

2024/25

Second Quarterly Performance Report

December 2024



He Kaupare. He Manaaki. He Whakaora.
Prevention. Care. Recovery.

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How to read this report

This report provides a summary of performance for the 2024/25 financial year. Quarterly reports should be read in conjunction with the Service Agreement, Statement of Intent, and the reports of any preceding quarters for additional context on performance.

The quarterly report details results against the measures included in the Service Agreement 2024/25, updates on key initiatives, financial performance and any significant trends, risks or issues that impacted performance.

Performance Summary

Ensuring the long-term financial sustainability of the Scheme, through improved rehabilitation performance and management of cost-pressure, is a priority for ACC. Following improvements seen in the first quarter, second quarter results suggest that rehabilitation performance is stabilising as a result of changes to ACC's case management approach. At the end of the second quarter, confidence is increasing that we will achieve the majority of our Service Agreement 2024/25 targets with the at-risk measure being Growth rate of the long-term claims pool. For four other measures achieving target is not certain. These are discussed further in the document.

Short-term rehabilitation performance results stabilised over the quarter, with expected seasonal variation in December. As a result, the average weekly compensation days paid measure, our key short term rehabilitation result, remained largely stable. Current performance levels remain better than the trajectory required to meet the year-end target of 73.5 days.

Long-term rehabilitation performance remains under pressure but is stable compared to the previous quarter. The growth rate of the long-term claims pool is currently higher than expected and achieving our year-end target is at risk. Stabilising performance for our long-term clients is a primary focus for the organisation, with the benefits of the new Integrated Recovery team expected to start impacting this measure in the second half of the performance year.

New claim volumes (both registered and weekly compensation) continue to grow, following seasonal patterns. Growth rates are higher than assumed in the budget for 2024/25. Our forecasts, using the latest (October 2024) macroeconomic factors, suggest this will continue over the course of the year.

As part of our focus on sustainably and appropriately improving rehabilitation performance, we have been growing our client-facing workforce to enable more one-to-one case management for clients receiving weekly compensation. Despite high levels of claim volumes, most key case management activities at the aggregate level are seeing improved results. This is supporting the stabilisation in short-term rehabilitation performance.

Public Trust and Confidence (total and for Māori) remains high and stable despite an increase in negative media coverage during the quarter. Client and Māori client satisfaction results have held their recent improved positions as a result of positive shifts to many aspects of case management that impact the client experience.

Our return on investment for injury prevention also remains on track. There are three initiatives progressing through our pipeline that are expected to have positive impacts on injury rates in future periods.

Year-to-date, investment returns of 5.52% (after costs) is 0.69% below benchmark and the result of underweight positions to the US tech and automotive stocks within Global Equities. Despite this, investment income of \$2.7 billion is \$1.2 billion higher than expected.

The year-to-date operating result is a \$850 million surplus, \$1,112 million favourable to budget, mainly driven by higher investment income and economic impacts on the Outstanding Claims Liability (OCL). This is partially offset by higher than budget claims costs of \$151m, largely driven by weekly compensation costs. There has been an increase in large, backdated payments associated with recent Court of Appeal rulings.

Year-to-date the OCL has increased by \$1.6 billion to \$61.8 billion. Key components to this movement include a decrease in the OCL by \$0.7 billion largely driven by an increase in discount rates. We are also recognising OCL strain from an increase in care rates paid, higher claim volumes and care hours of \$0.5 billion, 54% of which ACC has some influence over. There is also an expected increase in OCL of \$1.8 billion primarily due to new claims coming onto the Scheme, and existing claims being paid or exiting the Scheme.

The outcome of the Care and support workers' pay equity settlement represents a significant risk to the OCL, potentially \$3.0 billion strain. This is based on the large proposed pay increase and reliance ACC has on these workers to deliver care, particularly for seriously injured clients. The settlement has been delayed.

Looking forward

We have developed a Financial Sustainability Action Plan (Action Plan) outlining operational initiatives to deliver cost reductions in the short to medium-term and thereby improve financial performance and Scheme sustainability. This Action Plan supports delivery of our strategic priority to improve rehabilitation performance. It is also designed to deliver cost reductions through two key operational levers: claims management and the application of Scheme boundaries.

This Action Plan includes existing and new initiatives that will enable us to stabilise and subsequently improve rehabilitation performance and deliver cost savings within the current financial year and beyond. We anticipate an ongoing programme of initiatives that continues into 2025/26 and beyond.

To sustainably address performance challenges longer-term, we recognise the need for a more fundamental shift in ACC's claims management approach. This includes changes to our case management model and more effective use of health commissioning as a performance and cost management lever. In addition, improvements to our injury prevention approach will support improved Scheme outcomes and reduced costs.

Key Performance Measures

December 2024

Mana Taurite | Equity

MEASURE	RESULT	TARGET	OUTLOOK 2024/25	PAGE
Claim lodgement rate for Māori Number of claims per 1,000 population	273.5	>272.4	G	04

Oranga Whānau | Safe & Resilient Communities

MEASURE	RESULT	TARGET	OUTLOOK 2024/25	PAGE
Return to independence for those not in the workforce	80.9%	82.0%	A	11
Average weekly compensation days paid (<1 year) (Total)	73.0 days	73.5 days	G	11
Sustained return to work rate	66%	Baseline established	G	11
Growth rate of the long-term claims pool	14.8%	10.5%	A	11
Injury prevention return on investment	\$1.87	\$1.75 to \$1.95	G	12

Key to tables

2024/25 Outlook

- G** Tracking to meet or better than target.
- A** Achieving target at year end is not certain.
- R** Low probability of meeting target at year end.

Ringa Atawhai | Guardianship

MEASURE	RESULT	TARGET	OUTLOOK 2024/25	PAGE
New year costs movement excluding legislation and policy changes	+0.1% (\$11m)	+/- 1%	A	08
Actuarial movement (influenceable)	+0.4% (\$268m)	+/- 1%	A	08
Investments performance after costs relative to benchmarks	-0.69%	+0.15%	A	08
Percentage of total expenditure paid directly to clients or for services to clients	91.0%	90.6%	G	08
Public trust and confidence	61%	57%	G	06

Organisational Excellence

MEASURE	RESULT	TARGET	OUTLOOK 2024/25	PAGE
Employee engagement	4.14	4.00	G	14
Number of privacy breaches	2	<11	G	14
Overall operational system availability	99.9%	99.8%	G	14
Reduction in corporate emissions	42%	21%	G	14
Reduction in carbon intensity of the global equity portfolio	62% (JUNE 2024)	60%	G	14

Mana Taurite | Equity

MEASURE	RESULT	BUDGET / TARGET	OUTLOOK 2024/25
New claims registered	2,082,668	2,077,274	
Growth rate	4.0%	2.0%	
New Weekly Compensation claims	107,449	107,804	
Growth rate	5.7%	1.8%	

Claim lodgement rate for Māori 273.5 >272.4 G
 Number of claims per 1,000 population

- New claim volumes (both registered and weekly compensation) reflect new claims received in the 12 months to 31 December 2024. This is compared to the Budget which reflects what we forecast volumes to be for the 12 months to 30 June 2025.
- Volumes are tracking ahead of where we forecast to be at this point in the year. How we finish relative to Budget will depend on volumes over the coming two quarters.
- There were ~80,000 more new claims registered in the last 12 months, than the previous 12 months. This reflects a 4.0% annual growth rate.
- There were ~6,000 more new weekly compensation claims in the last 12 months, than the previous 12 months. This reflects a 5.7% growth rate.
- The claim lodgement rate for Māori clients increased slightly this quarter to 273.5. This is an increase of 2.5 claims per 1,000 population over the past 12 months. In comparison, the increase for non-Māori is 16.1 per 1,000.
- Growth of new claims is largely driven by movements in macro-economic factors. The number of new claims, particularly the number of new weekly compensation claims, is a key driver of Scheme performance. There is strong correlation between claim volume growth and four key drivers:
 - Population — as the population increases, so does the number of claims.
 - GDP (gross domestic product) — an increase in the rate of GDP growth will increase the rate of new claims growth.
 - Unemployment — with lower unemployment, claim numbers tend to increase.
 - Distance driven — motor vehicle claim volumes increase as total distance travelled increases.

