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

2025/26 Service Agreement

Service Agreement

This is the annual agreement between the Accident Compensation Corporation (ACC) and the Minister for ACC for the year ending 30 June 2026.

This Service Agreement[1] is required under the Accident Compensation Act 2001 and also constitutes the annual statement of performance expectations for the purposes of the Crown Entities Act 2004 — both as amended by the Crown Entities Amendment Act 2013.

Hon Scott Simpson
Minister for ACC
Dated 21 June 2025

David Hunt
Interim Board Chair
Dated 11 June 2025

Jan Dawson
Interim Deputy Board Chair
Dated 11 June 2025

Purpose of the Service Agreement

The Service Agreement sets out the initiatives we are pursuing to progress our strategic goals, the outputs we are funded to provide, and the expected performance standards against which we will assess our operational performance during the next four years.

The Statement of Intent 2023-2027 covers the first four years of ACC's enterprise strategy. It summarises our strategic intentions for the four years and includes details of how the public and all interested stakeholders can evaluate our effectiveness in delivering against our dual-framed strategic goals. The Service Agreement 2025/26 provides an annual view of these medium-term intentions. The Service Agreement 2025/26 should be read in conjunction with the Statement of Intent 2023-2027.

We report against the performance measures in the Service Agreement to the Minister for ACC each quarter and in the Annual Report. Our Annual Report also provides information on our progress relative to our strategic intentions and reports on our performance during the year.

[1] For information on how this Service Agreement aligns with our other accountability documents, refer to *Appendix 1 — Alignment of the Service Agreement*. The conditions of this Service Agreement are disclosed in *Appendix 2 — Conditions of the Service Agreement*.

Contents

Our strategic and performance environment

Who we are

ACC is the Crown entity set up under the Accident Compensation Act 2001 (AC Act) to deliver New Zealand's accident insurance scheme (the Scheme).

The Scheme was established following the 1967 Royal Commission of Inquiry on Compensation for Personal Injury in New Zealand, chaired by the Rt Hon Sir Owen Woodhouse. The 'Woodhouse Report' led to an extension of no-fault accident cover to include all injuries for workers (for both work and non-work injuries) and motor vehicle injuries. The Scheme was then extended to cover those groups of people not previously covered (including students, non-earners, and visitors to New Zealand).

Under the Scheme, individuals forgo the right to sue for compensatory damages following injury, in exchange for comprehensive accident insurance cover and compensation.

The purpose of the Scheme is to provide a fair and sustainable scheme for managing personal injuries that minimises the incidence and impacts of those personal injuries on the community. ACC fulfills this purpose by delivering and commissioning services to prevent injuries and get New Zealanders and visitors back to everyday life if they have had accidents or personal injuries.

The Scheme is managed through five Accounts, with each providing cover based on the circumstances of the covered injury. Each Account operates independently and cannot cross-subsidise another.

Each year we receive more than two million claims from people who rely on us when they are injured. Most claims are for relatively minor injuries, but a small proportion are serious injuries which require ongoing support for decades into the future.

ACC is funded through a combination of levies and government appropriations. A portion of the levies collected and appropriations received is invested in funds managed by ACC. We have one of the largest investment funds in New Zealand. ACC's Investment Fund is designed to meet the future costs of accidents that have already occurred.

We aim to share the costs of accidents fairly across generations to ensure all New Zealanders (and visitors) are cared for into the future. This extends to our responsibilities regarding climate change and ethical investment.

In 2023/24 we launched our enterprise strategy, Huakina Te Rā. This builds on ACC's prior work with a 10-year vision to guide our new strategic course. It is a dual-framed strategy. The dual-framed strategic goals and outcomes are reflected in the strategic intentions for the period of the Statement of Intent 2023-2027 [2].

This is the third Service Agreement delivered under this Statement of Intent.

[2] Our Statement of Intent 2023-2027 can be found at *www.acc.co.nz/about-us/corporate*

Our Strategy

Long term

Enduring

Statutory purpose

ACC Scheme purpose

To enhance the public good and reinforce the social contract represented by the first accident compensation scheme by providing for a fair and sustainable scheme for managing personal injury that has, as its overriding goals:

- minimising [...] the overall incidence of injury in the community, and
- [minimising] the impact of injury on the community (including economic, social, and personal costs)...

(Section 3, Accident Compensation Act 2001)

Huakina Te Rā

Huakina te Rā provides the 10-year direction for the organisation, articulating our vision as well as establishing our strategic intentions and outcomes and what we will do differently to achieve them.

Vision

Our Vision is Thriving Aotearoa | Tōnui Ake Nei

Outcomes

Our Goals and Outcomes:

Guardianship | Ringa Atawhai is our dual-framed goal for the Scheme to be sustainable for present and future generations.

Equity | Mana Taurite is our dual-framed goal for all people in New Zealand to experience accessible services and improved outcomes.

Safe and Resilient Communities | Oranga Whānau is our dual-framed goal to partner and invest to help create safer and more resilient communities.

Our Statement of Intent

Medium term

Four years

Intentions

Our medium-term results describe what we aim to achieve in the next four years under Huakina te Rā. They demonstrate where we will concentrate our efforts to deliver against our strategic goals and outcomes. Our medium-term results also include how we will improve the organisational health and capabilities of ACC.

Our intentions are the measurable performance improvements in medium-term result areas for tangata whenua (as described by Te Kāpehu Whetū) and tangata Tiriti.

Guardianship | Ringa Atawhai:

Guardianship means ensuring the sustainability of the Scheme and maintaining the trust and support of the people we serve.

Ringa Atawhai is a focus on the actions we will take to actively care for, foster, and nurture partnerships with Māori to support our role in maintaining a sustainable Scheme for our grandchildren.

Equity | Mana Taurite:

Equity is helping people to get the support they need, when they need it, to recover from injuries. We will achieve this by focusing on groups that face barriers to access, support, and equitable outcomes.

Achieving Mana Taurite means improving equity of access, service experience and outcomes for Māori while ensuring the mana of the recipients is upheld in the process.

Safe and Resilient Communities | Oranga Whānau:

Safe and Resilient Communities will strengthen safety and resilience by partnering and investing where it counts, with a continual focus on preventing and mitigating the impacts of injury.

Oranga Whānau is a strength-based, Māori-worldview approach to protecting our grandchildren and to building resilience. It is guided by our ambition for greater primary prevention and a kaupapa Māori approach to designing prevention solutions.

Our Service Agreement

Short term

One year

Our outputs

We aim to achieve the best possible delivery of the Scheme and our stategy through our outputs, representing the core activities we deliver and the areas in which we invest.

1. Injury prevention

Our injury prevention initiatives aim to minimise the incidence and severity of personal injury to reduce the economic, social, and personal impacts on people and communities. In doing this, we must also achieve a cost-effective reduction in levy rates or government funding.

2. Levy engagement and collection

To deliver and commission services, we must collect revenue. As part of the levy-setting process we calculate future revenue needs in line with the funding requirements of the Scheme and advise the Government on the setting of new levies for motor vehicle owners, businesses and employers, and workers.

3. Investment management

Because some injuries require ongoing expenditure for decades into the future, a portion of levies collected each year is set aside to provide for future costs. We invest these funds to meet the future costs of these claims.

In managing our investments, we seek to maximise investment returns over the long term while minimising unexpected mismatches between investment income and growth in the claims liability.

4. Claims management

ACC delivers and commissions effective, high-quality services so that people covered by the Scheme receive the help and compensation to which they are entitled, so they can make timely returns to work, independence, or everyday life.

Organisational excellence

Organisational excellence reflects the organisational health and capability intentions (for our people and our information and systems) that underpin our work to support a thriving New Zealand.

Operating environment

ACC delivers injury prevention initiatives and no-fault personal injury cover for everyone in New Zealand. Our work includes helping to prevent injuries and getting New Zealanders and visitors back to everyday life if they have accidents or personal injuries. Each year ACC supports more than two million new claims by ensuring clients receive the services and support they need to recover from injury.

ACC operates in a complex environment, with a range of internal and external factors influencing performance and challenging the long-term financial position of the Scheme. In 2023/24, ACC's overall financial result was a net deficit of $7.2 billion. The estimate of the present costs required to service existing claims (the Outstanding Claims Liability) increased to $60.2 billion, while the value of our Investment Fund was $48.9 billion.

