Scheme Actuarial Valuation as at 31 December 2024

ReturnToWorkSA

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

finity

12 March 2025

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

Dear Mr McCarthy

Scheme Actuarial Valuation as at 31 December 2024

Enclosed is our report on the 31 December 2024 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

Glossary

Active Claim	A claim is regarded as ‘active’ in the valuation models if it had a payment in the relevant period.
Actuarial Release	A ‘like with like’ measure of how claims management activity has impacted on scheme financial performance since the previous valuation. See Section 10.3 for additional information.
APR	Average Premium Rate – the premium charged by ReturnToWorkSA to registered employers, on average, as a percentage of leviable wages.
AWE	Average weekly earnings
BEP	Break Even Premium – the estimated cost of running the scheme for a year, including all future payments for claims incurred in the year after allowing for investment earnings, expressed as a percentage of leviable wages.
CHE	Claims handling expense
Development Quarter or DQ	The number of quarters between the injury date of a claim and the relevant activity (whether a claim report or claim payment).
EnABLE	The internal claims management team at ReturnToWorkSA that manage Severe Traumatic Injury claims.
ER	Incentives for early reporting of claims, introduced in 2008.
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’.
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 31 December 2024.

Our previous actuarial review was as at 30 June 2024, and was documented in a report dated 30 August 2024.

1.2 Scope of the review

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

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

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

1.3 Valuation approach

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

Our estimates of the outstanding claims liabilities project future benefits separately for Serious Injury claims, Hearing Loss claims and General Short Term claims, reflecting the different benefits available to each group under the RTW Act. Changes were made to parts of our modelling approach for the Serious Injury segments, which are explained in Section 8.

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'

The *Return to Work (Employment and Progressive Injuries) Amendment Act 2024*[1] 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, if things work as intended, and we have not made explicit allowance for this in our work.

We also note that the potential impacts of a recent key legal case[2] 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.

Finally, a new Third Edition of the Impairment Assessment Guidelines (IAGs) has been drafted and is with the Minister for Industrial Relations and Public Sector for review (i.e. it is not currently in effect). These IAGs were drafted under the Minister's directive that any changes be cost neutral in aggregate. At this point there is no allowance for the IAG change to impact on Scheme cost, however given the Scheme's legislative design relies heavily on WPI assessments, and the IAGs prescribe how WPI assessments are to

[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

be undertaken, they therefore are fundamental to assessing the future costs of running the scheme. If information emerges that suggests WPI scores are likely to change as a result of the Review, 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:** completion of the FY24 employer wage declarations resulted in wages growth just above 8%, an increase of around 2% over ReturnToWorkSA's previous estimate; this comes after two successive years of very high exposure growth, with insured remuneration increasing by +33% from FY22 to FY24.
- **Growing new claim volumes:** non-Hearing Loss claim volumes have been increasing, with claim frequencies moving higher in the last year to be more in line with the longer term trend. Our interpretation is that the FY24 result is essentially a 'normalising' of claim volumes relative to the (now) larger insured workforce, after large cumulative changes over the last three years.

  Recent claims volumes also appear to be of a more 'complex' nature, with an increasing proportion of claims receiving Income Support payments; strong growth in the number of psychological injuries is contributing to this.
- **Information on claims combining injuries:** combining injuries has been operational for over two 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 – we observe that the (announced but not yet confirmed) upcoming changes to the Impairment Assessment Guidelines have 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, and noting the time over which this continuing presence of such late emerging WPI assessments has now been occurring, we have shifted our interpretation of this experience to be that it now seems likely this is an ongoing feature under the current legislative rules; we expand on this more in Section 6.4.
- **Growth in Hearing Loss claim numbers:** there has been very rapid growth in the numbers of Hearing Loss claims in recent years, which appears to be the result of targeted provider activity. This is being compounded by changes in the way devices are being updated, as well as pressure on WPI scores due to assessors increasingly making "judgmental allowances". The rapid growth in both numbers and costs associated with Hearing Loss claims is putting pressure on both the claims liabilities and the Break Even Premium, and it is not yet clear where these costs will eventually settle.
- **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 31 December 2024 were:

- For claims managed entirely under the RTW Act:
  - New claim numbers were slightly higher than expected. Of note, psychological injury claims have been increasing rapidly; while Hearing Loss claims have reduced off their recent peaks, they remain near historically high levels.
  - RTW rates have been maintained at very high levels, particularly for more recent injury periods where claims have been managed entirely under the latest management approach. RTW rates further improved for musculoskeletal and psychological injury claims, and were marginally reduced for physical trauma claims.
  - WPI scores are higher than was seen prior to combining injuries being a feature of the scheme. The pipeline of new WPI assessments is 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 220 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).
- 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 the recent favourable claim number experience, new Serious Injury claims continue to emerge many years post-injury, and 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.
- Hearing Loss claim reports for the six months to December 2024 were marginally lower than in FY24 (which was the highest in the scheme's history), although Hearing Loss device related payments continue to be under pressure.

Total net claim payments of $284m were $21.8m (7%) lower than projected at the previous valuation, although lower than expected lump sums (-$29.0m) explain much of this difference, and this mostly relates to the timing of payments and not a change in ultimate costs. The remaining benefits were 3% higher than expected (+$7.3m), primarily attributed to higher income support and allied health payments on Short Term Claims than expected.

1.6 Liability valuation results

1.6.1 Summary of results

Our central estimate of the scheme's outstanding claims liability for registered employers as at 31 December 2024 is $3,861m. This is a discounted (present value) estimate, net of recoveries and including allowance for future expenses. Adding a risk margin of 14.0% (14.5% previously) to produce a provision with a 75% probability of sufficiency, consistent with ReturnToWorkSA's policy, gives an outstanding claims provision of $4,402m, as shown in Table 1.1. The provision includes an allowance for future claims handling expenses equivalent to 10.5% of gross claim costs (up from 10.3%).

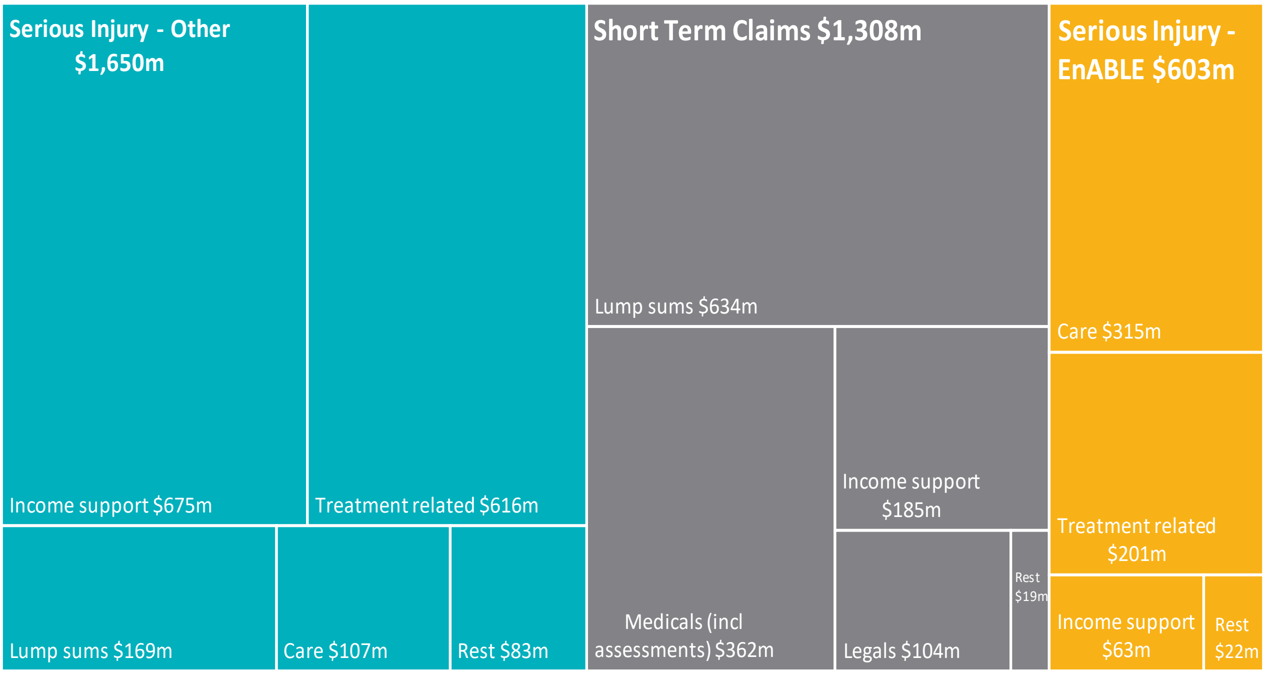
Table 1.1 – Recommended balance sheet provision

	Central Estimate	Risk Margin	Recommended Provision
	$m	$m	$m
Gross Claims Cost - Serious Injuries	2,253		
Gross Claims Cost - General Short Term Claims	1,044		
Gross Claims Cost - Hearing Loss Claims	264		
Claims Handling Expenses	374		
Gross Outstanding Claims Liability	3,935	551	4,486
Recoveries	-74	-10	-84
Net Outstanding Claims Liability	3,861	541	4,402

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 ($603m) and other Serious Injuries ($1,650m).

When Serious Injury and Lump Sum costs are considered together – comprising 81% of the gross liability – it is easy to see why the sustainability, or not, of WPI assessments is key to determining the long-term financial outcomes for the scheme. Any changes to the Impairment Assessment Guidelines are important in this context.

Figure 1.1 – Gross central estimate (excl. expenses and risk margin) as at 31 December 2024



1.6.2 Movement in liability

Our net central estimate is $7m lower than projected at the previous valuation. We have broken this change into two components:

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

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

Table 1.2 – December 2024 central estimate and determination of actuarial release/(strengthening)

	Central Estimate		
	Liability Estimate[1]	AvE payments in 6 mths to Dec-24	Actuarial Release/ (Strengthening) [2]
	$m	$m	$m
Liability at Jun-24 Valuation	3,731		
Projected Liability at Dec-24 (from Jun-24 valuation)	3,868		
Claims Movement - General Short Term Claims	80	-6	-74
Claims Movement - Hearing Loss Claims	33	-4	-29
Claims Movement - Serious Injury	-79	-12	91
Impact of Change in economic assumptions	-41		
Recommended Liability at Dec-24	3,861		
Total Actuarial Release/(Strengthening)			-12

[1] Net central estimate of outstanding claims liability, including CHE

[2] Includes change in OSC and Act vs Exp payments.

There is an actuarial strengthening (cost increase) of $12m for the period. Changes to the economic assumptions decreased the central estimate by $41m. The components of the actuarial strengthening are discussed briefly below.

1.6.3 Components of the actuarial release/(strengthening)

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

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

Entitlement Group	General Short Term Claims[3]	Hearing Loss Claims[3]	Serious Injury Claims[3]	Total Actuarial Release [3]	Release (Strengthening) as %
	$m	$m	$m	$m	
Income & Related	-18	-	12	-6	-1%
Lump Sums	-30	2	33	5	1%
Legals	-3	1	-2	-4	-3%
Treatment Related [1]	-13	-27	35	-5	-0%
Rehabilitation	-1	-0	2	2	5%
Other Costs [2]	-1	-0	0	-1	-5%
Recoveries	2	-	7	10	14%
Total Claim Costs	-63	-24	86	-1	-0%
Expenses	-11	-5	5	-11	-3%
Net Central Estimate	-74	-29	91	-12	-0%

[1] Medical, hospital, physical therapy, travel, other

[2] Investigation, common law, commutation, LOEC

[3] Includes change in OSC and Act vs Exp payments.

The major movements at the current valuation are:

- For **General Short Term Claims** there is an actuarial strengthening (cost increase) of $74m, due to:
  - $18m increase for Income Support and Redemption costs. This largely reflects the higher claim numbers and an increasing proportion of these receiving income support benefits as explained above.
  - $30m increase for Lump Sum costs, which reflects (1) higher numbers of very long duration future settlements, and (2) some additional claims ending up with WPI scores that are high, but just below the Serious Injury threshold.
  - $13m increase for Treatment costs, due to a combination of the higher claim volumes, as well as increasing costs per claim (related to both above inflationary fee schedule increases and operational strategies).
  - $2m increase across Legal, rehabilitation and other costs primarily reflecting higher claim numbers.
  - $11m 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 strengthening (cost increase) of $29m which follows higher utilisation of hearing aids and the related fitting fees on longer duration claims. Despite this increase, if current trends continue our projections are likely to continue increasing over time.

- For **Serious Injury claims** there was an overall actuarial release of $91m due to (note: numbers below do not match to the table, as impacts are combined across multiple benefits where relevant):
  > A $122m net reduction as a result of claim number changes

  > A $46m increase in the assumed average size of Other Serious Injury claims partly offsets the above increase, as the remaining ongoing claims are anticipated to have higher sizes than the previous average.

  > A $20m reduction from lengthening the assumed payment pattern for Lump Sums – the costs themselves are essentially unchanged, so this 'saving' is just the result of a higher level of discounting.

  > An increase in the expected future Care costs of $17m for Other Serious Injury claims in the 2021 accident year, reflecting one very high needs claim.

  > A $4m increase in Severe Traumatic Injuries, due to changes in our assumed average cost of Medical and Treatment benefits.

  > A $5m decrease in the claims handling expense allowance, reflecting a decrease in the gross claims cost; the claims handling expense rate for Serious Injury Claims is unchanged at 16.5%.

  > Payments were $12m lower than expected in the six months. The biggest driver of this was lump sum payments, which is largely a timing difference. The Lump Sum payment pattern has been aligned to actual experience (discussed above).

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 reduced the net central estimate by $41m.

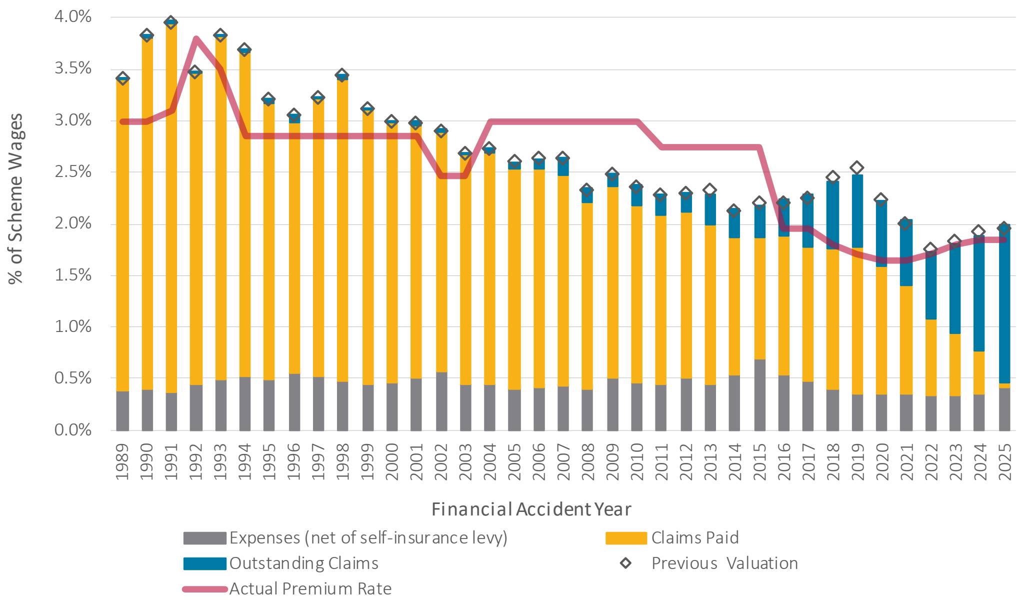
Overall, compared to what was adopted at the June 2024 valuation, the current economic assumptions imply a higher gap across all durations to 2050, after which the long term assumptions are unchanged.

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.

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 in the WPI scores used for lump sums. Section 11 details some of the uncertainties and sensitivities of our advice, in order to place our estimates in their appropriate context.

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

- **Reform impacts** – rather than removing the ability to combine injuries, the 2022 reforms introduced other changes that attempt to manage the financial consequences of claimants getting higher WPI scores. As a result, the uncertainty relating to the impact of combining injuries is now compounded by the uncertainty around the success of the reforms in removing costs from other areas. Noting that most new Serious Injuries since 2022 were still determined under the old rules, this means a significant portion of the valuation is still largely based on assumed outcomes, rather than on a reliable history which is the usual approach for producing actuarial estimates. While we believe our assumptions and projections are reasonable given the information available, the uncertainty is elevated compared to normal.
- **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; further, 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. 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. If the announced changes to the IAGs are implemented then this will add risk to this area.
- **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.
- **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 SA 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 1.3, our work makes no allowance for potential changes to WPI scores as a result of the current Review of the Impairment Assessment Guidelines; if any changes to WPI scores result from this Review 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 is now producing strong cost growth. If this volume growth continues then further cost increases will eventuate.
- **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

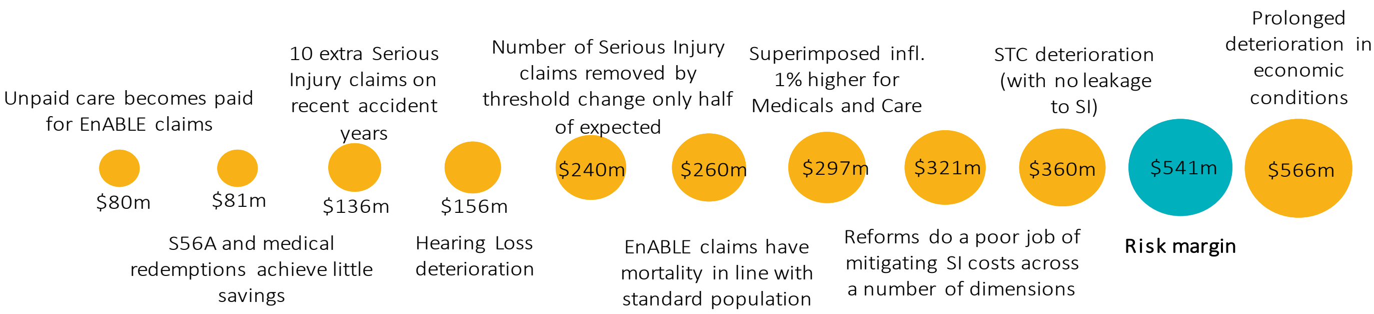


Figure 1.3 indicates that there are a range of plausible scenarios that could see the liability move by several hundreds of millions of dollars. While the most significant scenarios relate to long term economic conditions (which will continue to be the case now for the Fund, given its very long mean 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 31 December 2024.

Our previous actuarial review was as at 30 June 2024, and was documented in a report dated 30 August 2024.

2.2 Scope of the review

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

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

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

2.3 Compliance with standards

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

Australian Accounting Standard 1023 (AASB1023) 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 AASB1023's requirements.

The new insurance accounting standard, AASB 17, will apply to public sector entities such as ReturnToWorkSA for the 2026/27 financial period. 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. Changes were made to parts of our modelling approach for the Other Serious Injury segments, which are explained in Section 8.

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 2022 reforms and proposed Third edition of the IAG, 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 any changes to Impairment Assessment Guidelines, is likely to see this continue.

3.2 Information

3.2.1 Standard data extracts

Claims data was provided in the form of a transaction file with complete scheme history to 31 December 2024. 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 December 2024 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 Employment and Progressive Injuries Amendment Act 2024

The *Return to Work (Employment and Progressive Injuries) Amendment Act 2024*[3] recently passed, with most changes already in effect. The key changes are:

- Changing 'maximum medical improvement' to 'stabilisation' of a work injury for the purposes of permanent impairment assessment.
  - In our discussion with ReturnToWorkSA's internal legal team we were advised that this change was not expected to lead to any change in WPI scores, given it seeks to achieve more concisely the effect of the wording that is already in place in the current Impairment Assessment Guidelines, which is subject to established legal precedent.
  - If the change to 'stabilisation' leads to earlier WPI assessments and/or a more administratively efficient WPI assessment process (without leading to changes in WPI scores) then there are potentially meaningful benefits that could result from this change.
- 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.
  - This change will increase the income support payments made to some claimants, but given the volume of impacted dust/fibre disease claims is very small relative to overall claim volumes the increase in income support costs will not be material to ReturnToWorkSA's overall liabilities.
- Changes to employers' obligations in respect to providing return to work opportunities for injured workers.
  - The amendments specify a formal process of communication between workers, employers, and where applicable host employers, regarding the employer's duty to provide work. These changes ought have a positive influence on RTW rates, although the anticipated impact is limited at this time.
  - Any additional legal and related costs that emerge from these changes ought be minor in the context of ReturnToWorkSA's current spend.
- For completeness we note there are a small number of other less material changes.

Overall, we don't expect that these changes will materially impact on the liabilities, and as such we have not explicitly adjusted our modelling or valuation assumptions as a result of this legislative change.

4.2 Legal precedent under the RTW Act

There is one new key legal case in the last six months, namely the case of *Vercoe*[4]; this is a self insurer's case, into which ReturnToWorkSA has intervened.

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 current result 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.

[3] https://www.rtwsa.com/about-us/return-to-work-scheme/changes-to-legislation
[4] Lauren Vercoe v Local Government Association Workers Compensation Scheme [2024] SAET 91

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.

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

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

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

Given the operation of the RTW Act boundaries in practice is still evolving, and acknowledging that new areas of challenge will most likely keep emerging following the 2022 reforms and upcoming introduction of new Impairment Assessment Guidelines, it will still be a number of years before there is confidence about how the RTW Act legislative provisions apply in practice.

4.3 Review of Impairment Assessment Guidelines

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

The Minister for Industrial Relations and Public Sector established the Stakeholder Representative Consultation Group to co-design a draft version of the Third Edition Impairment Assessment Guidelines for broader stakeholder consultation. At the time of our work a new Third Edition of the Impairment Assessment Guidelines (IAGs) has been drafted and is with the Minister for review.

As the Impairment Assessment Guidelines are still to be enacted, no allowance has been made for changes in our estimates, noting also the Minister's directive that any changes be cost neutral in aggregate. Given the importance of the Impairment Assessment Guidelines and the broader legal environment, we expect that any changes will be subject to different interpretations and challenge by different parties, and so even once the new Impairment Assessment Guidelines are operational 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 over two 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:

- The unknown extent to which behavioural responses will impact implementation of the decision
- 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'[5]. The cases of *English* and *Williams*[6], 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.

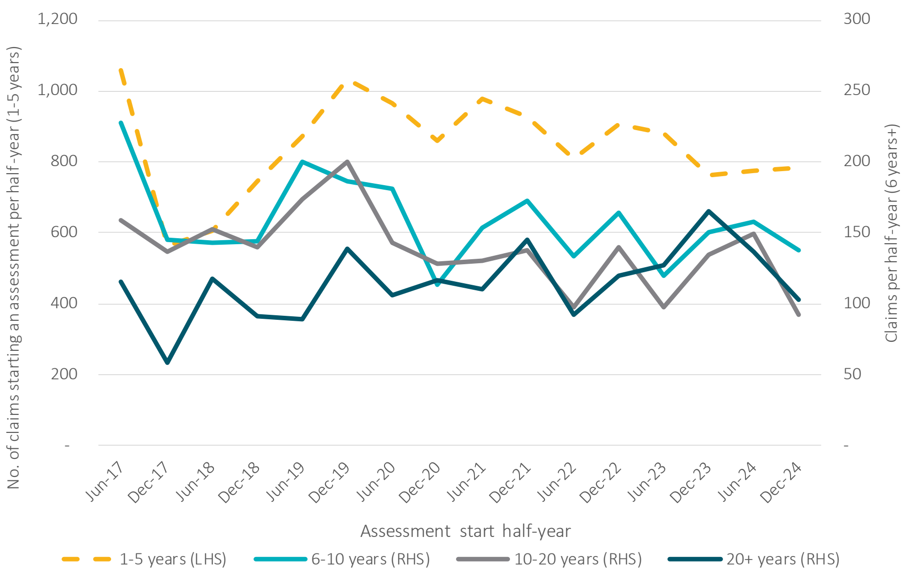
Related to the above points, there continue to be a large number of claims – many more claims than in the past – seeking to add 'additional injuries'; generally speaking these additional injuries come well after the original claim notification, so we continue to view this as a lead indicator of behavioural 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.

Given there is only just over two years of actual experience, and noting the generally slow rate of dispute resolution in the scheme, it is not yet clear where the level of high WPI claims will stabilise; it is positive that, to date, WPI scores for non-Hearing Loss claims have not continued to increase.

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). Figure 4.1 shows the number of claims commencing their first WPI assessment by duration from injury. For claimants with more than one assessment the figure only counts a claimant once, on the first assessment.

Figure 4.1 – Claims commencing assessment by duration from injury



Our key observations are:

- At the start of the 2019 financial year, there were around 600 claims per half-year starting a WPI assessment within five years from injury. This quickly grew to around 1,000 claims per half-year by the end of 2019 coinciding with the operation strategy at the time to actively promote WPI assessments. A reversal of the strategy saw a moderate reduction in claims starting assessments within five years of injury settling to around 800 claims per half-year in 2024
- The growth in assessments can also be observed for claims starting assessments between 6 to 20 years from injury (blue and grey lines in the figure) albeit at a much smaller scale. Since 2021 however the level of claims starting assessments have remained largely the same despite the mix

[5] Paraphrased from the Summerfield decision: Return To Work Corporation of South Australia v Summerfield, [2021] SASCFC 17
[6] Return To Work Corporation (SA) v English; Williams v Return To Work Corporation (SA) [2023] SASCA 125

of claims shifting towards RTW Act injuries. We had initially expected that assessments would happen earlier under the RTW Act due to the "cap" on Income Support benefits, however there is no evidence of this in the emerging experience. We now interpret this as workers with injuries after the RTW Act legislation commenced have similar pattern of assessments commencing compared to those with injuries before the RTW Act legislation. This suggests the tail of late assessments is unlikely to subside as the mix of claimants changes over time.

- Notably, there continues to be a steady (and meaningful) volume of really late assessments commencing 20 years after injury (dark blue line).

Further, based on separate detailed analysis to support our assumption setting, we make the following observations for those claimants with their first WPI assessment commencing more than 10 years after injury shows:

- Typically only 10-30% of assessments at these long durations result in a payment of lump sum benefits to the claimant (the 30% level being for those around 10 years, and the level tailing off to 10% by around 30 years post-injury).
- Of the long duration claims that were paid a lump sum:
  - More than 50% were on claims that had no income support payments (on that claim), and around 75% of the claims had less than 13 weeks of income support payments related to the injury being assessed
  - The lump sum size was noticeably smaller in size for these claims.
- The assessment commencement activity is generally driven by legal providers requesting assessments, often when a more recent injury is also being assessed.

There is no legal time limit on claimants seeking new assessments and no operational lever by which ReturnToWorkSA can assess the suitability or reasonableness of the assessment request.

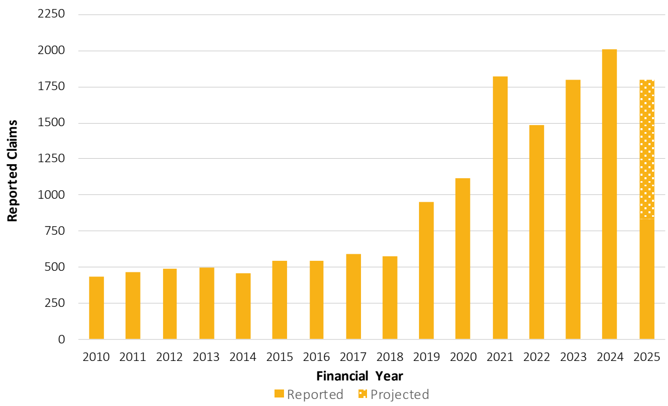
Consequently, the current scheme dynamics suggest late emerging WPI assessments are likely to continue under the current legislative rules.

