



Annual Report

2024-2025

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icare

Workers Insurance

Insurance for NSW

HBCF

Lifetime Care

Dust Diseases Care

Sporting Injuries

icare

icare financial statements

for the year ended 30 June 2025

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Statement by the Board of Directors

for the year ended 30 June 2025

Insurance and Care NSW

Statement under Section 7.6 *Government Sector Finance Act 2018*

Pursuant to section 7.6(4) of the *Government Sector finance Act 2018* (the Act), in the opinion of the Board of Directors we state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards (which include Australian Accounting Interpretations) and the applicable requirements of the Act, the *Government Sector Finance Regulation 2024*, and the Treasurer's directions, and
- present fairly the Insurance and Care NSW's financial position, financial performance and cash flows.

Signed on behalf of the Board of Directors of Insurance and Care NSW.

John Robertson
Chairman
Insurance and Care NSW
25 September 2025

Geniere Aplin
Chief Executive
Insurance and Care NSW
25 September 2025



INDEPENDENT AUDITOR'S REPORT

Insurance and Care NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Insurance and Care NSW (icare), which comprise the statement by the board of directors, the statement of comprehensive income for the year ended 30 June 2025, the statement of financial position as at 30 June 2025, the statement of changes in equity and the statement of cash flows, for the year then ended, and notes to the financial statements, including material accounting policy information, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2024* (GSF Regulation) and the Treasurer's Directions
- presents fairly icare's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of icare in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board's Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Board of Directors' responsibility also includes such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing icare's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that icare carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 September 2025
SYDNEY

Statement of comprehensive income

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
REVENUE			
Service fee revenue	2.1	1,316,621	1,252,625
Investment revenue		471	421
Other revenue		20	476
Total revenue		1,317,112	1,253,522
EXPENSES			
Employee related	2.2	333,152	314,823
Other operating expenses	2.3	981,079	930,168
Grants	2.4	3,666	6,332
Total expenses		1,317,897	1,251,323
Other gains/(losses)	4.6	(807)	-
Lease impairment reversal/ (losses)	4.4	1,592	(2,199)
Net result		-	-
Other comprehensive income			
Items that will not be reclassified to net result		-	-
Total other comprehensive income		-	-
Total comprehensive income		-	-

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2025

	Notes	2025 \$'000	2024 \$'000
ASSETS			
Cash and cash equivalents	4.1	16,741	7,592
Receivables and prepayments	2.5	238,642	268,886
Property, plant and equipment	4.2	4,619	6,103
Intangible assets	4.3	114,867	61,483
Right of use assets	4.4	75,112	80,741
Total assets		449,981	424,805
LIABILITIES			
Payables	2.6	300,207	271,922
Financial liabilities at fair value	4.6	807	-
Provisions	4.5	52,477	49,291
Lease liabilities	4.4	83,411	90,513
Total liabilities		436,902	411,726
Net assets		13,079	13,079
EQUITY			
Accumulated funds		13,079	13,079
Total equity		13,079	13,079

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2025

	2025 \$'000	2024 \$'000
Accumulated funds		
Balance at the beginning of financial year	13,079	13,079
Net result for the year	-	-
Other comprehensive income	-	-
Total other comprehensive income	-	-
Total comprehensive income for the year	-	-
Balance at the end of the financial year	13,079	13,079

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Service fees		1,369,808	1,206,837
Interest received		471	421
Other receipts		20	558
Total receipts		1,370,299	1,207,816
Payments			
Agent remuneration		(741,573)	(576,836)
Employee related		(325,500)	(310,079)
Grants		(3,666)	(6,332)
Other operating		(224,022)	(264,761)
Total payments		(1,294,761)	(1,158,008)
NET CASH FLOWS FROM OPERATING ACTIVITIES	4.1	75,538	49,808
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangibles	4.2 & 4.3	(66,389)	(47,390)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(66,389)	(47,390)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		9,149	2,418
Opening cash and cash equivalents		7,592	5,174
CLOSING CASH AND CASH EQUIVALENTS	4.1	16,741	7,592

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2025

1. Overview

1.1. About the entity

Insurance and Care NSW (icare) is a NSW government agency. icare is a not-for-profit entity (as profit is not its principal objective). The reporting entity is consolidated as part of the NSW total state sector accounts.

icare was established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015* (the Act). Under the Act icare has the following functions:

- to act for the Nominal Insurer in accordance with section 154C of the *Workers Compensation Act 1987*
- to provide services (including staff and facilities) for any relevant authority, or for any other person or body, in relation to any insurance or compensation scheme administered or provided by the relevant authority or that other person or body
- to enter into agreements or arrangements with any person or body for the purpose of providing services of any kind or for the purpose of exercising the functions of the Nominal Insurer
- to monitor the performance of the insurance or compensation schemes in respect of which it provides services
- such other functions as are conferred or imposed on it by or under this or any other Act.

These financial statements for the year ended 30 June 2025 have been authorised by the Chairman of the Board of icare and the Chief Executive on behalf of the Board of Directors of icare on 25 September 2025.

1.2. Basis of preparation and material accounting policies

These financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2024* and NSW Treasurer's directions issued under the *Government Sector Finance Act 2018*.

These financial statements have been presented on a liquidity basis following receipt of an exemption from TPG 25-02 by NSW Treasury that statements are presented on a current and non-current basis.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

1.2.1. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1.2.2. Going concern basis

These financial statements have been prepared on a going concern basis.

1.2.3. Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes to the financial statements

for the year ended 30 June 2025

1.2.3 Use of estimates and judgements (continued)

Judgements, key assumptions and estimations management have made are disclosed in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 3 – risk management; and
- note 4.4 - leases; and
- note 4.5 – provisions.

1.2.4. Taxation

icare is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

1.2.5. Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

1.2.6. Accounting Standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting year ended 30 June 2025. The following are new Australian Accounting Standards or amendments which have been issued but are not yet effective and are not expected to have a material impact on the financial performance or position of icare:

- AASB 17 Insurance Contracts.

icare's related entities have commenced the AASB 17 implementation project with a view to being compliant with the public sector equivalent of AASB 17 *Insurance Contracts by FY2026/27*.

icare itself will not adopt AASB 17 as it does not carry on insurance business. However, the schemes icare supports will incur costs to implement and comply with the AASB 17 which will be recognised in icare and passed on to the impacted schemes through the service fee process.

Notes to the financial statements

for the year ended 30 June 2025

2. Service activities

Overview

This section provides analysis and commentary on icare's service activities. Service activities involve all activities undertaken in relation to the provision of services to the schemes serviced by icare.

In accordance with the *State Insurance and Care Governance Act 2015*, icare provides services to the Lifetime Care and Support Authority of NSW, NSW Self Insurance Corporation, NSW Workers Insurance Scheme, Sporting Injuries Compensation Authority, Workers Compensation (Dust Diseases) Authority and the Building Insurers' Guarantee Corporation (the schemes).

Under the arrangement, the indirect costs of operating schemes are incurred by icare and recovered as service fees at cost from those schemes. These costs are allocated to the schemes based on an assessment of the services each scheme is receiving. This assessment is reviewed each year and approved by the Board as part of icare's budgeting processes.

These services include the provision of staff, claims handling, facilities, general business expenses and governance services. Revenue is recognised, as the related services are provided to each entity.

icare through the NSW Self Insurance Corporation provides claims management and administrative support such as actuarial services to the Electricity Ministerial Assets Holding Corporation (Generators) and the Electricity Transmission Ministerial Holding Corporation (Transgrid).

Notes to the financial statements

for the year ended 30 June 2025

2.1. Service fee revenue

	2025 \$'000	2024 \$'000
Lifetime Care and Support Authority of NSW	71,376	68,064
NSW Self Insurance Corporation	349,986	288,645
NSW Workers Insurance Scheme	855,476	855,321
Sporting Injuries Compensation Authority	112	256
Workers Compensation (Dust Diseases) Authority	38,671	39,623
Generators and Transgrid	1,000	716
	1,316,621	1,252,625

2.2. Employee related

	2025 \$'000	2024 \$'000
Salaries and wages (including annual leave)	273,633	262,030
Long service leave	6,415	4,344
Superannuation	29,827	27,240
Payroll tax and fringe benefit tax	17,182	16,082
Allowances	3,538	2,920
Workers compensation insurance	2,557	2,207
	333,152	314,823

Notes to the financial statements

for the year ended 30 June 2025

2.3. Other operating expenses

	2025 \$'000	2024 \$'000
Agent remuneration	740,773	661,994
Advertising, promotion and publicity	688	977
Auditor's remuneration - Audit Office of NSW – audit of financial statements for icare and serviced entities	3,255	3,313
Other external audits	558	376
Internal audit and reviews	570	864
Building maintenance, repairs and management	268	435
Board and Committee fees	1,012	1,005
Consultants – actuarial fees	5,374	6,785
Consultants – other	3,423	6,307
Contractors	46,083	64,988
Communication expenses	1,086	1,507
Depreciation and amortisation expense	21,723	20,351
Contingent workers	13,238	15,421
ICT Services- managed service	21,734	21,151
Insurance	1,385	1,379
Interest expense on leased liabilities	2,226	2,239
Legal fees	15,569	14,615
Other miscellaneous	13,847	14,411
Other accommodation related expenses	5,313	5,182
Other repairs and maintenance	40	76
Reinsurance administration and consulting fees	1,846	1,820
Printing	1,801	2,839
Risk consulting services	968	1,333
Service NSW service fees	19,221	18,342
Software licences	56,003	58,873
Stores	981	1,136
Training	1,461	1,871
Travel and vehicle expenses	633	578
	981,079	930,168

Agent remuneration is paid to scheme agents for services provided to icare for the insurance activities delivered through NSW Self Insurance Corporation and NSW Workers Insurance Scheme.

Notes to the financial statements

for the year ended 30 June 2025

2.3. Other operating expenses (continued)

Risk consulting fees are not paid to brokers. These fees are paid to Corporate Scorecard (Equifax) for administering the Home Building Compensation Fund (HBCF) eligibility assessments and advising icare on the eligibility of builders to purchase HBCF policies by reviewing the insolvency risk.

2.4. Grants

Overview

icare invests in research, innovation and evidence-based initiatives with partners that focus on prevention and post injury care that improve the well-being of NSW communities.

	2025 \$'000	2024 \$'000
Grants	3,666	6,332

2.5. Receivables

Overview

icare has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue. The settlement period for receivables is 14 days from the date of issue of invoices.

Prepayments primarily relate to client service provider remuneration paid in advance for the September 2025 quarter in relation to the insurance activities of icare and the entities it supports.

No receivables are considered impaired (2024 \$nil). Refer to note 3 for further information regarding credit risk, liquidity risk and market risk arising from trade debtors that are neither past due nor impaired.

Notes to the financial statements

for the year ended 30 June 2025

2.5. Receivables (continued)

	2025 \$'000	2024 \$'000
Service fees receivable from relevant entities		
Lifetime Care and Support Authority of NSW	5,313	5,477
Motor Accident Injuries Treatment and Care Benefits Fund (MAITC)	1,420	1,208
NSW Self Insurance Corporation	64,553	42,407
NSW Workers Insurance Scheme	23,313	98,027
Sporting Injuries Compensation Authority	11	17
Workers Compensation (Dust Diseases) Authority	2,859	3,738
Generators and Transgrid	111	58
Prepayments	133,882	113,896
Receivables – other	334	87
GST receivable	6,846	3,971
	238,642	268,886

Notes to the financial statements

for the year ended 30 June 2025

2.6. Payables

Overview

Details regarding credit risk, liquidity risk, and market risk, including a maturity analysis of the above payables are disclosed in note 3.

	2025 \$'000	2024 \$'000
Agent remuneration	246,833	227,648
Trade creditors	40,932	36,602
Accrued salaries, wages and on-costs	12,442	7,672
Total payables	300,207	271,922

3. Risk management

Overview

icare applies a consistent and integrated approach to enterprise risk management. icare's Risk Management Framework sets out the approach to managing key risks and meeting strategic objectives. icare's Risk Management Framework is approved annually by the icare Board.

The icare Board is ultimately accountable for identifying and managing risk, including financial risk. This is done through the establishment of holistic strategies and policies where risk management has been considered.

Key aspects of icare's risk management framework include, risk appetite, governance, risk management processes, risk reporting and insights, modelling and stress testing, management, monitoring and culture.

Risk management is a continuous process and an integral part of robust business management. icare's approach is to integrate risk management into the broader management processes of the organisation. It is icare's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

The key risk categories used by icare to classify financial risk are:

- interest rate risk (note 3.1); and
- liquidity risk (note 3.2); and
- credit risk (note 3.3); and
- foreign exchange risk (note 4.6).

Notes to the financial statements

for the year ended 30 June 2025

3. Risk management (continued)

icare's principal financial instruments are outlined below. These financial instruments arise directly from icare operations or are required to finance these operations. icare does not enter or trade financial instruments, including derivative instruments, for speculative purposes.

icare's main risks arising from financial instruments are outlined below, together with icare's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

Financial instrument categories

	Note	Category	Carrying amount 2025 \$'000	Carrying amount 2024 \$'000
Financial assets				
Class:				
Cash and cash equivalents	4.1	Amortised cost	16,741	7,592
Receivables*	2.5	Amortised cost	97,914	151,019
Financial liabilities				
Class:				
Payables**	2.6	Amortised cost	300,207	271,922
Financial liabilities at fair value	4.6	Fair value through profit or loss	807	-

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

No collateral is held by icare. icare has not granted any financial guarantees.

3.1. Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The value of icare's liabilities is also affected by interest rate fluctuations.

3.1.1. Exposure

Interest rate risk arises because of icare holding financial instruments which are subject, directly or indirectly, to changes in value due to interest rate fluctuations.

Notes to the financial statements

for the year ended 30 June 2025

3.1.1. Exposure (continued)

icare liabilities are similarly subject directly or indirectly to changes in value because of interest rate fluctuations.

3.1.2. Quantitative analysis of exposure

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the net result and equity of icare. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

		Carrying amount \$'000		-1%		+1%	
				Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
2025							
Financial assets:							
Cash and cash equivalents	16,741			(167)	(167)	167	167
Financial liabilities:							
Financial liability at fair value	807			(8)	(8)	8	8
2024							
Financial assets:							
Cash and cash equivalents	7,592			(76)	(76)	76	76
Financial liabilities:							
Financial liability at fair value	-			-	-	-	-

Notes to the financial statements

for the year ended 30 June 2025

3.2. Liquidity risk

Liquidity risk is the risk that icare will be unable to meet its payment obligations when they fall due. During the current year there were no loans payable. No assets have been pledged as collateral. icare is fully funded by the entities to which it provides services.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether invoiced or not. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TPG 25-04. For small business suppliers, where terms are not specified, payment is made not later than 30 days after the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice is received.

icare paid no interest to small business suppliers for late payment of invoices in accordance with Government guidelines. (2024: nil).

The table below summarises the maturity profile of icare financial liabilities, together with the interest rate exposure.

Interest rate exposure of financial liabilities

	Nominal amount	Interest rate exposure		
		Fixed rate \$'000	Variable rate \$'000	Non-interest bearing \$'000
2025				
Payables	300,207	-	-	300,207
2024				
Payables	271,922	-	-	271,922

Notes to the financial statements

for the year ended 30 June 2025

Maturity analysis of financial liabilities

	Interest rate exposure		
	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2025			
Payables	300,207	-	-
2024			
Payables	271,922	-	-

3.3. Credit risk

Credit risk arises where there is the possibility of icare's debtors defaulting on their contractual obligations, resulting in a financial loss to icare. The maximum exposure to credit risk at balance date is generally represented by the carrying amount of the financial assets net of any allowance for impairment as indicated in the statement of financial position (refer note 2.5).

Credit risk arises from the financial assets of icare, including cash and receivables. No collateral is held by icare. icare has not granted any financial guarantees.

3.3.1. Cash

Cash comprises cash on hand, bank balances within the NSW Treasury Banking System and term deposits with a maturity of less than 3 months. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

3.3.2. Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. An allowance for impairment is raised when there is objective evidence that icare will not be able to collect all amounts due. All debts are from government agencies, and the credit terms are monitored by management. No interest is earned on trade debtors.

Notes to the financial statements

for the year ended 30 June 2025

3.4. Fair value estimation

icare has assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 *Fair Value Measurement*, icare categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets/ liabilities that the entity can access at the measurement date.
- Level 2 - inputs other than quoted prices included within level 1 that are observable, either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

icare recognises transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

	2025				2024			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities at fair value								
Derivative financial instrument	-	807	-	807	-	-	-	-
	-	807	-	807	-	-	-	-

Notes to the financial statements

for the year ended 30 June 2025

4. Other

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards.

4.1. Cash and cash equivalents

Overview

Refer to note 3 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

	2025 \$'000	2024 \$'000
Cash at bank	16,741	7,592
	16,741	7,592

Reconciliation of cash flows from operating activities to net result

	2025 \$'000	2024 \$'000
Net cash flow from operating activities	75,538	49,808
Depreciation and amortisation	(21,723)	(20,351)
Assets impaired reversal	1,592	(2,199)
(Losses) on financial derivatives	(807)	-
Increase / (decrease) in receivables	(30,244)	29,638
(Increase) / decrease in payables	(28,285)	(61,496)
(Increase) / decrease in provisions	(3,186)	(2,167)
(Increase) / decrease in net right of use asset and liability	7,115	6,767
Net result per statement of comprehensive income	-	-

Notes to the financial statements

for the year ended 30 June 2025

4.2. Property, plant and equipment

Overview

Plant and equipment are recorded at cost on acquisition and subsequently carried at fair value less accumulated depreciation and impairment.

Physical non-current assets costing more than five thousand dollars individually are capitalised.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. icare has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Depreciation is provided for on a straight-line basis. The rates applied are:

	2025 %	2024 %
	per annum	per annum
Office machines and equipment	20.0	20.0
Computer hardware	20.0-33.3	20.0-33.3
Motor vehicle	20.0	20.0

Leasehold improvements are depreciated over the unexpired term of the respective leases or the estimated life of the improvements whichever is the shorter.

Restoration costs

The present value of the estimated cost of dismantling and removing an asset and restoring the office sites is included in the cost of an asset, to the extent it is recognised as a liability.

Notes to the financial statements

for the year ended 30 June 2025

4.2 Property, plant and equipment (continued)

	Capital work in progress \$'000	Leasehold improvements \$'000	Office machines and equipment \$'000	Computer hardware \$'000	Total \$'000
At 1 July 2024 at fair value					
Gross carrying amount	-	38,789	255	1,254	40,298
Accumulated depreciation and impairment	-	(33,434)	(248)	(513)	(34,195)
Net carrying amount	-	5,355	7	741	6,103
At 30 June 2025 at fair value					
Gross carrying amount	-	38,789	255	1,254	40,298
Accumulated depreciation and impairment	-	(34,493)	(250)	(936)	(35,679)
Net carrying amount	-	4,296	5	318	4,619

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Capital work in progress \$'000	Leasehold improvements \$'000	Office machines and equipment \$'000	Computer hardware \$'000	Total \$'000
Net carrying amount at start of the year	-	5,355	7	741	6,103
Depreciation expense	-	(1,059)	(2)	(423)	(1,484)
Net carrying amount at end of the year	-	4,296	5	318	4,619

Notes to the financial statements

for the year ended 30 June 2025

4.3. Intangibles

The capitalisation threshold for intangible assets is one hundred thousand dollars and above (including direct allocation of personnel service costs).

As there is no active market for icare's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation is provided on a straight-line basis for all intangible assets to write off the depreciable amount of each asset as it is consumed over its useful life.

	Capital work in progress \$'000	Computer software \$'000	Total \$'000
At 1 July 2024			
Gross carrying amount	47,177	36,417	83,594
Accumulated amortisation and impairment	-	(22,111)	(22,111)
Net carrying amount	47,177	14,306	61,483
At 30 June 2025			
Gross carrying amount	59,447	291,384	350,831
Accumulated amortisation and impairment	-	(235,964)	(235,964)
Net carrying amount	59,447	55,420	114,867

During the year, the Guidewire asset was transferred from the NSW Workers Insurance Scheme to icare in line with icare's capitalisation policy. As the Guidewire asset provides benefits to more than one scheme and will be enhanced in the future to provide further benefits to multiple schemes. The net book value at time of transfer was \$78,000 comprising a gross carrying amount of \$201,017,000 and accumulated depreciation of \$200,939,000.

Notes to the financial statements

for the year ended 30 June 2025

4.3. Intangibles (continued)

A reconciliation of the carrying amount of each class of intangibles at the beginning and end of the current reporting period is set out below:

	Capital work in progress \$'000	Computer software \$'000	Total \$'000
Net carrying amount at start of the year	47,177	14,306	61,483
Additions	66,311	78	66,389
Transfers from WIP	(54,041)	54,041	-
Disposals	-	(90)	(90)
Depreciation writeback on disposal	-	90	90
Amortisation (recognised in depreciation and amortisation)	-	(13,005)	(13,005)
Net carrying amount at end of the year	59,447	55,420	114,867

4.4. Leases

icare has applied the cost model under AASB 16 *Leases* to properties it leases to accommodate staff.

Under this standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease in the statement of financial position. The only exceptions are short-term and low-value leases. icare expenses short-term leases directly into the statement of comprehensive income.

Right-of-use assets under leases

	2025 \$'000	2024 \$'000
Right of use asset		
Cost (gross carrying amount)	108,110	106,506
Accumulated depreciation	(32,998)	(25,765)
Total right of use asset	75,112	80,741

Notes to the financial statements

for the year ended 30 June 2025

4.4 Leases (continued)

Reconciliation

A reconciliation of the carrying amount of the right of use lease asset at the beginning and end of the current reporting periods is set out below:

	2025 \$'000	2024 \$'000
Balance at 1 July	80,741	89,190
Additions	13	1,301
Impairment	-	(2,199)
Net impairment reversals	1,592	-
Depreciation	(7,234)	(7,551)
Balance at 30 June	75,112	80,741

Lease liabilities

The following table presents liabilities under leases.

	2025 \$'000	2024 \$'000
Balance at 1 July	90,513	95,978
Additions	13	1,169
Interest expenses	2,226	2,239
Payments	(9,341)	(8,873)
Balance at 30 June	83,411	90,513

Notes to the financial statements

for the year ended 30 June 2025

4.4 Leases (continued)

The maturity profile of icare's future minimum lease payments under non-cancellable leases at 30 June are shown in the following table.

	2025 \$'000	2024 \$'000
Outstanding lease liability		
Not later than 1 year	9,606	9,395
Later than 1 year but not later than 5 years	35,480	36,044
Later than 5 years	50,506	59,272
Total (including GST)	95,592	104,711
Less: GST recoverable from Australian Tax Office	(8,690)	(9,519)
Total (excluding GST)	86,902	95,192

The reconciliation between the total future minimum lease payments for finance leases and their present value as shown in the statement of financial position follows:

	2025 \$'000	2024 \$'000
Total minimum finance lease payments	95,592	104,711
Less: future finance charges	(12,181)	(14,198)
Present value of minimum lease payments as per statement of financial position	83,411	90,513

Notes to the financial statements

for the year ended 30 June 2025

4.5. Provisions

	2025 \$'000	2024 \$'000
Annual leave entitlements including on-costs	22,866	22,680
Long service leave entitlements including on-costs	23,685	20,685
Leasehold make-good provision	5,926	5,926
Total provisions	52,477	49,291
Aggregate employee benefits and related on-costs		
Annual leave entitlements including on-costs	22,866	22,680
Long service leave entitlements including on-costs	23,685	20,685
Accrued salaries, wages and on-costs (refer note 2.6)	12,442	7,672
	58,993	51,037

Employee benefits and related on-costs

It is expected that the leave provisions and related on-costs will be settled over the following years:

	2025 \$'000	2024 \$'000
Expected to be settled no more than twelve months		
Annual leave and related on-costs	22,866	22,680
Long service leave and related on-costs	2,008	1,984
	24,874	24,664
Expected to be settled after more than twelve months		
Long service leave and related on-costs	21,677	18,701

Notes to the financial statements

for the year ended 30 June 2025

4.5.1. Superannuation and long service leave

The superannuation expense for accumulation funds is calculated as a percentage of employees' salary.

The liability for long service leave is measured as the accrued long service leave benefits with an allowance for superannuation on-cost, payroll tax and workers compensation on-cost.

The calculation is actuarially performed.

4.5.2. Other provision

A leasehold make-good provision is recognised for the estimate of future payments for restoration upon termination of the lease of the current office premises. The effect of discounting is immaterial.

	icare remediation \$'000	Leasehold make-good \$'000	Total \$'000
2025			
Carrying amount at the beginning of financial year	-	5,926	5,926
Additional provisions	-	-	-
Utilisation	-	-	-
Carrying amount at end of financial year	-	5,926	5,926
2024			
Carrying amount at the beginning of financial year	2,267	5,926	8,193
Additional provisions	1,312	-	1,312
Utilisation	(3,579)	-	(3,579)
Carrying amount at end of financial year	-	5,926	5,926

Notes to the financial statements

for the year ended 30 June 2025

4.6. Other gains/ (losses)

Overview

Other gains and losses relate to gains and losses on derivatives at fair value through profit and loss.

icare is subject to NSW Treasury Policy Paper (TPP) 21-14 NSW Government Financial Risk Management Policy. TPP21-14 requires icare to identify, manage and report foreign currency exposures for procurement projects valued at or over \$500,000 (AUD).

Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is recognised in the net result

Foreign currency risk

icare manages its foreign exchange risk by entering forward exchange contracts in accordance with risk management policies. The foreign exchange risk related to the principal amount of overseas purchase commitments made, that are dominated in US dollars have been fully hedged using forward contracts that will mature on the same dates as the forecast purchase payments are due. These contracts are designated as cash flow hedges.

4.7. Contingent liabilities and contingent assets

icare does not have any known contingent liabilities or assets at reporting date.

Notes to the financial statements

for the year ended 30 June 2025

4.8. Related party disclosures

Key management personnel compensation

icare's key management personnel are the Board of Directors of icare, the Chief Executive of icare and their direct reports. Compensation for key management personnel is disclosed in the financial statements of icare. Costs for key management personnel services are included as part of the service fee paid to icare. Compensation received by these key management personnel is in the table below.

	2025 \$'000	2024 \$'000
Short term employee benefits		
Salaries	5,396	6,323
Other long-term employee benefits	346	346
Termination benefits	841	1,014
Total remuneration	6,583	7,683

Key management personnel loan disclosures

icare has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions

There were no other transactions involving key management personnel and their interests during the reporting year.

NSW Treasury Corporation (TCorp) has a Director in common. During the year, icare received investment management services from TCorp and paid for these services as part of the investment management expenses. These investment management expenses are included within the relevant entity's financial statements

Other NSW Government entities

icare entered transactions with other entities that are controlled, jointly controlled or significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the entity's service fee revenue.

4.9. Post balance date events

icare has not identified any subsequent events that would require the financial statements or other disclosures to be adjusted.

- End of audited financial statements -

icare

Workers Insurance

Insurance for NSW

HBCF

Lifetime Care

Dust Diseases Care

Sporting Injuries
Compensation Authority

Workers Insurance

Workers Insurance financial statements

for the year ended 30 June 2025

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Statement by the Board of Directors

for the year ended 30 June 2025

NSW Workers Insurance Scheme Financial statements for the year ended 30 June 2025

In the opinion of the Board of Directors:

- (a) The financial statements of the NSW Workers Insurance Scheme have been prepared in accordance and comply with Australian Accounting Standards (which include Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board, and
- (b) The financial statements present fairly the NSW Workers Insurance Scheme's financial position as at 30 June 2025, financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors of Insurance and Care NSW.



John Robertson
Chairman
Insurance and Care NSW
25 September 2025



Geniere Aplin
Chief Executive
NSW Workers Insurance Scheme and
Insurance and Care NSW
25 September 2025



INDEPENDENT AUDITOR'S REPORT

Workers Compensation Nominal Insurer (trading as the NSW Workers Insurance Scheme)

To the Treasurer, Minister for Work Health and Safety, and members of the Board for Insurance and Care NSW

Opinion

I have audited the accompanying financial statements of the Workers Compensation Nominal Insurer (the Scheme), which comprise the statement by the board of directors, the statement of comprehensive Income for the year ended 30 June 2025, the statement of financial position as at 30 June 2025, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards
- present fairly the Scheme's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Scheme in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Matters

Australian Auditing Standard ASA 701 'Communicating Key Audit Matters in the Independent Auditor's Report' applies to the audit of the general purpose financial statements of listed entities or when an auditor is required by legislation to communicate key audit matters in the auditor's report. There is no legislative requirement to communicate key audit matters in my independent audit report on the Scheme. I have voluntarily included a narrative on Key Audit Matters to enhance the readability of my audit opinion.

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2025. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Valuation of outstanding claims liability At 30 June 2025, the Scheme recorded an outstanding claims liability balance of \$25.6 billion. The valuation of the outstanding claims liability involves significant judgement in determining the timing and value of expected future payments for claims incurred and related costs to settle the claims. In determining the valuation of the liabilities, the Scheme engages actuarial specialists ('Scheme actuary') to model and develop assumptions to estimate the outstanding claims liability. I considered this to be a key audit matter because of the: - financial significance of the outstanding claims liability - degree of judgement in developing assumptions and the complexity of valuation models. The key inputs and judgements involved in estimating the outstanding claim liability include: - discount rates - assumed rates of inflation, particularly in the near term - assumptions as to the timing of reported claim payments - assumptions over the number and size of claims incurred but not reported - assumptions over the future costs of claims handling expenses - allowance for risk in estimating future cash flows through the inclusion of a risk margin - assumptions that estimate the extent of whole person impairment and incidence of future psychological claims. The level of judgement means that the valuation of the outstanding claims liability may change significantly and unexpectedly due to changes in assumptions. Details on the valuation techniques, inputs and assumptions are disclosed in Note 2.3.	Key audit procedures included the following: - with the assistance of audit actuarial specialists: - evaluated the competence, capabilities and objectivity of the Scheme's actuary - gained an understanding of the work of the Scheme's actuary and evaluated the appropriateness of their work, including their models - assessed the valuation methods and approach used by the Scheme's actuary for consistency with industry practice and the underlying claims exposure - assessed the assumption setting process, including data on the Scheme's obligations to policyholders/beneficiaries and claims payment information used as inputs into the valuation models - assessed the economic assumptions derived by the Scheme Actuary, particularly inflation - assessed the results of the Scheme actuary's review of claim experience to determine how they inform the key assumptions adopted and the weighting the Scheme actuary places on the experience in relation to future trends and incidence - performed an overall assessment of the valuation methodology, key assumptions and models used to derive the valuation of the outstanding claims liability. - assessed the calculation of the outstanding claim liability balance and related financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Key Audit Matter**How my audit addressed the matter****Valuation of unlisted investments**

At 30 June 2025, the Scheme held investments of \$3.9 billion classified as Level 3 assets within the fair value hierarchy under Australian Accounting Standards (i.e. where significant unobservable inputs are used in the valuation). These investments mainly include:

- units in unlisted wholesale property trusts
- units in unlisted infrastructure trusts
- units in unlisted equity trusts.

Level 3 assets require judgment to be applied in determining their fair value, as the valuation inputs for these assets are not based on observable market transactions or other readily available market data. The valuation of Level 3 assets has a greater degree of uncertainty and subjectivity as there are alternative assumptions and valuation methods that may result in a range of valuation outcomes.

The scheme engaged third parties to provide investment administration and custody services.

Management values level 3 investments based on the Net Asset Value (NAV) of the trusts. Given the lack of observable inputs, there is uncertainty associated with the valuation of the underlying assets.

I considered this to be a key audit matter because of the:

- value of the Level 3 investments balance relative to total assets
- degree of judgement and estimation uncertainty associated with the valuation.

Details on the valuation techniques, inputs and assumptions are disclosed in Note 3.3.

Key audit procedures included the following:

- reviewed control reports from the third party's auditor on the design and operating effectiveness of controls at investment managers
- direct confirmation of the unit price of Level 3 unit trusts as at 30 June 2025 and the Scheme's holdings in those trusts
- with the assistance of audit valuation specialists:
 - obtained, for a sample of unit trust investments, the valuation statements provided by external investment managers and assessed the reliability of the information received, including the frequency of pricing and liquidity of the units of the trust
 - obtained, for a sample of unit trusts, where available, the audited financial statements of the trusts
 - assessed the appropriateness of the valuation at 30 June 2025
- assessed the adequacy of the related financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Operation of information technology (IT) systems and controls

The financial reporting process is highly dependent on the recording and retention of financially relevant data in administration systems, the complete and accurate transfer of such data to financial reporting systems, and the correct embedding of accounting rules and controls in both financial reporting and administration systems.

I considered this to be a key audit matter because of the volume of transactions processed through IT systems and the reliance on IT related controls for the purposes of financial reporting.

My approach is tailored based on the financial significance of the systems and whether there were automated processes supported by the systems. With the assistance of information technology audit specialists, key audit procedures included the following:

- assessed the controls relating to:
 - access to systems and data, as well as programme changes to systems relevant to financial reporting
 - address the risk of unauthorised or erroneous changes being made to the system and data
 - ensure transactions are recorded consistently with relevant accounting rules
 - reviewed system and organisation control (SOC) reports from the third party's auditor

Key Audit Matter	How my audit addressed the matter
	on the design and operating effectiveness of controls, where technology services are provided by a third party – when a SOC report is unavailable or the period it covers is limited, reviewed the procedures performed by management to gain comfort over the third party's control environment • where we identified exceptions in our IT control procedures, we: – designed specific substantive procedures to mitigate the risk of the identified exception – expanded our analytical procedures to identify any material anomalies in the population and tested those transactions to confirm they were supported and accounted for correctly.
Outsourced claims activities	
For the year ended 30 June 2025, the Scheme outsourced a substantial component of the end-to-end claims management and payment process to external claim managers. The external claim managers performed claim processes on both their own claim systems and on Insurance and Care NSW's (icare) system, Guidewire Claim Centre ("Guidewire"), depending on when the claim was reported. Claims management is a key process within the Scheme as it facilitates the payment of funds out of the Scheme and the data captured is transmitted to the Scheme actuary to inform the assumptions used in the outstanding claim liability valuation. The external claim managers provide monthly and annual returns which form the basis of accounting entries in the Scheme's financial reporting systems when claims are managed on their own systems. The Scheme also obtains a service organisation controls report where claims managers respond to risks and control objectives provided by icare management on behalf of the Scheme. I considered this to be a key audit matter because the external claim managers are responsible for a material component of the reported claims expense and the policyholder data used in the calculation of the Scheme's outstanding claim liability.	For claims managed on Guidewire, key audit procedures included the following: • tested the design and operating effectiveness of controls • vouched a sample of claim payments, including key claim fields, to supporting evidence • tested management's reconciliation of claims cost between Guidewire and the Scheme's financial reporting systems at 30 June 2025. For claims managed on external claims managers' own system, key audit procedures included the following: • tested the reconciliation of the annual external claim manager returns to the Scheme's financial reporting systems at 30 June 2025 • with reference to Australian Auditing Standard ASA 402 "Audit Considerations Relating to an Entity Using a Service Organisation": – obtained an understanding of the services provided by the external claim managers and the internal controls relevant to the Scheme's financial statements – tested key controls over financial reporting within the external claims managers' control environment – tested the completeness of the external claim managers' claim data and vouched a sample of key claim fields to supporting evidence.

The Board's Responsibilities for the Financial Statements

The Board of Directors of Insurance and Care NSW, acting for the Scheme, is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Scheme's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Scheme carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 September 2025
SYDNEY

Statement of comprehensive income

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Gross written premium		5,395,689	4,332,605
Unearned premium movement		(200,174)	(90,532)
Gross earned premium		5,195,515	4,242,073
Hindsight adjustments		520,904	531,618
Net earned premiums (a)	2.1	5,716,419	4,773,691
Gross claims expense		(7,848,135)	(6,321,153)
Recoveries		173,106	130,009
Unexpired risk liability	2.4	52,475	(86,376)
Net claims expense (b)	2.2	(7,622,554)	(6,277,520)
Underwriting and other expenses (c)	2.5	(1,319,124)	(1,303,176)
Underwriting result (a+b+c)		(3,225,259)	(2,807,005)
Investment income		1,490,642	928,066
Investment management expense		(15,408)	(16,406)
Net investment revenue	3.1	1,475,234	911,660
Other income		22,948	18,753
Net result		(1,727,077)	(1,876,592)
Total comprehensive income		(1,727,077)	(1,876,592)

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Assets			
Cash and cash equivalents	5.1	666,470	620,678
Investments	3.2	18,542,525	17,024,993
Trade and other receivables	2.6	2,662,336	1,869,264
Recoveries receivable	2.3.1	517,728	440,573
Intangible assets		-	1,401
Total assets		22,389,059	19,956,909
Liabilities			
Investment liabilities	3.2	639,659	143,201
Trade and other payables	2.7	179,612	202,548
Unearned premiums	2.4	1,067,235	867,061
Outstanding claims	2.3.1	25,576,572	22,042,028
Unexpired risk liability	2.4	272,401	324,876
Security deposits	5.2	42,103	38,641
Total liabilities		27,777,582	23,618,355
Net assets		(5,388,523)	(3,661,446)
Equity			
Accumulated funds		(5,388,523)	(3,661,446)

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2025

	2025 \$'000	2024 \$'000
Accumulated funds		
Balance at the beginning of financial year (1 July)	(3,661,446)	(1,784,854)
Net result for the year	(1,727,077)	(1,876,592)
Total comprehensive income	(1,727,077)	(1,876,592)
Balance at the end of the financial year (30 June)	(5,388,523)	(3,661,446)

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Cash flows from operating activities			
Premiums received		5,410,204	4,482,922
Recoveries received		95,000	77,286
Claims paid		(4,309,219)	(3,889,744)
Total premiums / recoveries less claims		1,195,985	670,464
Receipts			
Proceeds from sale of investments		178,943	548,445
Investment returns received		27,379	25,097
Security deposits		3,448	-
Other receipts		22,799	16,493
Total receipts		232,569	590,035
Payments			
Security deposits paid		-	(29,560)
Service fees		(915,580)	(827,180)
Statutory levies paid		(418,964)	(368,481)
Other payments		(48,296)	(6,449)
Total payments		(1,382,840)	(1,231,670)
Net cash flows from operating activities	5.1	45,714	28,829
Cash flows from investing activities			
Sale of intangible assets		78	-
Net cash flows from investing activities		78	-
Net increase / (decrease) in cash and cash equivalents		45,792	28,829
Cash and cash equivalents at the beginning of the financial year		620,678	591,849
Cash and cash equivalents at the end of the financial year	5.1	666,470	620,678

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2025

1. Overview

1.1. About the scheme

The NSW Workers Insurance Scheme is a not-for-profit entity that operates as a licensed workers compensation insurer and trades under the registered business name of 'NSW Workers Insurance Scheme' (the scheme). The Workers Compensation Nominal Insurer is established under the *Workers Compensation Act 1987* (the Act) and was created on 18 February 2005 by the *Workers Compensation Amendment (Insurance Reform) Act 2003*. It commenced operations on 1 July 2005. Under the State Insurance and Care Governance Act 2015, Insurance and Care NSW (icare) acts for the Nominal Insurer in accordance with section 154C of the *Workers Compensation Act 1987*.

The Act states that the Nominal Insurer is not and does not represent NSW (the state) or any authority of the state. The insurance claim liabilities of the Nominal Insurer can only be satisfied from the scheme and are not liabilities of the state, icare or any other authority of the state.

The scheme is not consolidated as part of the NSW total state sector accounts or icare accounts.

icare provides services to the scheme.

icare was established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015*. Its functions include monitoring the performance of the insurance or compensation schemes of which it provides services. The scheme is one such scheme.

The financial statements for the year ended 30 June 2025 have been authorised for issue by the Chairman of the Board of icare and the Chief Executive of the scheme on behalf of the Board of Directors of icare on 25 September 2025.

1.2. Basis of preparation and material accounting policies

The scheme's financial statements are general purpose financial statements which have been prepared under the Act using the accrual basis of accounting and are in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations).

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial investments, outstanding claims, unexpired risk liability, security deposits and intangibles.

Unless otherwise stated in the notes, assets and liabilities are prepared on a historical cost basis.

All amounts are rounded to the nearest one thousand dollars unless otherwise stated and are expressed in Australian currency, which is the functional currency of the scheme.

1.2.1. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1.2.2. Going concern basis

These financial statements have been prepared on a going concern basis. Despite the accumulated deficit, the scheme can pay its debts as and when they fall due. Refer to note 5.5 for more information on the scheme's target operating zone for capital management.

Notes to the financial statements

for the year ended 30 June 2025

1.2.3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, key assumptions and estimations management have made are disclosed in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 2.3 – net outstanding claims liability
- note 2.4 – unearned premiums and unexpired risk liability; and
- note 3 and 4 – investment activities and risk management.

1.2.4. Taxation

The Australian Taxation Office (ATO) has issued private rulings that the income of the scheme is not assessable income and that the Workers Compensation Scheme is exempt from income tax. This exemption was granted from establishment date in 2005 and is effective to June 2026. Management has assessed the tax position post 30 June 2026 and intends to seek a similar exemption for years beyond this date. While income tax exemptions have been granted in prior years and it is considered likely that the exemption will be granted for future years, the outcome remains subject to formal assessment by the ATO.

1.2.5. Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous reporting period for all amounts reported in the financial statements.

1.2.6. Accounting standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting year ended 30 June 2025. The following are new Australian Accounting Standards or amendments which have been issued but are not yet effective. Discussion of their impact on financial performance and position is below.

- AASB 17 Insurance Contracts and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector.

Notes to the financial statements

for the year ended 30 June 2025

1.2.6 Accounting standards issued but not yet effective (continued)

New accounting standards and interpretations

AASB 17 Insurance Contracts (AASB 17) was issued in June 2017 and represents a fundamental change to the accounting treatment for insurance contracts. AASB 17 incorporates IFRS 17, which seeks to harmonise the accounting treatment for insurance contracts globally. This standard establishes new accounting principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held.

Australian Accounting Standard AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector was issued in December 2022 and amends AASB 17 to include modifications that apply to public sector entities.

AASB 17 is effective for public sector insurers from 1 July 2026. AASB 17 will replace current accounting standards in Australia, AASB 4 (Insurance Contracts), AASB 1023 (General Insurance Contracts) and AASB 1038 (Life Insurance Contracts).

The relevant key areas of consideration under AASB 17 Insurance Contracts are set out below:

Risk adjustment:

- The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk margin adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk.

- The risk adjustment is expected to be calculated using a confidence interval approach, leveraging the historical methodology for risk margin calculation, modified to exclude financial risks. As such the financial impact of moving from a risk margin under AASB 1023 to a risk adjustment under AASB 17 is expected to be immaterial.

Discounting:

- AASB 1023 requires the net central estimate of outstanding claims to be discounted using risk-free rates. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and the financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used.
- It is expected that the scheme will apply a bottom-up approach, which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, and will result in higher discount rates relative to current requirements. It is expected that the addition of an illiquidity premium to the current risk-free rate will result in a release of claims liabilities.

