3,691	-82	391	4,000
Difference	-15	-6	4	-17

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. This results in an actuarial release (i.e. cost decrease) of \$95m for the six months, 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 Jun-25	Actuarial Release/ (Strengthening) ²
	\$m	\$m	\$m
Liability at Dec-24 Valuation	3,861		
Projected Liability at Jun-25 (from Dec-24 valuation)	4,018		
Claims Movement - General Short Term Claims	36	-19	-17
Claims Movement - Hearing Loss Claims	1	-4	2
Claims Movement - Serious Injury	-110	0	110
Impact of Change in economic assumptions	55		
Recommended Liability at Jun-25	4,000		
Total Actuarial Release/(Strengthening)			95

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 June 2025

The overall actuarial release over the period is \$95m. Table 10.7 shows this actuarial release 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	-9.8	-	10.0	0.2	0.0%
Redemptions	-6.7	-0.2	-0.4	-7.3	-123.9%
Lump Sums	7.7	6.1	16.6	30.4	3.8%
Worker legal	2.1	1.6	2.5	6.2	6.9%
Corporation legal	-5.7	-0.1	0.7	-5.2	-9.8%
Investigation	-0.4	0.3	-0.0	-0.1	-2.3%
Medical	0.2	-4.2	37.7	33.7	5.4%
Allied Health	-1.2	-0.8	14.1	12.1	3.7%
Other	-0.4	-0.0	7.3	6.9	11.3%
Care	0.1	-0.0	-0.6	-0.5	-0.1%
Hospital	1.1	-0.0	4.5	5.5	3.9%
Travel	0.2	-0.3	7.9	7.8	11.3%
Rehabilitation	-2.3	-0.0	0.2	-2.0	-6.2%
Common Law	0.1	-	-	0.1	7.6%
LOEC	-0.0	-	-0.0	0.0	-73.6%
Commutation	0.2	-	-	0.2	3.5%
Gross Liability	-15.0	2.3	100.5	87.8	2.5%
Recoveries	2.7	-	3.0	5.7	-8.1%
Expenses	-5.1	-0.2	6.9	1.6	0.4%
Net Central Estimate	-17.4	2.1	110.4	95.2	2.5%

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 \$17m, due to:
 - > \$17m increase for Income Support and Redemption costs. Of this, \$8m relates to recently higher claim volumes, an increasing proportion of which are receiving Income Support benefits. The \$7m Redemptions increase follows changes in the dispute settlement approach that are shortening dispute durations and contributing to lower Serious Injury claim numbers.
 - > \$8m decrease for Lump Sum costs due to lower recent settlement sizes. The lower than expected payments over the last six months is largely being treated as a timing difference and so is mostly held back in the liability.
 - > \$4m increase in legal costs, which is entirely due to an update in the allocation of Corporation Legal costs to have more attributed to older injury years where 'late' WPI assessment volumes continue to emerge.
 - > \$2m increase for Treatment and Rehabilitation costs, due to increasing costs per claim as a result of both above inflationary fee schedule increases and current operational strategies that have seen increased use of some services.
 - > \$3m release from Recoveries, primarily reflecting higher than expected Recoveries received in the last six months
 - > \$5m increase in the claims handling expense allowance, reflecting an increase in the gross claims cost; the claims handling expense rate for Short Term Claims is unchanged at 16.5%.
- For **Hearing Loss Claims** there is an actuarial release of \$2m which is due to two offsetting features: (1) lower volumes of new reports, offset by (2) an increase in device and related servicing costs to further reflect the increased utilisation in scheme experience.

- For **Serious Injury claims** there was an overall actuarial release of \$110m due to (note: numbers below do not match to the table, as impacts are combined across multiple benefits where relevant):
 - > A \$110m 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 \$12m increase due to changes in the assumed Other Serious Injury average size: a reduction in the assumed net benefit of s56A elections and an increase to the Care average size was partially offset by reductions in the assumed Medical and Treatment average sizes
 - > A \$5m reduction due to changes in Severe Traumatic Injuries average sizes, including the reassessment in future costs for a claim that transferred from claims agents to EnABLE
 - > A \$7m decrease in the claims handling expense allowance, following the decrease in the gross claims cost; the claims handling expense rate for Serious Injury Claims is unchanged at 7.0%.

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 increased the net central estimate by \$55m.

Compared to what was adopted at the December 2024 valuation, the current economic assumptions imply lower discount rates out to 2031, which when combined with essentially unchanged future inflation assumptions produce lower (and even negative) gaps for durations out to 2031. Longer term assumptions have not moved a lot.