4.4.3 Growth in Hearing Loss claims (and costs)

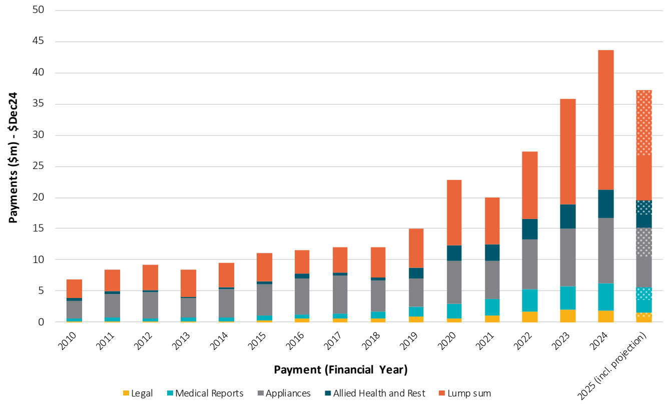
There has been very rapid growth in the numbers of Hearing Loss claims in recent years, which appears to be the result of targeted provider activity. This is resulting in rapidly growing costs for Hearing Loss claims, as shown in Figure 4.2. FY25 is currently expected to have a lower volume of claims lodged than FY24, which had the highest report volumes in the scheme's history. Payments are increasing with claim volumes, compounded by changes in the way hearing aids are being replaced, as well as pressure on WPI scores due to assessors increasingly making "judgmental allowances".

Figure 4.2 – Hearing Loss new claim volumes and total costs

Hearing Loss claims reported



Total payments on Hearing Loss claims ($Dec24)



Key experience features to note are:

- ReturnToWorkSA's operational activity to ensure eligibility decisions and WPI assessments meet regulatory requirements is noticeable in the most recent experience: claim lodgements in the six months to 31 December 2024 are lower than in FY24, and the average WPI score has returned to be near historical levels (suggesting higher scores were the result of assessor behaviour change rather than a change in the impairments that presented to the scheme).
- Currently, devices appear to be being updated more quickly (eg. even during warranty periods), 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. Given the replacement of hearing aids will occur over many decades, the utilisation of aids by claimants over this period is subject to significant uncertainty. Current trends of more frequent device replacement creates material risk to the scheme's costs if this continues into the future.

ReturnToWorkSA has also commenced community consultation to understand the worker, provider and other stakeholder's perspectives on how hearing loss is being dealt with in the scheme. The results of the consultation are expected in FY26.

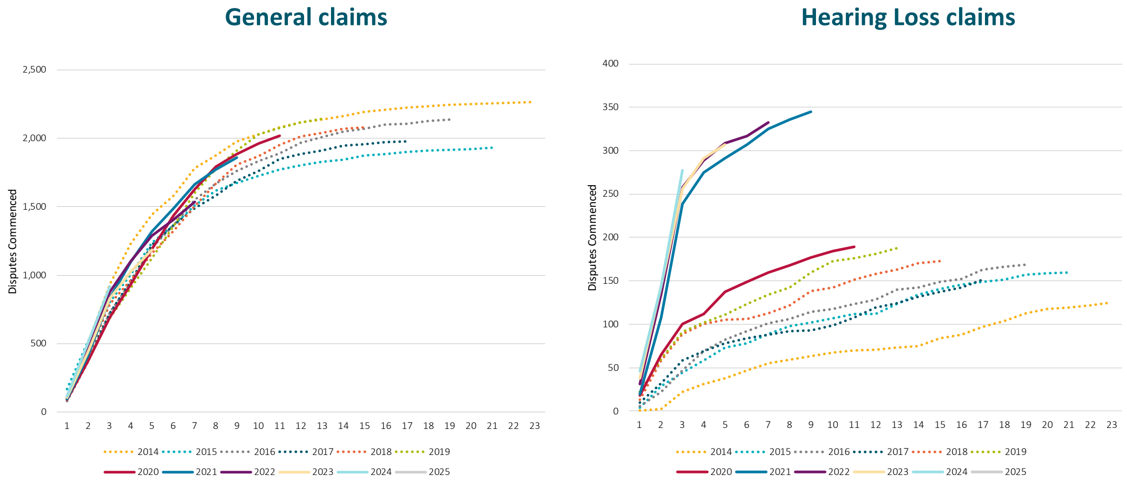
The rapid growth in both numbers and costs is putting pressure on both the claims liabilities and the BEP, as evidenced by the payment growth. Despite the 31 December 2024 valuation result, if current trends continue our projections are likely to continue increasing over time.

4.4.4 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. Growing volumes of Hearing Loss claims have also been a key driver of increased dispute activity.

Figure 4.3 shows the cumulative number of disputes for each accident year since 2014, separately for Hearing Loss and general claims.

Figure 4.3 – Number of disputes commenced by (financial) accident year



The key features to note are:

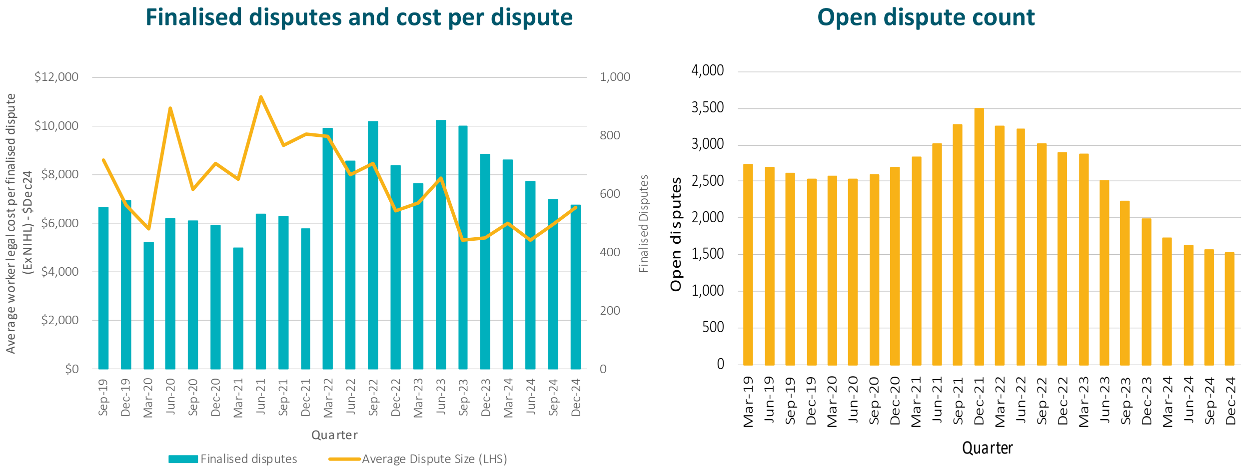
- Hearing Loss claim disputes have been increasing year-on-year, with the last few years (2021+) being particularly high on the back of very high growth in new claim numbers.
- For non-hearing loss claims:
  - > The number of disputes initially reduced under the RTW Act, with 2015 developing lower than 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 are occurring after claims have ceased Income Support benefits, which typically occurs at around development half-year 5. This supports the observation that significant disputation seems related to WPI assessments.

In response to these pressures ReturnToWorkSA has been adapting its dispute resolution approach with the intention of more quickly resolving disputes where possible. As shown in Figure 4.4 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 (yellow line in the first chart) has reduced.

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 4.3.

Figure 4.4 – Open disputes, finalised dispute volumes and cost per dispute



If these features can be maintained then they have positive implications for future Worker Legal payments. Given the significant legal involvement in the Scheme (as discussed in Section 4.2), it is not clear at this stage if the reduction in open disputes will be sustained in the long-term.

These changes have also led to consequential changes in other areas of claims cost, and we have therefore needed to be conscious of the impacts of changes to dispute resolution when setting our valuation assumptions (i.e. to differentiate the 'underlying level' from the 'additional activity' level in selecting our basis). For example, the proportion of Income Support costs being paid as backpay has been higher since 2023 due to the high volume of disputes resolved, and impacts on Lump Sum costs have been noted as well.

4.4.5 ReturnToWorkSA's digital transformation program

ReturnToWorkSA has commenced 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.

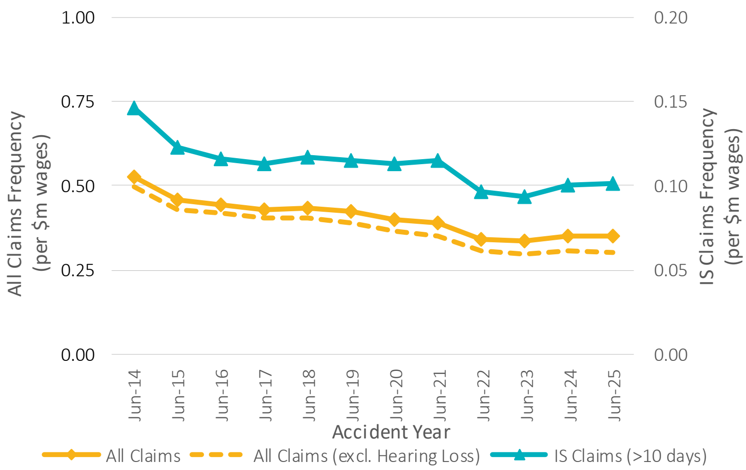
5.1 Claim incidence

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 both an annual and quarterly 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, before reducing sharply in 2022 and 2023. For 2024 and later years, the IS frequency is projected to increase more than the increase in all claims frequency.

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. Growth in claim numbers has more than matched the strong wages growth for the 2024 year, with the frequency moving back to a level that is more in line with the longer term trend. The 2025 injury year frequency is projected to remain at a similar level to 2024.

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

	All claims (excl. hearing loss)				Income Support Claims			
Accident Year	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	0.304	-12.8%	0.304	0.1%	0.096	-16.3%	0.096	0.0%
Jun-23	0.295	-3.1%	0.294	0.1%	0.094	-3.1%	0.093	0.7%
Jun-24	0.305	3.5%	0.302	1.0%	0.100	6.8%	0.096	3.9%
Jun-25	0.303	-0.5%	0.297	2.2%	0.101	1.3%	0.095	6.2%

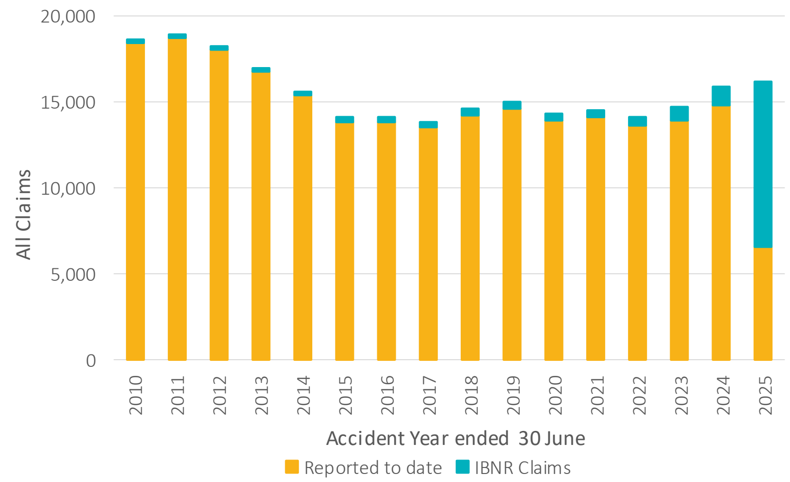
As this shows:

- The all claims (excluding Hearing Loss) frequency has been increased for 2024 despite strong wages growth, presenting as a 3.5% increase above 2023. The frequency for 2025 is expected to reduce slightly from 2024 (0.5% decrease) and represents an increase of 2.2% from our previous projections
- The Income Support frequency has been increased for 2024, resulting in a 6.8% increase above 2023. With already high numbers of reported claims, we are projecting the 2025 year will end up higher by a further 1.3% relative to 2024, which represents a 6.2% increase from the previous projection.

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. Numbers increased again during 2018 and 2019 but remained lower between 2020 (partly impacted by COVID-19) and 2022. The 2023 year has increased now to similar levels as 2018, while the 2024 and 2025 years are projected to increase noticeably to be the highest years since 2013. 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 well above normal levels in recent years (this is discussed further in Section 9.6).

The increase in claim numbers reflects the following observations:

- Hearing Loss claim reports were lower in the last six months, and have not grown over the last twelve months. We are attributing this to ReturnToWorkSA's operational changes to ensure Hearing Loss claim volumes are properly assessed, as noted in Section 4.4.3. While this is a positive result, given the volatility in the experience and longer term history of claim reports trending higher, our basis has been kept unchanged (consistent with what has been observed over the last few years, but slightly above the last year). Hearing Loss claims now represent 13% of all claims expected to be received for a new injury year, compared to 6% in 2018.
- For Physical Trauma claims the emerging experience is marginally higher than expected, and the projected claim numbers for 2025 have been increased by 2%.
- Mental Injuries have increased significantly over the last two years, and projected claim numbers for 2025 have been increased by another 2%.
- Musculoskeletal claims have emerged higher than expected and the projected claim numbers for 2025 have been increased by 4%.
- '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'), and above expectation; the projected claim numbers for 2024 and 2025 have been increased by 4% and 3% respectively.

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

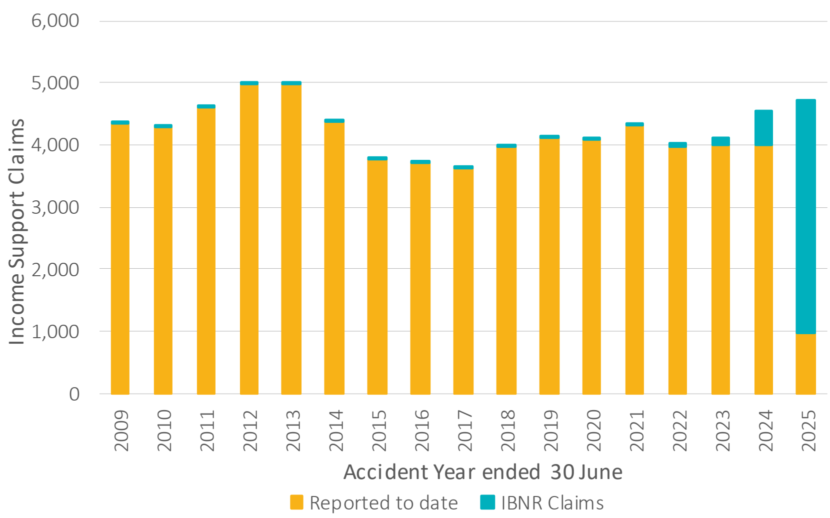


Figure 5.3 shows:

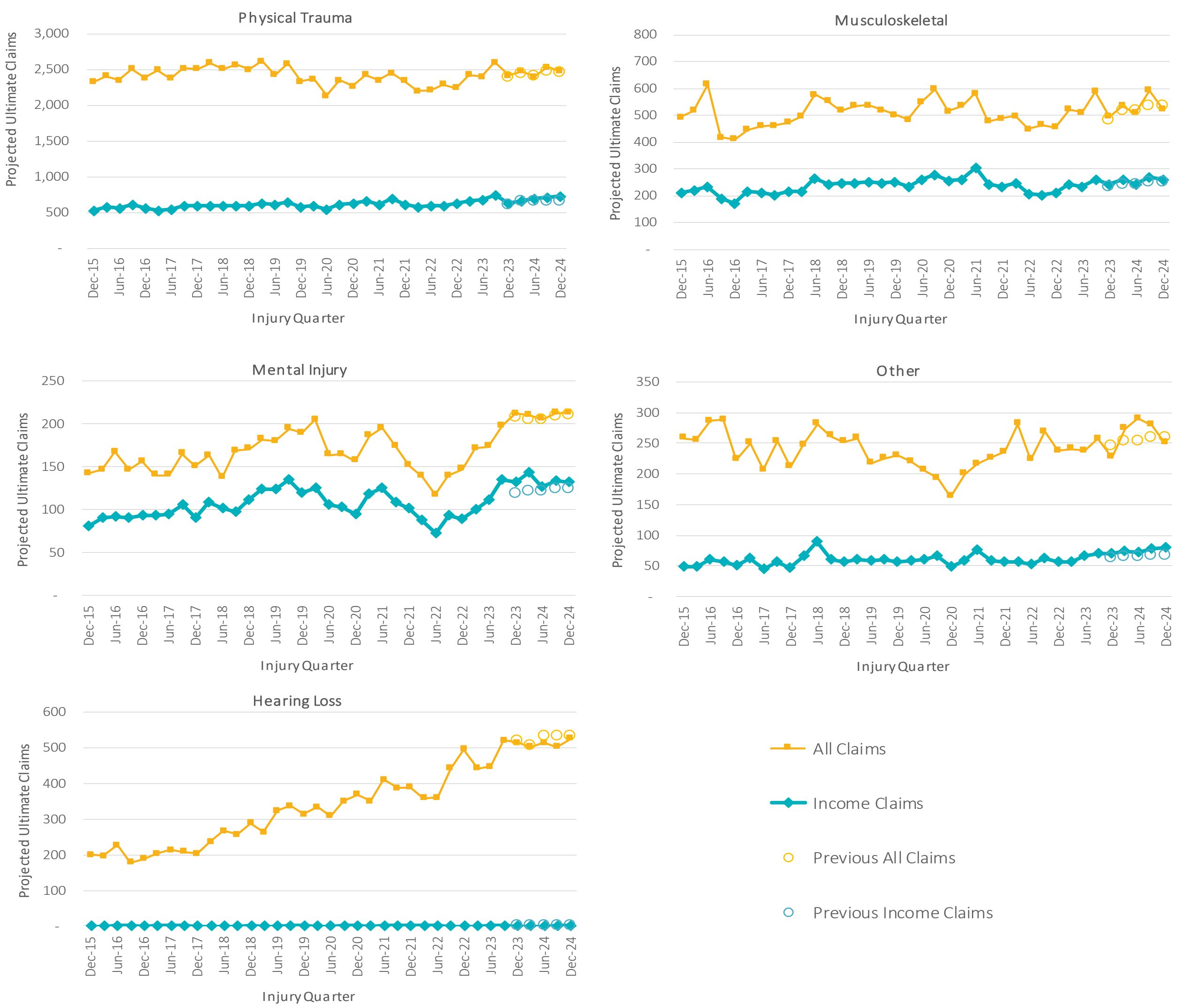
- Between 2017 and 2021, IS claim numbers rose as the proportion of report claims receiving more than 10 business days of lost time benefits increased.
- The 2022 and 2023 years saw a reversal from the increasing trend with the 2022 year ending up as a 7% reduction on 2021 levels. This was due to a lower proportion of Physical Trauma, Musculoskeletal and Other injury claims receiving 10 days lost time; the operational focus on RTW appears to be getting more claimants back to work in the first two weeks after injury than was previously the case.

- 2024 is on track to emerge higher, due to the growth in claim reports and exposed wages, as well as changes in the claims mix (such as the strong growth in Mental Injury claims). We are currently forecasting 2024 to be 11% higher than 2023 (an increase from 7.5% assumed at the June 2024 valuation). The 2025 year is projected to increase further again.

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 determinations since the *Sustainability Act 2022* have been made under a combination of the old (30%) and new (35%) WPI thresholds, making it difficult to assess the impact of the threshold change. Therefore, our approach has been to:

- Review our pre-reform estimated Serious Injury numbers
- Maintain our previous assumptions on the proportion of claims removed by the reform threshold change, and apply this to our latest estimates of pre-reform numbers.

We note that over the last six months, the majority of claims were determined under the 35% threshold and so we anticipate that at future valuations we will be able to more directly assess future Serious Injury numbers under the revised threshold.

We separately project the number of Serious Injury claims for those that reach the threshold based on their primary injury or based on a combination of injuries.

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	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. 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 claims will ultimately be determined as a Serious Injury.
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

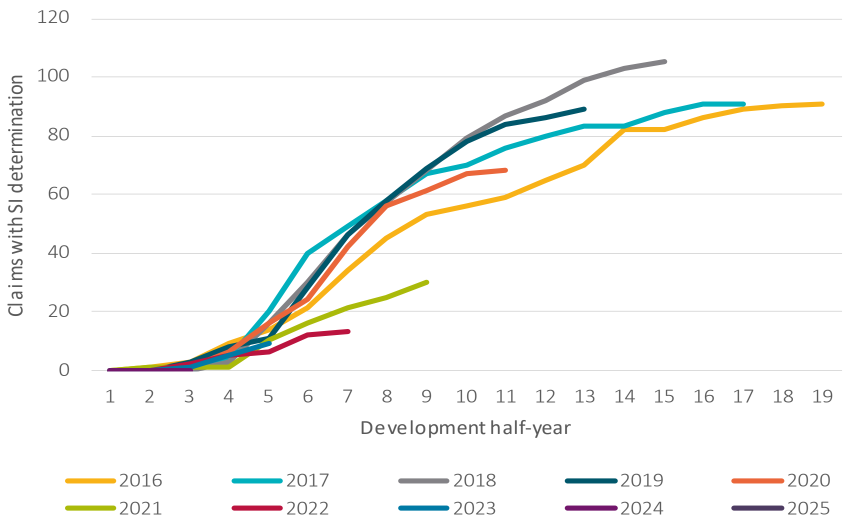
Accident year	Total claims Actual	Expected	A-E
Prior	1	4	-3
2017	0	2	-2
2018	2	3	-1
2019	3	5	-2
2020	1	7	-6
2021	5	10	-5
2022	1	12	-11
2023	3	7	-4
2024	0	1	-1
2025	0	0	0
Total	16	50	-34

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 being assessed against the 35% threshold over the last six months than anticipated
- A higher proportion of claims than assumed being removed to date due to the threshold change. Experience to date suggests that 40-45% of what would previously have been Serious Injury claims will be removed due to the threshold increase, compared to our assumption of 30-35%. We note that any behavioural impacts in relation to the threshold change will likely take time to emerge, and could erode the proportion of claims removed
- 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.

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, 2019 and more recent accident periods are emerging at a 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.

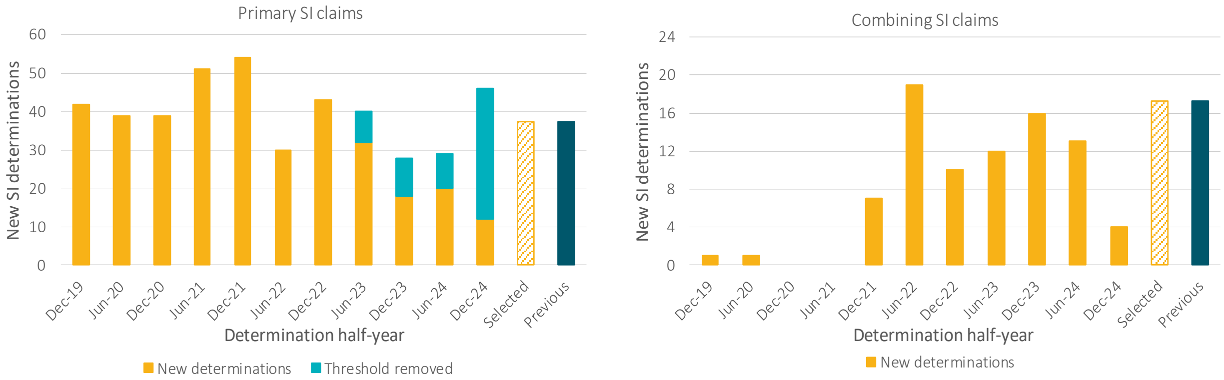
5.2.4 Claim number assumptions

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.

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



Our comments are as follows:

- Primary claims: we have slightly reduced the number of primary Serious Injury claims, based on the lower level of determinations over the last three years.
- Combining claims: we have left our selected combining Serious Injury claims unchanged.

We also assume there will be 2.25 Severe Traumatic Serious Injury claims per half-year, unchanged from the previous valuation.

Reform assumptions

As we do not have enough experience to revise the expected reform impact of increasing the Serious Injury WPI threshold for physical injuries, we continue to assume the threshold change will reduce claim numbers by slightly above 30% once all claims are determined under the new threshold.

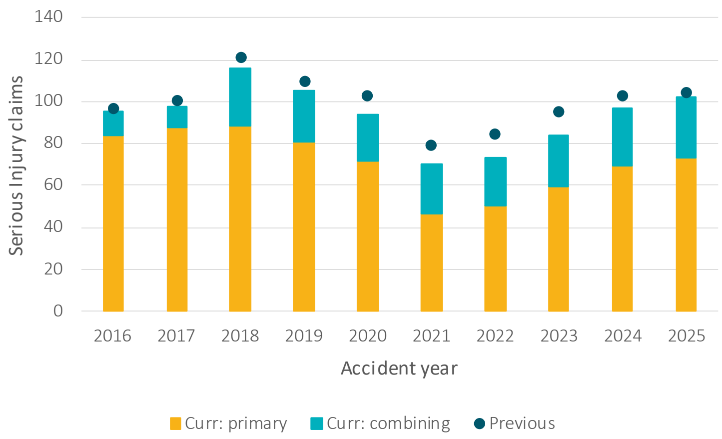
As noted earlier, to date around 40-45% of what would have been Serious Injury claims have been removed by the threshold change. Despite this, we have maintained our assumption of 30-35% due to the immaturity of experience under the higher threshold.

Consistent with experience in the last six months, we assume the vast majority of future Serious Injury determinations will be made under the 35% threshold (for physical injuries).

5.2.5 Projected Serious Injury claims

Figure 5.7 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 5.7 – Projected post-reform ultimate claim numbers

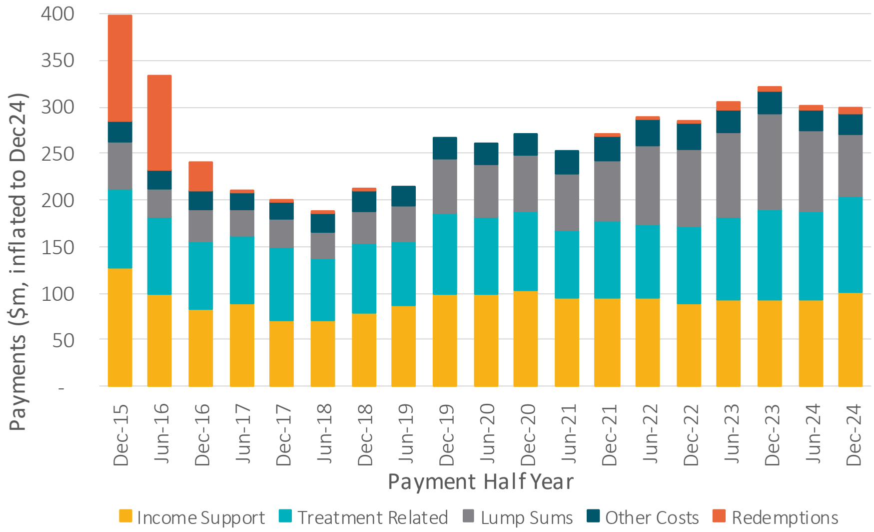


We have reduced our expected ultimate claim numbers for most accident years, reflecting recent positive experience. The upward slope in projected claim volumes between 2021 and 2025 recognises the strong growth in insured wages over this period and accompanying increase in Income Support claim volumes as explained in Section 5.1.

5.3 Overall payment experience

Figure 5.8 shows gross claim payments (before recoveries) in half-yearly periods over the last ten years, inflated to current values.