Transition arrangements

- The scheme will apply the full retrospective approach at transition on 1 July 2026. This means that any impacts of the transition to AASB 17 will be reflected as a change in equity at 1 July 2025.

The scheme has commenced an implementation project to ensure that it will be able to meet the requirements of AASB 17. This project is largely completed and will allow the scheme to have one full year of parallel run before the commencement of AASB 17 on 1 July 2026. The scheme will continue to assess the impact of the new requirements and emerging industry guidance on financial statements.

Notes to the financial statements

for the year ended 30 June 2025

2. Underwriting activities

Overview

This section provides analysis and commentary on the scheme's underwriting activities. Underwriting, in simple terms, is the agreement by the insurer to assume insurance risk in return for a premium paid by the insured. The underwriter assesses the quality of the risk and prices accordingly.

2.1. Revenue

Revenue mainly comprises premiums charged for providing insurance coverage. Premiums are classified as either:

- Written premium relates to amounts charged to policy holders on premiums written in the current financial year. Closed business relates to premium written, issued and booked. Unclosed business relates to premium in the current period that is still to be written.
- Premiums received and premiums receivable are recognised as written premium in the statement of comprehensive income from the date of attachment of risk. The pattern of recognition over the policy periods is based on time, which is considered to approximate the pattern of risks underwritten.
- The earned portion of premium on unclosed business, being business that is written at the balance date but for which detailed policy information is not yet booked, is also included in written premium.
- Hindsight adjustments relate to premium adjustments made to policies written in previous financial years. As the period of the risk for these policies has expired, earnings on hindsight adjustments are generally recognised in full in the current financial year.

	2025 \$'000	2024 \$'000
Written premium on closed business	5,016,689	4,146,427
Written premium on unclosed business	379,000	186,178
Gross written premium	5,395,689	4,332,605
Hindsight adjustments	520,904	531,618
Unearned premium movement	(200,174)	(90,532)
Net earned premium	5,716,419	4,773,691

Notes to the financial statements

for the year ended 30 June 2025

2.2. Net claims expense

The largest expense for the scheme is net claims expense, which is the sum of:

- The movement in the net outstanding claims liability (note 2.3), which is the difference between the net outstanding claims liability at the beginning and at the end of the financial year.
- Any net claim payments made during the financial year.
- The movement in the unexpired risk liability (note 2.4).
- The movement in outstanding recoveries, which are recognised as revenue when it is virtually certain the recovery will be made, and recoveries received during the financial year, including amounts that the scheme's actuary estimate can be recovered from an employer's tax and CTP insurers.

The scheme's claims liability is accounted for in accordance with AASB 1023 *General Insurance Contracts*.

	2025 \$'000	2024 \$'000
Claims and related expenses	4,313,590	3,888,157
Finance costs	779,623	693,735
Other movements in claims liabilities	2,754,922	1,739,261
Gross claims expense	7,848,135	6,321,153
Recoveries revenue	(173,106)	(130,009)
Net claims incurred	7,675,029	6,191,144
Movement in unexpired risk liability	(52,475)	86,376
Net claims expense	7,622,554	6,277,520
Analysed as follows:		
Movement in net discounted central estimate gross claims	7,295,588	5,934,867
Movement in net discounted claims handling expenses	202,276	142,070
Movement in net discounted risk margin	350,271	244,216
Recoveries	(173,106)	(130,009)
Movement in unexpired risk liability	(52,475)	86,376
Net claims expense	7,622,554	6,277,520

Notes to the financial statements

for the year ended 30 June 2025

2.2. Net claims expense (continued)

	Current accident year \$M	Prior accident year \$M	2025 total \$M	2024 total \$M
Gross claims incurred and related expenses – undiscounted	7,719	985	8,703	7,711
Other recoveries – undiscounted	(156)	(20)	(176)	(141)
Net claims incurred – undiscounted	7,563	965	8,527	7,570
Discount and discount movement – gross claims incurred	(1,714)	859	(855)	(1,389)
Discount and discount movement – other recoveries	22	(19)	3	10
Net discount movement	(1,692)	840	(852)	(1,379)
Net claims incurred	5,871	1,805	7,675	6,191

2.3. Net outstanding claims liability

Overview

The net outstanding claims liability comprises the elements described below:

- The net central estimate (note 2.3.1) This is the provision for expected future claims payments and includes claims reported but not yet paid, claims incurred but which have not yet been reported (IBNR), claims incurred but not enough reported (IBNER) and estimated claims handling costs.
- Less an amount to reflect the discount to present value using risk-free rates of return. The net central estimate is discounted to present value recognising that the claim and/or recovery may not be settled for some time. The discount rate represents a risk-free rate derived from market yields on Commonwealth government bonds.
- Less recoveries.
- A risk margin (note 2.3.2). A risk margin is added to reflect the inherent uncertainty in the net discounted central estimate of outstanding claims and increases the probability that the reserves will ultimately turn out to be adequate.

Notes to the financial statements

for the year ended 30 June 2025

2.3. Net outstanding claims liability (continued)

The *Workers Compensation Legislation Amendment Act 2012* has resulted in claim payments being closely aligned to the pre-injury average weekly earnings of injured workers. Projected inflation factors consider several relevant factors determined by the scheme actuary relating to future claims levels. The expected future payments are then discounted to a value at the end of the reporting period using rates of interest, which use appropriate risk-free discount rates, consistent with Australian Accounting Standard AASB 1023 *General Insurance Contracts*. Details of inflation and discount rates applied are included in note 2.3.3.

The determination of the amounts that the scheme will ultimately pay for claims arising under insurance contracts involves several critical assumptions. Whilst the scheme actuary has employed techniques and assumptions that are appropriate, it should be recognised that future claims development is likely to deviate, perhaps materially, from their estimates.

Some of the uncertainties impacting these assumptions are as follows:

- The long tail nature of many of the benefits payable means that changes in future inflation and discount rate assumptions can have a significant effect on the liability. Volatility in the current market environment, especially amid global inflationary pressures, can lead to continuing volatility in the liability estimates.
- The number of physical injury claims reaching a higher whole person impairment has recently increased. These claims have significantly longer durations and higher costs associated with them. There is uncertainty over how many physical claims will have higher whole person impairment and therefore higher claims cost.
- The number of claims with a primary psychological injury has increased over the past 12 months. These claims have significantly longer durations and higher costs associated with them. There is uncertainty over how many psychological claims will have higher whole person impairment and therefore higher claims cost.
- Above economic inflation rises in attendant care costs have driven strong growth in average medical payments for the most severe claims. The growth in average medical payments for other claims has moderated over the past five years. There remains uncertainty around the future experience and potential for periods of hyperinflation.
- The proportion of eligible claimants that pursue a common law action has varied historically and the future experience is uncertain.

Notes to the financial statements

for the year ended 30 June 2025

2.3.1. Discounted net outstanding claims

Overview

The overall outstanding claims liability of the scheme is calculated by the scheme actuary using a range of recognised, actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny. The expected future payments are estimated based on the ultimate cost of settling claims (including claims handling expenses) which is affected by factors arising during the period to settlement.

The provision for claims handling expenses (CHE) is calculated as a percentage of the gross outstanding claims central estimate to recognise the ultimate expense of managing outstanding claims until they are finalised and closed. The percentage for claims handling expenses in 2025 is 6.7%. (2024: 6.7%).

	2025 \$'000	2024 \$'000
Expected future gross claims payments	32,216,865	28,189,129
Gross claims handling	2,171,272	1,897,849
Gross risk margin	3,782,695	3,309,567
Gross outstanding claims liabilities	38,170,832	33,396,545
Discount on central estimate	(10,629,781)	(9,584,044)
Discount on claims handling expenses	(716,399)	(645,251)
Discount on risk margin	(1,248,080)	(1,125,222)
Total discount on claims liabilities	(12,594,260)	(11,354,517)
Claims liabilities	25,576,572	22,042,028
Recoveries		
Expected future actuarial assessment of recoveries	613,122	532,566
Discount to present value	(95,394)	(91,993)
Recoveries	517,728	440,573
Net outstanding claims	25,058,844	21,601,455

Notes to the financial statements

for the year ended 30 June 2025

2.3.1 Discounted net outstanding claims (continued)

The table below analyses the movement in the net outstanding claims liability.

Movement in claim liabilities and recoveries

	2025 \$'000	2024 \$'000
Opening balance	21,601,455	19,220,304
Discount unwind	779,623	693,735
Expected claim payments (prior years only)	(3,182,995)	(2,755,798)
CHE on expected claim payments (prior years only)	(220,488)	(190,122)
Release of risk margin on claim payments (prior years only)	(374,383)	(324,051)
Adjustment arising from change in (prior years only):		
- actuarial assumptions	1,077,609	865,856
- inflation rates	67,996	141,040
- discount rates	184,275	(356,320)
- remediation allowances	-	(31,367)
Net outstanding claims in current year	5,125,752	4,338,178
Net outstanding claims	25,058,844	21,601,455
Breakdown of actuarial assumptions	1,077,609	865,856
Actual vs expected payments	(223,233)	170,224
Change in experience	682,028	203,001
Change in actuarial assumptions	617,481	488,375
Change in CHE	1,333	4,256

The remediation allowance included the best estimate of the cost of the remediation program covering both potential underpayments and the cost of the program itself. The remediation program covered historical underpayments relating to both pre-injury average weekly earnings (PIAWE) and indexation issues. The PIAWE program was finalised in 2023/24.

Notes to the financial statements

for the year ended 30 June 2025

2.3.2. Risk margin

Overview

A risk margin is adopted by the Board based on advice from the scheme actuary to reflect the inherent uncertainty in the net discounted central estimate of the outstanding claims liability.

The risk margin and the net discounted central estimate are key inputs in the determination of the probability of adequacy that the outstanding claims liability provision will ultimately turn out to be adequate. The probability of adequacy is a statistical measure of the relative adequacy of the outstanding claims liability to ultimately be able to pay claims in respect of accidents up to and including the balance date. For example, a 75% probability of adequacy indicates that the net discounted provision is expected to be adequate seven and a half years in ten.

The adopted probability of adequacy for the scheme for 2025 is 75% (2024: 75%). The scheme actuary has assessed this requires a risk margin of 11.0% (2024: 11.0%) or a discounted \$2.5 billion (2024: \$2.1 billion).

In arriving at the probability of adequacy required, legislative provisions to set and allow a retrospective adjustment of premiums and the requirement of employers to fund any deficit as part of future premiums were considered.

2.3.3. Economic assumptions

Overview

Two of the core variables that drive the scheme's liabilities are the inflation rate for benefits and the discount rate applied to the liabilities. Income support benefits to injured workers are indexed half yearly while other payments such as medical costs are considered to increase at least in line with inflation.

Income support benefits are based on workers' average weekly earnings. For claims incurred prior to 1 October 2012, income support benefits are indexed to the labour price index (LPI), while claims incurred after that date are indexed to the consumer price index (CPI). Other scheme costs continue to align with movements in the LPI.

Notes to the financial statements

for the year ended 30 June 2025

2.3.3. Economic assumptions (continued)

The following average inflation and discount rates were used in the measurement of outstanding claims:

	2025 % p.a.	2024 % p.a.
For the first succeeding year		
Inflation rate		
LPI	3.29	3.44
CPI	2.60	2.67
Discount rate*	3.35	4.37
For subsequent years		
Inflation rate		
LPI	3.00-3.59	2.99 - 3.65
CPI	2.31-2.85	2.45 - 3.15
Discount rate*	3.07-5.49	3.91 - 5.29

* Discount rates are forward rates

The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 6.7 years (2024: 7.1 years).

Notes to the financial statements

for the year ended 30 June 2025

2.3.4. Claims liability maturity

Overview

The maturity profile is the scheme's expectation of the period over which the net central estimate will be settled. The scheme uses this information to ensure that it has adequate liquidity to pay claims as they are due to be settled and to inform the scheme's investment strategy. The expected maturity profile of the scheme's net discounted net outstanding claims is analysed below.

	2025 \$'000	2024 \$'000
Discounted net outstanding claims maturing:		
Within 1 year	4,432,094	3,871,763
2 to 5 years	10,556,598	8,833,232
More than 5 years	10,070,152	8,896,460
	25,058,844	21,601,455

2.3.5. Impact of changes in key variables on the net outstanding claims liability

Overview

Sensitivity analysis is conducted by the scheme actuary on each variable to measure the change in the net outstanding claims liability estimate that would result from a change in the assumptions whilst holding all other variables constant.

Notes to the financial statements

for the year ended 30 June 2025

2.3.5 Impact of changes in key variables on the net outstanding claims liability (continued)

The impact of changes in key variables is summarised in the table below.

		2025 impact on all durations		2025 impact with fixed gap beyond 10 years		2025 impact with discount rate at flat 5.5%, and inflation rate for LPI of 3.0% and CPI of 2.5% beyond five years	
Variable	Movement in variable %	Net result \$'000	Liabilities \$'000	Net result \$'000	Liabilities \$'000	Net result \$'000	Liabilities \$M
Inflation	+1	(1,797,013)	1,797,013	(1,013,571)	1,013,571		
Rate	-1	1,542,445	(1,542,445)	966,846	(966,846)		
Discount	+1	1,489,896	(1,489,896)	914,926	(914,926)		
Rate	-1	(1,761,506)	1,761,506	(975,072)	975,072		
Discount rate at flat 5.5%, and inflation rate for LPI of 2.5% and CPI of 2.0% beyond five years						1,990,990	(1,990,990)
WPI 15+ frequency	+10%	-878,642	878,642				
	-10%	878,642	-878,642				

Notes to the financial statements

for the year ended 30 June 2025

2.3.5 Impact of changes in key variables on the net outstanding claims liability (continued)

		2024 impact on all durations		2024 impact with fixed gap beyond 10 years		2024 impact with discount rate at flat 5.5%, and inflation rate for LPI of 3.0% and CPI of 2.5% beyond five years	
Variable	Movement in variable %	Net result \$'000	Liabilities \$'000	Net result \$'000	Liabilities \$'000	Net result \$'000	Liabilities \$M
Inflation	+1	(1,645,349)	1,645,349	(883,407)	883,407		
Rate	-1	1,396,940	(1,396,940)	842,109	(842,109)		
Discount	+1	1,348,669	(1,348,669)	794,578	(794,578)		
Rate	-1	(1,612,524)	1,612,524	(847,377)	847,377		
25% increase in number of claims for whole person impairment 11%+						(2,236,022)	2,236,022
Discount rate at flat 5.5%, and inflation rate for LPI of 2.5% and CPI of 2.0% beyond five years						1,566,408	(1,566,408)

2.3.6. Claims development

Overview

The scheme provides ongoing income support benefits to injured workers who are unable to return to pre-injury levels of work up to retirement age, (or if injured after retirement age one year after the date of claim). This results in a significant portion of scheme liabilities relating to accidents from past years that will be settled in future years.

The following table shows the development of undiscounted net outstanding claims relative to the ultimate expected claims for the most recent accident years for the scheme.

Notes to the financial statements

for the year ended 30 June 2025

2.3.6 Claims development (continued)

Accident year	2016 and prior \$'m	2017 \$'m	2018 \$'m	2019 \$'m	2020 \$'m	2021 \$'m	2022 \$'m	2023 \$'m	2024 \$'m	2025 \$'m	Total \$'m
Estimate of ultimate claims cost											
At end of accident year		2,515	2,790	2,965	3,287	3,888	4,276	4,798	5,712	6,490	
One year later		2,638	3,010	3,384	3,973	4,138	4,343	5,137	6,196		
Two years later		2,567	3,180	3,683	4,229	4,320	4,435	5,462			
Three years later		2,640	3,240	3,855	4,304	4,395	4,506				
Four years later	52,935	2,681	3,392	3,930	4,411	4,624					
Five years later	52,708	2,683	3,663	4,109	4,569						
Six years later	53,326	2,782	3,726	4,143							
Seven years later	54,142	2,781	3,729								
Eight years later	54,561	2,848									
Nine years later	54,515										
Current estimate of cumulative claims cost	54,515	2,848	3,729	4,143	4,569	4,624	4,506	5,462	6,196	6,490	97,081
Cumulative payments	(47,521)	(1,974)	(2,424)	(2,587)	(2,527)	(2,289)	(1,912)	(1,885)	(1,580)	(744)	(65,444)
Outstanding claims – undiscounted	6,994	874	1,305	1,556	2,043	2,334	2,594	3,577	4,616	5,746	31,638
Discount											(10,517)
Claims handling expenses											1,455
Net outstanding claims excluding risk margin											22,576
Risk margin											2,483
Outstanding claims liability											25,059

Notes to the financial statements

for the year ended 30 June 2025

2.3.6 Claims development (continued)

The estimated undiscounted ultimate cost of claims has tended to increase over time. Recent increases are due to:

- more claims with low whole person impairment remaining on weekly and medical benefits
- more claims reaching higher whole person impairment (thereby accessing more generous benefits)
- above economic inflation increases in average weekly and medical payments.

2.4. Unearned premium and unexpired risk liability

Overview

Unearned premium

Gross written premium is earned in the statement of comprehensive income in accordance with the pattern of incidence of risk in the related business. The unearned premium liability is that portion of gross written premium that the scheme has not yet earned in profit or loss as it represents insurance coverage to be provided by the scheme after the balance date.

Unexpired risk liability

At the balance date, the scheme recognises a liability in respect of outstanding claims and assesses the adequacy of its unearned premium liability. As required under AASB 1023 General Insurance Contracts, a liability adequacy test is undertaken to determine the adequacy of the unearned premium liability against current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts. An additional risk margin is included to consider the inherent uncertainty in the central estimate.

If the assessment shows the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the statement of comprehensive income by firstly writing down the deferred acquisition cost. If an additional liability is required, this is recognised in the statement of financial position as an unexpired risk liability.

Notes to the financial statements

for the year ended 30 June 2025

2.4. Unearned premium and unexpired risk liability (continued)

	2025 \$'000	2024 \$'000
Unearned premium income	1,067,235	867,061
Unexpired risk liability	272,401	324,876
Premium liability	1,339,636	1,191,937
(a) Unexpired risk liability		
As at 1 July	324,876	238,500
Recognition of (reduction in) additional unexpired risk liability in the year	(52,475)	86,376
As at 30 June	272,401	324,876
(b) Calculation of unexpired risk liability		
Unearned premium liability (A)	1,067,235	867,061
Central estimate of the present value of expected future cash flows arising from future claims on contracts issued	1,192,908	1,061,387
Risk margin (75% probability of sufficiency)	146,728	130,550
Premium liability (B)	1,339,636	1,191,937
Unexpired risk liability (B)-(A) (zero minimum)	272,401	324,876

The process for determining the overall risk margin is discussed in note 2.3.2. As with the outstanding claims, the overall risk margin is intended to achieve a 75% probability (2024: 75%) of adequacy for the premium liability.

Notes to the financial statements

for the year ended 30 June 2025

2.5. Underwriting and other expenses

Overview

The scheme incurs a range of expenses in providing its services. Details of these expenses are:

	2025 \$'000	2024 \$'000
Statutory levies:		
State Insurance Regulatory Authority (SIRA)	283,268	290,998
Workers Compensation (Dust Diseases) Authority	73,522	69,607
Department of Primary Industries – Mine Safety Levy	8,507	7,875
Total statutory levies (a)	365,297	368,480
Service fees (b)	849,770	848,615
Bad debts written off	60,627	54,213
Impairment of trade and other receivables	36,434	13,178
Depreciation and amortisation expense	1,323	14,830
Other	5,673	3,860
Underwriting and other expenses	1,319,124	1,303,176

External audit fees for the audit of the financial statements were incurred by icare in 2025 and are included as part of the service fee. The amount incurred was \$1.1 million (2024: \$1.1 million).

(a) Statutory levies

In accordance with the State Insurance and Care Governance Act 2015 on 1 September 2015 structural changes to the NSW Workers Compensation System and related agencies were implemented. The Act established four discrete agencies:

- Insurance and Care NSW (icare), a single insurance and care service provider
- State Insurance Regulatory Authority (SIRA), an independent insurance regulator
- SafeWork NSW, an independent workplace safety regulator
- Sporting Injuries Compensation Authority, an entity to manage the Sporting Injuries Compensation Scheme.

The levy paid to SIRA is used to fund its insurance regulatory functions and the operations of Safework NSW.

Notes to the financial statements

for the year ended 30 June 2025

2.5. Underwriting and other expenses (continued)

The dust diseases levy paid to the Workers Compensation (Dust Diseases) Authority (DDA) is used by DDA to fund its operations. Predominately it is used to pay claims costs.

The mine safety levy is paid to support the health and safety regulation of the state's mining workplaces.

(b) Service fees

In accordance with the *State Insurance and Care Governance Act 2015* from 1 September 2015 the scheme receives services from Insurance and Care NSW (icare). Under the arrangement some of the scheme's costs are incurred by icare. These services include the provision of staff, claims handling, facilities, claims service providers remuneration for the management of claims, general business expenses and governance services.

2.6. Trade and other receivables

	2025 \$'000	2024 \$'000
Premiums receivable*	2,257,359	1,743,030
Other receivables	68,496	16,040
Investment receivables (refer note 3.2)	422,485	159,764
Less: allowance for impairment (refer note 2.6a)	(86,004)	(49,570)
Total trade and other receivables	2,662,336	1,869,264

* Employers can pay premiums on a lump sum, quarterly instalment basis or a monthly instalment basis.

Purchases and sales of investments are recognised on the trade date – the date on which the scheme commits to purchase or sell the asset.

(a) Allowance for impairment status of receivables

Reconciliation of allowance for impairment – receivables

	2025 \$'000	2024 \$'000
Allowance for impairment at 1 July	49,570	36,392
Increase / (decrease) to allowance for impairment	36,434	13,178
Allowance for impairment at 30 June	86,004	49,570

Notes to the financial statements

for the year ended 30 June 2025

2.6. Trade and other receivables (continued)

Ageing of receivables

Where credit terms have been re-negotiated, the date that the premium debt was incurred remains unchanged. Consequently, ageing of premium debts applies from the date that the debt was incurred and not from the date of renegotiation.

	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000
2025			
Within normal terms	2,093,755		
Less than 3 months overdue	92,073	70,925	21,148
3 months to 6 months overdue	45,752	36,964	8,788
Greater than 6 months overdue	94,275	38,207	56,068
	2,325,855	146,096	86,004

	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000
2024			
Within normal terms	1,558,383	-	-
Less than 3 months overdue	75,914	49,136	11,777
3 months to 6 months overdue	40,978	36,338	4,640
Greater than 6 months overdue	83,795	65,643	33,153
	1,759,070	151,117	49,570

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for the year ended 30 June 2025

2.7. Trade and other payables

	2025 \$'000	2024 \$'000
Service fee payable to icare	31,955	98,024
Goods and Services Tax	113,022	82,442
Pay as you go tax payable	3,806	2,821
Accrued expenses	14,102	11,464
Other	16,727	7,797
Total payables	179,612	202,548

Details regarding credit risk, liquidity risk and market risk including maturity analysis of above payables are disclosed in note 4.

3. Investment activities

Overview

The main purpose of the scheme's investments is to fund claim liabilities. Investment policies are put in place with the intention that the net financial assets outperform the growth of these liabilities.

Investments, other financial assets and financial liabilities are measured at fair value through profit or loss.

3.1. Investment income

Overview

Dividends on quoted shares are deemed to accrue when the relevant shareholding becomes ex-dividend/distribution. Differences between the fair values of investments at the end of the reporting period and their fair values at the end of the previous reporting period (adjusted for any redemptions or purchases during the reporting period) are recognised as revenue in the statement of comprehensive income.

Notes to the financial statements

for the year ended 30 June 2025

3.1. Investment income (continued)

Fund manager remuneration includes base and incentive fees which are generally paid quarterly.

	2025 \$'000	2024 \$'000
Net realised gain / (loss) on sale of investments	(34,356)	(289,657)
Net unrealised gain / (loss) on investments	57,212	354,639
Dividends / distributions	1,334,190	674,513
Interest	86,148	133,311
Other income	47,448	55,260
Investment income	1,490,642	928,066
Investment management expense	(15,408)	(16,406)
Net investment revenue	1,475,234	911,660

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for the year ended 30 June 2025

3.2. Investment assets and liabilities

	2025 \$'000	2024 \$'000
Investment assets		
Indexed and interest-bearing securities	2,574,762	3,918,412
Unit trusts	15,747,595	12,900,011
Derivatives	220,168	206,570
Total investment assets	18,542,525	17,024,993
Investment receivables		
Interest, dividends and other investment income receivable	22,131	10,356
Trade proceeds yet to be settled	395,992	137,726
Margin deposits	4,362	11,682
Total investment receivables (refer Note 2.6)	422,485	159,764
Total investments	18,965,010	17,184,757
Investment liabilities		
Indexed and interest-bearing securities	439,119	-
Derivative liabilities	81,322	83,507
Investment purchases	119,218	59,694
Total investment liabilities	639,659	143,201
Net investments	18,325,351	17,041,556

Investment liabilities - indexed and interest bearing securities

icare has entered repurchase agreements with certain counterparties, involving the sale of Commonwealth of Australia Government Bonds for cash, with a simultaneous agreement to repurchase the bonds at a fixed price and date in the future. These agreements finance bonds held for interest rate risk management and are interest-bearing, with interest payable at maturity. All agreements current as of 30 June 2025 will mature by August 2025. The agreements are held at amortised cost, which approximates their fair value.

Notes to the financial statements

for the year ended 30 June 2025

3.3. Fair value estimation

Overview

The carrying amounts of the scheme's financial assets and liabilities at the end of the reporting period approximated their fair values as all financial assets and liabilities held were either at fair value at the end of the reporting period (marked to market) or were short term in nature.

The financial assets and liabilities are classified in accordance with the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets, such as trading and available-for-sale securities, is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets of the scheme is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price, without any deduction for transaction costs.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The fair value of financial instruments that are not traded in an active market (for example, unit trusts and over-counter derivatives) are determined using valuation techniques. A variety of methods are used, which include assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for debt securities for disclosure purposes. Evaluations of such securities are based on market data. Vendors utilise evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and when available loan performance data. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flow. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt instruments and derivative financial instruments.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data. The fair value of financial instruments that are not based on observable market data (for example, unlisted property trusts and infrastructure debt) is determined using valuation techniques. The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as level 3 in the fair value hierarchy.

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for the year ended 30 June 2025

3.3. Fair value estimation (continued)

	2025				2024			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Other financial assets								
Indexed and interest-bearing securities	-	2,560,516	14,246	2,574,762	-	3,856,250	62,162	3,918,412
Unit trusts	-	11,824,919	3,922,676	15,747,595	-	9,839,943	3,060,068	12,900,011
Derivatives	-	220,168	-	220,168	1,519	205,051	-	206,570
	-	14,605,603	3,936,922	18,542,525	1,519	13,901,244	3,122,230	17,024,993
Other financial liabilities								
Indexed and interest-bearing securities	-	439,119	-	439,119	-	-	-	-
Derivatives	-	81,322	-	81,322	4,463	79,044	-	83,507
	-	520,441	-	520,441	4,463	79,044	-	83,507

Notes to the financial statements

for the year ended 30 June 2025

3.3 Fair value estimation (continued)

Type	Description	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Unit trusts	Units in unlisted wholesale property trusts	Adjusted net asset value	Published redemption prices	Other property trusts: 2025: \$0.09 - \$1.42 2024: \$0.29 - \$1.40	An increase in published redemption prices would result in a higher fair value
Unit trusts	Units in unlisted infrastructure trusts	Adjusted net asset value	Published redemption prices	2025: \$1.79 - \$1.79 2024: \$0.72 - \$1.63	An increase in published redemption prices would result in a higher fair value
Unit trusts	Units in unlisted trust investing in the opportunistic asset class	Adjusted net asset value	Published redemption prices	2025: \$0.08 - \$176.90 2024: \$0.76 - \$0.96	An increase in published redemption prices would result in a higher fair value

Notes to the financial statements

for the year ended 30 June 2025

3.3. Fair value estimation (continued)

Transfers between levels

The scheme recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the transfer occurred. The following table presents the transfers between levels for the year ended 30 June 2025.

	2025 \$'000	2024 \$'000
Opening balance	3,122,230	3,264,963
Transfers into level 3	387,069	-
Transfers out of level 3	(22,260)	-
Purchases of securities	791,434	259,039
Sale of securities	(444,261)	(140,611)
Investment gains / (loss)	102,710	(261,161)
Closing balance	3,936,922	3,122,230

3.3.1. Valuation framework

The scheme has an established control framework with respect to the measurement of fair values. This framework has been outsourced to the Master Custodian who has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls conducted by the outsourced service provider include:

- verification of observable pricing
- re-performance of model valuations
- a review and approval process for new models and changes to models
- quarterly calibration and back testing of models against observed market transactions
- analysis and investigation of significant daily valuation movements
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared to previous month.

Notes to the financial statements

for the year ended 30 June 2025

3.3.1. Valuation framework (continued)

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the outsourced service provider assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of accounting standards. This includes:

- verifying that the broker or pricing service is approved by the Master Custodian of the Workers Compensation Scheme for use in pricing the relevant type of financial instrument
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement
- where several quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

Significant valuation issues are reported to the icare Board.

3.3.2. Financial assets pledged as collateral

The scheme does not own any collateralised financial assets, apart from cash held in margin accounts with the brokers/counter parties across various markets for exchange traded derivatives (refer note 3.2) and for over-the-counter securities.

Margin accounts for exchange traded derivatives are held by the relevant exchange to keep the derivative position open and are adjusted daily based on the underlying derivatives marked to market. For over-the-counter securities, the scheme pays cash to the counter party should the trade document stipulate that a collateral is required to be paid. This collateral is adjusted as stipulated by the terms of the trade document based on underlying derivatives marked to market.

Where the scheme holds collateral, this is held only in cash.

As outlined previously, the scheme closes out its positions prior to maturity or settles positions in cash rather than physical delivery.

3.3.3. Master netting or similar agreements

The scheme enters derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances (for example, when a credit event such as a default occurs) all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the scheme does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as a default on bank loans or other credit events.

Notes to the financial statements

for the year ended 30 June 2025

3.3.4. Derivatives

The scheme enters derivative contracts for the purpose of gaining market and/or duration exposure or offsetting existing risk exposures for the investment portfolio only.

The table below shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount (recorded gross) is the value of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of a derivative is measured. The notional amounts are indicative of the exposure of the scheme to movements in the instrument underlying the derivatives. The notional amounts do not represent the credit risk of the derivative positions that is equal to the fair value.

The fair value amounts reported in the statement of financial position, and the amounts reported in the following tables are the net value of individual swap positions where there is the ability to settle the swaps on a net basis and the Nominal Insurer intends to settle on this basis.

	Assets \$'000	Liabilities \$'000
2025		
Interest rate futures	(672)	-
Forwards:		
Forward foreign exchange contracts	220,545	(81,322)
Swaps:		
Interest rate swaps	295	-
	220,168	(81,322)
2024		
Interest rate futures	1,368	(4,463)
Shares futures	151	-
Options:		
Options on fixed income	9,229	-
Forwards:		
Forward foreign exchange contracts	127,615	(62,983)
Swaps:		
Interest rate swaps	68,207	(16,061)
	206,570	(83,507)

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for the year ended 30 June 2025

3.3.5. Involvement with unconsolidated structured entities

The scheme does not have a controlling interest in any of the unlisted investment funds in which it invests.

These unconsolidated structured entities are included under unit trusts in note 3.2. The maximum exposure or loss is limited to the net market value of the investment strategy at 30 June 2025. The net market value of the exposure will change daily throughout the period and in the subsequent periods will cease once the investments are disposed.

The investments of the scheme are managed in accordance with the investment mandates with respective underlying investment managers. The investment decisions of the mandate are based on the analysis conducted by the investment manager. The return of the portfolio is exposed to the variability of the performance of the underlying management of these investments.

Investment strategy	Net market value at 30 June 2025 \$'000	Net market value at 30 June 2024 \$'000
Equity - unlisted	5,807,168	4,310,118
Property - unlisted	1,115,501	1,225,947
Alternatives - unlisted	1,745,561	1,179,001
Emerging markets	507,609	434,990
Infrastructure - unlisted	1,368,837	1,096,628
Fixed income	922,069	-
Debt - unlisted	2,332,816	2,697,556
Cash	891,817	1,043,137
Strategic	633,312	541,653
Opportunistic	422,905	370,981
Total	15,747,595	12,900,011

Notes to the financial statements

for the year ended 30 June 2025

4. Risk management

Overview

The scheme applies a consistent and integrated approach to enterprise risk management. The scheme operates within icare's risk management framework which sets out the approach to managing key risks and meeting strategic objectives. The Risk Management Framework is approved annually by the icare Board.

The Board acting for the Nominal Insurer is ultimately accountable for identifying and managing risk, including financial risk. This is done through the establishment of holistic strategies and policies where risk management has been considered.

Key aspects of icare's risk management framework include risk appetite, governance, risk management processes, risk reporting and insights, modelling and stress testing, management, monitoring and culture.

Risk management is a continuous process and an integral part of robust business management. The scheme's approach is to integrate risk management into the broader management processes of the organisation. It is the scheme's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are the risk managers themselves. Specifically, the management of risk must occur at each point in the business management cycle.

The key risk categories used by the scheme to classify financial risk:

- insurance risk (note 4.1)
- market risk (note 4.2)
- interest rate risk (note 4.3)
- foreign exchange risk (note 4.4)
- liquidity risk (note 4.5); and
- credit risk (note 4.6).

4.1. Insurance risk

Overview

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Key drivers of insurance risk include natural or man-made catastrophic events, pricing of insurance contracts, reserving and insurance claims.

The Nominal Insurer only provides workers compensation insurance to those NSW employers who are not covered by self or specialised insurance arrangements. The wide geographic area, number of employers provided with insurance and variety of industries provided with insurance, reduces the scheme's risk volatility.

Notes to the financial statements

for the year ended 30 June 2025

4.1. Insurance risk (continued)

Managing insurance risk is part of the scheme's governance and management philosophy through:

- Detailed review of scheme actuary, bi-annual actuarial valuation projections and cost drivers to enable early detection of emerging issues and cost pressures.
- Actively monitoring claims and expense patterns to detect increasing expenditure and ensure it is facilitating return to work strategies.
- Designing premium formulas that reflect the cost of injuries in particular industries and for larger employers related to their actual claims costs to encourage employers to reduce injuries and facilitate injured workers to return to work.
- Design of benefits that provide incentives to injured workers to work with the scheme and employers to encourage a return to work.
- Partnering with regulators including the State Insurance Regulatory Authority (SIRA) to reduce injury rates and detect any fraudulent activities.
- Designing remuneration for claim service providers encourages them to achieve scheme objectives.
- Investment allocation strategies that manage investment risks (refer note 3 and 4).
- Actively monitoring and projecting the scheme's cashflow to ensure premiums are paid and injured worker entitlements are provided in a timely manner.

The nature of the scheme's insurance operations including the requirement of all employers in NSW to have a policy, the wide geographic or industry spread of risks, the level of scheme assets and the ability to amend future premiums, has resulted in the scheme concluding that reinsurance of scheme liabilities is not currently appropriate.

4.2. Market risk

Overview

Market risk is the risk that the variability in the value of an investment or the assessed fair value of a financial instrument because of changes in market prices. Market risk is a systemic risk that reflects factors affecting all similar investments or financial instruments traded in the market.

The scheme is exposed to market risk because of holding various investments and financial instruments that support the operation of its business.

The scheme seeks to manage exposure to market risk to maximise the long-term return of its financial assets so that it meets the scheme's current and future liabilities. The management of market risk also serves to mitigate the likelihood that the scheme's investments will be insufficient to meet its liabilities.

The scheme's portfolio of investments is implemented in accordance with its investment strategy and the associated asset allocation.

The purpose of the investment strategy is to align portfolio construction to the scheme's investment objectives, including achieving a return more than the target return specified by icare (above which the investment assets would contribute to long term sufficiency), while reducing the probability of large negative investment returns. The investment strategy and resulting portfolio asset allocation is reviewed by the Board on an annual basis.

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4.2. Market risk (continued)

The realised asset allocations can deviate from the targeted asset allocation due to:

- scheme cash flows
- fluctuations in market prices; and
- dynamic asset allocation decisions.

Dynamic asset allocation refers to shorter term shifts away from the targeted asset allocation which are designed to mitigate the impact of market risk mispricing to benefit longer term portfolio risk adjusted return. TCorp is responsible for determining and implementing such dynamic asset allocation positions, within pre-approved ranges set by the Board. The deviations in actual asset allocation relative to target asset allocation at the end of the reporting period were within the agreed tolerance limits for all asset classes.

Management of the scheme's assets is allocated to the appointed investment managers by TCorp. Each investment manager is subject to restrictions in relation to the types of assets in which it may invest, and in relation to the composition of investments within certain asset types. These restrictions are expressed in formalised mandates typically contained in individually negotiated investment management agreements or as described in information memoranda (or similar documents) issued by the relevant investment manager where the investment is via a pooled fund. The investment mandates are monitored daily to ensure that investment managers are compliant with their mandates and relevant agreements.

Each investment manager is responsible for managing security-specific risk using its distinct management style. Each investment manager is also responsible for constructing a portfolio that aims to achieve its own investment objectives while complying with the restrictions and guidelines contained in the mandate or information memorandum.

A risk budgeting framework is used to inform the investment strategy and determine an appropriate asset allocation for the scheme. This framework incorporates the underlying risk and returns characteristics of the different asset classes the portfolio is invested in and the risks posed by additional factors such as inflation and changing interest rates. Within this framework, several risk measures are employed including the frequency of negative returns, the volatility of the investment portfolio relative to the value of the liability and asset Conditional Value-at-Risk (CVaR) analysis.

TCorp, supported by its asset consultant, conducts the risk budgeting analysis using:

- Assumptions regarding the expected level of return, risk and correlations between price and wage inflation, bond yields and returns from different asset classes (for example equities, bonds, property and alternative assets).
- Assumptions regarding the duration of inflation-linked and other liabilities consistent with those used by the scheme actuary.

The analysis incorporates scenario analysis to determine the risk and return of different investment strategies relative to the change in the liabilities over a period. The analysis is primarily used to compare different investment strategies, and then to determine the investment strategy that has the appropriate level of risk, given the risk and return objectives of the scheme.

The risk budgeting analysis is based on certain simplifying assumptions such as statistical characteristics of asset class returns, volatilities and correlations that may differ from actual outcomes.

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4.2. Market risk (continued)

It is also important to note that the analysis only allows for some economic factors such as inflation and bond yields, which affect the value of the scheme liabilities. It does not allow for other factors such as the claims loss ratio, claims incidence and recovery rates, which also affect the value of the scheme liabilities. As such, the analysis may not be accurate in its assessment of the liability.

The CVaR risk measure seeks to estimate the potential investment loss over a given holding period at a specified confidence level. The CVaR methodology is a statistically defined, probability-based approach to risk assessment that considers market volatilities as well as risk diversification by identifying offsetting positions and correlations between financial instruments and markets. The CVaR methodology allows risks to be measured consistently across all markets and financial instruments and to be aggregated into a single risk number.

CVaR is calculated using simulated forward looking expected returns at the 95th percentile confidence level over a 12-month time period. This represents the minimum expected reduction in the value of the

scheme's investment portfolio which has a 5% chance of being exceeded over a one-year period.

In addition to a CVaR measure, the risk budgeting framework is also used to assess the following risk and return characteristics:

- expected return on the investment portfolio; and
- probability of meeting return targets that incorporate measures of wage inflation; and
- the performance of the investment portfolio under different economic scenarios.

The most recent CVaR analysis was conducted based on the June 2025 financial instruments and is computed via forward looking simulation using a 95% confidence interval and a 1-year holding period.

CVaR is calculated at the balance date and represents an estimate of the loss that can be expected over a 1-year period with a 5% probability that this amount may be exceeded.

At 30 June 2025, the CVaR with a 5% probability over a one-year period is -12.5% (June 2024: -10.2%).

4.3. Interest rate risk

Overview

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The value of the scheme's liabilities is also affected by interest rate fluctuations.

4.3.1. Exposure

Interest rate risk arises because of the scheme holding financial instruments which are subject, directly or indirectly, to changes in value due to interest rate fluctuations. Scheme liabilities are similarly subject, directly or indirectly, to changes in value because of interest rate fluctuations.

4.3.2. Risk management objective, policies and processes

The interest rate and inflation risk of the scheme is managed primarily through its asset allocation and mandate objective setting.

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4.3.3. Quantitative analysis of exposure

The table summarises the scheme's exposure to interest rate risks. It includes the scheme's indexed and interest-bearing financial assets and liabilities at fair values, categorised by the earlier of their contractual repricing or maturity dates. It does not show all assets and liabilities of the scheme. Assets and liabilities not shown in the table are not indexed and interest bearing and are therefore not directly exposed to interest rate risk.

	Floating interest rate \$'000	Fixed interest rate maturing in				Total \$'000
		3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	
2025						
Class						
Cash	666,470	-	-	-	-	666,470
Indexed and interest-bearing securities	-	-	29,588	45,111	2,500,063	2,574,762
Swap assets - FFX	220,545	-	-	-	-	220,545
Interest rate swaps	-	-	95	-	200	295
Interest rate futures	-	(672)	-	-	-	(672)
Assets	887,015	(672)	29,683	45,111	2,500,263	3,461,400
Indexed and interest-bearing securities	-	(439,119)	-	-	-	(439,119)
Interest rate swap	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Swap liability - FFX	(81,322)	-	-	-	-	(81,322)
Liabilities	(81,322)	(439,119)	-	-	-	(520,441)

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4.3.3. Quantitative analysis of exposure (continued)

	Floating interest rate \$'000	Fixed interest rate maturing in				Total \$'000
		3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	
2024						
Class						
Cash	620,678	-	-	-	-	620,678
Indexed and interest-bearing securities	3,617,304	-	-	56,604	244,504	3,918,412
Swap assets - FFX	127,615	-	-	-	-	127,615
Interest rate swaps	-	-	-	16,611	51,596	68,207
Options on fixed income	-	1,303	2,727	5199	-	9,229
Interest rate futures	-	1,368	-	-	-	1,368
Shares futures	-	-	151	-	-	151
Assets	4,365,597	2,671	2,878	78,414	296,100	4,745,660
Interest rate swap	-	(57)	(406)	(1,108)	(14,490)	(16,061)
Interest rate futures	-	(4,463)	-	-	-	(4,463)
Swap liability - FFX	(62,983)	-	-	-	-	(62,983)
Liabilities	(62,983)	(4,520)	(406)	(1,108)	(14,490)	(83,507)

The scheme's exposure to interest rate risk is considered a component of market risk and is quantified as part of the CVaR analysis discussed under market risk.

The scheme is exposed to interest rate cash flow risk on its floating rate interest bearing securities as interest income earned varies according to prevailing market interest rates.

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for the year ended 30 June 2025

4.4. Foreign exchange risk

Overview

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

4.4.1. Exposure

The scheme is exposed to foreign exchange risk because of the foreign currency denominated investments held as part of its asset allocation.

4.4.2. Risk management objective, policies and processes

Foreign currency is managed at the total portfolio level. The primary instruments used to achieve the foreign currency overlay are forward foreign exchange contracts.

4.4.3. Quantitative analysis of exposure

A summary of the scheme's exposure to foreign exchange risk, including foreign currency derivatives is shown in the table below.