- Claim volume forecasts are based on these drivers and are used to ensure we can respond to the anticipated demand for our services. Our ability to achieve performance targets is affected if actual claim volumes differ significantly from our forecast claim volumes. Increasing claim volumes exacerbates workload pressures on our client-facing teams.
- Using the latest macro-economic forecasts, we updated our claim volumes forecasts in October 2024. The 2024/25 forecast growth rates for both new claims registered (2.5%) and new weekly compensation claims (4.3%) indicate increased growth rates. We will update the claim volumes forecast in February, using the latest available macro-economic forecasts from Treasury.

New registered claims compared to budget – Rolling 12-months



New weekly compensation claims compared to budget – Rolling 12-months



Mana Taurite | Equity

KEY ACTIVITY

Activity to deliver on our Mana Taurite | Equity dual-framed goal includes:

Hāpai: *A culturally responsive case management experience for Māori clients and their whānau.*

- Hāpai is offered to physical injury clients in our Supported and Partnered Recovery Teams. Using a Te Ao Māori approach to rehabilitation, Hāpai aims to improve the experience and outcomes of Māori clients by providing the option of an experience-based case management service grounded in Tikanga.
- Supporting indicators show Hāpai is accessed by and supporting those that are often underserved. We are also developing experience type measures.

Increasing partnerships with Māori: *Building, strengthening, and maintaining sustainable and mutually beneficial partnerships with Iwi, Hapū, Marae, small to medium Māori enterprises and Ahu Whenua Trusts taking a regional approach.*

- We have committed to work with Iwi to establish formalised partnership agreements through Ki Tua. This will improve scheme access and experience for Māori. Each agreement is tailored to meet the needs of individual iwi based on the regional data collected through environmental scans.
- We currently have two signed partnerships, one with Te Nehenehenui and one with Waikato-Tainui. Workplans to establish these relationships and included services are being developed.

Rongoā Māori Services: *Services providing clients of all ethnicities the opportunity to access care that aligns with traditional Māori healing and care activities.*

- We are implementing a contracted service for Rongoā to improve the quality and safety of care for clients who use the service. A Rongoā contract will open for applications in the fourth quarter. It is expected the new contracted service will go live in 2025/26.

Improving measurement: *Increasing our understanding of access including disparities, barriers, and the causes of barriers to access for Māori and identified populations.*

- We have developed a set of enterprise-wide Mana Taurite | Equity measures mapped to the injury prevention, access, experience and outcomes components of ACC, Huakina Te Rā, and ACC's Performance Framework.
- The inaugural annual Accident Compensation Scheme Access Report will be published in the third quarter. The Report identifies the research required to investigate barriers and causes of barriers for specific cohorts of Māori, Pacific people, Asian people and disabled people who we know face additional challenges to accessing the health system and the Scheme
- We have worked with Stats NZ and the Ministry of Health to include an injury question in the New Zealand Health Survey (NZHS). We expect to collect injury prevalence data in 2025/26 and report findings in 2027. This will allow us to compare injury prevalence with claims data to determine who (at a population level) is injured but not accessing the Scheme.

Strengthening our cultural capability: *Developing cultural capability following a cohesive and integrated programme of work, linked to strategy and identified business needs.*

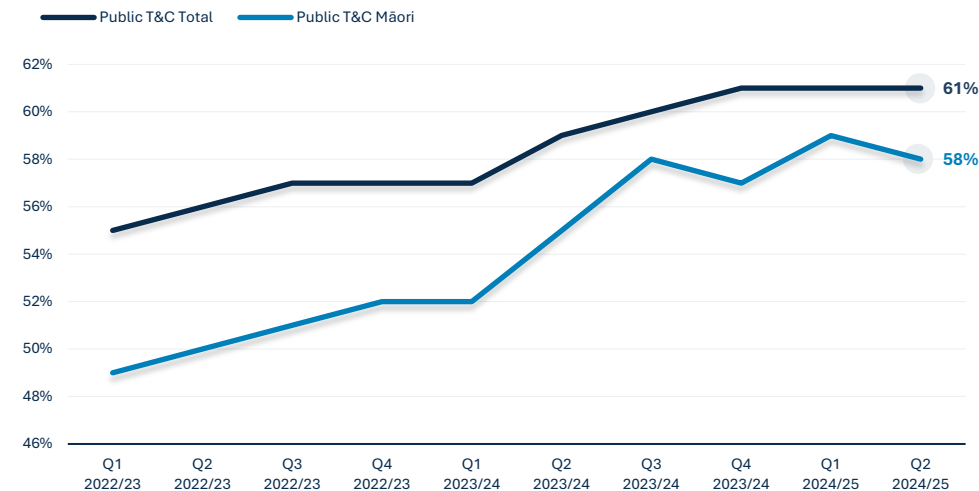
- Te Pae Moana is ACC's Tangata Whenua capability framework, supporting all our people to strengthen Māori cultural capability in alignment with He Mahere Rautaki - ACC's Māori Cultural Capability Roadmap. Te Pae Moana framework has provided a consolidated approach to identify and build individual and collective Māori cultural capability across ACC.

Ringa Atawhai | Guardianship

MEASURE	RESULT	TARGET	OUTLOOK 2024/25
Public trust and confidence	61%	57%	G

- General public trust and confidence in ACC remains at the highest level seen to date at 61%. Māori public trust and confidence declined slightly but overall is in a stable and high position.
- These results continue to be impacted by several factors, including the level of engagement activity in the market to improve awareness and understanding, and to support increased access to the Scheme.
- This quarter, several of ACC’s campaigns were consistently in the market. This includes ACC’s injury prevention behaviour change campaign, *Have a Hmmm*. In addition our broad engagement campaign aims to raise awareness of prevention, care, and recovery services. *Kia Mahea Kia Puāwai* focuses on improving awareness, understanding, and access for Māori audiences and was also in market.
- Holding these strong results is positive given there was an increase in negative media coverage this quarter, including widespread coverage of ACC’s 2023/24 financial results, the impact of the TN Court of Appeal decision on the OCL, and the Government’s decision to increase levies and commission an independent review of aspects of ACC’s performance.