Figure 5.8 – Gross Claim Payments ($Dec24)



Gross payments of $300m (inflated to December 2024) in the last six months were marginally lower (0.6%) than the previous period. The movements at payment type level were:

- Income Support payments were 9% higher over the past six months. Higher claims volumes and average payments per claim were the key drivers of this.
- Treatment related costs increased by 8%, following an increase of 17% during the 2023 calendar year. There has been increased spending across most treatment related costs in recent years, driven by higher volumes of claims, higher utilisation of some services, and above inflationary increases to medical fee schedules.
- Lump sum payments decreased by 22%, with a range of factors contributing to this: 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 being the main three contributors.

After allowing for recoveries of $13.3m in the last six months, net claim payments of $283.4m (uninflated) were $21.8m (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 Dec-24 Actual	Expected	Act - Exp	% A - E	Split by Category Short Term	Serious Inj
	$m	$m	$m		$m	$m
Income support	100.9	96.1	4.8	5%	6.6	-1.8
Redemptions	5.9	1.7	4.2	250%	0.9	3.3
Lump sums	67.7	96.7	-29.0	-30%	-20.4	-8.6
Legal - Non-contract	9.2	9.3	-0.2	-2%	0.4	-0.5
Contract Legal	11.1	11.0	0.1	1%	0.7	-0.6
Medical	41.7	40.0	1.7	4%	1.7	0.0
Allied Health	22.0	19.5	2.5	13%	2.0	0.6
Hospital	13.5	13.7	-0.2	-2%	0.0	-0.2
Travel	3.7	3.9	-0.2	-6%	-0.1	-0.1
Rehabilitation	8.0	7.4	0.6	7%	0.5	0.0
Investigation	1.7	1.3	0.4	32%	0.4	0.0
Other	2.3	1.9	0.4	20%	0.0	0.4
Care	8.9	9.0	-0.1	-1%	0.0	-0.1
Common law	0.0	0.1	-0.1	-100%	-0.1	0.0
LOEC	0.1	0.1	0.0	-16%	0.0	0.0
Commutation	0.0	0.4	-0.4	-89%	-0.4	0.0
All Payments	296.6	312.1	-15.5	-5%	-7.8	-7.7
Recoveries	-13.3	-7.0	-6.2	89%	-1.9	-4.3
Net Payments	283.4	305.1	-21.8	-7%	-9.7	-12.0

The key features of the last six months' payment experience are:

- Income Support payments were higher than expected, largely due to higher claim volumes.
- Lump Sum payments were significantly lower than expected, particularly for the RTW Act injury years.
- Treatment costs were higher than expectation, with Allied Health being the highest proportional difference. In part this is due to high fee schedule increases over the last two years.
- Legal costs were similar to expected with the volume of dispute finalisations returning nearer to 'normal' levels after a period of elevated activity (see section 4.4.4).

Our valuation basis for General Short Term Claims is discussed in Section 6, and Hearing Loss claims in Section 7. Section 6.4 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.

6.1.4 Payment speed changes

There have been change in payment speed by one agent, mainly impacting income and treatment payment types. This has been considered in setting assumptions appropriate for future periods.

6.2 Short Term Claims – General Claims Results

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

Table 6.1 – Short Term Claims: General Claims results

	Income Support	Lump sum	Worker Legal	Contract Legal	Medical	Allied Health	Hospital	Rehab	Travel	Other	Care	Rest[1]	Recoveries	Total General Claims
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Estimated liability at Jun-24	172.4	513.9	53.2	38.1	85.1	34.2	20.9	14.4	7.8	4.1	2.7	9.9	(46.2)	910.5
Projected liability at Dec-24	176.2	520.5	54.6	38.7	87.4	35.2	21.6	14.8	8.0	4.3	2.8	10.0	(47.1)	927.2
Dec-24 valuation														
Claims performance impacts	8.9	46.6	0.6	0.6	4.8	3.7	(0.1)	0.2	0.0	0.6	0.2	2.5	(0.3)	68.4
Estimated liability at Dec-24 (Jun-24 ecos)	**185.2**	**567.1**	**55.3**	**39.4**	**92.2**	**38.9**	**21.6**	**15.1**	**8.1**	**4.9**	**3.0**	**12.5**	**(47.4)**	**995.6**
Impact of change in economic assumptions	0.1	1.1	(0.2)	0.2	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.1	1.0
Estimated liability at Dec-24 (Dec-24 ecos)	**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**
AvE payments - six months to Dec-24	6.6	(16.9)	0.7	0.7	1.9	2.0	(0.0)	0.5	(0.1)	0.0	(0.0)	0.7	(1.9)	(5.8)
Actuarial release (strengthening) at Dec-24	(15.5)	(29.7)	(1.4)	(1.4)	(6.7)	(5.6)	0.1	(0.8)	0.1	(0.6)	(0.1)	(3.2)	2.2	(62.7)

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

At a total level, there is an actuarial strengthening (cost increase) of $62.7m for the General Short Term Claims valuation (this becomes an actuarial strengthening of $74.0m after including higher expenses, as shown in Section 10.3). This comprises an increase of $68.4m in the liability estimate partly offset by $5.8m of lower payments than expected over the past six months. The key movements in the liability estimate are:

- Income Support – an actuarial strengthening of $15.5m, primarily reflecting higher claim numbers and an increasing proportion of claims receiving income support benefits. The RTW rates have remained at strong levels, albeit slightly lower than the scheme's best experience to date in FY24.
- Lump Sums – an actuarial strengthening of $29.7m which reflects: (1) higher numbers of very long duration future settlements, and (2) some additional claims ending up with WPI scores that are high, but just below the Serious Injury threshold.
- Worker Legal and Contract Legal – an actuarial strengthening of $2.8m, primarily reflecting higher claim numbers and increases to the legal contract fee.
- Treatment and Medical (Medical, Allied Health, Hospital, Travel, Other, Care) - an actuarial strengthening of $12.9m, this reflects reflecting higher claim numbers and increasing average treatment costs per claim due to increased use of some services.
- Rehabilitation – an actuarial strengthening of $0.8m 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 $3.2m.
- Recoveries – an actuarial release of $2.2m primarily reflecting higher than expected recoveries in the last six months.
- Movements due to economic assumptions result in a $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	0.1	-7.7	0.0	-0.5	-0.1	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	-8.7		
Jun-16	-0.2	-1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-2.0		
Jun-17	0.3	-3.2	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.8		
Jun-18	0.2	0.6	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.2	0.7		
Jun-19	0.1	1.6	-0.1	0.0	0.0	0.1	0.0	0.0	-0.1	0.0	-0.1	-0.8	0.7		
Jun-20	0.1	2.3	0.2	-0.2	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.2	2.0	4.0		
Jun-21	-0.5	-1.5	-0.3	-0.2	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.2	0.4	-2.6		
Jun-22	-0.4	-2.5	-0.2	-0.2	-0.1	0.1	0.1	0.0	-0.1	0.0	-0.4	-0.2	-4.1		
Jun-23	-1.8	-4.7	-0.2	-1.1	-0.5	0.1	0.3	0.0	0.0	0.0	-0.6	0.0	-8.7		
Jun-24	-7.4	-7.8	-0.6	-1.7	-2.5	0.2	-0.4	0.0	-0.1	0.0	-0.7	0.3	-20.7		
Dec-24	-6.1	-4.8	-0.3	-2.5	-2.1	-0.4	-0.7	0.1	0.0	0.0	-0.3	0.1	-17.1		
Total	-15.5	-29.7	-1.4	-6.7	-5.6	0.1	-0.8	0.1	-0.6	-0.1	-3.2	2.2	-61.3	-1.4	-62.7

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 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

Jun-24 Valuation	$m	$m	$m
Estimated Liab at Jun-24	172.4		
Projected Liab at Dec-24	176.2		
Dec-24 Valuation		AvE pmts	Strengthening
Movement in liability due to claims performance	8.9	6.6	(15.5)
Estimated Liab at Dec-24 (Jun-24 eco assumptions)	**185.2**		
Impact of change in eco assumptions	0.1		
Estimated Liab at Dec-24 (Dec-24 eco assumptions)	**185.2**		

At December 2024 there is an actuarial strengthening of $15.5m, reflecting the claims experience since June 2024 and our valuation response. The impact of economic assumptions is a $0.1m increase.

6.3.2 Experience vs expectations

Payments

Table 6.4 compares the IS payments in the six months to 31 December 2024 with the expected payments from our June 2024 valuation projection.

Table 6.4 – Actual vs Expected Payments: IS

Accident Period	Payments in Six Months to Dec 24			
	Actual	Expected	Act - Exp	Difference
	$m	$m	$m	
To 30 Jun 05	0.2	0.3	(0.1)	-28%
2005/06 - 2014/15	0.5	0.5	(0.0)	-9%
2015/16 - 2021/22	5.5	5.2	0.3	7%
2022/23 - 2023/24	62.5	57.3	5.2	9%
2024/25[1]	10.5	9.3	1.2	13%
Total	79.1	72.5	6.6	9%

[1] Accidents to Dec24

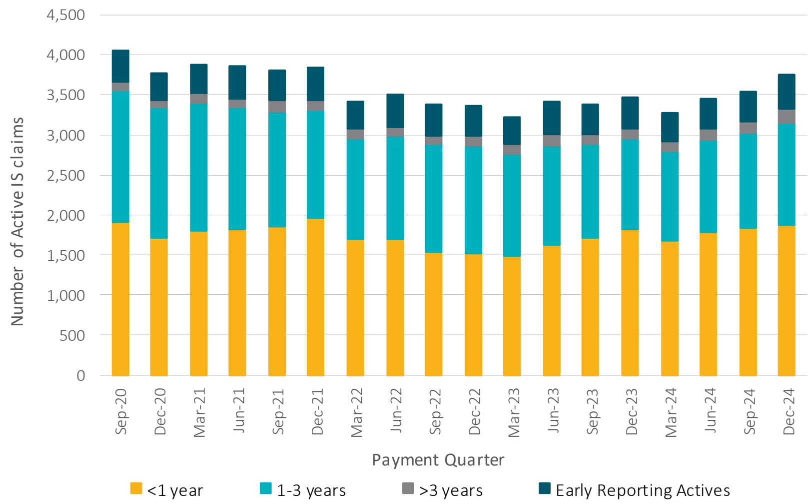
IS payments were $6.6m (9%) higher than expected overall in the six months to December 2024. This was due to:

- A speed up in payments by one agent, this likely impacts payments across all accident periods and means in aggregate payments were around $3.5m higher than they otherwise would have been.
- $1.2m (13%) higher payments for 2024/25, due to new claim volumes being higher than expected
- $5.2m (9%) higher payments across the 2022/23 and 2023/24 accident years, primarily related to an increase in late reported income claims and higher backpay payments than expected
- $0.2m (4%) higher 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.

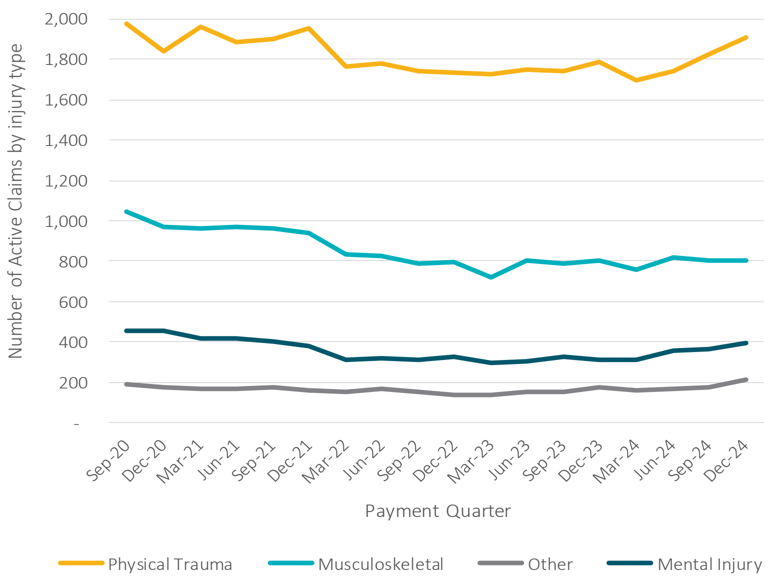
Figure 6.1 – Numbers of Active IS Claims



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, 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 quarter Mental Injury active claims are proportionally higher, following increases in claim reports.

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

Table 6.5 – AvE Payments and Active Claims

Accident	Payments ($m)				Actives (#)			
FY	Actual	Expected	Difference	Difference %	Actual	Expected	Difference	Difference %
2022[1]	2.0	1.6	0.4	27%	59	57	2	4%
2023	18.2	17.0	1.2	7%	631	588	43	7%
2024	44.3	40.3	4.0	10%	1,541	1,456	85	6%
2025[2]	10.5	9.3	1.2	13%	922	864	58	7%

[1] Accidents after Dec21

[2] Accidents to Dec24

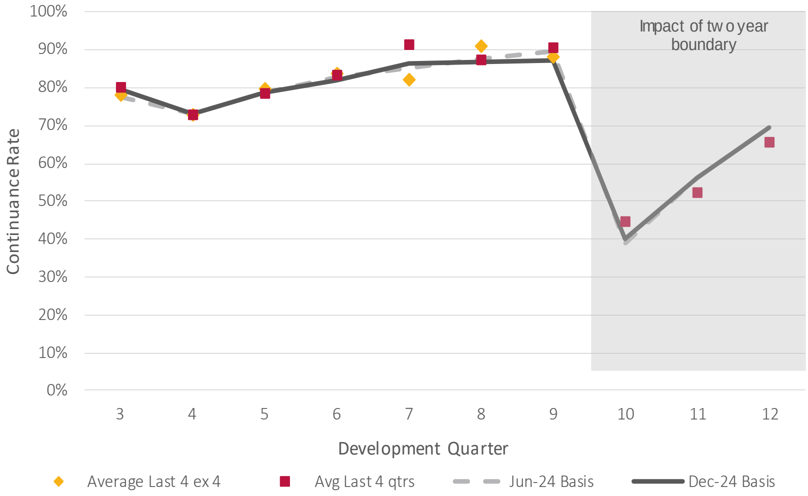
Overall active claim numbers were above expectations. Payments and active claims have broadly similar trends, although the higher payments for 2024 and 2025 are a combination of (1) change in payment speed by one agent (2) changing mix towards high cost claims (3) more backpay as a result of the high 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 June 2024.

Figure 6.3 – Continuance rates – implied overall assumptions

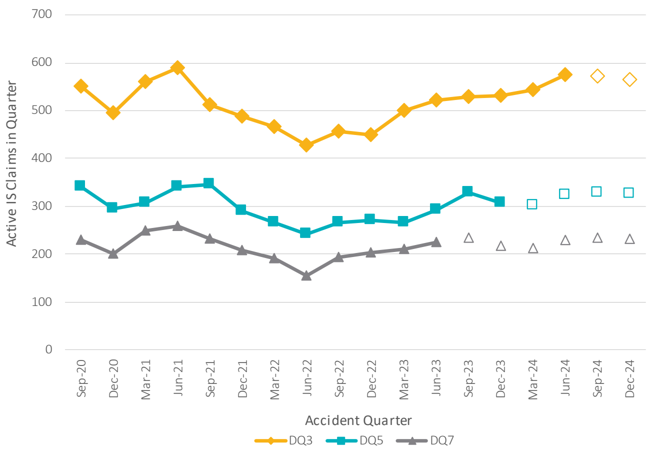


The overall average continuance rates are higher at this valuation. While RTW rates have remained at strong levels, they are slightly lower than the scheme's best experience to date in FY24. The mix of claims has also moved towards more complex and longer duration cohorts.

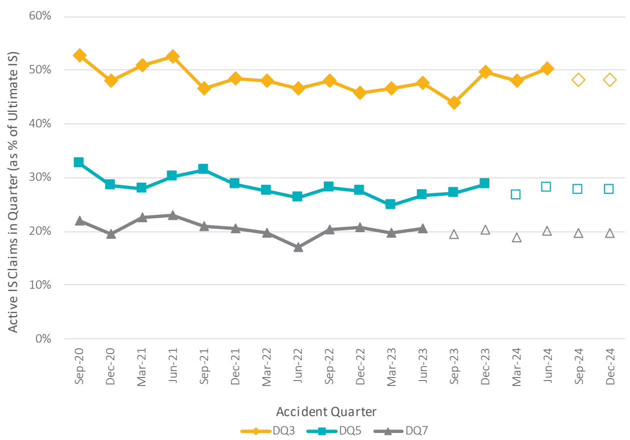
Figure 6.4 below shows the outworking of our projection of active claims at development quarters 3, 5 and 7. The solid lines show the actual number of active claims and the dots show our projection. We have also shown the actives as a percentage of ultimate IS claims for the accident quarter, to help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

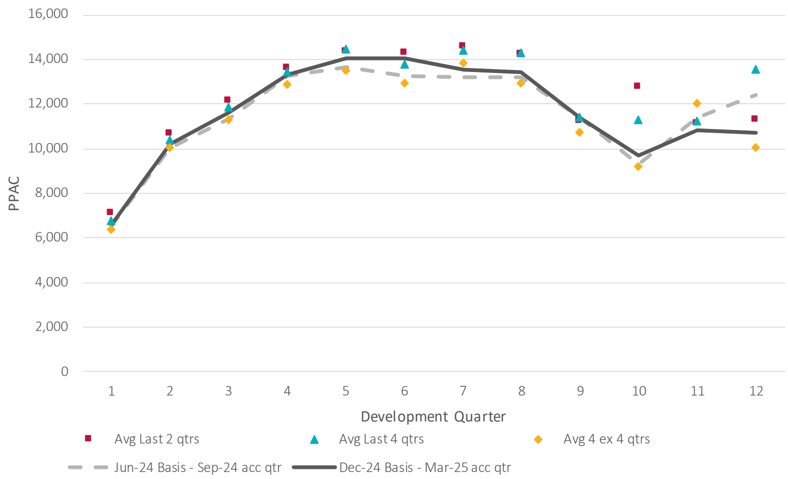


As Figure 6.4 shows, our projections are that active claim numbers at DQ7 have remained steady relative to reported claim volumes (unless further improvements in RTW are achieved, that is). DQ3 actives relative to claim volumes have increased. The impact of the higher volume of new claims can be seen in the active claims in recent accident periods (which are increasing).

Payments per active claim

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

Figure 6.5 – Payments per active claim ($Dec-24): implied overall assumption



The recent overall PPAC experience is emerging higher than our June 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 increased backpay amounts under the new dispute settlement approach. Our basis is intended to be a 'normalised' view once the high rate of dispute finalisation returns to BAU levels.

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 $592 per reported claim (unchanged but for inflation from the previous valuation) and made up of two components:

- The allowance for ongoing dependant benefits of $201 per reported claim
- 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 $392 per reported claim.

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:

- "Death" and funeral claims
- "Non-Economic Loss" lump sums
- "Economic Loss" lump sums – Short Term claims may receive an additional payment for loss of future earning capacity (only available under the RTW Act to new injuries from 1 July 2015, and subject to deductions for previous Economic Loss lump sum payments).

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

6.4.1 Summary of results

Table 6.6 summarises the movements in our liability estimates for Lump Sum payments since the June 2024 valuation.

Table 6.6 – Valuation results: Lump Sums

Jun-24 Valuation	$m	$m	$m
Estimated Liab at Jun-24	513.9		
Projected Liab at Dec-24	520.5		
Dec-24 Valuation		AvE pmts	Strengthening
Movement in liability due to claims performance	46.6	(16.9)	(29.7)
Estimated Liab at Dec-24 (Jun-24 eco assumptions)	**567.1**		
Impact of change in eco assumptions	1.1		
Estimated Liab at Dec-24 (Dec-24 eco assumptions)	**568.2**		

The December 2024 liability shows an actuarial strengthening of $29.7m since June 2024, reflecting an increase of $46.6m in the liability partly offset by $16.9m of lower claim payments. Changes to economic assumptions increase the liability by $1.1m.

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

- A $15m increase due to slower than expected payments over the last six months; this is essentially retaining most of the lower than expected payments in our liability estimate.
- A $21m increase due to increased allowances for 'late' lump sums, given the tail of lump sums that continues to emerge at very long durations.
- A $10m increase for more recent injury years, flowing on from higher volumes of reported claims and more claims remaining below the new 35% WPI threshold.

6.4.2 Payment experience

Table 6.7 compares the payments in the six months to December 2024 with the expected payments from our June 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	Payments in Six Months to Dec 24			
Period	Actual	Expected	Act - Exp	% Difference
	$m	$m	$m	
To 30 Jun 05	0.4	0.3	0.0	14%
2005/06 - 2014/15	1.3	1.5	(0.2)	-13%
2015/16 - 2020/21	31.2	40.5	(9.3)	-23%
2021/22 - 2023/24	17.0	24.4	(7.4)	-30%
2024/25[1]	0.7	0.7	(0.0)	-3%
Total	50.5	67.4	(16.9)	-25%

Payments were overall 25% lower than expected in the six months to 31 December 2024, driven by the 2017/18 to 2023/24 accident periods.

The lower payments were driven by lower than expected numbers of payments across non-economic loss and economic loss lump sums for RTW Act injuries, and a lower mix of Death benefit lump sums.

6.4.3 Non-Economic Loss lump sums

Our valuation basis adopts a combination of the chain ladder approach for more mature accident periods and a frequency-based approach for more recent accident periods where there is less experience and there have been changes in the pattern of payments. Table 6.8 below compares the actual and expected number of Non-Economic Loss lump sums paid in the six months to December 2024.

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

Accident	Number of Payments in Six Months to Dec 24			
Period	Actual	Expected	Act - Exp	% Difference
To 30 Jun 05	21	18	3	19%
2005/06 - 2014/15	36	44	-8	-18%
2015/16 - 2020/21	258	332	-74	-22%
2021/22 - 2023/24	233	299	-66	-22%
2024/25[1]	1	0	1	679%
Total	549	692	-143	-21%

[1] Accidents to Dec24

The number of Non-Economic Loss lump sums in the last six months was lower than expected, driven by RTW Act 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.

Valuation basis

At this valuation, we have combined the modelling of 30-34% WPI lump sums with the under 30% WPI lump sums as these payments are now present in the emerging experience.

There continues to be a steady inflow of new WPI assessment applications, particularly at long durations from injury (>10 years) where we have been expecting numbers to reduce more than current levels, as explained in Section 4.4.2. We have also observed that many of these lump sum payments are from claims where the level of income support payments received was low, with around half of all lump sum payments with a duration of more than 10 years from injury coming from claims that did not receive any form of income support payment (on that claim).

In response to the continued tail of assessment activity, we have again increased the projected ultimate lump sums at this valuation, adding around 1,200 extra future lump sum payments compared to our previous basis. Half of the increase comes from pre-RTW Act injuries. For RTW Act periods, the increase reflects a change to our previous view, such that we now think assessments will continue to emerge at a similar pattern to pre-RTW Act injuries for very long durations (we had previously assumed there would be fewer assessments at longer durations due to "capped" periodic benefit periods under the RTW Act). While there has been a material increase in numbers, the impact on the valuation reserves has been tempered by the impact of greater discounting (as there is no inflation offset given lump sums are indexed by year of injury as opposed to year of payment) at longer payment durations where the additional claims sit.

For the 2024 and 2025 injury years, we have also increased future lump sum volumes by a further 50-60 claims per year beyond the tail increases noted above. This is to reflect the revised higher remuneration growth and higher volumes of claims on income support for these years.

While there has been an increase in the projected number of future lump sum payments, 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 6.6 shows the projected ultimate numbers of Non-Economic Loss lump sums, split into paid and IBNR claims.

Figure 6.6 – Projected ultimate numbers of Non-Economic Loss lump sums

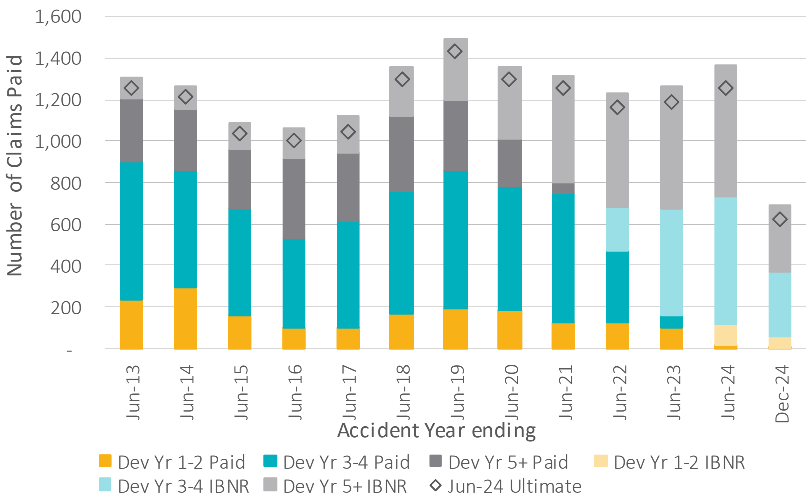


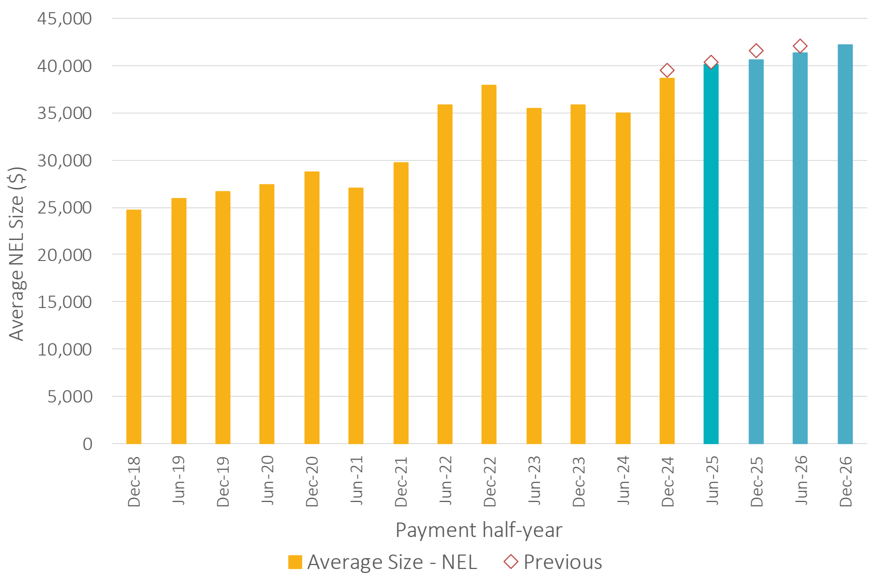
Figure 6.6 shows:

- 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 to date are projected to increase above 2023 due to higher volumes of claims.
- The current valuation allowance sits above the previous basis (diamonds) in the figure above for all injury years shown due to the higher tail allowance.

Projected average payment sizes

Figure 6.7 below shows the actual and projected average payments for Non-Economic Loss.

Figure 6.7 – Average payments for Non-Economic Loss lump sums ($nominal)



Average sizes emerged slightly better than expected over the last six months, but still significantly higher than the preceding three half-years. The increase in average sizes is consistent with our expectation that 30%-34% WPI lump sums are now emerging in the experience. This follows a significant increase in sizes during the 2022 calendar year after the introduction of "combining injuries". At this valuation we have reshaped our average size pattern to reflect the emerging experience and to account for the longer tail of lump sum claims (for the very late lump sum claims, sizes tend to be much lower). This has resulted in a minor decrease from the previous valuation basis as there is now a greater mix of tail lump sum payments which have a smaller size.