	US dollars \$'000 AUD	Euro \$'000 AUD	Japanese Yen \$'000 AUD	Other currencies \$'000 AUD	Total \$'000
2025					
Cash	57	-	-	19	76
Swap derivative (assets)	-	1,078	-	18,787	19,865
Swap derivative (liability)	(10,041)	(269)	20,787	8,190	18,667
Unit trusts	424,601	-	-	-	424,601
Investment purchases payable	(14)	-	-	(1)	(15)
Foreign exchange exposure position	414,603	809	20,787	26,995	463,194

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for the year ended 30 June 2025

4.4.3 Quantitative analysis of exposure (continued)

	US dollars \$'000 AUD	Euro \$'000 AUD	Japanese Yen \$'000 AUD	Other currencies \$'000 AUD	Total \$'000
2024					
Cash	1,648	-	-	26	1,674
Foreign currency derivatives (assets - futures)	-	-	-	11	11
Foreign currency derivatives (liabilities - futures)	(195)	(37)	(39)	(27)	(298)
Swap derivative (assets)	93,367	19,131	358	14,758	127,614
Swap derivative (liability)	(4,631)	(348)	(47,049)	(10,955)	(62,983)
Unit trusts	352,431	-	-	-	352,431
Investment purchases payable	-	-	-	(20)	(20)
Foreign exchange exposure position	442,620	18,746	(46,730)	3,793	418,429

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for the year ended 30 June 2025

4.5. Liquidity risk

Overview

Liquidity risk is the risk of insufficient liquid assets to meet liabilities as they fall due. The scheme's liquidity risk arises due to the nature of insurance activities where the timing and amount of cash outflows are uncertain.

The scheme is exposed to liquidity risk from holding financial assets that may not be readily convertible to cash to meet financial liabilities and claims costs.

4.5.1. Exposure

The financial assets of the scheme that may not be readily convertible to cash are largely premium receivables (refer note 2.6) and investments in over the counter or thinly traded investments, principally unlisted property trusts and infrastructure debt.

4.5.2. Risk management objective, policies and processes

The scheme maintains adequate liquidity to meet the daily cash requirements for claims payments and other operating costs.

To assist in meeting its liquidity risk management objectives, the scheme maintains a cash balance and invests most of its assets in investments that are traded in active markets that can be readily liquidated.

The scheme invests a proportion of its assets in less liquid listed investments or investments that are not traded on active markets, and this is strictly controlled in accordance with the asset allocation together with a policy which limits exposure to illiquid investments.

Each investment manager is responsible for cashflow management of the assets that have been mandated to them. That is, each investment manager is responsible for managing settlement liquidity risk. The custodian supplies daily reporting to each investment manager to assist them in this process.

The financial liabilities of the scheme comprise cash due to brokers, derivative positions, interest and other payables. The types of financial liabilities of the scheme were similar at 30 June 2024.

The other scheme liabilities are either claims related (maturity is disclosed in Note 2.3.4) or are related to insurance operations and have a maturity of less than 12 months.

Cash due to brokers is payable on demand. Interest and other payables are typically settled within 30 days. If the derivative positions are closed out prior to maturity by entering offsetting transactions, the scheme settles its derivative obligations in cash rather than physical delivery.

Notes to the financial statements

for the year ended 30 June 2025

4.5.3. Quantitative analysis of exposure

Liability maturity

All the scheme's financial liabilities relate to derivatives whose maturity is listed below.

	Less than 1 month \$'000	2 to 12 months \$'000	Greater than 12 months \$'000	Total \$'000
2025				
Derivatives	81,322	-	-	81,322
2024				
Derivatives	62,983	4,926	15,598	83,507

4.6. Credit risk

Overview

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises from the financial assets of the scheme, which comprise cash and cash equivalents, receivables and financial assets at fair value. The scheme's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at balance date.

Credit risk associated with the scheme's financial assets other than receivables, is managed through the selection of counterparties and establishment of credit rating and exposure thresholds in the credit and counterparty risk policy.

Cash and cash equivalents

The scheme held 3.7% of its investment portfolio (2024: 3.7%) in cash and cash equivalents with counterparties with a minimum short-term rating of A-2 as required by the credit and counterparty risk policy. Refer to note 5.1 for further details.

Receivables

All premium receivables are recognised as amounts receivable at the reporting date. The scheme is not materially exposed to concentrations of credit risk. Refer to note 2.6 for further details.

Notes to the financial statements

for the year ended 30 June 2025

4.6. Credit risk (continued)

Investments

Credit risk arises from the scheme's investments because of TCorp directly, or investment managers in unit trusts where TCorp is the trustee, trading with various counterparties and purchasing the debt of corporate and government borrowers. These activities could result in the scheme not being able to receive benefits because of a failing counterparty.

The scheme's main credit risk concentration is spread between cash, indexed and interest-bearing investments and over the counter, in-the-money derivatives.

The credit risk relating to investments is regularly monitored and assessed, with maximum exposures limited by reference to credit rating and counterparty.

The aggregated credit exposures from long term bonds and over-the-counter derivatives comprise investment grade exposures at 19.1% of the investment portfolio (2024: 24.7%) with over 84% (2024: 80%) in the Commonwealth government securities and 0% (2024: 0%) exposure to non-investment grade.

4.6.1. Indexed and interest-bearing investments

Most of the indexed and interest-bearing investments held by the scheme are held with issuers rated investment grade by Standard and Poor's, Moody or Fitch.

The ratings assigned to the scheme's indexed and interest-bearing investments at the end of the reporting period were as follows:

	2025 \$'000	2025 %	2024 \$'000	2024 %
AAA / aaa	2,434,370	95	3,392,407	87
AA / Aa	130,598	5	333,101	8
A / A	-	-	35,981	1
BBB	-	-	12,797	-
BB	-	-	-	-
Rated below BB	9,794	-	144,126	4
Total	2,574,762	100	3,918,412	100

Notes to the financial statements

for the year ended 30 June 2025

5. Other

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards.

5.1. Cash and cash equivalents

Overview

The cashflow statement reflects actual cashflow movements in the fund and not the movements in the underlying investment portfolios within the fund.

The scheme holds short-term term deposits with major Australian banks as security for the payment of premiums by large employers who participate in the optional alternative premium method commonly known as the retro-paid loss premium. These term deposits are not included in cash and cash equivalents. Instead, they are included in prepayments and other assets as upon the payment of all potential premium debts or when the security is more than the amount of maximum unpaid premium, the security is returned to the employer (refer to note 5.4).

As operating cash flows, the scheme includes the purchase and sale of financial assets as premiums less claims costs paid to date are invested to meet future workers compensation claim costs.

	2025 \$'000	2024 \$'000
Cash at bank	666,470	620,678
Total cash and cash equivalents	666,470	620,678

Notes to the financial statements

for the year ended 30 June 2025

5.1 Cash and cash equivalents (continued)

Reconciliation of net cash provided by / (used in) operating activities to net result

	2025 \$'000	2024 \$'000
Net cash flows from operating activities	45,714	28,829
Amortisation expense	(1,323)	(14,830)
(Increase) in actuarially assessed claim liabilities	(3,534,544)	(2,432,997)
(Increase) in unearned premiums	(200,174)	(90,532)
(Increase) / decrease in unexpired risk liability	52,475	(86,376)
(increase) / decrease in security deposits payable	(3,462)	30,170
Net investment (sales) / purchases	1,517,532	(539,491)
Increase in receivables	870,227	197,269
Decrease / (increase) in payables	(473,522)	1,031,366
Net result	(1,727,077)	(1,876,592)

Interest rate risk exposure

Details of the scheme's exposure to interest rate changes on bank overdraft are set out in note 4.3.

Fair value disclosures

The carrying amount of the scheme's borrowings approximates their fair value.

Bank overdraft

The bank overdraft may be drawn at any time and is non-interest bearing.

Notes to the financial statements

for the year ended 30 June 2025

5.2. Security deposits and bank guarantees

Since 30 June 2009, large employers may apply to have their workers compensation premium calculated under an alternative premium method, called the retro-paid loss (RPL) premium method.

The RPL methodology was amended at 30 June 2016 and renamed loss prevention and recovery (LPR). This methodology change gave employer groups the option of providing security or the payment of a Renewal Premium adjustment.

Employers are qualified to participate in the scheme provided they meet specified work health and safety, injury management and financial criteria. Under both methodologies employers pay a deposit premium for the insured period, with subsequent adjustments made over the next three to four years to reflect the actual cost of claims incurred plus a contribution to those costs for very high value claims that are shared across all employers in the group.

Under section 172A of the *Workers Compensation Act 1987*, the scheme administers security deposits, bank guarantees and securities lodged by employers who elect to participate in the RPL premium method or choose the security option of the LPR premium method.

At 30 June 2025, the scheme held deposits of \$42.1 million (2024: \$38.6 million) and bank guarantees of \$259 million (2024: \$253 million). These deposits are held in trust for payment of their workers compensation premium liability.

Earnings on funds deposited with the scheme for this purpose are paid directly to the employer group that lodged the security deposit provided that the security held meets the security requirements of the employer group.

5.3. Capital management

Capital management is an integral part of icare's risk management framework. One of the key objectives of the scheme is to have sufficient capital to meet its obligations to its participants, even under adverse conditions.

icare's capital management policy has been reviewed and updated. The capital management policy uses a composite of measures that include the insurance ratio. The insurance ratio is the ratio of scheme assets to scheme liabilities, where the scheme liabilities allow for the time value of money that is reflective of the scheme's investments. In addition to the insurance ratio, the accounting funding ratio and operational cashflows as well as their trajectory over future years is considered under the capital management policy.

The Board of icare sets a capital management policy which defines a target operating zone of the insurance ratio for the scheme.

To determine the scheme's target operating zone, consideration was given to the following:

- The unique nature of the business from various perspectives - internal (financial and operational) and external (economic and political).
- The liabilities of the scheme are not included in the NSW Government's Statement of financial position and there is no explicit government guarantee to cover any funding shortfall.
- The scheme's strategic objectives and the risks of not achieving them.
- The underlying uncertainty of the financials of the scheme and a capital position that ensured a higher than 96.7% probability of coverage in a hypothetical runoff portfolio.

Notes to the financial statements

for the year ended 30 June 2025

5.3. Capital management (continued)

The Board of icare has set the target operating zone to achieve this probability of coverage as an insurance ratio of 130% to 160%. The insurance ratio at 30 June 2025 is 87% (2024: 91%) and below the target operating zone.

The capital management policy details actions required when the insurance ratio falls outside of the Target operating zone.

icare regularly reviews the capital management policy for the scheme. Any recommendations for change are endorsed by the Board Risk Committee and approved by the Board.

5.4. Related party transactions

Key management personnel compensation

The scheme's key management personnel are the Board of Directors of icare, the Chief Executive of icare and their direct reports. Compensation for key management personnel is disclosed in the financial statements of icare. Costs for key management personnel services are included as part of the service fee paid to icare.

Key management personnel loan disclosures

The scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions

There were no other transactions involving key management personnel and their interests during the reporting year.

Other New South Wales Government entities

The scheme entered transactions with other entities that are controlled, jointly controlled or significantly influenced by NSW government. These transactions in aggregate are a significant portion of the entity's underwriting and other expenses.

5.5. Post balance date events

The scheme has not identified any subsequent events that would require the financial statements or other disclosures to be adjusted.

- End of audited financial statements -

icare

Workers Insurance

Insurance for NSW

HBCF

Lifetime Care

Dust Diseases Care

Sporting Injuries

Insurance for NSW

Insurance for NSW financial statements

for the year ended 30 June 2025

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Statement by the Board of Directors

for the year ended 30 June 2025

NSW Self Insurance Corporation

Statement under Section 7.6 *Government Sector Finance Act 2018*

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* (the Act), in the opinion of the Board of Directors we state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards which include Australian Accounting Interpretations and the applicable requirements of the Act, the Government Sector Finance Regulation 2024 and the Treasurer's directions, and
- present fairly the NSW Self Insurance Corporation's financial position, financial performance and cash flows.

Signed on behalf of the Board of Directors of Insurance and Care NSW.



John Robertson
Chairman
Insurance and Care NSW
25 September 2025



Geniere Aplin
Chief Executive
NSW Self Insurance Corporation and
Insurance and Care NSW
25 September 2025



INDEPENDENT AUDITOR'S REPORT

NSW Self Insurance Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the NSW Self Insurance Corporation (the Corporation), which comprise the statement by the board of directors, the statement of comprehensive income for the year ended 30 June 2025, the statement of financial position as at 30 June 2025, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2024* (GSF Regulation) and the Treasurer's Directions
- present fairly the Corporation's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Matters

Australian Auditing Standard ASA 701 'Communicating Key Audit Matters in the Independent Auditor's Report' applies to the audit of the general purpose financial statements of listed entities or when an auditor is required by legislation to communicate key audit matters in the auditor's report. There is no legislative requirement to communicate key audit matters in my independent audit report on the Corporation. I have voluntarily included a narrative on Key Audit Matters to enhance the readability of my audit opinion.

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2025. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Valuation of outstanding claims liability At 30 June 2025, the Corporation recorded an outstanding claims liability balance of \$22.8 billion. The valuation of the outstanding claims liability involves significant judgement in determining the timing and value of expected future payments for claims incurred and related costs to settle the claims. In determining the valuation of the liabilities, the Corporation engages actuarial specialists ('Corporation actuaries') to model and develop assumptions to estimate the outstanding claims liability. I considered this to be a key audit matter because of the: - financial significance of the outstanding claims liability - degree of judgement in developing assumptions and the complexity of valuation models. The key inputs and judgements involved in estimating the outstanding claim liability include: - discount rates - assumed rates of inflation - assumptions as to the timing of reported claim payments - assumptions over the number and size of claims incurred but not reported - assumptions over the future costs of claims handling expenses - assumptions over the reliability of the claim experience to inform future experience - assumptions that estimate the extent of future psychological claims, the incidence and cost of future child abuse claims and the development of medical discharge claims for New South Wales Police Force employees - assumptions used to estimate the impact of individually significant events such as floods, and the probability of the recovery of reinsurance claims	Key audit procedures included the following: - with the assistance of audit actuarial specialists: - evaluated the competence, capabilities and objectivity of the Corporation's actuaries - gained an understanding of the work of the Corporation's actuaries and evaluated the appropriateness of their work - assessed the valuation methods and approach used by the Corporation's actuaries against the requirements of accounting standards and consistency with industry practice and the underlying claims exposure - assessed the assumption setting process, including data on the Corporation's statutory obligations to policyholders/beneficiaries and claims payment information used as inputs into the valuation models - assessed the data used by the Corporation's actuaries to derive the economic assumptions particularly inflation - assessed the results of experience investigations carried out by the Corporation's actuaries to determine how they inform the assumptions adopted, with specific emphasis on the trends in incidence and claim cost for psychological claims, child abuse claims, medical discharge claims for New South Wales Police Force employees, incurred but not reported claims for events losses, and changes to the building cycle - performed an overall assessment of the valuation methodology, key assumptions and models used to derive the valuation of the outstanding claims liabilities. - assessed the adequacy of the related financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Key Audit Matter	How my audit addressed the matter
– assumptions used to value new funds established during the year, including Enhanced Police Support Scheme – assumptions to reflect the relative uncertainty of the environment the Corporation operates in, including the building cycle for the Home Building Compensation Fund – the allowance for risk in estimating future cash flows, including a risk margin for the Home Building Compensation Fund and Construction Risk Insurance Fund. The level of judgement means that the valuation of the outstanding claims liability may change significantly and unexpectedly due to changes in assumptions. Details on the valuation techniques, inputs and assumptions are disclosed in Note 2.3.	
Outsourced claims activities For the year ended 30 June 2025, the Corporation outsourced a substantial component of the end-to-end claims management and payment process to external claim managers. Claim managers process the Corporation's workers compensation and general lines claims, including retaining the historical claim data provided to the Corporation's actuaries for the valuation of the outstanding claim liabilities. Claim managers provide monthly and annual returns, which form the basis of accounting entries in the Corporation's financial reporting systems. The Corporation also obtains service organisation controls reports where claim managers respond to risks and control objectives provided by icare management on behalf of the Corporation. I considered this to be a key audit matter because the claim managers' control environment is responsible for a material component of the reported claims expense and the policyholder data used in the calculation of the Corporation's outstanding claims liability.	Key audit procedures included the following: • tested the reconciliation of the annual claim manager returns to the Corporation's financial reporting systems at 30 June 2025 • with reference to Australian Auditing Standard ASA 402 "Auditing Considerations Relating to an Entity Using a Service Organisation": – obtained an understanding of the services provided by claim managers and the internal controls relevant to the Corporation's financial statements – tested key controls over financial reporting within the claim managers' control environment – tested the completeness of the claim managers data and vouched a sample of key claim fields to supporting evidence.

The Board's Responsibilities for the Financial Statements

The Board of Directors of Insurance and Care NSW, acting for the Corporation, is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations and Treasurer's Directions. The Board of Directors' responsibility also includes such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 September 2025
SYDNEY

Statement of comprehensive income

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Gross written premium and contributions		3,682,807	3,017,900
Unearned premium and contribution movement		(25,101)	13,327
Net earned premium and contributions		3,657,706	3,031,227
Outwards reinsurance expense	2.1	(50,305)	(49,165)
Gross earned premium and contributions net of reinsurance (a)	2.1	3,607,401	2,982,062
Gross claims expenses	2.2	(6,365,743)	(5,411,480)
Recoveries revenue	2.2	43,561	312,796
Acquisition costs	2.2	(7,719)	(8,964)
Unexpired risk liability expense	2.3.7.2	9,924	58,768
Net claims expense (b)		(6,319,977)	(5,048,880)
Underwriting and other expenses (c)	2.3.9	(489,869)	(417,408)
Underwriting result (a+b+c)		(3,202,445)	(2,484,226)
Agency performance adjustments	2.1	423,185	332,180
Investment revenue	3.1	2,439,565	1,549,114
Other revenue		90	14
Insurance result		(339,605)	(602,918)
Grants	5.2	87,175	968,783
Net result		(252,430)	365,865
Other comprehensive income		-	-
Total comprehensive income		(252,430)	365,865

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2025

	Notes	2025 \$'000	2024 \$'000
ASSETS			
Cash and cash equivalents	5.1	565,219	1,358,532
Investments	3.2	22,459,587	18,973,045
Trade and other receivables	2.3.10	1,627,423	1,556,819
Intangible assets		12,465	5,961
Total assets		24,664,694	21,894,357
LIABILITIES			
Trade and other payables	2.3.11	121,457	103,228
Unearned premiums	2.3.7.1	1,047,512	1,021,807
Outstanding claims liabilities	2.3.1	22,766,621	19,841,864
Provisions	5.4	64,000	-
Unexpired risk liability	2.3.7.2	253,537	263,461
Total liabilities		24,253,127	21,230,360
Net assets		411,567	663,997
EQUITY			
Accumulated funds		411,567	663,997
Total equity		411,567	663,997

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2025

	2025 \$'000	2024 \$'000
Accumulated funds		
Balance at beginning of year	663,997	298,132
Net result for the year	(252,430)	365,865
Balance at 30 June	411,567	663,997

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums and contributions received		4,078,474	3,290,459
Claims paid		(3,440,701)	(2,916,099)
Recoveries received		54,683	40,823
Total premiums / contributions less claims		692,456	415,183
Receipts			
Investment income		1,537,317	641,544
Interest received		10,523	46,124
Grants	5.2	71,683	992,967
Other income		90	14
Total receipts		1,619,613	1,680,649
Payments			
Purchases of investments		(2,594,817)	(1,237,544)
Service fees paid		(320,553)	(264,079)
Other payments		(181,962)	(227,048)
Total payments		(3,097,332)	(1,728,671)
Net cash flows from operating activities	5.1	(785,263)	367,161
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE and intangible assets		(8,050)	(6,338)
Net cash flows from investing activities		(8,050)	(6,338)
NET INCREASE / (DECREASE) IN CASH		(793,313)	360,823
Opening cash and cash equivalents		1,358,532	997,709
CLOSING CASH AND CASH EQUIVALENTS	5.1	565,219	1,358,532

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2025

1. Overview

1.1. About the corporation

The NSW Self Insurance Corporation (SI) operates under the *NSW Self Insurance Corporation Act 2004*, the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2024* and the Treasurer's Directions. The reporting entity is consolidated as part of the NSW Total State Sector Accounts. SI is a not-for-profit entity.

SI is a statutory entity that primarily provides self-insurance coverage for most of the general NSW Government sector and a number of state owned corporations that have elected to join the scheme. SI also provides home warranty insurance outside the NSW public sector and principal arranged insurance for major capital projects undertaken by or on behalf of the state. The funds that are included in SI's financial statements are detailed in note 1.3.

SI uses an outsourced model for the management of most claims and underwriting business. The claims and underwriting management contracts were awarded to the service providers following a public tender.

The claims managers and insurance agents receive a management fee from icare which includes an incentive structure for their services.

Insurance and Care NSW (icare) was established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015*. Its functions include the monitoring of performance of the insurance or compensation schemes in respect of which it provides services. SI is one such scheme.

The financial statements for the year ended 30 June 2025 have been authorised for issue by the Chairman of the Board of icare and the Chief Executive of SI on behalf of the Board of Directors of icare on 25 September 2025.

1.2. Basis of preparation and material accounting policies

SI's financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations).
- The *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2024* and the Treasurer's Directions issued under the *Government Sector Finance Act 2018*.

These financial statements have been presented on a liquidity basis following receipt of an exemption from TPG 25-02 by NSW Treasury that statements are presented on a current and non-current basis.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

1.2.1. Statement of compliance

SI's financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1.2.2. Going concern basis

These financial statements have been prepared on a going concern basis.

1.2.3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

Notes to the financial statements

for the year ended 30 June 2025

1.2.3. Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Actual results may differ from these estimates.

In particular information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 2.3 – outstanding claims liability; and
- note 2.3.7- unearned premiums and unexpired risk liability; and
- note 3 and 4 – investment activities and risk management

1.2.4. Taxation

SI is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

1.2.5. Comparative information

Except where an Australian Accounting Standard permits or requires otherwise comparative information is disclosed in respect of the previous reporting period for all amounts reported in the financial statements.

1.2.6. Accounting Standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting year ended 30 June 2025. The following are new Australian Accounting Standards or amendments which have been issued but are not yet effective. Discussion of their impact on financial performance and position is below.

- AASB 17 Insurance Contracts and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector.

New accounting standards and interpretations

AASB 17 Insurance Contracts (AASB 17) was issued in June 2017 and represents a fundamental change to the accounting treatment for insurance contracts. AASB 17 incorporates IFRS 17, which seeks to harmonise the accounting treatment for insurance contracts globally. This standard establishes new accounting principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held.

Australian Accounting Standard AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector was issued in December 2022 and amends AASB17 to include modifications that apply to public sector entities.

AASB 17 is effective for public sector insurers from 1 July 2026. AASB 17 will replace current accounting standards in Australia, AASB 4 (Insurance Contracts), AASB 1023 (General Insurance Contracts) and AASB 1038 (Life Insurance Contracts).

Notes to the financial statements

for the year ended 30 June 2025

1.2.6. Accounting Standards issued but not yet effective (continued)

The relevant key areas of consideration under AASB 17 Insurance Contracts are set out below:

Risk adjustment:

- The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk.
- The risk adjustment is expected to be calculated using a confidence interval approach, leveraging the historical methodology for risk margin calculation, modified to exclude financial risks. As such the financial impact of moving from a risk margin under AASB1023 to a risk adjustment under AASB 17 is expected to be immaterial

Discounting:

- AASB 1023 requires the net central estimate of outstanding claims to be discounted using risk-free rates. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and the financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used.

- It is expected that SI will apply a "bottom-up approach" which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, which will result in higher discount rates relative to current requirements. It is expected that the addition of an illiquidity premium to the current risk-free rate will result in a release of claims liabilities for Home Building Construction Fund (HBCF), Construction Risk Insurance Fund (CRIF) and the Special Liability Insurance Scheme (SLIS).

Reinsurance:

- Reinsurance contracts and the associated assets are to be determined separately to the gross contract liability.
- The measurement of the reinsurance agreements is to be calculated with reference to those cash flows that are within the contract boundary of the reinsurance contracts. These cash flows include reinsurance premiums paid by CRIF and cash inflows arising from claims made by CRIF under the terms of the reinsurance agreement.
- For the purposes of measuring a reinsurance contract asset, the fulfilment cash flows will be subject to a limit of liability for individual and aggregated claims, including sub-limits for specific occurrences.
- CRIF will apply a simplified approach across its products.

Transition arrangements

- CRIF, HBCF and SLIS will apply the full retrospective approach at transition on 1 July 2026. This means that any impacts of the transition to AASB 17 will be reflected as a change in equity at 1 July 2025.
- As both CRIF and HBCF are multi year schemes they will recognise interest accretion and deferred acquisition costs at transition.

Notes to the financial statements

for the year ended 30 June 2025

1.2.6. Accounting Standards issued but not yet effective (continued)

- The other material change on transition will be the inclusion of an illiquidity premium on top of the risk-free rate when discounting the claims liability (see discounting above). This will increase the net assets for both HBCF and CRIF.

SI has commenced an implementation project to ensure that it will be able to meet the requirements of AASB 17. This project has been largely completed and will allow SI to have one full year of parallel run before the commencement of AASB 17 on 1 July 2026. SI will continue to assess the impact of the new requirements and emerging industry guidance on financial statements.

1.3. Fund information

Overview

The fund note provides information by schemes to assist the understanding of SI's performance. SI has responsibility for the direction, control and management of a range of funds as outlined below.

- NSW Treasury Managed Fund
- Home Building Compensation Fund (formerly the Home Warranty Insurance Fund)
- Construction Risk Insurance Fund
- Enhanced Police Support Scheme
- Special Liability Insurance Scheme
- Transport Accidents Compensation Fund
- Bush Fire Fighters Compensation Fund
- Emergency and Rescue Workers Compensation Fund
- Supplementary Sporting Injuries Fund.

NSW Treasury Managed Fund (TMF)

The TMF is the NSW Government's largest self-insurance scheme that safeguards the insurable assets and provides workers compensation coverage and other general insurance coverage for items such as legal liability, property and motor vehicle to:

- most general government sector agencies
- various statutory authorities and state-owned corporations.

The TMF is covered by Contributions and Transfer Framework issued by NSW Treasury as detailed in note 5.2. This includes funding for the impact of major claims as noted in note 2.3 that are either not covered by the TMF insurance protection or exhausting the TMF insured retention level.

As TMF does not issue insurance contracts its claims liabilities are accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

In 2024-25 the investment funds of the TMF transitioned into the OneFund initiative that NSW Treasury established.

The Pre-Managed Fund Reserve (PMF), Government Workers Compensation Account (GWC) and the Residual Workers Compensation Liabilities of the Crown (SRA/RIC) were transferred into the TMF from 1 July 2024. The comparatives for 2023-24 have been updated to reflect the current year's presentation.

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Home Building Compensation Fund (HBCF)

SI became the manager and underwriter of the HBCF from 1 July 2010 following the withdrawal of the commercial insurers in NSW. HBCF is the sole provider of insurance for homeowners of residential building projects where a builder defaults on their contract. From 15 January 2015, the Home Warranty Insurance Fund was renamed as the Home Building Compensation Fund (HBCF).

As HBCF issue insurance contracts its claims liabilities are accounted for in accordance with AASB 1023 *General Insurance Contracts*.

Construction Risk Insurance Fund (CRIF)

Treasury Circular 16/11 *Mandatory principal arranged insurance (PAI) for all major capital works projects* requires all government agencies, other than State Owned Corporations (SOC) to undertake Principal Arranged Insurance through icare (on behalf of SI) for all major capital works projects with a contract value greater than \$10 million.

SOC's must demonstrate that they can acquire PAI at a price more competitive than the price offered by icare. Agencies, including SOC's, are able to decide whether or not to insure for projects under \$10 million. However, if they decide to insure projects under \$10 million, PAI must be organised through icare. This is to provide cost savings for the government capital works projects as well as to ensure that adequate insurance is in place with a reputable insurer and that the contractor's insurance arrangement remain current.

The *NSW Self Insurance Corporation Act 2004* was amended to extend cover to non-government entities for the purpose of principal arranged insurance for major infrastructure projects where a NSW government entity is the Principal. The *NSW Self Insurance Corporation Amendment Bill 2013* was assented by the Parliament on 25 June 2013. The CRIF scheme was setup for operation in 2013-14.

In 2024-25 the investment funds of CRIF transitioned into the OneFund initiative that NSW Treasury have established.

As CRIF issues insurance contracts its claims liabilities are accounted for in accordance with AASB 1023 *General Insurance Contracts*.

Enhanced Police Support Scheme (EPSS)

The EPSS commenced on 1 October 2024 and provides payments to or in relation to police officers who die or become permanently or temporarily incapacitated for work, either because of an on-duty or off-duty injury and is approved by the Minister with the concurrence of the Treasurer (s.199B(1) Police Act). It supplements the Workers Compensation Scheme.

As EPSS does not issue insurance contracts its claims liabilities are accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Special Liability Insurance Scheme (SLIS)

The SLIS is a new scheme for SI which commenced on 1 January 2025 which will cover Department of Community Justice contracted service providers involved of out-of-home care services and youth homelessness services for liabilities arising from physical or sexual abuse of a person.

As SLIS issues insurance contracts its claims liabilities are accounted for in accordance with AASB 1023 *General Insurance Contracts*.

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Transport Accidents Compensation Fund (TAC)

The TAC pays for motor transport accident claims under the common law system which applied until 30 June 1987 and TransCover system claims costs from then until 30 June 1989. The Motor Accidents Scheme replaced TransCover from 1 July 1989.

In 2024-25 the investment funds of TAC transitioned into the OneFund initiative that NSW Treasury have established.

As TAC does not issue insurance contracts its claims liabilities are accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Bush Fire Fighters Compensation Fund (BFFF)

The BFFF compensates voluntary fire fighters for personal injury and damage to fire fighters' personal property and equipment.

As BFFF does not issue insurance contracts its claims liabilities are accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Emergency and Rescue Workers Compensation Fund (ERWF)

The ERWF compensates emergency service workers, rescue association workers and surf life savers for personal injury and damage to their personal equipment and vehicles.

As ERWF does not issue insurance contracts its claims liabilities are accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Supplementary Sporting Injuries Fund (SSIF)

SSIF was established to facilitate administration of the Supplementary Sporting Injuries Scheme.

The scheme provides capital lump sum benefits for injuries that lead to a prescribed percentage of permanent loss of use or fatality to (a) children who are seriously injured while participating in organised school sport or athletic activities and (b) persons likewise injured while participating in certain programs or activity conducted or sanctioned by the Office of Sport.

As SSIF does not issue insurance contracts its claims liabilities are accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Disaggregated financial statements

Statement of comprehensive income for the year ended 30 June 2025

	TMF \$'000	HBCF \$'000	CRIF \$'000	EPSS \$'000	SLIS \$'000	TAC \$'000	BFFF \$'000	ERWF \$'000	SSIF \$'000	2025 Total \$'000
Gross written premium and contributions	3,144,221	240,290	66,200	192,000	4,429	-	29,834	5,833	-	3,682,807
Unearned premium and contributions movement	-	(57,247)	34,235	-	(2,693)	-	(7,542)	8,139	7	(25,101)
Net earned premiums	3,144,221	183,043	100,435	192,000	1,736	-	22,292	13,972	7	3,657,706
Outwards reinsurance expense	-	-	(50,305)	-	-	-	-	-	-	(50,305)
Net earned premiums and contributions less reinsurance expense (a)	3,144,221	183,043	50,130	192,000	1,736	-	22,292	13,972	7	3,607,401
Gross claims expenses	(5,733,771)	(269,210)	(177,944)	(141,365)	(2,411)	(663)	(26,005)	(14,367)	(7)	(6,365,743)
Recoveries received	(39,428)	1,341	51,795	29,202	-	78	361	212	-	43,561
Acquisition costs	-	(7,719)	-	-	-	-	-	-	-	(7,719)
Unexpired risk liability	-	34,180	(23,370)	-	(886)	-	-	-	-	9,924
Net claims expense (b)	(5,773,199)	(241,408)	(149,519)	(112,163)	(3,297)	(585)	(25,644)	(14,155)	(7)	(6,319,977)
Underwriting and other expenses (c)	(449,061)	(34,123)	(3,307)	(69)	(129)	(772)	(1,323)	(1,085)	-	(489,869)
Underwriting result (a+b+c)	(3,078,039)	(92,488)	(102,696)	79,768	(1,690)	(1,357)	(4,675)	(1,268)	-	(3,202,445)
Agency performance adjustments	423,185	-	-	-	-	-	-	-	-	423,185
Investment revenue	2,266,221	73,136	48,662	9,759	2,554	33,290	4,675	1,268	-	2,439,565
Other revenue	90	-	-	-	-	-	-	-	-	90
Insurance profit / (loss)	(388,543)	(19,352)	(54,034)	89,527	864	31,933	-	-	-	(339,605)
Grants	-	59,275	-	-	27,900	-	-	-	-	87,175
Net result	(388,543)	39,923	(54,034)	89,527	28,764	31,933	-	-	-	(252,430)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	(388,543)	39,923	(54,034)	89,527	28,764	31,933	-	-	-	(252,430)

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Statement of comprehensive income for the year ended 30 June 2024

	TMF \$'000	HBCF \$'000	CRIF \$'000	TAC \$'000	BFFF \$'000	ERWF \$'000	SSIF \$'000	2024 Total \$'000
Gross written premium and contributions	2,737,546	220,996	53,450	-	-	5,908	-	3,017,900
Unearned premium and contributions movement	-	(59,071)	38,468	-	34,840	(897)	(13)	13,327
Net earned premiums	2,737,546	161,925	91,918	-	34,840	5,011	(13)	3,031,227
Outwards reinsurance expense	-	-	(49,165)	-	-	-	-	(49,165)
Net earned premiums and contributions less reinsurance expense (a)	2,737,546	161,925	42,753	-	34,840	5,011	(13)	2,982,062
Gross claims expenses	(5,008,455)	(163,071)	(157,354)	(35,058)	(42,537)	(5,018)	13	(5,411,480)
Recoveries received	245,708	5,622	60,125	1,266	171	(96)	-	312,796
Acquisition costs	-	(8,964)	-	-	-	-	-	(8,964)
Unexpired risk liability	-	58,768	-	-	-	-	-	58,768
Net claims expense (b)	(4,762,747)	(107,645)	(97,229)	(33,792)	(42,366)	(5,114)	13	(5,048,880)
Underwriting and other expenses (c)	(377,012)	(32,612)	(4,178)	(765)	(1,557)	(1,284)	-	(417,408)
Underwriting result (a+b+c)	(2,402,213)	21,668	(58,654)	(34,557)	(9,083)	(1,387)	-	(2,484,226)
Agency performance adjustments	332,180	-	-	-	-	-	-	332,180
Investment revenue	1,440,216	50,702	24,849	22,877	9,083	1,387	-	1,549,114
Other revenue	14	-	-	-	-	-	-	14
Insurance profit / (loss)	(629,803)	72,370	(33,805)	(11,680)	-	-	-	(602,918)
Grants	945,000	43,783	15,000	(35,000)	-	-	-	968,783
Net result	315,197	116,153	(18,805)	(46,680)	-	-	-	365,865
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	315,197	116,153	(18,805)	(46,680)	-	-	-	365,865

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Statement of financial position at 30 June 2025

	TMF \$'000	HBCF \$'000	CRIF \$'000	EPSS \$'000	SLIS \$'000	TAC \$'000	BFFF \$'000	ERWF \$'000	SSIF \$'000	2025 Total \$'000
ASSETS										
Cash and cash equivalents	307,134	54,181	51,343	7,098	2,610	(260)	115,372	27,741	-	565,219
Investments	20,455,685	970,541	478,441	258,259	31,365	265,296	-	-	-	22,459,587
Trade and other receivables	1,183,683	98,304	298,901	29,207	744	7,147	929	8,379	129	1,627,423
Intangible assets	-	12,465	-	-	-	-	-	-	-	12,465
Total assets	21,946,502	1,135,491	828,685	294,564	34,719	272,183	116,301	36,120	129	24,664,694
LIABILITIES										
Trade and other payables	108,331	9,081	316	834	85	491	2,242	86	(9)	121,457
Unearned premiums	-	754,670	290,149	-	2,693	-	-	-	-	1,047,512
Outstanding claims liabilities	21,272,604	548,861	408,650	140,203	2,291	243,781	114,059	36,034	138	22,766,621
Provisions	-	-	-	64,000	-	-	-	-	-	64,000
Unexpired risk liability	-	229,281	23,370	-	886	-	-	-	-	253,537
Total liabilities	21,380,935	1,541,893	722,485	205,037	5,955	244,272	116,301	36,120	129	24,253,127
Net assets	565,567	(406,402)	106,200	89,527	28,764	27,911	-	-	-	411,567
EQUITY										
Balance at 1 July 2024	954,110	(446,325)	160,234	-	-	(4,022)	-	-	-	663,997
Net result for the year	(388,543)	39,923	(54,034)	89,527	28,764	31,933	-	-	-	(252,430)
Total equity	565,567	(406,402)	106,200	89,527	28,764	27,911	-	-	-	411,567

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Statement of financial position at 30 June 2024

	TMF \$'000	HBCF \$'000	CRIF \$'000	TAC \$'000	BFFF \$'000	ERWF \$'000	SSIF \$'000	2024 Total \$'000
ASSETS								
Cash and cash equivalents	1,256,159	62,461	40,090	(178)	-	-	-	1,358,532
Investments	17,445,881	834,750	416,825	275,589	-	-	-	18,973,045
Trade and other receivables	1,162,329	78,857	291,128	7,404	6,356	10,623	122	1,556,819
Intangible assets	-	5,961	-	-	-	-	-	5,961
Total assets	19,864,369	982,029	748,043	282,815	6,356	10,623	122	21,894,357
LIABILITIES								
Trade and other payables	199,443	5,683	(15,094)	35,637	(102,385)	(20,048)	(8)	103,228
Unearned premiums	-	697,423	324,384	-	-	-	-	1,021,807
Outstanding claims liabilities	18,710,816	461,787	278,519	251,200	108,741	30,671	130	19,841,864
Unexpired risk liability	-	263,461	-	-	-	-	-	263,461
Total liabilities	18,910,259	1,428,354	587,809	286,837	6,356	10,623	122	21,230,360
Net assets	954,110	(446,325)	160,234	(4,022)	-	-	-	663,997
EQUITY								
Balance at 1 July 2023	638,913	(562,478)	179,039	42,658	-	-	-	298,132
Net result for the year	315,197	116,153	(18,805)	(46,680)	-	-	-	365,865
Total equity	954,110	(446,325)	160,234	(4,022)	-	-	-	663,997

Notes to the financial statements

for the year ended 30 June 2025

2. Underwriting activities

Overview

This section provides analysis and commentary on the SI's underwriting activities. These activities cover both insurance and non-insurance activities. For non-insurance activities contributions are received from member agencies. For insurance activities the insurer assumes insurance risk in return for a premium paid by the insured. The underwriter assesses the quality of the risk and prices accordingly.

2.1. Revenue

Overview

Revenue mainly comprises premiums and contributions charged for providing insurance coverage. They are classified as either:

1. Premium and contributions

TMF revenue is received from member agencies and recognised as levied.

EPSS revenue is received from NSW Police and is recognised as levied.

HBCF premium provides insurance cover for periods up to 7 years commencing from the date of the insurance contract. Premiums are recognised in line with the expected loss pattern of the contract. The proportion of premium received but not earned at reporting date is recognised as an unearned premium liability on the statement of financial position.

CRIF premium is received from agencies for principal arranged insurance cover for government capital projects estimated to cost \$10 million or more and is recognised from the date of the insurance contract over the period of cover. Agencies have an option to insure for projects under \$10 million in value and if they chose to do so this insurance must be done through icare.

SLIS premium is received from non-government organisations service providers who provide out-of-home care and youth homelessness services on behalf of the Department of Community and Justice for coverage for physical and sexual abuse. It is recognised from the date of the insurance coverage over the period of coverage.

Premiums are exclusive of taxes and duties levied.

Contributions for ERW, BFFF and SSIF are received from their respective agencies and recognised as levied. Under the legislation for these agencies, the directors of icare have assessed all claims will be borne by these agencies and have booked the corresponding surplus or shortfall as a receivable from/ payable to the various entities.

2. Agency performance adjustments

TMF uses a discretionary performance adjustment to encourage agencies to improve their claims performance. From 2020-21 this is known as the agency performance adjustment (APA). Expected claims costs and the agency's contribution are established at the start of a fund year. This is then re-assessed as actual claims experience develops at 6 months, 18 months and 2.5 years after the start of the fund year. The APA is the difference between the initial contribution paid and the latest re-assessed amount. If the re-assessed amount is lower than the initial contribution the agency receives the difference as a refund from icare, otherwise the agency makes a payment to icare.

Notes to the financial statements

for the year ended 30 June 2025

2.1. Revenue (continued)

The purpose of the APA is to:

- Use price signalling to identify claims issues and overall performance of individual agencies.
- Incentivise agencies to engage in appropriate claims prevention and mitigation activities.
- Ensure the agency is accountable for trends under their control and receive relevant information to understand those trends.

As the APA adjustments are discretionary and not contractually required, they are recognised as revenue or expense when they are declared.

3. Outwards reinsurance or insurance paid/ceded expense

Reinsurance or insurance paid/ceded to reinsurers are recognised as an expense when the period of cover commences.

	2025 \$'000	2024 \$'000
Gross written premium	310,919	274,447
Unearned premium movement	(25,705)	(20,604)
Outwards reinsurance expense	(50,305)	(49,165)
Net earned premium (a)	234,909	204,678
Contributions	3,371,888	2,743,454
Movement in contribution receivable for future contributions	604	33,930
Net earned contributions (b)	3,372,492	2,777,384
Net earned premium and contributions (a+b)	3,607,401	2,982,062

Notes to the financial statements

for the year ended 30 June 2025

2.2. Net claims expense

Overview

The largest expense for SI is net claims, which are primarily the sum of

- the movement in the net outstanding claims liability (note 2.3) which is the difference between the net outstanding claims liability at the beginning and the end of the financial year; plus
- any net claim payments made during the financial year; less
- recoveries: plus
- acquisition costs; plus
- the movement in the unexpired risk liability (note 2.3.7).

This comprises of what is estimated by SI's actuary at 30 June 2025 as being the movement in the amount require to meet the cost of claims reported but not yet paid, claims incurred but which have not yet been reported and future claims from after the balance date.

Insurance recoveries are recognised as revenue when it is virtually certain the recovery will be made. Other recoveries include recoveries of claims paid under:

- sharing agreements
- third party recoveries; and
- salvage and subrogation.

	2025 \$'000	2024 \$'000
Claims and related expenses	3,440,986	2,916,614
Finance costs	758,090	662,753
Other movements in outstanding claims liabilities	2,166,667	1,832,113
Gross claims expenses	6,365,743	5,411,480
Recoveries revenue	(43,561)	(312,796)
Acquisition costs	7,719	8,964
Movement in unexpired risk liability	(9,924)	(58,768)
Net claims expense	6,319,977	5,048,880

Notes to the financial statements

for the year ended 30 June 2025

2.2 Net claims expense (continued)

Finance costs represent the increase in the liability for outstanding claims from the end of the previous financial year to the end of the current financial year, which is due to discounted claims not settled being one period closer to settlement.