Financial pressure is expected to continue and needs to be addressed now to ensure both the long-term sustainability and intergenerational fairness of the Scheme. Materially improving the financial position of the Scheme is a key priority for the Minister for ACC and Minister of Finance, as stated in the Interim Letter of Expectations, refer page 52. There is a need to respond with urgency to address the drivers of financial pressure at scale.

Extensive analysis has been undertaken to determine how the long-term financial sustainability of the Scheme could be materially improved over a five-year period. We are committed to using the levers available to us to address this challenge.

ACC recognises that the rehabilitation targets in this Service Agreement are highly ambitious. We need to deliver a substantial improvement in our rehabilitation rates for injured people. We know that improving claims management (ACC's case management approach and how we commission rehabilitation services for eligible clients) is crucial to driving the performance shift required. A significant organisational transformation is likely required — one that includes changes to our claims management approach and operating model, consistent application of Scheme boundaries, improvements in the capability and capacity of our workforce, and increases in the use of enabling technology.

We recognise the urgency and are already seizing the opportunities to improve performance.

We recognise this activity has to be scaled and accelerated. A key part of delivering this scale of change will require the use of operational levers, and perhaps also require policy, legislation and funding levers. We will continue to work closely with the Minister for ACC, the Ministry of Business, Innovation and Employment (MBIE) and the Treasury to ensure the appropriate levers are being considered and actioned to deliver the necessary change.

Our level of performance ambition and our clear organisational focus on delivering the change required to improve performance are reflected throughout this Service Agreement. Our delivery aspirations for 2025/26 are underpinned by our annual enterprise planning process.

Performance focus areas

In 2025/26 we will focus our efforts on four key areas.

1. **Improving rehabilitation performance**
   Improving client outcomes and better managing Scheme costs through effective claims management (ACC's case management approach and how we commission rehabilitation services for eligible clients) and how we influence and operationalise policy and legislative settings.
2. **Delivering a capable and cost-effective ACC**
   Protecting the long-term sustainability of the Scheme through improved operational efficiency and capability (people, technology, data, change delivery) and active management of Scheme costs through improved controls and financial management.
3. **Improving Scheme access and experience for Māori and identified population groups**
   Leveraging iwi relationships and system insights to address access barriers to the Scheme for Māori and identified population groups, and improving the experience of these communities within our rehabilitation system.
4. **Driving an injury prevention culture across New Zealand**
   Leveraging our insights and influence to reduce the incidence and impacts of injury, including how we contract with providers, deliver for our clients, and partner with other agencies and communities.

External influences on performance

Although we can influence and drive change in some areas, there are other challenges to our performance where we have limited influence. They include:

- workforce pressures in the wider health sector, including pressures on the availability of primary and secondary care (timely and regular access is critical to rehabilitation)
- provider practices when issuing medical certificates
- the scale of change across the health system
- high inflation rates and other impacts from the economy, including on investment returns
- changes in service offerings (legislation, policy, and new and improved services) at a faster rate than funding and levy increases.
- the changing composition and mix of claims (including comorbidities and an aging population).

Claim volumes continue to increase. The number of injured people presenting to primary care providers (and subsequently registering new claims with ACC) is traditionally correlated with general measures of economic activity. Economic forecasts suggest further growth should be expected. The success of our injury prevention initiatives in minimising the incidence and severity of injuries is critical.

Growth in new weekly compensation claims has always had a significant influence on rehabilitation performance. This is due to the impacts of high volumes on the workloads of our staff supporting injured people and the composition of the types of claims being managed.

Research tells us that a rapid return to work and/or independence after an injury reduces the adverse social and economic impacts of that injury. We know that when clients remain on ACC for longer than what could be anticipated for their types of injury, this has negative impacts on them and their families and puts pressure on the Scheme.

This Service Agreement was developed based on the best available information at the time.

The challenges in our operating environment were carefully considered and are reflected in our delivery priorities for 2025/26 and our performance aspirations. ACC regularly monitors performance to identify and understand trends and variances in expectations on a timely basis and undertakes forecasting to assess future implications.

Looking forward

ACC is committed to turning around the long-term performance trajectory. We welcome the external reviews outlined below and will utilise recommendations received to support our efforts to improve performance. Once the review recommendations have been received it may be necessary to amend aspects of this Service Agreement. The reviews include the:

- **External Review of ACC** — commissioned by the Minister for ACC.

  The purpose of the review is to give assurance that ACC is taking the right approach to: turning around declining rehabilitation performance; identify any gaps; and making recommendations for improvements. The review will focus on areas where ACC has direct influence.

- **Independent Review of the ACC investments function** — commissioned by the Treasury.

  An independent review of our investments function, consistent with monitoring arrangements for other Crown Financial Institutions. ACC has been working with the Treasury to prepare for this review since 2023.

- **Culture Review** — commissioned by the ACC Board.

  Two independent reviewers will complete an external review of ACC's workplace culture. The review will look at the experiences of ACC's people, as well as the existing policies, systems, and procedures related to inappropriate conduct and behaviour. The goal is to ensure that ACC has appropriate measures in place to deal with any such issues.

The Government's key priorities

The Government's key priorities for ACC are outlined in the annual Letter of Expectations from the Minister for ACC and Minister of Finance. This year ACC received an interim letter, with an updated version expected to be provided in response to the recommendations identified in the External Review of ACC.

At a high level, the Government expects ACC to play its part and maintain a culture of fiscal discipline to support the Government's fiscal sustainability programme. The Government has also communicated key priorities for ACC as a Crown Financial Institution that are presented in the Letter of Expectations.

Both sets of expectations form part of the operating environment for ACC and translate into specific responsibilities for the coming year. The Ministers' specific expectations are documented in the Letter of Expectations, presented in *Appendix 3 — Letter of Expectations*.

Improving Scheme sustainability by improving performance and reducing costs is a key expectation for ACC described in the Letter of Expectations. Details are outlined below.

Improve sustainability of the Scheme and reduce pressure on levy payers

- Improve the long-term financial sustainability of the Scheme, to ensure it can support New Zealanders both now and into the future.
- Consider prudent use of taxpayer, and levy-payer funds throughout its decision-making process.
- Systems in place to enable early detection of Scheme issues to allow early action.
- Levies must remain affordable for working New Zealanders.

Drive better performance and reduce costs

- Significantly sharpen focus on operational levers to drive better rehabilitation outcomes and reduce costs.
- Lead a decisive shift in rehabilitation performance over next five years, with ambitious targets and robust plans.
- Dedicate focus to the long-term claims pool, demonstrated by a target between 6% and 7% for growth in the long-term claims pool.
- Focus on clients receiving weekly compensation for less than one year.
- Consider international benchmarks for performance.
- Entitlements should only be funded in line with the AC Act.
- Use all levers to incentivise clients to participate in their recovery.
- Consider options to strengthen sanctions framework provided for in the AC Act.
- Aim to reduce social rehabilitation costs by 5-10% in 2025/26, compared to 2024/25.

Other expectations included in the interim letter cover:

- ACC's interactions with the three external reviews underway.
- Consideration of appropriate investment performance measurement.
- Monitoring and disclosing critical risk information.
- Cybersecurity focus.
- Identifying projects for long-term financial sustainability and fairness.

Measuring our performance in 2025/26

Our key performance measures are aligned with our outcomes and strategic intentions. The measures best reflect the aspects of performance we can control across the breadth of the Scheme. They allow us to track the financial and non-financial measures that represent the many facets of the Scheme, and include organisational excellence measures.

Each measure has performance targets for the following four years. They articulate our substantial ambitions and will be adjusted over time. Achieving these targets will set ACC on a trajectory to return the Scheme to a sustainable position.

Definitions of performance measures are included in the *Glossary of performance measures* (on page 67).