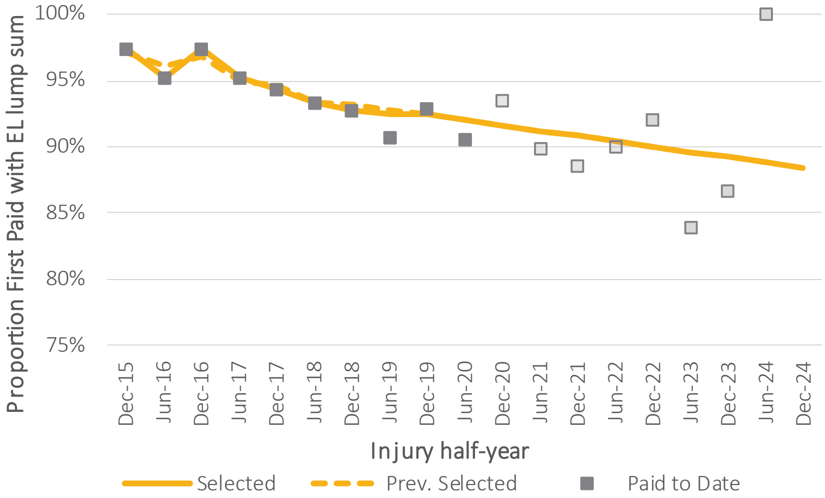
Our previous valuation basis included a minor superimposed inflation allowance of 0.5% p.a. to account for potential behavioural changes brought on by the combining of injuries. At this valuation we have removed this allowance as we now have two years of post-combining experience to form a basis from.

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 6.8 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.

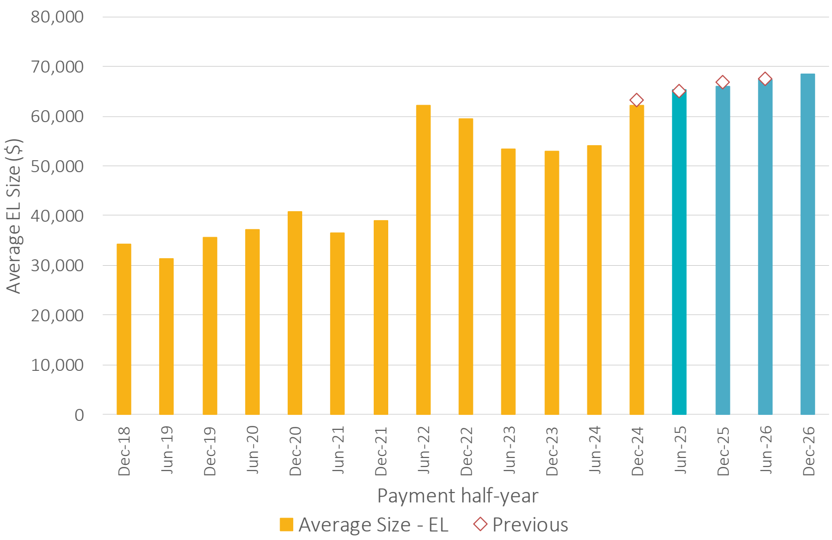
Figure 6.8 – Proportion of Non-Economic Loss lump sums receiving Economic Loss lump sum



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

Figure 6.9 – Average payments for Economic Loss lump sums ($nominal)



The average claim size in the last six months was marginally lower than expected, but still well above the past three half-years. At this valuation we have reshaped our average size pattern to reflect the emerging experience and to account for the longer tail of lump sum claims. This has resulted in a minor decrease from the previous valuation basis as there is now a greater mix of tail lump sum payments which have a smaller size.

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

Figure 6.10 – Projected ultimate numbers of Death lump sums

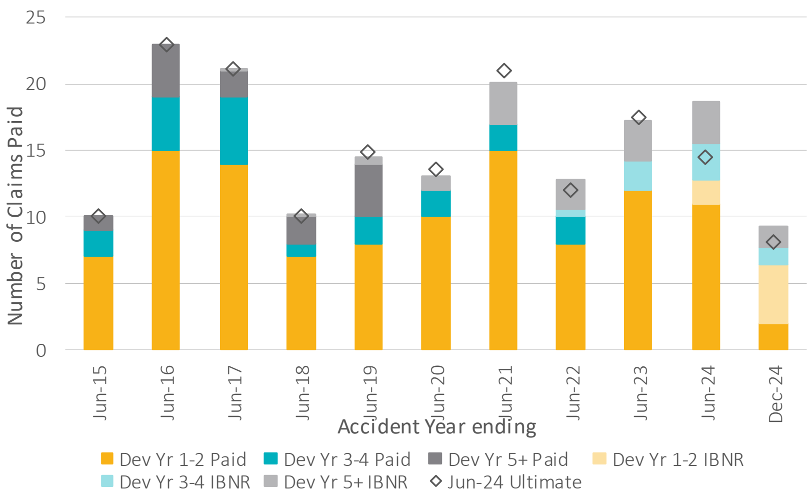
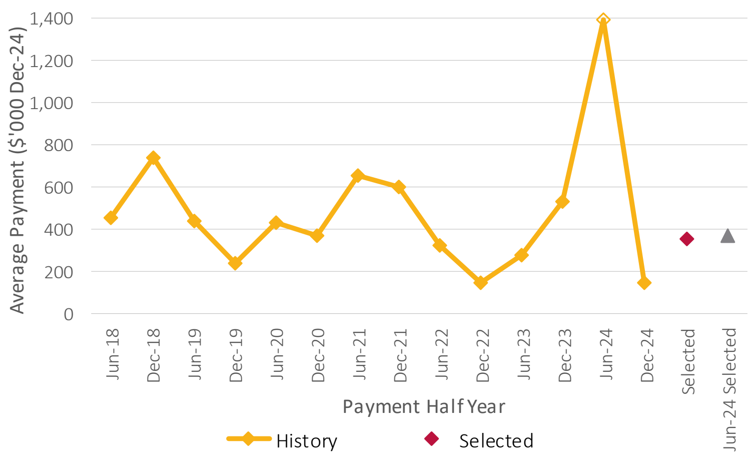


Figure 6.11 shows the average benefit paid to a Death lump sum claim, by payment half year. The very high observed size in the Jun-24 half-year results from a mismatch in payment timing, as a number of funeral payments appear to have been made in the Dec-22 and Jun-23 periods (thus triggering the 'first paid' definition in our model), but with the death benefits coming later.

Figure 6.11 – Average lump sum death payment ($Dec-24)



We have reshaped the selected average size at this valuation resulting in a minor reduction from our previous valuation basis. The selected size is consistent with the emerging 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.

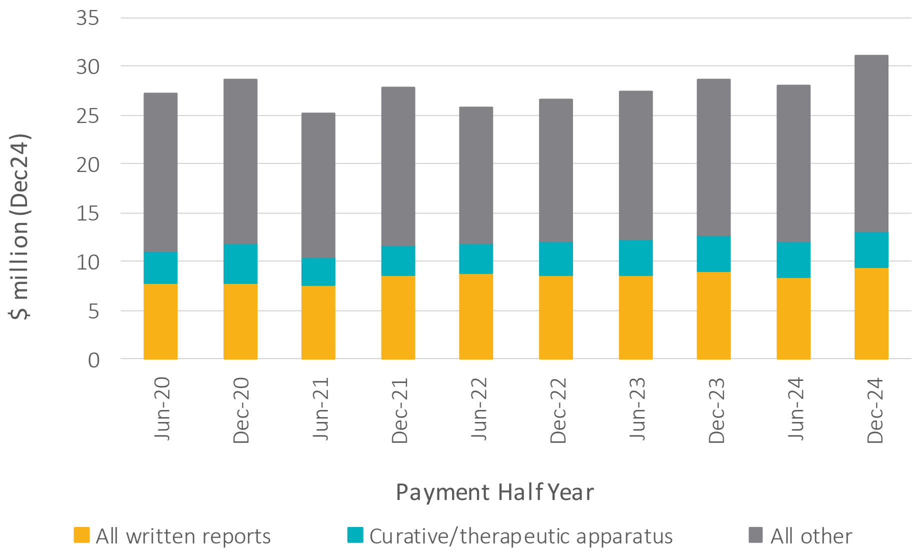
6.5.1 Medical

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

Payments vs expectations

Figure 6.12 below shows medical payments by six-month period, split by the type of service.

Figure 6.12 – Medical half-yearly payments



Medical payments have continued to increase since June 2022, with a larger increase in the six months to December 2024 than in recent half years. A change in speed of payments by one agent impacts payments in the last six months, which we think contributes around $0.7m of this higher payment volume.

Table 6.9 shows that there were $30.8m in payments in the last 6 months which was 7% higher than expected.

Table 6.9 – Medical AvE Payments

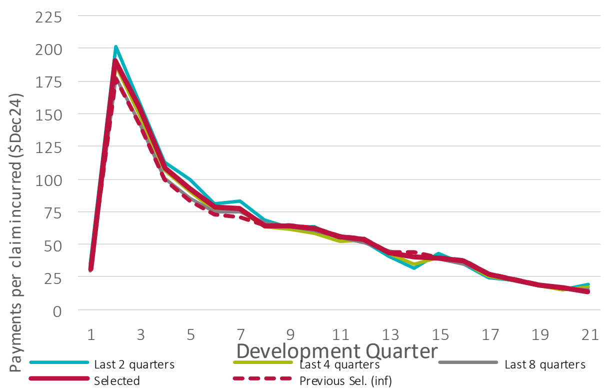
Accident	Payments in Six Months to Dec 24			
Period	Actual	Expected	Act - Exp	% Act - Exp
	$m	$m	$m	
To 30 Jun 05	0.1	0.1	(0.0)	-4%
2005/06 - 2014/15	0.2	0.3	(0.0)	-16%
2015/16 - 2021/22	5.4	5.5	(0.2)	-3%
2022/23 - 2023/24	18.8	17.7	1.0	6%
2024/25[1]	6.3	5.2	1.1	21%
Total	30.8	28.9	1.9	7%

Valuation basis

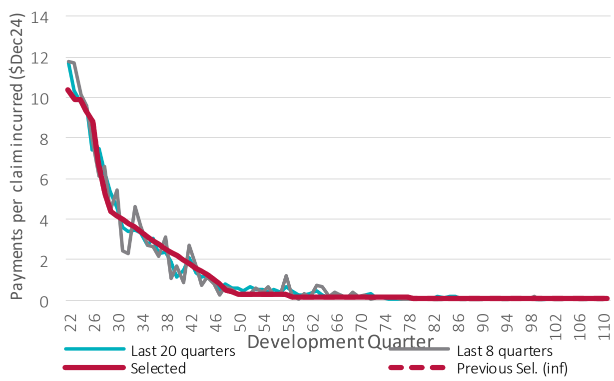
Figure 6.13 below shows the recent experience and selected basis for medical payments.

Figure 6.13 – Medical experience and selections

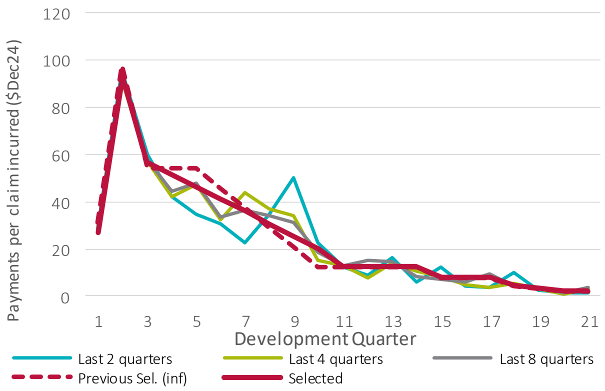
PPCI – Medical written reports



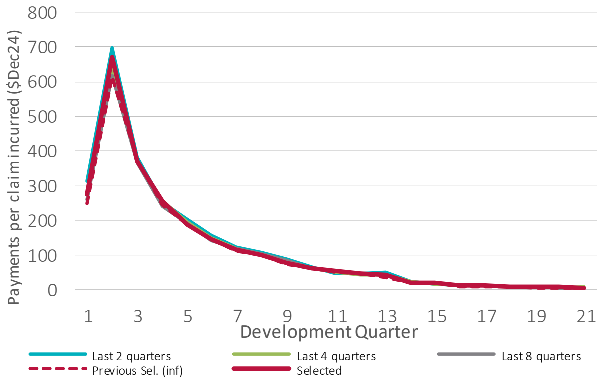
PPCI – Medical written reports (Tail)



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 higher than the previous review.
- PPCI (Medical aids and appliances): the basis reflects the most recent experience (average four), where costs associated with aids and appliances has remained high. The selections are reshaped, but overall broadly unchanged from the previous review. Not shown, the PPCI tail has been increased, 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 6.14 compares actual and expected payments for Allied Health since the June 2024 valuation, which were 13% above expectations. A change in speed of payments by one agent impacts payments in the last 6 months, and we estimate that around $0.5m of this higher payment volume is attributed to the faster payment speed.

Figure 6.14 – Allied Health AvE payments

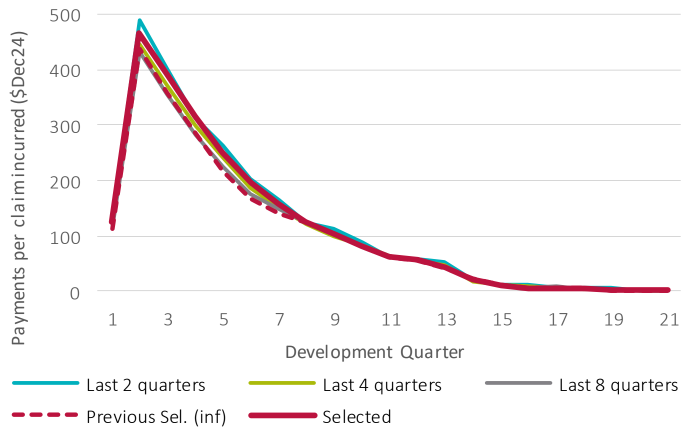
Accident Period	Payments in Six Months to Dec 24			
	Actual	Expected	Act - Exp	% Act - Exp
	$m	$m	$m	
To 30 Jun 05	0.0	0.0	0.0	8%
2005/06 - 2014/15	0.0	0.1	(0.0)	-44%
2015/16 - 2021/22	1.8	1.7	0.1	6%
2022/23 - 2023/24	12.6	11.1	1.5	13%
2024/25[1]	2.7	2.3	0.4	17%
Total	17.1	15.2	2.0	13%

[1] Accidents to Dec24

Valuation basis

Figure 6.15 below shows the recent experience and selected basis for Allied Health payments.

Figure 6.15 – Allied Health experience and selections



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 December 2024, which were similar to expectations.

Table 6.10 – Hospital AvE payments

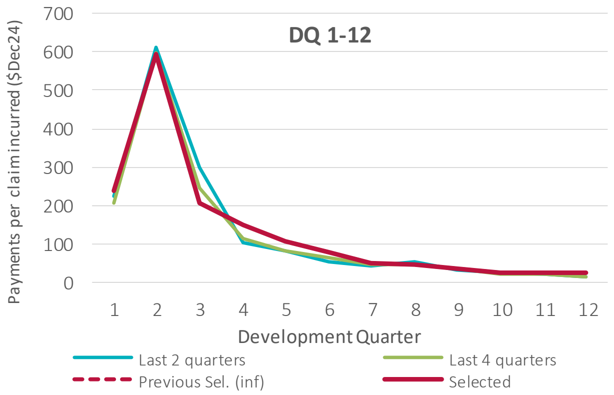
Accident Period	Payments in Six Months to Dec 24			
	Actual	Expected	Act - Exp	% Act - Exp
	$m	$m	$m	
To 30 Jun 05	0.0	0.0	0.0	32%
2005/06 - 2014/15	0.1	0.1	0.0	1%
2015/16 - 2021/22	0.9	0.9	(0.1)	-8%
2022/23 - 2023/24	6.3	6.6	(0.3)	-4%
2024/25[1]	4.0	3.7	0.3	9%
Total	11.3	11.4	(0.0)	0%

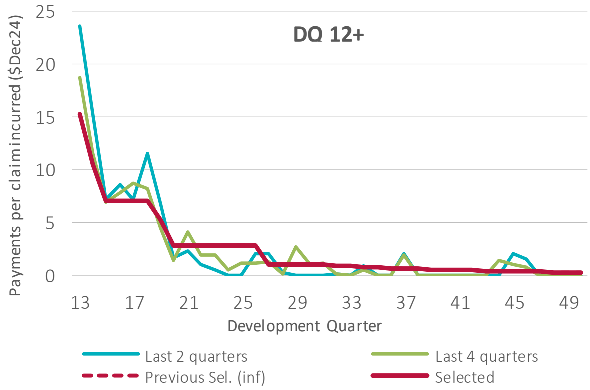
[1] Accidents to Dec24

Valuation basis

Figure 6.16 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 6.16 – Hospital experience and selections





The adopted basis is similar to the experience over the last four quarters and unchanged 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 December 2024, which are 7% above expectation. A change in speed of payments by one agent impacts payments in the last 6 months. Around $0.1m of this higher payment volume is attributed to the faster payment speed.

There being increased utilisation of some rehabilitation services, this has translated to higher payments than expected, particularly in the more recent accident year.

Table 6.11 – Rehabilitation AvE payments

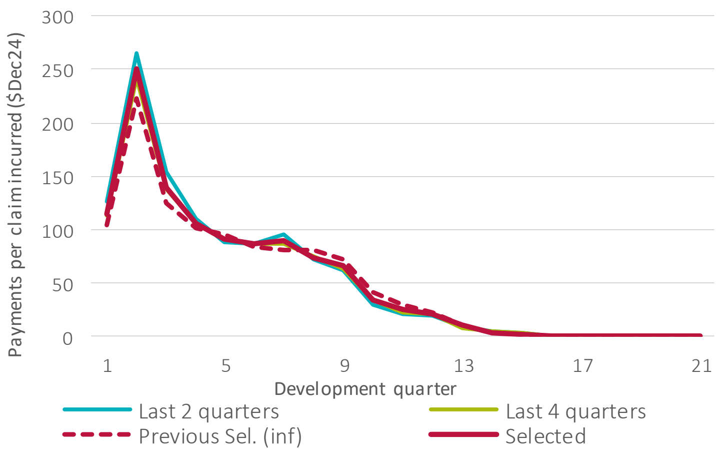
Accident	Payments in Six Months to Dec 24			
Period	Actual	Expected	Act - Exp	% Act - Exp
	$m	$m	$m	
To 30 Jun 05	0.0	0.0	0.0	n/a
2005/06 - 2014/15	0.0	0.0	0.0	n/a
2015/16 - 2021/22	0.5	0.6	(0.1)	-19%
2022/23 - 2023/24	5.5	5.2	0.3	6%
2024/25[1]	1.8	1.5	0.3	23%
Total	7.8	7.2	0.5	7%

[1] Accidents to Dec24

Valuation basis

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

Figure 6.17 – Rehabilitation experience and selections



The adopted basis is reshaped and increased from the previous review and 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'.

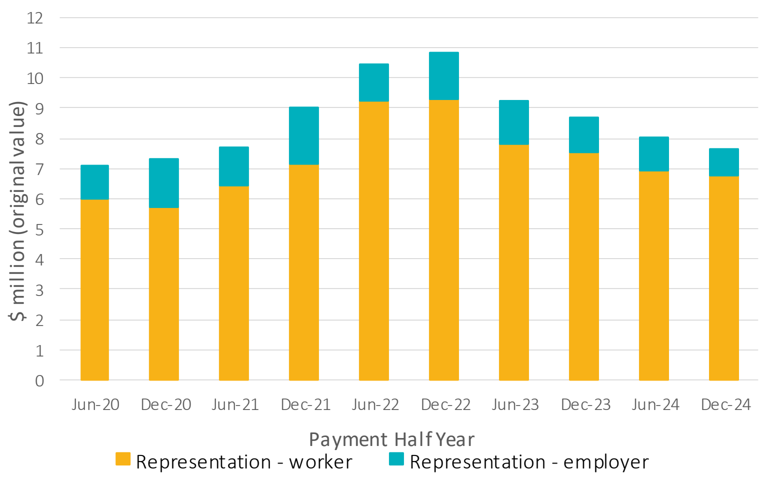
6.6.1 Worker Legal Costs

Disputes are the main driver of expenditure for both Worker and Corporation Legal fees, and were discussed in Section 4.4.4. 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 6.18 below shows Worker Legal payments in each six-month period over the last five years.

Figure 6.18 – Worker Legal Half Yearly Payments (original values)



Worker Legal expenditure reduced again in the six months to December 2024. 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. As discussed in Section 4.4.4 the increased number of finalisations has meant the open disputes in the scheme are reducing, given the higher rate of recent closures more than offsets the number of new disputes received.

Table 6.12 below compares actual and expected Worker Legal payments in the six months to December 2024 which were 11% above expectation. The higher than expected payments were largely driven by the 2020 and 2021 injury years.

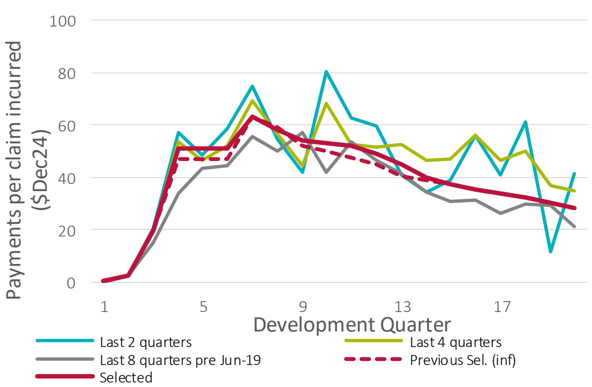
Table 6.12 – AvE Worker Legal Payments

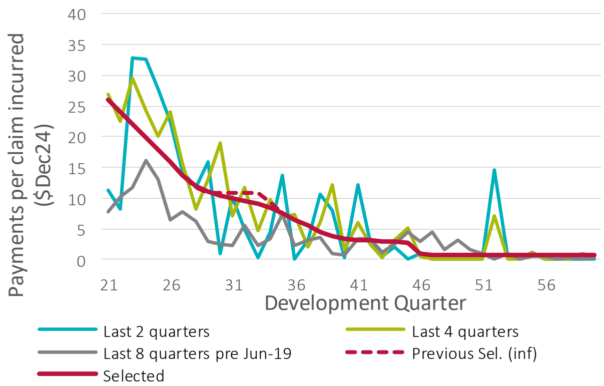
Accident	Payments in Six Months to Dec 24			
Period	Actual	Expected	Act - Exp	% Act - Exp
	$m	$m	$m	
To 30 Jun 05	0.0	0.1	(0.0)	-67%
2005/06 - 2014/15	0.4	0.4	0.1	16%
2015/16 - 2021/22	4.5	4.0	0.5	12%
2022/23 - 2023/24	2.6	2.4	0.2	10%
2024/25[1]	0.0	0.0	0.0	16%
Total	7.6	6.8	0.7	11%

Valuation basis

A PPCI model is used to value Worker Legal fees. Figure 6.19 below shows the recent experience and selected basis for Worker Legal payments.

Figure 6.19 – Worker Legal experience and selections





The selected basis broadly follows the average experience across the last 4 quarters up to development quarter 12 and represents a reduction compared to our previous valuation basis. Beyond development quarter 12, we consider the recent experience to be higher than the expected ongoing level due to the high level of dispute settlement activity, as explained in Section 4.4.4. Our selected basis, which is largely unchanged from previous, sits below actual experience and is more representative of an ongoing level of payments. The selected basis is still higher compared to the experience from pre-June 2019 (grey line) which is representative of legal payments prior to the increased disputation activity in recent years.

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 legals were $10.8m paid in the 6 months to December 2024 which was $0.7m higher than expected (+7%) due to higher contract 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 components[7]

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 year

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 to date despite increasing levels 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 the relevant fees as specified in the contract terms.
- 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 purposes[8].

6.6.3 Recoveries

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

Experience

Table 6.14 below compares actual and expected Recovery payments in the six months to December 2024, which were 34% above expectation.

[7] Beginning in 2016, an annual 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 the same rate outlined in the previous contract in addition to the fixed fee each month. This contract has been extended each year since with revised fixed fees. A performance fee is also payable at the end of each contract half-year based on the achievement of certain performance outcomes.

[8] 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. 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.

Table 6.14 – Recovery half yearly payments received

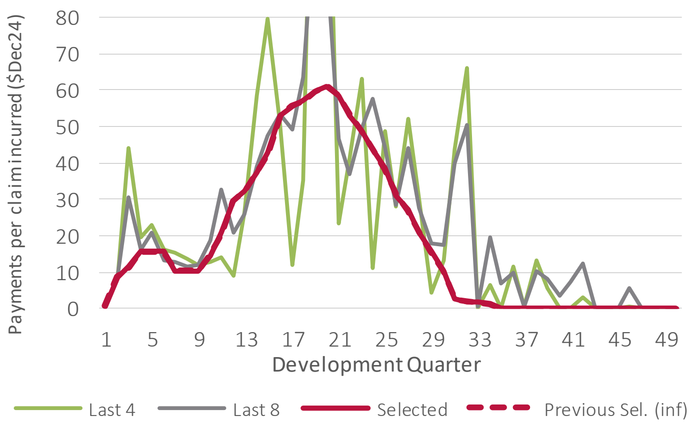
Accident Period	Payments in Six Months to Dec 24			
	Actual	Expected	Act - Exp	% Act - Exp
	$m	$m	$m	
To 30 Jun 05	(0.0)	(0.0)	(0.0)	n/a
2005/06 - 2014/15	(0.0)	(0.0)	(0.0)	54%
2015/16 - 2021/22	(6.8)	(5.1)	(1.7)	34%
2022/23 - 2023/24	(0.8)	(0.6)	(0.2)	29%
2024/25[1]	(0.0)	(0.0)	0.0	-17%
Total	(7.6)	(5.7)	(1.9)	34%

[1] Accidents to Dec24

Valuation basis

A PPCI model is used for recovery payments. Figure 6.20 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 6.20 – PPCI experience and selections: Recoveries



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 reduction is expected particularly 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.

As a result, our basis is deliberately taking a longer-term view, with the selection being set in line with the last 8 quarters. We have also scaled down total expected recoveries for claims from September 2020 onward by 10% in line with ReturnToWorkSA's expectation of lower recoveries. We have tested the appropriateness of these adjustments by looking at the total projected recoveries for an accident year relative to gross claims cost to ensure there is a good level of consistency. This adjustment is unchanged from our previous valuation.

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 longer 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
Jun-24 Valuation	$m	$m	$m	$m	$m	$m
Estimated Liability at Jun-24	61.3	118.9	33.2	9.5	4.1	227.1
Estimated Liability at Dec-24	63.6	125.2	35.0	9.8	4.3	237.9
Dec-24 Valuation						
Movement in liability due to claims performance	1.8	15.2	11.5	(0.5)	0.4	28.4
Estimated liability at Dec-24 (Jun-24 ecos)	**65.5**	**140.4**	**46.5**	**9.4**	**4.7**	**266.4**
Impact of change in eco assumptions	(0.1)	(1.6)	(0.6)	(0.1)	(0.1)	(2.3)
Estimated liability at Dec-24 (Dec-24 ecos)	**65.4**	**138.8**	**45.9**	**9.3**	**4.6**	**264.0**
AvE Payments	(3.5)	(0.2)	0.0	(0.4)	0.1	(4.0)
Actuarial Release/(Strengthening)	1.7	(15.0)	(11.5)	0.8	(0.4)	(24.5)

1 Rest includes: Travel, Investigation, Other

There is an overall actuarial strengthening of $24.5m for Hearing Loss claims (this increases to $29.2m after including expenses, as shown in Section 10.3). This is comprised of an increase of $28.4m in the liability estimate and $4.0m of lower than expected payments over the past six months. The key components of the actuarial strengthening are:

- An actuarial strengthening of $15.0m relating to Medical costs and $11.5m relating to Allied Health services, reflecting the ongoing high costs for hearing aids and related Allied Health services.
- Small movements on the other groups.
- Movements due to economic assumptions result in a $2.3m decrease in the liability.