Public trust and confidence

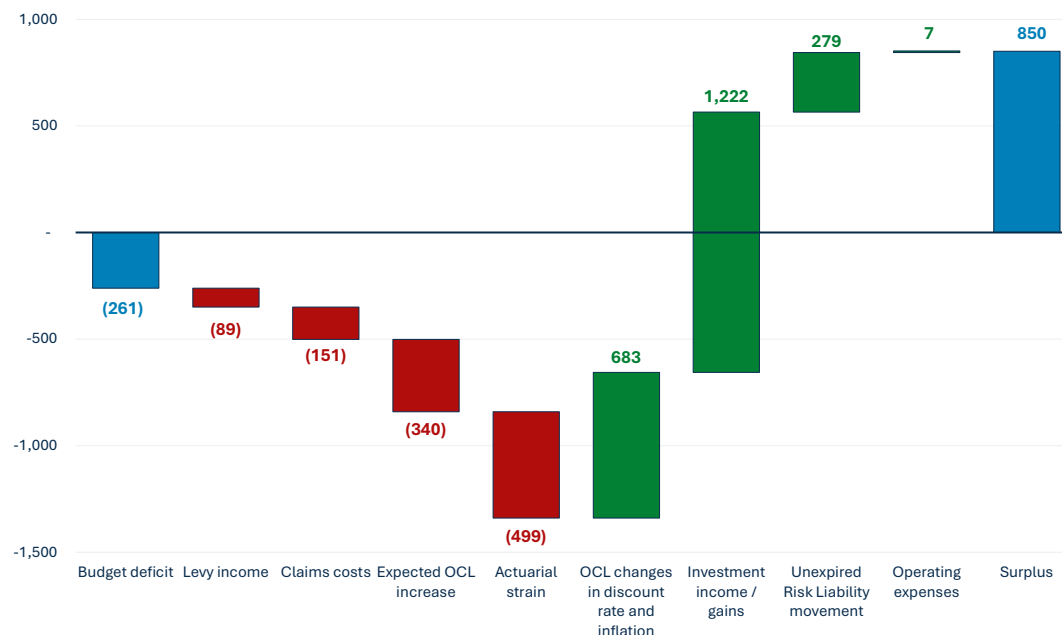


Ringa Atawhai | Guardianship

Financial summary

- Our year-to-date operating result is a \$850 million surplus, \$1,112 million favourable to budget. The year-to-date OBEGAL result is a \$1,045 million deficit, very close to the budgeted deficit of \$1,042 million
- Higher investment income and gains as fixed interest and equity portfolios outperformed budget by \$1.2 billion year-to-date. Global and domestic economies demonstrated stronger-than-expected resilience, despite earlier fears of recession. This improved investor sentiment and supported corporate earnings across several sectors in the equity markets. Our investment returns of 5.52% (after costs) is 0.69% below benchmark. This is caused by underweight positions to the US tech and automotive stocks within Global Equities.
- Claims costs exceeded budget by \$151m (4%) due to higher weekly compensation costs associated with lower rehabilitation performance than budgeted. There have also been higher claim volumes and an increase in large, backdated payments.
- Year-to-date there is \$499 million strain largely related to serious injury care. This is due to a 6.2% rate change for contracted and non-contracted attendant care, offset by changes in mortality experience. Strain from experience includes higher care hours and provider travel within the serious injury portfolio and higher claim volumes in most services within the non-serious injury portfolio.
- The expected change in OCL is \$340 million higher than budgeted. This is due to the assumption changes made in the June 2024 OCL valuation compared to when the budget was set as at February 2024.
- Operating costs are under budget but forecast to be over budget at year-end due to the investment in the Integrated Recovery Service. There are some cost pressures in the change portfolio and core operating costs that are being closely monitored.
- We are forecasting a full-year deficit of \$1.9 billion which is favourable to budget by \$0.3 billion. This is an improvement from the HYEFU forecast, mainly due to movements in economic factors.
- The Support Workers pay equity settlement represents a material risk to the Scheme. The settlement could, depending on quantum, impact the OCL by between \$2 and \$4 billion.

Statement of Financial Performance: Year-to-date Actual to Budget Surplus \$m

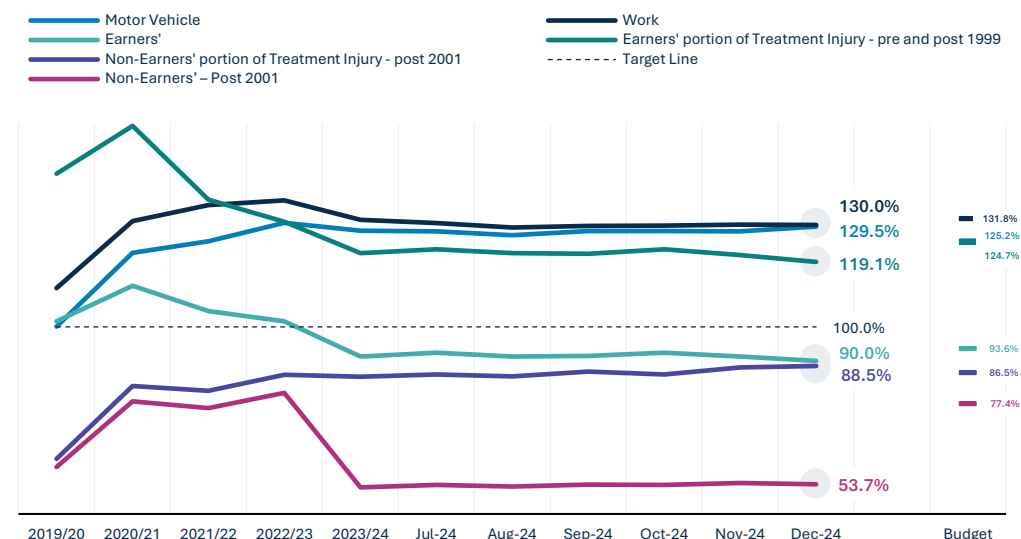


Ringa Atawhai | Guardianship

MEASURE	RESULT	TARGET	OUTLOOK 2024/25
New year costs movement excluding legislation and policy changes (SEP 2024)	+0.1% (\$11m)	+/- 1%	A
Actuarial movement (influenceable)	+0.4% (\$268m)	+/- 1%	A
Investments performance after costs relative to benchmarks	-0.69%	+0.15%	A
Percentage of total expenditure paid directly to clients or for services to clients	91.0%	90.6%	G

- Funding ratios for the Earners' Account and non-levied Accounts are below the funding policy target of 100% at the end of the second quarter. The funding ratios of the Work, Earners' and the Earners' portion of the Treatment Injury Accounts have decreased since June 2024. The funding ratios of the other accounts have increased. The change in funding ratios is driven from net cash outflow that is only partially offset by economic changes from investment income and the OCL.
- The Earners', Non-Earners' and the Non-Earner's portion of the Treatment Injury Accounts are all below the funding target. Based on existing claim trends this will require their levy and appropriations to be set above the future lifetime claims cost levels to return to full funding.
- The new year cost movement deteriorated by \$11 million (0.1%) in the first quarter 2024/25³. Key drivers of the new year costs movement (excluding legislation, policy changes and economics) in the quarter were higher-than-expected elective surgery claims (Work Account), non-serious injury care costs (levied Accounts) and physiotherapy claims and costs (Non-Earners' Account).
- Expected future lifetime claims costs in the levied Accounts are significantly higher than levy income. Some of this is expected as two levied Accounts were above funding target during the 2024 levy consultation (so levies were intentionally set below future lifetime claim cost levels).
- Future levy rates were approved by the Government as recommended and consulted on in the 2024 levy consultation. All levy increases consulted on for the 2026-28 period were at their capped amounts. Several years of capped increases are expected to be needed for all levied Accounts beyond the 2026-28 period covered in the consultation.
- All accounts are expected to be below their funding policy target of 100% by June 2034, even if future levy and appropriation increases at capped levels.