Finance costs are dissected by scheme in the table below:

	2025 \$'000	2024 \$'000
Unwinding of discounts on provision for outstanding claims see below:		
NSW Treasury Managed Fund (TMF)	718,974	628,647
Home Building Compensation Fund (HBCF)	16,794	15,972
Construction Risk Insurance Fund (CRIF)	6,829	4,362
Transport Accidents Compensation Fund (TAC)	10,284	9,212
Bush Fire Fighters Compensation Fund (BFFF)	4,018	3,256
Emergency and Rescue Workers Compensation Fund (ERWF)	1,186	1,299
Supplementary Sporting Injuries Fund (SSIF)	5	5
Finance costs	758,090	662,753

An analysis of the net claims incurred for the TMF (SI's largest scheme) showing separately the amount relating to risks borne in the current period and the amount relating to a reassessment of risks borne in all previous periods is below.

Notes to the financial statements

for the year ended 30 June 2025

2.2 Net claims expense (continued)

1. TMF Workers Compensation

	12 months to 30 June 2025			12 months to 30 June 2024		
	Current year \$'000	Prior years \$'000	Total \$'000	Current year \$'000	Prior years \$'000	Total \$'000
Gross claims expense*						
Gross claims incurred – Undiscounted	3,645,876	821,220	4,467,096	3,136,874	700,833	3,837,707
Discount movement	(929,712)	145,687	(784,025)	(811,348)	(28,155)	(839,503)
Reinsurance and other recoveries revenue	2,716,164	966,907	3,683,071	2,325,526	672,678	2,998,204
Reinsurance and other recoveries revenue - undiscounted	(29,493)	17,485	(12,008)	(24,060)	830	(23,230)
Discount movement	4,609	(8,751)	(4,142)	4,144	(1,630)	2,514
	(24,884)	8,734	(16,150)	(19,916)	(800)	(20,716)
Total net claims expense	2,691,280	975,641	3,666,921	2,305,610	671,878	2,977,488

Movement in the undiscounted and discounted gross claims represents the increase / (decrease) in the outstanding claims provision at the reporting date.

Movement in the undiscounted and discounted reinsurance and other recoveries represents the increase / (decrease) in the insurance and other recoveries receivable at the reporting date.

Notes to the financial statements

for the year ended 30 June 2025

2.2 Net claims expense (continued)

2. TMF General Lines

	12 Months to 30 June 2025			12 Months to 30 June 2024		
	Current year \$'000	Prior years \$'000	Total \$'000	Current year \$'000	Prior years \$'000	Total \$'000
Gross claims expense*						
Gross claims incurred – Undiscounted	1,792,573	318,956	2,111,529	1,603,033	781,660	2,384,693
Discount movement	(360,356)	299,527	(60,829)	(333,920)	(40,522)	(374,442)
Reinsurance and other recoveries revenue	1,432,217	618,483	2,050,700	1,269,113	741,138	2,010,251
Reinsurance and other recoveries revenue - undiscounted	(79,052)	132,772	53,720	(66,232)	(171,242)	(237,474)
Discount movement	16,540	(14,682)	1,858	14,615	(2,134)	12,481
	(62,512)	118,090	55,578	(51,617)	(173,376)	(224,993)
Total net claims expense	1,369,705	736,573	2,106,278	1,217,496	567,762	1,785,258

Notes to the financial statements

for the year ended 30 June 2025

2.2 Net claims expense (continued)

3. Other (all other schemes that are part of SI. refer note 1.3)

	12 Months to 30 June 2025			12 Months to 30 June 2024		
	Current year \$'000	Prior y000	Total \$'000	Current year \$'000	Prior years \$'000	Total \$'000
Gross claims expense*						
Gross claims incurred – Undiscounted	634,654	(11,316)	623,338	467,319	25,070	492,389
Discount movement	(70,169)	78,802	8,633	(48,145)	(41,219)	(89,364)
Reinsurance and other recoveries revenue	564,485	67,486	631,971	419,174	(16,149)	403,025
Reinsurance and other recoveries revenue - undiscounted	(70,954)	(22,471)	(93,425)	(80,484)	3,243	(77,241)
Discount movement	17,296	(6,860)	10,436	9,824	330	10,154
	(53,658)	(29,331)	(82,989)	(70,660)	3,573	(67,087)
Total net claims expense	510,827	38,155	548,982	348,514	(12,576)	335,938

* Gross outstanding claims movements include an estimate for claims handling expenses.

Notes to the financial statements

for the year ended 30 June 2025

2.3. Net Outstanding claims liabilities

Overview

Provisions are recognised when SI has a present obligation because of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The net outstanding claims liability for all schemes comprises the elements described below.

- The net central estimate (note 2.3.1). This is the provision for expected future claims payments and includes claims reported but not yet paid, claims incurred but which have not yet been reported (IBNR), claims incurred but not enough reported (known as IBNER) and estimated claims handling costs.
- Less an amount to reflect the discount to present value using risk-free rates of return. The net central estimate is discounted to present value recognising that the claim and/or recovery may not be settled for some time. The expected future payments are discounted to a present value at the reporting date using a risk-free discount rate.

Those schemes accounted for under AASB 1023 *General Insurance Contracts* (HBCF, CRIF and SLIS) have an additional element being:

- A risk margin (note 2.3.2). While management has considered risks and uncertainties in the estimation of the central estimate, consistent with the requirements of AASB 1023, an explicit risk margin has been included in the net discounted central estimate of outstanding claims.

For HBCF, the provision for outstanding claims is actuarially determined in conjunction with information supplied by the Insurance Agents

for the NSW Home Building Compensation Fund and includes a factor for superimposed inflation and an additional risk margin in accordance with the requirements of AASB 1023.

For CRIF and SLIS, the provision for outstanding claims is actuarially determined in conjunction with using various sources of data and assumptions and includes an additional risk margin in accordance with the requirements of AASB 1023.

2.3.1. Discounted net outstanding claims

Overview

The liability for outstanding claims is actuarially determined in consultation with the claims managers for TMF, HBCF, CRIF, TAC, EPSS, SLIS, BFFF, ERWF and SSIF. It is measured as the estimate of the expected future payments required to settle the present obligation at the reporting date, including the expenses associated with the settlement.

The expected future payments are estimated based on the ultimate cost of the settling of claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation refers to growth/inflation above normal inflation, including factors such as trends in court awards, such as increases in the level and period of compensation for injury or above inflation increases in the cost of obtaining medical services.

Recoveries for non-insurance schemes are recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as they are virtually certain.

Notes to the financial statements

for the year ended 30 June 2025

2.3.1 Discounted net outstanding claims (continued)

	2025 \$'000	2024 \$'000
Outstanding claims		
Expected future gross claims payments	28,667,619	25,041,177
Gross claims handling	1,525,915	1,294,479
Gross risk margin	146,220	123,365
Gross outstanding claims liabilities	30,339,754	26,459,021
Discount on central estimate	(7,143,293)	(6,244,967)
Discount on claims handling expenses	(422,645)	(357,673)
Discount on risk margin	(7,195)	(14,517)
Total discount on claims liabilities	(7,573,133)	(6,617,157)
Claims liabilities	22,766,621	19,841,864
Recoveries		
Expected future actuarial assessment of reinsurance recoveries	473,725	555,659
Expected future actuarial assessment of other recoveries	553,191	473,284
Gross outstanding recoveries	1,026,916	1,028,943
Discount to present value reinsurance recoveries	(38,110)	(45,028)
Discount to present value other recoveries	(111,309)	(95,298)
Total discounted on recoveries	(149,419)	(140,326)
Recoveries	877,497	888,617
Net outstanding claims	21,889,124	18,953,247

The valuation of liabilities for inclusion in the accounts incorporates a full review of the assumptions behind the estimates. Included in this review are the economic assumptions used to inflate future payments to expected settlement term and discount them back to the balance date. The discount rates adopted are based on the yields of Commonwealth Government bonds. The future inflation rates are based on market expectations in the short term and a fixed gap relative to the discount rates in the longer term (refer to note 2.3.3 for the rates applied.)

Notes to the financial statements

for the year ended 30 June 2025

2.3.1 Discounted net outstanding claims (continued)

The table below analyses the movement in the net outstanding claims liability.

	TMF \$'000	HBCF \$'000	CRIF \$'000	EPSS \$'000	SLIS \$'000	TAC \$'000	BFFF \$'000	ERWF \$'000	SSIF \$'000	2025 Total \$'000
Opening balance	17,927,552	451,774	192,422	-	-	243,797	107,851	29,720	131	18,953,247
Discount unwind	718,974	16,794	6,829	-	-	10,284	4,018	1,186	5	758,090
Expected claim payments (prior years only)	(2,801,621)	(113,687)	(64,596)	-	-	(8,069)	(29,348)	(4,298)	(34)	(3,021,653)
Claims handling expense on expected claim payments (prior years only)	(145,830)	(7,958)	(2,490)	-	-	(624)	(2,982)	(984)	(12)	(160,880)
Release of risk margin on claim payments (prior years only)	-	(18,247)	(10,926)	-	-	-	-	-	-	(29,173)
- Actuarial assumptions	817,609	(8,145)	75,614	-	-	(6,984)	4,840	2,876	(12)	885,798
- Discount rate	232,559	5,066	2,507	-	-	(1,350)	1,136	283	1	240,202
- Inflation rate	101,857	3,222	135	-	-	(421)	538	205	-	105,536
Net outstanding claims in current year	3,719,297	210,112	82,186	111,001	2,291	-	27,091	5,920	59	4,157,957
Net outstanding claims	20,570,397	538,931	281,681	111,001	2,291	236,633	113,144	34,908	138	21,889,124
Breakdown of actuarial assumptions										
Actual vs expected payments	(93,704)	(819)	27,631	-	-	-	9,853	(2,465)	34	(59,470)
Change in experience	401,489	(20,332)	26,189	-	-	3,893	(8,114)	5,485	(27)	408,583
Change in actuarial assumptions	498,396	15,242	21,794	-	-	(10,877)	3,101	(144)	(19)	527,493
Change in claims handling expense	11,428	(2,738)	-	-	-	-	-	-	-	8,690
Other	-	502	-	-	-	-	-	-	-	502
	817,609	(8,145)	75,614	-	-	(6,984)	4,840	2,876	(12)	885,798

Notes to the financial statements

for the year ended 30 June 2025

2.3.2. Risk margin

Overview

For schemes accounted for under AASB 1023 General Insurance Contracts a risk margin is determined by the Board to reflect the inherent uncertainty in the net discounted central estimate.

The risk margin and the net discounted central estimate are key inputs in the determination of the probability of adequacy that the outstanding claims liability provision will ultimately turn out to be adequate. The probability of adequacy is a statistical measure of the relative adequacy of the outstanding claims liability to ultimately be able to pay claims in respect of accidents up to and including the balance date. For example, a 75% probability of adequacy indicates that the net discounted provision is expected to be adequate seven and a half years in 10.

For HBCF, CRIF and SLIS, the outstanding claims liability estimate includes a risk margin of 17, 19.5 and 40 per cent respectively (2024: 15% HBCF and 21.0% CRIF) to cover the inherent uncertainty in the net central estimate. The risk margins have been set at a level that results in an overall probability of sufficiency in the outstanding claims liability of 75 per cent for all 3 schemes (2024: 75%).

The risk margin for HBCF was \$78.1 million (2024: \$58.9 million), CRIF \$58.6 million (2024: \$49.1 million) and SLIS \$0.65 million.

No risk margin is included in the outstanding claims liability for the TMF as management has determined the central estimate adequately allows for risk and uncertainty in the liability (2024 nil). The overall probability of sufficiency of the liability was 54% at 30 June 2025 (2024: 54 per cent).

Notes to the financial statements

for the year ended 30 June 2025

2.3.3. Economic assumptions

Overview

The core variables that drive SI's liabilities are the inflation rate for benefits and the discount rate of these liabilities.

The average inflation and discount rates below were used in measuring the outstanding claims liability.

	2025 %			2024 %		
Next 12 months	Inflation rate	Discount rate	Superimposed inflation	Inflation rate	Discount rate	Superimposed inflation
TMF Workers	2.51 - 2.87	3.32 - 3.59	0:1.70-2.00*	2.63 - 4.17	4.35 - 4.43	0.0; 2.00*
TMF General	2.60 - 4.14	3.11 - 3.68	0.00 - 3.00	2.58 - 4.84	4.29 - 4.43	0.00 - 3.00
CRIF	2.60 - 2.62	3.11 - 3.68	-	2.58 - 2.90	4.29 - 4.43	-
EPSS	2.97 - 6.07	3.32 - 3.59	-	N/A	N/A	N/A
SLIS	3.82 - 4.14	3.11 - 3.68	0.02	N/A	N/A	N/A
TAC	3.82 - 4.14	3.11 - 3.68	2.00	3.85 - 4.84	4.29 - 4.43	2.00
HBCF	3.60 - 3.63	3.11 - 3.68	0.00 - 1.00	3.53 - 4.35	4.29 - 4.43	0.00 - 2.50
ERWF	3.29	3.35	-	3.44	4.37	-
BFF	3.29	3.35	0-2.00	3.44	4.37	0-2.00
SSIF	-	3.35	-	-	4.37	-
Greater than 12 months						
TMF Workers	2.78 - 3.27	3.23 - 5.02	0:1.70-2.00*	2.73 - 4.15	3.92 - 5.29	0.0; 2.00*
TMF General	2.31 - 3.85	3.07 - 5.49	0.00 - 3.00	2.45 - 4.15	3.91 - 5.29	0.00 - 3.00
CRIF	2.31 - 2.85	3.07 - 5.49	-	2.45 - 3.15	3.91 - 5.29	-
EPSS	1.85 - 4.06	3.23 - 5.02	-	N/A	N/A	N/A
SLIS	3.50 - 3.85	3.07 - 5.49	0.02	N/A	N/A	N/A
TAC	3.50 - 3.85	3.07 - 5.49	2.00	3.32 - 4.15	3.91 - 5.29	2.00
HBCF	3.31 - 3.85	3.07 - 5.49	0.00 - 1.00	3.12 - 3.90	3.91 - 5.29	0.00 - 2.50
ERWF	3.00-3.56	3.12-5.49	-	3.00-3.65	3.92-5.29	-
BFF	3.00-3.56	3.12-5.49	0-2.00	3.00-3.65	3.92-5.29	0-2.00
SSIF	-	3.12-5.49	-	-	3.92-5.29	-

*Relates only to dust disease liabilities within the TMF Workers, all other liabilities have nil superimposed inflation

Notes to the financial statements

for the year ended 30 June 2025

2.3.3 Economic assumptions (continued)

The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 4.7 years for TMF General Lines, 6.6 years for TMF Workers Compensation (2024: 4.7 years and 6.6 years), 2.5 years for the CRIF (2024: 2.4 years), 15.1 years for TAC (2024: 16.6 years), 3.4 years for BFF (2024: 3.5 years), 8.1 years for ERWF (2024: 7.9 years), 2.1 years for SSIF (2024: 1.9 years), 2.6 years for HBCF (2024: 2.5 years), 3.5 years for EPSS (2024: 0.0 years) and 6.6 years for SLIS (2024: 0.0 years).

2.3.4. Net Claims liability maturity

Overview

The maturity profile is SI's expectation of the period over which the net outstanding claims will be settled. SI uses this information to ensure that it has adequate liquidity to pay claims as they are due to be settled and to inform SI's investment strategy. The expected maturity profile of SI's net discounted outstanding claims is analysed below.

	2025 \$'000	2024 \$'000
Discounted net outstanding claims maturing:		
Within 1 year	3,689,638	3,146,017
2 to 5 years	9,261,939	8,272,749
More than 5 years	8,937,547	7,534,481
	21,889,124	18,953,247

2.3.5. Impact of changes in key variables on the gross and net outstanding claims liability

Overview

The outstanding claims liabilities are central estimates (excluding HBCF, CRIF and SLIS) that have a risk margin applied) derived from actuarial assumptions regarding future experience. Sensitivity analysis can be used to measure the change in the outstanding claims liability estimate that would result from a change in the assumptions. TMF is SI's main scheme which represents 93% (2024: 90%) of the outstanding claims. A sensitivity analysis of the key assumption changes for the TMF and their impact on the net central estimate is shown in the following tables.

Notes to the financial statements

for the year ended 30 June 2025

2.3.5. Impact of changes in key variables on the gross and net outstanding claims liability (continued)

The impacts shown in the tables below are on the current financial year results.

1. TMF Workers Compensation

Variable	Movement in variable %	Net central estimate \$'000	Impact of change \$'000	Impact %
Net central estimate*		11,629,789		
Discount rate**	Discount rate of 4.5%	11,480,641	(149,148)	-1.3%
Discount rate**	+1%	10,939,006	(690,783)	-5.9%
	-1%	12,424,990	795,201	6.8%
Inflation rate**	+1%	12,441,606	811,817	7.0%
	-1%	10,913,543	(716,246)	-6.2%
Average weekly medical payments	+10%	12,351,654	721,865	6.2%
	-10%	10,907,924	(721,865)	-6.2%
Claims exceeding 15%+ WPI (NEMER only)	+10%	11,870,785	240,996	2.1%
	-10%	11,392,862	(236,927)	-2.0%

* The net central estimate is inflated and discounted, net of insurance and other recoveries and includes an allowance for claims handling expenses.

** Inflation / discounting changes applied to all durations.

Notes to the financial statements

for the year ended 30 June 2025

2.3.5. Impact of changes in key variables on the gross and net outstanding claims liability (continued)

2. TMF General Lines

Variable	Movement in variable %	Net central estimate \$'000	Impact of change \$'000	Impact %
Net central estimate*		8940,607		
Discount rate	Discount rate of 4.5%	8743,677	(196,931)	-2.2%
Discount rate	+1%	8,556,707	(383,901)	-4.3%
	-1%	9362,269	421,662	4.7%
Inflation rate	+1%	9,375,205	434,598	4.9%
	-1%	8,537,370	(403,238)	-4.5%
Superimposed inflation rate	+1%	9381,649	441,042	4.9%
	-1%	8,533,142	(407,465)	-4.6%
Medical indemnity claims frequency (last 5 accident years)	+10%	9,125,885	185,278	2.1%
	-10%	8,755,325	(185,282)	-2.1%

* The net central estimate is inflated and discounted, net of insurance and other recoveries and includes an allowance for claims handling expenses.

Notes to the financial statements

for the year ended 30 June 2025

2.3.5 Impact of changes in key variables on the gross and net outstanding claims liability (continued)

3. TMF Workers Compensation

Variable	Movement in variable %	Gross central estimate \$'000	Impact of change \$'000	Impact %
Gross central estimate*		11,730,101		
Discount rate**	Discount rate of 4.5%	11,578,745	(151,356)	-1.3%
Discount rate**	+1%	11,035,395	(694,706)	-5.9%
	-1%	12,529,596	799,495	6.8%
Inflation rate**	+1%	12,546,572	816,471	7.0%
	-1%	11,009,525	(720,576)	-6.1%
Average weekly medical payments	+10%	12,451,966	721,865	6.2%
	-10%	11,008,236	(721,865)	-6.2%
Claims exceeding 15%+ WPI (NEMER only)	+10%	11,971,097	240,996	2.1%
	-10%	11,493,174	(236,927)	-2.0%

* The gross central estimate is inflated and discounted, gross of insurance and other recoveries and includes an allowance for claims handling expenses.

** Inflation / discounting changes applied to all durations.

Notes to the financial statements

for the year ended 30 June 2025

2.3.5 Impact of changes in key variables on the gross and net outstanding claims liability (continued)

4. TMF General lines

Variable	Movement in variable %	Gross central estimate \$'000	Impact of change \$'000	Impact %
Gross central estimate		9,542,503		
Discount rate	Discount rate of 4.5%	9,331,863	(210,640)	-2.2%
Discount rate	+1%	9,138,535	(403,969)	-4.2%
	-1%	9,985,899	443,395	4.6%
Inflation rate	+1%	9,994,561	452,058	4.7%
	-1%	9,123,034	(419,470)	-4.4%
Superimposed inflation rate	+1%	10,002,418	459,915	4.8%
	-1%	9,117,489	(425,014)	-4.5%
Medical indemnity claims frequency (last 5 accident years)	+10%	9,735,769	193,266	2.0%
	-10%	9,349,238	(193,265)	-2.0%

Notes to the financial statements

for the year ended 30 June 2025

2.3.6. Claims development

Overview

A significant portion of SI's liabilities relate to claim liabilities of past years that will be settled in future years.

The following table shows the development of undiscounted outstanding claims relative to the ultimate expected claims for the most recent accident years for SI.

1. TMF Workers Compensation

Accident year	2016 and prior \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	Total \$'000
Estimate of ultimate claims cost											
At the end of accident year		762,098	793,708	921,123	1,132,509	1,400,955	1,702,794	2,496,407	2,917,134	3,389,871	15,516,599
One year later		801,942	884,103	1,099,888	1,238,660	1,741,607	1,991,884	2,776,221	3,077,760	-	13,612,065
Two years later		791,182	883,048	1,175,574	1,363,253	1,904,320	2,176,176	2,890,168	-	-	11,183,721
Three years later		777,084	924,029	1,325,440	1,422,994	2,037,886	2,285,570	-	-	-	8,773,003
Four years later		790,332	991,297	1,372,993	1,484,751	2,118,620	-	-	-	-	6,757,993
Five years later		865,518	1,064,827	1,415,356	1,545,014	-	-	-	-	-	4,890,715
Six years later		893,409	1,053,484	1,490,877	-	-	-	-	-	-	3,437,770
Seven years later	13,305,575	905,841	1,085,549	-	-	-	-	-	-	-	15,296,965
Eight years later	13,364,757	949,577	-	-	-	-	-	-	-	-	14,314,334
Accumulated nine years and greater	13,546,784	-	-	-	-	-	-	-	-	-	13,546,784
Current estimate of cumulative claim costs	13,546,784	949,577	1,085,549	1,490,877	1,545,014	2,118,620	2,285,570	2,890,168	3,077,760	3,389,871	32,379,790
Cumulative payments	10,995,144	569,660	642,679	795,856	752,286	859,332	771,525	727,948	556,432	265,158	16,936,020
Outstanding claims - undiscounted	2,551,640	379,917	442,870	695,021	792,728	1,259,288	1,514,045	2,162,220	2,521,328	3,124,713	15,443,770
Discounting	(847,355)	(132,291)	(144,255)	(231,026)	(255,881)	(377,502)	(429,896)	(624,028)	(695,345)	(862,567)	(4,600,146)
Claims handling expense	123,561	17,953	21,650	33,640	38,921	63,930	78,601	111,519	132,384	164,006	786,165
Outstanding claims liability at 30 June 2025	1,827,846	265,579	320,265	497,635	575,768	945,716	1,162,750	1,649,711	1,958,367	2,426,152	11,629,789

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for the year ended 30 June 2025

2.3.6 Claims development (continued)

2. TMF General Lines

Accident year	2016 and prior \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	Total \$'000
Estimate of ultimate claims cost											
At the end of accident year		645,521	696,438	692,723	1,650,555	977,935	1,371,731	1,371,394	1,490,932	1,664,735	10,561,964
One year later		635,203	655,324	721,649	1,863,979	1,387,967	1,407,179	1,362,206	1,457,611	-	9,491,118
Two years later		577,888	638,756	744,866	1,748,309	1,381,053	1,428,502	1,430,788	-	-	7,950,162
Three years later		570,675	679,026	824,858	1,672,523	1,219,907	1,731,137	-	-	-	6,698,126
Four years later	9,919,498	612,666	792,184	832,231	1,581,702	1,190,084	-	-	-	-	14,928,365
Five years later	10,124,754	682,086	820,565	804,938	1,489,928	-	-	-	-	-	13,922,271
Six years later	11,088,976	736,159	852,487	844,054	-	-	-	-	-	-	13,521,676
Seven years later	12,031,137	821,548	844,383	-	-	-	-	-	-	-	13,697,068
Eight years later	12,801,168	783,560	-	-	-	-	-	-	-	-	13,584,728
Accumulated nine years and greater	13,072,612	-	-	-	-	-	-	-	-	-	13,072,612
Current estimate of cumulative claim costs	13,072,612	783,560	844,383	844,054	1,489,928	1,190,084	1,731,137	1,430,788	1,457,611	1,664,735	24,508,892
Cumulative payments	9,542,846	490,246	502,404	448,008	1,004,302	584,018	717,037	256,493	195,059	76,561	13,816,974
Outstanding claims - undiscounted	3,529,766	293,314	341,979	396,046	485,626	606,066	1,014,100	1,174,295	1,262,552	1,588,174	10,961,918
Discounting	(636,595)	(59,683)	(73,044)	(75,364)	(83,750)	(117,626)	(155,957)	(203,170)	(259,912)	(333,181)	(1,998,282)
Claims handling expense	71,897	9,373	7,984	10,048	10,499	13,983	25,050	27,216	32,772	38,149	246,971
Outstanding claims liability at 30 June 2025	2,965,068	243,004	276,919	330,730	412,375	502,423	883,193	998,341	1,035,412	1,293,142	8,940,607

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for the year ended 30 June 2025

2.3.7. Unearned premium and unexpired risk liability

Overview

Unearned premium

Gross written premium is earned in profit or loss in accordance with the pattern of incidence of risk of the related business. The unearned premium liability is that portion of gross written premium that SI has not yet earned in profit or loss as it represents insurance coverage to be provided by SI after the balance date.

Unexpired risk liability

A liability adequacy test (LAT) is performed by SI's actuary for HBCF, CRIF and SLIS.

At the balance date, SI recognises a liability in respect of outstanding claims and assesses the adequacy of its unearned premium liability. As required under AASB 1023 *General Insurance Contracts*, a LAT is undertaken to determine the adequacy of the unearned premium liability against current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts. An additional risk margin is included to consider the inherent uncertainty in the central estimate.

	2025 \$'000	2024 \$'000
Unearned premiums	1,047,512	1,021,807
Unexpired risk liability	253,537	263,461
Premium liability	1,301,049	1,285,268

2.3.7.1. Reconciliation of unearned premiums

A reconciliation of the carrying amount of unearned premiums at the beginning and end of the reporting periods is set out below.

	2025 \$'000	2024 \$'000
Year ended 30 June		
Net carrying amount at start of year	1,021,807	1,001,203
Deferral of premiums written in current year	310,919	274,447
Premiums earned during the year	(285,214)	(253,843)
Net carrying amount at end of year	1,047,512	1,021,807

Notes to the financial statements

for the year ended 30 June 2025

2.3.7.2. Reconciliation of unexpired risk liability

At the reporting date, a LAT is performed by SI's actuary for HBCF, CRIF and SLIS.

Any deficiency is first written down against the deferred acquisition costs. The remaining deficiency is recognised as an unexpired risk liability. It represents the extent that the unearned premium liability is insufficient to cover expected future claims.

Reconciliation of unexpired risk liability:

	2025 \$'000	2024 \$'000
As at 1 July	263,461	322,229
Reduction of unexpired risk liability in the year	(9,924)	(58,768)
As at 30 June	253,537	263,461

As at the reporting date, the LAT identified a deficit of \$237.0 million (2024: \$272.4 million) in HBCF, a deficit of \$23.4 million in CRIF (2024: \$0 million) and a deficit of \$0.9 million in SLIS. The movement in the unexpired risk liability is recognised in the statement of comprehensive income.

The net deficiency calculation for the 3 schemes is shown below.

	2025 \$'000	2024 \$'000
Net unearned premium liability	888,795	697,423
Deferred acquisition costs (refer note 2.3.8)	(7,719)	(8,964)
	881,076	688,459
Central estimate of present value of expected future cash flows arising from future claims	923,818	794,227
Risk margin	218,514	166,657
Premium liability provision	1,142,332	960,884
Net deficiency	261,256	272,425

Notes to the financial statements

for the year ended 30 June 2025

2.3.7.2. Reconciliation of unexpired risk liability (continued)

The premium liability provision represents the actuarial assessment of future claims payment, and the expenses associated with settling them. The mean term to settlement of the undiscounted premium liability provision is 5.6 years (2024: 5.6 years) for HBCF, 7.0 years (2024: 7.4 years) for CRIF and 8.0 years for SLIS.

	2025 \$'000	2024 \$'000
Gross movement in unexpired risk liability	9,924	58,768
Write down of deferred acquisition costs*	(7,719)	(8,964)
Total surplus/(deficiency) recognised in the statement of comprehensive income	2,205	49,804

* Refer to note 2.3.8 Other assets – deferred acquisition costs

2.3.8. Other assets – deferred acquisition cost

Costs directly attributable to the acquisition of the HBCF premium revenue are deferred by recognising them as an asset in the statement of financial position when they can be reliably measured. Deferred acquisition costs (net of any deficiency) are amortised systematically over the life of the insurance policy in line with the expected pattern of the incidence of risk. This corresponds to the earning pattern of premium revenue.

	2025 \$'000	2024 \$'000
As at 1 July	-	-
Acquisition costs incurred during the year	7,719	8,964
Net deficiency write down	(7,719)	(8,964)
at 30 June	-	-

Notes to the financial statements

for the year ended 30 June 2025

2.3.9. Underwriting and other expenses

Overview

SI incurs a range of expenses in providing its services. Details of these expenses are:

	2025 \$'000	2024 \$'000
Statutory levies:		
State Insurance Regulatory Authority (SIRA)	33,644	30,328
Dust Diseases Authority	3,707	3,444
Total Statutory levies	37,351	33,772
Service fees to icare (2.3.9.1)	334,234	273,583
Insurance	116,227	109,330
Movement in allowance for impairment of financial assets	(51)	(25)
Other expenses	2,108	748
Total underwriting and other expenses	489,869	417,408

Audit fees for the audit of the financial statements were paid by icare and are included as part of the service fee. The amount incurred was \$1.278 million (2024: \$1.164 million).

2.3.9.1. Service fees and statutory levies

In accordance with the *State Insurance and Care Governance Act 2015* from 1 September 2015, SI receives services from icare. Under the arrangement some of SI's costs are incurred by icare and recovered at cost from SI. These services include the provision of staff, claims handling facilities, general business expenses and governance services.

Agent's remuneration specifically related to HBCF scheme agent costs of \$1.0 million (2024: \$1.3 million) paid by icare has been treated as an acquisition cost rather than as a Service fee expense.

Notes to the financial statements

for the year ended 30 June 2025

2.3.10. Trade and other receivables

Overview

SI has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

	2025 \$'000	2024 \$'000
Premium and contribution receivable	523,125	432,885
Insurance and other recoveries receivable	877,497	888,617
GST receivable	4,297	3,204
Prepayments	159,291	185,246
Other	63,213	47,444
Less: allowance for impairment of receivables	-	(577)
	1,627,423	1,556,819

Trade and Other receivables are non-interest bearing and are generally on 30-day terms.

Other receivables is mainly comprised of grants from the Crown of \$59.3 million (2024: \$43.8 million) to fund the cash deficit of the pre reform portfolio Insurance.

The amount of insurance and other recoveries receivable is equal to the estimated gross incurred cost less the retention limit and insurance recoveries received to date. The receivable is recognised when recovery is virtually certain to take place when the corresponding obligation is settled. The measurement of these receivables is affected by factors such as normal inflation and the discount rate used for discounting of future expected receipts. The rates applied are consistent with those used in the valuation of provisions for outstanding claims (see note 2.3.3).

	2025 \$'000	2024 \$'000
Present value of insurance and other recoveries		
Expected future recoveries (undiscounted)	1,026,916	1,028,943
Discount to present value	(149,419)	(140,326)
	877,497	888,617

Refer to note 4 for further information regarding credit risk of trade debtors that are neither past due nor impaired.

Notes to the financial statements

for the year ended 30 June 2025

2.3.11. Trade and other payables

	2025 \$'000	2024 \$'000
Accrued expenses and other creditors	52,290	57,170
Service fee	64,558	42,493
Statutory fees	1,984	1,702
Other	2,625	1,863
	121,457	103,228

Details regarding credit risk, liquidity risk and market risk including maturity analysis of above payables are disclosed in note 4.

3. Investment activities

Overview

The investments for TMF, CRIF and TAC have transitioned into the Whole of State Fund (WSF or OneFund). The TMF transitioned from 31 August 2024 and CRIF and TAC from 1 October 2024. Additionally, the investments of EPSS are also held in the OneFund. OneFund is a single investment portfolio that merges several funds into one. OneFund will be managed by TCorp.

Investments and other financial assets are held at fair value through profit and loss.

Investments for the other schemes are in New South Wales Treasury Corporation's Funds (TCorpIM Funds). The majority of SI's investments (the funds) are unit holdings. The value of the funds is based on SI's share of the value of the underlying assets of the fund, based on the market value. All funds are valued at redemption price.

The fair value quoted market price for similar instruments and the underlying value are provided by the investment manager, TCorp.

The movement in the fair value of the funds incorporates distributions received and reinvested, as well as realised and unrealised movements in fair value and is reported as investment revenue in the statement of comprehensive income.

Purchases or sales of investments are recognised on the trade date i.e. the date the entity commits itself to purchase or sell the asset.

Refer to note 4 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial assets at fair value.

Notes to the financial statements

for the year ended 30 June 2025

3.1. Investment income

	2025 \$'000	2024 \$'000
Return on investment		
Revenue from financial assets held at fair value	1,537,317	641,544
Gains / (losses) from financial assets held at fair value	891,725	861,446
Interest	10,523	46,124
	2,439,565	1,549,114

3.2. Investment assets

	2025 \$'000	2024 \$'000
TCorp managed funds	22,459,587	18,973,045
	22,459,587	18,973,045

3.3. Fair value estimation

Overview

The carrying amounts of SI's financial assets and liabilities at the end of the reporting period approximated the fair values, as all financial assets and liabilities held were either at fair value at the end of the reporting period (marked to market) or were short term in nature.

SI uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – derived from quoted prices in active markets for identical assets / liabilities that the entity can access at measurement date.
- Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 – derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs).

Notes to the financial statements

for the year ended 30 June 2025

3.3. Fair value estimation (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2025				
Financial assets at fair value				
TCorp managed funds	-	22,459,587	-	22,459,587
	-	22,459,587	-	22,459,587
2024				
Financial assets at fair value				
TCorp managed funds	-	18,973,045	-	18,973,045
	-	18,973,045	-	18,973,045

There were no transfers between the levels during the period ended 30 June 2025 (2024: nil). The value of the funds is based on SI's share of the value of the underlying assets of the fund, based on the market value. All facilities are valued using redemption pricing.

4. Risk management

Overview

SI applies a consistent and integrated approach to enterprise risk management. SI operates within icare's Risk Management Framework which sets out the approach to managing key risks and meeting strategic objectives. The documented Risk Management Framework is approved annually by the icare Board.

The icare Board is ultimately accountable for identifying and managing risk, including financial risk. This is done through the establishment of holistic strategies and policies where risk management has been considered.

Key aspects of icare's Risk Management Framework include, risk appetite, governance, risk management and processes, risk reporting and insights, modelling and stress testing, management, monitoring and culture.

Risk management is a continuous process and an integral part of robust business management. SI's approach is to integrate risk management into the broader management processes of the organisation. It is SI's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

Notes to the financial statements

for the year ended 30 June 2025

4. Risk management (continued)

Following the enactment of the *State Insurance and Care Governance Act 2015* (Act), overall responsibility for the establishment and oversight of risk management, risk reviews, policy setting and for managing each of these risks moved to NSW Treasury from Self Insurance Corporation.

The risk management policies in place prior to the Act remain in place, with the purposes of:

- establishing frameworks and processes that identify and analyse the risks faced by SI investment funds;
- setting risk limits and controls; and
- monitoring risks.

With the transition to OneFund investment governance and strategy are centrally managed by TCorp.

The key risk categories used by SI to classify financial risk are:

- insurance risk (note 4.1); and
- market risk (note 4.2); and
- interest rate risk (note 4.3); and
- foreign exchange risk (note 4.4); and
- other price risk (note 4.5); and
- liquidity risk (note 4.6); and
- credit risk (note 4.7).

The risk and compliance management framework to identify and mitigate risks is outlined below:

- Use and maintenance of information systems to provide up-to-date and reliable data on the risks to which the entity is exposed.

- Independent actuarial assessment, using data from the information systems and robust actuarial modelling, are used to assess the adequacy of pricing and premiums and to monitor claims patterns based on experience and emerging trends.
- Risk registers that identify key risks and controls, residual risk exposures and risk treatment and owner. Periodic attestations are performed on key compliance obligations and material exceptions are reported to the icare Board.
- Detailed underwriting procedures are in place and strictly followed for accepting risks and regular reviews and audits are performed on the underwriting function of brokers and insurance agents.
- Contributions received by the largest fund (TMF) are paid by member agencies through funding from the NSW Treasury.
- Most premiums or contributions are paid within payment terms. The outstanding debtors are managed by outsourced service providers who actively monitor and review the portfolios.
- Under the Contributions and Transfers Framework (refer note 5.2 and note 5.5) SI maintains the required level of net assets for each scheme (except HBCF, SLIS, BFFF, ERWF and SSIF) through contributions or transfers approved by NSW Treasury.

SI's principal financial instruments are outlined below. These financial instruments arise directly from SI's operations or are required to finance those operations. SI does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

The main purpose of these financial instruments is to derive income and investment gains which are used to fund claims liabilities.

Notes to the financial statements

for the year ended 30 June 2025

4. Risk management (continued)

Financial instrument categories

	Note	Category	2025 \$'000	2024 \$'000
Financial assets				
Cash and cash equivalents	5.1	Amortised cost	565,219	1,358,532
Investments	3.2	At fair value through profit and loss (designated as such upon initial recognition)	22,459,587	18,973,045
Receivables*	2.3.10	Amortised cost	586,338	480,329
Financial liabilities				
Payables**	2.3.11	Amortised cost	119,473	101,526

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

** Excludes statutory payables (i.e. not within scope of AASB 7)

4.1. Insurance risk

Overview

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Key drivers of insurance risk include natural or man-made catastrophic events, pricing of insurance contracts, reserving and claims.

4.2. Market risk

Overview

Market risk is the variability in the value of an investment or the assessed fair value of a financial instrument because of changes in market prices. Market risk is a systemic risk that reflects factors affecting all similar investments or financial instruments traded in the market.

The effects on SI's operating result due to reasonably possible changes in risk variables are outlined in the information below. A reasonably possible change in each risk variable has been determined after considering the economic environment in which SI operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis was performed on the same basis as 2024. The analysis assumes that all other variables remain constant.

Notes to the financial statements

for the year ended 30 June 2025

4.3. Interest rate risk

Overview

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to interest rate risk arises primarily through SI's cash deposits held at other financial institutions. TCorp manages the portfolio to agreed benchmarks to minimise the fair value interest rate risk.

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the operating result and equity of SI. A reasonably possible change of +/- 0.5% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	Impact on profit			Impact on equity	
	Carrying amount \$'000	Decrease of 0.5% \$'000	Increase of 0.5% \$'000	Decrease of 0.5% \$'000	Increase of 0.5% \$'000
2025					
Cash and cash equivalents	565,219	(2,826)	2,826	(2,826)	2,826
2024					
Cash and cash equivalents	1,358,532	(6,793)	6,793	(6,793)	6,793

4.4. Foreign currency risk

Overview

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

TCorp considers currency risk within the context of its overall investment strategy and manages foreign exchange at the total portfolio level.

Notes to the financial statements

for the year ended 30 June 2025

4.5. Other price risk

Overview

Exposure to other price risk primarily arises through the investment in TCorp managed funds which are held for strategic rather than trading purposes. SI has no direct equity investments. SI holds units in the following funds.

Fund	Investment sectors	Investment horizon	2025 \$'000	2024 \$'000
Treasury Managed Fund Investment Portfolio	Australian equities, developed market equities, emerging market equities, high yield, differentiated credit, Australian nominal bonds, core alternatives, defensive alternatives, opportunistic, unlisted infrastructure, unlisted global property and unlisted Australian property.	Long term	21,457,681	16,727,359
Medium-Term Growth Fund	Australian equities, developed market equities, Liquid Credit, Illiquid Credit, Australian Nominal Bonds, Australian inflation-linked bonds, Core Alternatives, defensive Alternatives, Opportunistic, Cash, Foreign Currency, Emerging Market Equities and other derivatives strategies.	5 or more years	970,541	1,251,575
Long-Term Growth Fund	Australian equities, developed market equities, emerging market equities, Liquid Credit, Illiquid Credit, Australian nominal bonds, Core Alternatives, defensive alternatives., Opportunistic, Cash, Foreign Currency and other derivative strategies.	10 or more years	31,365	994,111
			22,459,587	18,973,045

Notes to the financial statements

for the year ended 30 June 2025

4.5 Other price risk (continued)

The unit price of each fund is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

TCorp as trustee for each of the above funds is required to act in the best interest of the unit holders and to administer the funds in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each fund in accordance with a mandate agreed by the parties. A significant portion of the administration of the funds is outsourced to an external custodian.

Investments in the funds limit SI's exposure to risk as this allows diversification across a pool of funds with different investment horizons. The change in investment sectors and objectives (from the table above) is due to the exchange of units into the OneFund, which has a different investment strategy and risk appetite compared to prior year.

The funds are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). TCorp provides sensitivity analysis information for each of the funds. A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price at 30 June each year for each fund.

Investment fund	Change in unit price		Impact on surplus/(deficit)	
	2025 %	2024 %	2025 \$'000	2024 \$'000
Treasury Managed Fund Investment Portfolio	+/- 10.0	+/- 10.0	2,145,768	1,672,736
Medium-Term Growth Fund	+/- 10.0	+/- 10.0	97,054	125,158
Long-Term Growth Fund	+/- 10.0	+/- 10.0	3,137	99,411

Involvement with unconsolidated structured entities

SI holds a 100% unitholding in an unlisted investment fund, the Treasury Managed Fund Investment Portfolio (the "TMFIP"). The fund qualifies as a structured entity as it has restricted activities and is designed such that voting rights are not the dominant factor in determining control. According to a directive from the NSW Treasurer, the TMFIP must invest all its funds in the OneFund. The OneFund includes unlisted investment funds managed by the NSW Treasury Corporation, specifically the TCorpIM NSW Masterfund and the TCorpIM Unlisted Property Fund. The investment strategy and risk appetite for the OneFund are set by the NSW Treasurer.

Although SI holds all units in the TMFIP, it does not have the ability to direct the fund's relevant activities and therefore does not control the TMFIP in accordance with AASB 10 Consolidated Financial Statements. As such, the TMFIP is not consolidated in SI's financial statements.

Notes to the financial statements

for the year ended 30 June 2025

4.6. Liquidity risk

Overview

Liquidity risk is the risk of insufficient liquid assets to meet liabilities as they fall due. SI's liquidity risk arises due to the nature of insurance activities where the timing and amount of cash outflows are uncertain.