Table 7.2 below shows the actuarial strengthening 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	-0.2	-9.3	0.0	-0.1	-9.6
Jun-16	0.0	-1.1	0.0	0.0	-1.1
Jun-17	0.2	-1.0	0.0	0.0	-0.8
Jun-18	0.1	-1.3	0.0	0.0	-1.2
Jun-19	-0.1	-2.0	0.0	0.0	-2.1
Jun-20	-0.1	-1.9	0.1	0.0	-2.0
Jun-21	-0.1	-2.2	0.0	0.0	-2.4
Jun-22	-0.1	-2.1	0.1	0.0	-2.2
Jun-23	0.1	-2.4	0.3	0.0	-2.1
Jun-24	1.0	-2.6	0.2	-0.1	-1.4
Dec-24	0.8	-0.5	0.2	0.0	0.4
Total	1.7	-26.5	0.8	-0.4	-24.5

Strengthening occurs across most accident years, with 40% related to accident years prior to Jun-15.

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

7.3 Lump sums

Payment experience

Table 7.3 summarises the payments in the six months to 31 December 2024 with the expected payments from our June 2024 valuation projection. Payments were 32% lower than expected in the last six months due to fewer lump sum payments.

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

Accident Period	Payments in Six Months to Dec 24			
	Actual	Expected	Act - Exp	% Difference
	$m	$m	$m	
To 30 Jun 05	0.3	0.4	(0.1)	-22%
2005/06 - 2014/15	0.9	1.3	(0.4)	-28%
2015/16 - 2021/22	1.7	3.4	(1.7)	-50%
2022/23 - 2023/24	4.3	5.7	(1.3)	-24%
2024/25[1]	0.0	0.0	0.0	n/a
Total	7.3	10.7	(3.5)	-32%

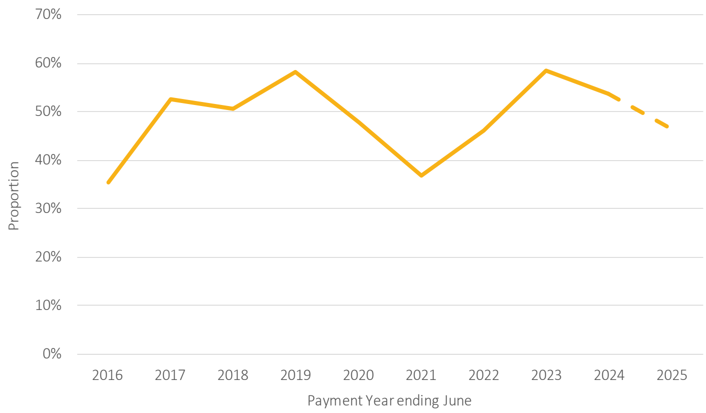
[1] Accidents to Dec24

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.

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



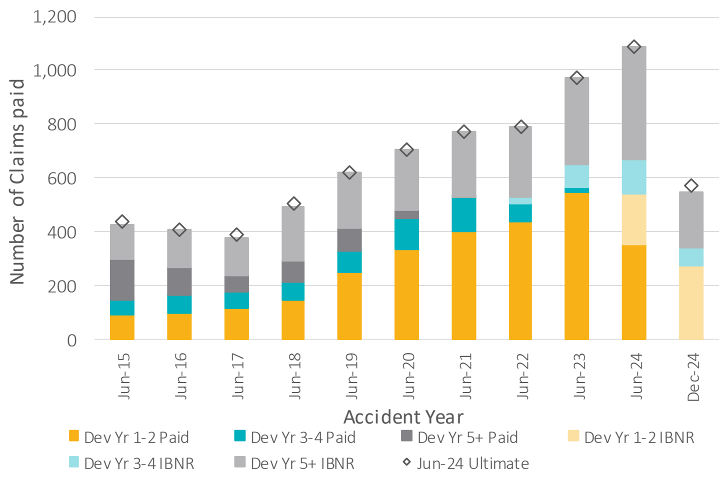
The key features we note are:

- The proportion of Hearing Loss claims receiving a lump sum was around 50% up to 2019.
- 2020 and 2021 dropped below 50%, with 2020 partially impacted by COVID-19 and 2021 heavily impacted by COVID-19 restrictions that limited the ability to get assessments. Operational changes by ReturnToWorkSA 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 50%, however it is expected to develop higher.

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. This is unchanged from the previous valuation basis.

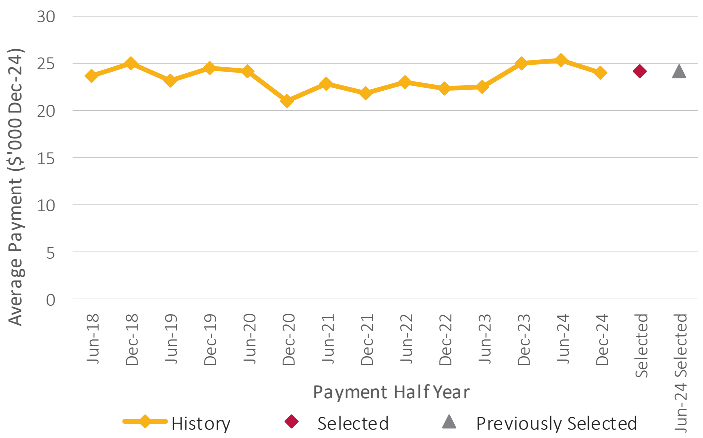
Figure 7.2 shows the projected numbers of Hearing Loss lump sums by accident year. The tail of Hearing Loss IBNR claims is long, with claims still emerging many years after the end of exposure. The expected number of lump sum payments for the 2025 year has reduced in line with lower claim reports.

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 unchanged from the previous valuation. This is in line with the recent experience, where the average size has reduced due to WPI scores moderating following a 1% increase in the Dec-23 half-year. We understand that this is a direct result of recent management actions to address the creeping WPI scores from 'judgmental allowances' made by assessors.

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 31 December 2024 with the expected payments from our June 2024 valuation projection; Payments were 34% lower than expected.

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

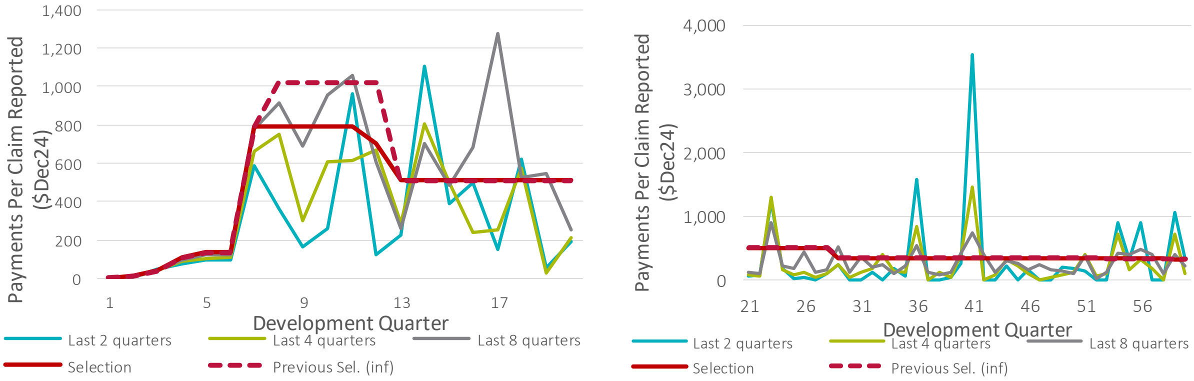
Accident Period	Payments in Six Months to Dec 24 Actual	Expected	Act - Exp	% Act - Exp
	$m	$m	$m	
To 30 Jun 05	0.0	0.1	(0.0)	-31%
2005/06 - 2014/15	0.2	0.2	(0.0)	-4%
2015/16 - 2021/22	0.3	0.4	(0.1)	-34%
2022/23 - 2023/24	0.3	0.5	(0.2)	-43%
2024/25[1]	0.0	0.0	(0.0)	-61%
Total	0.7	1.1	(0.4)	-34%

[1] Accidents to Dec24

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



Our selected basis is reduced from the previous valuation.

7.5 Medical and other entitlements

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

Payments vs expectations

Table 7.5 summarises the payments in the six months to 31 December 2024 with the expected payments from our June 2024 valuation projection.

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

Accident	Medical Report Payments in Six Months to Jun 24				Medical Aid and Appliances Payments in Six Months to Jun 24				Other Payments in Six Months to Jun 24			
Period	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	1%	0.8	0.6	0.1	23%	0.3	0.3	0.0	19%
2005/06 - 2014/15	0.2	0.2	0.0	23%	1.1	1.1	0.0	3%	0.4	0.4	0.0	5%
2015/16 - 2021/22	0.3	0.4	(0.0)	-12%	1.3	1.2	0.1	9%	0.6	0.5	0.1	31%
2022/23 - 2023/24	1.2	1.0	0.1	12%	1.6	1.7	(0.2)	-9%	0.8	0.8	(0.0)	-3%
2024/25[1]	0.2	0.2	(0.0)	-19%	0.1	0.2	(0.1)	-53%	0.1	0.1	(0.1)	-45%
Total	2.0	1.9	0.1	4%	4.8	4.8	0.0	0%	2.2	2.1	0.1	6%

Overall, payments were marginally higher than expectation, with:

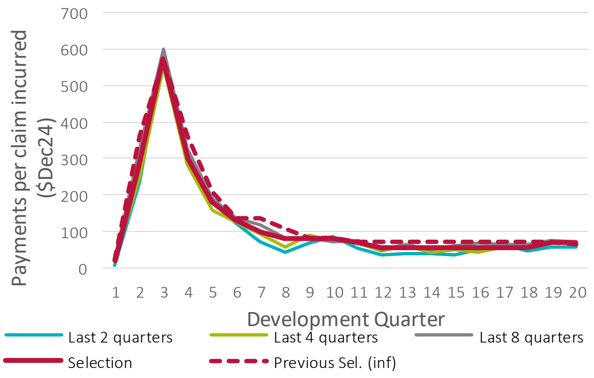
- Medical reports $0.1m (4%) higher than expected
- Medical Aids and Appliances payments and Other payments were in line with expectation, although lower for more recent accident periods and higher for older accident periods.

Valuation basis

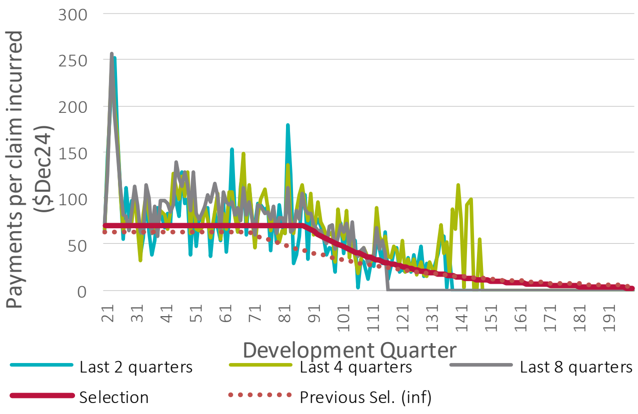
Figure 7.5 below shows the recent experience and selected basis for medical payments across the various components that are separately modelled.

Figure 7.5 – Medical experience and selections

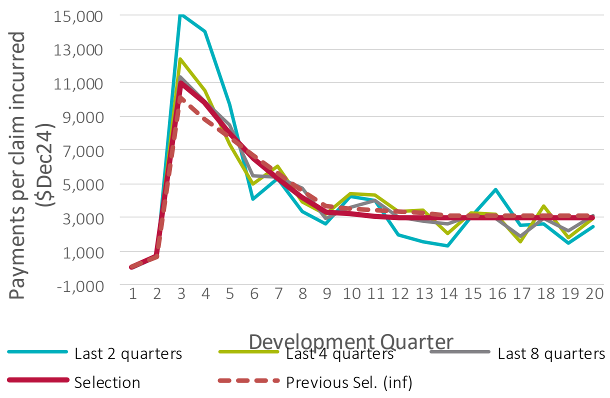
PPCI – Medical Aids and Appliances



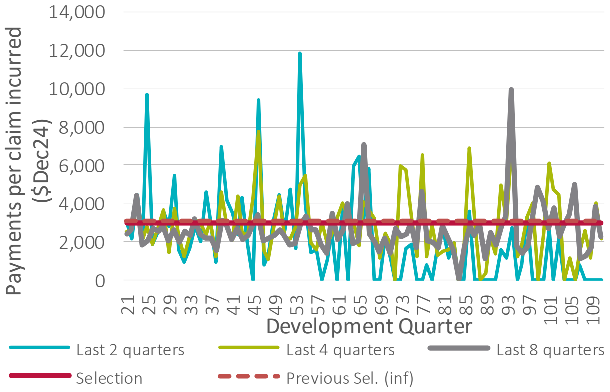
Tail PPCI – Medical Aids and Appliances



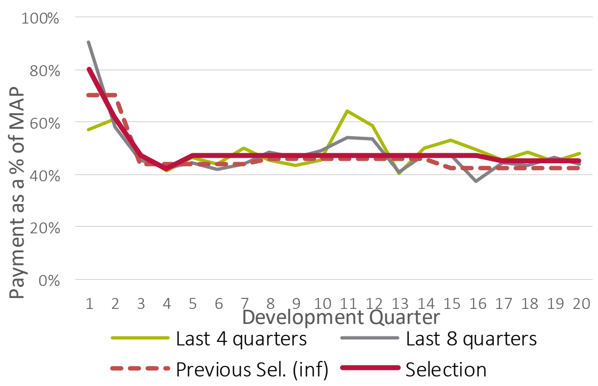
PPCR – Medical Reports



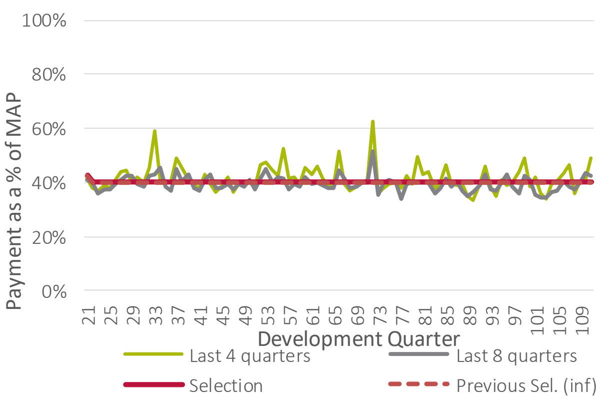
Tail PPCR – Medical Reports



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
    - Payments in the first two years from injury are lower in line with the last four average; it appears that it is taking slightly longer now for initial device costs to emerge.
    - Payments beyond five years from injury have increased materially at this review. We have assumed higher aid replacement across all future periods in line with 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 realigned to the 'last 4' quarters, higher in earlier periods and lower for mid-late durations.
- 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 is more pressure on the cost of allied health relative to aids, possibly reflecting increased 'fitting fees' relative to device purchasing. This selection is increased at this review.
  - 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.

At the current valuation we have revised our approach to valuing Other Serious Injury claims, moving to an approach that is more reliant on aggregate experience, particularly in regard to average payment amounts.

Our assumptions have been set as described in Appendix A and summarised in the following table.

Table 8.1 – Approach to setting valuation assumptions for Serious Injury claims[1]

	Severe Traumatic Injuries	Other Serious Injury
Life expectancy	Mortality improvement of 0.5% p.a. (unchanged from previous valuation). 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).	Mortality improvement of 0.5% p.a. (unchanged from previous valuation).

<table>
<tr><th></th><th>Severe Traumatic Injuries</th><th>Other Serious Injury</th></tr>
<tr><td>Income Support</td><td>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.

Payment amount: Based on individual claim historical experience and estimates provided by ReturnToWorkSA.</td><td>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).

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).</td></tr>
<tr><td>Treatment Related Costs and Other[2]</td><td>Duration: Paid for life, and consistent with Income Support projections, we do not make any allowance for redemptions unless advised by ReturnToWorkSA.

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.

Allowance for IBNER on Other and Medical costs above identified costs.</td><td>Duration: Paid for life, with an allowance for medical redemptions which finalises entitlement to medical benefits (see Appendix A.12 for more details).

Average amount: Selected based on payment per active claim curves</td></tr>
<tr><td>Non-economic loss</td><td colspan="2">Claim numbers: Assumed to be paid to all claimants with a physical injury.

Average size: Based on a combination of the historical WPI distribution and payment schedule for non-economic loss payments, and historical experience.</td></tr>
<tr><td>s56A and Income Support redemptions</td><td colspan="2">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).

Average size: Based on a combination of the historical WPI distribution and payment schedule for s56A payments, and historical experience.</td></tr>
<tr><td>Medical redemptions</td><td colspan="2">Claim numbers: Assumed proportion of s56A/Income Support redemptions, based on historical experience

Average size: Average medical redemption amount, based on historical experience.</td></tr>
<tr><td>Legal and Investigation</td><td>Legal costs are modelled as a percentage of IS costs, net of payments to date.

An average ultimate investigation cost per claim is adopted, net of payments to date.</td><td>Modelled as payment per claim incurred.</td></tr>
<tr><td>Recoveries</td><td>Projected for claims identified by ReturnToWorkSA as having recovery potential.</td><td>Applied a recovery as a proportion of gross payments for future periods.</td></tr>
<tr><td>Common Law</td><td colspan="2">Not available to pre-1 July 2015 claims, and included in the cost of statutory entitlements for post-1 July 2015 claims.</td></tr>
</table>

	Severe Traumatic Injuries	Other Serious Injury
Future cost escalation	WCI: Income Support. AWE: Recoveries, Treatment and Other, Legal and Investigation. Superimposed: 2% p.a. on Treatment, 1.5% on Other. Care inflation: 5.7% p.a. overall inflation in FY26 (noting that FY25 rates have already been published), progressively reducing to around 4.2% p.a. overall inflation by FY56. Needs Utilisation: 75% loading applied at age 65 on Treatment and Other, capped at 30 hours of care per day.	WCI: Income Support. AWE: Recoveries, Treatment and Other, Legal and Investigation. Superimposed: 2% p.a. on Treatment, 1.5% on Other. Care inflation: as for Severe Traumatic Injuries.
IBNR Assumptions	IBNR claims for the latest five accident years only. Claim size based on historical experience of current claims.	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.
Reform Transition Provisions	Transition provisions outline when the new thresholds and rules will be applicable to new cohorts of claimants. We have considered this as part of our allowances.	

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

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

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

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

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

8.3 Overall results

Table 8.2 shows the central estimate of Serious Injury claims costs at 31 December 2024 and movement in our liability estimates since the June 2024 valuation.

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

	Income Support	Hospital	Medical	Travel	Rehab-ilitation	Allied Health	Investi-gation	Other	Care	Legal - Non-Contract	Lump sums	Redemp-tions	Legal Contract	Recov-eries	Total
	$m	$m	$m	$m	$m	$m	$m	$m		$m	$m	$m	$m	$m	$m
Jun-24 Valuation															
Estimated Liab at Jun-24	726	115	394	57	17	247	1	53	411	25	197	5	14	-22	2,239
Projected Liab at Dec-24	756	121	417	60	18	262	1	56	423	25	205	4	14	-23	2,338
Dec24 Valuation															
Movement in liability due to claims performance	-16	-1	-27	-3	-2	-6	0	-3	6	8	-24	3	-4	-3	-74
Estimated Liab at Dec24 (Jun24 ecos)	**739**	**121**	**389**	**56**	**16**	**255**	**0**	**53**	**429**	**33**	**181**	**7**	**10**	**-27**	**2,263**
Impact of change in ecos	-9	-3	-9	-1	0	-6	0	-1		0	0	0	0	0	-36
Estimated Liab at Dec24 (Dec24 ecos)	**730**	**118**	**380**	**55**	**15**	**250**	**0**	**52**	**422**	**33**	**181**	**7**	**10**	**-26**	**2,227**
AvE Payments - six months to Dec-24	-2	0	0	0	0	1	0	0	0	-1	-9	3	-1	-4	-12
Actuarial Release at Dec-24[1]	18	1	27	4	2	6	0	3	-6	-7	33	-6	5	7	86

[1]Excluding CHE

The outstanding claims cost for Serious Injury claims (excluding CHE) is $2,227m at 31 December 2024. The main movements from our June 2024 projection of the December 2024 liability are:

- Claims experience and basis changes decreased the liability by $74m (excluding CHE), as a result of:
  - > A $122m net reduction as a result of claim number changes (see Section 5.2)
  - > A $46m increase in the assumed average size of Other Serious Injury claims partly offsets the above increase, as the remaining ongoing claims are anticipated to have higher sizes than the previous average.
  - > A $20m reduction from lengthening the assumed payment pattern for Lump Sums – the costs themselves are essentially unchanged, so this 'saving' is just the result of a higher level of discounting.
  - > An increase in the expected future Care costs of $17m for Other Serious Injury claims in the 2021 accident year, reflecting one very high needs claim.
  - > A $4m increase in Severe Traumatic Injuries, due to changes in our assumed average cost of Medical and Treatment benefits.
  - > Payments were $12m lower than expected in the six months. The biggest driver of this was lump sum payments, which is largely a timing difference. The Lump Sum payment pattern has been aligned to actual experience (discussed above).

  NB: the above movements exclude CHE, while the figures in Sections 1.6.3 and 10.3 include CHE.
- Payments were $12m lower than expected in the six months. The biggest driver of this was lump sum payments, which is largely a timing difference. The Lump Sum payment pattern has been aligned to actual experience (discussed above).
- Updating economic assumptions at the current valuation resulted in a reduction of $36m.

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[2]	Release as %
	$m	
To 30 Jun 15	11	2%
2015/16 - 2019/20	30	4%
2020/21 - 2021/22	9	3%
2022/23 - 2024/25	36	6%
Total	86	4%

[2] 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, driven by reductions in claim numbers.

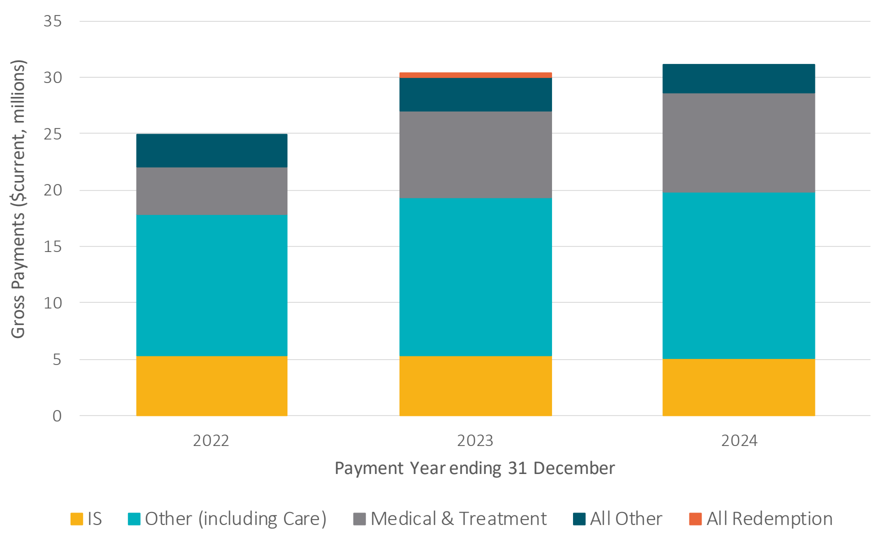
The remainder of this section deals with the payment experience and valuation basis.

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 ($Dec24)



$86m has been paid to Severe Traumatic Injury claims in the last three years. After allowing for recoveries of $3m over this same period, this equates to an average of around $28m p.a. in net claim payments (in 31 December 2024 values), comprising around:

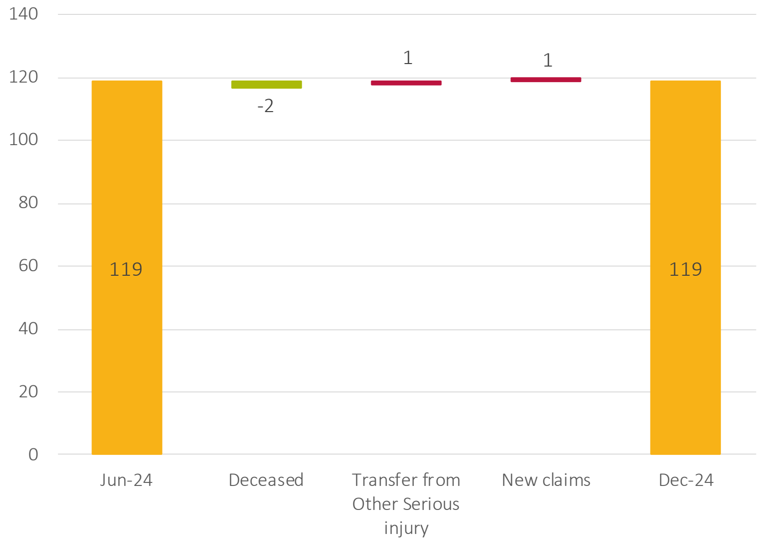
- $14m p.a. in care and other costs.
- $7m p.a. in medical, treatment and related benefits.
- $5m p.a. in income support.
- $2m p.a. in lump sums.
- Small amounts of legal, investigation and redemption payments ($0.4m p.a.).
- $1m p.a. in recoveries.

The last 24 months have seen an increase in the overall level of payments, with the strongest increases from care and hospital costs.

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

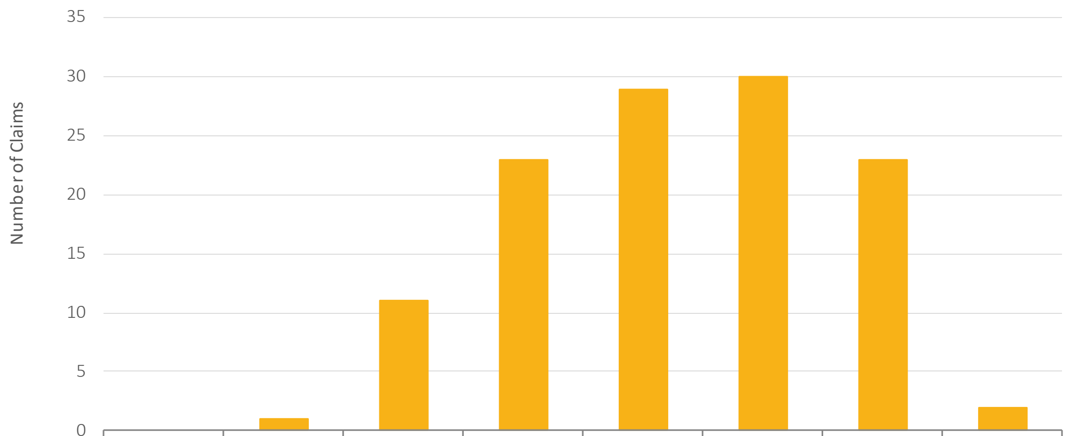


There are 119 active Severe Traumatic Injury claims with expected ongoing benefits at December 2024, the same as at the previous valuation. There have been offsetting movements causing the number of claims with ongoing benefits to remain unchanged:

- There have been two deaths in the six months to 31 December 2024
- This is offset by one new claim from the latest accident year and one transfer from Other Serious Injury claims.