Funding Sufficiency: Levied and non-levied funding ratios



PROJECTED FUNDING RATIO AT JUNE 2034 (calculated at September-2024)

ACCOUNT	LEVY INCREASES AT CAP
Motor Vehicle	99.5%
Work	97.1%
Earners'	69.1%
Treatment Injury (Earners') – Pre and Post 1999	64.8%
Treatment Injury (Non-Earners') – Post 2001	93.5%
Non-Earners' – Post 2001	58.5%

³ The new year cost data is as at 30 September 2024.

Ringa Atawhai | Guardianship

Outstanding Claims Liability

- Performance, economic factors and cost pressures described elsewhere in this report ultimately impact the OCL. Year-to-date the OCL has increased by \$1.6 billion to \$61.8 billion. This valuation uses experience to September 2024, and economic factors as at 31 December 2024.
- The key components of this include:

Economic Impacts

- \$0.5 billion decrease due to increasing discount rates
- \$0.2 billion decrease due to decreasing future inflation rates.

Performance Related

- \$1.8 billion expected increase. This is the expected net change in OCL primarily due to new claims coming onto the Scheme, and existing claims being paid or exiting the Scheme
- \$0.5 billion actuarial strain comprising:
 - \$268 million strain due to influenceable factors
 - \$231 million strain due to non-influenceable factors.

Key drivers of influenceable strain

Serious injury care: \$132 million strain

- Key drivers include higher-than-expected average daily cost per claim for residential care services, higher-than-expected payments for other services (e.g. training for independence) and a change in the mix of claims receiving travel payments. This was across Treatment Injury, Motor Vehicle, Non-Earners' and Earners' Accounts.

Weekly compensation: \$50 million strain

- Mainly driven by higher-than-expected volumes of new weekly compensation claims (mainly for accidents in the 12 months to 30 September 2024). Most of the strain was from the Earners' and Work Accounts.
- The number of existing claims remaining on weekly compensation was broadly consistent with what was expected. This resulted in no further OCL strain (or release) from rehabilitation rates.

Sensitive claims: \$5 million strain

- There has not been a significant amount of strain year-to-date.

Other areas of strain: \$59 million strain

- Other medical (\$38 million) and non-serious injury care (\$21 million) payment types are other notable contributors of strain.

Non-influenceable strain

Serious injury care: \$234 million strain

- Driven by a 6.2% rate increase for contracted and non-contracted attendant care effective from July 2024. This increase will form part of any pay equity settlement that is likely to be confirmed later this financial year (\$313 million strain).
- This was partially offset by mortality experience (\$79 million release).

Potential areas of further OCL strain/release

Emerging claims trends

- Emerging trends in claim experience for injuries that occurred more than five years ago. This could lead to changes in some long-term assumptions in the June 2025 OCL valuation, resulting in further OCL strain.
- Other potential areas of strain could come from higher-than-expected weekly compensation payments for and an increase in new weekly compensation claims where the injury occurred more than five years ago.

TN court case

- Any implementation decision that changes the date ACC uses to determine a client's entitlement will affect the number of clients eligible for Loss of Potential Earnings (LoPE). This will impact the \$3.6 billion additional Incurred But Not Reported provision, and the OCL. However, it will take time for this to flow through to claim patterns, and change assumptions. For context, a 10% change in the number of clients eligible for LoPE will impact the OCL by \$360 million.

Financial Sustainability Action Plan

- We have developed a Financial Sustainability Action Plan to deliver performance improvements and subsequently reduce the OCL by between \$2.7 and \$3.8 billion over the next three years. Target areas are weekly compensation and social rehabilitation.

Risks and opportunities

- Pay equity settlements** – Care and support workers: settlement has been delayed. Depending on where this lands could result in a significant OCL strain of around \$3.0 billion. This is based on the large proposed pay increase and reliance ACC has on these workers to deliver care, particularly for seriously injured clients.
- Expansion of Scheme boundaries** – ACC's appeal in the D case (mental injuries that arise out of a physical injury) is expected to be heard by the Court of Appeal in May 2025. A judgement can usually be expected within three months of the hearing. Given the uncertainty around this case and the fact that ACC has appealed this decision, it is currently being treated as a contingent liability with no explicit cost recognised.
- The Royal Commission of Inquiry into Abuse in Care** may also have a financial impact on the Scheme, but at this stage the impact is unclear.

Ringa Atawhai | Guardianship

KEY ACTIVITY

2024/25 activity to deliver on our Ringa Atawhai | Guardianship dual-framed goal is detailed below. Rehabilitation performance initiatives are included on page 13.

Sensitive claims services: *The new Sensitive Claims contract is implemented and delivering a modern, caring, and supportive service that meets the needs of current and future clients.*

- The new Sensitive Claims Service launched on 1 December 2024, replacing the Integrated Services for Sensitive Claims (ISSC). The service is designed to enable more timely and tailored support to clients who have experienced sexual assault and abuse, ultimately improving both their experience and outcomes as a result of seeking support with ACC.
- There are ~2,700 named service providers, working for ~200 Suppliers, to deliver the service. This includes new therapy providers and Allied Health professionals such as occupational therapists and physiotherapists who can provide holistic packages of support to better support clients in their recovery journeys.
- 400 clients have transitioned to the new service, of which 300 have utilised the new Cover and Wellbeing Plan pathway to have cover determined more quickly. A small number of children have had cover determined through an Early Supports Plan rather than having to go through a full assessment.
- Over the next couple of years, as clients complete their treatment, ACC will be able to demonstrate if clients are getting the right outcomes in a way that is sustainable and cost-effective for the Scheme. We also anticipate an increase in clients being able to access support under the new Service, due to the changes that have been made.

Integrated Care Pathways - Musculoskeletal: *Increased utilisation of provider-led pathways for clients with musculoskeletal injuries.*