Table 1 – Key performance measures

Measure	Output class	Strategic goal	Actual 2023/24	Actual March 2025	Target 2025/26
New year costs' movement	2. Levy engagement and collection	Guardianship | Ringa Atawhai	+12.5%	+0.9%	Between -2% and 0%
Actuarial movement (influenceable)	2. Levy engagement and collection	Guardianship | Ringa Atawhai	+6.4%	+0.7%	Between -2% and 0%
Investment performance (after costs) relative to benchmarks[3]	3. Investment management	Guardianship | Ringa Atawhai	+ 0.43%	Annual	+0.15%
Percentage of total expenditure paid directly to clients or for services to clients	4. Claims management	Guardianship | Ringa Atawhai	89.6%	91.0%	90.7%
Public trust and confidence	4. Claims management	Guardianship | Ringa Atawhai	61%	61%	57%
Return to work: 10 weeks	4. Claims management	Safe and resilient communities | Oranga Whānau	60.4%	59.9%	62.2%
Return to work: nine months	4. Claims management	Safe and resilient communities | Oranga Whānau	87.9%	87.6%	88.8%
Return to work: one year	4. Claims management	Safe and resilient communities | Oranga Whānau	91.3%	90.6%	91.4%
Return to independence for those not in the workforce	4. Claims management	Safe and resilient communities | Oranga Whānau	79.2%	82.3%	82.5%
Growth rate of the long-term claims pool	4. Claims management	Safe and resilient communities | Oranga Whānau	+13.0%	+13.4%	+6.6%
Long-term claims pool return to independence	4. Claims management	Safe and resilient communities | Oranga Whānau	6,278	7,079	8,610
Return on investment — injury prevention[4]	1. Injury prevention	Safe and resilient communities | Oranga Whānau	$1.86:$1	$1.86:$1	$1.78:$1 to $1.98:$1
Claim lodgement rate for Māori[5]	1. Injury prevention	Equity | Mana Taurite	26.3%	New	Greater than previous performance year

[3] New methodology. From 2025/26 this measure will report on the rolling 10-year performance. Previously this was a single-year measure.

[4] Our ambitions for this measure increase over the four-year period covered by this Service Agreement.

[5] New methodology. More information on the changes is included on page 15.

Statement of performance expectations

Statement of performance expectations by output

Our performance framework

Having high-quality performance information that directly demonstrates our guardianship of the Scheme is vital to our success. Robust reporting on progress supports the transparency and accountability of the organisation while demonstrating our value to New Zealand. We progressively update the performance measures we use organisationally and in our Service Agreements. This allows for the continual improvement and ensures the measures used best demonstrate our performance.

PBE FRS 48 Service Performance Reporting

Our approach to developing service performance information aligns with Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting (PBE FRS 48). Our performance framework and measures align with the following qualitative characteristics. This allows for the provision of useful information to our stakeholders.

1. Relevant — we select and aggregate service performance information.
2. Representative — our service performance information is complete, neutral, and free from material error.
3. Understandable — our service performance information is communicated simply and clearly.
4. Timely — our service performance information is provided in a timely manner to ensure it is useful for our stakeholders' accountability and decision-making purposes.
5. Comparable — our service performance information is provided alongside previous years.
6. Verifiable — our service performance information is capable of measurement or description in a consistent manner, capable of independent verification, and excludes unsubstantiated claims.

PBE FRS 48 acknowledges that the constraints on reporting service performance information are materiality, cost-benefit, and balance between the qualitative characteristics. We factor these constraints into the selection process for service performance information.

Our measurement framework provides a clear picture of ACC's priorities and the outcomes we deliver.

Statement of performance expectations by output

This section sets out the outputs that we are funded to provide. Outputs are the actual products and services that ACC provides to its stakeholders. Our outputs represent the core activities we deliver and the areas in which we invest.

The section includes:

- an explanation of the links between our strategic intentions and our outputs
- a brief explanation of what is intended to be achieved for each output
- an explanation of how our performance under each output will be assessed
- activity information — this is service-demand information or context for our performance measures. Significant variations in demand can influence the achievement of the targets for our performance measures.

We report quarterly against these performance measures to assess the difference our activities are making towards achieving our strategic intentions. Measures have targets for each year from 2025/26 to 2028/29.

Definitions of performance measures are provided in the Glossary of performance measures on page 67.

The targets set for 2025/26 consider current performance trajectories, operating environment and ambitions for the financial sustainability of the Scheme. For more detail on this, refer to Operating environment on page 7.

Breakdown of budget against outputs

Table 2 – 2025/26 budget by output

$M	Operating costs	Claims paid	Revenue
Output class 1 — Injury prevention	80		
Output class 2 — Levy engagement and collection	18		7,330
Output class 3 — Investment management	83		2,391
Output class 4 — Claims management	734	8,798	
Total	**915**	**8,798**	**9,721**
Other operating costs	70		
Total ACC	**985**	**8,798**	**9,721**

Other operating costs include the indirect costs allocated to all four output classes by support business groups such as Corporate and Finance, People and Culture, and Strategy, Engagement and Prevention.

Aligning our strategic intentions with our outputs

The delivery of our outputs is supported by our three externally focused strategic intentions.

Table 3 – Alignment of strategic intentions with outputs

Outputs	Strategic intentions	How the output supports the achievement of the goal
Output 1 Injury prevention	Guardianship | Ringa Atawhai	By minimising the incidence and severity of personal injuries to reduce the economic, social, and personal impacts on people and communities.
	Equity | Mana Taurite	By working with hapū, iwi, and community-based providers and government agencies to co-design services and interventions.
	Safe and Resilient Communities | Oranga Whānau	By building family and community resilience through a focus on intervening before and after injury to reduce harm.
Output 2: Levy engagement and collection	Guardianship | Ringa Atawhai	By recommending levies that are sufficient to cover the costs of claims incurred in each year and collecting the levies approved by Cabinet.
	Equity | Mana Taurite	By ensuring funding and resources are allocated in ways that address the needs of all people.
Output 3: Investment management	Guardianship | Ringa Atawhai	By investing effectively in order to meet the future costs of claims from injuries already incurred, so the collected levy is managed most effectively.
Output 4: Claims management	Guardianship | Ringa Atawhai	By balancing the quality, efficiency, and effectiveness of claim services delivered to clients.
	Equity | Mana Taurite	By actively participating in meaningful partnerships with hapū, iwi, and communities to reduce disparities in access, service experience, and outcomes.
	Safe and Resilient Communities | Oranga Whānau	By partnering to deliver services that support family and return people to independence. This will contribute to family and community wellbeing.

Output 1: Injury prevention

What we intend to achieve

Injury prevention initiatives are key to our work. Through them we aim to minimise the incidence and severity of personal injuries and in doing so to reduce the economic, social, and personal impacts on people and communities.

Our enterprise strategy is about a future in which we work in partnership with whānau, hapū, iwi, communities, employers, and service providers to support all people in New Zealand to stay safe and recover from injury.

This accountability, along with our responsibility to safeguard Scheme sustainability for present and future generations, means that injury prevention is carefully targeted. We can only undertake an injury prevention activity if it is likely to result in a cost-effective reduction in actual or projected levy rates or the Non-Earners' appropriation. This means that we focus our efforts on injuries that have the greatest impacts on the Scheme, such as high-cost and high-volume claims that affect claim costs, the Outstanding Claims Liability (OCL), and levies. We also work with non-government organisations, community groups, and other government agencies to ensure activities and funding are effective. This coordination role is as important as directly funding injury prevention interventions.

While most of our clients are getting the support they need from ACC when they need it, evidence suggests that some groups benefit less from the Scheme than others. Equity is at the core of our strategy and, more widely, is recognised as a critical health system response to inequitable differences in health outcomes for people living in New Zealand. We are undertaking work to ensure that the needs of our future customers will be met through our utilising injury prevention investment in a more targeted way, employing a broader range of delivery levers — from direct investment to advocacy and delivery through partners — and building our capability to deliver this work effectively.

In 2025/26 we plan to invest $80 million in injury prevention activity to reduce the incidence and severity of injuries.

What we will have delivered in 2025/26

- We have embedded our injury prevention strategic approach, our operating model and our investment framework to drive an injury prevention culture across New Zealand.
- We have integrated injury prevention with our care pathways.