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.

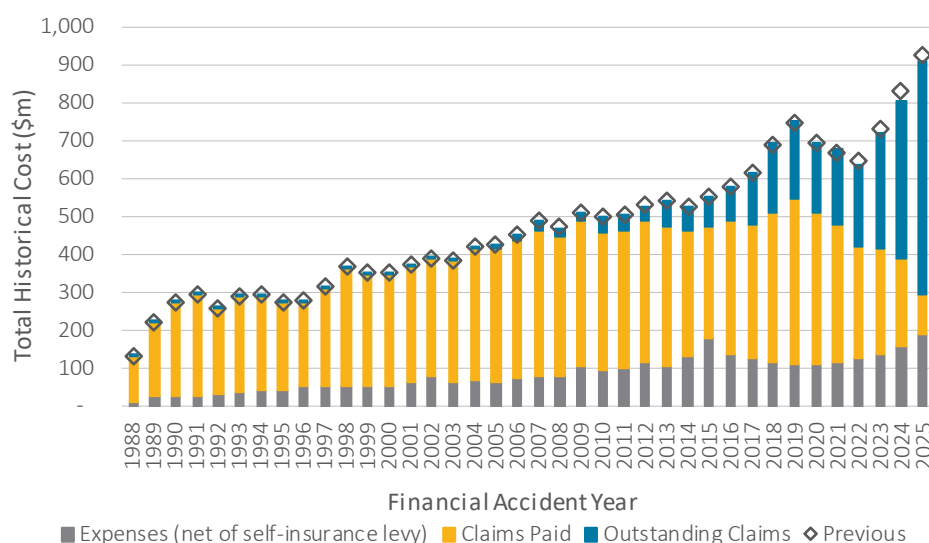
Figure 10.1 summarises the currently estimated historical costs for each year since the scheme began. As this shows, commencement of the RTW Act had initially acted to contain the cost for accident years up to 2016 at around \$550m, breaking the strong upward trend seen in the lead up to that time. Scheme 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. This is compounded by the cohort of claims which are impacted by combining injuries.
- Higher claim numbers, particularly for Hearing Loss claims.
- 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 and Hearing Loss claim numbers.

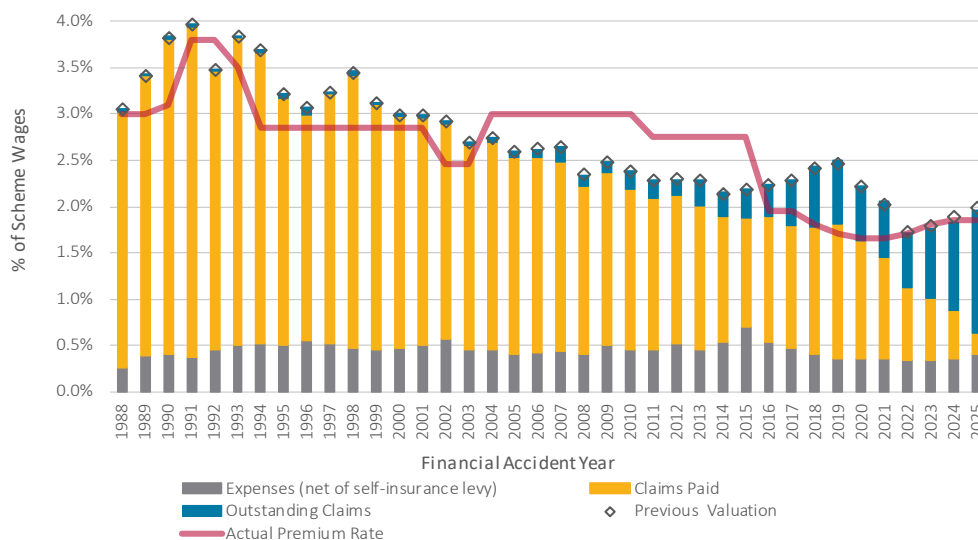
Figure 10.1 – Historical cost discounted to accident year



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 and 2025 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 year is also impacted by a higher expense rate than for recent years due to transformation costs.
- BEP costs for 2022 to 2025 are reduced at this review, primarily reflecting the lower Serious Injury numbers now anticipated for these years.