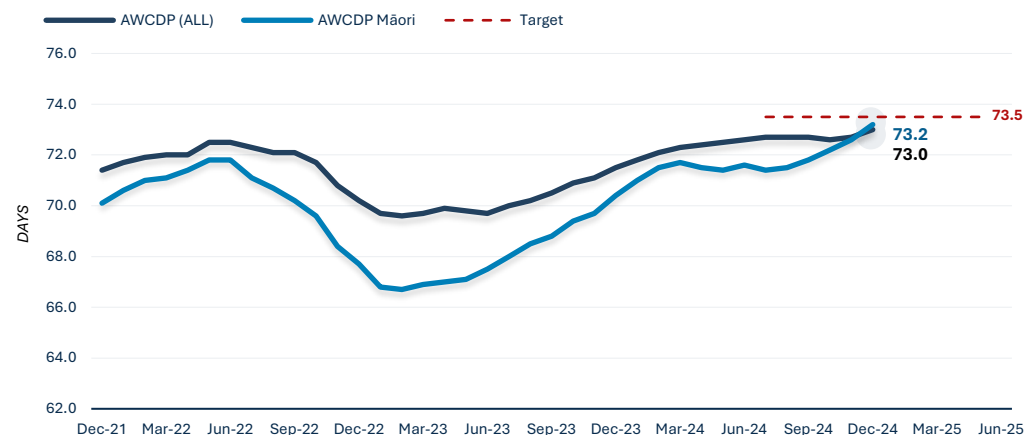
- Integrated Care Pathways - Musculoskeletal (ICP-MSK) has been in place now for nine months. This is a provider-led approach to managing clients with shoulder, back and knee injuries with a level of complexity that is likely to require specialist oversight and interdisciplinary treatment to achieve a return to work or return to independence.
- The number of clients accessing ICP-MSK continues to settle. To date ~9,500 claims have been accepted into pathways with 802 (8.4%) successfully exiting the pathway and 1,235 (12.9%) exiting early.
- Early exits are predominantly driven by eligibility issues such as new diagnoses outside scope for ICPMSK, or determination that the injury presented is no longer wholly or substantially due to a personal injury caused by accident. Using high tech imaging to confirm diagnosis is supporting the identification of clients who are no longer eligible both for ICPMSK and other entitlements.
- We are engaging regularly with suppliers to raise, listen to and address operational issues. Average bundle prices for all but lower backs continue to increase. This quarter some suppliers were issued letters of expectations and monitoring of costs continues.

Oranga Whānau | Safe & Resilient Communities

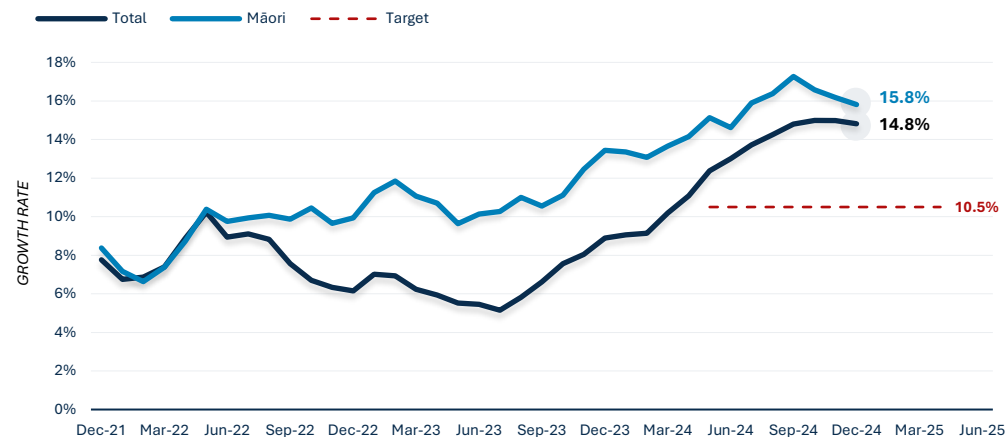
MEASURE	RESULT	TARGET	OUTLOOK 2024/25
Return to independence for those not in the workforce	80.9%	82.0%	A
Average weekly compensation days paid (<1 year)	73.0 days	73.5 days	G
Sustained return to work rate	66%	Baseline established	G
Growth rate of the long-term claims pool	14.8%	10.5%	A

- The average weekly compensation days paid result (73.0 days) has remained largely stable over this quarter. There was a small deterioration in results in December, however current performance levels remain better than the trajectory required to meet the year-end target of 73.5 days.
- The performance profile continues to be anchored by the on-going stabilisation of the ten-week return to work rate, which reflects a levelling out of previous deteriorating performance. Our ongoing focus on improving outcomes for lower complexity weekly compensation clients is key to improving this performance trajectory.
- The 365-day rehabilitation rate is the most important milestone for understanding the relationship between short-term rehabilitation performance and entries into the long-term claims pool. Clients who do not return to work in under a year become new entries, increasing the size of the long-term claims pool.
- The December 2024 result for the 365-day return to work rate is below expectations in earlier forecasts, which is reflected in a higher volume of new entries into the long-term claims pool.
- The growth rate of the long-term claims pool remains under pressure, with the rate at 14.8%. Achieving our year-end target is at risk. Actions are focused on supporting client outcomes prior to them becoming a long-term client (more than 365 days of weekly compensation). Scaling of the Integrated Recovery service will ensure better support and outcomes for existing long-term clients.
- The result for the return to independence for those not in the workforce measure continues to see small monthly improvements, and is trending towards target, giving increasing confidence of achieving year-end target.
- Reducing the time taken to rehabilitate clients and supporting clients in the long-term claims pool to achieve sustainable outcomes, is required to improve rehabilitation performance.
- We expect our dedicated programme of work to continue to support improving rehabilitation performance, as described on [page 13](#).

Average weekly compensation days paid <1 Year



Growth rate of the long-term claims pool



Oranga Whānau | Safe & Resilient Communities

MEASURE	RESULT	TARGET	OUTLOOK 2024/25
Injury prevention: Return on investment	\$1.87	\$1.75 to \$1.95	G

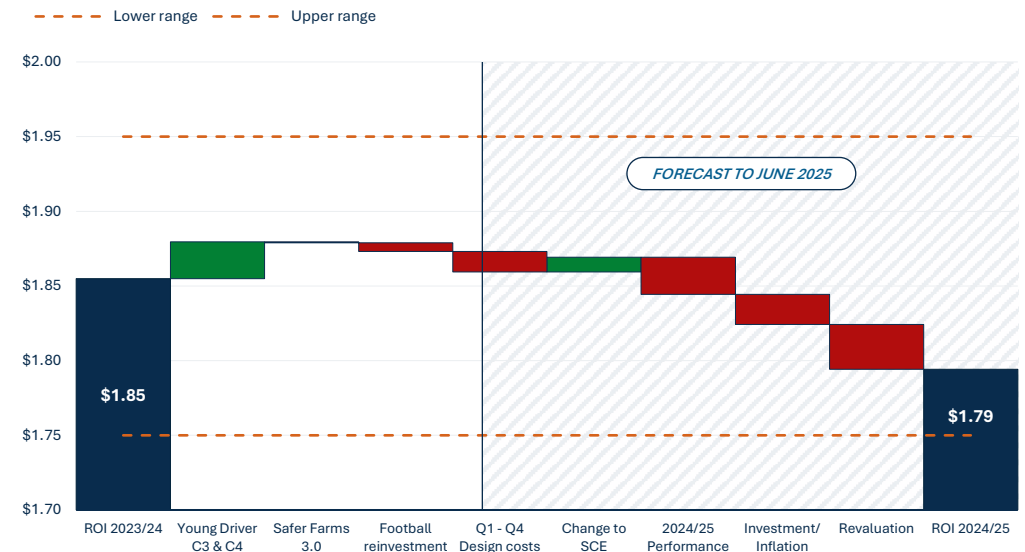
Injury Prevention (IP) performance remains well within target

- There were no new investments or reinvestments this quarter, keeping the return on investment at \$1.87:\$1.
- Early modelling on known and expected impacts on the return on investment show that it should remain within target range over the course of the year.
- Claims prevented are lagging behind our expectations (allowing for seasonal variances). Our forecast suggests ~10,000 claims will be prevented this year compared to a target of 12,169. However, the lower number of claims saved is expected to only have a small impact on the return on investment. This is because the Road Portfolio is saving more claims that tend to have higher associated costs, which it is offsetting other areas.