How we will know we have achieved this

Table 4 – Output 1 performance measures

Measure	Rationale	Actual 2023/24	Actual March 2025	Target 2025/26	Target 2026/27	Target 2027/28	Target 2028/29
Return on investment — injury prevention[6]	We invest in injury prevention initiatives to minimise the incidence and severity of personal injury to reduce the economic, social and personal impacts on people and communities. We use the return on investment to ensure our initiatives achieve a cost-effective reduction in levy rates or government funding.	$1.86:$1	$1.86:$1	$1.78:$1 to $1.98:$1	$1.79:$1 to $1.99:$1	$1.80:$1 to $2.00:$1	$1.81:$1 to $2.00:$1
Claim lodgement rate for Māori	Alongside primary prevention to reduce the incidence of injury, we seek to reduce the severity of injury by ensuring timely access to ACC support for all injured people.	26.3%	New	Greater than previous performance year			

Claim lodgement rate for Māori

For 2025/26 onwards we have changed the methodology for this measure to align it with the annual Access Reports we publish. In the first Access Report it was identified that the ACC claim rate for Māori was low compared to that for non-Māori, with barriers to access likely to be a key driver of the variance.

The actual injury prevalence rate is currently unknown due to a data gap, meaning it is not possible to define a target access rate now. We expect to collect injury prevalence data in 2025/26 and report findings in late 2027 or early 2028, at which point we will be able to reconsider access-related measures and targets.

In the interim, a year-on-year increase is a suitable proxy for determining whether the claim rate gap identified in the Access Report is changing.

[6] Excluding WorkSafe New Zealand investment.

Output 2: Levy engagement and collection

What we intend to achieve

The Scheme is managed through five Accounts, with each providing cover for a specific grouping of injuries. In order for us to commission and deliver services for each Account, we must collect revenue. Through our levy-setting process we calculate the future revenue needs for each Account and ensure that funding and resources are allocated in ways that address the needs of all people. We recommend levies based on the Government's Funding Policy, balancing the long-term sustainability of each Account with levy stability. The recommendations are informed by consultation with levy payers and provided to Cabinet for consideration. Once levy rates are approved, we manage the process of levy invoicing and collection.

What we will have delivered in 2025/26

- We have made changes to ensure processes for levy and debt collection are appropriate and timely.
- We have assisted in modernising the Scheme's regulatory settings as appropriate.

How we will know we have achieved this

Table 5 – Output 2 performance measures

		Actual		Target			
Measure	**Rationale**	**2023/24**	**March 2025**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
New year costs' movement	By effectively managing the controllable costs of the Scheme, the long-term sustainability of the Scheme is enhanced.	+12.5%	+0.9%	Between -2% to 0%	Between -5% to -2%	Between -6% to -3%	Between -5% to -2%
Actuarial movement (influenceable)	Management action in areas such as injury prevention and claim management practices has the potential to partially mitigate OCL strain.	+6.4%	+0.7%	Between -2% to 0%	Between -5% to -2%	Between -6% to -3%	Between -5% to -2%

How we are funded

Figure 1 shows our 2025/26 forecasts of the number of funders, the levy and appropriation revenue, and the currently approved levy rates for each Account.

Figure 1 – Sources of Account funding

Cabinet sets levies at least every three years following public consultation and a recommendation from ACC

Appropriations are sought through the Budget process

1. Motor Vehicle Account	2. Work Account	3. Earners' Account	4. Treatment Injury Account	5. Non-Earners' Account
Injuries on public roads involving a moving vehicle	**Work-related injuries**	**Non-work injuries to people in employment**	**Injuries that are caused by or happen during treatment**	**Injuries not covered in other accounts to people not in employment**
Levied from registration fees and petrol charges	Levied from employers and the self-employed	Levied from employees and the self-employed	Levied from employees and the self-employed plus appropriations	Funded through appropriations
For 2025/26 there were	For 2025/26 there were	For 2025/26 there were	For 2025/26 there were	For 2025/26 there were
4.3 million Number of vehicles	**2.6 million** Number of employed and self-employed	**3.0 million** Number of earners	**2.4 million** Number of non-earners **3.0 million** Number of earners	**2.4 million** Number of non-earners
$122.84 per Motor vehicle	**$0.66 per $100** Liable earnings	**$1.45 per $100** Liable earnings		
$500 million of levy revenue	**$1,133 million** of levy revenue	**$3,005 million** of levy revenue	**$454 million** of the $454m, $325m is Government appropriation and $129m is levy revenue	**$2,238 million** Government appropriations

Funding ratios

The financial sustainability of each Account is measured by the funding ratio. The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each Account, expressed as a ratio for each Account. The calculation of the applicable assets and liabilities is defined in the Funding Policy[7].

Funding ratios provide an indication of the funding adequacy of each Account in relation to the Funding Policy. Each Account operates independently and cannot cross-subsidise another Account.

The AC Act requires the Government to issue a Funding Policy setting out the criteria for fully funding the levied Accounts, including the Earners' portion of the Treatment Injury Account. ACC must make levy rate recommendations in accordance with that Funding Policy.

Table 6 – Funding ratios

Account	Forecast 2024/25	Budget 2025/26	Funding policy target
Motor Vehicle	127.2%	121.9%	100%
Work (including gradual process claims incurred but not yet made)	127.2%	120.5%	100%
Earners'	85.7%	79.6%	100%
Treatment Injury (Earners' portion)	115.7%	113.1%	100%
Treatment Injury (Non-Earners' fully funded portion)	86.7%	84.2%	100%
Non-Earners' (fully funded portion)	52.9%	50.8%	100%

[7] Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts (Gazette No. 2021-go1226).

Output 3: Investment management

What we intend to achieve

Intergenerational fairness is an underlying objective of the Scheme. In essence, this means that each population cohort should bear the costs of accidents occurring during the period when it was paying levies. To achieve this, legislation requires ACC to collect enough money each year to fund all the future costs of any injuries that occur in that year.

Serious injuries can require ongoing expenditure for years, and sometimes decades. Unanticipated rising costs, rising incomes, and the introduction of effective but expensive new medical treatments could mean that future levy payers will contribute to the costs of previous years' accidents. To manage this risk, a portion of the levies collected each year is set aside and invested to provide for future costs.

ACC's investment objectives seek to maximise investment returns over the long-term while minimising unexpected mismatches between investment income and growth in the OCL. We tend to favour long-term investments that we expect to deliver relatively certain income streams for long periods of time. Such investments match our long-term cash-flow requirements and provide a partial offset to the risk of declines in interest rates.

What we will have delivered in 2025/26

- We have made changes in response to the recommendations from the Treasury-commissioned Independent Review of ACC 's investments function.
- We continue to manage our investments by seeking to maximise their returns over the long term while minimising unexpected mismatches between investment income and growth in the OCL.

How we will know we have achieved this

Table 7 – Output 3 performance measures

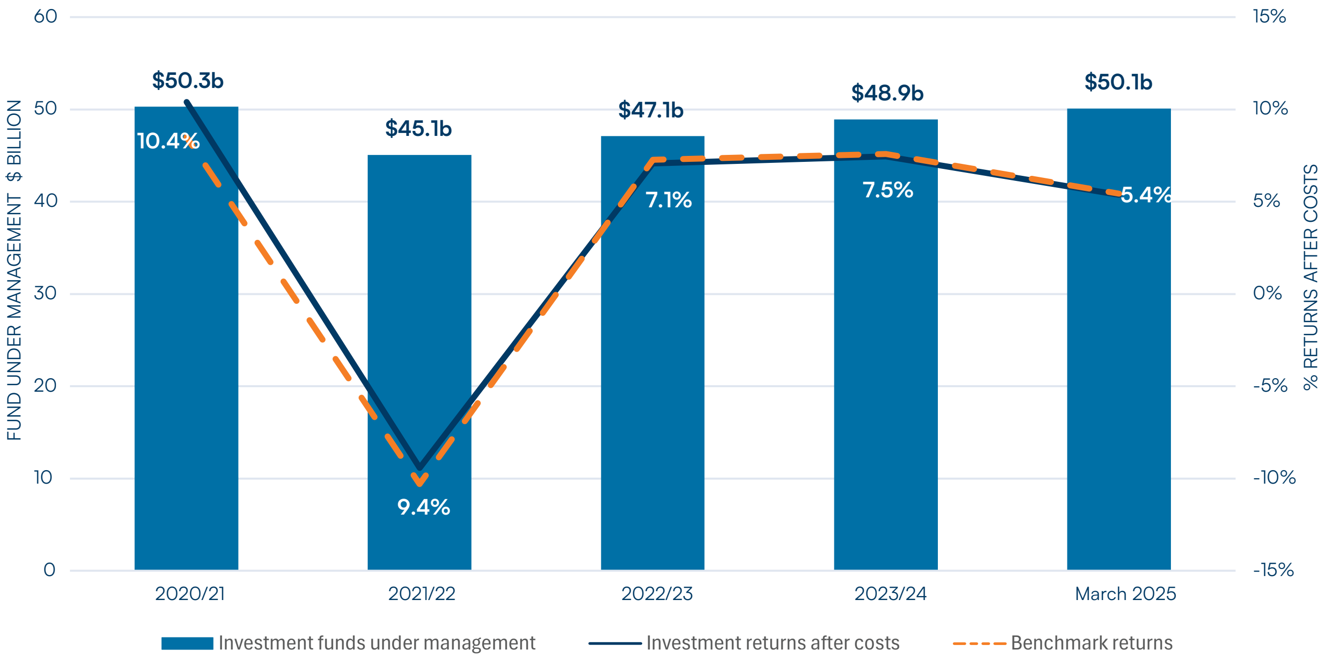
		Actual		Target			
Measure	**Rationale**	**2023/24**	**March 2025**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Investment performance after costs relative to benchmark[8]	The quality of our investment management can be gauged by comparing our returns net of costs with that of a blended market average benchmark. The quality of our investment management is an important factor in ensuring we have sufficient resources in the future, safeguarding the Scheme for the next generations.	-0.11%	Annual	+0.15%	+0.15%	+0.15%	+0.15%