The liquidity of SI's investments in OneFund (established in August 2024 by NSW Treasury Corporation (TCorp)) is assured by the ability to redeem and the liquid nature of investments within OneFund. OneFund investments were allocated to over 70% in liquid assets. Illiquid investments comprised illiquid credit (2%), unlisted property (6%), unlisted infrastructure (8%) and opportunistic assets (8%) at the reporting date.

The liquidity of SI's other investments is assured by the liquid nature of the fixed interest investments within the TCorpIM Funds. All fund share and property investments are required to be listed on a recognised stock exchange except for the unlisted property, unlisted infrastructure and opportunistic assets investments.

TCorp is required to manage OneFund in accordance with risk appetites (including liquidity risk) as notified by the Treasurer of NSW or the Secretary of NSW Treasury.

During the current and prior years, there were no defaults on payables. No assets have been pledged as collateral. SI's exposure to liquidity risk is deemed insignificant based on prior periods' data and the current assessment of risk.

The payables are recognised for amounts due to be paid in the future for goods or services received, whether invoiced or not. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury Circular 11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

The table below summarises the maturity profile of SI's financial liabilities.

	Weighted average effective interest rate %	Nominal amount \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 Year \$'000	1-5 Years \$'000	> 5 Years \$'000
2025								
Payables	-	119,473	-	-	119,473	119,473	-	-
2024								
Payables	-	101,526	-	-	101,526	101,526	-	-

Notes to the financial statements

for the year ended 30 June 2025

4.7. Credit risk

Overview

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises from the financial assets of SI, which comprise cash and cash equivalents, receivables and financial assets at fair value. SI's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at balance date.

Cash and cash equivalents

Cash comprises bank balances with financial institutions Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables – premium and contributions

All premium and contributions receivable are recognised as amounts receivable at the reporting date. The collection of premium and contributions receivable is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. No interest is earned on premium and contributions receivable. The average credit period on sales, unless otherwise agreed, is 30 days from invoice date.

Financial assets at fair value

Financial assets at fair value include investments in TCorp managed funds and the managed assets portfolio. The investments within the Funds are unit holdings, and as such, do not give rise to credit risk. Credit risk within the Funds is managed by ensuring there is a wide spread of risks. TCorp, as trustee, contracts with specialist investment managers and requires the mandates to include a series of controls over the concentration and credit quality of assets.

Notes to the financial statements

for the year ended 30 June 2025

5. Other

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards

5.1. Cash and cash equivalents

Overview

Refer to note 4 for details regarding credit risk, liquidity risk and market risk arising from financial instruments

	2025 \$'000	2024 \$'000
Cash at bank	565,219	1,358,532

Reconciliation of net cash flows from operating activities to the net result

	2025 \$'000	2024 \$'000
Net cash flows from operating activities	(785,263)	367,161
Adjustments for:		
Depreciation and amortisation	(1,546)	(377)
Increase in investments	3,486,542	2,098,989
(Increase) in outstanding claims	(2,924,757)	(2,494,866)
(Increase) in unearned premiums	(25,705)	(20,604)
(Increase) in provisions	(64,000)	-
Decrease / (increase) in payables	(18,229)	32,335
Decrease in unexpired risk	9,924	58,768
Increase in receivables	70,604	324,459
Net result	(252,430)	365,865

Notes to the financial statements

for the year ended 30 June 2025

5.2. Grants

Overview

The Net Assets Holding Level Policy (NAHLP) has been replaced by a Contributions and Transfers Framework in 2024-25.

The adequacy of SI's funds invested in the OneFund will be assessed no later than April each year. It will be calculated as the value of scheme assets relative to the net present value of scheme liabilities expected for the annual Budget. The criteria for transfers and contributions to funds within the OneFund are:

1. A *transfer* between funds will be made where:
 - The funding adequacy of a recipient fund is assessed to be less than 95%; and
 - This deficiency is not expected to persist beyond a period of 24 months; and
 - A donor fund(s) post-transfer funding adequacy remains above 100%; and
 - The Collective Funding Ratio of those funds included in this OneFund Contributions and Transfers Framework remains above 100%.
2. Where the criteria under (1) are not met, the Debt Retirement Fund (DRF) will be used to retire state debt, and the resultant borrowing capacity used to *contribute* to the recipient fund, provided the collective funding ratio including the DRF remains above 120%.
3. Where the criteria under (2) are not met a *contribution* to the recipient fund will be made using other available state resources (cash, borrowings, other suitable assets).
4. Where the shortfall is structural (e.g. the nature of the liabilities/cashflows has changed, or the change is expected to be significant and persistent), NSW Treasury will work with the relevant administering agency to assess what other action may be needed to maintain scheme sustainability.

Proposed contributions will be endorsed by NSW Treasury Asset and Liability Committee (ALCO) and approved by the Treasurer or the Expenditure Review Committee.

Additionally, the Crown has agreed to fund any cash deficit incurred in the pre reform portfolio of HBCF. Refer to note 5.5 for further details on this arrangement.

The Crown has also provided an upfront grant of \$27.9 million in 2024-25 for initial funding to the SLIS.

The payments are recognised as expenses at the earlier of when they are paid or payable. Income from grants without sufficiently specific performance obligations are recognised when the entity obtains control over the granted assets.

	2025 \$'000	2024 \$'000
Grants	87,175	968,783
Net grant revenue	87,175	968,783

Notes to the financial statements

for the year ended 30 June 2025

5.3. Budget review

Statement of comprehensive income

	2025 actuals \$'000	2025 budget \$'000
Premium and contributions	3,682,807	3,428,511
Unearned premium and contribution movement	(25,101)	-
Net earned premiums	3,657,706	3,428,511
Outwards reinsurance expense	(50,305)	(46,372)
Net earned premiums and contributions (a)	3,607,401	3,382,139
Gross claims expenses	(6,365,743)	(4,507,394)
Recoveries received	43,561	131,915
Acquisition costs	(7,719)	-
Unexpired risk liability expense	9,924	89,355
Net claims expense (b)	(6,319,977)	(4,286,124)
Underwriting and other expenses (c)	(489,869)	(488,805)
Underwriting result (a+b+c)	(3,202,445)	(1,392,790)
Agency performance adjustment	423,185	-
Investment revenue	2,439,565	1,511,799
Other revenue	90	-
Insurance profit	(339,605)	119,009
Grants	87,175	83,211
Net result	(252,430)	202,220
Total comprehensive income	(252,430)	202,220

Notes to the financial statements

for the year ended 30 June 2025

5.3. Budget review (continued)

Commentary

Net result for the year was \$454.7 million lower than budget due to the following factors:

- Higher net claims expense and lower recoveries from the updated valuations of outstanding claims liabilities. Partly offset by:
 - higher investment revenue driven by the positive performance of OneFund;
 - higher agency performance adjustment; and
 - the contribution from NSW Police to the new Police Officer Support Scheme.

TMF Workers Compensation

The strengthening in the outstanding claims reserves in the June 2024 valuation was due to slower work injury damages finalisations and higher weekly active claims in the NSW Police portfolio, and higher numbers of claims reaching higher whole person impairment thresholds in the non-emergency portfolio. The strengthening in the outstanding claims reserves in the December 2024 valuation was mostly due to higher claim volumes, including a spike in psychological claims from NSW Police following the announcement of the new Police Officer Support Scheme. Lastly, the June 2025 valuation results were broadly neutral with lower number of psychological claims in NSW Police, offset by higher weekly and medical payment sizes in the non-emergency portfolio.

TMF General Lines

The strengthening in the outstanding claims reserves in the June 2024 valuation was predominantly due to higher numbers of abuse claims (partially offset by lower claim sizes), the impact of the Discrimination Class Action, and a higher reserve for a large property claim. These impacts were partly offset by releases in the public liability, medical malpractice and the rest of property portfolios. The strengthening in the outstanding claims reserves in the December 2024 valuation was mostly due to higher numbers of abuse claims. Lastly, the June 2025 valuation results were broadly neutral with increases in the liability and property event portfolios, partially offset by decreases in the abuse claims and the medical malpractice portfolio.

Notes to the financial statements

for the year ended 30 June 2025

5.3 Budget review (continued)

Statement of financial position

	2025 actuals \$'000	2025 budget \$'000
ASSETS		
Cash and cash equivalents	565,219	466,577
Investments	22,459,587	20,701,366
Trade and other receivables	1,627,423	1,106,768
Plant and equipment	-	190
Intangible assets	12,465	100
Total assets	24,664,694	22,275,001
LIABILITIES		
Trade and other payables	121,457	7,537
Unearned premiums	1,047,512	947,207
Outstanding claims liabilities	22,766,621	20,078,750
Provisions	64,000	-
Unexpired risk liability	253,537	146,957
Total liabilities	24,253,127	21,180,451
Net assets	411,567	1,094,550
EQUITY		
Accumulated funds	411,567	1,094,550
Total equity	411,567	1,094,550

Commentary

Total assets were \$2.4 billion higher than budget predominantly due to higher investment balances, and receivables relating to the TMF agency performance adjustment. Total liabilities were \$3.1 billion lower than budget driven by the increase in the provision for outstanding claims liabilities. The TMF workers compensation outstanding claims liabilities were higher than budget largely due to higher claim numbers, slower work injury damages finalisations and higher weekly active claims in the NSW Police portfolio, and higher number of claims reaching higher whole person impairment thresholds in the non-emergency portfolio. The TMF general lines outstanding claims liabilities were higher than budget due to the significant increase in child abuse claims, and the impact of the discrimination class action.

Notes to the financial statements

for the year ended 30 June 2025

5.3 Budget review (continued)

Statement of cash flows

	2025 actuals \$'000	2025 budget \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums received	4,078,474	3,786,290
Claims paid	(3,440,701)	(3,668,147)
Recoveries received	54,683	241,938
Total premiums/contributions less claims	692,456	360,081
Receipts		
Investment income	1,537,317	753,390
Interest received	10,523	53,997
Grants	71,683	75,841
Other income	90	-
Total receipts	1,619,613	883,228
Payments		
Purchases of investments	(2,594,817)	(1,289,977)
Service fees paid	(320,553)	(328,610)
Other payments	(181,962)	(206,507)
Total payments	(3,097,332)	(1,825,094)
Total cash flows from operating activities	(785,263)	(581,785)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of plant and equipment	-	(110)
Purchases of intangibles/software	(8,050)	(60)
Total cash flows from investing activities	(8,050)	(170)
NET INCREASE / (DECREASE) IN CASH	(793,313)	(581,955)
Opening cash and cash equivalents	1,358,532	1,048,532
CLOSING CASH AND CASH EQUIVALENTS	565,219	466,577

Notes to the financial statements

for the year ended 30 June 2025

5.3 Budget review (continued)

Commentary

Cash and cash equivalents held at 30 June 2025 were \$99 million higher than budget largely due to the higher opening balance and the contribution from NSW Police to the new Police Officer Support Scheme, partially offset by purchases of investments from higher OneFund distributions.

5.4. Provisions

Overview

Provisions are recognised when SI has a present legal or constructive obligation because of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Under the arrangement established for the EPSS SI will operate a government managed scheme to centralise the funding for liabilities arising under the EPSS. SI through the EPSS will:

- Periodically reimburse NSW Police for the payments under the EPSS and then, annually, charge contributions to cover that.
- Undertake capital management, actuarial analysis and investment management activities, which are not typically functions or activities of NSW Police.

SI has created an expectation from NSW Police that it will provide these activities to them. Given the above arrangements SI has a constructive obligation to NSW Police.

As the \$256m contribution to the EPSS covers the period October 2024 to September 2025 this results in 9 months of contribution being recognised in revenue at 30 June 2025 (\$192 million) and a provision for the remaining 3 months (\$64 million).

5.5. Funding accumulated deficit in HBCF

Overview

The SI accounts include the accumulated deficit of HBCF. Details of how the accumulated deficit in HBCF is being addressed are below.

During the 2016/17 year the NSW Government approved a set of administrative reforms in respect of home warranty insurance in NSW under which HBCF can apply to the State Insurance Regulatory Authority to approve future risk-based premium rates intended to achieve full cost recovery.

HBCF adjusted the premiums it charges on residential construction types excluding multi-unit dwellings effective 2 October 2018 with the intention of covering the losses and expenses associated with these policies. This effectively created two portfolios for HBCF:

- A portfolio of premiums issued prior to 1 July 2018 that were substantially underfunded. This has led to the current accumulated deficit. This is referred to as the pre-reform portfolio. In 2019-20 the NSW Government approved a long-term funding arrangement for the pre-reform HBCF portfolio. Under this arrangement NSW Treasury will fund in arrears the actual cash losses incurred by the pre-reform portfolio until no further funding of these losses is required. The accumulated deficit in HBCF is largely due to the pre-reform portfolio. The amount to be received for these losses for the 2025 financial year is \$59.275 million (2024: \$43.783 million). Income from grants without sufficiently specific performance obligations are recognised when the entity obtains control over the granted assets. These amounts are accrued when agreed in principle with NSW Treasury that the payment will be made.

Notes to the financial statements

for the year ended 30 June 2025

5.5 Funding accumulated deficit in HBCF (continued)

- Premiums issued after 1 July 2018 under the new pricing arrangements are expected to be self-sustaining. From October 2022 the HBCF pricing has reached sustainable rates for all cover types for policies written from that point forward. As the policies are earned and claims paid out, on average, the sustainability margin will deliver a surplus. This is expected to take HBCF's post-2018 portfolio to full funding by 2029.

5.6. Related party transactions

Key management personnel compensation

SI's key management personnel are the Board of Directors of icare, the Chief Executive of icare and their direct reports. Compensation for key management personnel is disclosed in the financial statements of icare. Costs for key management personnel services are included as part of the service fee paid to icare.

Key management personnel loan disclosures

SI has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

5.7. Related party transactions

Other transactions

There were no other transactions involving key management personnel and their interests during the reporting year.

Other NSW Government entities

SI entered transactions with other entities that are controlled, jointly controlled or significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the entity's contributions and underwriting and other expenses.

Contingent liabilities

Contingent liabilities are disclosed when a present obligation cannot be measured with sufficient reliability. As more information arises that enables the estimation of the obligation, a provision is recognised.

Jamie Lee Hassen and Ors vs. State of NSW is a class action claim against the State of NSW. The liabilities at 30 June 2025 cannot be reliably estimated as there is insufficient information with regards to the size of the class and whether there are different subclasses. This matter will be continually assessed as more information becomes available.

5.8. Post balance day events

SI has not identified any subsequent events that would require the financial statements or other disclosures to be adjusted.

- End of audited financial statements -

icare

Workers Insurance

Insurance for NSW

HBCF

Lifetime Care

Dust Diseases Care

Sporting Injuries

HBCF

HBCF financial statements

for the year ended 30 June 2025

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Statement by the Board of Directors

for the year ended 30 June 2025

Home Building Compensation Fund

In the opinion of the Board of Directors:

- (a) The financial statements of the Home Building Compensation Fund have been prepared in accordance and comply with Australian Accounting Standards (which include Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board, and
- (b) The financial statements present fairly the Home Building Compensation Fund's financial position at 30 June 2025, financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors of Insurance and Care NSW.



John Robertson
Chairman
Insurance and Care NSW
25 September 2025



Geniere Aplin
Chief Executive
NSW Self Insurance Corporation and
Insurance and Care NSW
25 September 2025



INDEPENDENT AUDITOR'S REPORT

Home Building Compensation Fund

To the Treasurer, Minister for Work Health and Safety and the Board of Directors of Insurance and Care NSW

Opinion

I have audited the accompanying financial statements of Home Building Compensation Fund (the Fund), which comprise the statement by the board of directors, the statement of comprehensive income for the year ended 30 June 2025, the statement of financial position as at 30 June 2025, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards
- presents fairly the Fund's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board's Responsibilities for the Financial Statements

The Board of Directors of Insurance and Care NSW, acting for the Fund, is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 September 2025
SYDNEY

Statement of comprehensive income

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Gross premium written	2.1	240,291	220,996
Unearned premium movement		(57,247)	(59,071)
Net earned premium (a)		183,044	161,925
Gross claims expenses	2.2	(269,211)	(163,071)
Recoveries received		1,341	5,622
Acquisition costs		(7,719)	(8,964)
Unexpired risk liability movement	2.3.7	34,180	58,768
Net claims expense (b)		(241,409)	(107,645)
Underwriting and other expenses (c)	2.3.9	(34,123)	(32,612)
Underwriting result (a+b+c)		(92,488)	21,668
Investment income	3.1	73,136	50,702
Insurance result		(19,352)	72,370
Grants from the Crown	5.3	59,275	43,783
Net result		39,923	116,153
Other comprehensive income			
Items that will not be reclassified to the net result		-	-
Total other comprehensive income			
Total comprehensive income		39,923	116,153

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Assets			
Cash and cash equivalents	5.1	54,181	62,461
Investments	3.2	970,541	834,750
Trade and other receivables	2.3.10	99,949	82,269
Intangibles	5.2	12,465	5,961
Total assets		1,137,136	985,441
Liabilities			
Trade and other payables	2.3.11	10,726	9,095
Unearned premiums	2.3.7	754,670	697,423
Outstanding claims liabilities	2.3.1	548,861	461,787
Unexpired risk liability	2.3.7.2	229,281	263,461
Total liabilities		1,543,538	1,431,766
Net assets		(406,402)	(446,325)
Equity			
Accumulated deficit		(406,402)	(446,325)
Total equity		(406,402)	(446,325)

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2025

	2025 \$'000	2024 \$'000
Accumulated funds		
Balance at the beginning of financial year	(446,325)	(562,478)
Net result for the year	39,923	116,153
Other comprehensive income	-	-
Total other comprehensive income	-	-
Total comprehensive income for the year	39,923	116,153
Balance at the end of the financial year	(406,402)	(446,325)

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Premiums received		237,793	213,753
Recoveries		1,423	2,187
Claims and expenses paid		(189,855)	(153,226)
Total cash flow from premiums less claims		49,361	62,714
Receipts			
Interest received and realised gains		76,296	9,330
Grants received from Crown		43,783	67,967
Total receipts		120,079	77,297
Payments			
Purchase of investments		(138,952)	(67,060)
Service fees paid		(26,529)	(26,049)
Other payments		(4,189)	(5,659)
Total payments		(169,670)	(98,768)
Net cash from operating activities	5.1	(230)	41,243
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangibles		(8,050)	(6,338)
Net cash flow from investing activities		(8,050)	(6,338)
Net increase / (decrease) in cash and cash equivalents		(8,280)	34,905
Cash and cash equivalents at the beginning of the year		62,461	27,556
Cash and cash equivalents at the end of the year	5.1	54,181	62,461

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2025

1. Overview

1.1. About the Home Building Compensation Fund (HBCF)

On 1 July 2010, the NSW Self Insurance Corporation (SICorp) became the sole home warranty insurer in NSW. SICorp is a statutory corporation constituted by the *NSW Self Insurance Corporation Act, 2004* (the SICorp Act).

The Home Building Compensation Fund (HBCF) was created under s12A of the SICorp Act to provide consumer protection for homeowners undertaking residential building projects in NSW where the contracted builder, due to certain circumstances, defaults under the contract.

HBCF issues certificates of insurance as required under the *Home Building Act, 1989* through its appointed insurance agents. HBCF is a not-for-profit entity.

In accordance with s12A of the SICorp Act, HBCF may receive financial support by way of money advanced by the Minister or appropriated by the Parliament for the purposes of HBCF. NSW Treasury have provided a guarantee to fund cash short falls in the HBCF portfolio for policies issued before 1 July 2018.

HBCF operates in one geographical segment and is a single portfolio with general insurance conducted in NSW only.

As HBCF is a fund established within SICorp under s8A of the SICorp Act, the financial statements are aggregated into SICorp's financial statements.

Insurance and Care NSW (icare) was established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015*. Its functions include the monitoring of performance of the insurance or compensation schemes in respect of which it provides services. SICorp is one such scheme.

The financial statements for the year ended 30 June 2025 have been authorised for issue by the Chairman of the Board of icare and the Chief Executive of SI Corp on behalf of the Board of Directors of icare on 25 September 2025.

1.2. Basis of preparation and material accounting policies

HBCF's financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations).

Investments are measured at fair value through profit or loss. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

These financial statements have been presented on a liquidity basis following receipt of an exemption from TPG 25-02 by NSW Treasury that statements are presented on a current and non-current basis.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

1.2.1. Statement of compliance

HBCF's financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1.2.2. Going concern basis

These financial statements have been prepared on a going concern basis, despite the accumulated deficit. HBCF is able to pay its debts as and when they fall due. Refer to note 5.3 for more information on funding arrangements for HBCF.

Notes to the financial statements

for the year ended 30 June 2025

1.2.3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, key assumptions and estimations management have made are disclosed in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 2.3 – net outstanding claims liability ; and
- note 2.3.7- unearned premiums and unexpired risk liability ; and
- notes 3 and 4 – investment activities and risk management.

1.2.4. Taxation

HBCF is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

1.2.5. Comparative figures

Except where an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous reporting period for all amounts reported in the financial statements.

1.2.6. Accounting standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting year ended 30 June 2025. The following are new Australian Accounting Standards or amendments which have been issued but are not yet effective. Discussion of their impact on financial performance and position is below.

- AASB 17 Insurance Contracts and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector.

New accounting standards and interpretations

AASB 17 Insurance Contracts (AASB 17) was issued in June 2017 and represents a fundamental change to the accounting treatment for insurance contracts. AASB 17 incorporates IFRS 17, which seeks to harmonise the accounting treatment for insurance contracts globally. This standard establishes new accounting principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held.

Australian Accounting Standard AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector was issued in December 2022 and amends AASB17 to include modifications that apply to public sector entities.

AASB 17 is effective for public sector insurers from 1 July 2026. AASB 17 will replace current accounting standards in Australia, AASB 4 (Insurance Contracts), AASB 1023 (General Insurance Contracts) and AASB 1038 (Life Insurance Contracts).

The relevant key areas of consideration under AASB 17 Insurance Contracts are set out below.

Notes to the financial statements

for the year ended 30 June 2025

1.2.6 Accounting standards issued but not yet effective (continued)

Risk adjustment:

- The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk.
- The risk adjustment is expected to be calculated using a confidence interval approach, leveraging the historical methodology for risk margin calculation, modified to exclude financial risks. As such the financial impact of moving from a risk margin under AASB 1023 to a risk adjustment under AASB 17 is expected to be immaterial.

Discounting:

- AASB 1023 requires the net central estimate of outstanding claims to be discounted using risk-free rates. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and the financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used.
- It is expected that HBCF will apply a bottom-up approach which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, which will result in higher discount rates relative to current requirements. It is expected that the addition of an illiquidity premium to the current risk-free rate will result in a release of claims liabilities.

Transition arrangements

- HBCF will apply the full retrospective approach at transition on 1 July 2026. This means that any impacts of the transition to AASB 17 will be reflected as a change in equity at 1 July 2025.
- HBCF is a multi-year scheme and will recognise interest accretion and deferred acquisition costs at transition. This will decrease the net assets in both schemes.
- The other material change in transition will be the inclusion of an illiquidity premium on top of the risk-free rate when discounting the claims liability (see discounting above). This will increase the net assets for HBCF.

HBCF has commenced an implementation project to ensure that it will be able to meet the requirements of AASB 17. This project has been largely completed and will allow HBCF to have one full year of a parallel run before the commencement of AASB 17 on 1 July 2026. HBCF will continue to assess the impact of the new requirements and emerging industry guidance on financial statements.

Notes to the financial statements

for the year ended 30 June 2025

2. Underwriting activities

Overview

This section provides analysis and commentary on HBCF's underwriting activities. Underwriting, in simple terms, is the agreement by the insurer to assume insurance risk in return for a premium paid by the insured. The underwriter assesses the quality of the risk and prices accordingly.

HBCF's claims liability is accounted for in accordance with AASB 1023 *General Insurance Contracts*.

Movement in outstanding recoveries (which are recognised as revenue when it is virtually certain the recovery will be made) and recoveries received during the financial year, including those under sharing agreements, third party recoveries, and salvage and subrogation, are included in net claims (note 2.3.1 and 2.3.10).

2.1. Revenue

Revenue mainly comprises premiums charged for providing insurance coverage.

Premiums are recognised as income earned in accordance with the pattern of risk associated with the insured risk over the insured period. They are exclusive of taxes and duties levied.

The proportion of the premium revenue that is not earned in the statement of comprehensive income at the reporting date is recognised in the statement of financial position as unearned premium.

2.2. Net claims expense

Overview

The largest expense for HBCF is net claims, which is the sum of:

- the movement in the net outstanding claims liability (note 2.3) which is the difference between the net outstanding claims liability at the beginning and the end of the financial year; plus
- any net claim payments made during the financial year; less
- recoveries; plus
- the movement in the unexpired risk liability (note 2.3.7); plus
- acquisition costs.

Notes to the financial statements

for the year ended 30 June 2025

2.2. Net claims expense (continued)

	2025 \$'000	2024 \$'000
Claims and related expenses	182,136	144,264
Finance costs (net)	16,795	15,972
Other movements in claims liabilities	70,280	2,835
Gross claims expenses	269,211	163,071
Recoveries revenue	(1,341)	(5,622)
Acquisition costs	7,719	8,964
Movement in unexpired risk liability	(34,180)	(58,768)
Net claims expense	241,409	107,645

The finance costs above represent the increase in the liability for outstanding claims from the end of the previous financial year to the end of the current financial year that is due to discounted claims not settled being one period closer to settlement.

An analysis of the claims expense for HBCF showing separately the amount relating to risks borne in the current period and the amount relating to a reassessment of risks borne in all previous periods is presented below.

	Current year \$'000	Prior years \$'000	2025 total \$'000	2024 total \$'000
Gross claims incurred and related expenses – undiscounted	302,176	(31,163)	271,013	167,486
Other recoveries – undiscounted	(3,579)	2,464	(1,115)	(6,076)
Net claims incurred – undiscounted	298,597	(28,699)	269,898	161,410
Discount and discount movement – gross claims incurred	(20,984)	19,182	(1,802)	(4,415)
Discount and discount movement – other recoveries	343	(569)	(226)	454
Net discount movement	(20,641)	18,613	(2,028)	(3,961)
Net claims incurred	277,956	(10,086)	267,870	157,449

Notes to the financial statements

for the year ended 30 June 2025

2.3. Net outstanding claims liability

Overview

The net outstanding claims liability comprises the elements described below:

- The net central estimate (note 2.3.1) This is the provision for expected future claims payments and includes claims reported but not yet paid, claims incurred but which have not yet been reported (IBNR), claims incurred but not enough reported (IBNER) and estimated claims handling costs.
- Less an amount to reflect the discount to present value using risk-free rates of return. The net central estimate is discounted to present value recognising that the claim or recovery may not be settled for some time. The discount rate represents a risk-free rate derived from market yields on Commonwealth government bonds ; and
- Plus a risk margin (note 2.3.2). A risk margin is added to reflect the inherent uncertainty in the net discounted central estimate of outstanding claims and increase the probability that the reserves will ultimately turn out to be adequate.
- Less the expected future recoveries.

2.3.1. Discounted net outstanding claims

Overview

The overall outstanding claims liability of the scheme is calculated by the scheme's actuary using a range of actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny. It is measured as the estimate of the expected future payments required to settle the present obligation at the reporting date, including the expenses associated with the settlement.

The expected future payments are estimated based on the ultimate cost of the settling of claims, which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. Superimposed inflation refers to factors such as above economic inflation increases in the cost of construction.

The expected future payments are then discounted to a present value at the reporting date using discount rates based on long-term Commonwealth Government securities that have similar duration to the liability cash flows.

The provision for claims handling expenses (CHE) is calculated as a percentage of the net outstanding claims central estimate to recognise the ultimate expense of managing outstanding claims until they are finalised and closed.

Notes to the financial statements

for the year ended 30 June 2025

2.3.1. Discounted net outstanding claims (continued)

	2025 \$'000	2024 \$'000
Expected future gross claims payments	484,621	416,987
Gross claims handling	28,478	28,515
Gross risk margin	86,920	66,825
Gross outstanding claims liabilities	600,019	512,327
Discount on central estimate	(41,582)	(41,134)
Discount on claims handling expenses	(2,405)	(2,814)
Discount on risk margin	(7,171)	(6,592)
Total discount on claims liabilities	(51,158)	(50,540)
Claims liabilities	548,861	461,787
Expected future actuarial assessment of recoveries	(10,759)	(11,078)
Discount to present value recoveries	829	1,066
Recoveries	(9,930)	(10,012)
Net outstanding claims	538,931	451,775

The table below analyses the movement in the net outstanding claims liability.

	2025 \$'000	2024 \$'000
Net carrying amount at start of year	451,775	436,402
Expected claim payments (prior years only)	(113,687)	(114,834)
Unwinding of discounts	16,795	15,972
CHE on expected claims payments (prior year only)	(7,958)	(8,038)
Adjustments arising from change in (prior years only) including. release of risk margin on claims payments	(18,105)	(50,689)
Net outstanding claims in current year	210,111	172,962
Net outstanding claims	538,931	451,775

Notes to the financial statements

for the year ended 30 June 2025

2.3.2. Risk margin

Overview

A risk margin is adopted by the Board based on advice from the scheme’s actuary to reflect the inherent uncertainty in the net discounted central estimate of the outstanding claims liability.

The uncertainty has been determined on a basis that reflects HBCF’s business. Regard is had to the robustness of the valuation models, the reliability and volume of the available data, past experience of the NSW home warranty insurance market, and the characteristics of the business written.

The risk margin and the net discounted central estimate are key inputs in the determination of the probability of adequacy that the outstanding claims liability provision will ultimately turn out to be adequate. The probability of adequacy is a statistical measure of the relative adequacy of the outstanding claims liability to ultimately be able to pay claims in respect of accidents up to and including the balance date. For example, a 75% probability of adequacy indicates that the net discounted provision is expected to be adequate seven and a half years in 10.

For HBCF the outstanding claims liability estimate includes a risk margin of 17% (2024: 15%) to cover the inherent uncertainty in the net central estimate. The risk margin has been set at a level that results in an overall probability of sufficiency in the outstanding claims liability of 75% (2024: 75%).

The discounted risk margin on outstanding claims for HBCF was \$78.1 million (2024: \$58.9 million).

2.3.3. Economic assumptions

Overview

The core assumptions that drive HBCF’s liabilities are the inflation rate and the discount rate of those liabilities.

The average inflation and discount rates below were used in measuring the outstanding claims liability:

	2025	2024
Discount rates		
- Not later than 1 year	3.11% - 3.68%	4.29%-4.43%
- Later than 1 year	3.07% - 5.49%	3.91%-5.29%
Inflation rates		
- Not later than 1 year	3.60% - 3.63%	3.53% - 4.35%
- Later than 1 year	3.31% - 3.85%	3.12% - 3.90%
Superimposed inflation rates	0% - 1.00%	0%-2.5%
Weighted average term to settlement	2.57 years	2.46 years

Notes to the financial statements

for the year ended 30 June 2025

2.3.4. Claims liability maturity

Overview

The maturity profile is HBCF's expectation of the period over which the net central estimate will be settled. HBCF uses this information to ensure that it has adequate liquidity to pay claims as they are due to be settled and to inform HBCF's investment strategy. The expected maturity profile of HBCF's discounted net outstanding claims is analysed below.

	2025 \$'000	2024 \$'000
Outstanding claims net of recoveries maturing:		
Within 1 year	150,205	137,110
1 to 5 years	309,013	253,481
More than 5 years	79,713	61,184
Total net outstanding claims liability	538,931	451,775

2.3.5. Impact of changes in key variables on the net outstanding claims liability

Overview

Sensitivity analysis is conducted by the scheme's actuaries on each key underlying variable to measure the change in outstanding claims liability estimate that would result from a change in the assumptions whilst holding all other variables constant.

Significant uncertainty exists as to the long-term nature of the liabilities.

The main uncertainty about the estimates of future claims costs include:

- Post the 30 June 2002 reforms, the private insurance industry exited the market in 2010, and the product became publicly underwritten by HBCF. This makes the building cycle effects on the new publicly underwritten arrangement uncertain as there are questions on the relevance of the past schemes data.
- There is currently a downturn in the building cycle and the future building cycle remains uncertain, especially the length and severity of future economic downturns. This will impact the number of future builder insolvencies and therefore future claim frequency and claim costs.
- There is particular uncertainty around how defect claims are likely to emerge and develop, especially in respect to particular multi-unit covers ; and
- There is uncertainty as to the impact of inflationary pressures in the building industry on future average claim sizes and builder insolvency numbers.

One large builder has become insolvent over the past 12 months. Future large builder insolvencies can lead to significant claim costs for the HBCF scheme.

Notes to the financial statements

for the year ended 30 June 2025

2.3.5 Impact of changes in key variables on the net outstanding claims liability (continued)

The impact of changes in key variables is summarised in the table below.

Movement in variable		Financial impact						
		2025 change in outstanding claims liability		Unexpired risk liability		2025 change in insurance liability		Net result*
Variable		\$'000	%	\$'000	%	\$'000	%	\$'000
Base		538,931		237,000		1,522,882		
Inflation rate	+1	13,591	2.5%	48,205	20.3%	61,795	4.1%	(61,795)
	-1	(13,182)	-2.4%	(45,662)	-19.3%	(58,844)	-3.9%	58,844
Discount rate	+1	(13,067)	-2.4%	(45,227)	-19.1%	(58,294)	-3.8%	58,294
	-1	13,734	2.5%	50,092	21.1%	63,826	4.2%	(63,826)
Largest builder failing		-	-	491,351		491,351	32.3%	(491,351)

*The above table reflects changes to the first 10 years before reverting to the long-term gap assumption.

2.3.6. Claims development

Overview

A significant portion of HBCF's liabilities relate to claim and premium liabilities of past years that will be settled in future years.

Notes to the financial statements

for the year ended 30 June 2025

2.3.6. Claims development (continued)

The following table shows the development of the ultimate claims cost estimates for HBCF.

Underwriting year	2016 and prior \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	Total \$'000
Estimate of ultimate claim cost											
At the end of underwriting year	533,197	150,195	178,925	176,967	174,848	222,915	221,039	215,378	238,037	223,684	
One year later	521,960	159,223	190,149	168,113	157,009	231,810	230,782	219,141	209,230		
Two years later	544,654	168,601	187,699	142,471	159,852	253,741	243,875	206,263			
Three years later	563,175	177,027	152,983	142,686	162,658	221,626	262,510				
Four years later	582,677	145,691	156,614	144,034	140,122	232,952					
Five years later	547,930	146,210	171,815	129,103	141,867						
Six years later	504,881	162,015	166,305	135,402							
Seven year later	513,666	156,748	186,436								
Eight years later	557,245	162,124									
Nine years later	542,621										
Current estimate of cumulative claim costs	542,621	162,124	186,436	135,402	141,867	232,952	262,510	206,263	209,230	223,684	2,303,089
Cumulative payments	437,263	91,287	92,794	49,381	35,306	62,424	82,179	40,680	17,093	564	908,971
Outstanding claims - undiscounted	105,358	70,837	93,642	86,021	106,561	170,528	180,331	165,583	192,137	223,120	1,394,118
Discounting	(9,409)	(7,841)	(11,567)	(11,279)	(15,378)	(26,177)	(27,780)	(25,298)	(33,442)	(43,234)	(211,405)
Claims handling expense	5,855	4,045	5,439	5,090	6,325	10,263	11,099	10,371	11,981	13,961	84,429
Risk margin	17,600	12,192	16,418	15,386	19,133	31,081	33,649	31,461	36,379	42,441	255,740
Total insurance liability	119,404	79,233	103,932	95,218	116,641	185,695	197,299	182,117	207,055	236,288	1,522,882
Premium liability											983,951
Outstanding claims liability											538,931

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for the year ended 30 June 2025

2.3.7. Unearned premium and unexpired risk liability

Overview

Unearned premium

Gross written premium is earned in profit or loss in accordance with the pattern of incidence of risk of the related business. The unearned premium liability is that portion of gross written premium that HBCF has not yet earned in profit or loss as it represents insurance coverage to be provided by HBCF after the balance date.

Unexpired risk liability

At balance date, HBCF recognises a liability in respect of outstanding claims and assesses the adequacy of its unearned premium liability. As required under AASB 1023 *General Insurance Contracts*, a LAT is undertaken to determine the adequacy of the unearned premium liability against current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts. An additional risk margin is included to consider the inherent uncertainty in the central estimate.

If the assessment shows the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the statement of comprehensive income by firstly writing down the deferred acquisition cost. If an additional liability is required, this is recognised in the statement of financial position as an unexpired risk liability.

As at the reporting date, the LAT identified a deficit of \$237 million (2024: \$272.4 million). The deficit, after deducting the opening balance of the unexpired risk liability and impairing current year acquisition costs is recognised as an expense in the statement of comprehensive income.

	2025 \$'000	2024 \$'000
Unearned premium income	754,670	697,423
Unexpired risk liability	229,281	263,461
Premium liability	983,951	960,884

2.3.7.1. Reconciliation of unearned premiums

A reconciliation of the carrying amount of unearned premiums at the beginning and end of the reporting periods is set out below.

	2025 \$'000	2024 \$'000
At 1 July		
Net carrying amount at start of year	697,423	638,351
Deferral of premiums written in current year	240,291	220,996
Premiums earned during the year	(183,044)	(161,925)
At 30 June	754,670	697,423

Notes to the financial statements

for the year ended 30 June 2025

2.3.7.2. Reconciliation of unexpired risk liability

A reconciliation of the carrying amount of the unexpired risk liability at the beginning and end of the reporting periods is set out below.

	2025 \$'000	2024 \$'000
Unexpired risk liability		
Unexpired risk liability at 1 July	263,461	322,229
Release of reduction in unexpired risk liability in the year	(34,180)	(58,768)
Unexpired risk liability at 30 June	229,281	263,461
Surplus/(deficiency) recognised in the statement of comprehensive income		
Gross movement in unexpired risk liability	34,180	58,768
Write down of deferred acquisition costs*	(7,719)	(8,964)
Total surplus/(deficiency) recognised in the statement of comprehensive income	26,461	49,804
Calculation of deficiency		
Unearned premium liability	754,670	697,423
Acquisition costs*	(7,719)	(8,964)
	746,951	688,459
Central estimate of present value of expected future cash flows arising from future claims	806,517	794,227
Risk margin (refer 2.3.2)	177,434	166,657
Premium liability provision	983,951	960,884
Net deficiency	237,000	272,425

*Refer note 2.3.8 Other assets - deferred acquisition costs

The premium liability provision represents an actuarial assessment of future claims expenses.

The mean term to settlement of the undiscounted premium liability is 5.6 years (2024: 5.6 years).

Notes to the financial statements

for the year ended 30 June 2025

2.3.8. Other assets – deferred acquisition cost

Costs directly attributable to the acquisition of premium revenue are deferred by recognising them as an asset in the statement of financial position when they can be reliably measured. Deferred acquisition costs (net of any deficiency) are amortised systematically over the life of the insurance policy in line with the expected pattern of the incidence of risk. This corresponds to the earning pattern of premium revenue.

	2025 \$'000	2024 \$'000
At 1 July		
Acquisition costs incurred during the year	7,719	8,964
Net deficiency write-down*	(7,719)	(8,964)
At 30 June	-	-
Acquisition costs recognised in the statement of comprehensive income comprise:		
Net deficiency write-down*	7,719	8,964
	7,719	8,964

* Refer to note 2.3.7 Unearned premium and unexpired risk liability. Due to the unearned premium liability deficiency as identified by the LAT, deferred acquisition costs are written down.

2.3.9. Underwriting and other expenses

Overview

HBCF incurs a range of expenses in providing its services. Details of these expenses are:

	2025 \$'000	2024 \$'000
Statutory levies paid to State Insurance Regulatory Authority (SIRA) (2.3.9.1)	6,292	5,433
Service fees to icare (2.3.9.2)	26,279	26,796
Amortisation	1,546	377
Other	6	6
	34,123	32,612

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2.3.9.1. Statutory levies

Pursuant to Section 12A(3)(d)(2) of the *NSW Self Insurance Corporation Act 2004* HBCF is required to pay SIRA costs incurred in exercising its functions in relation to the regulation of home building.

2.3.9.2. Service fees

In accordance with the *State Insurance and Care Governance Act 2015* from 1 September 2015, HBCF receives services from Insurance and Care NSW (icare). Under the arrangement some of HBCF's costs are incurred by icare and recovered at cost from HBCF.

These services include claims handling facilities, general business expenses and governance services.

Costs to assess builders risk of \$7.7 million (2024 \$9.0 million) paid by icare has been treated as an acquisition cost rather than as a Service fee expense.

Audit fees for the audit of the financial statements were paid by icare in 2025 and are included as part of the service fee. The amount incurred was \$202,000 (2024 \$200,000.)

2.3.10. Trade and other receivables

Overview

HBCF has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

Other receivables are mainly comprised of grants from the Crown of \$59.3 million (2024- \$43.8 million) to fund the cash deficit of the pre- reform portfolio (refer to note 5.3 for more details).

Refer to note 4 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

	2025 \$'000	2024 \$'000
Premiums receivable	29,287	26,789
Insurance and other recoveries	9,930	10,012
Other	60,732	45,468
	99,949	82,269

Notes to the financial statements

for the year ended 30 June 2025

2.3.11. Trade and other payables

Overview

Refer to note 4 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

	2025 \$'000	2024 \$'000
Insurance duty payable	1,960	1,702
Service fees	3,731	3,980
Goods and Services Tax	5,035	3,413
	10,726	9,095

3. Investment activities

Overview

Investments in NSW Treasury Corporation's Funds (TCorpIM Funds or the Funds) and the managed asset portfolio are designated as fair value through profit or loss. The majority of HBCF's investments are unit holdings. The value of the funds is based on HBCF's share of the value of the underlying assets of the funds, based on the market value. All the Funds are valued at redemption price.

The fair value quoted market price for similar instruments and the underlying value are provided by TCorp as trustee for each of the funds.

The movement in the fair value of the funds incorporates distributions received and reinvested, as well as realised and unrealised movements in fair value and is reported as investment revenue in the statement of comprehensive income.

Purchases or sales of investments are recognised on the trade date i.e. the date the entity commits itself to purchase or sell the asset.

Refer to note 4 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial assets at fair value.

All investments are held to back insurance liabilities. As part of its investment strategy HBCF actively manages its investment portfolio to ensure that investment liquidity is in accordance with the expected pattern of future cash flows arising from claims liabilities.

Notes to the financial statements

for the year ended 30 June 2025

3.1. Investment income

Overview

Interest revenue and expenses are recognised on an accrual basis. Investment revenue includes interest income.

Realised and unrealised gains or losses are recognised on a change in fair value basis.

Differences between the fair values of investments at the end of the reporting period and their fair values at the end of the previous reporting period (adjusted for any sales or purchases during the reporting period) are recognised as revenue in the statement of comprehensive income.

	2025 \$'000	2024 \$'000
Interest	2,344	2,270
Net realised gain / (loss) on sale of investments	73,952	7,060
Net unrealised gain / (loss) on investments	(3,160)	41,372
Investment income	73,136	50,702

3.2. Investment assets

	2025 \$'000	2024 \$'000
TCorpIM Medium-Term Growth Fund	970,541	834,750
	970,541	834,750

Fair value estimation

Overview

The carrying amounts of HBCF's financial assets and liabilities at the end of the reporting period approximate their fair values as all financial assets and liabilities held were either at fair value at the end of the reporting period (marked to market) or were short term in nature.