The following table is a breakdown of ROI at the Portfolio level:

ROI AT PORTFOLIO LEVEL	ACTUAL
Workplace Portfolio (excluding WorkSafe)	\$2.18
Road Portfolio	\$3.37
Sport Portfolio	\$1.71
Falls Portfolio	\$1.40
Treatment Safety Portfolio	\$1.15
Community Portfolio	\$0.58

Known factors impacting on ROI. Est \$1.83 for each \$1 invested: June 2025



Oranga Whānau | Safe & Resilient Communities

KEY ACTIVITY

2024/25 activity to deliver on our Oranga Whānau | Safe and Resilient Communities dual-framed goal, including key initiatives to improve rehabilitation performance, are detailed below.

Stabilising and subsequently improving short term rehabilitation performance:

Using a one-to-one relationship, instead of the current many-to-many task based approach to ensure clients get the appropriate level of support.

Supported Return To Work

- Transition to the one-to-one approach is now complete. The focus of the new Supported Return To Work teams is on building the capability of our frontline teams and leaders.
- The ten-week return to work rate in Supported Return To Work is expected to improve for this cohort of claims. This should drive continued stabilisation of the average weekly compensation days paid measure.

Supported Recovery

- We are reshaping the core focus of Supported Recovery to actively support new and existing weekly compensation clients who are at risk of delayed recovery.
- Supported Recovery recruitment is complete and cases are now also fully transitioned. As capability builds, this team will support a reduction in the growth rate of the long-term claims pool focusing on achieving outcomes for clients under 365 days.
- As claims and staffing stabilises, we expect to see improvements in the nine-month and 365-day return to work rates, which will reduce entries into the long-term claims pool.

Establishing a new Integrated Recovery team: *Dedicated support for clients who have been out of work for extended periods and have the potential to achieve a positive rehabilitation outcome*

- The new Integrated Recovery team is being established to enable a deliberate focus on long-term claims pool clients who have been out of work for extended periods and have the potential to achieve a positive rehabilitation outcome. Once implemented, outcomes for clients over 365 days are expected to improve along with a reduction in the size of the long-term claims pool.
- Fully implementing the new Integrated Recovery team is the primary focus initially, to enable the required transition of claims. Most staff are now on-board and two-thirds of claims are now transitioned. The focus remains on building the capability within the new teams and setting up the specialist support services required.
- This will reduce the volume of claims in the long-term claims pool and complement the positive impact Supported Return to Work and Supported Recovery are expected to have once the transition process is complete. Increased exit volumes relative to entries into the long-term claims pool will drive a reduction in the growth rate.

Injury prevention

- We are developing an injury prevention strategic plan, operating model and investment and performance framework to enable improved contracting for prevention outcomes. This includes a baseline review of existing investments to ensure alignment to the 10-year strategic plan. Lead indicators for the revised investment portfolio will also be developed.
- The injury prevention strategy implementation plan will be considered by the ACC Board in the third quarter.
- We have completed the baselining of existing injury prevention investments against the new injury prevention strategy. By the end of 2024/25 we will understand which investments should continue and where we can divest. Conversations are taking place with underperforming initiatives with a view to improving performance.
- As part of our approach to integrate prevention as part of new recovery pathways and services, we are sharing insights with community groups to improve prevention outcomes.

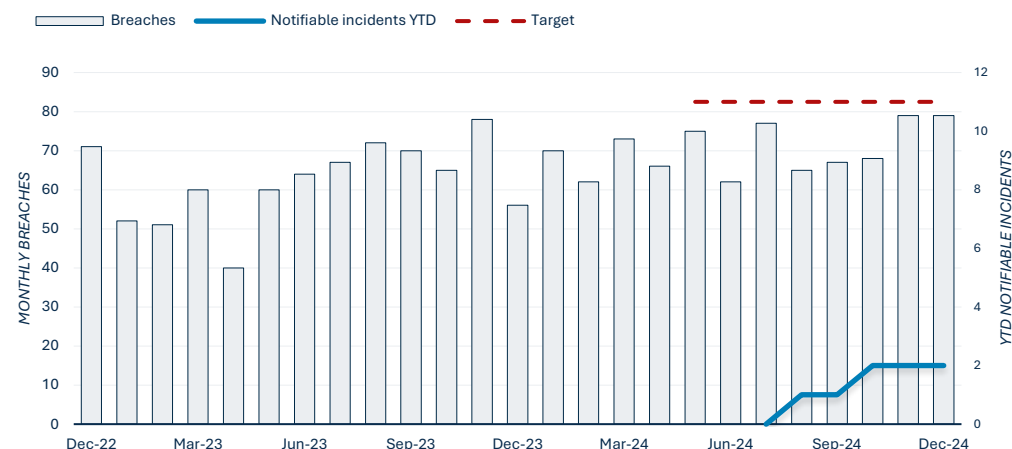
Organisational Excellence

MEASURE	RESULT	TARGET	OUTLOOK 2024/25
Employee engagement	4.14	4.00	G
Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)	2	<11	G
Overall operational system availability	99.9%	99.8%	G
Reduction in corporate emissions	42%	21%	G
Reduction in carbon intensity of the global equity portfolio	62% <i>(JUNE 2024)</i>	60%	G

- This quarter we completed the 2024 Engagement Survey. The result is higher than target but is lower than previous years as expected. This reflects the impact of the organisational change proposal that was consulted on across ACC in quarter four 2023/24.
- Overall organisational results are positively influenced by our customer-facing Service Delivery teams. This is primarily due to the larger number of respondents from Service Delivery and the lower impact of change within this group.
- The survey identified several clear areas for senior leadership to focus on. Our Executive Leadership team are developing an Organisational Level Action Plan for the remainder of 2024/25.
- ACC has reduced corporate emissions by 42% compared to 2018/19, meeting the 2025 emissions reduction target of 21%. Staff commute, air travel and electricity are ACC’s most material emission sources. Delivery of the 2030 reduction target is more uncertain and will be particularly impacted by our corporate travel and staff commuting patterns. Our electricity emissions are also affected by the amount of hydro-electricity available in New Zealand each year.
- Our overall operational system availability result remains stable and above target. This quarter our National Incident Management Team participated in a cyber scenario exercise. The exercise was designed to test our National Incident Management Response Plan and build the capability of the team to respond to a complex and large scale cyber incident.

- In the second quarter, 466 privacy incidents were reported, including 226 privacy breaches.
- There was one notifiable breach reported to the Office of the Privacy Commissioner (OPC). The breach in question was caused by human error where an email address was automatically populated incorrectly. This was due to the appropriate processes not being followed.
- Notifiable breaches this quarter are lower than the three reported in Quarter 2 2023/24. Year-to-date notifiable breaches (2) are at much lower levels than the same period last year (8).
- Privacy remains an important focus across the organisation. We continue to encourage our people to report issues, and therefore anticipate that both reported incidents and breach numbers may continue to increase. Better reporting of incidents demonstrates our increasing privacy maturity towards raising awareness and embedding privacy practices.