[8] From 2025/26 this measure will report on the rolling 10-year performance, previously this was a single year measure.

Activity information

ACC had $50.1 billion of investment funds at the end of March 2025 and had returned 5.38% after costs. Market returns can be volatile from year to year and ACC's investment function aims to add value over the longer term. ACC has outperformed its market benchmarks in 30 of the past 32 years. The value of $100 invested in 1992 has grown to $1,692.

Figure 2 – Total investment funds and investment returns



Output 4: Claims management

What we intend to achieve

Our purpose is to improve lives every day through a focus on prevention, care, and recovery for all people in New Zealand who are affected by injury. We help injured people covered by the Scheme to get the appropriate treatment, social and vocational rehabilitation, and compensation to enable a return to work, independence, or everyday life.

Each year, approximately two million people rely on us when they are injured. We manage claims from the relatively minor, where clients only require primary health services (such as a one-off visit to a general practitioner), to claims from individuals who suffer serious injuries requiring lifelong services and support.

The Scheme is under financial pressure, with more injured people seeking ACC support. It is taking longer and costing more to support these injured people to recover. Research tells us that a rapid return to work and/or independence reduces the adverse social and economic impacts of injury.

In 2025/26 we will be making changes to how we both ensure that injured people get the right level of support at the right time and better manage our increasing costs. This will mean building on the work completed to date to scale up and accelerate improvements in claims management through our case management and service commissioning. This is crucial to achieving the ambitious performance shifts needed to meet our rehabilitation targets. The changes required to enable this are reflected in our delivery statements for 2025/26.

To achieve the best outcomes for our clients, we are focused on building strong, connected, and trusting partnerships with employers, service providers, whānau, hapū, iwi, and communities. In doing so we will enable clients to access the right treatment and rehabilitation services at the right time. This will ensure simple, seamless, and effective delivery of treatment and rehabilitation services.

At the same time, we will listen closely to our clients and partners and learn about their needs. We recognise that injury prevention and recovery are not solely medical issues, but rather encompass complex social and cultural dynamics that require a holistic approach.

The increasing recognition of mātauranga Māori and the use of Te Ao Māori approaches in our case management are important foundational steps for ACC as we work to achieve the goals of our strategy. We are committed to ongoing learning and evolution.

What we will have delivered in 2025/26

- We have made changes in response to the recommendations of the Minister-commissioned External Review of ACC.
- We have high-quality, efficient and effective commissioning of health services to increase the value delivered through treatment and rehabilitation services.
- We have significantly reduced the growth rate of the long-term claims pool.
- We have identified causes and taken opportunities to reduce in-year social rehabilitation claim costs by 5%, beyond our 2025/26 budget. This equates to cost reduction of approximately $81.5 million.
- We have identified benchmarking opportunities with comparable international social insurance schemes.
- We have provided information on risks, critical issues and opportunities arising from our performance as per *Appendix 2 - Conditions of the Service Agreement*.
- We have quarterly targets to monitor rehabilitation performance.
- We have provided our people with tools to ensure appropriate and timely support is provided to clients.
- We have changed how we work with primary care providers to create the capacity and environment to deliver best-practice rehabilitation and medical certification.
- We have improved the processes for lodging, assessing cover for, and triaging claims to provide optimal value and experiences to our customers.
- We have improved the efficiency, consistency and accuracy of elective surgery entitlement decisions.
- We have developed the future design of our claims management system.
- We have enhanced processes to ensure social rehabilitation services are appropriate and optimally support clients to return to independence.
- We have identified barriers to equitable access and experience for clients and have prioritised interventions at a systemic level through our Mana Taurite | Equity Action Plan.
- We have enabled better access, experiences, and health outcomes for Māori clients and other identified population groups by providing them with a choice of health pathways.
- We have used emerging technology such as Artificial Intelligence to make case management more efficient and effective.
- We have a proactive engagement approach with Māori and other identified population groups.
- We have developed and leveraged iwi partnerships to enable better prevention and rehabilitation outcomes and Scheme access for Māori.

How we will know we have achieved this

Table 8 – Output 4 performance measures

Measure	Rationale	Actual 2023/24	Actual March 2025	Target 2025/26	Target 2026/27	Target 2027/28	Target 2028/29
Return to work: 10 weeks	Research tells us that a rapid return to work and/or independence reduces the adverse social and economic impacts of injury.	60.4%	59.9%	62.2%	64.0%	65.9%	67.4%
Return to work: nine months	These performance measures evaluate how effectively we are supporting clients to return to work or independence, and whether their returns are sustained.	87.9%	87.6%	88.8%	90.2%	91.7%	93.0%
Return to work: one year		91.3%	90.6%	91.4%	92.7%	94.2%	95.4%
Return to independence for those not in the workforce		79.2%	82.3%	82.5%	82.5%	82.5%	82.5%
Growth rate of the long-term claims pool	Minimising the incidence and impacts of injuries is a primary responsibility for ACC. Long-term claims represent more complex injuries. A low growth in long-term claims is an indication of the effectiveness of injury prevention and rehabilitation.	+13.0%	+13.4%	+6.6%	+3.8%	-4.0%	-8.9%
Long-term claims pool returns to independence		6,608	7,079	8,610	8,743	9,454	9,365
Percentage of total expenditure paid directly to clients or for services to clients	Maximising the proportion of spending that goes directly to addressing the incidence and impacts of injury ensures we are best serving our existing clients to enhance the long-term sustainability of the Scheme.	89.6%	91.0%	90.7%	90.9%	90.9%	91.0%
Public trust and confidence	The way the public views ACC is a useful indicator of how effectively we have demonstrated the value we deliver in our interactions with levy payers, clients, providers, and stakeholders.	61%	61%	57%	57%	57%	57%

Activity information

Claims activity

Our analysis has demonstrated a strong correlation between claim volume growth and four key drivers:

- Population — as the population increases, the number of claims increases (assuming the rate of injury stays constant).
- GDP (gross domestic product) — an increase in the rate of GDP growth will increase the rate of new claims growth.
- Unemployment — as unemployment increases, claim numbers tend to reduce.
- Distance driven — motor vehicle claim volumes increase as the total distance travelled in motor vehicles increases.

We forecast claim volumes to ensure we can respond to the anticipated demand for our services. If actual claim volumes differ significantly from our forecast claim volumes, our ability to achieve performance targets may be affected.

