



Mr Chris Koutoulas
Acting Director of Claims
Safety, Return to Work and Support Division
WorkCover NSW
Level 9
383 Kent St
SYDNEY NSW 2000

14 April 2014

Dear Chris,

Potential Impact of Goudappel v ADCO Constructions Pty Ltd decision

You have asked me to estimate the impact that the Goudappel v ADCO Constructions Pty Ltd decision would have on the Scheme in terms of:

- The number of claims that are eligible for Section 66 benefits; and
- The financial impact on the outstanding claims liability as at 31 December 2013.

It is important to recognise that there is considerable uncertainty associated with the impact results contained in this letter. They should be considered more as indicative of the magnitude of the possible cost impact rather than being precise.

Impact as at 31 December 2013

The impact will be a combination of:

- The future projection of Section 66 benefits in respect of claims with WPI of 10% or less as at 31 December 2013; plus
- The payments made since 30 June 2012 in respect of claims with WPI of 10% or less; less
- The future projection of Section 66 benefits in respect of claims with WPI of 10% or less as at 30 June 2012.

In each case, this is in respect of injuries prior to 30 June 2012.

This is highlighted in the table below.

Item	Number of Payments	Cost \$m
Future payments after 31-Dec-13	14,398	355.2
plus Payments since 30-Jun-12	3,682	102.5
less Estimated run-off without Goudappel from Jun-12 valuation	4,818	111.5
Total	13,262	346.3

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Based on the December 2013 valuation, I estimate that 13,262 claims would be eligible for Section 66 benefits as a result of the Goudappel decision.

I note that the Goudappel decision also means that claims with injuries prior to 30 June 2012 can pursue Section 67 benefits if eligible. I estimate that 16,008 claims would be eligible for Section 67 benefits.

As shown in the table, the allowance for the Goudappel decision increased the outstanding claims liability as at 31 December 2013 (in inflated and discounted values) by \$346.3m. The estimated cost includes the impact on Section 67 benefits and legal payments associated with Section 66/67 benefits.

We had previously provided advice on this topic "*Post balance date event – S66 Determination (Goudappel v ADCO Constructions Pty Ltd)*" dated 6 June 2013. The previous estimate of the impact was \$450.8m. The reduction in the estimated impact of Goudappel is the result of more accurate modelling of claim numbers with WPI of 10% or less and the incorporation of experience from the last 18 months.

If I can be of any further assistance in this matter please let me know.

Yours sincerely,

A handwritten signature in black ink that reads "Michael Playford". The signature is written in a cursive, flowing style.

Michael Playford FIAA
Partner