Notifiable Privacy Incidents



Financial Statements to 31 December 2024

Statement of financial performance

\$m	YEAR TO DATE				PRIOR YEAR ACTUAL	FULL YEAR 2024/25 BUDGET
	ACTUAL ⁵	BUDGET	VARIANCE	VARIANCE % ⁷		
Levy income	2,109	2,198	(89)	(4)%	2,061	4,490
Government appropriations	1,192	1,192	(0)	(0)%	1,109	2,384
Interest, dividend and rental income ⁶	1,025	714	311	44%	839	1,426
Other income	1	0	1	0%	2	1
Total income	4,327	4,104	223	5%	4,011	8,301
Treatment	1,684	1,629	(55)	(3)%	1,470	3,230
Rehabilitation	846	841	(5)	(1)%	744	1,683
Compensation	1,553	1,460	(93)	(6)%	1,321	2,893
Miscellaneous	32	33	1	4%	28	68
Total claims paid	4,115	3,964	(151)	(4)%	3,563	7,874
Expected increase in OCL	1,783	1,442	(340)	(24)%	1,558	3,252
Impact of claims experience and modelling on OCL	499	-	(499)	-	452	-
Expected increase in Unexpired Risk Liability (URL)	(983)	(704)	279	40%	(730)	1
OCL and URL movement	1,299	739	(560)	(76)%	1,280	3,253
Investment management costs (excl. external management fees)	15	16	1	6%	16	41
Injury prevention costs	36	42	6	14%	36	85
Enterprise change programme	34	34	(1)	(3)%	40	65
Depreciation & amortisation	17	18	1	6%	18	46
Core operating costs	319	319	(1)	(0)%	306	623
Total operating costs	422	428	7	2%	416	860
Total costs	5,835	5,131	(705)	(14)%	5,259	11,987
Performance from insurance operations	(1,509)	(1,027)	(482)	(47)%	(1,248)	(3,686)
Net gains / (loss) on investments (incl. external management fees)	1,677	766	911	119%	1,591	1,546
Net gains / (loss) from changes in discount and inflation rates on OCL	683	-	683	-	(678)	-
External factors	2,359	766	1,594	208%	914	1,546
Surplus / (deficit)	850	(261)	1,112	425%	(334)	(2,140)

⁵ Actual – OCL adjustment is based on the full year valuation at 30 June 2024 and using the actual discount rate at 31 December 2024.

⁶ Investment returns are budgeted at between 5.75% - 6.83% for each Account. ACC chooses to incur many of the market risk exposures through its investment portfolios, either because they provide a natural offset to risks inherent in the outstanding claims liability, or because it expects to enhance returns through prudent exposure to these risks.

⁷ Percentage variances greater than 500% are presented as “-” as the variance is not meaningful

Financial Statements to 31 December 2024

2024/25	MOTOR VEHICLE ACCOUNT			WORK ACCOUNT			EARNERS' ACCOUNT			TREATMENT INJURY ACCOUNT			NON-EARNERS' ACCOUNT		
	YTD ACTUAL	YTD BUDGET	FY BUDGET	YTD ACTUAL	YTD BUDGET	FY BUDGET	YTD ACTUAL	YTD BUDGET	FY BUDGET	YTD ACTUAL	YTD BUDGET	FY BUDGET	YTD ACTUAL	YTD BUDGET	FY BUDGET
Levy income	237	239	479	490	523	1,071	1,320	1,374	2,814	62	62	126	-	-	-
Non-Earners' Appropriation	-	-	-	-	-	-	-	-	-	151	151	302	1,041	1,041	2,082
Interest, dividend and rental income	271	204	408	240	159	318	275	174	349	111	88	175	128	89	177
Other income	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
Total income	508	443	887	731	682	1,390	1,595	1,549	3,163	323	301	603	1,169	1,130	2,259
Total claims paid	463	522	1,032	694	706	1,397	1,566	1,486	2,951	243	236	469	1,149	1,014	2,025
Increase / (decrease) in outstanding claims liability	369	309	651	262	169	415	584	465	1,098	258	234	494	309	265	594
Impact of claims experience and modelling on OCL	88	-	-	39	-	-	149	-	-	141	-	-	81	-	-
Movement in unexpired risk liability	3	9	18	(337)	(241)	(5)	(649)	(472)	(12)	-	-	-	-	-	-
Total operating costs	41	41	84	108	108	219	156	158	316	31	33	67	85	88	176
Total costs	964	881	1,785	767	742	2,027	1,806	1,638	4,352	674	504	1,030	1,624	1,367	2,795
Performance from insurance operations	(456)	(438)	(899)	(37)	(60)	(637)	(211)	(89)	(1,189)	(350)	(203)	(427)	(455)	(237)	(536)
Net gains / (loss) on investments (incl. external management fees)	401	216	436	284	180	360	530	189	381	238	90	184	224	90	185
Net gains / (loss) from changes in discount and inflation rates on OCL	224	-	-	(8)	-	-	29	-	-	195	-	-	242	-	-
External factors	625	216	436	276	180	360	559	189	381	433	90	184	466	90	185
Surplus / (deficit)	169	(222)	(463)	239	120	(277)	347	100	(808)	83	(112)	(242)	12	(147)	(350)

Financial Statements to 31 December 2024

Statement of financial position

\$m	AS AT 31 DECEMBER 2024		FULL YEAR 2023/24		FULL YEAR 2024/25	
	ACTUAL	BUDGET	ACTUAL	BUDGET		
Account reserves						
Motor Vehicle	1,633	1,420	1,464	1,179		
Work	2,452	2,845	2,213	2,450		
Earners'	(3,394)	(2,213)	(3,741)	(3,122)		
Treatment Injury	(2,248)	(2,124)	(2,332)	(2,253)		
Non-Earners'	(9,959)	(5,787)	(9,971)	(5,991)		
NZIS	-	(0)	-	(0)		
Total reserves (deficit)	(11,516)	(5,858)	(12,367)	(7,737)		
Assets						
Cash and cash equivalents	5	200	68	200		
Cash pledged as collateral	70	-	134	544		
Receivables	311	343	215	414		
Accrued levy revenue	1,285	1,435	3,721	4,171		
Investments receivables	107	204	305	-		
Derivative financial instruments	862	-	321	386		
Investments	53,795	49,775	51,587	50,128		
Property, plant and equipment	33	37	36	38		
Intangible assets	43	46	53	28		
Total assets	56,511	52,040	56,440	55,908		
Liabilities						
Cash collateral received	62	-	37	76		
Holiday & Long Service Leave Liability	39	31	36	55		
Investment payables	3,056	690	2,510	690		
Other Payables and Accrued Liabilities	150	138	239	95		
Derivative financial instruments	996	18	935	953		
Unearned levy liability	1,139	1,155	3,080	3,395		
Unexpired risk liability	767	577	1,750	1,282		
Total Outstanding Claims Liability	61,819	55,289	60,220	57,099		
Total liabilities	68,027	57,898	68,807	63,645		
Net assets (liabilities)	(11,516)	(5,858)	(12,367)	(7,737)		
\$m						
	ACTUAL					
Investments	53,795					
Net cash collateral	8					
Net derivatives	(134)					
Short-term deposits	2					
Investment receivables	107					
Investment payables	(3,056)					
Total funds under management	50,723					

Financial Statements to 31 December 2024

Funding ratios

The funding ratios represents the extent to which applicable net assets cover the value of the fully funded portion of the OCL (excluding risk margin) for each account.