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			
	Jun-25 to Dec-25	Dec-25 to Jun-26	Jun-26 to Dec-26	Dec-26 to Jun-27
	\$m	\$m	\$m	\$m
Income Support	107.7	111.4	114.6	117.5
Medical	44.3	45.0	47.1	47.5
Lump sums	86.2	89.3	92.5	95.2
Rehabilitation	9.2	9.3	9.8	9.8
Allied Health	23.3	23.7	25.2	25.4
Hospital	13.8	13.9	14.5	14.6
Legal - Non-Contract	9.7	9.6	10.0	10.3
Other	2.1	2.2	2.3	2.4
Care	9.8	9.7	11.2	11.1
Legal Contract	11.5	11.2	11.5	11.4
Travel	4.0	4.2	4.3	4.4
Investigation	1.7	1.7	1.8	1.8
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	-9.1	-8.6	-7.8	-7.9
Redemptions	1.4	1.4	1.5	1.3
Net Claims Cost - Total	316.4	324.8	339.2	345.3
Serious Injuries (net)	54.5	56.8	62.0	63.8
Short Term Claims (net)	262.0	268.0	277.2	281.5

Cash flows for Short Term Claims are expected to grow at just 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 31 December 2025, 30 June 2026 and 31 December 2026. 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 upcoming changes to the Impairment Assessment Guidelines.

Table 10.9 – Projected outstanding claims provision
(31 December 2025, 30 June 2026 and 31 December 2026)

	Half year ending		
	Dec-25	Jun-26	Dec-26
	\$m	\$m	\$m
Provision at Period Start	4,560	4,718	4,877
Less Risk Margin	560	579	599
Central Estimate at Period Start	4,000	4,139	4,278
Plus Additional Liability Incurred in Period	433	441	445
Less Expected Payments in Period	-365	-374	-390
Plus Interest (unwind of discount)	71	73	70
Projected Central Estimate at Period End	4,139	4,278	4,403
Plus Risk Margin	579	599	616
Projected Provision at Period End	4,718	4,877	5,020

We project the central estimate for the net outstanding claims liability at 31 December 2025 to be \$4,139m; 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 July 2025 to 31 December 2025. The corresponding provision at a 75% probability of sufficiency is \$4,718m.

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 now broadly offsetting.

10.7 Reconciliation of incurred cost with previous projection

At the 31 December 2024 valuation we projected an additional claim cost liability of \$372m would be incurred from claims arising in the half-year to 30 June 2025 (excluding expenses). Our current projection for the ultimate value of this liability is \$380m, an increase of 2.2% or \$8m.

Table 10.10 – Comparison of December 2024 projections to current valuation

For period 1 Jan 2025 to 30 Jun 2025		
Incurring Claims Liability (\$m, excl. expenses):	Difference	
Projected in Dec-24 Valuation	372	
Incurring (current valuation)	380	2.2%

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 the upcoming 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, in particular 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:

- **Reform impacts** – the 2022 reforms legislated “combining” and introduced other changes that attempt to manage the financial consequences of claimants getting higher WPI scores. Given many Serious Injury claims are not recognised as such until 5 to 10 years post injury, it will be a number of years until the longer term consequences of these changes are clear; it is only in the last 12 months that Serious Injury determinations are primarily occurring under the revised 35% threshold for physical injuries.
- **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 commence in October 2025 and change the rules under which WPIs are assessed and as such add risk to this area.
 - > On the flip side, improved RTW rates in recent years could perhaps lead to fewer lump sum and/or Serious Injury claims emerging over time.
- **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 currently reducing 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.
- **WPI assessments** – under the RTW Act, small changes in the WPI score can equate to many tens of thousands of dollars in some cases, and WPI assessments 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’.

Given there is no current legislative tool that addresses the ‘tail risks’ that have emerged from behaviour changes since the RTW Act commenced, there is a chance that outcomes will be

different to expected. 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 upcoming Third Edition Impairment Assessment Guidelines; if any changes to WPI scores result from this change they will need to be factored into future valuation work.

- **Serious Injury claim costs** – 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.
- **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.

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	3.25% to 3.5% pa	5% p.a. in next two years, before reverting
Investment earnings	6.0% pa	3.25% to 3.5% pa	Unchanged
Real Long-term 'Gap' ²	2.0%	0.0%	Unchanged

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

The impact of these alternative economic assumptions is shown below.

Table 11.2 – Economic sensitivities

	OSC Impact	
	\$m	%
30 Jun 25 OSC estimate (Including risk margin at 75% POS)	4,560	
Stronger Economic Scenario (2% gap between inflation and discount rate)	-418	-9%
Weaker Economic Conditions (0% gap)	+587	+13%
Temporary wage inflation 'spike'	+74	+2%

Economic conditions are still currently unfavourable for scheme performance relative to long term historical norms. If conditions do improve the implications for both funding and premiums are favourable; for example, in the strong scenario the discounted liabilities reduce by \$418m. 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 \$74m.