HBCF uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – derived from quoted prices in active markets for identical assets / liabilities that the entity can access at measurement date.
- Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly; and
- Level 3 – derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs).

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for the year ended 30 June 2025

3.3. Fair value estimation (continued)

There were no transfers between the levels during the period ended 30 June 2025 (2024: Nil). The value of the funds is based on HBCF's share of the value of the underlying assets of the fund, based on the market value. All the facilities are valued using redemption pricing.

	2025				2024			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
Other financial assets								
TCorpIM Medium-Term Growth Fund	-	970,541	-	970,541	-	834,750	-	834,750
	-	970,541	-	970,541	-	834,750	-	834,750

4. Risk management

Overview

HBCF applies a consistent and integrated approach to enterprise risk management. HBCF operates within icare's Risk Management Framework which sets out the approach to managing key risks and meeting strategic objectives. The Risk Management Framework is approved annually by the Board.

The icare Board is ultimately accountable for identifying and managing risk, including financial risk. This is done through the establishment of holistic strategies and policies where risk management has been considered.

Key aspects of icare's Risk Management Framework include, risk appetite, governance, risk management processes, risk reporting and insights, modelling and stress testing, management, monitoring and culture.

Risk management is a continuous process and an integral part of robust business management. HBCF's approach is to integrate risk management into the broader management processes of the organisation. It is HBCF's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

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4. Risk management (continued)

The key risk categories used by HBCF to classify financial risk:

- insurance risk (note 4.1) ; and
- market risk (note 4.2) ; and
- interest rate risk (note 4.3) ; and
- liquidity risk (note 4.4) ; and
- credit risk (note 4.5) ; and
- Other price risk (note 4.6).

HBCF's principal financial instruments are outlined below. These financial instruments arise directly from HBCF's operations or are required to finance those operations. HBCF does not enter financial instruments for speculative purposes.

HBCF's main risks arising from financial instruments are outlined below, together with HBCF's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included through these financial statements.

Financial instrument categories

	Note	Category	2025 carrying amount \$'000	2024 carrying amount \$'000
Financial assets				
Cash and cash equivalents	5.1	Amortised cost	54,181	62,461
Investments	3.2	At fair value through profit or loss (designated as such upon initial recognition)	970,541	834,750
Receivables*	2.3.10	Amortised cost	90,019	72,257
Financial liabilities				
Payables**	2.3.11	Amortised cost	3,731	3,980

* Excludes statutory receivables (i.e. not within the scope of AASB 7)

** Excludes statutory payables (i.e. not within the scope of AASB 7)

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4.1. Insurance risk

Overview

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claim settlements, relative to expectations. Key drivers of insurance risk include quality of underwriting, the NSW macro-economic environment and its impact on demand and pricing of residential property, and natural or man-made catastrophic events.

4.2. Market risk

Overview

Market risk is the variability in the value of an investment or the assessed fair value of a financial instrument because of changes in market prices. Market risk is a systemic risk that reflects factors affecting all similar investments or financial instruments traded in the market HBCF's exposures to market risk are primarily through price risks associated with the movement in the unit price of the Funds.

The effects on HBCF's operating result due to reasonably possible changes in risk variables for interest rate risk and other price risk are outlined in the information below. A reasonably possible change in each risk variable has been determined after considering the economic environment for interest rate risk and other price risk in which HBCF operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis was performed on the same basis as 2024. The analysis assumes that all other variables remain constant.

4.3. Interest rate risk

Overview

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the net result and equity of HBCF. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	Carrying amount \$'000	-1% net result \$'000	-1% equity \$'000	+1% net result \$'000	+1% equity \$'000
2025					
Cash and cash equivalents	54,181	(542)	(542)	542	542
2024					
Cash and cash equivalents	62,461	(625)	(625)	625	625

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for the year ended 30 June 2025

4.4. Liquidity risk

Overview

Liquidity risk is the risk of insufficient liquid assets to meet liabilities as they fall due. HBCF's liquidity risk arises due to the nature of insurance activities where the timing and amount of cash outflows are uncertain.

The payables are recognised for amounts due to be paid in the future for goods or services received, whether invoiced or not. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury Circular NSW TC11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

During the current and prior years, there were no defaults on payables. No assets have been pledged as collateral. HBCF's exposure to liquidity risk is deemed insignificant based on historical data and current assessment of risk.

The maturity profile of HBCF's financial liabilities is summarised in the table below.

Weighted average effective interest rate		Nominal amount \$'000	Interest rate exposure \$'000					
	%		Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 year	1-5 years	>5 years
2025								
Payables	-	3,731	-	-	3,731	3,731	-	-
2024								
Payables	-	3,980	-	-	3,980	3,980	-	-

Notes to the financial statements

for the year ended 30 June 2025

4.5. Credit risk

Overview

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises from the financial assets of HBCF, which comprise cash and cash equivalents and receivables. HBCF's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at reporting date.

Cash and cash equivalents

Cash comprises cash investment in banks. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables

Receivables primarily comprise premium receivables and grants from the Crown.

Trade debtors

All trade debtors are recognised as amounts receivable at the reporting date. The collection of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that HBCF will not be able to collect all amounts due. No interest is earned on trade debtors. The average credit period on sales is 30 days, unless otherwise agreed.

HBCF does not receive any collateral for receivables.

The financial assets that are past due or considered impaired are included in the table below.

	Total \$'000	Past due but not impaired \$'000			Considered impaired \$'000
		< 3 months overdue	3-6 months overdue	> 6 months overdue	
2025					
Receivables	792	699	101	(8)	-
2024					
Receivables	722	497	226	(1)	-

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for the year ended 30 June 2025

4.5 Credit risk (continued)

Concentration of credit risk

By Credit Rating	AAA \$'000	AA+ \$'000	AA \$'000	AA- \$'000	A+ \$'000	A \$'000	A- \$'000	Other ratings \$'000	Total \$'000
2025									
Receivables	-	-	-	-	-	-	-	90,019	90,019
2024									
Receivables	-	-	-	-	-	-	-	72,257	72,257

By classification of counterparty	Governments \$'000	Commercial insurer \$'000	Other \$'000	Total \$'000
2025				
Receivables	60,732	-	29,287	90,019
2024				
Receivables	45,468	-	26,789	72,257

During the year there were no defaults on receivables. HBCF's exposure to credit risk is deemed insignificant due to there being no requirement, to date, to write off bad debts.

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for the year ended 30 June 2025

4.6. Other price risk

Overview

Exposure to other price risk primarily arises through the investment in the TCorpIM funds which are held for strategic rather than trading purposes. HBCF has no direct equity investments. HBCF holds units in the following funds.

Fund	Investment sectors	Investment horizon	2025 \$'000	2024 \$'000
TCorpIM Medium-Term Growth Fund	Australian Equities, Developed Market Equities, Liquid Credit, Illiquid Credit, Australian Nominal Bonds, Australian Inflation-Linked Bonds, Core Alternatives, Defensive Alternatives, Opportunistic, Cash, Foreign Currency, Emerging Market Equities and other derivatives strategies	5+ years	970,541	834,750
			970,541	834,750

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for the year ended 30 June 2025

4.6 Other price risk (continued)

The unit price of each fund is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

TCorp as trustee for each of the above funds is required to act in the best interest of the unit holders and to administer the funds in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each fund in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM funds. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investments in the funds limit HBCF's exposure to risk as this allows diversification across a pool of funds with different investment horizons.

The funds are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). TCorp provides sensitivity analysis information for each of the funds. A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price at 30 June each year for each fund.

Investment fund	Change in unit price		Impact on surplus/(deficit)	
	2025 %	2024 %	2025 \$'000	2024 \$'000
TCorpIM Medium-Term Growth Fund	+/- 10.0	+/- 10.0	97,054	83,475

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for the year ended 30 June 2025

5. Other

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards.

5.1. Cash and cash equivalents

	2025 \$'000	2024 \$'000
Cash at bank	54,181	62,461
	54,181	62,461

Refer to note 4 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

	2025 \$'000	2024 \$'000
Reconciliation of net cash flows from operating activities to net result for the year		
Net cash flows from operating activities	(230)	41,243
Adjustments for:		
Depreciation and amortisation	(1,546)	(377)
Increase in investments	135,791	108,432
(Decrease) / increase in receivables	17,680	(12,678)
(Increase) in unearned premiums	(57,247)	(59,071)
(Increase) in payables	(1,631)	(1,357)
(Increase) in outstanding claims	(87,074)	(18,807)
Decrease in unexpired risk liability	34,180	58,768
Net result for the year	39,923	116,153

Notes to the financial statements

for the year ended 30 June 2025

5.2. Intangibles

The capitalisation threshold for intangible assets is one hundred thousand dollars and above (including direct allocation of personnel service costs).

As there is no active market for HBCF's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation is provided on a straight-line basis for all intangible assets to write off the depreciable amount of each asset as it is consumed over its useful life.

	Capital Work in Progress \$'000	Computer Software \$'000	Total \$'000
At 1 July 2024			
Gross carrying amount	1,814	4,524	6,338
Accumulated amortisation and impairment	-	(377)	(377)
Net carrying amount	1,814	4,147	5,961
At 30 June 2025			
Gross carrying amount	4,366	10,022	14,388
Accumulated amortisation and impairment	-	(1,923)	(1,923)
Net carrying amount	4,366	8,099	12,465

Notes to the financial statements

for the year ended 30 June 2025

5.2 Intangibles (continued)

A reconciliation of the carrying amount of each class of Intangibles at the beginning and end of the current reporting period is set out below:

	Capital work in progress \$'000	Computer software \$'000	Total \$'000
Net carrying amount at start of the year	1,814	4,147	5,961
Additions	8,050	-	8,050
Transfers from work in progress	(5,498)	5,498	-
Amortisation (recognised in depreciation and amortisation)	-	(1,546)	(1,546)
Net carrying amount at end of the year	4,366	8,099	12,465

	Capital work in progress \$'000	Computer software \$'000	Total \$'000
At 1 July 2023			
Gross carrying amount	-	3,968	3,968
Accumulated amortisation and impairment	-	(3,968)	(3,968)
Net carrying amount	-	-	-
At 30 June 2024			
Gross carrying amount	1,814	4,524	6,338
Accumulated amortisation and impairment	-	(377)	(377)
Net carrying amount	1,814	4,147	5,961

Notes to the financial statements

for the year ended 30 June 2025

5.2 Intangibles (continued)

A reconciliation of the carrying amount of each class of intangibles at the beginning and end of the prior reporting period is set out below:

	Capital work in progress \$'000	Computer software \$'000	Total \$'000
Net carrying amount at start of the year	-	-	-
Additions	6,338	-	6,338
Transfers from WIP	(4,524)	4,524	-
Disposals		(3,968)	(3,968)
Depreciation writeback on disposal		3,968	3,968
Amortisation (recognised in depreciation and amortisation)	-	(377)	(377)
Net carrying amount at end of the year	1,814	4,147	5,961

5.3. Funding accumulated deficit

Overview

The accounts are prepared on a going concern basis specific to HBCF on the following grounds.

During the 2016/17 year the NSW Government approved a set of administrative reforms in respect of home warranty insurance in NSW under which HBCF can apply to the State Insurance Regulatory Authority to approve future risk-based premium rates intended to achieve full cost recovery.

HBCF adjusted the premiums it charges on residential construction types excluding multi-unit dwellings effective 2 October 2018 with the intention of covering the losses and expenses associated with these policies. This effectively created two portfolios for HBCF:

- A portfolio of premiums issued prior to 1 July 2018 that were substantially underfunded. This has led to the current accumulated deficit. This is referred to as the pre-reform portfolio. In 2019-20 the NSW Government approved a long-term funding arrangement for the pre-reform HBCF portfolio. Under this arrangement NSW Treasury will fund in arrears the actual cash losses incurred by the pre-reform portfolio until no further funding of these losses is required. The accumulated deficit in HBCF is largely due to the pre-reform portfolio. The amount to be received for these losses for the 2024-25 financial year is \$59.3 million (2024: \$43.8 million). Income from grants without sufficiently specific performance obligations are recognised when the entity obtains control over the granted assets. These amounts are accrued when agreed in principle with NSW Treasury that the payment will be made.

Notes to the financial statements

for the year ended 30 June 2025

5.3. Funding accumulated deficit (continued)

- Premiums issued after 1 July 2018 under the new pricing arrangements are expected to be self-sustaining. From October 2022 the HBCF pricing have reached “sustainable rates” for all cover types for policies written from that point forward. As the policies are earned and claims paid out the sustainability margin will deliver a surplus on average. This is expected to take HBCF’s post-2018 portfolios to full funding by 2029.

5.4. Related party transactions

Key management personnel compensation

HBCF’s key management personnel are the Board of Directors of icare, the Chief Executive of icare and their direct reports. Compensation for key management personnel is disclosed in the financial statements of icare. Costs for key management personnel services are included as part of the service fee paid to icare.

Key management personnel loan disclosures

HBCF has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions

There were no other transactions involving key management personnel and their interests during the reporting year.

Other NSW Government entities

HBCF entered transactions with other entities that are controlled, jointly controlled or significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the entity’s underwriting and other expenses and grants from the Crown.

5.5. Post balance day events

HBCF has not identified any subsequent events that would require the financial statements or other disclosures to be adjusted.

- End of audited financial statements -

icare

Workers Insurance

Insurance for NSW

HBCF

Lifetime Care

Dust Diseases Care

Sporting Injuries

Lifetime Care

Lifetime Care financial statements

for the year ended 30 June 2025

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Statement by the Board of Directors

for the year ended 30 June 2025

Lifetime Care and Support Authority of NSW

Statement under Section 7.6 *Government Sector Finance Act 2018*

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* (the Act), in the opinion of the Board of Directors we state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards (which include Australian Accounting Interpretations) and the applicable requirements of the Act, the *Government Sector Finance Regulation 2024* and the Treasurer's directions, and
- present fairly the Lifetime Care and Support Authority of NSW's financial position, financial performance and cash flows.

Signed on behalf of the Board of Directors of Insurance and Care NSW.

John Robertson
Chairman
Insurance and Care NSW
25 September 2025

Geniere Aplin
Chief Executive
Lifetime Care and Support Authority of
NSW and Insurance and Care NSW
25 September 2025



INDEPENDENT AUDITOR'S REPORT

Lifetime Care and Support Authority of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Lifetime Care and Support Authority of New South Wales (the Authority), which comprise the statement by the board of directors, the statement of comprehensive income for the year ended 30 June 2025, the statement of financial position as at 30 June 2025, the statement of changes in equity and the statement of cash flows, for the year then ended, and notes to the financial statements, including material accounting policy information, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2024* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Authority's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Authority in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board's Responsibilities for the Financial Statements

The Board of Directors of Insurance and Care NSW, acting for the Authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Board of Directors' responsibility also includes such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 September 2025
SYDNEY

Statement of comprehensive income

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Revenue			
Fees and levies	2.1	819,883	790,090
Investment revenue	3.1	1,251,747	721,534
Other revenue	5.1	1,399	5,978
Total revenue		2,073,029	1,517,602
Expenses			
Scheme costs	2.2	1,181,891	843,679
Service fee	5.2	66,433	63,733
Other operating expenses		3,163	3,386
Total expenses		1,251,487	910,798
Profit (loss) on disposal of assets		143	-
Net result		821,685	606,804
Other comprehensive income			
Items that will not be reclassified to the net result			
Net increase / (decrease) in property, plant and equipment revaluation reserve		760	1,036
Total other comprehensive income		760	1,036
TOTAL COMPREHENSIVE INCOME		822,445	607,840

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2025

	Notes	2025 \$'000	2024 \$'000
ASSETS			
Cash and cash equivalents	5.3	38,029	98,935
Investments	3.2	12,216,432	10,491,933
Receivables	2.3.5	104,051	157,948
Property, plant and equipment	5.4	15,301	14,969
Intangibles	1.2.5	1,692	4,426
Total assets		12,375,505	10,768,211
LIABILITIES			
Payables	2.3.6	12,035	12,104
Investments	3.2	-	61,941
Outstanding claims	2.3.1	9,865,072	9,018,213
Total liabilities		9,877,107	9,092,258
Net assets		2,498,398	1,675,953
EQUITY			
Asset revaluation reserve		8,375	7,615
Accumulated funds		2,490,023	1,668,338
Total equity		2,498,398	1,675,953

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2025

	Accumulated funds \$'000	Asset revaluation reserve \$'000	Total \$'000
Balance at 1 July 2024	1,668,338	7,615	1,675,953
Net result for the year	821,685	-	821,865
Other comprehensive income			
Net increase in property, plant and equipment revaluation reserve	-	760	760
Total other comprehensive income	-	760	760
Total comprehensive income for the year	821,685	760	822,445
Balance at 30 June 2025	2,490,023	8,375	2,498,398
Balance at 1 July 2023	1,061,534	6,579	1,068,113
Net result for the year	606,804	-	606,804
Other comprehensive income			
Net increase in property, plant and equipment revaluation reserve	-	1,036	1,036
Total other comprehensive income	-	1,036	1,036
Total comprehensive income for the year	606,804	1,036	607,840
Balance at 30 June 2024	1,668,338	7,615	1,675,953

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees and levies received		817,108	795,142
Compensation payments		(332,410)	(303,644)
Net cash flows from scheme activities		484,698	491,498
Receipts			
Sale of investments		-	-
Interest received		1,292	1,498
Other		2,139	2,775
Total receipts excluding scheme activities		3,431	4,273
Payments			
Purchases of investments		(466,013)	(378,673)
Service Fee		(74,973)	(56,052)
Other		(8,192)	(4,038)
Total payments excluding scheme activities		(549,178)	(438,763)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5.3	(61,049)	57,008
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		143	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		143	-
NET (DECREASE) / INCREASE IN CASH		(60,906)	57,008
Opening cash and cash equivalents		98,935	41,927
CLOSING CASH AND CASH EQUIVALENTS		38,029	98,935

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2025

1. Overview

1.1. About the authority

The Lifetime Care and Support Authority of NSW (the Authority) is a NSW government entity. The Authority is a not-for-profit entity (as profit is not its principal objective). The reporting entity is consolidated as part of the NSW total state sector accounts.

The Authority's financial statements include the Lifetime Care and Support Authority Fund (LTCS) and the Motor Accident Injuries Treatment and Care Benefits Fund (MAITC). Details of these funds are provided in note 1.3.

icare was established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015*. Its functions include the monitoring of performance of the insurance or compensation schemes in respect of which it provides services. The Authority is one such scheme.

These financial statements for the year ended 30 June 2025 have been authorised for issue by the Chairman of the Board of icare and the Chief Executive of the Authority on behalf of the Board of Directors of icare on 25 September 2025.

1.2. Basis of preparation and material accounting policies

The Authority's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations); and

- the requirements of the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2024 and the NSW Treasurer's Directions issued under the *Government Sector Finance Act 2018*.

These financial statements have been presented on a liquidity basis following receipt of an exemption from TPG 25-02 by NSW Treasury that statements are presented on a current and non-current basis.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

1.2.1. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1.2.2. Going concern basis

These financial statements have been prepared on a going concern basis. Refer to note 5.9 for more information on the Authority's target operating zone for capital management.

1.2.3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, key assumptions and estimations management have made are disclosed in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Notes to the financial statements

for the year ended 30 June 2025

1.2.3. Use of estimates and judgements (continued)

In particular information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 3 and 4 – investing activities and risk management ; and
- note 2.3 – net outstanding claims liability.

1.2.4. Taxation

The Authority is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

1.2.5. Intangibles

The capitalisation threshold for intangible assets is one hundred thousand dollars and above (including direct allocation of personnel service costs).

The useful lives of intangible assets are assessed to be finite. The Authority charges amortisation on intangible assets using the straight-line method over their useful life.

The Authority reviews its amortisation rate and method on an annual basis.

As there is no active market for the Authority's intangible assets, the assets are carried at less cost than any accumulated amortisation and impairment losses.

1.2.6. Changes in accounting policy, including new or revised Australian Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for

the reporting year ended 30 June 2025. The following are new Australian Accounting Standards or amendments which have been issued but are not yet effective that will impact the financial performance or position of the Authority:

- AASB 17 Insurance Contracts and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector.

New accounting standards and interpretations

AASB 17 Insurance Contracts (AASB 17) was issued in June 2017 and represents a fundamental change to the accounting treatment for insurance contracts. AASB 17 incorporates IFRS 17, which seeks to harmonise the accounting treatment for insurance contracts globally. This standard establishes new accounting principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held.

Australian Accounting Standard AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector was issued in December 2022 and amends AASB17 to include modifications that apply to public sector entities.

AASB 17 is effective for public sector insurers from 1 July 2026. AASB 17 will replace current accounting standards in Australia, AASB 4 (Insurance Contracts), AASB 1023 (General Insurance Contracts) and AASB 1038 (Life Insurance Contracts).

The relevant key areas of consideration under AASB 17 Insurance Contracts are set out below.

Notes to the financial statements

for the year ended 30 June 2025

1.2.6 Changes in accounting policy, including new or revised Australian Accounting Standards (continued)

Risk adjustment:

- The measurement of insurance contract liabilities will include a risk adjustment. The risk adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. The Authority currently applies AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* which means their claims liabilities are presented as a central estimate (refer note 2.3) with no risk margin.
- The risk adjustment is expected to be calculated using a confidence interval approach, leveraging the historical methodology for risk margin calculation, modified to exclude financial risks. For the Authority's schemes that are currently accounted for under AASB 137, the addition of a risk adjustment will increase the outstanding claims liability. The extent of this increase will depend upon the risk adjustment adopted.

Discounting:

- AASB 137 requires the net central estimate of outstanding claims to be discounted using risk-free rates. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and the financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used.
- It is expected that the Authority will apply a bottom-up approach which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, which will result in higher discount rates relative to current requirements. It is expected that the addition of an illiquidity

premium to the current risk-free rate will result in a release of claims liabilities.

Transition arrangements

- The Authority will apply the full retrospective approach at transition on 1 July 2026. This means that any impacts of the transition to AASB 17 will be reflected as a change in equity at 1 July 2025.

The Authority has commenced an implementation project to ensure that it will be able to meet the requirements of AASB 17. This project has been largely completed and will allow the Authority to have one full year of parallel run before the commencement of AASB 17 on 1 July 2026. The Authority will continue to assess the impact of the new requirements and emerging industry guidance on financial statements.

1.3. Fund information

Overview

The fund note provides information by scheme to assist the understanding of the Authority's performance.

The Authority has responsibility for the direction, control and management of the following schemes:

- Lifetime Care and Support Authority Fund (LTCS); and
- Motor Accident Injuries Treatment and Care Benefits Fund (MAITC).

Lifetime Care and Support Authority Fund (LTCS)

The Lifetime Care and Support Authority is a statutory authority established by the "Motor Accidents (Lifetime Care and Support) Act 2006" (the Act).

Notes to the financial statements

for the year ended 30 June 2025

1.3. Fund information (continued)

The LTCS scheme was established to provide assistance and services to people catastrophically injured in a motor vehicle accident on NSW roads, regardless of who was at fault.

It therefore includes coverage of eligible injured motorists who were previously insured under the NSW compulsory third party (CTP) scheme, in respect of their entitlement for future treatment and care, which was previously paid as part of the lump sum paid to claimants who could establish the fault of a third party.

The LTCS scheme extends coverage to eligible injured motorists who are unable to establish the fault of a third party and consequently would not be eligible to long-term compensation under the CTP scheme, although they would be entitled to up to six months' worth of benefits.

The scheme became operational in respect of children aged less than 16 years at date of injury at 1 October 2006, and in respect of adults at 1 October 2007.

Motor Accident Injuries Treatment and Care Benefits Fund (MAITC)

The MAITC was established under the *Motor Accident Injuries Act 2017* effective from 1 December 2017 (MAITC Act). Under the MAITC Act there is established a Motor Accident Injuries Treatment and Care Benefits Fund, belonging to and vested in the Lifetime Care and Support Authority.

For injured people who are not mostly at fault and do not have soft tissue or minor psychological injuries, reasonable treatment

and care costs will be payable for life, if needed. CTP Insurers will be responsible for clients' treatment and care costs for up to 5 years and the Authority will be responsible for these costs after 5 years.

The Authority can make agreements with insurers to transfer treatment and care during the first 5 years after an incident to the Authority. Where an insurer enters into such agreements, they must pay the Authority the amounts determined to cover the treatment and care costs as they arise.

The costs after 5 years payable by the Authority will be met by MAITC.

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Disaggregated financial statements

Statement of comprehensive income – for the year ended 30 June 2025

	LTCS \$'000	MAITC \$'000	2025 \$'000
Revenue			
Fees and levies	652,841	167,042	819,883
Investment revenue	1,170,407	81,340	1,251,747
Other revenue	1,343	56	1,399
Total revenue	1,824,591	248,438	2,073,029
Expenses excluding losses			
Scheme costs	883,538	298,353	1,181,891
Service fee	50,545	15,888	66,433
Other operating expenses	428	2,735	3,163
Total expenses excluding losses	934,511	316,976	1,251,487
Profit / (loss) on disposal of assets	143	-	143
Net result	890,223	(68,538)	821,685
Other comprehensive income			
Items that will not be reclassified to the net result			
Net increase in property, plant and equipment revaluation reserve	760	-	760
Total other comprehensive income	760	-	760
TOTAL COMPREHENSIVE INCOME	890,983	(68,538)	822,445

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Statement of comprehensive income – for the year ended 30 June 2024

	LTCS \$'000	MAITC \$'000	2024 \$'000
Revenue			
Fees and levies	640,984	149,106	790,090
Investment revenue	687,579	33,955	721,534
Other revenue	1,151	4,827	5,978
Total revenue	1,329,714	187,888	1,517,602
Expenses excluding losses			
Scheme costs	718,595	125,084	843,679
Service fee	50,597	13,136	63,733
Other operating expenses	446	2,940	3,386
Total expenses excluding losses	769,638	141,160	910,798
Net result	560,076	46,728	606,804
Other comprehensive income			
Items that will not be reclassified to the net result			
Net increase in property, plant and equipment revaluation reserve	1,036	-	1,036
Total other comprehensive income	1,036	-	1,036
TOTAL COMPREHENSIVE INCOME	561,112	46,728	607,840

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Statement of financial position at 30 June 2025

	LTCS \$'000	MAITC \$'000	2025 \$'000
ASSETS			
Cash and cash equivalents	33,096	4,933	38,029
Investments	11,398,141	818,291	12,216,432
Receivables	85,105	18,946	104,051
Property, plant and equipment	15,301	-	15,301
Intangible assets	-	1,692	1,692
Total assets	11,531,643	843,862	12,375,505
LIABILITIES			
Payables	10,296	1,739	12,035
Outstanding claims	8,914,520	950,552	9,865,072
Total liabilities	8,924,816	952,291	9,877,107
Net assets	2,606,827	(108,429)	2,498,398
EQUITY			
Reserves	8,375	-	8,375
Accumulated funds	2,598,452	(108,429)	2,490,023
Total equity	2,606,827	(108,429)	2,498,398

Notes to the financial statements

for the year ended 30 June 2025

1.3 Fund information (continued)

Statement of financial position at June 2024

	LTCS \$'000	MAITC \$'000	2024 \$'000
ASSETS			
Cash and cash equivalents	94,758	4,177	98,935
Investments	9,892,228	599,705	10,491,933
Receivables	137,093	20,855	157,948
Property, plant and equipment	14,969	-	14,969
Intangible assets	-	4,426	4,426
Total assets	10,139,048	629,163	10,768,211
LIABILITIES			
Payables	10,801	1,303	12,104
Investments	61,941	-	61,941
Outstanding claims	8,350,462	667,751	9,018,213
Total liabilities	8,423,204	669,054	9,092,258
Net assets	1,715,844	(39,891)	1,675,953
EQUITY			
Reserves	7,615	-	7,615
Accumulated funds	1,708,229	(39,891)	1,668,338
Total equity	1,715,844	(39,891)	1,675,953

Notes to the financial statements

for the year ended 30 June 2025

2. Scheme activities

Overview

This section provides analysis and commentary on the Authority’s scheme activities. Scheme activities involve all activities undertaken in relation to the provision of care and support of the Authority’s participants.

2.1. Fees and levies

Overview

The Authority’s funds are generated from levies on Compulsory Third Party (CTP) insurance premiums collected by licensed insurers. The levy rates are set according to vehicle class and region and collected by the State Insurance Regulatory Authority (SIRA). CTP levy revenue is recognised when it falls due and receivable by the Authority.

	2025 \$'000	2024 \$'000
Fees and levies		
CTP premium levy	819,883	790,090
	819,883	790,090

2.2. Scheme costs

Overview

The largest expense for the Authority is scheme costs, which is the sum of:

- the movement in the net outstanding claims liability (note 2.3) which is the difference between the net outstanding claims liability at the beginning and the end of the financial year ; plus
- the cost of participant care and support expenses made during the financial year.

Notes to the financial statements

for the year ended 30 June 2025

2.2 Scheme costs (continued)

	2025 \$'000	2024 \$'000
Participants' care and support expenses		
- Attendant care	197,928	179,818
- Equipment	24,116	23,185
- Home modifications	11,168	8,774
- Hospital	12,448	15,262
- Medical	14,908	12,320
- Rehabilitation	46,891	40,990
- Other	18,828	16,923
Total participants' care and support expenses	326,287	297,272
Movement in provision for future participant care and support services	460,045	177,792
Finance costs – unwinding of discount rate (refer note 2.3.1)	386,815	362,665
Scheme recoveries	2,504	-
Bulk billing fees – Ambulance Service of NSW	71	69
Bulk billing fees – NSW Ministry of Health	6,169	5,881
Total scheme costs	1,181,891	843,679

Scheme recoveries are actuarially assessed and have been reported as part of scheme costs in 2024-25 as they were negative. They were disclosed in other revenue in 2023-24.

Notes to the financial statements

for the year ended 30 June 2025

2.3. Net outstanding claims liability

Overview

The net outstanding claims liability comprises the elements described below.

- The net central estimate (note 2.3.1). This is the provision for expected future claims payments and recoveries. It includes claims reported but not yet paid, claims incurred but which have not yet been reported (IBNR), claims incurred but not enough reported (known as IBNER) and estimated claims handling costs.
- Less an amount to reflect the discount to present value using risk-free rates of return. The net central estimate is discounted to present value recognising that the claim and/or recovery may not be settled for some time. The discount rate represents a risk-free rate derived from market yields on Commonwealth government bonds.

As LTCS and MAITC do not issue insurance contracts, the Authority's claims liabilities are accounted for in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Notes to the financial statements

for the year ended 30 June 2025

2.3.1. Net outstanding claims liability

Overview

The overall outstanding claims liability for the Authority is calculated by the Authority's actuary using a range of recognised, actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny.

The provision for claims handling expenses is calculated as a percentage of the gross outstanding claims central estimate to recognise the ultimate expense of managing outstanding claims until they are finalised and closed. The percentage for claims handling expenses in 2025 is 10.0% (2024: 10.4%).

	2025 \$'000	2024 \$'000
Claims liabilities		
Expected future gross claims payments	29,875,912	25,822,718
Gross claims handling	3,289,404	2,970,575
Gross outstanding claims liabilities	33,165,316	28,793,293
Discount on central estimate	(21,010,910)	(17,736,214)
Discount on claims handling expenses	(2,289,334)	(2,038,866)
Total discount on claims liabilities	(23,300,244)	(19,775,080)
Net outstanding claims liability	9,865,072	9,018,213
Gross claims recoveries	3,712	7,323
Discount on claims recoveries	(246)	(613)
Claims recoveries	3,466	6,710
Net outstanding claims liabilities at 30 June	9,861,606	9,011,503

Notes to the financial statements

for the year ended 30 June 2025

2.3.1 Net outstanding claims liability (continued)

The table below analyses the movement in the net outstanding claims liability.

	2025 \$'000	2024 \$'000
Opening balance	9,011,503	8,474,249
Discount unwind	386,815	362,665
Expected claim payments (prior years only)	(341,798)	(275,486)
Claims handling expense on expected claim payments (prior years only)	(2,712)	(29,928)
Adjustment arising from change in (prior years only):		
- Actuarial assumptions	113,166	(119,517)
- Inflation rates	26,392	210,062
- Discount rates	(182,930)	(414,345)
Net outstanding claims in current year	851,170	803,803
Net outstanding claims	9,861,606	9,011,503
Breakdown of actuarial assumptions		
Change in experience	(129,090)	25,850
Attendant care actual v expected inflation	26,731	(105,307)
Change in actuarial assumptions	264,997	(40,060)
Change in claims handling expenses	(49,472)	-
	113,166	(119,517)

The finance costs above represent the increase in the liability for outstanding claims from the end of the previous financial year to the end of the current financial year which is due to discounted claims not settled being one period closer to settlement.

Notes to the financial statements

for the year ended 30 June 2025

2.3.2. Economic assumptions

Overview

The core variables in the economic assumptions that drive the Authority's liabilities are the inflation rate for benefits and the discount rate of these liabilities.

	MAITC 2025	MAITC 2024	LTCS 2025	LTCS 2 024
Discount rate 12 months or less	3.11%-3.68%	4.29%-4.43%	3.11%-3.68%	4.29%-4.43%
Discount rate greater than 12 months	3.07%-5.49%	3.91%-5.29%	3.07%-5.49%	3.91%-5.29%
Inflation rate 12 months or less	3.24%-3.39%	3.25%-3.81%	3.24%-3.39%	3.25%-3.81%
Inflation rate greater than 12 months	3.00%-3.59%	2.99%-3.65%	3.00%-3.59%	2.99%-3.65%
Weighted mean term (years)				
Uninflated, undiscounted	19.4	23.6	23.5	23.4
Inflated, discounted	16.4	20.6	18.6	19.5

2.3.3. Claims liability maturity

Overview

The maturity profile is the Authority's expectation of the period over which the net outstanding claims will be settled. The Authority uses this information to ensure that it has adequate liquidity to pay claims as they are due to be settled and to inform the Authority's investment strategy. The expected maturity profile of the Authority's net discounted central estimate is analysed below.

	2025 \$'000	2024 \$'000
Discounted net outstanding claims maturing		
Within 1 year	388,243	337,065
2 to 5 years	1,506,654	1,279,958
More than 5 years	7,966,709	7,394,480
Total	9,861,606	9,011,503

Notes to the financial statements

for the year ended 30 June 2025

2.3.4. Impact of changes in key variables on the net outstanding claims liability

Overview

The impact of changes in key variables is summarised in the tables below. Sensitivity analysis is conducted by the Authority's actuary on each variable to measure the change in outstanding claims liability estimate that would result from a change in the assumptions whilst holding all other variables constant.

Uncertainty exists due to the long-term nature of liabilities and volatility around the number of scheme participants and their injury severity.

A sensitivity analysis of the key assumption changes and their impact on the net central estimate is shown in the following tables.

	30 June 2025 liability \$M	Effect on 30 June 2025 liability \$M	Percentage effect %
Central estimate of LTCS scheme	8,914.5		
All valuation assumptions used			
Different long term gap assumptions:			
(a) 1% per annum lower inflation for all future years	7,550.2	-1,364.3	-15%
(b) 1% per annum higher inflation for all future years	10,731.3	1,816.8	20%
(c) 1% increase in the discount rate	7,550.0	-1,364.6	-15%
(d) 1% decrease in the discount rate	10,761.1	1,846.5	21%
Discount rate held at flat 6% and inflation rate held at flat 4%	8,027.5	-887.1	-10%
Additional scenarios:			
Change in severity and age-specific mortality loading			
(e) 15% decrease in mortality loadings for all severities	9,371.2	456.7	5%
(f) 15% increase in mortality loadings for all severities	8,485.9	-428.6	-5%

Notes to the financial statements

for the year ended 30 June 2025

2.3.4. Impact of changes in key variables on the net outstanding claims liability (continued)

	30 June 2025 liability \$M	Effect on 30 June 2025 liability \$M	Percentage effect %
Central estimate of MAITC scheme	947.1		
Economic assumptions			
(a) 1% per annum lower inflation for all future years	812.7	-134.4	-14%
(b) 1% per annum higher inflation for all future years	1,117.2	170.1	18%
(c) 1% increase in the discount rate	815.4	-131.7	-14%
(d) 1% decrease in the discount rate	1,116.3	169.2	18%
Inflation first 5 years is WPI+SI. Thereafter flat 3.0% + SI. Discount rate flat 4.5%	958.1	11.0	1%

Notes to the financial statements

for the year ended 30 June 2025

2.3.5. Receivables

Overview

The Authority has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

Receivables from trade debtors and participants are non-interest bearing and the former are generally on a 30-day term while the latter are more than 12 months, depending on each individual circumstance.

Details regarding credit risk, liquidity risk and market risk of the above receivables are disclosed in note 4.

	2025 \$'000	2024 \$'000
Recoveries receivable	3,466	6,710
Fees and levies	78,849	77,622
Service fee receivable	9,864	179
GST receivable	60	590
Receivables from participants	450	450
Other	11,362	9,333
Investment receivables	-	63,064
	104,051	157,948

2.3.6. Payables

	2025 \$'000	2024 \$'000
Service fee	7,942	6,796
Accrued expenses	4,093	5,308
	12,035	12,104

Details regarding credit risk, liquidity risk, and market risk, including a maturity analysis of the above payables are disclosed in note 4.

Notes to the financial statements

for the year ended 30 June 2025

3. Investing activities

Overview

The Authority's investments have transitioned into the Whole of State Fund (WSF or OneFund) effective from 31 March 2025 as part of phase 2 of the implementation of OneFund. OneFund is a single investment portfolio that merges several different funds into OneFund. OneFund is managed by TCorp.

Investments and other financial assets are held at fair value through profit and loss.

The Authority's investments are, in the majority, held in OneFund where TCorp is the Trustee. Given this, the tables below reflect the majority of exposures at a Trust level and does not provide a look through to the underlying holdings.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Authority is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price, without any deduction for transaction costs.

Purchases and sales of investments are recognised on trade date – the date on which the Authority commits to purchase or sell the asset.

Refer to note 4 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

3.1. Net investment revenue

	2025 \$'000	2024 \$'000
Interest revenue from bank interest and TCorp liquidity fund	3,969	3,986
Interest income IB securities	16,861	23,354
Realised (losses) / gains on investments	1,400,682	(206,177)
Unrealised (loss) / gains on investments	(1,064,823)	441,765
Distributions	902,069	464,938
Total investment revenue	1,258,758	727,866
Investment management expense	(7,011)	(6,332)
Net investment revenue	1,251,747	721,534

Notes to the financial statements

for the year ended 30 June 2025

3.2. Investments

	2025 \$'000	2024 \$'000
Investment assets		
TCorp managed trusts	12,216,432	8,917,131
Fixed interest discrete portfolio	-	894,059
TCorp managed funds	-	599,705
Derivatives	-	81,038
Total investment assets	12,216,432	10,491,933
Investment receivables		
Investments receivable (refer note 2.3.5)	-	63,064
Total investment assets including receivables	12,216,432	10,554,997
Investment liabilities		
Investment liabilities	-	61,941
Net investments	12,216,432	10,493,056

Derivatives

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently marked to their fair value at each reporting date.

Notes to the financial statements

for the year ended 30 June 2025

3.3. Fair value estimation

Overview

The carrying amounts of the Authority's financial assets and liabilities at the end of the reporting period approximated their fair values as all financial assets and liabilities held were either at fair value at the end of the reporting period (marked to market) or were short term in nature.

The financial assets and liabilities are classified in accordance with the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – inputs for the assets or liabilities that are not based on observable market data.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Authority is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price without any deduction for transaction costs. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. A variety of methods are used, which include assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for debt securities for disclosure purposes. Evaluations of such securities are based on market data. Vendors use evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and when available loan performance data.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flow. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt instruments and derivative financial instruments.

Notes to the financial statements

for the year ended 30 June 2025

3.3 Fair value estimation (continued)

	2025				2024			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	TOTAL \$'000
Financial assets								
Indexed and interest-bearing securities	-	-	-	-	-	894,059	-	894,059
Unit trusts	-	12,216,432	-	12,216,432	-	8,062,975	1,453,861	9,516,836
Derivatives	-	-	-	-	3,322	77,716	-	81,038
	-	12,216,432	-	12,216,432	3,322	9,034,750	1,453,861	10,491,933
Financial liabilities								
Derivatives	-	-	-	-	1,126	60,815	-	61,941
	-	-	-	-	1,126	60,815	-	61,941

Transfer between levels

The Authority recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the transfer occurred.

The following tables present the movement in level 3 instruments for the year ended 30 June and information about significant unobservable inputs used at year end in measuring financial instruments categorised as level 3 in the fair value hierarchy.

	2025 \$'000	2024 \$'000
Opening balance	1,453,861	1,489,596
Transfers		-
Purchases of securities		78,688
Transfer to level 2	(1,453,861)	(13,470)
Gain in profit and loss		(100,953)
Closing balance	-	1,453,861
Total gains (losses) for the period included in profit or loss that relate to assets held at the end of the reporting period (shown in investment income)	-	(100,953)

Notes to the financial statements

for the year ended 30 June 2025

3.3 Fair value estimation (continued)

The table below sets out information about significant unobservable inputs used at 30 June 2024 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Type	Description	Valuation technique	Significant unobservable inputs	Range of estimates (weighted avg) for unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Unit trusts	Units in unlisted wholesale property trusts	Adjusted net asset value	Published redemption prices	2024: \$0.29 - \$1.63	An increase in published redemption prices would result in a higher fair value
Unit trusts	Units in unlisted infrastructure trusts	Adjusted net asset value	Published redemption prices	2024: \$1.63	An increase in published redemption prices would result in a higher fair value
Unit trusts	Units in unlisted trust investing in the opportunistic asset class	Adjusted net asset value	Published redemption prices	2024: \$0.76	An increase in published redemption prices would result in a higher fair value

3.3.1. Involvement with unconsolidated structured entities

The Authority holds a 100% unitholding in an unlisted investment fund, the Lifetime Care and Support Authority Trust (the LTCSAT). The fund qualifies as a structured entity as it has restricted activities and is designed such that voting rights are not the dominant factor in determining control. According to a directive from the NSW Treasurer, LTCSAT must invest all its funds in OneFund. OneFund includes unlisted investment funds managed by the NSW Treasury Corporation, specifically the TCorpIM NSW Masterfund and the TCorpIM Unlisted Property Fund. The investment strategy and risk appetite for the OneFund are set by the NSW Treasurer.

Notes to the financial statements

for the year ended 30 June 2025

3.3.1. Involvement with unconsolidated structured entities (continued)

Although the Authority holds all units in the LTCSAT, it does not have the ability to direct the fund's relevant activities and therefore does not control LTCSAT in accordance with AASB 10 *Consolidated Financial Statements*. As such, LTCSAT is not consolidated in the Authority's financial statements.

The table below describes the types of structured entities that the fund does not consolidate but in which it holds an interest, set out by investment strategy.