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



	<20	20s	30s	40s	50s	60s	70s	Older
Number of Claims	0	1	11	23	29	30	23	2
Loaded Life Expectancy	0	58	34	35	22	18	12	6

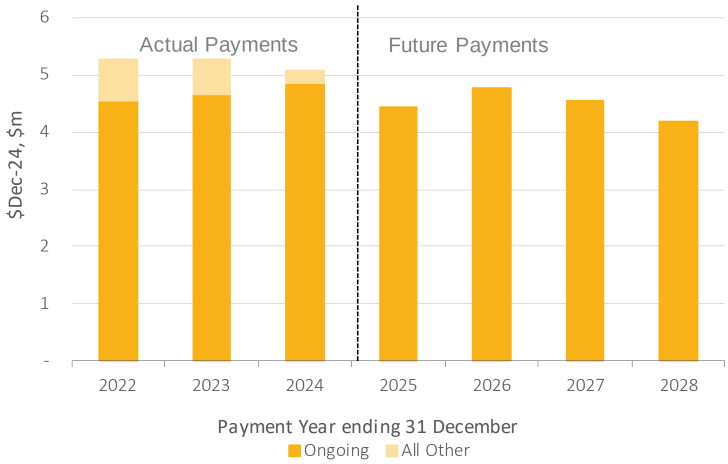
Severe Traumatic Injury claimants are currently aged around 59 on average, with an expected future life expectancy of about 25 years (after allowing for mortality, mortality improvements and mortality loadings). The average age at injury was about 41 years.

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 ($Dec24)

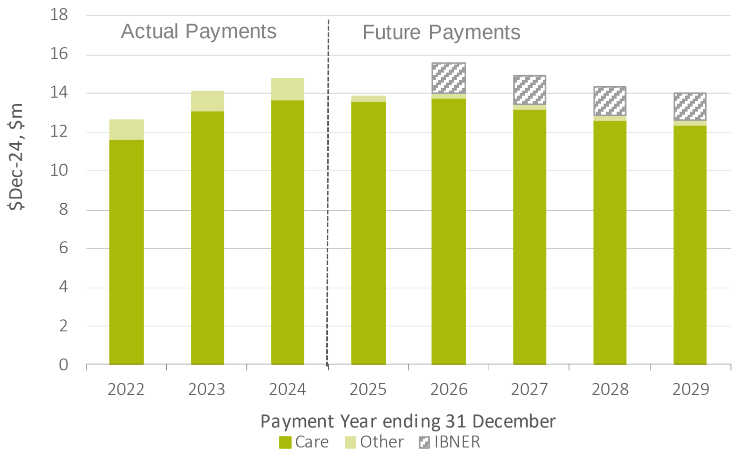


We estimate around $4.4m will be paid in Income Support to Severe Traumatic Injury claims in 2025 – lower than 2024 actual payments, driven by the death of two workers as well as a few claims whose income support benefits have recently retired or are expected to retire within the next six months. Projected 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 2025 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). As indicated by the strong growth in recent years, there has been pressure on care costs (which is partially attributable to the NDIS), and 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 ($Dec24)

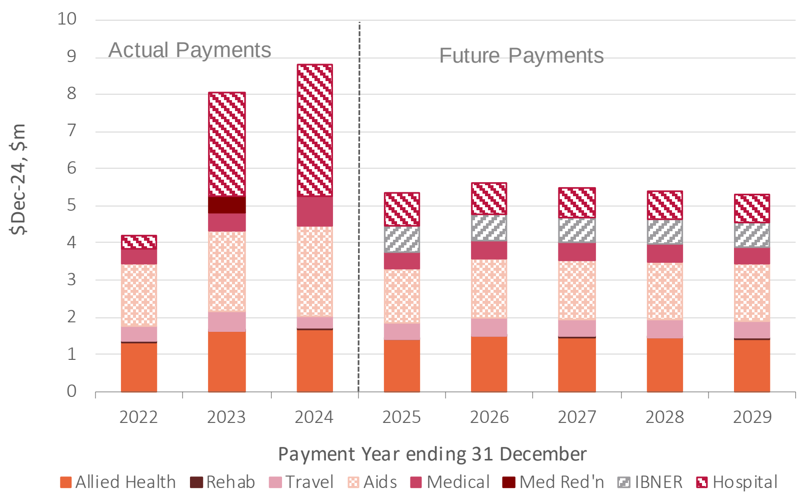


We expect around $14m of care and other payments in 2025, which is marginally lower than 2024 actual payments. Projected payments then increase in FY26, due to our IBNER allowance which is intended to capture an annualised contribution for other benefits (primarily modifications and transfers from initial 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 22 years of the expected 2025 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 ($Dec24)



Hospital payments were high in 2023 and 2024, due to high costs on a small number of relatively new claims that are still in the early stages of recovery; once injuries stabilise for these claims we expect hospital costs to reduce.

We expect future treatment and related payments of $5.4m in 2025, lower than the average over the last three years. Excluding hospital costs, we expect future treatment and related payments of $4.5m, in line with the average over the last three years.

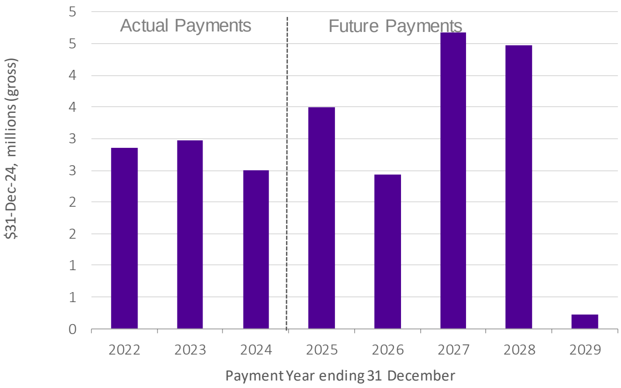
The outstanding claims projection is equivalent to 28 years of the expected 2025 payments, including the IBNER allowances.

8.4.6 All other payments

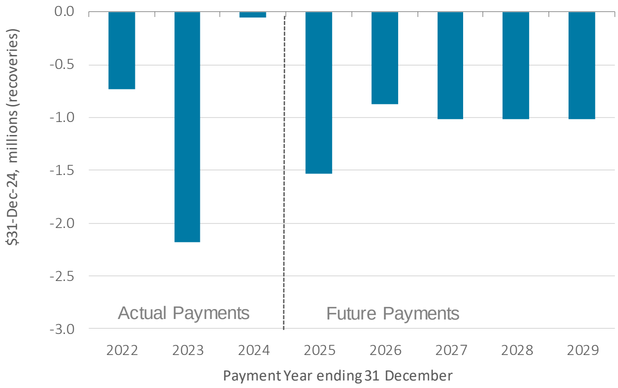
The following graph shows historical and projected other benefits for Severe Traumatic Injury claims – this includes one-off payments such as permanent impairment lump sums and recoveries, and smaller payments such as legal and investigation costs.

Figure 8.7 – All other payments: Severe Traumatic Injury claims ($Dec24)

Gross Costs



Recoveries



In the three years to 31 December 2024, a net $5.4m of other benefits was paid for Severe Traumatic Injury claims. Our future projections for claims occurring prior to 31 December 2024 include (in current dollars):

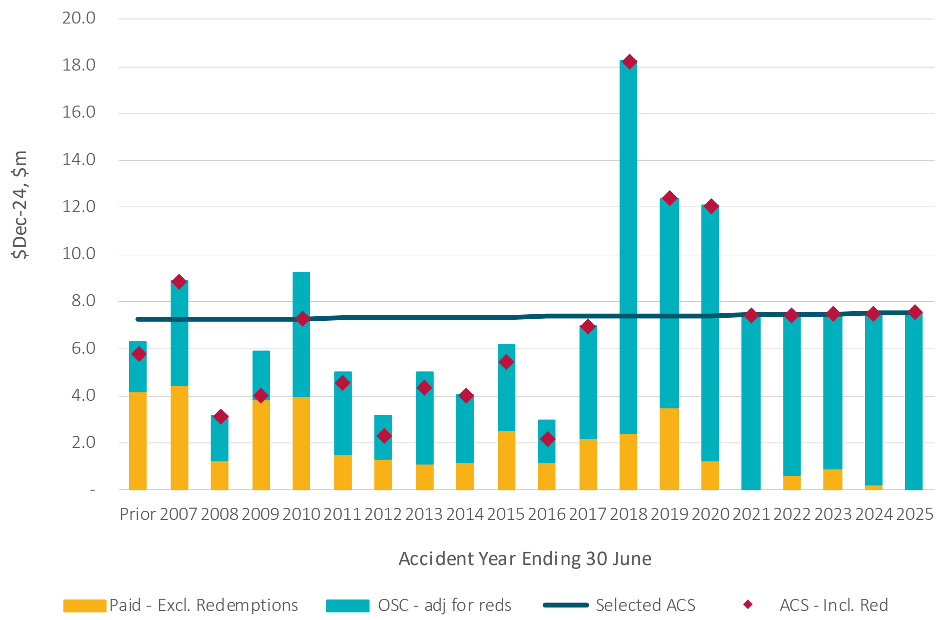
- Lump sum benefits of $13.0m paid to claims who have not yet had a lump sum. We have not allowed for any future s56A lump sums and medical redemptions in the EnABLE cohort.
- Legal and investigation costs of $4.0m.
- Recoveries of $5.4m, $2.4m of which is for those claims where ReturnToWorkSA has identified 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 2025 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 ($Dec24)



The average claim size across current Severe Traumatic Injury claims is around $5.8m 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 $6.6m. As shown, we project that the average size for the 2018, 2019 and 2020 accident years will ultimately be higher than this, reflecting four (very) high needs claims.

For recent years, where injuries are yet to stabilise, we project an average size of $7.5m, which is higher than the average over all Severe Traumatic Injury claims. This is because recent accident years have had lower claim numbers than the longer-term history, and this seems to be leading to a more complex profile for claims being managed by EnABLE. The table below demonstrates this impact, by comparing the average size of claims depending on whether there were more or fewer than five claims in the year.

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

Claims in Accident Year	Claim Count	ACS
		$m
5 or Fewer	76	7.3
More than 5	69	5.7
Total	145	6.5

*Excludes redeemed claims

Our selected average size of $7.5m 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.

8.5 Other Serious Injury claims

8.5.1 2022 reforms

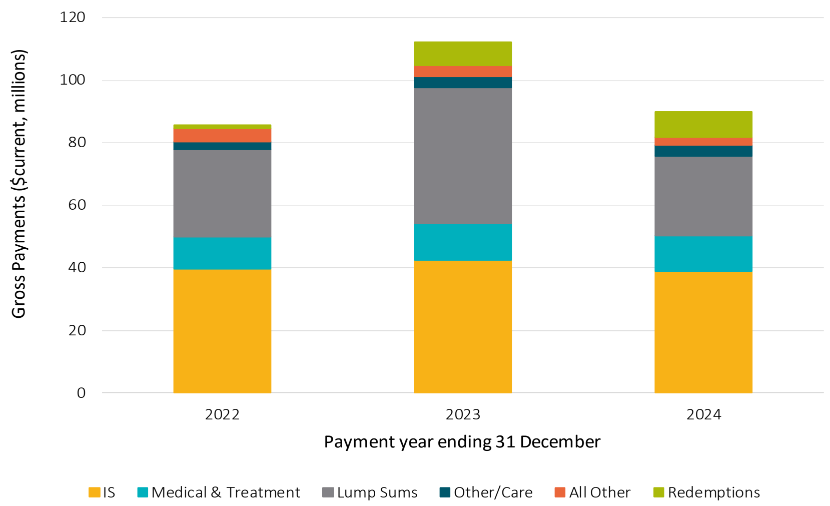
The *Return to Work (Scheme Sustainability) Amendment Act 2022* had the following impacts on the Serious Injury valuation:

- 'Combining injuries' was codified. In practice, the combining of injuries for WPI assessments has been operational since November 2021; the experience to date is summarised in Section 5.2
- 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 ($Dec24)



Around $288m has been paid to Other Serious Injury claims in the last three years. After allowing for recoveries of $20m over this same period, this equates to an average of around $89m p.a. in net claim payments (in 31 December 2024 values), comprising:

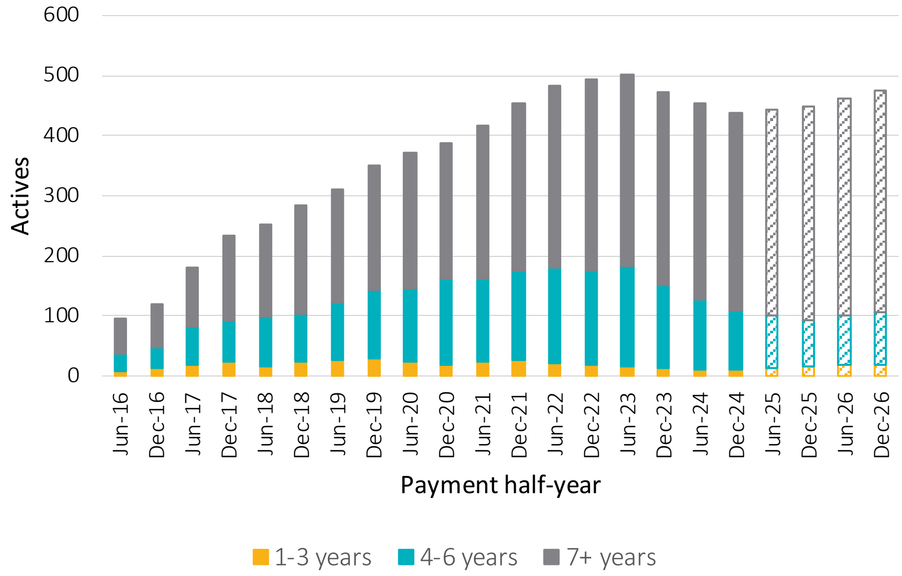
- $40m p.a. in Income Support
- $11m p.a. in medical, treatment and related benefits.
- $32m p.a. in lump sums
- Small amounts of other benefits ($7m) and redemptions ($6m).
- $7m p.a. in recoveries.

8.5.3 Income support

Active claims

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

Figure 8.10 – IS actives: Other Serious Injury claims



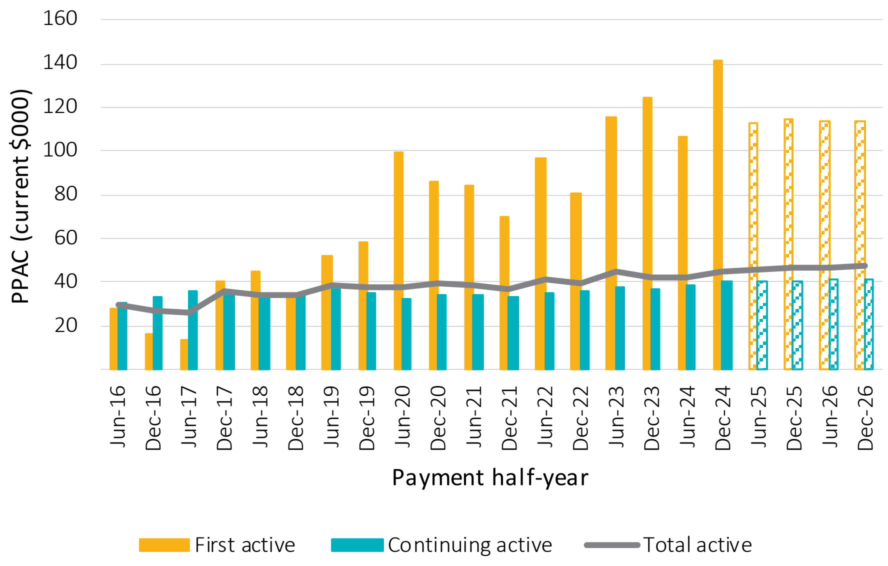
Our comments are as follows:

- Income Support actives increased up until June 2023, reflecting the maturation of the Serious Injury cohort
- Income support actives then decreased up until December 2024. 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 as they became available to all Serious Injury claims on 17 October 2022 (noting s56A elections are limited to Return To Work Act claims)
- We project that Income Support actives will grow more modestly 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 – IS PPAC: Other Serious Injury claims (current dollars)



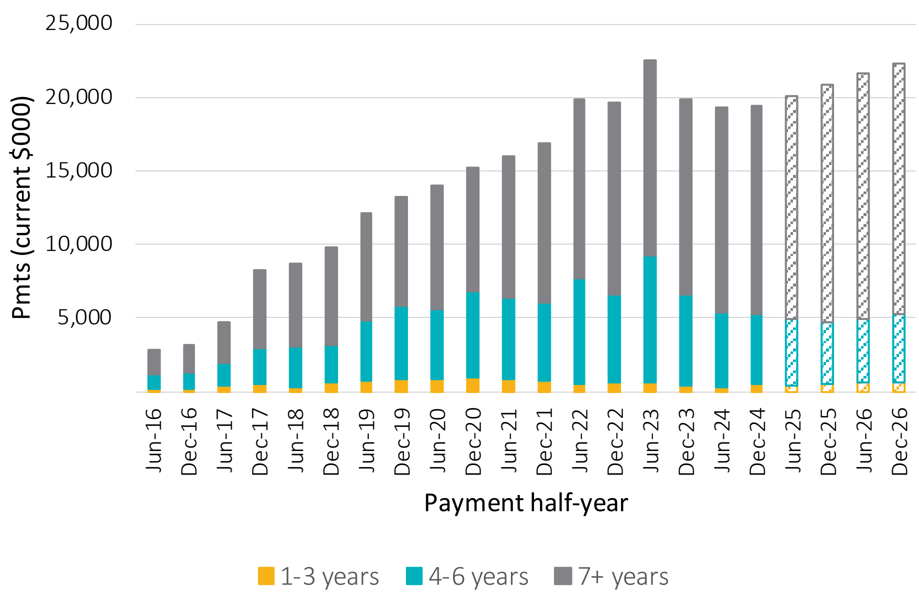
Our comments are as follows:

- Average payment amounts have trended up over the period shown. This is predominantly a result of increased backpay payments associated with claims having their Serious Injury determination a significant period of time after their Short Term Claim Income Support benefits cease.
- Our projected average size continues this upward trend; again, this is predominantly a result of large projected backpays associated with late Serious Injury determinations.

Payments

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

Figure 8.12 – IS payments: Other Serious Injury claims (current dollars)



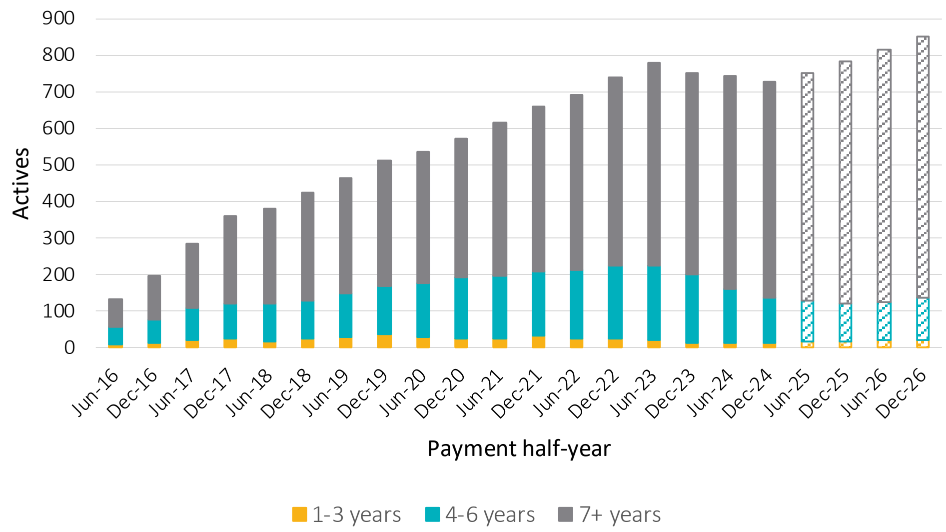
Payments follow a similar trend to Income Support actives.

8.5.4 Treatment and related

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

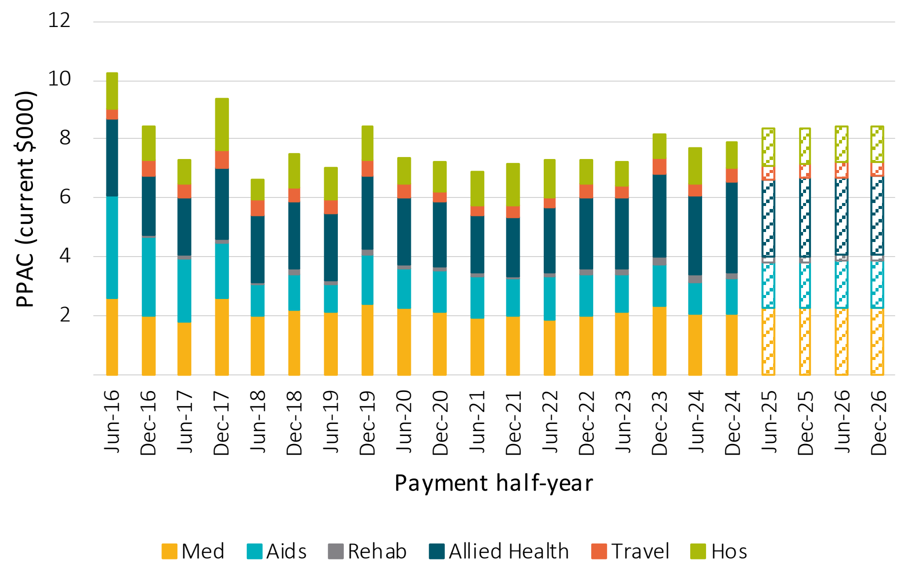


Treatment and related actives follow a similar pattern to Income Support active claims.

Average payment amount

Figure 8.14 shows the historical and project 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 (current dollars)



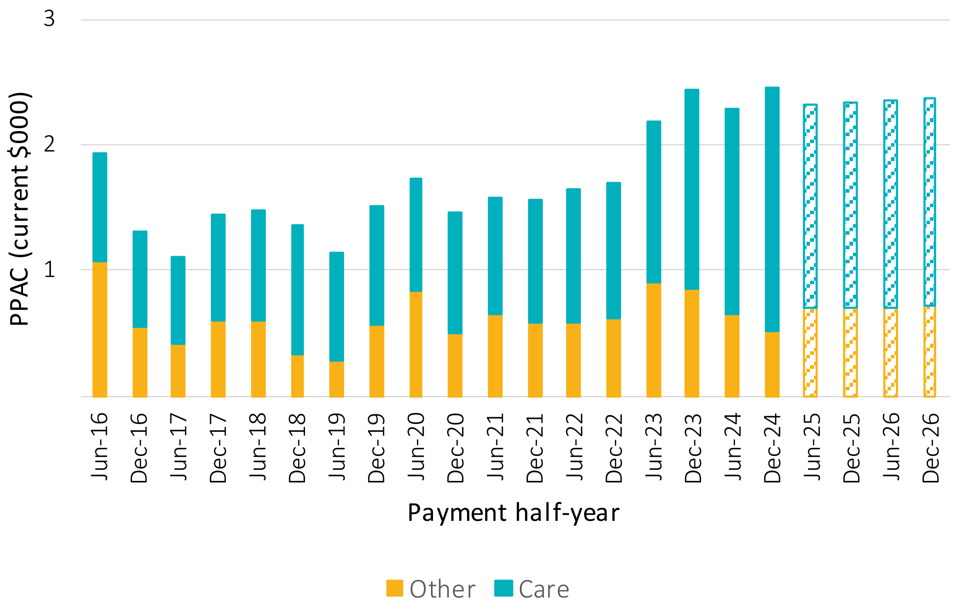
Our comments are as follows:

- After remaining at a stable level of around $7,200 from June 2020 to June 2023, average sizes in the last three half-years have increased to around $8,000. 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) or the reduction in claim numbers being biased towards lower needs claims, resulting in a higher average payment amount for remaining claims.

- Our projected average payment amounts are at a similar level to recent experience, noting that we include an allowance for average sizes to continue to drift upwards as redemption 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 (current dollars)



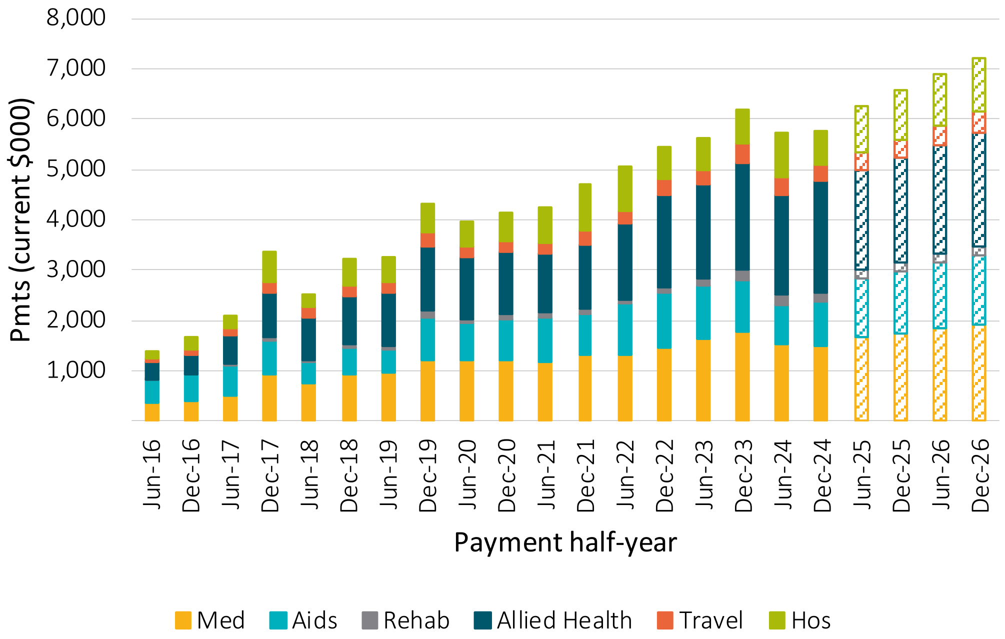
Our comments are as follows:

- Average sizes for Care claims have increased significantly over the past two years, predominantly driven by a single very high care needs claim.
- Our projected average size is at similar levels to recent experience, noting that we explicitly allow for high care costs to continue for the accident half-year containing the very high care needs claim.