It is presented as a percentage and calculated by dividing total assets, less payables, accrued liabilities, provisions and unearned levy liability by the outstanding claims liability (including additional liability for work-related gradual process claims not yet made) excluding any risk margin. The funding ratio for the Work Account excludes those claims, and equivalent assets, funded through the Accredited Employer Programme.

\$m	AS AT 31 DECEMBER 2024			AS AT 30 JUNE 2024
	ACTUAL	BUDGET	Target	ACTUAL
Levied Accounts:				
Motor Vehicle	129.5%	127.4%	100.0%	128.2%
Work - Including gradual process claims incurred but not yet made	130.0%	134.8%	100.0%	131.5%
Earners ¹	90.0%	95.7%	100.0%	91.3%
Non-levied Accounts:				
Treatment Injury				
Non-Earners' fully funded portion	88.4%	87.7%	100.0%	85.3%
Non-Earners'				
Fully funded portion	53.7%	78.6%	100.0%	52.8%

Outstanding claims liability (OCL)

\$m	YEAR TO DATE			2023/24	FULL YEAR 2024/25
	ACTUAL	BUDGET	PRIOR YEAR ACTUAL	ACTUAL	BUDGET
Opening balance – 1 July	(60,220)	(53,847)	(51,537)	(51,537)	(53,847)
Movement due to:					
Expected increase	(1,783)	(1,442)	(1,558)	(3,456)	(3,252)
Impact of claims experience and modelling	(499)	-	(452)	(3,065)	-
Impact of change due to other factors	-	-	-	(3,611)	-
(Increase) / decrease in OCL	(2,282)	(1,442)	(2,010)	(10,132)	(3,252)
Impact of discount rate assumptions	462	-	(1,185)	1,801	-
Impact of change in inflation assumptions ⁸	180	-	497	(284)	-
Impact of adjustments due to key inflation indicators	41	-	10	(68)	-
Impact of economic assumptions and other factors	683	-	(678)	1,449	-
Closing balance	(61,819)	(55,289)	(54,225)	(60,220)	(57,099)
Long-term discount rate	4.30%	4.30%	4.30%	4.30%	4.30%
Single effective discount rate	5.02%	4.95%	4.62%	4.97%	4.95%

⁸The impact of adjustments due to key inflation indicators include the Labour Cost Index, Consumer Price Index and Average Weekly Earnings changing in a manner not predicted by the previous valuation.

Financial Statements to 31 December 2024

Statement of cash flows

\$m	YEAR TO DATE			2023/24	FULL YEAR 2024/25
	ACTUAL	BUDGET	PRIOR YEAR ACTUAL	ACTUAL	BUDGET
Cash flows from operating activities					
Cash was provided from:					
Levy revenue	3,664	3,645	3,417	6,341	6,768
Investment income	476	714	603	1,102	1,392
Sundry income	1	-	2	1	1
	4,141	4,359	4,022	7,444	8,161
Cash was applied to:					
Payments to injured persons, suppliers and employees	4,605	4,367	4,025	8,054	8,716
	4,605	4,367	4,025	8,054	8,716
Net cash movement from operating activities	(464)	(8)	(3)	(610)	(555)
Net cash flows from investment activities					
Cash was provided and applied to:					
Net purchase and sale of investments	404	19	(148)	453	589
Net purchase and sale of property, plant & equipment, and intangible assets	(3)	(11)	(9)	(20)	(34)
Net cash movement from investing activities	401	8	(157)	433	555
Net increase in cash and cash equivalents	(63)	-	(160)	(177)	-
Cash and cash equivalents – opening balance	68	200	245	245	200
Cash and cash equivalents – closing balance	5	200	85	68	200

Managing risks

ACC's current view of enterprise risks is outlined below, based on a top-down and bottom-up approach. The top-down approach focused on ACC's strategic risks and was informed by:

- ACC's four strategic priorities and the associated three-year success measures that define what success looks like for each of the strategic priorities.
- Changes to the external environment identified by the Strategy team as part of their Future Trends Analysis.
- Review of previous strategic uncertainties work performed, discussions with key stakeholders and ACC's Risk Library that includes potential sources of strategic risk.

Our enterprise risks focus on ensuring the Scheme is financially sustainable for future generations and that we maintain public trust and confidence. The Board and Management are aware of the interrelationship of these risks and that a combination could potentially leave the scheme underfunded and raise questions regarding its long-term sustainability.

Scheme Sustainability and Long Term Funding Position

Injury Prevention Impact - Risk that our prevention investment is not effective in minimising the incidence and severity of injuries.

Claim / Case Management - Risk that we fail to understand and improve the performance of the end-to-end rehabilitation system in a way that supports positive client outcomes at a fair cost to the funders of the scheme.

Commissioning / Provider Management - Risk that ACC fails to strategically partner and collaborate with health care system leaders and providers to meet the needs of users with the goal of improving health and rehabilitation outcomes, ensuring quality and delivering value for money.

Overhead cost Management - The extent to which ACC financial resources are managed appropriately and that financial resources are optimised, efficiently allocated, utilised, and controlled to enable us to achieve our goals and business objectives, while maintaining compliance with regulations and ethical standards.

Fee and levy Management - The extent to which we efficiently engage with stakeholders, accurately assess levies, collect them in a timely manner, and maintain transparency and compliance throughout the process.

Investment Performance - Risk that investment performance does not materially offset economic factor impacts on the Outstanding Claims Liability (OCL) on a long-term basis.

Scheme Boundaries - The extent to which Scheme boundaries change (expand or contract) in line with legislative amendment or when the Courts adopt a different approach to their interpretations of the Act, than has been previously applied.

Strategic Risk

Mana Taurite | Equity - Risk that ACC fails to enhance access, experience and outcomes for Māori and identified population groups.

Environmental Sustainability & Climate Change Resilience - Risk that ACC fails to achieve emission reduction targets and prepare for the impacts of climate change.

Future Workforce Planning - Risk that ACC fails to effectively plan for, develop and attract the skills and capabilities needed for its future workforce.

Strategic Direction & Organisational Alignment - Risk that ACC fails to establish and communicate strategic priorities and/or align our organisational structure, leadership culture and performance reporting to these priorities.

Data Strategy, Governance & Management - Risk that ACC fails to treat data as a strategic asset in a way that enables enhanced decision-making and organisational outcomes using Artificial Intelligence (AI).

Operational Risks

Cyber & Information Security - Risk that ACC does not take all reasonable steps to protect our systems and information from cyber security threats.

Quality of Processes & Decision-Making - Risk that core processes are not efficient, effective, coordinated or fit-for-purpose and that our decision-making lacks transparency, fairness, natural justice or impartiality.

Change Management - Risk that ACC fails to realise the full benefits of change initiatives as designed, impacting our effectiveness to deliver organisational outcomes.

Integrity & Internal Fraud - Risk that ACC employees fail to uphold expected behaviours and/or "do the right thing".

Business Continuity - Risk that ACC does not effectively respond to, and recover from, a business disruption.

Workforce - Risk that ACC does not have sufficient capacity of workforce, and / or is unable to attract, develop, and retain the capability required to achieve core objectives and priorities.

Wellbeing, Health & Safety - Risk that ACC does not take all practicable steps to ensure the Wellbeing, Health & Safety of employees and those impacted by our work.

Legal & Compliance Risks

Privacy - Risk that our actions or decisions involving personal information are (or are perceived to be) unlawful, unethical, and / or do not maintain the trust and confidence of New Zealanders.