	Market value at 30 June 2025 \$'000	Market value at 30 June 2024 \$'000
OneFund	12,216,432	-
Property - unlisted	-	587,025
Fixed income	-	295,782
Equity - unlisted	-	4,312,723
Cash	-	548,856
Infrastructure	-	806,279
Debt	-	893,877
Emerging market	-	406,478
Alternatives	-	678,445
Strategic	-	186,592
Unit trust (medium and long-term growth)	-	599,705
Opportunistic	-	201,074
Total	12,216,432	9,516,836

These unconsolidated structured entities are included under TCorp Managed Trusts, OneFund and TCorpIM Funds in note 3.2. The maximum exposure or loss is limited to the market value of the investment strategy at 30 June 2025. The market value of the exposure will change daily throughout the period and in the subsequent periods will cease once the investments are disposed.

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for the year ended 30 June 2025

4. Risk management

Overview

The Authority applies a consistent and integrated approach to enterprise risk management. The Authority operates within icare's Risk Management Framework which sets out the approach to managing key risks and meeting strategic objectives. The documented Risk Management Framework is approved annually by the Board.

The icare Board is ultimately accountable for identifying and managing risks including financial risk. This is done through the establishment of holistic strategies and policies where risk management has been considered.

Key aspects of icare's Risk Management Framework include, risk appetite, governance, risk management processes, risk reporting and insights, modelling and stress testing, management, monitoring and culture.

Risk management is a continuous process and an integral part of robust business management. The Authority's approach is to integrate risk management into the broader management processes of the organisation. It is the Authority's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

The key risk categories used by the Authority to classify financial risk:

- claims risk (note 2.3) ;
- market risk (note 4.1) ;
- interest rate risk (note 4.2) ;
- liquidity risk (note 4.3) ;
- foreign exchange risk (note 4.4) ;
- credit risk (note 4.5) ;
- other price risk (note 4.6).

The Authority's principal financial instruments are outlined below. These financial instruments arise directly from the Authority's operations or are required to finance the Authority's operations. The Authority does not enter or trade financial instruments, including derivative instruments, for speculative purposes.

The Authority's main risks arising from financial instruments are outlined below, together with its objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

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for the year ended 30 June 2025

4. Risk management (continued)

Financial instrument categories

		Category	Carrying amount 2025 \$'000	Carrying amount 2024 \$'000
Financial assets				
Class:				
Cash and cash equivalents	5.3	Amortised cost	38,029	98,935
Receivables*	2.3.5	Amortised cost	21,676	73,026
Investments	3.2	At fair value through profit or loss	12,216,432	10,491,933
Financial liabilities				
Class:				
Payables**	2.3.6	Amortised cost	12,035	12,104
Investments	3.2	At fair value through profit or loss	-	61,941

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

4.1. Market risk

Overview

Market risk is the risk that the variability in the value of an investment or the assessed fair value of a financial instrument because of changes in market prices. Market risk is a systemic risk that reflects factors affecting all similar investments or financial instruments traded in the market. The Authority is exposed to market risk as a result of holding various investments and financial instruments that support the operation of its business.

The effects on the Authority's operating results due to a reasonably possible change in risk variables are outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in each risk variable has been determined after taking into account the economic environment in which the Authority operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis assumes that all other variables remain constant.

Notes to the financial statements

for the year ended 30 June 2025

4.2. Interest rate risk

Overview

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The value of the Authority's liabilities is also affected by interest rate fluctuations.

4.2.1. Exposure

Interest rate risk arises because of the Authority holding financial instruments which are subject, directly or indirectly, to changes in value due to interest rate fluctuations. Authority liabilities are similarly subject, directly or indirectly, to changes in value because of interest rate fluctuations.

4.2.2. Quantitative analysis of exposure

The table below summarises the Authority's exposure to interest rate risks. A reasonably possible change of +/- 1% is used for cash. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Fixed interest rate maturing in:						
	Floating interest rate \$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2025						
Cash	38,029					38,029
Assets	38,029	-	-	-	-	38,029
2024						
Cash	98,935	-	-	-	-	98,935
Indexed and interest-bearing securities	840,551	-	-	20,774	32,734	894,059
Futures IR	-	2,564	698	-	-	3,262
Futures share	-	-	60	-	-	60
Swaps FFX	77,716	-	-	-	-	77,716
Assets	1,017,202	2,564	758	20,774	32,734	1,074,032
Futures IR	-	(1,126)	-	-	-	(1,126)
Swaps FFX	(60,815)	-	-	-	-	(60,815)
Liabilities	(60,815)	(1,126)	-	-	-	(61,941)

Notes to the financial statements

for the year ended 30 June 2025

4.3. Liquidity risk

Overview

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility using overdrafts, loans and other advances, if applicable.

The Authority does not have any loans payable and no assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether invoiced or not. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TPG25-04 NSW Government faster payment terms policy.

The Authority is exposed to liquidity risk from holding financial assets that may not be readily convertible to cash to meet financial liabilities and claims costs.

4.3.1. Exposure

The financial assets of the Authority that may not be readily convertible to cash are largely receivables (refer note 2.3.5) and investments in over the counter or thinly traded investments and principally unlisted property trusts in OneFund.

4.3.2. Risk management objective, policies and processes

The Authority maintains adequate liquidity to meet the daily cash requirements for claims payments and other operating costs.

To assist in meeting its liquidity risk management objectives, the Authority maintains a cash balance and invests most of its assets in investments that are traded in active markets that can be readily disposed of.

4.3.3. Quantitative analysis of exposure

The financial liabilities of the Authority comprise other payables. The types of financial liabilities of the Authority were similar at 30 June 2024.

The Authority's liabilities are either participant care and support related whose maturity is disclosed in note 2.3.6 or related to Authority operations and have a maturity of less than 12 months.

The table below summarises the maturity profile of the Authority's financial liabilities, together with the interest rate exposure.

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for the year ended 30 June 2025

4.3.3 Quantitative analysis of exposure (continued)

Maturity analysis and interest rate exposure of financial liabilities

Weighted average effective interest rate		Nominal amount*	Interest rate exposure			Maturity dates		
	%	\$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2025								
Financial liabilities	N/A	12,035	-	-	12,035	12,035	-	-
2024		.						
Financial liabilities	N/A	74,045	-	-	74,045	74,045	-	-

* The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Authority can be required to pay. The tables include both interest (if applicable) and principal cash flows and therefore may not reconcile to the statement of financial position.

4.4. Foreign exchange risk

Overview

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

4.4.1. Exposure

Following the transition to OneFund foreign currency risk is managed at the total portfolio level within the context of the overall investment strategy for OneFund.

4.4.2. Quantitative analysis of exposure

The Authority's maximum credit risk exposure at balance date in relation to each class of recognised financial assets, other than derivative financial instruments, is the carrying amount of those assets as indicated in the statement of financial position.

Notes to the financial statements

for the year ended 30 June 2025

4.5. Credit risk

Overview

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Authority.

4.5.1. Exposure

Credit risk arises from the financial assets of the Authority, including cash, receivables and Authority deposits. No collateral is held by the Authority. The Authority has not granted any financial guarantees.

4.5.2. Quantitative analysis of exposure

The Authority's maximum credit risk exposure at balance date in relation to each class of recognised financial asset, other than derivative financial instruments, is the carrying amount of those assets as indicated in the statement of financial position.

4.5.3. Cash and cash equivalents

Cash comprises balances held at private financial institutions, term deposits with a maturity of less than 3 months and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

4.5.4. Receivable – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis.

The Authority has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

There are no debtors whose terms have been renegotiated.

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for the year ended 30 June 2025

4.6. Other price risk

Overview

Exposure to other price risks primarily arises through investment in the Lifetime Care and Support Authority Trust (LTCSAT) which is held for strategic rather than trading purposes. The Authority has no direct equity investments. The value of the Authority's investment in LTCSAT at 30 June 2025 was \$12,175,483,000

The unit price of TCorp investment management funds is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

Investments in OneFund limit the Authority's exposure to risk as it allows diversification across a pool of funds with different investment horizons. The change in investment sectors and objectives (refer to note 3.3.1) is due to the exchange of units into the OneFund, which has a different investment strategy and risk appetite compared to prior year.

The LTCSAT is designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). TCorp provides sensitivity analysis information for OneFund. A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price at 30 June each year.

Investment fund		Change in unit price 2025%	Impact on surplus/(deficit)
OneFund	+/-	10	1,221,643

Notes to the financial statements

for the year ended 30 June 2025

5. Other

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards.

5.1. Other revenue

	2025 \$'000	2024 \$'000
Scheme recoveries	-	4,715
Services provided to ACT scheme	1,164	986
Sundry revenue	235	277
Total other revenue	1,399	5,978

5.2. Service fees

In accordance with the *State Insurance and Care Governance Act 2015* from 1 September 2015 the Authority receives services from Insurance and Care NSW (icare). Under the arrangement some of the Authority's costs are incurred by icare. These services include the provision of staff, claims handling, facilities, general business expenses and governance services.

Audit fees for the audit of the financial statements were paid by icare and are included as part of the service fee. The amount incurred was \$258,369 (2024: \$297,774)

Internal case management services are provided by icare staff and charged to the Authority. These costs are treated as scheme expenses rather than service fee expenses.

Notes to the financial statements

for the year ended 30 June 2025

5.3. Cash and cash equivalents

Overview

Refer to note 4 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

	2025 \$'000	2024 \$'000
Cash at bank and on hand	38,029	28,830
Short-term deposits:		
Cash – other	-	70,105
Total cash and cash equivalents	38,029	98,935

	2025 \$'000	2024 \$'000
Reconciliation of net cash flows from operating activities to net result		
Net cash provided by / (used in) operating activities	(61,049)	57,008
Depreciation and amortisation	(3,162)	(3,385)
Gain on disposal of fixed assets	143	-
Net cashflows from investment operating activities	1,724,499	1,047,268
Change in assets and liabilities		
Increase / (decrease) in receivables	(53,897)	5,200
(Increase) / decrease in payables	62,010	41,170
(Increase) / decrease in claims provisions	(846,859)	(540,457)
Net result	821,685	606,804

Notes to the financial statements

for the year ended 30 June 2025

5.4. Property, plant and equipment

Overview

The capitalisation threshold for property, plant and equipment is five thousand dollars and above individually (or forming part of a network costing more than five thousand dollars).

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The Authority has assessed that any difference between fair value and depreciated historical cost is not material.

The Authority revalues each class of property, plant and equipment at least every three years to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last revaluation for the land and building class was completed at March 2024 and was based on an independent assessment.

	Land and buildings \$'000	Total \$'000
At 30 June 2025 – fair value		
Gross carrying amount	15,410	15,410
Accumulated depreciation and impairment	(109)	(109)
Net carrying amount	15,301	15,301
At 1 July 2024 – fair value		
Gross carrying amount	15,075	15,075
Accumulated depreciation and impairment	(106)	(106)
Net carrying amount	14,969	14,969

Notes to the financial statements

for the year ended 30 June 2025

5.4 Property, plant and equipment (continued)

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current and prior reporting periods is set out below.

	Land and buildings \$'000	Total \$'000
Year ended 30 June 2025		
Net carrying amount at start of financial year	14,969	14,969
Net revaluation increments less revaluation decrements	760	760
Depreciation expense	(428)	(428)
Net carrying amount at end of financial year	15,301	15,301

	Land and buildings \$'000	Total \$'000
Year ended 30 June 2024		
Net carrying amount at start of financial year	14,328	14,378
Net revaluation increments less revaluation decrements	1,036	1,036
Depreciation expense	(395)	(445)
Net carrying amount at end of financial year	14,969	14,969

Notes to the financial statements

for the year ended 30 June 2025

5.4.1. Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets purchased to write-off the depreciable amount of each asset as it is consumed over its useful life to the Authority.

All material, separately identifiable components of assets are depreciated over their useful lives. The following depreciation rates were used:

Categories	%
Building premises	4

5.5. Fair value measurement of non-financial assets

Overview

The Authority recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the change occurred. Refer note 4 for further disclosures regarding fair value measurements of financial assets.

Fair value hierarchy

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
2025				
Property, plant and equipment (note 5.4)				
Land and buildings	-	8,040	7,261	15,301
	-	8,040	7,261	15,301
2024				
Property, plant and equipment (note 5.4)				
Land and buildings	-	7,715	7,254	14,969
	-	7,715	7,254	14,969

There were no transfers between level 1, level 2 and level 3 during the year ended 30 June 2025 (2024: nil)

Notes to the financial statements

for the year ended 30 June 2025

5.5.1. Valuation techniques, inputs and processes

Land at Collaroy (the Sargood Foundation building) is measured using the market approach discounted after considering restrictions on its use due to a long-term lease. This lease is for a period of 30 years with an option for a further 30-year term at the discretion of the lessee, with a rental return of \$10 per year. The estimated fair value of this land would increase significantly if the restrictions on the use of the site were removed. The remainder of the Authority's buildings have been valued using a market approach.

The remainder of the Authority's assets are non-specialised and are measured using the market approach. NSW Treasury Policy paper 21-09 *Valuation of Physical Non-Current Assets at Fair Value* allows non-specialised assets with short useful lives to be recognised at depreciated historical cost as a surrogate for fair value. Depreciated historical cost is an appropriate surrogate for fair value because any difference between fair value and depreciated historical cost is unlikely to be material and the benefit of ascertaining a more accurate fair value does not justify the additional cost of obtaining it.

5.5.2. Reconciliation of recurring level 3 fair value measurements

	2025		2024	
	Land and buildings \$'000	Total recurring level 3 fair value \$'000	Land and buildings \$'000	Total recurring level 3 fair value \$'000
Fair value at 1 July	7,254	7,254	7,239	7,239
Depreciation	(288)	(288)	(267)	(267)
Revaluation	295	295	282	282
Fair value at 30 June	7,261	7,261	7,254	7,254

5.6. Contingent liabilities and contingent assets

Overview

The Authority does not have any contingent asset or liability at reporting date (2024: nil).

Notes to the financial statements

for the year ended 30 June 2025

5.7. Administered items

Overview

The Authority has direction and management responsibility for a fund managed on behalf of the ACT Government. The Authority is acting in capacity as agent and as such assets and liabilities of the fund are not recognised in the Authority's statement of financial position but are shown separately as administered assets and liabilities.

Section 43A of the *Motor Accidents (Lifetime Care and Support) Act 2006 (NSW)* (NSW Act) enables the Authority to enter into care and support arrangements by agreement with relevant authorities to provide services to injured persons who are eligible under similar lifetime care schemes that have been prescribed by regulation under the NSW Act, which agreements may confer functions on the Authority to be exercised for and on behalf of the relevant authority.

Section 12 of the *Lifetime Care and Support (Catastrophic Injuries) Act 2014 (ACT)* (ACT Act) permits the Lifetime Care and Support Commissioner of the Australian Capital Territory, appointed in accordance with s.10 of the ACT Act to delegate the ACT Commissioner's functions to an authorised person, and the Authority is an authorised person in accordance with the ACT Act.

The ACT Act has sought agreement from the Authority to administer the ACT Act scheme on behalf of the ACT Commissioner and NSW. The ACT Act entered into an inter-governmental agreement in 2015 to establish an agreed framework of commitments for this agreement.

Notes to the financial statements

for the year ended 30 June 2025

5.7 Administered items (continued)

	2025 \$'000	2024 \$'000
Revenue		
Funding provided by ACT Government to meet participant scheme costs	11,423	8,788
	11,423	8,788
Expenses excluding losses		
Participant scheme costs	11,423	8,788
	11,423	8,788
Net result	-	-
Assets		
Cash and cash equivalents	1,640	994
Receivable – from ACT Government	852	973
	2,492	1,967
Liabilities		
Creditors	32	63
Income received in advance	2,460	1,904
	2,492	1,967
Net assets	-	-

5.8. Related party disclosure

The Authority has an agreement with its partner Sargood under which it provides land at Collaroy at which the facility was built. The land has been leased to the centre for nominal consideration.

Key management personnel compensation

The Authority's key management personnel are the Board of Directors of icare, the Chief Executive of icare and their direct reports. Compensation for key management personnel is disclosed in the financial statements of icare. Costs for key management personnel services are included as part of the service fee paid to icare.

Notes to the financial statements

for the year ended 30 June 2025

5.8. Related party disclosure (continued)

Key management personnel loan disclosures

The Authority has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions

There were no other transactions involving key management personnel and their interests during the reporting year.

Other NSW Government entities

The Authority entered transactions with other entities that are controlled/jointly controlled/significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the entity's service fees.

5.9. Capital management LTCS

Capital management is an integral part of icare's risk management framework. One of the key objectives of the Authority is to have sufficient capital to meet its obligations to its participants, even under adverse conditions.

icare's Capital Management Policy has been reviewed and updated. The capital management policy uses a composite of measures where the insurance ratio is the key measure. The insurance ratio is the ratio of scheme assets to scheme liabilities, where the scheme liabilities allow for the time value of money that is reflective of the scheme's investments. In addition to the insurance ratio, the accounting funding ratio and operational cashflows as well as their trajectory over future years is considered under the Capital Management Policy.

The Board of icare set a Capital Management Policy measure that defines a target zone of the insurance ratio for the Authority.

To determine the Authority's target zone, consideration was given to the following:

- the unique nature of the business from various perspectives - internal (financial and operational) and external (economic and political) ;
- there is no explicit government guarantee to cover any funding shortfall ;
- the Authority's strategic objectives and the risks of not achieving them ;
- the underlying uncertainty of the financials of the Authority and a capital position that ensured a higher than 96.7% probability of coverage in a hypothetical runoff portfolio.

LTCS

The Board of icare has set the target operating zone to achieve this probability of coverage as an insurance ratio higher than 140%. The insurance ratio at June 2025 is 143%.

The Capital Management Policy details actions required when the insurance ratio falls outside of the target operating zone. The Capital Management Framework is reviewed annually by management or as directed by the Board or Audit Committee. Any recommendations for change are endorsed by the Audit Committee and approved by the Board.

MAITC

MAITC is a relatively new scheme and began receiving claims in December 2022.

Given the limited claims data available, detailed capital modelling is not practical for the scheme. A capital management guidance note has been adopted to provisionally target an insurance ratio above 100%. The insurance ratio at June 2025 is 89% and below the target operating zone.

Notes to the financial statements

for the year ended 30 June 2025

Management is executing business actions to bring the scheme's insurance ratio above 100%.

5.10. Post balance date events

On 1 July 2025 the *Government Sector Finance Act 2018 No 55* was amended to exclude the OneFund assets of LTCS and MAITC from being transferred to other statutory funds within OneFund. This amendment does not impact the value of LTCS or MAITC assets within OneFund at 30 June 2025.

- End of audited financial statements -

icare

Workers Insurance

Insurance for NSW

HBCF

Lifetime Care

Dust Diseases Care

Sporting Injuries

Dust Diseases Care

Dust Diseases Care financial statements

for the year ended 30 June 2025

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Statement by the Board of Directors

for the year ended 30 June 2025

Workers Compensation (Dust Diseases) Authority

Statement under Section 7.6 Government Sector Finance Act 2018.

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* (the Act), in the opinion of the Board of Directors we state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards (which include Australian Accounting Interpretations) and the applicable requirements of the Act, the *Government Sector Finance Regulation 2024*, and the Treasurer's directions, and
- present fairly the Workers Compensation (Dust Diseases) Authority's financial position, financial performance and cash flows.

Signed on behalf of the Board of Directors of Insurance and Care NSW.



John Robertson
Chairman
Insurance and Care NSW
25 September 2025



Geniere Aplin
Chief Executive
Workers Compensation (Dust Diseases)
Authority and Insurance and Care NSW
25 September 2025



INDEPENDENT AUDITOR'S REPORT

Workers Compensation (Dust Diseases) Authority

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Workers Compensation (Dust Diseases) Authority (the Authority), which comprise the statement by the board of directors, the statement of comprehensive income for the year ended 30 June 2025, the statement of financial position as at 30 June 2025, the statement of changes in equity and the statement of cash flows, for the year then ended, and notes to the financial statements, including material accounting policy information, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2024* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Authority's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Authority in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board's Responsibilities for the Financial Statements

The Board of Directors of Insurance and Care NSW, acting for the Authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Board of Directors' responsibility also includes such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 September 2025
SYDNEY

Statement of comprehensive income

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Revenue			
Fees and levies	2.1	86,597	82,962
Net investment revenue	3.1	107,326	50,553
Other revenue	5.1	423	8,122
Total revenue		194,346	141,637
Expenses excluding losses			
Scheme costs	2.2	152,287	94,068
Service fees	5.2	33,066	35,816
Other operating expenses		233	886
Grants and subsidies		8,955	10,710
Total expenses excluding losses		194,541	141,480
Movement in allowance for impairment of financial assets	2.3.5	(195)	157
Net result		-	-
Total comprehensive income		-	-

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2025

	Notes	2025 \$'000	2024 \$'000
ASSETS			
Cash and cash equivalents	5.3	8,392	20,049
Investments	3.2	1,007,788	993,029
Receivables	2.3.5	1,219,454	1,042,932
Property, plant and equipment		1,881	749
Total assets		2,237,515	2,056,759
LIABILITIES			
Payables	2.3.6	7,381	10,029
Investments payable	3.2	-	6,534
Outstanding claims	2.3.1	2,230,134	2,040,196
Total liabilities		2,237,515	2,056,759
Net assets		-	-
EQUITY			
Accumulated funds		-	-
Total equity		-	-

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2025

	2025 \$'000	2024 \$'000
Accumulated funds		
Balance at the beginning of financial year	-	-
Net result for the year	-	-
Other comprehensive income	-	-
Total other comprehensive income	-	-
Total comprehensive income for the year	-	-
Balance at the end of the financial year	-	-

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees and levies received		83,374	80,823
Compensation payments		(135,535)	(124,810)
Net cash flows from scheme activities		(52,161)	(43,987)
Receipts			
Proceeds from sale of investments		86,175	88,480
Distributions/interest investments income		808	904
Other		421	1,522
Total receipts excluding scheme activities		87,404	90,906
Payments			
Service fees		(33,945)	(36,935)
Other operating expenses		(1,463)	(91)
Grants and subsidies		(10,265)	(7,953)
Total payments excluding scheme activities		(45,673)	(44,979)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5.3	(10,430)	1,940
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(1,227)	(631)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,227)	(631)
NET INCREASE/(DECREASE) IN CASH and CASH EQUIVALENTS		(11,657)	1,309
Opening cash and cash equivalents		20,049	18,740
CLOSING CASH AND CASH EQUIVALENTS	5.3	8,392	20,049

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2025

1. Overview

1.1. About the authority

The Workers' Compensation (Dust Diseases) Authority (the Authority) is a NSW Government entity. The Authority is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

Under the *Workers' Compensation (Dust Diseases) Act 1942*, the Authority provides a no-fault compensation scheme to people who have developed a dust disease from occupational exposure to dust as a worker in NSW.

icare was established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015*. Its functions include the monitoring of performance of the insurance or compensation schemes in respect of which it provides services. The Authority is one such scheme.

These financial statements for the year ended 30 June 2025 have been authorised for issue by the Chairman of the Board of icare and the Chief Executive of the Authority on behalf of the Board of Directors of icare on 25 September 2025.

1.2. Basis of preparation and statement of material accounting policies

The Authority's financial statements are general purpose financial statements which have been prepared using the accrual basis of accounting and are in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)

- the requirements of the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2024*; and NSW Treasurer's directions issued under the *Government Finance Act 2018*.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

These financial statements have been presented on a liquidity basis following receipt of an exemption from TPG25-02 by NSW Treasury that statements are presented on a current and non-current basis.

1.2.1. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

1.2.2. Going concern basis

The Authority's financial statements have been prepared on a going concern basis.

1.2.3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, key assumptions and estimations management made are disclosed in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Notes to the financial statements

for the year ended 30 June 2025

1.2.3. Use of estimates and judgements (continued)

In particular information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 3 and 4 – investing activities and risk management; and
- note 2.3 – net outstanding claims liability; and
- note 2.3.5 – receivables.

1.2.4. Taxation

The Authority is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

1.2.5. Comparative figures

Except where an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous reporting period for all amounts reported in the financial statements.

1.2.6. Accounting standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting year ended 30 June 2025. The following are new Australian Accounting Standards or amendments which have been issued but are not yet effective and are not expected to have a material impact on the financial performance or position of the Authority:

- AASB 18 Presentation and Disclosure in Financial Statements.
- AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments.
- AASB 2024-3 Amendments to Australian Accounting Standards – Annual Improvements Volume 11.

Notes to the financial statements

for the year ended 30 June 2025

2. Scheme activities

Overview

This section provides analysis and commentary on the Authority's scheme activities. Scheme activities involve all activities undertaken in relation to the provision of compensation to the Authority's claimants.

2.1. Fees and levies

Overview

The Authority's funds are generated from dust diseases levies collected from NSW Workers Insurance Scheme, Specialised and Self-insurers, under the *Workers' Compensation (Dust Diseases) Act 1942* (the Act). The levy revenue is recognised at the earlier of when it is received or falls due and receivable by the Authority.

	2025 \$'000	2024 \$'000
Levy contributions		
- NSW Self Insurance Corporation	3,708	3,444
- Specialised insurer and other self-insurers	9,367	9,910
- NSW Workers Insurance Scheme	73,522	69,608
Total fees and levies	86,597	82,962

2.2. Scheme costs

Overview

The largest expense for the Authority is scheme costs or compensation expenses, which is the sum of:

- the movement in the net outstanding claims liability (note 2.3) which is the difference between the net outstanding claims liability at the beginning and the end of the financial year
- any compensation expenses made or incurred during the financial year.

This comprises of what is estimated by the Authority's actuary at 30 June 2025 as being the movement in the amount require to meet the cost of compensation expenses reported but not yet paid and compensation expenses incurred but which have not yet been reported.

Notes to the financial statements

for the year ended 30 June 2025

2.2 Scheme costs (continued)

	2025 \$'000	2024 \$'000
1. Compensation payments made during the year		
Compensation to workers	39,681	31,518
Compensation to dependents	48,813	47,052
Lump sum awards to dependents	26,648	24,477
Healthcare services and funeral benefits	20,960	21,032
	136,102	124,079
2. Medical examination of workers		
Medical fees and other related supplies	915	807
Workers travelling expenses	5	11
	920	818
3. Movement in provision for compensation (refer note 2.3.1)		
Finance costs	90,540	79,650
Movement in provision for compensation - known claims	(88,543)	(23,697)
Movement in provision for compensation - estimated future claims	187,941	45,224
Total net movement during the year	189,938	101,177
Scheme recoveries	45,746	-
Total scheme costs	372,706	226,074
(Increase)/decrease in contributions from insurers yet to be levied (note 2.3.5)	(220,419)	(132,006)
Total scheme costs including movement in contribution receivable	152,287	94,068

Finance costs relate to movement in the carrying amount of the outstanding liability that reflect the passage of time associated with the use of discount rate determining the value of the outstanding claims liability (refer note 2.3.1).

Scheme recoveries are actuarially assessed and have been reported as part of scheme costs in 2024-25 as they were negative. They were disclosed in other revenue in 2023-24.

Notes to the financial statements

for the year ended 30 June 2025

2.3. Net outstanding claims liability

Overview

Provisions are recognised when the Authority has a present obligation as a result of a past event – it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation – and a reliable estimate can be made of the amount of the obligation.

As the Authority does not issue insurance contracts, the Authority's claims liabilities are accounted for in accordance with AASB 137 *"Provisions, Contingent Liabilities and Contingent Assets"*.

The net outstanding claims liability comprises the elements described below:

- The net central estimate (note 2.3.1) This is the provision for expected future claims payments and recoveries. It includes claims and recoveries reported but not yet paid/received, claims incurred but which have not yet been reported (IBNR), claims incurred but not enough reported (known as IBNER) and estimated claims handling costs.
- Less an amount to reflect the discount to present value using risk-free rates of return. The net central estimate is discounted to present value recognising that the claim or recovery may not be settled for some time.

The actuarial valuation of the outstanding claims liability consists of current and future costs relating to administering the Act as stated under section 6(2), which specifically include:

- compensation payable
- fees payable to the members of the Authority
- fees payable to the Medical Assessment Panel
- costs involved in reimbursing workers under section 9A – travel expenses associated with medical examinations
- costs of operation of the District Court relating to appeals under section 8I
- costs of administering the Act and any other money that the Authority is required to pay under the Act
- costs relating to medical or related treatment or hospital treatment or occupational rehabilitation service or ambulance service as under section 8.2(d) and reasonable funeral expenses under section 8(2A); and
- compensation recoveries under section 8E.

The total actual costs incurred on the above payments net of section 8E recoveries during each year is offset against the provision for compensation payable. The resulting movement in provision is taken to the statement of comprehensive income. Refer to note 2.2 for more details.

Notes to the financial statements

for the year ended 30 June 2025

2.3.1. Discounted outstanding claims

Overview

The overall outstanding claims liability of the scheme is calculated by the Authority's actuary using a range of recognised, actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny.

The provision for claims handling expenses is calculated as a percentage of total fortnightly benefits to recognise the ultimate expense of managing outstanding claims until they are finalised and closed. The percentage for claims handling expenses in 2025 is 28.5% (2024: 27.0%).

The valuation does not include an explicit risk margin, but the calculation inherently considers risk in the valuation.

	2025 \$'000	2024 \$'000
Expected future gross claims payments	3,386,297	3,101,682
Gross claims handling	662,647	586,230
Gross outstanding claims liabilities	4,048,944	3,687,912
Discount on central estimate	(1,517,536)	(1,381,343)
Discount on claims handling expenses	(301,274)	(266,373)
Total discount on claims liabilities	(1,818,810)	(1,647,716)
Claims liabilities	2,230,134	2,040,196
Gross claims recoveries	33,878	99,626
Discount on claims recoveries	(12,095)	(48,072)
Recoveries	21,783	51,554
Net outstanding claims	2,208,351	1,988,642

Notes to the financial statements

for the year ended 30 June 2025

2.3.1 Outstanding claims liability (continued)

Dissection of the net claims liability between known and estimated future claims is shown in the table below.

	2025 \$'000	2024 \$'000
Claims provisions		
Provision for compensation - known claims	1,003,185	965,826
Provision for compensation - estimated future claims	1,205,166	1,022,816
Total claims provisions	2,208,351	1,988,642

Movements in the provision for compensation during the financial year are:

	2025 \$'000	2024 \$'000
Carrying amount at start of financial year	1,988,642	1,894,065
Changes in actuarial assumptions	282,901	234,705
Less: service fees - refer note 5.2	(33,066)	(35,816)
Other operating expenses (excluding depreciation and amortisation)	(137)	(237)
Compensation payments made during the year - refer note 2.2 (1)	(136,102)	(124,079)
Medical examination costs of workers - refer note 2.2 (2)	(920)	(818)
Add: compensation recoveries - refer note 5.1	1,501	1,206
Change in discount rate	14,992	(60,034)
Finance cost (unwinding of discount - refer note 2.2 (3))	90,540	79,650
Net outstanding claims	2,208,351	1,988,642

The Authority includes in its provision an estimate for compensation payable for claims incurred but yet to be made of \$1,237 million (2024: \$1,022 million). This figure is shown in the statement of financial position as a liability with the corresponding outstanding contributions receivable asset (net of cumulative surplus or deficit to date) representing the right to levy employers for these outstanding claims.

Notes to the financial statements

for the year ended 30 June 2025

2.3.2. Economic assumptions

Overview

The economic assumptions that most significantly impact the Authority's liabilities are the inflation rate for benefits and the discount rate of these liabilities.

The discount factors used in measuring the liability for outstanding compensation costs are based on the risk-free rate.

	2025 %	2024 %
Compensation expected to be paid		
Discount rate 12 months or less	3.35	4.37
Discount rate greater than 12 months	3.12-5.49	3.92-5.29
Inflation rate 12 months or less	3.32	3.44
Inflation rate greater than 12 months	3.00-3.57	3.00-3.65
Weighted mean term (years)		
Uninflated, undiscounted	12.1	12.0
Inflated, discounted	10.6	10.7

2.3.3. Net claims liability maturity

Overview

The maturity profile is the Authority's expectation of the period over which the net outstanding claims will be settled. The Authority uses this information to ensure that it has adequate liquidity to pay claims as they are due to be settled and to inform the Authority's investment strategy. The expected maturity profile of the Authority's net discounted central estimate is analysed below.

	2025 \$'000	2024 \$'000
Not later than 1 year	152,102	154,126
Later than one year but not later than 5 years	565,409	520,651
Later than 5 years	1,490,840	1,313,865
	2,208,351	1,988,642

Notes to the financial statements

for the year ended 30 June 2025

2.3.4. Impact of changes in key variables on the net outstanding claims liability

Overview

Sensitivity analysis is conducted by the Authority's actuaries on each variable to measure the change in outstanding claims liability estimate that would result from a change in the assumptions whilst holding all other variables constant. The provision for compensation payable is measured at the present value of the expected future payments to persons who have accepted a claim for compensation or who are estimated by the Authority's actuaries to be entitled to compensation in the future.

The actuarial valuation contains numerous assumptions regarding the future numbers of claims and regarding the characteristics of the workers and their dependants particularly in respect to their age at time of report and their life expectancy.

Given the uncertainty of this portfolio a range of assumptions may be plausible which reflect the current environment in which claims are managed and settled. The main assumptions are:

- inflation and discount rates.

The Authority's actuaries, in the valuation of liability report have used an incidence and severity model to estimate the compensation payable for claims yet to be lodged. Estimated future claims are inflated and discounted, allowing for expected mortality and estimates around characteristics of each claimant.

Under existing legislation any impact of these sensitivities on liabilities would be offset by a corresponding movement in contributions from insurers yet to be levied.

Notes to the financial statements

for the year ended 30 June 2025

2.3.4. Impact of changes in key variables on the net outstanding claims liability (continued)

The impact of changes in key variables is summarised in the table below.

	30 June 2025 liability \$'000	Effect on 30 June 2025 liability \$'000	Percentage effect %
Central estimate of the authority's liability	2,208,351		
All valuation assumptions used			
Economic assumptions			
Increase inflation rate by 1% but with long-term gap of 1.5%	2,325,357	117,005	5
Decrease inflation rate by 1% but with long-term gap of 1.5%	2,097,206	(111,146)	(5)
Decrease discount rate by 1% but with long-term gap of 1.5%	2,326,749	118,397	5
Increase discount rate by 1% but with long-term gap of 1.5%	2,097,865	(110,486)	(5)
Non-economic assumptions			
Change in expected average lifetime disability			
Increase expected average lifetime disability by 5%	2,258,293	49,942	2
Decrease expected average lifetime disability by 5%	2,158,122	(50,230)	(2)

The long-term gap refers to maintaining a 1.5% gap between inflation and discount rate after 5 years.

Notes to the financial statements

for the year ended 30 June 2025

2.3.5. Receivables

Overview

The Authority has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Receivables from trade debtors and participants are non-interest bearing and the former are generally on a 30-day term while the latter are more than 12 months, depending on each individual circumstance.

The contributions from insurers asset represents the future contributions receivable to pay the unfunded costs relating to outstanding claims. Recoveries receivable are recognised as a separate asset when it is virtually certain that the reimbursement will be received if the Authority settles the obligation and shall not exceed the amount of the related provision.

The cost of compensation claims, and other costs of the Authority are recovered from insurers who pass this cost on to employers through a levy included in their workers' compensation insurance premiums in accordance with sections 6(6) and 6(7D) of the *Workers' Compensation (Dust Diseases) Act 1942*. The levies are assessed each year to ensure that the Authority has sufficient funding for the coming year. This assessment gives the Authority certainty that outstanding contributions receivable will be recovered through future levies.

Notes to the financial statements

for the year ended 30 June 2025

2.3.5. Receivables (continued)

Details regarding credit risk, liquidity risk and market risk of the above receivables are disclosed in note 4.

	2025 \$'000	2024 \$'000
Statutory receivables relating to contributions from insurers	1,187,374	966,954
Recoveries receivable	21,783	51,554
Other receivables	28	15,557
less: allowance for impairment	(1,824)	(2,019)
Dust diseases levy hindsight	11,369	10,096
GST receivable	74	93
Service fees	650	630
Investment receivables	-	67
Total receivables	1,219,454	1,042,932
Movement in the allowance for impairment		
Balance at 1 July	2,019	1,862
Increase/(decrease) in allowance recognised in profit or loss	(195)	157
Balance at 30 June	1,824	2,019

Notes to the financial statements

for the year ended 30 June 2025

2.3.6. Payables

Overview

Refer to note 4 for further information regarding credit risk, liquidity risk, and market risk, including a maturity analysis of the above payables.

	2025 \$'000	2024 \$'000
Service fees	3,510	4,368
Accrued expenses and other creditors	3,871	5,661
Total payables	7,381	10,029

3. Investing activities

Overview

The Authority's investments have transitioned into the Whole of State Fund (WSF or OneFund) effective from 31 March 2025 as part of phase 2 of the implementation of OneFund.

OneFund is a single investment portfolio that merges a number of different funds into the OneFund. OneFund is managed by TCorp.

Investments and other financial assets are held at fair value through profit and loss.

The Authority's investments are, in the majority, held in OneFund where TCorp is the Trustee. Given this, the tables below reflect the majority of exposures at a Trust level and does not provide a look through to the underlying holdings.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Authority is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price, without any deduction for transaction costs.

Purchases and sales of investments are recognised on trade date – the date on which the Authority commits to purchase or sell the asset.

Refer to note 4 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

Notes to the financial statements

for the year ended 30 June 2025

3.1. Net investment revenue

	2025 \$'000	2024 \$'000
Interest revenue from bank interest and TCorp liquidity fund	865	1,111
Other investment facilities	436	28
Distribution	74,207	41,281
Realised gains/(losses) on investments	119,798	(12,863)
Unrealised gains/(losses) on investments	(86,879)	21,893
Total Investment revenue	108,427	51,450
Investment management fees	(1,101)	(897)
Net investment revenue	107,326	50,553

3.2. Investments

	2025 \$'000	2024 \$'000
TCorp managed funds	1,007,788	984,823
Derivatives	-	8,206
Total investment assets	1,007,788	993,029
Investment receivables		
Investment receivables	-	67
Total investment assets including receivables	1,007,788	993,096
Investments payable		
Derivatives	-	6,534
Net investments	1,007,788	986,562

Notes to the financial statements

for the year ended 30 June 2025

3.3. Fair value estimation

Overview

The carrying amounts of the Authority's financial assets and liabilities at the end of the reporting period approximated their fair values as all financial assets and liabilities held were either at fair value at the end of the reporting period (marked to market) or were short term in nature.

The financial assets and liabilities are classified in accordance with the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – inputs for the assets or liabilities that are not based on observable market data.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets of the Authority is the current bid price. These instruments are included in level 1.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Authority is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price, without any deduction for transaction costs

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. A variety of methods are used which include assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for debt securities for disclosure purposes. Evaluations of such securities are based on market data. Vendors utilise evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and when available loan performance data.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt instruments and derivative financial instruments.

Notes to the financial statements

for the year ended 30 June 2025

3.3. Fair value estimation (continued)

	2025				2024			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Other financial assets								
Unit trusts	-	1,007,788	-	1,007,788	-	775,028	209,795	984,823
Derivatives	-	-	-	-	-	8,206	-	8,206
	-	1,007,788	-	1,007,788	-	783,234	209,795	993,029
Other financial liabilities								
Derivatives	-	-	-	-	-	6,534	-	6,534

3.3.1. Transfer between levels

The Authority recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

The following table presents the movement in level 3 instruments for the year ended 30 June.

	2025 \$'000	2024 \$'000
Opening balance	209,795	233,046
Purchases of securities	-	6,438
Transfers out	(209,795)	-
Transfer to level 2	-	(9,003)
Gain / (loss) in profit and loss (investment income)	-	(20,686)
Closing balance	-	209,795
Total gains / (losses) for the period included in profit or loss that relate to assets held at the end of the reporting period (shown in investment income)	-	(20,686)

The table sets out information about significant unobservable inputs used at 30 June 2024 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Notes to the financial statements

for the year ended 30 June 2025

Type	Description	Valuation technique	Significant unobservable inputs	Range of estimates (weighted avg) for unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Unit trusts	Units in unlisted wholesale property trusts	Adjusted net asset value	Published redemption prices	2024: \$0.29-\$1.63	An increase in published redemption prices would result in a higher fair value
Unit trusts	Units in unlisted infrastructure trusts	Adjusted net asset value	Published redemption prices	2024: \$1.63	An increase in published redemption prices would result in a higher fair value
Unit trusts	Units in unlisted opportunistic asset class	Adjusted net asset value	Published redemption prices	2024: \$0.76	An increase in published redemption prices would result in a higher fair value

3.3.2. Involvement with unconsolidated structured entities

The Authority holds a 100% unitholding in an unlisted investment fund, the Workers Compensation (Dust Diseases) Trust (the WCDDT).

The fund qualifies as a structured entity as it has restricted activities and is designed such that voting rights are not the dominant factor in determining control.

According to a directive from the NSW Treasurer, the WCDDT must invest all its funds in the OneFund. The OneFund includes unlisted investment funds managed by the NSW Treasury Corporation, specifically the TCorpIM NSW Masterfund and the TCorpIM Unlisted Property Fund. The investment strategy and risk appetite for the OneFund are set by the NSW Treasurer.

Although the Authority holds all units in the WCDDT, it does not have the ability to direct the fund's relevant activities and therefore does not control the WCDDT in accordance with AASB 10 *Consolidated Financial Statements*. As such, the WCDDT is not consolidated in the Authority's financial statements.

The table describes the types of investments held by the structured entities that the fund does not consolidate but in which it holds an interest, set out by investment strategy.

Notes to the financial statements

for the year ended 30 June 2025

3.3.2. Involvement with unconsolidated structured entities (continued)

Investment strategy	Fair value at 30 June 2025 \$'000	Fair value at 30 June 2024 \$'000
OneFund	1,007,788	-
Strategic - unlisted	0	32,278
Equity - unlisted	0	282,055
Property - unlisted	0	120,143
Alternatives - unlisted	0	147,142
Emerging markets - unlisted	0	34,049
Infrastructure - unlisted	0	85,756
Debt - unlisted	0	114,084
Cash	0	50,315
Fixed income	0	98,474
Opportunistic	0	20,527
Total	1,007,788	984,823

The unconsolidated structured entities are included under TCorp managed funds in note 3.2.

Notes to the financial statements

for the year ended 30 June 2025

4. Risk management

Overview

The Authority applies a consistent and integrated approach to enterprise risk management. The Authority operates within icare's risk management framework which sets out the approach to managing key risks and meeting strategic objectives. The risk management framework is articulated in the Risk Management Framework, which is approved annually by the Board.

The icare Board is ultimately accountable for identifying and managing risk, including financial risk. This is done through the establishment of holistic strategies and policies where risk management has been considered.

Key aspects of icare's risk management framework include risk appetite, governance, risk management processes, risk reporting and insights, modelling and stress testing, management, monitoring and culture.

Risk management is a continuous process and an integral part of robust business management. The Authority's approach is to integrate risk management into the broader management processes of the organisation. It is the Authority's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are the risk managers themselves. Specifically, the management of risk must occur at each point in the business management cycle.

The key risk categories used by the Authority to classify financial risk:

- market risk (note 4.1)
- interest rate risk (note 4.2)
- liquidity risk (note 4.3)
- foreign exchange risk (note 4.4)
- credit risk (note 4.5)
- other price risk (note 4.6).