Figure 3 – Total new registered claims verses rate of new claims growth, by year (actual and forecast)

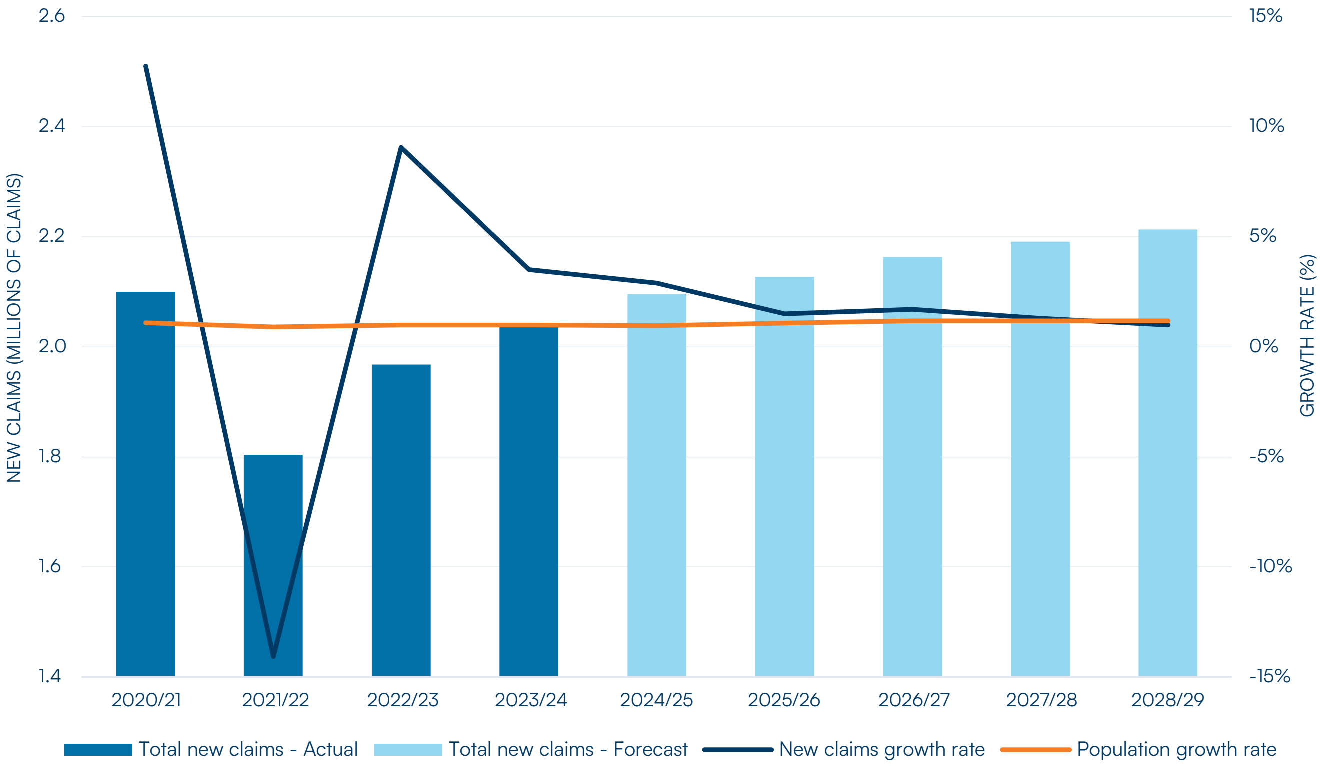


Table 9 shows recent trends in the types of claim that we receive and accept. In recent years, claim volumes have been affected by COVID-19 and related lockdowns. This has distorted the growth rate trends for new claims. The Scheme is based on legislation, and each claim is evaluated to determine whether it meets the requirements of the AC Act. We do not ration our services. Demand is determined by the number of covered injuries that occur and the service types and amounts that those who have covered injuries are eligible to receive.

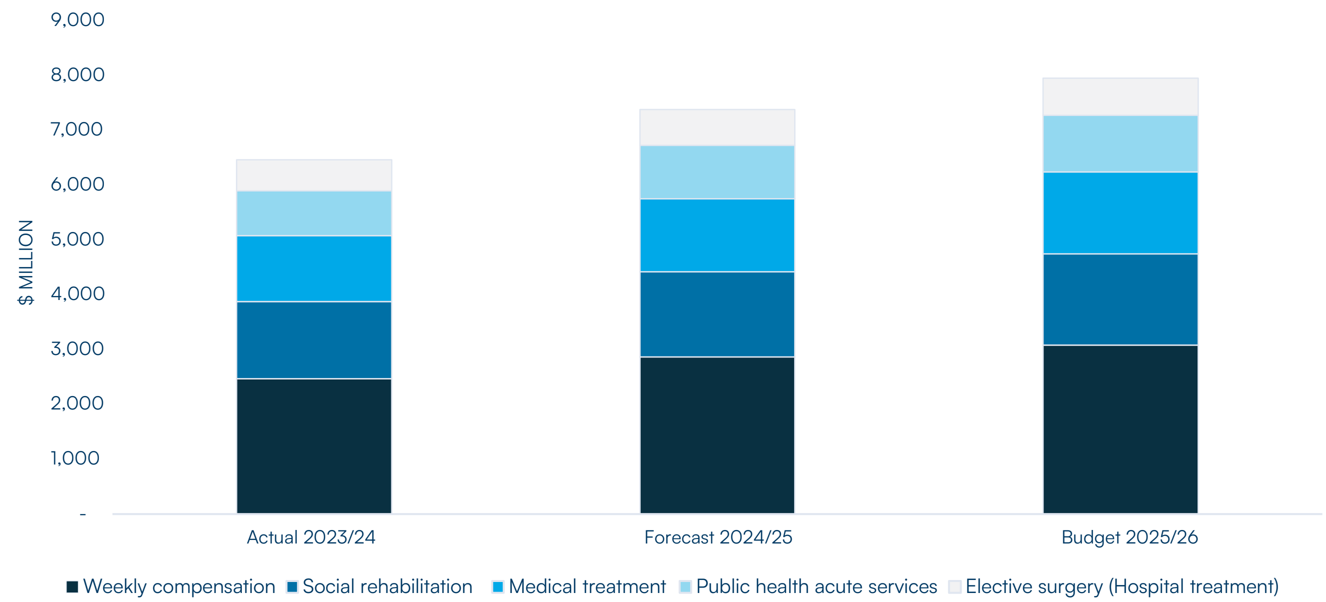
Please note that the historical claim activity values in the table below may differ from values presented in other reports. This is due to the timing of claim lodgements and claim decisions.

Table 9 - Historical claim volumes, by type

Claim type	Definition	2021/22	2022/23	2023/24	March 2025 year-to-date
Registered claims	Total number of registered claims in the period.	1,804,223	1,967,942	2,036,851	1,571,249
Medical fees only claims	Total number of new medical fees only claims in the period.	1,490,132	1,632,190	1,689,764	1,300,520
Other entitlement claims	Total number of entitlement claims (excluding weekly compensation) that received payments in the period.	157,494	175,661	191,366	169,193
Weekly compensation claims	Total number of claims that received weekly compensation payments in the period.	138,527	149,053	159,366	139,430
Long-term weekly compensation claims	Number of clients receiving weekly compensation for more than 365 days as at 30 June.	18,959	19,993	22,593	24,769
New serious injury claims	Total number of new serious injury claims in the period.	294	316	437	190
Fatal claims	Total number of fatal claims in the period.	1,497	1,675	1,529	1,139

We enable clients to receive appropriate entitlements under the Scheme, while at the same time monitoring expenditure against budget for the key areas of the Scheme.

Figure 4 – Expenditure for key claim costs



Organisational excellence

Organisational excellence reflects the organisational health and capability across our people and our information and systems that underpin our work in supporting a thriving New Zealand. In developing ACC's strategy, we identified five key shifts we need to make as an organisation to deliver on the strategy's dual-framed goals while maintaining our focus on efficiency and effectiveness.

Our people

To achieve the goals of our strategy we will invest in our people through developing new capabilities and attract and retain people with new skills. We will embed an understanding of guardianship, the importance of organisational performance, and the impacts of our actions today on the Scheme for our customers of the future.

We will strengthen our culture of valuing our people's compassion, capabilities, and confidence to do the right thing, in the right way, and at the right time for our customers by providing the right systems, tools, and training.

To deliver the substantial performance shift in this Service Agreement, we must support our people to be responsible stewards, delivering value for both levy payers and injured people.