Payments

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

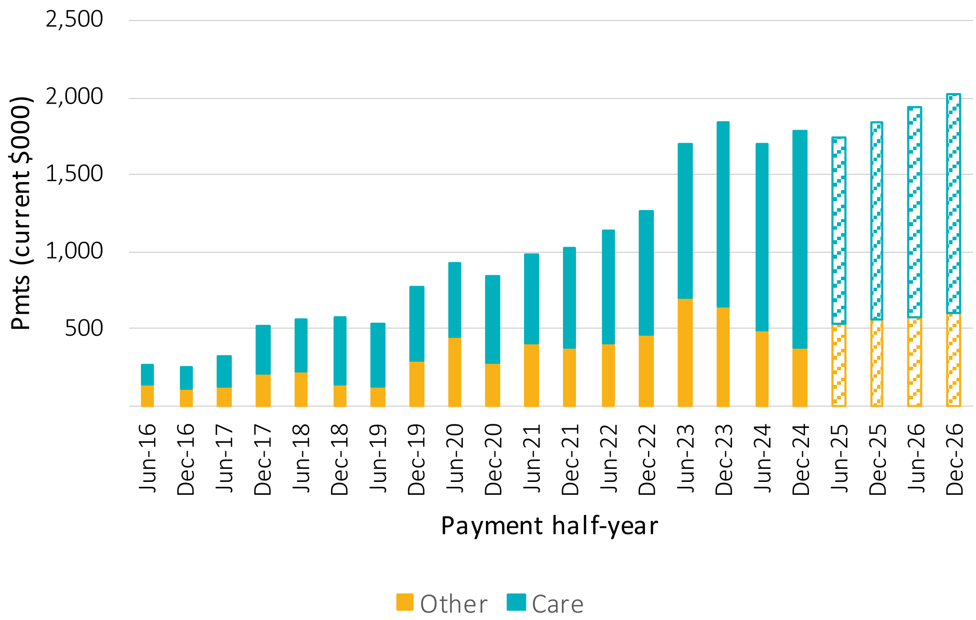
Figure 8.16 – Treatment and related payments (ex. Other and Care): Other Serious Injury claims (current dollars)



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 (current dollars)



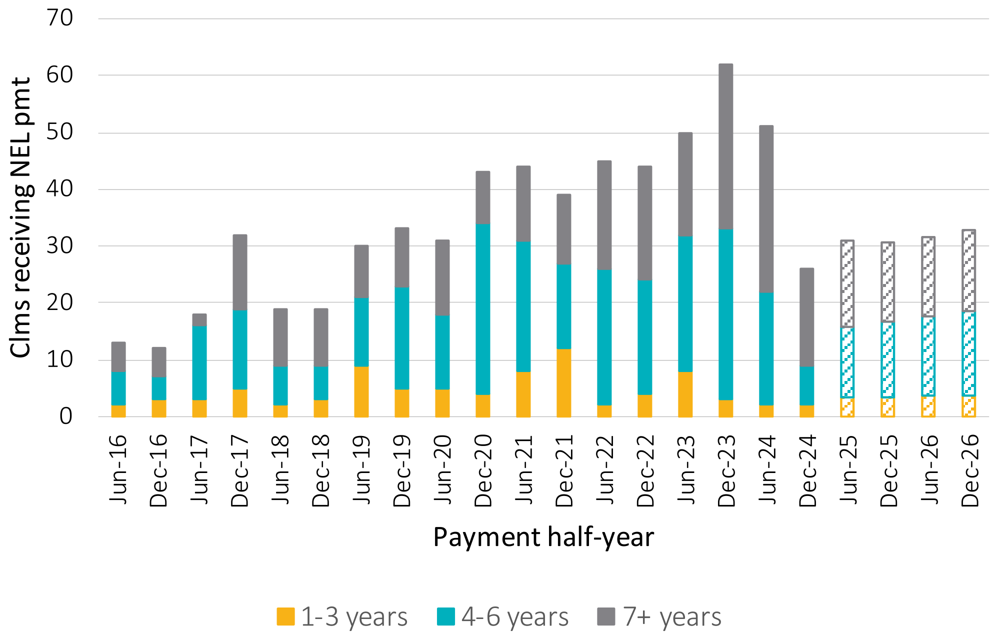
Other and Care payments are projected to be at a similar level to recent experience for June 2025, before growing in line with projected actives.

8.5.5 Non-economic loss

Claim numbers

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

Figure 8.18 – Claims receiving NEL payment: Other Serious Injury claims



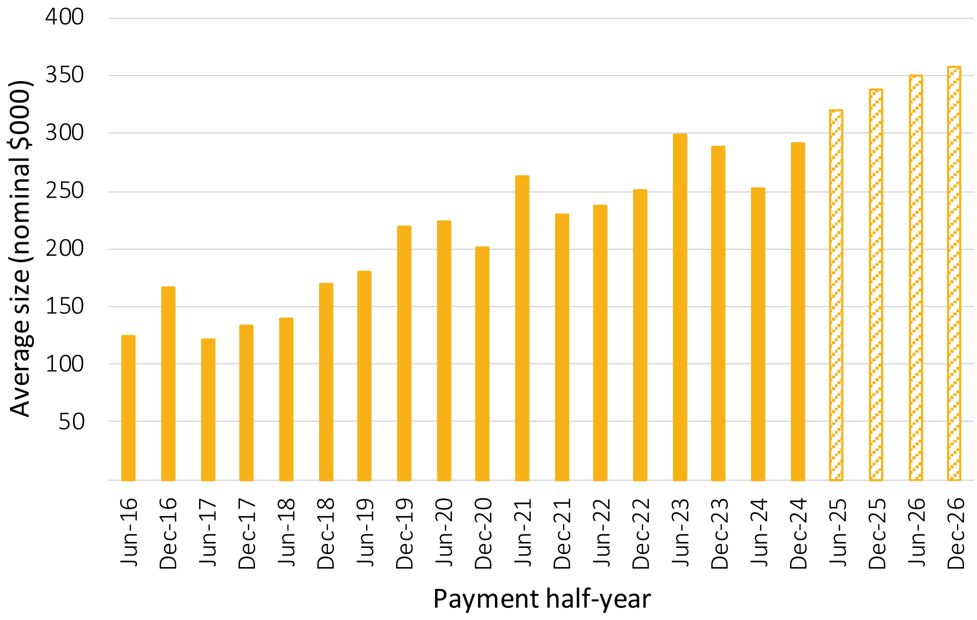
Our comments are as follows:

- 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).
- Our future projected numbers are at a similar level to the December 2024 half-year, again reflecting the reduction in overall 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 – NEL average size: Other Serious Injury claims (nominal dollars)



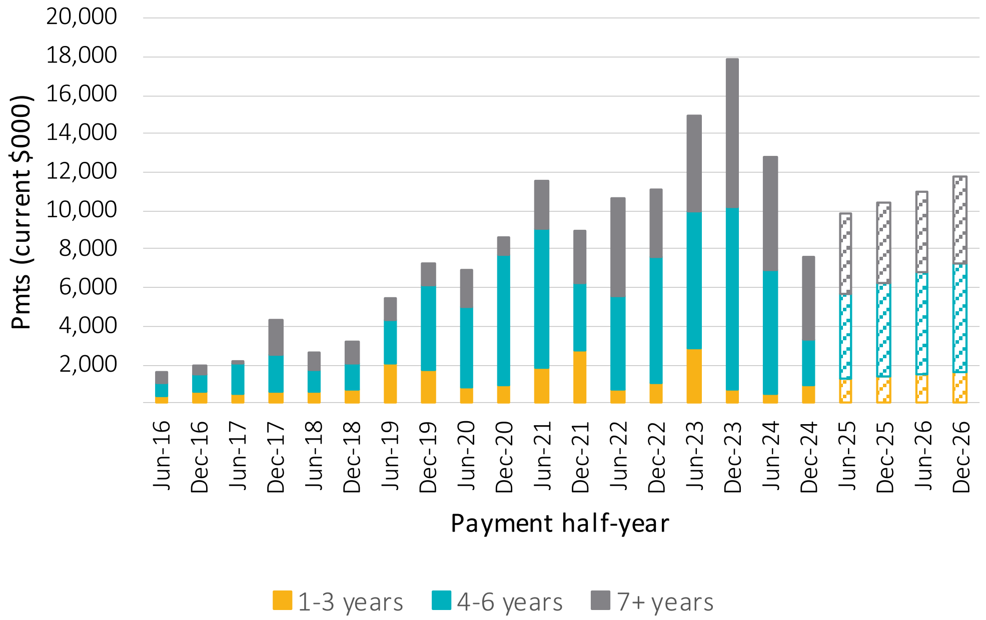
Our comments are as follows:

- 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
  - > A change 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.

Payments

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

Figure 8.20 – NEL payments: Other Serious Injury claims (nominal dollars)



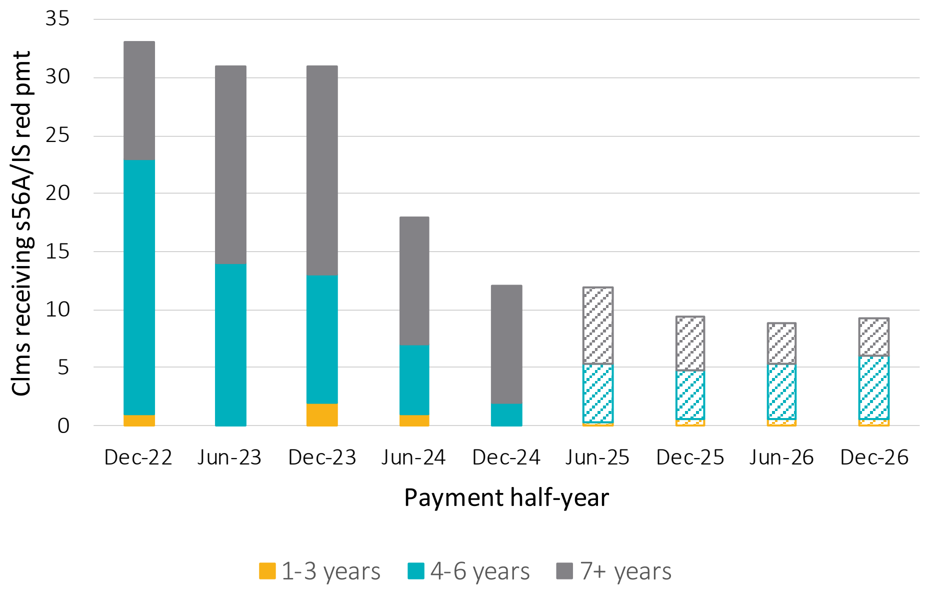
We project between $10m and $12m of payments per half-year over the next two years.

8.5.6 s56A and Income Support redemptions

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 IS 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

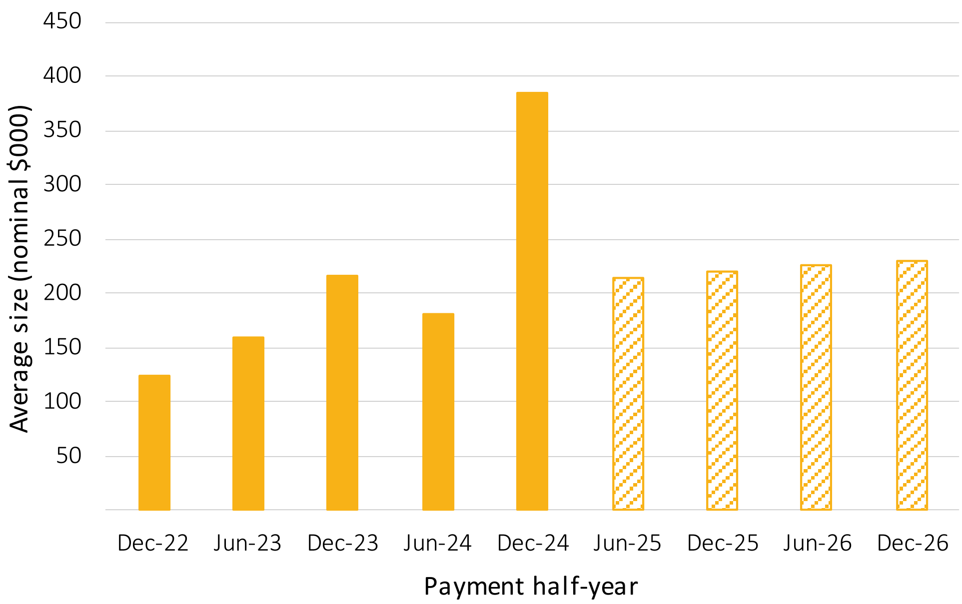
December 2023. We consider this period artificially high, as this benefit became available to all Serious Injury claims on 17 October 2022.

- The number of claims then reduced for both the June 2024 and December 2024 half-years. In contrast with the preceding periods, the majority of s56A or Income Support redemption elections for these periods came from claims with a full determination in the last 12 months. As such, we consider this experience more indicative of future levels.
- Our future projected numbers are at a similar level to the December 2024 half-year.

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 IS redemption average size: Other Serious Injury claims (nominal dollars)



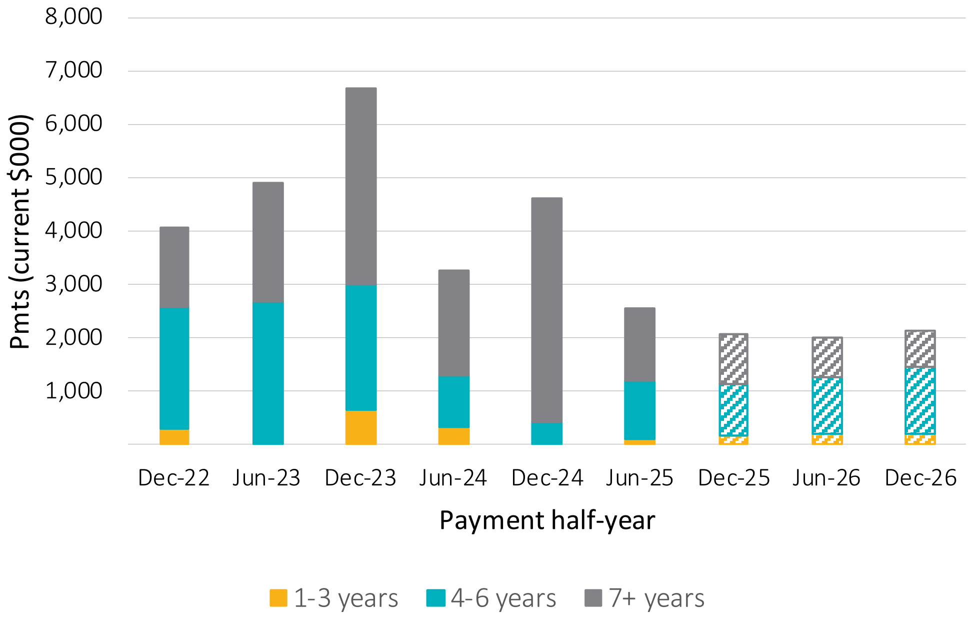
Our comments are as follows:

- Average sizes have been volatile over the period shown, particularly so in the last half-year. The high average size in the last half-year was driven by a small number of high cost redemptions on older accident periods; unlike s56A payments, redemptions are a negotiated amount and so there is no upper cap on redemption average sizes.
- Our projected average size is close to the average of the December 2023 and June 2024 half-years; we have given limited weight to the December 2024 half-year experience as we expect that the majority of future claims who elect to commute their Income Support benefits will do so via s56A rather than a redemption.

Payments

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

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



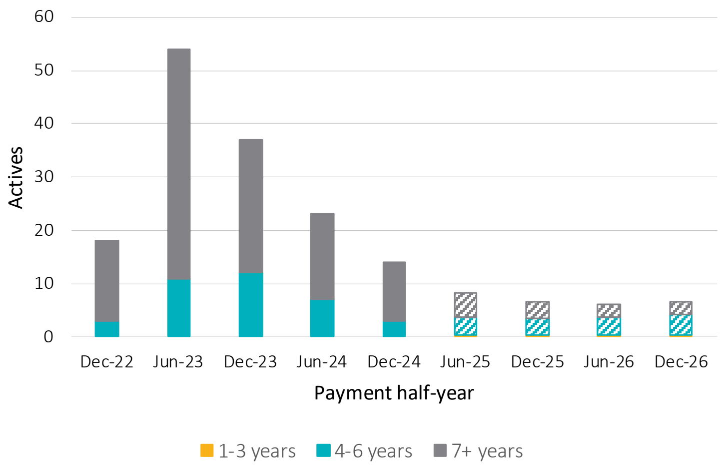
We project between $2m and $2.5m of payments per half-year over the next two years, lower than recent experience driven by the number of claims receiving a s56A or Income Support redemption.

8.5.7 Medical redemptions

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

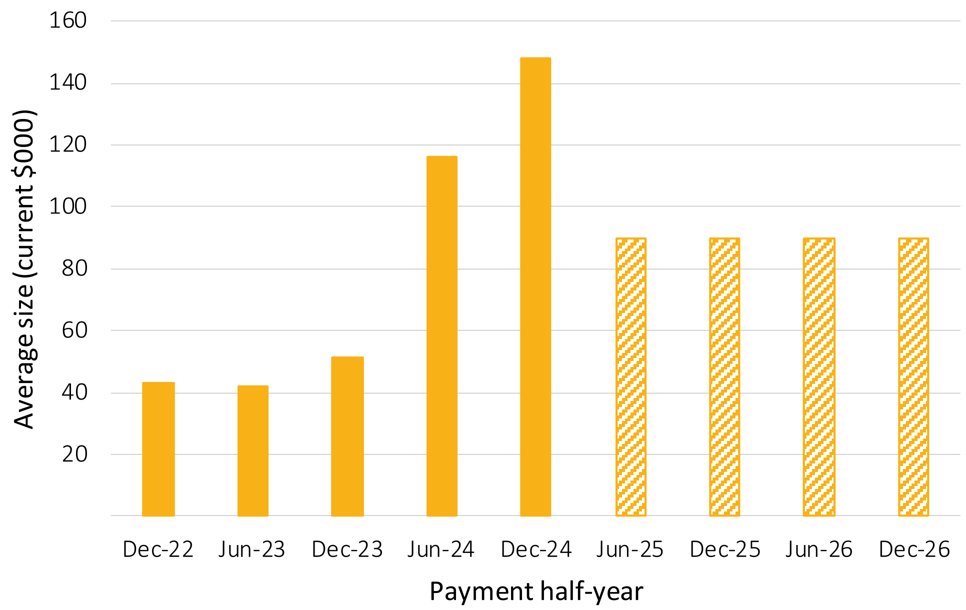


As for s56A and Income Support redemptions, the number of claims receiving a Medical redemption has reduced markedly in the last two half-years. We expect that future Medical redemptions will reduce slightly further from the most recent experience, as Medical redemptions opportunities on the existing 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 (current dollars)



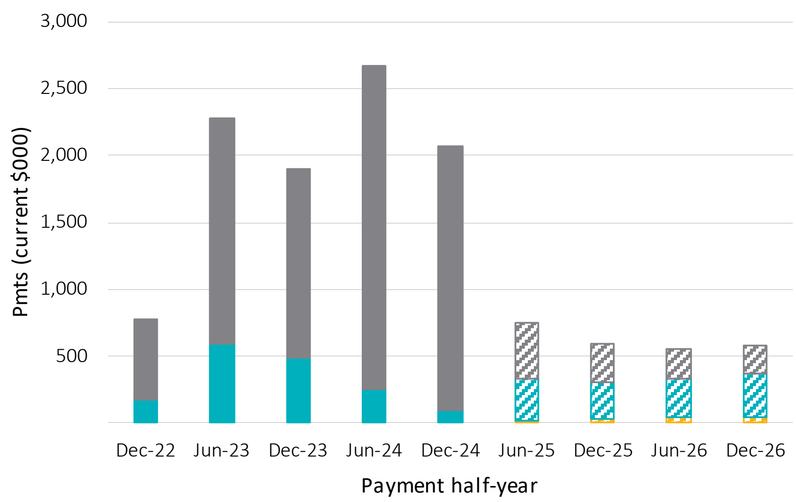
Our comments are as follows:

- Average sizes have been volatile over the period shown
- Our projected average size gives partial weight to the higher experience that has emerged over the last two half-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 (current dollars)

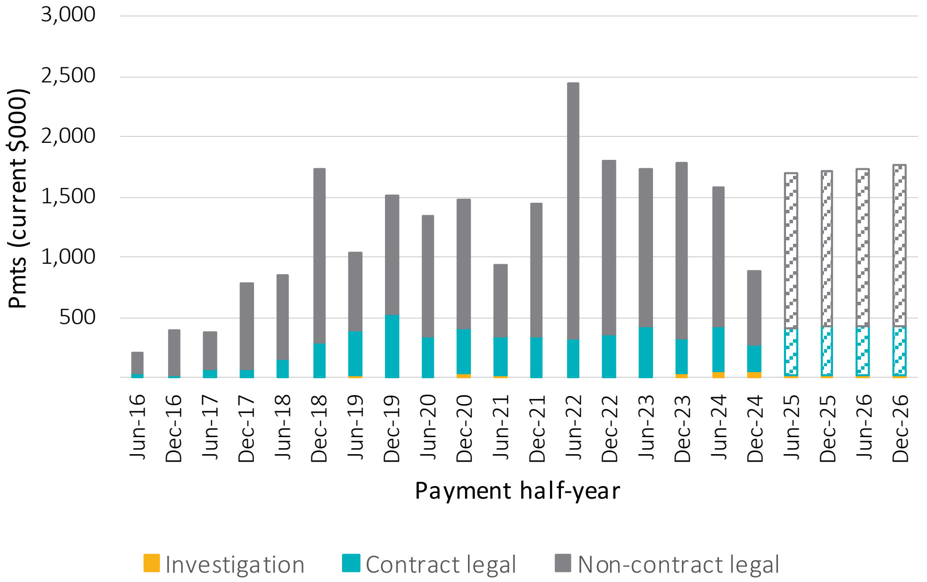


Our projected payments are lower than the recent history due to a combination of lower expected future numbers and only partial credibility given to the most recent average size experience.

8.5.8 Small payment types

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 (current dollars)

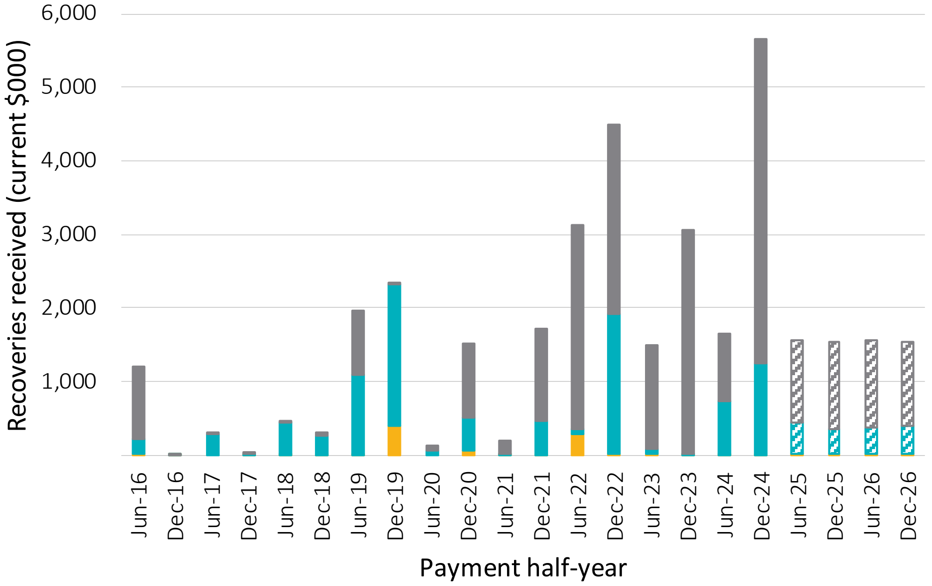


We project between $1.5m and $2.0m of investigation and legal payments over the next four half-years, consistent with recent experience.

8.5.9 Recoveries

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

Figure 8.28 – Recoveries: Other Serious Injury claims (current dollars)

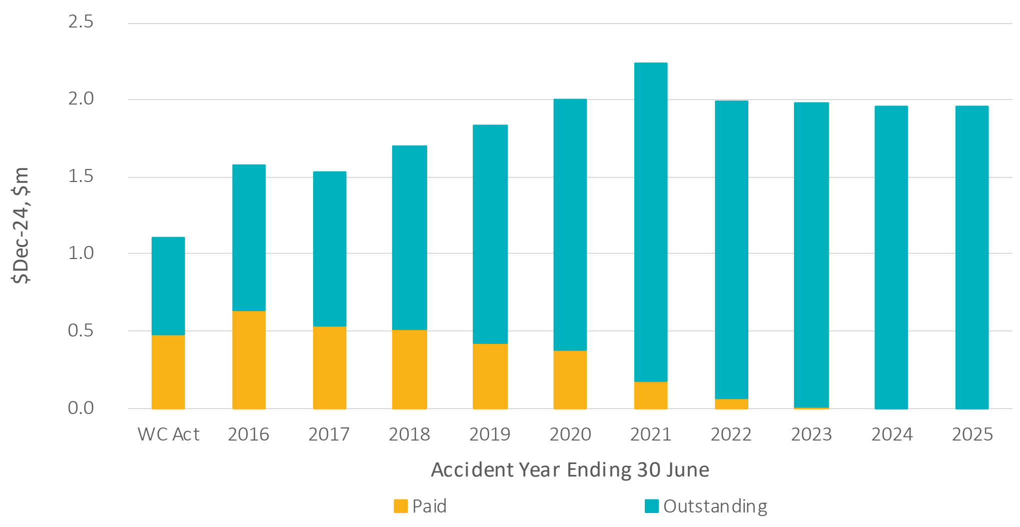


We project roughly $1.5m of recoveries per half-year for the next two years.

8.5.10 Overall average size

Figure 8.29 shows the net ultimate average claim size (in 31 December 2024 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



For more recent accident periods, our average size is roughly $2m. We note the slightly higher average size for the 2021 accident year is due to a single very high care needs claim. 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 11.2 years, down slightly from 11.3 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.

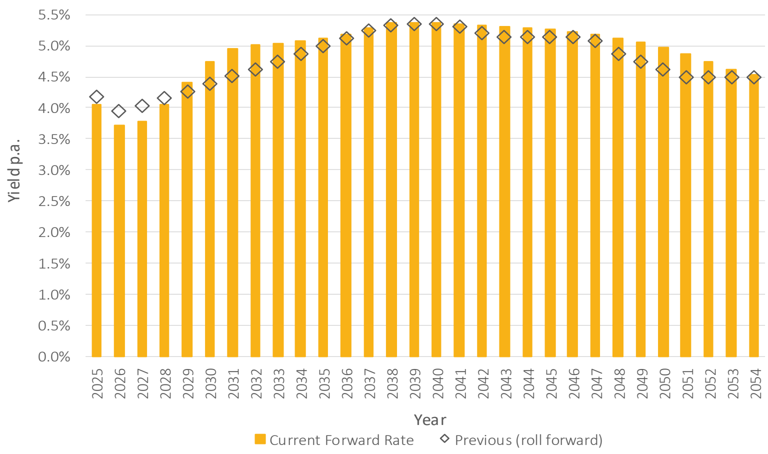
9.1.2 Current assumptions

Since the previous valuation, yields have increased at most durations:

- At very short durations, yields reduced by as much as 26 basis points.
- At short to mid durations yields have increased by as much as 44 basis points.
- At longer durations, yields have increased by an average of 14 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.

A comparison of the currently adopted yield curve to previous is shown in Figure 9.1. The equivalent single discount rate increased from 4.61% p.a. at 30 June 2024 to 4.69% p.a. at 31 December 2024.

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.

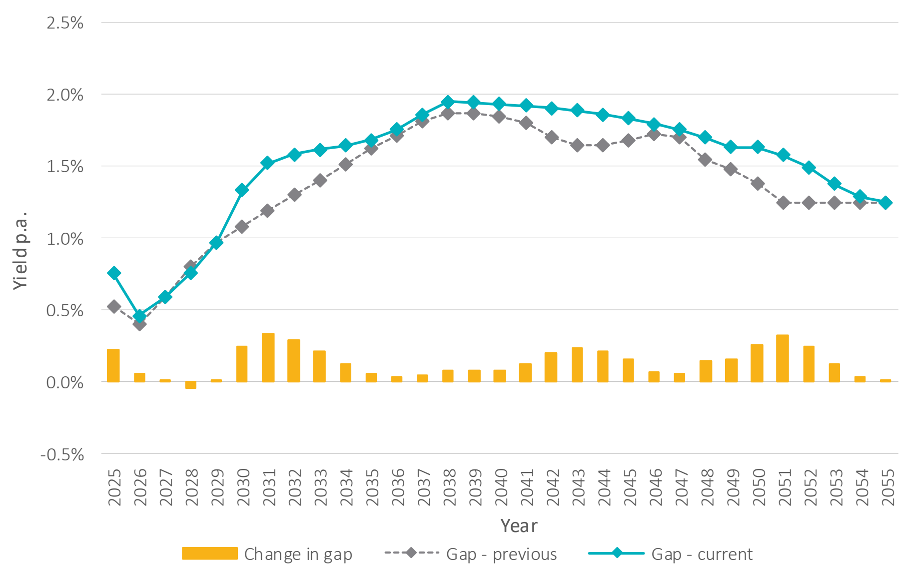
In summary, our assumptions at the current valuation are:

- Our Wage Price Index (WPI) inflation assumptions have reduced at short durations since the previous valuation. At longer durations, we have made only minor changes to our assumed WPI inflation. WPI inflation has been assumed to be 3.30% p.a. for the next year, reducing to 3.19% p.a. in three years' time. This shape reflects the current economic environment and tight labour market, leading to a higher wage inflation allowance in the short term than in the long term.
- WPI inflation assumptions then increase over the following 3-year period, after which it remains steady at 3.43% p.a. for 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 June 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 be 3.2% p.a. in the next year before dropping to 2.7% p.a. in the following year. This reflects the current higher than desired inflation environment and the RBA's expectations that inflation will drop to the upper end of the target range of 2% to 3% by the end of 2025.
- CPI inflation is then assumed to gradually reduce to 2.25% over the next four years, before gradually returning to our long-term assumption of 2.50% p.a. Our long-term CPI inflation assumption is unchanged from the previous valuation and 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 bigger gap at most durations.