11.2.2 Expenses scenario

If the adopted claims handling expenses were to deteriorate then the loading could be tens of millions higher, as shown below.

Table 11.3 – Expenses sensitivities

	OSC Impact	
	\$m	%
30 Jun 25 OSC estimate (Including risk margin at 75% POS)	4,560	
Scheme expenses are higher than allowed (17.5% for STC and 8% for Serious Injuries)	+42	+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	%
30 Jun 25 OSC estimate (Including risk margin at 75% POS)	4,560	
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	+145	+3.2%
Hearing Loss numbers increase by 20% above current allowances, noting that claim numbers have more than tripled in recent years	+75	+1.6%
Psychological injury numbers increase by 100% above current allowances	+73	+1.6%
Income Support		
RTW improvements disappear, resulting in IS costs returning to 2018 levels	+61	+1.3%
Treatment costs		
Hearing loss aids and appliances cost continue for longer in the tail and occur more frequently	+108	+2.4%
Superimposed inflation emerges at 1% higher per annum than currently allowed for Medical	+33	+0.7%
Legal fees		
Dispute volumes increase due to more WPI related disputes	+38	+0.8%
Higher average cost of legal fees for all claims due to disputes progressing further in the disputation process	+39	+0.9%
Lump Sums		
Lump sum claim numbers emerge at 2019 levels (relative to income support numbers) for all recent accident years	+216	+4.7%
First Paid and Economic Loss lump sums emerge at higher sizes (+10%) due to various sources incl. more 30%-34% claims and WPI score increases	+79	+1.7%

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 \$145m.
- A 20% blanket increase in Hearing Loss claims would add \$75m to the liability. To put this sort of increase into context, Hearing Loss claims have more than tripled in recent years.

- A 100% increase in the number of psychological injury claims would add \$73m to the liability.
- For Income Support costs, if the recent RTW improvements were to end and the claims experience reverted to levels seen in 2018, then Income Support costs would increase by \$61m. There would also likely be flow on increases to other costs that we have not captured in this scenario.
- 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 \$108m 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 \$33m 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 \$38m to the provision. If disputes take longer to resolve (i.e. more claims progressing into the later stages of the disputation process) that could see \$39m added to legal costs.
- Lump sums are impacted by multiple areas of uncertainty at the moment, including:
 - > If Lump Sum claim numbers stay at 2019 levels (around 200 extra claims per year), this would add \$216m to the provision. This scenario focuses on accident periods 2020 to 2025, 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 by 10%, whether due to higher WPI scores or a greater proportion of 30%-34% WPI lump sums, then it could plausibly add \$79m 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	%
30 Jun 25 OSC estimate (Including risk margin at 75% POS)	4,560	
Other Serious Injury		
Higher than expected SI numbers by 10 extra claims per year for recent years	+159	+3%
Material Serious Injury exits for reasons other than s56A/redemptions, retirement or death	-247	-5%
Severe Traumatic Injury		
Unpaid care on EnABLE cohort ceases immediately and is replaced with paid care	+122	+3%
No increase in utilisation of Care benefits after age 65	-81	-2%
Twice the additional allowance for utilisation of Care benefits after age 65	+72	+2%
Reform		
Number of Serious Injury claims removed by threshold changing from 30% to 35% is consistent with our assumption from the previous valuation	+72	+2%
40% of IBNR claims are removed from all accident years due to the threshold change (in line with assumption for new accident year; see Section 5.2.5)	-68	-1%
s56A and medical redemptions achieve little savings (either through low take-up rate or due to rational decisions by workers)	+71	+2%
No increase in the severity of claims as a result of lower claim numbers or medical redemptions	-77	-2%
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.	+344	+8%

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
 - > 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 \$159m. 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 there were material exits for reasons other than we have explicitly modelled (s56A/redemption, retirement or death) then savings of up to \$250m could be achieved
- 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 \$120m
- Reforms: Material savings have been build into the valuation due to the anticipated impacts of the 2022 reforms. Differences in the assumed impact of the threshold changes and the take-up rates of s56A and redemptions could increase or decrease the liability by up to \$100m (and plausibly higher)

- 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***¹¹ recently passed, with most changes already in effect. 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.

¹¹ <https://www.rtwsa.com/about-us/return-to-work-scheme/changes-to-legislation>