What we will have delivered in 2025/26

- We have improved the productivity and capability of our workforce to support an increased focus on improving injury prevention, equity and rehabilitation outcomes for clients.
- We have a mature health, safety and wellbeing practice and culture, which has resulted in a reliable health and safety system and an evidence-informed approach to wellbeing and performance.
- We have made changes in response to the recommendations of the Board-commissioned Culture Review.

How we will know we have achieved this

Table 10 – Performance measures – Our people

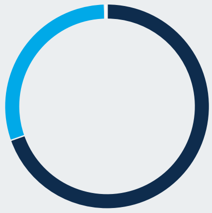
		Actual		Target			
Measure	Rationale	2023/24	March 2025	2025/26	2026/27	2027/28	2028/29
Employee engagement	Equipping our staff with the right tools and capabilities enables them to be high-performing employees, engaged in their organisation and work.	Not available	4.14	4.00	4.10	4.20	4.20

Activity information

All Staff

4,570
Permanent and temporary staff

Gender



- 69.8% Female
- 29.9% Male
- 0.3% Another gender

Ethnicity

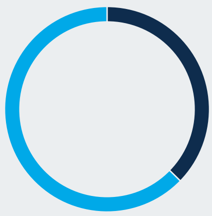
- 60% European
- 13% Māori
- 18% Asian
- 7% Pasifika
- 2% Middle Eastern/ Latin American/ African
- 11% Other ethnicity

People indicated a disability	Median gender pay gap	Average age of our people	Average length of service
11.1%	18.8%	40.8 Years	6.3 Years

Tier 1-3 managers

45
Permanent and temporary staff

Gender



- 40.9% Female
- 59.1% Male

Ethnicity

- 80% European
- 10% Māori
- 3% Asian
- 0% Pasifika
- 3% Middle Eastern/ Latin American/ African
- 8% Other ethnicity

Ethnicity can add to more than 100% as employees were able to select more than one ethnicity.
All percentages are calculated based on respondent disclosures.
All unknown responses are excluded from the percentage calculations

Our information and systems

ACC is the custodian of a wide range of personal, confidential, and sensitive information. Our customers have the right to know that their personal information is collected appropriately, stored securely, and only disclosed with appropriate authority. Customers must also be able to access and correct their information when needed.

At the same time, our technology must empower our people by providing them with the tools they need to deliver positive outcomes for our customers. This empowerment comes through improved data and analytics capabilities that enhance our culture of data-driven decision-making to create a higher-performing and more effective and efficient organisation.

As a continually improving organisation, we also need to ensure that our organisation and customers are supported by reliable, safe, and secure information technology.

What we will have delivered in 2025/26

- We have improved the effectiveness of privacy risk management supported by an appropriate use of technology.
- We have leveraged our technology investment in data sharing capability to streamline sharing and improve the security and visibility of data that we share with and receive from government agencies and the wider health sector.
- We have enabled evidence-based decisions through easy, valuable access to data and information, and promoting interoperability, ensuring seamless data flows and information reuse.
- We have invested in technology, systems and data to ensure our platforms are dependable, secure and cloud-enabled (where possible), and deliver support to our customers.
- We take a threat-informed approach to cyber security, continuously improve our practices, respond to incidents, and adapt to changes in the cyber security landscape.
- Our security vulnerabilities are reduced and system stability enables our people to reliably support injured people through their rehabilitation journeys.

How we will know we have achieved this

Table 11 – Performance measures – Our information and systems

		Actual		Target			
Measure	Rationale	2023/24	March 2025	2025/26	2026/27	2027/28	2028/29
Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)	We care for the personal and health information of New Zealanders, applying the principles of stewardship. Should a privacy breach occur, we aim to reduce resulting harm.	11	2	<10	<10	<10	<10
Overall operational system availability	Our systems need to be available so we can deliver the services our customers expect.	99.9%	99.9%	99.8%	99.8%	99.8%	99.8%

Our environmental sustainability

By maintaining our commitment to climate change action, we will help enable New Zealand to achieve its environmental goals, including the net-zero emissions target, and achieve carbon neutrality.

What we will have delivered in 2025/26

- We continue to deliver on our public commitment to New Zealand's environmental goals, including reporting on our progress in reducing carbon emissions and our climate change transition planning.

How we will know we have achieved this

Table 12 – Performance measures – Carbon emissions

		Actual		Target			
Measure	**Rationale**	**2023/24**	**March 2025**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Reduction in corporate emissions (from 2019 levels)	In alignment with our guardianship commitment to all people of New Zealand, and our own ethical values, we are reducing our carbon emissions to help create a safer future	42%	42%	42% by 2030			
Reduction in carbon intensity of the global equity portfolio (from 2019 levels)	ACC is committed to having an investment portfolio that is consistent with Net Zero by 2050. Interim targets have been established to monitor our progress towards our goal.	62%	Annual	65% by 2030			

Financial information

Forecast financial information

Introduction

The information that follows sets out the 2025/26 budget for ACC, as prepared for the Budget Economic and Fiscal Update 2025. Comparative information is based on the forecast financial results for the year to 30 June 2025, prepared as at 28 February 2025. The use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented, and that the variations may be material.

These prospective financial statements have been prepared on the basis of assumptions as to future events that we reasonably expect to occur as at the date the information was prepared. It is not intended that this information will be updated.

Drivers of the Scheme's financial performance

We will manage the organisation in a financially sustainable way while delivering our functions in the manner of a publicly administered social insurance scheme. This means we deliver the services and entitlements required by legislation while demonstrating responsible management of the Government's finances and a commitment to delivering on the Government's priorities.

To achieve this important balance, we need to have a good understanding of the drivers of financial performance. This understanding allows us to:

- forecast the drivers' potential impacts
- manage the drivers where we have control and influence
- manage the Scheme in a way that mitigates adverse impacts from drivers where we lack control or significant influence.

There are five main drivers of financial performance for the Scheme:

Claim volumes — growth in the number of new claims is driven by a range of factors outside our control: population growth, GDP growth, the unemployment rate, and the total distance travelled in motor vehicles. However, we offset some of the claim volume growth through our injury prevention activities. Our relationships with providers are also important in ensuring that we are advised of and able to take responsibility for all the injuries covered by the AC Act and that injuries are treated appropriately. We actively monitor the way that treatment and rehabilitation costs change as our claim volumes change, allowing us to understand early cost pressures from claim volume growth.

Economic factors — we employ active strategies to best match our assets and liabilities. We tend to favour long-term investments with relatively certain income streams. Given the size of our balance sheet relative to our underlying costs, small movements in interest rates and investment earnings can have material impacts on the funding ratios of the Scheme.

Inflation — inflation increases the costs of the services we provide. The way we contract for services with providers (such as elective services) mitigates the impacts of inflation on the costs of our services. The nature of the services we purchase exposes us to additional cost inflation that is specific to treatment and rehabilitation services. To make sure that our efforts have an impact, we constantly monitor our average treatment costs.

Service offerings — we change the set of services we offer as new and improved services become available, and to support the rehabilitation of clients who have suffered injuries newly covered by the Scheme. We closely monitor the rehabilitation performance of the services we offer, ensuring the services focus on both client rehabilitation outcomes and financial sustainability.

Legislative changes — we engage closely with MBIE and the Treasury to influence proposed changes and understand the impacts of those changes. Legislatively-driven expansion of the scope of the Scheme (such as the creation of cover for maternal birth injuries), and findings of the court in relation to cover and entitlements can increase both the number of claims we accept and our overall costs of providing treatment and rehabilitation services. From time to time, Court decisions can also expand the application of the Scheme, and this can have significant fiscal impacts.