The Authority's principal financial instruments are outlined below. These financial instruments arise directly from the Authority's operations or are required to finance the Authority's operations. The Authority does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The Authority's main risks arising from financial instruments are outlined below, together with its objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

Notes to the financial statements

for the year ended 30 June 2025

4. Risk management (continued)

Financial instrument categories

The Authority is ultimately responsible for identifying and controlling financial risks including the establishment of an overall financial risk management strategy and policy.

		Category	Carrying amount 2025 \$'000	Carrying amount 2024 \$'000
Financial assets				
Class:				
Cash and cash equivalents	5.3	Amortised cost	8,392	20,049
Receivables*	2.3.5	Amortised cost	678	697
Investments	3.2	Fair value through profit or loss	1,007,788	993,029
Financial Liabilities				
Class:				
Payables**	2.3.6	Amortised cost	7,381	10,029
Investments payable	3.2	Fair value through profit or loss	-	6,534

Notes:

* Excludes statutory receivables, prepayments (i.e. not within scope of AASB 7).

** Excludes statutory payables, unearned revenue and claims liabilities (i.e. not within scope of AASB 7).

Notes to the financial statements

for the year ended 30 June 2025

4.1. Market risk

Overview

Market risk is the risk that the variability in the value of an investment or the assessed fair value of a financial instrument because of changes in market prices. Market risk is a systemic risk that reflects factors affecting all similar investments or financial instruments traded in the market. The Authority is exposed to market risk as a result of holding various investments and financial instruments that support the operation of its business.

The effects on the Authority's operating results due to a reasonably possible change in risk variables are outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in each risk variable has been determined after taking into account the economic environment in which the Authority operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).

The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis assumes that all other variables remain constant.

4.2. Interest rate risk

Overview

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The value of the Authority's liabilities is also affected by interest rate fluctuations.

4.2.1. Exposure

Interest rate risk arises as a result of the Authority holding financial instruments which are subject, directly or indirectly to changes in value as a result of interest rate fluctuations. Authority liabilities are similarly subject directly or indirectly to changes in value as a result of interest rate fluctuations.

Notes to the financial statements

for the year ended 30 June 2025

4.2.2. Quantitative analysis of exposure

The table below summarises the Authority's exposure to interest rate risks. A reasonably possible change of +/- 1% is used for cash. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	Floating interest rate \$'000	Fixed interest rate maturing in				Total \$'000
		3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	
2025						
Cash	8,392	-	-	-	-	8,392
Assets	8,392	-	-	-	-	8,392
2024						
Cash	20,049	-	-	-	-	20,049
Derivative assets	8,206	-	-	-	-	8,206
Derivative liabilities	(6,534)	-	-	-	-	(6,534)
Assets	21,721	-	-	-	-	21,721

4.3. Liquidity risk

Overview

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority continuously manages risk through monitoring of future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances, if applicable.

The Authority does not have any loans payable, and no assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TPG25-04 NSW Government faster payment terms.

The Authority is also exposed to liquidity risk from holding financial assets that may not be readily convertible to cash to meet financial liabilities and claims costs.

Notes to the financial statements

for the year ended 30 June 2025

4.3.1. Exposure

The financial assets of the Authority that may not be readily convertible to cash are largely receivables (refer note 2.3.5) and investments in over the counter or thinly traded investments, principally unlisted property trusts.

4.3.2. Risk management objective, policies and processes

The Authority maintains adequate liquidity to meet the daily cash requirements for claims payments and other operating costs.

To assist in meeting its liquidity risk management objectives, the Authority maintains a cash balance and invests most of its assets in investments that are traded in active markets that can be readily disposed of.

4.3.3. Quantitative analysis of exposure

The financial liabilities of the Authority comprise other payables.

Cash due to brokers is payable on demand. Other payables are typically settled within 30 days. If the derivative positions are closed out prior to maturity by entering into offsetting transactions, the Authority settles its derivative obligations in cash rather than physical delivery.

The other Authority liabilities are either claims whose maturity is disclosed in note 2.3.3 or are related to Authority operations and have a maturity of less than 12 months.

The table summarises the maturity profile of the Authority's financial liabilities, together with the interest rate exposure.

Notes to the financial statements

for the year ended 30 June 2025

4.3.3. Quantitative analysis of exposure (continued)

Maturity analysis and interest rate exposure of financial liabilities

Weighted average effective interest rate		Nominal amount	Interest rate exposure			Maturity dates		
	%	\$'000	Fixed Rate \$'000	Variable Rate \$'000	Non-Interest Bearing \$'000	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2025								
Financial liabilities	N/A	7,381	-	-	7,381	7,381	-	-
2024								
Financial liabilities	N/A	16,563	-	-	16,563	16,563	-	-

Notes

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Authority can be required to pay. The tables include both interest (if applicable) and principal cash flows and therefore may not reconcile to the statement of financial position.

4.4. Foreign exchange risk

Overview

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

4.4.1. Exposure

Following the transition to OneFund the Authority no longer directly holds any foreign currency. Foreign currency risk is managed at the total portfolio level within the context of the overall investment strategy for OneFund.

Notes to the financial statements

for the year ended 30 June 2025

4.4.2. Quantitative analysis of exposure

Following the transition of the Authority's investments into OneFund TCorp now manages the exposure to foreign exchange risk for the Authority.

A summary of the Authority's direct exposure to foreign exchange risk, inclusive of foreign currency derivatives at 30 June 2024 is shown in the table:

	US dollars \$'000 AUD	Euro \$'000 AUD	Japanese Yen \$'000 AUD	Other currencies \$'000 AUD	Total \$'000
2024					
Cash	417	18	-	22	457
Unit trust - property unlisted	3,781	-	-	-	3,781
Unit trust - opportunistic	20,527	-	-	-	20,527
Derivatives assets – swaps	6,186	642	123	1,255	8,206
Derivatives liabilities – swaps	(509)	(20)	(4,888)	(1,117)	(6,534)
Foreign exchange exposure position	30,402	640	(4,765)	160	26,437

4.5. Credit risk

Overview

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Authority.

4.5.1. Exposure

Credit risk arises from the financial assets of the Authority, including cash, receivables and Authority deposits. No collateral is held by the Authority. The Authority has not granted any financial guarantees.

4.5.2. Quantitative analysis of exposure

The Authority's maximum credit risk exposure at balance date in relation to each class of recognised financial asset, other than derivative financial instruments, is the carrying amount of those assets as indicated in the statement of financial position.

Notes to the financial statements

for the year ended 30 June 2025

4.5.3. Cash and cash equivalents

Cash comprises balances held at private financial institutions, term deposits with a maturity of less than 3 months and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

4.5.4. Receivable – trade debtors

All trade debtors are recognised as amounts receivable as at balance date. Collectability of trade debtors is reviewed on an ongoing basis.

The Authority has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

There are no debtors whose terms have been renegotiated.

4.6. Other price risk

Overview

Exposure to other price risk primarily arises through the investment in the Workers Compensation (Dust Diseases) Authority Investment Trust (WCAIT) which is held for strategic rather than trading purposes. The Authority has no direct equity investments. The value of the Authority's investment in WCAIT at 30 June 2025 was \$1,007,788,000.

The unit price of TCorp Investment management funds is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

Investments in OneFund limits the Authority's exposure to risk as it allows diversification across a pool of funds with different investment horizons. The change in investment sectors and objectives (in the table in note 3.2.2) is due to the exchange of units into the OneFund, which has a different investment strategy and risk appetite compared to prior year.

Notes to the financial statements

for the year ended 30 June 2025

4.6. Other price risk (continued)

The WCAIT is designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). TCorp provides sensitivity analysis information. A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price at 30 June each year.

Investment fund	Change in unit price	Impact on surplus/ (deficit)
	2025 %	2025 \$'000
WCAIT	+/- 10.0	100,779

5. Other

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards.

5.1. Other revenue

	2025 \$'000	2024 \$'000
Compensation recoveries under section 8E of the Act	-	1,206
Scheme recoveries	-	6,600
Rendering of services - occupational respiratory health assessments	338	246
Other	85	70
Total other revenue	423	8,122

Notes to the financial statements

for the year ended 30 June 2025

5.2. Service fees

Overview

In accordance with the *State Insurance and Care Governance Act 2015* from 1 September 2015 the Authority receives services from Insurance and Care NSW (icare). Under the arrangement most of the Authority's costs are incurred by icare and recovered at cost from the Authority. These services include the provision of staff, claims handling, facilities, general business expenses and governance services.

Audit fees for the audit of the financial statements were paid by icare in 2025 and are included as part of the service fee. The amount incurred was \$220,000 (2024: \$258,000).

5.3. Cash and cash equivalents

Overview

	2025 \$'000	2024 \$'000
Cash at bank and on hand	8,392	16,224
Cash - Other	-	3,825
Total cash and cash equivalents	8,392	20,049

The cashflow statement reflects actual cashflow movements in the fund and not the movements in the underlying investment portfolios within the fund.

Refer to note 4 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

Notes to the financial statements

for the year ended 30 June 2025

5.3. Cash and cash equivalents (continued)

	2025 \$'000	2024 \$'000
Reconciliation of net cash flows from operating activities to net result		
Net cash provided by / (used in) operating activities	(10,430)	1,940
Depreciation and amortisation	(95)	(649)
Net cashflows from investment operating activities	14,759	(37,082)
Change in assets and liabilities		
Increase / (decrease) in receivables	176,522	135,760
(Increase) / decrease in payables	9,182	1,208
(Increase) / decrease in claims provisions	(189,938)	(101,177)
Net result	-	-

5.4. Contingent liabilities and contingent assets

Overview

Contingent liabilities are disclosed when the possibility of a future settlement of economic benefits is considered to be less than probable but more likely than remote. If the expected settlement of the liability becomes probable, a provision is recognised.

The Authority has no contingent assets or liabilities (2024: nil).

Notes to the financial statements

for the year ended 30 June 2025

5.5. Budget review

5.5.1. Statement of comprehensive income

	Actual 2025 \$'000	Budget 2025 \$'000
Revenue		
Levies	86,597	75,000
Investment revenue	107,326	62,431
Other revenue	423	483
Total revenue	194,346	137,914
Expenses excluding losses		
Scheme costs	152,287	81,142
Service fees	33,066	41,228
Other operating expenses	233	4,164
Grants and subsidies	8,955	11,130
Total expenses excluding losses	194,541	137,664
Movement in allowance for impairment	(195)	250
Net result	-	-
TOTAL COMPREHENSIVE INCOME	-	-

Comment

- Investment revenue is \$45 million higher than budget due to stronger global and domestic equity markets.
- Levies are \$11 million higher to budget mainly due to higher wages.
- Higher scheme costs resulting from the actuarial valuation of outstanding claims and changes in economic assumptions.
- Expenses are lower compared to budget driven by lower than budgeted grants spend, savings achieved in employment cost and lower enabling services costs incurred during the year.

Notes to the financial statements

for the year ended 30 June 2025

5.5 Budget review (continued)

5.5.2. Statement of financial position

	Actual 2025 \$'000	Budget 2025 \$'000
ASSETS		
Cash and cash equivalents	8,392	70,118
Investments	1,007,788	900,592
Receivables	1,219,454	848,876
Property, plant and equipment	1,881	2,062
Total assets	2,237,515	1,821,648
LIABILITIES		
Payables	7,381	8,378
Investments payable	-	7,993
Outstanding claims	2,230,134	1,805,277
Total liabilities	2,237,515	1,821,648
Net assets	-	-
EQUITY		
Accumulated funds	-	-
Total Equity	-	-

Comment

- Total assets were \$416 million higher than budget mainly driven by higher investments and an increase in contributions from insurers as a result of an increase in the outstanding claims provision partially offset by higher investment revenue.
- Total liabilities were \$416 million higher than budget mainly due to the increases in the provision for outstanding claims liability attributable to both actuarial valuation assumptions and economic assumptions.

Notes to the financial statements

for the year ended 30 June 2025

5.5 Budget review (continued)

5.5.3. Statement of cash flows

		Actual 2025 \$'000	Budget 2025 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies received		83,374	75,001
Compensation payments		(135,535)	(118,624)
Net cash flows from scheme activities		(52,161)	(43,623)
Receipts			
Proceeds from sale of investments		86,175	260,000
Interest received		808	976
Other		421	379
Total receipts		87,404	261,355
Payments			
Purchase of investments		-	(128,277)
Service fees		(33,945)	(41,228)
Other operating expenses		(1,463)	(4,279)
Grants and subsidies		(10,265)	(11,130)
Total payments		(45,673)	(184,914)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(10,430)	32,818
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(1,227)	(1,290)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,227)	(1,290)
NET INCREASE/(DECREASE) IN CASH		(11,657)	31,528
Opening cash and cash equivalents		20,049	38,590
CLOSING CASH AND CASH EQUIVALENTS		8,392	70,118

Comment

Cash and equivalents held at 30 June 2025 are \$61 million lower than budget due to a different opening cash position at 1 July 2024 by \$19 million, higher than expected compensation payments, lower proceeds from sale of investments offset by a lower cashflow from operating activities in particular higher levies received and lower grants and service fees paid.

Notes to the financial statements

for the year ended 30 June 2025

5.6. Related party disclosures

Key management personnel compensation

The Authority's key management personnel are the Board of Directors of icare, the Chief Executive of icare and their direct reports. Compensation for key management personnel is disclosed in the financial statements of icare. Costs for key management personnel services are included as part of the service fee paid to icare.

Key management personnel loan disclosures

The Authority has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions

There were no other transactions involving key management personnel and their interests during the reporting year.

Other New South Wales Government entities

The Authority entered into transactions with other entities that are controlled, jointly controlled or significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the entity's fees and levies and service fees.

5.7. Post balance date events

On 1 July 2025 the *Government Sector Finance Act 2018 No 55* was amended to exclude the OneFund assets of the Authority from being transferred to other statutory funds within OneFund. This amendment does not impact the value of the Authority's assets within OneFund at 30 June 2025.

- End of audited financial statements -

icare

Workers Insurance

Insurance for NSW

HBCF

Lifetime Care

Dust Diseases Care

Sporting Injuries

Sporting Injuries

Sporting Injuries financial statements

for the year ended 30 June 2025

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Statement by the Board of Directors

for the year ended 30 June 2025

Sporting Injuries Compensation Authority

Statement under Section 7.6 *Government Sector Finance Act 2018*

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* (the Act), in the opinion of the Board of Directors we state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards (which include Australian Accounting Interpretations) and the applicable requirements of the Act, the *Government Sector Finance Regulation 2024*, and the Treasurer's directions, and
- present fairly the Sporting Injuries Compensation Authority's financial position, financial performance and cash flows.

Signed on behalf of the Board of Directors of Insurance and Care NSW.



John Robertson
Chairman
Insurance and Care NSW
25 September 2025



Geniere Aplin
Chief Executive
Sporting Injuries Compensation Authority
and Insurance and Care NSW
25 September 2025



INDEPENDENT AUDITOR'S REPORT

Sporting Injuries Compensation Authority

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sporting Injuries Compensation Authority (the Authority), which comprise the statement by the Board of Directors, the statement of comprehensive income for the year ended 30 June 2025, the statement of financial position as at 30 June 2025, the statement of changes in equity and the statement of cash flows, for the year then ended, and notes to the financial statements, including material accounting policy information, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2024* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Authority's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Authority in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board's Responsibilities for the Financial Statements

The Board of Directors of Insurance and Care NSW, acting for the Authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Board of Directors' responsibility also includes such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 September 2025
SYDNEY

Statement of comprehensive income

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Gross written premium		900	852
Unearned premium movement		(17)	(11)
Gross earned premium		883	841
Hindsight adjustments		20	29
Net earned premiums (a)		903	870
Claims expense	2.2	15	(88)
Net claims expense (b)		15	(88)
Underwriting and other expenses (c)		(110)	(279)
Underwriting result (a+b+c)		808	503
Investment revenue	3.1	664	444
Levies revenue		24	27
Net result		1,496	974
Other comprehensive income			
Items that will not be reclassified to net result		-	-
Total other comprehensive income		-	-
Total comprehensive income		1,496	974

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2025

	Notes	2025 \$'000	2024 \$'000
Assets			
Cash and cash equivalents	5.1	514	654
Investments	3.2	8,985	7,739
Receivables	2.3.7	255	41
Total assets		9,754	8,434
Liabilities			
Payables	2.3.8	14	21
Unearned premiums	2.3.6.1	584	567
Outstanding claims liabilities	2.3.1	975	1,161
Total liabilities		1,573	1,749
Net assets		8,181	6,685
Equity			
Accumulated funds		8,181	6,685
Total equity		8,181	6,685

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2025

	2025 \$'000	2024 \$'000
Accumulated funds		
Balance at the beginning of financial year	6,685	5,711
Net result for the year	1,496	974
Other comprehensive income	-	-
Total other comprehensive income	-	-
Total comprehensive income for the year	1,496	974
Balance at the end of the financial year	8,181	6,685

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received		694	1,679
Claims paid		(171)	-
Net cash flow from insurance activities		523	1,679
Receipts			
Levies received		38	13
Interest received		18	29
Receipts excluding insurance activities		56	42
Payments			
Purchases of investments		(600)	(1,230)
Service fees		(119)	(265)
Payments excluding insurance activities		(719)	(1,495)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5.1	(140)	226
Opening cash and cash equivalents		654	428
CLOSING CASH AND CASH EQUIVALENTS	5.1	514	654

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2025

1. Overview

1.1. About the scheme

Sporting Injuries Compensation Authority (the Authority) is a NSW government entity. The Authority is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW total state sector accounts.

The Authority controls the Sporting Injuries Insurance Scheme. The Authority covers registered participants of sporting organisations for injury while engaged in specific activities or events. The Authority provides capital lump sum benefits for injuries that lead to a prescribed percentage of permanent loss of use or fatality.

The Sporting Injuries Compensation Authority was established on 1 September 2015 in accordance with the *Sporting Injuries Insurance Act 1978*.

icare was established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015*. Its functions include the monitoring of performance of the insurance or compensation schemes in respect of which it provides services. The Authority is one such scheme.

These financial statements for the year ended 30 June 2025 have been authorised for issue by the Chairman of the Board of icare and the Chief Executive of the Authority on behalf of the Board of Directors of icare on 25 September 2025.

1.2. Basis of preparation and material accounting policies

These financial statements are general purpose financial statements which have been prepared using the accrual basis of accounting and are in accordance with:

- requirements of the *Government Sector Finance Act 2018* and the Government Sector Finance Regulation 2024
- applicable Australian Accounting Standards (which include Australian Accounting Interpretations); and the NSW Treasurer's directions issued under the *Government Sector Finance Act 2018*.

These financial statements have been presented on a liquidity basis following receipt of an exemption from TPG 25-02 by NSW Treasury that statements are presented on a current and non-current basis.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency which is the functional currency of the reporting entity. Tables may not add in all instances due to rounding.

1.2.1. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1.2.2. Going concern basis

These financial statements have been prepared on a going concern basis.

Notes to the financial statements

for the year ended 30 June 2025

1.2.3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, key assumptions and estimations management have made are disclosed in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

In particular information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 3 and 4 – investment activities and risk management; and
- note 2.3 – outstanding claims liability; and
- note 2.3.6 - unearned premiums and unexpired risk liability.

1.2.4. Taxation

The Authority is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

1.2.5. Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous reporting period for all amounts reported in the financial statements.

1.2.6. Accounting standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting year ended 30 June 2025. The following are new Australian Accounting Standards or amendments which have been issued but are not yet effective. Discussion of their impact on financial performance and position is below.

- AASB 17 Insurance Contracts and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector.

New accounting standards and interpretations

AASB 17 Insurance Contracts (AASB 17) was issued in June 2017 and represents a fundamental change to the accounting treatment for insurance contracts. AASB 17 incorporates IFRS 17, which seeks to harmonise the accounting treatment for insurance contracts globally. This standard establishes new accounting principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held.

Australian Accounting Standard AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector was issued in December 2022 and amends AASB17 to include modifications that apply to public sector entities.

AASB 17 is effective for public sector insurers from 1 July 2026. AASB 17 will replace current accounting standards in Australia, AASB 4 (Insurance Contracts), AASB 1023 (General Insurance Contracts) and AASB 1038 (Life Insurance Contracts).

Notes to the financial statements

for the year ended 30 June 2025

1.2.6. Accounting standards issued but not yet effective (continued)

The relevant key areas of consideration under AASB 17 Insurance Contracts are set out below:

Risk adjustment:

- The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the discounted central estimate, whereas the risk margin adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk.
- The risk adjustment is expected to be calculated using a confidence interval approach, leveraging the historical methodology for risk margin calculation, modified to exclude financial risks. Given this the financial impact of using a risk adjustment under AASB 17 to the risk margin used under AASB 1023 is expected to be immaterial.

Discounting:

- AASB 1023 requires the central estimate of outstanding claims to be discounted using risk-free rates. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and the financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used.

- It is expected that the Authority will apply a bottom-up approach which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, which will result in higher discount rates relative to current requirements. Given this the impact of applying an illiquidity premium required under AASB 17 to the risk-free rate used under AASB 1023 will result in a release of the Authority's claims liabilities.

Transition arrangements

- The Authority will apply the full retrospective approach at transition on 1 July 2026. This means that any impacts of the transition to AASB 17 will be reflected as a change in equity at 1 July 2025.

The Authority has commenced an implementation project to ensure that it will be able to meet the requirements of AASB 17. This project has been largely completed and will allow the Authority to have 1 full year of parallel run before the commencement of AASB 17 on 1 July 2026. The Authority will continue to assess the impact of the new requirements and emerging industry guidance on financial statements.

Notes to the financial statements

for the year ended 30 June 2025

2. Underwriting activities

Overview

This section provides analysis and commentary on the Authority's underwriting activities.

Underwriting, in simple terms, is the agreement by the insurer to assume insurance risk in return for a premium paid by the insured. The underwriter assesses the quality of the risk and prices accordingly.

2.1. Premiums

Premiums of the Sporting Injuries Insurance Scheme comprise amounts charged to sporting organisations declared to be members of the scheme. Premiums are assessed on an estimate of the number of participants expected to register for the sporting year and on completion of that year adjustments are made in accordance with actual registrations.

Premium income is treated as earned from the date of attachment of risk. The earned portion of premiums received or receivable relating to the financial year is recognised as income.

2.2. Claims expense

Overview

The largest expense for the Authority is claims, which are the sum of:

- the movement in the outstanding claims liability (note 2.3) which is the difference between the outstanding claims liability at the beginning and the end of the financial year; and
- any claim payments made during the financial year; and
- the movement in the unexpired risk liability (note 2.3.6); and
- any compensation expenses made during the financial year.

This comprises of what is estimated by the Authority's actuary at 30 June 2025 as being the movement in the amount require to meet the cost of claims reported but not yet paid and claims incurred but which have not yet been reported.

Notes to the financial statements

for the year ended 30 June 2025

2.2. Claims expense (continued)

The Sporting Injuries Insurance Scheme does not have any recoveries.

	2025 \$'000	2024 \$'000
Claims paid	171	-
Finance costs	38	34
Other movements in claims liabilities	(224)	54
Claims expense	(15)	88

	2025			2024
	Current year \$'000	Prior years \$'000	Total \$'000	Total \$'000
Direct business				
Gross claims incurred and related expenses – undiscounted	443	(482)	(39)	94
Discount and discount movement – gross claims incurred	(20)	44	24	(6)
Claims incurred	423	(438)	(15)	88

Notes to the financial statements

for the year ended 30 June 2025

2.3. Outstanding claims liability

Overview

The outstanding claims liability comprise the elements described below:

- The central estimate. This is the provision for expected future claims payments and includes claims reported but not yet paid, claims incurred but which have not yet been reported (IBNR), claims incurred but not enough reported (known as IBNER) and estimated claims handling costs.
- Less an amount to reflect the discount to present value using risk-free rates of return. The central estimate is discounted to present value recognising that the claim or recovery may not be settled for some time. The discount rate represents a risk-free rate derived from market yields on Commonwealth government bonds.
- Plus a risk margin (note 2.3.2). A risk margin is added to reflect the inherent uncertainty in the discounted central estimate of outstanding claims and increase the probability that the reserves will ultimately turn out to be adequate.

2.3.1. Discounted outstanding claims

Overview

The overall outstanding claims liability of the Authority is calculated by the Authority's actuary using a range of recognised actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny. The expected future payments are estimated based on the ultimate cost of the settling of claims (including claims handling expenses), which is affected by factors arising during the period to settlement.

The provision for claims handling expenses is calculated as a percentage of the gross outstanding claims central estimate to recognise the ultimate expense of managing outstanding claims until they are finalised and closed. The percentage for claims handling expenses is 35% (2024 35%).

	2025 \$'000	2024 \$'000
Expected future gross claims payments	528	638
Gross claims handling	185	223
Gross risk margin	315	378
Gross outstanding claims liabilities	1,028	1,239
Discount on central estimate	(27)	(40)
Discount on claims handling expenses	(10)	(14)
Discount on risk margin	(16)	(24)
Total discount on claims liabilities	(53)	(78)
Outstanding claims	975	1,161

Notes to the financial statements

for the year ended 30 June 2025

2.3.1 Discounted outstanding claims (continued)

The table below analyses the movement in the outstanding claims liability.

	2025 \$'000	2024 \$'000
Opening balance	1,161	1,073
Discount unwind	38	34
Expected claim payments (prior years only)	(316)	(307)
CHE on expected claim payments (prior years only)	(111)	(92)
Release of risk margin on claim payments (prior years only)	(187)	(181)
Adjustment arising from change in (prior years only):		
- Actuarial assumptions*	(40)	103
- Discount rates	6	(3)
- Risk margins	1	(7)
Outstanding claims in current year	423	541
Outstanding claims	975	1,161
* Breakdown of actuarial assumptions		
Actual vs expected payments	141	301
Change in experience	(73)	(171)
Change in actuarial assumptions	(108)	(50)
Change in CHE	-	23
	(40)	103

Notes to the financial statements

for the year ended 30 June 2025

2.3.2. Risk margin

Overview

A risk margin is adopted by the Board based on advice from the Authority’s actuary to reflect the inherent uncertainty in the discounted central estimate of the outstanding claims liability.

The risk margin and the discounted central estimate are key inputs in the determination of the probability of adequacy, which is a statistical measure of the relative adequacy of the outstanding claims liability to ultimately be able to pay claims. For example, a 75% probability of adequacy indicates that the discounted outstanding claim liability is expected to be adequate seven and a half years in 10.

The assumptions regarding uncertainty were applied to the central estimates and claims handling expenses of the liability for the Sporting Injuries Insurance Scheme only and are intended to result in a 75% probability of adequacy. The overall risk margin applied is 44.1% (2024 43.9%).

2.3.3. Actuarial assumptions

Overview

The variables used in determining the scheme’s outstanding claim liabilities were:

	2025 \$'000	2024 \$'000
Claims handling expense ratio	35%	35%
Discount rate	5.45%	6.68%
Inflation	0%	0%
Superimposed inflation	0%	0%

- Claims handling expense assumptions have been expressed as a claim cost as a percentage of claim payments. The expected cost to settle future claims has been applied to the projected payments to estimate the outstanding claims handling expense liability.
- Discount rates are derived from market yields on Commonwealth Government securities.
- No allowance has been made for future claims inflation. Past claims are fixed by the benefit schedules as specified by the *Sporting Injuries Insurance Act*.
- Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wages or CPI inflation. As the benefits are fixed by legislation, the Authority has not made an allowance for superimposed inflation. Hence to the extent that they are present in the historic experience, the valuation methodology makes an implicit allowance for superimposed inflation in claims cost.

Notes to the financial statements

for the year ended 30 June 2025

2.3.4. Impact of changes in key variables on the outstanding claims liability

Overview

Sensitivity analysis is conducted by the Authority's actuaries on each key underlying variable to measure the change in outstanding claims liability estimate that would result from a change in the assumptions whilst holding all other variables constant.

The impact of changes in key variables is summarised in the table below.

	Movement in variable	2025 impact on net result \$'000	2025 impact on liabilities \$'000
Claims handling expenses	5%	(36)	36
Claims handling expenses	(5%)	36	(36)
Discount rate	1%	14	(14)
Discount rate	(1%)	(15)	15

	Movement in variable	2024 Impact on net result \$'000	2024 impact on liabilities \$'000
Claims handling expenses	5%	(43)	43
Claims handling expenses	(5%)	43	(43)
Discount rate	1%	17	(17)
Discount rate	(1%)	(17)	17

The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 1.53 years for the Authority (2024: 1.52 years).

Notes to the financial statements

for the year ended 30 June 2025

2.3.5. Claims development

Overview

The estimate of ultimate claim costs may vary over time due to new available claim information or external factors such as economic environment and legislative changes. The following table shows the development of the ultimate claim cost estimates for the most recent accident years for the Authority.

Accident year	2016 & prior \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	Total \$'000
Estimate of ultimate claims cost											
At end of accident year	-	736	298	420	159	172	332	298	295	228	2,938
One year later	15,783	741	404	401	99	144	87	167	236		18,062
Two years later	15,739	658	314	456	171	76	64	111			17,589
Three years later	15,556	591	341	380	91	44	53				17,056
Four years later	15,480	538	293	384	56	48					16,799
Five years later	15,474	522	275	372	43						16,686
Six years later	15,462	509	267	365							16,603
Seven years later	15,411	502	260								16,173
Eight years later	15,397	489									15,886
Nine years later	15,392										15,392
Current estimate of cumulative claims cost	15,392	489	260	365	43	48	53	111	236	228	17,225
Cumulative payments	15,391	489	249	350	19	28	-	-	171	-	16,697
Outstanding claims – undiscounted											528
Discount											(26)
Claims handling expenses											175
Net outstanding claims excluding risk margin											677
Risk margin											298
Outstanding claims liability											975

Notes to the financial statements

for the year ended 30 June 2025

2.3.6. Unearned premium and unexpired risk liability

Overview

Unearned premium

Gross written premium is earned in profit or loss in accordance with the pattern of incidence of risk of the related business. The unearned premium liability is that portion of gross written premium that the Authority has not yet earned in profit or loss as it represents insurance coverage to be provided by the Authority after the balance date.

Unexpired risk liability

At the balance date, the Authority recognises a liability in respect of outstanding claims and assesses the adequacy of its unearned premium liability. As required under AASB 1023 *General Insurance Contracts*, a Liability Adequacy Test is undertaken to determine the adequacy of the unearned premium liability against current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts. An additional risk margin is included to consider the inherent uncertainty in the central estimate.

If the assessment shows the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the statement of comprehensive income by firstly writing down the deferred acquisition cost. If an additional liability is required, this is recognised in the statement of financial position as an unexpired risk liability.

Based on current estimates of the present value of expected future claims and related claims handling costs, including a risk margin, the unearned premium liability was assessed to be adequate. As a result, no unexpired risk liability was required to be recognised in the statement of financial position (2024 nil).

	2025 \$'000	2024 \$'000
Unearned premium income	584	567
Premium liability	584	567

Notes to the financial statements

for the year ended 30 June 2025

2.3.6.1. Reconciliation of unearned premiums

A reconciliation of the carrying amount of unearned premiums at the beginning and end of the reporting periods is set out below.

	2025 \$'000	2024 \$'000
At 1 July		
Net carrying amount at start of year	567	556
Deferral of premiums written in current year	920	881
Premiums earned during the year	(903)	(870)
At 30 June	584	567

2.3.7. Trade and other receivables

Overview

The Authority has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

Details regarding credit risk, liquidity risk, and market risk, including financial assets that are either past due or impaired, are disclosed in note 4.

All receivables are due in less than 12 months.

	2025 \$'000	2024 \$'000
Premiums receivable	255	29
Injury prevention levies	-	14
Impairment of receivables	-	(2)
Total receivables	255	41

Notes to the financial statements

for the year ended 30 June 2025

2.3.8. Trade and other payables

Overview

Details regarding credit risk, liquidity risk, and market risk, including a maturity analysis of the above payables are disclosed in note 4.

	2025 \$'000	2024 \$'000
Unearned injury prevention levies	2	2
Service fees payable	10	18
GST payable	2	1
Total payables	14	21

3. Investment activities

Overview

Investments in NSW Treasury Corporation's Funds (TCorpIM Funds) and the managed asset portfolio are designated as fair value through profit or loss. The investments within SICA funds are unit holdings. The value of the funds is based on the Authority's share of the value of the underlying assets of the fund, based on their market value. All funds are valued at redemption price.

The fair value quoted market price for similar instruments and the underlying value are provided by the investment manager, TCorp.

The movement in the fair value of the funds incorporates distributions received as well as realised and unrealised movements in fair value and is reported as investment revenue in the statement of comprehensive income.

Purchases or sales of investments are recognised on the trade date i.e. the date the entity commits itself to purchase or sell the asset.

Refer to note 4 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial assets at fair value.

All investments are held to back insurance liabilities. As part of its investment strategy the Authority actively manages its investment portfolio to ensure that investment liquidity is in accordance with the expected pattern of future cash flows arising from insurance liabilities.

Notes to the financial statements

for the year ended 30 June 2025

3.1. Investment income

Overview

Gains and losses on investments includes realised and unrealised changes in the fair value of financial assets at fair value through profit or loss.

Distribution income is recognised when the Authority's right to receive payments is established.

	2025 \$'000	2024 \$'000
Distributions	688	66
Interest income other	18	29
Unrealised gains /(losses)	(42)	349
Total investment income	664	444

3.2. Investment assets

	2025 \$'000	2024 \$'000
TCorpIM funds	8,985	7,739
Total financial assets at fair value	8,985	7,739

All investments are held to fund outstanding claims liabilities.

Details regarding credit risk, liquidity risk, and market risk on investments are disclosed in Note 4.

Notes to the financial statements

for the year ended 30 June 2025

3.3. Fair value estimation

Overview

The Authority uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – derived from quoted prices in active markets for identical assets / liabilities that the entity can access at measurement date.
- Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 – derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2025				
Financial assets at fair value				
TCorpIM funds	-	8,985	-	8,985
Total	-	8,985	-	8,985
2024				
Financial assets at fair value				
TCorpIM funds	-	7,739	-	7,739
Total	-	7,739	-	7,739

The tables above include only financial assets, as no financial liabilities were measured at fair value in the statement of financial position.

The value of the Investments is based on the entity's share of the value of the underlying assets of the fund, based on the market value. All facilities are valued using redemption pricing.

Transfer between levels

The Authority recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the transfer occurred. There were no transfers during the year ending 30 June 2025 (2024 - nil).

Notes to the financial statements

for the year ended 30 June 2025

4. Risk management

Overview

The Authority applies a consistent and integrated approach to enterprise risk management. The Authority operates within icare's Risk Management Framework which sets out the approach to managing key risks and meeting strategic objectives. The Risk Management Framework is approved annually by the icare Board.

The Board is ultimately accountable for identifying and managing risk, including financial risk. This is done through the establishment of holistic strategies and policies where risk management is considered.

Key aspects of icare's Risk Management Framework include, risk appetite, governance, risk reporting and insights, modelling and stress testing, management, monitoring and culture.

Risk management is a continuous process and an integral part of robust business management. The Authority's approach is to integrate risk management into the broader management processes of the organisation. It is the Authority's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

The key risk categories used by the Authority to classify financial risk:

- insurance risk (note 4.1)
- market risk (note 4.2)
- interest rate risk (note 4.3)
- other price risk (note 4.4)
- liquidity risk (note 4.5)
- credit risk (note 4.6).

NSW Treasury Corporation (TCorp) has been appointed to provide investment management, advisory and administration services to icare managed investment funds. TCorp is engaged through a Master Financial Services Agreement (MFSA) which details, amongst other things, the service and reporting provisions. Service levels and compliance to the MFSA are monitored through icare's organisational performance team. Ministerial Orders that were introduced in December 2016 outline the key responsibilities of TCorp including, yet not limited to, the appointment of investment managers and service providers such as the custodian, in addition to TCorp's role as prime advisor to icare. The Authority's principal financial instruments are outlined below. These financial instruments arise directly from the Authority's operations and are required to finance these operations.

The Authority does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

The main purpose of these financial instruments is to derive income and investment gains which are used to fund insurance liabilities.

Notes to the financial statements

for the year ended 30 June 2025

4. Risk management (continued)

Financial instrument categories

	Note	Category	2025 \$'000	2024 \$'000
Cash and cash equivalents	5.1	Amortised cost	514	654
Receivables*	2.3.7	Amortised cost	255	29
Investments	3.2	At fair value through profit or loss	8,985	7,739
Financial liabilities				
Payables**	2.3.8	Amortised cost	10	18

* Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7).

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

4.1. Insurance risk

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claim settlements, relative to expectations. Key drivers of insurance risk include natural or man-made catastrophic events, pricing - underwriting, reserving and insurance claims.

4.2. Market risk

Market risk is the variability in the value of an investment or the assessed fair value of a financial instrument because of changes in market prices. Market risk is a systemic risk that reflects factors affecting all similar investments or financial instruments traded in the market.

The Authority is exposed to market risk because of holding various investments and financial instruments that support the operation of its business.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk (refer notes 4.3 and 4.4). A reasonably possible change in risk variable has been determined after considering the economic environment in which the Authority operates and the time frame for the assessment (i.e. until the end of the next annual reporting year).

Notes to the financial statements

for the year ended 30 June 2025

4.3. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to interest rate risk arises primarily through the Authority's cash deposits held at other financial institutions. TCorp manages the portfolio to agreed benchmarks to minimise the fair value interest rate risk.

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the operating result and equity of the Authority. A reasonably possible change of +/- 1 % is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last 5 years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	Carrying Amount \$'000	-1% profit \$'000	-1% equity \$'000	+1% profit \$'000	+1% equity \$'000
2025					
Cash and cash equivalents	514	(5)	(5)	5	5
2024					
Cash and cash equivalents	654	(7)	(7)	7	7

Notes to the financial statements

for the year ended 30 June 2025

4.4. Other price risk

Exposure to other price risk primarily arises through the investment in the TCorpIM funds which are held for strategic rather than trading purposes. The Authority has no direct equity investments. The Authority holds units in the following fund:

TCorpIM fund	Investment section	Investment horizon	2025 \$'000	2024 \$'000
TCorpIM Medium-Term Growth Fund	Australian Equities, Developed Market Equities, Liquid Credit, Illiquid Credit, Australian Nominal Bonds, Australian Inflation-Linked Bonds, Core Alternatives, Defensive Alternatives, Opportunistic, Cash, Foreign Currency, Emerging Market Equities and other derivatives strategies.	5+ years	8,985	7,739

The unit price of each fund is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

TCorp as trustee for each of the above funds is required to act in the best interest of the unit holders and to administer the funds in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each fund in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM funds. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the funds limits the Authority's exposure to risk, as it allows diversification across a pool of funds, with different investment horizons.

Notes to the financial statements

for the year ended 30 June 2025

4.4 Other price risk (continued)

The funds are mandatorily managed at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). TCorp provides sensitivity analysis information for each of the investment funds, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price at 30 June each year for each fund.

TCorpIM fund		Change in unit price 2025%	Impact on net result 2025 \$'000	Change in unit price 2024%	Impact on net result 2024 \$'000
TCorpIM Medium-Term Growth Fund	+/-	10	899	10	774

4.5. Liquidity risk

Liquidity risk is the risk of insufficient liquid assets to meet liabilities as they fall due. The Authority's liquidity risk arises due to the nature of insurance activities where the timing and amount of cash outflows are uncertain.

The Authority continuously manages risk through monitoring of future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility using overdrafts, loans and other advances, if applicable.

The Authority does not have any loans payable and no assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether invoiced or not. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TPG25-04 NSW Government Faster Payment Terms Policy.

The table below summarises the maturity profile of the Authority's financial liabilities, together with the interest rate exposure.

Notes to the financial statements

for the year ended 30 June 2025

4.5. Liquidity risk (continued)

Maturity analysis and interest rate exposure of financial liabilities

Weighted average effective interest rate		Nominal amount*	Interest rate exposure			Maturity dates		
		\$'000	\$'000			\$'000		
	%	\$'000	Fixed rate \$'000	Variable rate \$'000	Non-interest bearing \$'000	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2025								
Payables	N/A	10	-	-	10	10	-	-
2024								
Payables	N/A	18	-	-	18	18	-	-

* The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Authority can be required to pay. The tables include both interest (if applicable) and principal cash flows and therefore may not reconcile to the statement of financial position.

4.6. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises from the financial assets of the Authority, which comprise cash and cash equivalents, receivables and financial assets at fair value. No collateral is held by the Authority. The Authority has not granted any financial guarantees. The Authority's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at balance date.

Financial assets and liabilities arising from insurance contracts are stated in the statement of financial position at the amount that best represents the maximum credit risk exposure at balance date.

The Authority's exposure to credit risk is minimal.

Notes to the financial statements

for the year ended 30 June 2025

4.6.1. Cash

Cash comprises cash on hand and term deposits with a maturity of less than 3 months and bank balances within the NSW Treasury banking system. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

4.6.2. Receivables – trade debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures have been established to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Authority will not be able to collect the amount due. This evidence includes experience, and current and expected changes in economic conditions and debtor credit ratings.

No debtors were considered impaired at 30 June 2025 (2024- \$2,000).

There are no debtors past due or impaired whose terms have been re-negotiated.

4.6.3. Financial assets at fair value

Financial assets at fair value include investments in TCorpIM Medium-Term Growth Fund. The investments within the fund are unit holdings, and as such do not give rise to credit risk. Credit risk within the funds is managed by ensuring there is a wide spread of risks. TCorp, as trustee, contracts with specialist investment managers and requires the mandates to include a series of controls over the concentration and credit quality of assets.

Notes to the financial statements

for the year ended 30 June 2025

5. Other

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards.

5.1. Cash and cash equivalents

Overview

The cashflow statement reflects actual cashflow movements in the fund and not the movements in the underlying investment portfolios within the fund.

	2025 \$'000	2024 \$'000
Cash at bank	514	654
	514	654

Refer to note 4 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

Reconciliation of net cash flows from operating activities to net result

	2025 \$'000	2024 \$'000
Net cashflows from operating activities	(140)	226
Increase/(decrease) in investments	1,246	1,645
Increase/(decrease) in receivables	214	(878)
Decrease/(increase) in payables	7	80
Decrease/(increase) in unearned premium income	(17)	(11)
Decrease/(increase) in provisions for outstanding claims	186	(88)
Net result	1,496	974

Notes to the financial statements

for the year ended 30 June 2025

5.2. Related party transactions

Key management personnel compensation

The Authority's key management personnel are the Board of Directors of icare, the Chief Executive of icare and their direct reports. Compensation for key management personnel is disclosed in the financial statements of icare. Costs for key management personnel services are included as part of the service fee paid to icare.

Key management personnel loan disclosures

The Authority has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions

There were no other transactions involving key management personnel and their interests during the reporting year.

Other NSW Government entities

The Authority entered transactions with other entities that are controlled, jointly controlled or significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the entity's service fees that are part of Underwriting and other expenses.

5.3. Contingent liabilities and contingent assets

The Authority does not have any contingent liabilities or assets at reporting date.

5.4. Post balance date events

The Authority has not identified any subsequent events that would require financial statements or other disclosures to be adjusted.

- End of audited financial statements -

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Financials

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