Figure 9.2 – Gap between adopted AWE and discount rates



The net impact of these changes on the scheme liability is to produce a release (reduction) of $41m.

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 2024/25 and the selected CHE assumption.

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

	CHE Expenses / Claim Payments - by financial year				CHE Assumption	
	2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Budget	Selected	Previous
Serious Injury	6.1%	4.4%	7.0%	8.5%	7.0%	7.0%
Short Term Claims	14.7%	15.8%	15.7%	16.9%	16.5%	16.5%
Liability Weighted Average %					10.5%	10.3%

The reduction in the Serious Injury 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 handing expense allowances for the outstanding claims valuation are as follows:

- For serious injury claims the allowance is 7.0%, consistent with the previous valuation, even though additional fees have been added for the FY25 forecast as we will watch to see whether this is sustained over time, noting that it is higher than actual costs in recent years.
- 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 10.5% of gross outstanding claims, marginally higher than the 10.3% 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.

In addition to the underlying variability in our projection of future claim costs, the risk margin incorporates the additional uncertainties related to the 2022 reforms. Importantly, the reforms did 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 in assessing the overall risk margin. This component of the uncertainty has reduced over the successive valuations since the reforms as actual outcomes have emerged.

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

	Total CV	
Risk Margin Group	Dec-24	Jun-24
Serious Injury	27.9%	29.3%
Short Term Claims		
Income Support	14.5%	14.5%
Lump sum	28.0%	26.9%
Legal + Investigation	25.8%	25.8%
Medical and Other Treatment	24.2%	25.5%
Recoveries	20.9%	20.9%
Total (Undiversified)	26.9%	27.8%
Total (Diversified)	21.0%	22.3%
Diversification	21.7%	20.0%

The changes to note are:

- A decrease in the Serious Injury CV due to reduced uncertainty around the impact of combining injuries and reform related impacts on Serious Injury claim numbers.
- An increase in the Lump Sum CV due to higher uncertainty around the long tail of WPI assessments currently in the scheme, and potential for changes in WPI scores from proposed changes to the Impairment Assessment Guidelines.
- A decrease in Medical and Other Treatment CV due to reduced data error as interpretation of information improves over time (noting that this has also resulted in additional cost being recognised in the central estimate).

Based on a diversified coefficient of variation of 21.7% and our modelled distribution (which is a blend between a normal and lognormal distribution), we have selected a risk margin of 14.0%, a reduction of 0.5% from the previous risk margin (14.5%).

We note that if the reforms continue to achieve their stated aims, without there being any material behavioural response or adverse legal decisions that undermine their intent, then we would expect the risk margin to continue to reduce back toward (or even below) the underlying risk margin level over the next 12-18 months. Any reductions would also need to be balanced with additional uncertainty from the proposed Impairment Assessment Guidelines.

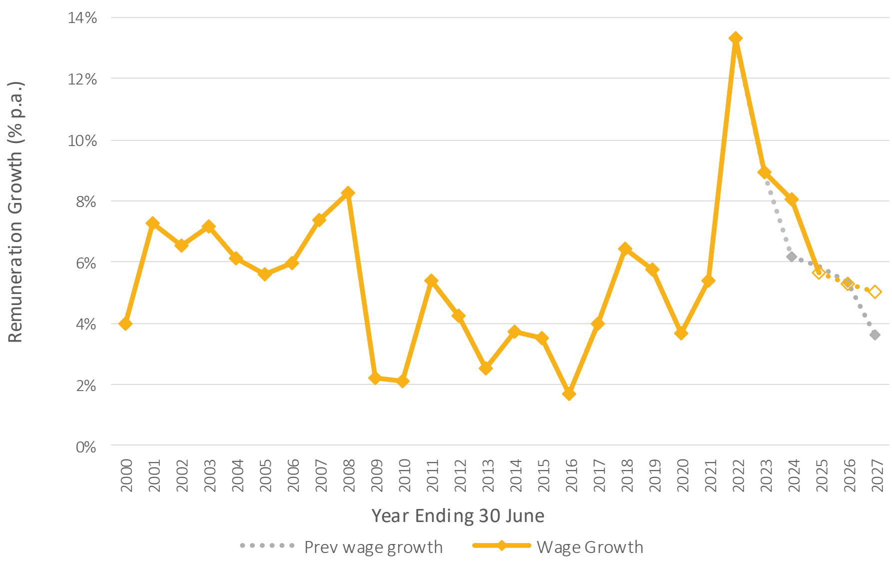
9.6 Non-exempt remuneration

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



As this shows, after the FY2024 employer wage declarations were completed the 2024 growth rate ended up above 8%, an increase of around 2% over the previous estimate. This 'high-ish' growth in 2024 combined with the previous two years, which were the two highest individual years in the history of the scheme, has resulted in an overall insured remuneration increase of over 33% across these three years; as the graph shows, this is very high by historical standards.

We have adopted ReturnToWorkSA's remuneration projection of $46.6 billion for 2024/25, noting that it is subject to estimation as wage declarations will not be completed until late-2025. 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 13.3%. This was followed by strong growth again in 2023 of 9.0% and in 2024 of 8.1%.
- 2025 is forecast to have 5.7% 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 31 December 2024.
- Our recommended balance sheet provision.
- Movement in the central estimate compared to what was projected at the previous valuation.
- Estimated historical scheme costs.
- Projected future cash flows for the current outstanding claims.
- Projected outstanding claims as at 30 June 2025 and 31 December 2025.
- Reconciliation of results with 30 June 2024 projections.

10.1 Outstanding claims – central estimate

Our central estimate of the outstanding claims by entitlement type as at 31 December 2024 is set out in Table 10.1. This liability relates to all claims that occurred on or before 31 December 2024 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	185	-	730	916	24%
Medical	92	139	380	611	16%
Other	5	-	52	57	1%
Care	3	-	422	425	11%
Lump sums	568	65	181	814	21%
Hospital	22	-	118	139	4%
Travel & Accomodation	8	2	55	65	2%
Worker legal	55	9	33	97	3%
Corporation legal	40	-	10	49	1%
Allied Health	39	46	250	334	9%
Rehabilitation	15	-	15	30	0.78%
Investigation	3	3	0	7	0.17%
Common law	1	-	-	1	0.04%
Commutation	4	-	-	4	0.11%
LOEC	0	-	-	0	0.00%
Redemptions	3	-	7	11	0.28%
Gross Liability	1,044	264	2,253	3,561	92%
Recoveries[1]	-47		-26	-74	-2%
Expenses	172	44	158	374	10%
Net Central Estimate	1,169	308	2,385	3,861	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 $3,561m. The net central estimate, allowing for recoveries and including an allowance for claims handling expenses, is $3,861m.

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	73	679	791	20%
Jun-16	12	9	90	111	3%
Jun-17	18	9	131	158	4%
Jun-18	25	12	180	217	6%
Jun-19	37	14	186	238	6%
Jun-20	49	17	161	226	6%
Jun-21	73	18	147	239	6%
Jun-22	110	20	151	281	7%
Jun-23	173	27	194	395	10%
Jun-24	291	39	214	544	14%
Dec-24	215	26	119	361	9%
Gross Liability	1,044	264	2,253	3,561	92%
Recoveries[1]	-47		-26	-74	-2%
Expenses	172	44	158	374	10%
Net Central Estimate	1,169	308	2,385	3,861	100%

[1]Recoveries 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	1,334	518	6,134	7,987
Inflated and Discounted	1,169	308	2,385	3,861
Ratio	88%	59%	39%	48%

10.2 Provision for outstanding claims

Table 10.4 sets out the components of our recommended provision at 75% probability of sufficiency, $4,402m.

As explained in Section 9.5, the recommended risk margin is 14.0%, a reduction of 0.5% from the previous valuation. Adopting this results in a risk margin of $541m 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	2,253		
Gross Claims Cost - General Short Term Claims	1,044		
Gross Claims Cost - Hearing Loss Claims	264		
Claims Handling Expenses	374		
Gross Outstanding Claims Liability	3,935	551	4,486
Recoveries	-74	-10	-84
Net Outstanding Claims Liability	3,861	541	4,402

If the reforms continue to achieve their stated aims, i.e. without there being any material behavioural response or adverse legal decisions that undermine their intent, then we would expect the risk margin loading to reduce back toward (or even below) the underlying risk margin level over the next few years; we note though that the proposed Impairment Assessment Guidelines may introduce additional uncertainty which would place upward pressure on the risk margin loading.

10.3 Movement in liability

Our net central estimate including CHE is $7m lower than projected at the previous valuation, as shown in Table 10.5.

Table 10.5 – Movement from previous valuation

	Gross	Recoveries	CHE	Net
	$m	$m	$m	$m
Liability as at Jun-24	3,405	-68	354	3,731
Plus liability for claims incurred in the period	360	-8	49	402
Less Expected Payments to Dec-24	312	-7	45	350
Plus Interest (unwinding of discount)	120	-2	8	127
Liability Projected from Previous Valuation	3,574	-71	365	3,868
Current Valuation	3,561	-74	374	3,861
Difference	-12	-3	8	-7

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 strengthening (i.e. cost increase) of $12m 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 Dec-24	Actuarial Release/ (Strengthening) [2]
	$m	$m	$m
Liability at Jun-24 Valuation	3,731		
Projected Liability at Dec-24 (from Jun-24 valuation)	3,868		
Claims Movement - General Short Term Claims	80	-6	-74
Claims Movement - Hearing Loss Claims	33	-4	-29
Claims Movement - Serious Injury	-79	-12	91
Impact of Change in economic assumptions	-41		
Recommended Liability at Dec-24	3,861		
Total Actuarial Release/(Strengthening)			-12

[1] Net central estimate of outstanding claims liability, including CHE

[2] Includes change in OSC and Act vs Exp payments.

Each of these components is discussed in the following sections.

10.3.1 Actuarial release at December 2024

The overall actuarial strengthening over the period is $12m. Table 10.7 shows this actuarial strengthening split by claim type and entitlement group.

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

Entitlement Group	General Short Term Claims[1]	Hearing Loss Claims[1]	Serious Injury Claims[1]	Total Actuarial Release [1]	Release %
	$m	$m	$m	$m	
Income Support	-15.5	-	18.1	2.6	0.3%
Redemptions	-2.7	-	-6.4	-9.1	-146.1%
Lump Sums	-29.7	1.7	32.6	4.6	0.6%
Worker legal	-1.4	0.8	-7.1	-7.6	-7.8%
Corporation legal	-1.4	-	4.7	3.4	6.2%
Investigation	-1.1	-0.2	0.2	-1.2	-22.0%
Medical	-6.7	-15.0	27.4	5.7	0.9%
Allied Health	-5.6	-11.5	5.5	-11.6	-3.7%
Other	-0.6	0.4	2.7	2.5	3.9%
Care	-0.1	-0.1	-5.9	-6.1	-1.5%
Hospital	0.1	-	1.1	1.3	0.8%
Travel	0.1	-0.6	3.6	3.1	4.8%
Rehabilitation	-0.8	-0.0	2.4	1.6	5.3%
Common Law	0.1	-	-	0.1	7.5%
LOEC	-0.0	-	-	0.0	-0.8%
Commutation	0.5	-	-	0.5	11.7%
Gross Liability	-64.8	-24.5	79.1	-10.3	-0.3%
Recoveries	2.2	-	7.4	9.5	-13.6%
Expenses	-11.3	-4.7	5.0	-11.0	-3.1%
Net Central Estimate	-74.0	-29.2	91.4	-11.8	-0.3%

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

The major movements at the current valuation are:

- For **General Short Term Claims** there is an actuarial strengthening (cost increase) of $74m, due to:
  - $18m increase for Income Support and Redemption costs. The $15.5m income support strengthening primarily reflects higher claim numbers and an increasing proportion of these receiving income support benefits. While RTW rates have remained at strong levels, they are slightly lower than the scheme's best ever experience in FY2024. The $2.7m redemption strengthening reflects higher costs under the current management approach.
  - $30m increase for Lump Sum costs, which reflects (1) higher numbers of very long duration future settlements, and (2) some additional claims ending up with WPI scores that are high, but just below the Serious Injury threshold.
  - $13m increase for Treatment costs, due to a combination of the higher claim volumes, as well as increasing costs per claim (related to both above inflationary fee schedule increases and operational strategies).
  - $2m increase across Legal, rehabilitation and other costs primarily reflecting higher claim numbers.
  - $11m 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 strengthening (cost increase) of $29m which follows higher utilisation of hearing aids and the related fitting fees on longer duration claims. Despite

this increase, if current trends continue our projections are likely to continue increasing over time. There is also a $5m increase in CHE related to higher gross claim costs.

- For **Serious Injury claims** there was an overall actuarial release of $91.4m due to (note: numbers below do not match to the table, as impacts are combined across multiple benefits where relevant):
  - A $122m net reduction as a result of claim number changes
  - A $46m increase in the assumed average size of Other Serious Injury claims partly offsets the above increase, as the remaining ongoing claims are anticipated to have higher sizes than the previous average.
  - A $20m reduction from lengthening the assumed payment pattern for Lump Sums – the costs themselves are essentially unchanged, so this 'saving' is just the result of a higher level of discounting.
  - An increase in the expected future Care costs of $17m for Other Serious Injury claims in the 2021 accident year, reflecting one very high needs claim.
  - A $4m increase in Severe Traumatic Injuries, due to changes in our assumed average cost of Medical and Treatment benefits.
  - A $5m decrease in the claims handling expense allowance, reflecting a decrease in the gross claims cost; the claims handling expense rate for Serious Injury Claims is unchanged at 16.5%.
  - Payments were $12m lower than expected in the six months. The biggest driver of this was lump sum payments, which is largely a timing difference. The Lump Sum payment pattern has been aligned to actual experience (discussed above).

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 reduced the net central estimate by $41m.

Overall, compared to what was adopted at the June 2024 valuation, the current economic assumptions imply a higher gap across all durations to 2050, after which the long term assumptions are unchanged.

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 2024.

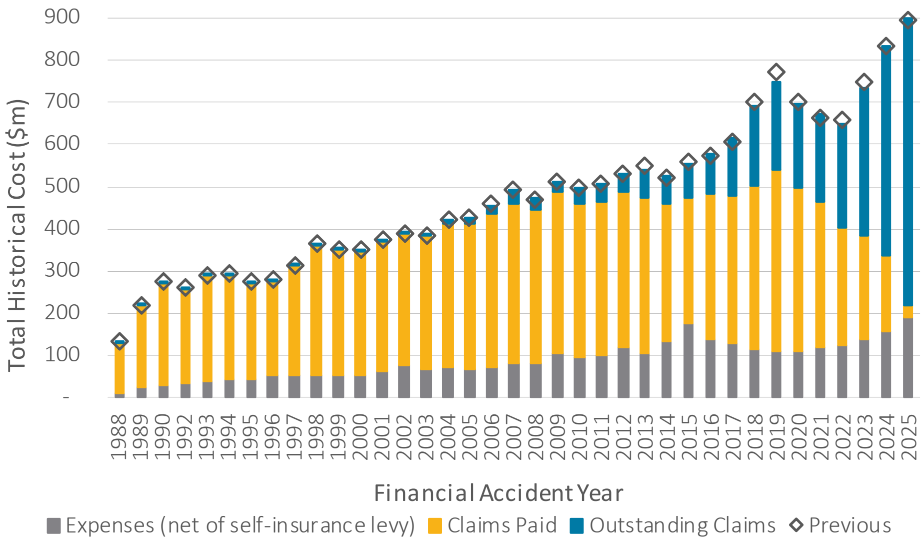
Figure 10.1 summarises the currently estimated historical costs for each year since the scheme began. As this shows, commencement of the RTW Act had initially acted to contain the cost for accident years up to 2016 at around $550m, breaking the strong upward trend seen in the lead up to that time. Scheme 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, not just a deterioration).

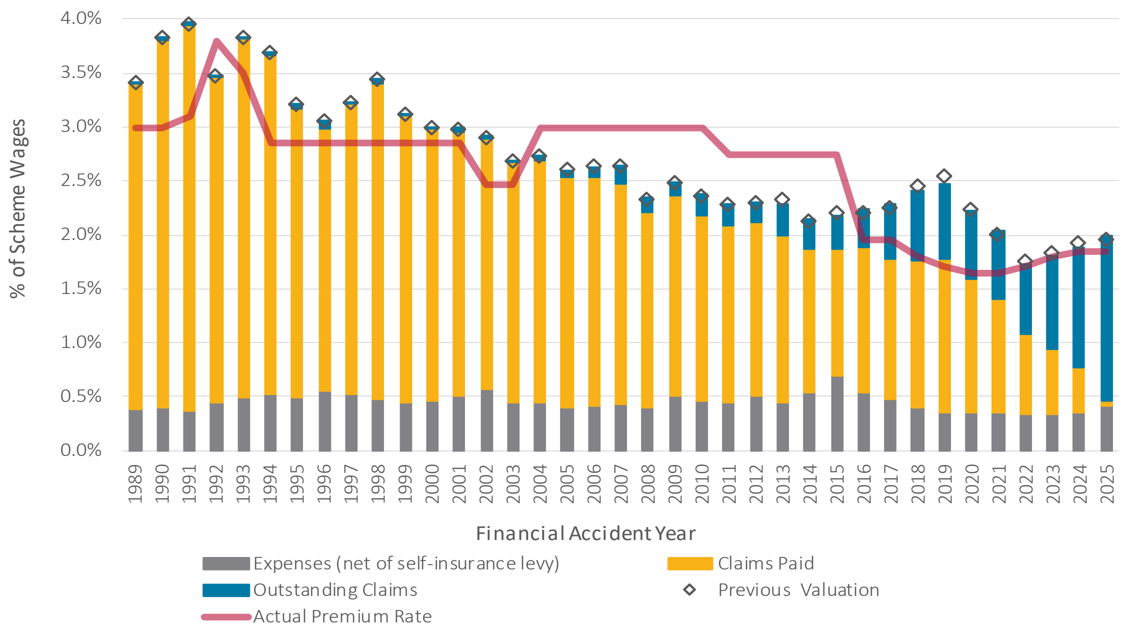
Figure 10.1 – Historical cost discounted to accident year



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.

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 reform, which is still subject to a higher than normal degree of estimation uncertainty.

10.5 Future cash flows

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

Table 10.8 – Projected cash flows

Entitlement Group	Projected Cashflows for Period			
	Dec-24 to Jun-25	Jun-25 to Dec-25	Dec-25 to Jun-26	Jun-26 to Dec-26
	$m	$m	$m	$m
Income Support	101.7	104.2	107.7	110.6
Medical	41.8	44.3	45.0	47.0
Lump sums	86.5	87.8	90.2	93.7
Rehabilitation	7.9	8.6	8.7	9.0
Allied Health	21.4	23.1	23.5	24.7
Hospital	13.2	13.9	14.0	14.6
Legal - Non-Contract	9.7	9.6	10.0	10.3
Other	2.0	2.1	2.2	2.3
Care	8.9	9.6	10.6	11.0
Legal Contract	11.3	11.3	11.4	11.6
Travel	4.0	4.1	4.2	4.3
Investigation	1.4	1.5	1.6	1.6
Commutation	0.4	0.4	0.4	0.5
LOEC	0.0	0.0	0.0	0.0
Common law	0.1	0.1	0.1	0.1
Recoveries	-7.3	-8.9	-8.3	-7.5
Redemptions	1.1	1.0	1.0	1.0
Net Claims Cost - Total	304.1	312.8	322.3	334.8
Serious Injuries (net)	55.6	55.8	59.7	63.6
Short Term Claims (net)	248.5	257.0	262.6	271.2

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 30 June 2025, 31 December 2025 and 30 June 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, if the reforms continue to operate as intended then it is hoped that the risk margin loading will reduce over the next 12-18 months, although proposed changes to the Impairment Assessment Guidelines could lead to increases in the level of uncertainty.

Table 10.9 – Projected outstanding claims provision

(30 June 2025, 31 December 2025 and 30 June 2026)

	Half year ending		
	Jun-25	Dec-25	Jun-26
	$m	$m	$m
Provision at Period Start	4,402	4,580	4,764
Less Risk Margin	541	562	585
Central Estimate at Period Start	3,861	4,018	4,179
Plus Additional Liability Incurred in Period	424	435	444
Less Expected Payments in Period	-350	-360	-371
Plus Interest (unwind of discount)	82	86	82
Projected Central Estimate at Period End	4,018	4,179	4,333
Plus Risk Margin	562	585	607
Projected Provision at Period End	4,580	4,764	4,940

We project the central estimate for the net outstanding claims liability at 30 June 2025 to be $4,018m; this estimate includes allowance for claim payments and expenses, discount rate movements in line with forward rates and new claims incurred in the period 1 January 2025 to 30 June 2025. The corresponding provision at a 75% probability of sufficiency is $4,580m.

The projected increase to the 30 June 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 30 June 2024 valuation we projected an additional claim cost liability of $353m would be incurred from claims arising in the half-year to 31 December 2024 (excluding expenses). Our current projection for the ultimate value of this liability is $380m, an increase of 7.6% or $27m.

Table 10.10 – Comparison of June 2024 projections to current valuation

For period 1 Jul 2024 to 31 Dec 2024		
Incurred Claims Liability ($m, excl. expenses):		Difference
Projected in Jun-24 Valuation	353	
Incurred (current valuation)	380	7.6%

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.

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** – rather than removing the ability to combine injuries, the 2022 reforms introduced other changes that attempt to manage the financial consequences of claimants getting higher WPI scores. As a result, the uncertainty relating to the impact of combining injuries is now compounded by the uncertainty around the success of the reforms in removing costs from other areas. Noting that most new Serious Injuries since 2022 were still determined under the old rules, this means a significant portion of the valuation is still largely based on assumed outcomes, rather than on a reliable history which is the usual approach for producing actuarial estimates. While we believe our assumptions and projections are reasonable given the information available, the uncertainty is elevated compared to normal.
- **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; further, 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. 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. If the announced changes to the IAGs are implemented then this will add risk to this area.
- **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.
- **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 SA 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 1.3, our work makes no allowance for potential changes to WPI scores as a result of the current Review of the Impairment Assessment Guidelines; if any changes to WPI scores result from this Review 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 is now producing strong cost growth. If this volume growth continues then further cost increases will eventuate.

- **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.
- Reform – 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	%
31 Dec 24 OSC estimate (Including risk margin at 75% POS)	4,402	
Stronger Economic Scenario (2% gap between inflation and discount rate)	-359	-8%
Weaker Economic Conditions (0% gap)	+645	+15%
Temporary wage inflation 'spike'	+76	+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 $359m. 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 $76m.

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	%
31 Dec 24 OSC estimate (Including risk margin at 75% POS)	4,402	
Scheme expenses are higher than allowed (17.5% for STC and 8% for Serious Injuries)	+41	+0.9%

11.2.3 Short Term Claim scenarios

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

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

Table 11.4 – Short Term Claim sensitivities

	OSC Impact	
	$m	%
31 Dec 24 OSC estimate (Including risk margin at 75% POS)	4,402	
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	+129	+2.9%
Hearing Loss numbers increase by 20% above current allowances, noting that claim numbers have more than doubled in recent years	+70	+1.6%
Psychological injury numbers increase by 100% above current allowances	+68	+1.5%
Income Support		
RTW improvements disappear, resulting in IS costs returning to 2018 levels	+67	+1.5%
Treatment costs		
Hearing loss aids and appliances cost continue for longer in the tail and occur more frequently	+103	+2.3%
Superimposed inflation emerges at 2% per annum for Medical	+51	+1.2%
Legal fees		
Dispute volumes reduce to long-term average	-19	-0.4%
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	+178	+4.0%
First Paid and Economic Loss lump sums emerge at higher sizes (+10%) due to more 30%-34% WPI claims than expected	+74	+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 $129m.
- A 20% blanket increase in Hearing Loss claims would add $70m 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 $68m 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 $67m. 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 $103m to the provision. If trends continue worsening over time then the costs could be even higher.
  - A superimposed inflation allowance of 2% for Medical payments would add $51m to the provision.
- Dispute related costs have reduced recently and if the favourable trend leads to further reductions in new dispute volumes then this would release $19m from the provision. On the flip side, 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 $178m 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.
  - If average sizes increase due to a greater proportion of 30%-34% WPI lump sums then it could plausibly add $74m to the provision.

11.2.4 Serious Injury scenarios

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

Table 11.5 – Serious Injury sensitivities

	OSC Impact	
	$m	%
31 Dec 24 OSC estimate (Including risk margin at 75% POS)	4,402	
Higher than expected SI numbers by 10 extra claims per year for recent years	+155	+4%
Material Serious Injury exits for reasons other than s56A/redemptions, retirement or death	-249	-6%
Unpaid care on EnABLE cohort ceases immediately and is replaced with paid	+91	+2%
Uncertainty around mortality - impact of all EnABLE claims having mortality in line with standard population life expectancy	+296	+7%
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.	+339	+8%
No increase in utilisation of Care benefits after age 65	-75	-2%
Twice the additional allowance for utilisation of Care benefits after age 65	+69	+2%
Number of Serious Injury claims removed by threshold change only half of expected	+273	+6%
Number of Serious Injury claims removed by threshold changing from 30% to 35% is higher than expected	-178	-4%
s56A and medical redemptions achieve little savings (either through low take-up rate or due to rational decisions by workers)	+92	+2%
No increase in the severity of claims as a result of lower claim numbers or medical redemptions	-79	-2%

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.

We emphasise that there is significant uncertainty around ultimate claim numbers. For example, if the number of Serious Injury claims is 10 higher per year for recent accident years the provision would increase by around $155m. 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.

Changes in the level of benefits payable for care, support and medical needs also have very significant implications for the outstanding liability. Similarly, due to the lifespan of the claims involved, changes to mortality assumptions or superimposed inflation can result in large changes in the outstanding liability.

Material savings have been built into the valuation due to the anticipated impacts of the 2022 reforms; however, there is currently relatively little actual experience to evaluate these anticipated savings. The key uncertainties are around the proportion of Serious Injury claims removed due to the threshold change and the overall take-up rate and profile of claims who make a s56A election and/or agree to a redemption. Based on our sensitivities:

- If significantly fewer than expected claims are removed due to the threshold increase, then increases of over $200m are plausible. Conversely, there is also the potential for greater reductions than anticipated if more claims than expected are impacted by the higher threshold.
- If fewer claims than expected opt for a s56A or redemption, or the take-up is biased towards lower cost claims, increases of up to $100m (on the provision) are possible.

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 make very significant changes to the Scheme and there is only relatively limited direct information that can be used to estimate its impacts.

Consequently, there are significant uncertainties 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 upcoming changes to 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 changes are made to the Guidelines that impact on 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 1. 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*[9] 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.

[9] https://www.rtwsa.com/about-us/return-to-work-scheme/changes-to-legislation