Forecast financial statements

Statement of forecast comprehensive revenue and expense

For the years ended 30 June

$M	Note	2024/25 Forecast	2025/26 Budget
Levy revenue and Government appropriation	4	**6,704**	**7,330**
Claims paid	5	8,164	8,798
Claims handling costs	6	679	734
Increase in outstanding claims liability	7	3,242	2,885
Total claims incurred		**12,085**	**12,417**
Increase (decrease) in unexpired risk liability	9	130	(62)
Other underwriting costs	6	160	168
Deficit from underwriting activities		**(5,671)**	**(5,193)**
Investment revenue	8	3,873	2,391
Investment costs	6	(72)	(83)
Other revenue		1	1
Net deficit		**(1,869)**	**(2,884)**
Total comprehensive revenue and expense for the year		**(1,869)**	**(2,884)**

Statement of forecast changes in reserves (equity)

For the years ended 30 June

$M	2024/25 Forecast	2025/26 Budget
Total Account reserves		
Balance at the beginning of the year (deficit)	(12,367)	(14,236)
Total comprehensive revenue and expense for the year	(1,869)	(2,884)
Balance at the end of the year (deficit)	**(14,236)**	**(17,120)**

Statement of forecast financial position

As at 30 June

$M	Note	2024/25 Forecast	2025/26 Budget
Account reserves			
Motor Vehicle Account		1,396	812
Work Account		1,865	1,291
Earners' Account		(4,889)	(6,020)
Treatment Injury Account		(2,421)	(2,655)
Non-Earners' Account		(10,187)	(10,548)
Total Account reserves (deficit)		**(14,236)**	**(17,120)**
Represented by:			
Assets			
Cash and cash equivalents		200	200
Assets supporting collateral		31	31
Receivables		607	666
Accrued levy revenue		3,896	4,310
Investments		53,069	52,923
Derivative financial instruments		698	690
Property, plant and equipment, and intangible assets		59	34
Total assets		**58,560**	**58,854**
Less liabilities			
Collateral received		153	153
Payables and accrued liabilities		3,263	3,271
Derivative financial instruments		710	710
Employee entitlements and provisions		42	42
Unearned levy liability		3,286	3,633
Unexpired risk liability	9	1,880	1,818
Outstanding claims liability	7	63,462	66,347
Total liabilities		**72,796**	**75,974**
Net liabilities		**(14,236)**	**(17,120)**

Statement of forecast cash flows

For the years ended 30 June

$M	2024/25 Forecast	2025/26 Budget
Cash flows from operating activities		
Cash was provided from:		
Levy revenue and Government appropriation	6,731	7,207
Interest	1,167	1,220
Dividends	669	505
Revenue from investment properties and other investments	12	16
Other revenue	1	1
	8,580	**8,949**
Cash was applied to:		
Payments towards claims	8,201	8,798
Payments towards injury prevention and other operating costs	924	947
	9,125	**9,745**
Net cash outflows from operating activities	**(545)**	**(796)**
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of investments	66,457	65,823
Proceeds from sale of collateral	-	-
Proceeds from sale of property, plant and equipment, and intangible assets	-	-
	66,457	**65,823**
Cash was applied to:		
Payment for investments	65,768	65,020
Payment for collateral	-	-
Payment for property, plant and equipment, and intangible assets	12	7
	65,780	**65,027**
Net cash inflows from investing activities	**677**	**796**
Net increase (decrease) in cash and cash equivalents	**132**	**-**
Cash and cash equivalents — opening balance	**68**	**200**
Cash and cash equivalents — closing balance	**200**	**200**

Reporting and funding by Account

The Scheme (as required through the AC Act) comprises five separate Accounts, being the Motor Vehicle, Work, Earners', Treatment Injury and Non-Earners' Accounts. Each Account receives individual funding and is maintained for a separate purpose.

Under the AC Act, unless otherwise provided by that Act, funds held in an Account can only be used to meet costs incurred in that Account. This means that cross-subsidisation of separate Accounts is not permitted. ACC therefore manages and separately reports on the performance and funding of each Account.

Sections 166A and 166B of the AC Act require the Government to issue a Funding Policy setting out the criteria for fully funding the levied Accounts, including the earners' portion of the Treatment Injury Account. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with that Funding Policy. The current Funding Policy was gazetted on 6 April 2021 (Gazette No. 2021-go1226).

The Funding Policy for the Non-Earners' Account and the non-earners' portion of the Treatment Injury Account is set by the Government (SEC-17-MIN-0028). The lifetime costs of post-2001 claims are fully funded using central estimates. The risk margin, which allows for the relative uncertainty and is included in the outstanding claims estimate, is not funded. Pre-2001 claims are funded on an annual pay-as-you-go basis.

The risk margin included in the OCL for each levied Account, which allows for the relative uncertainty in liability estimates, is not funded.

The ACC Board recommends sustainable levies to meet the funding policy of the Motor Vehicle, Work and Earners' Accounts, but final levy rates are set by the Government.

The Non-Earners' Account is funded by the Government. The Treatment Injury Account is funded through levies from the Earners' and Non-Earners' Accounts on the basis of whether the treatment injury claims are from earners or non-earners.

Statement of forecast comprehensive revenue and expense

For the year ended 30 June 2026

$M	2025/26 Budget Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Levy revenue and Government appropriation	**500**	**1,133**	**3,005**	**454**	**2,238**
Claims paid	1,131	1,566	3,350	521	2,230
Claims handling costs	64	142	314	60	154
Increase in outstanding claims liability	511	443	1,071	393	467
Total claims incurred	**1,706**	**2,151**	**4,735**	**974**	**2,851**
Increase (decrease) in unexpired risk liability	-	2	(64)	-	-
Other underwriting costs	20	69	35	5	39
Deficit from underwriting activities	**(1,226)**	**(1,089)**	**(1,701)**	**(525)**	**(652)**
Investment revenue	667	532	591	301	300
Investment costs	(25)	(18)	(21)	(10)	(9)
Other revenue	-	1	-	-	-
Net deficit	**(584)**	**(574)**	**(1,131)**	**(234)**	**(361)**
Total comprehensive revenue and expense for the year	**(584)**	**(574)**	**(1,131)**	**(234)**	**(361)**

Statement of forecast changes in reserves (equity)

For the year ended 30 June 2026

$M	2025/26 Budget Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Account reserves — opening balance (deficit)	1,396	1,865	(4,889)	(2,421)	(10,187)
Total comprehensive revenue and expense for the year	(584)	(574)	(1,131)	(234)	(361)
Account reserves — closing balance (deficit)	**812**	**1,291**	**(6,020)**	**(2,655)**	**(10,548)**

Statement of forecast financial position

As at 30 June 2026

$M	2025/26 Budget Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Account reserves (deficit)	**812**	**1,291**	**(6,020)**	**(2,655)**	**(10,548)**
Represented by:					
Assets	16,340	13,421	15,959	6,875	6,259
Less liabilities	15,528	12,130	21,979	9,530	16,807
Net assets (liabilities)	**812**	**1,291**	**(6,020)**	**(2,655)**	**(10,548)**

Notes to forecast financial statements

For the years ended 30 June 2025 and 30 June 2026

1. Accounting policies

Reporting entity

ACC is designated as a Crown Agent under the Crown Entities Act 2004. ACC provides comprehensive 24-hour, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand.

ACC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The forecast financial statements were authorised for issue by the Board on 21 March 2025. The Board is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other disclosures.

Basis of preparation

ACC is a Tier 1 entity, and the forecast financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The forecast financial statements comply with Public Benefit Entity Standards (PBE Standards) and have been prepared in accordance with the AC Act and the Crown Entities Act 2004.

The forecast financial statements are prepared on a historical cost basis unless otherwise stated. All balances are expressed in New Zealand dollars and rounded to the nearest million dollars ($M) unless otherwise specified.

Standard issued and not yet effective and not early adopted

PBE IFRS 17 *Insurance Contracts*

The public sector modified version of PBE IFRS 17 *Insurance Contracts* was issued in June 2023 and is effective for periods beginning on or after 1 January 2026. It supersedes PBE IFRS 4 *Insurance Contracts*. ACC will adopt PBE IFRS 17 for the year ending 30 June 2027. ACC will apply the standard retrospectively with restatement of comparatives for the year ending 30 June 2026.

PBE IFRS 17 sets out new recognition, measurement, presentation and disclosure requirements for insurance contracts. ACC has a project in place to manage the transition to the new standard. Accounting policies are being developed and will include an assessment of the scope and the impact of the measurement principles. Due to the complex nature of the standard, these policies have not been fully completed and approved, and therefore the financial impacts have yet to be finalised. ACC expects the presentation of the financial statements to change with new line items and new disclosures.

2. Significant accounting policies, judgements, estimates and assumptions

Outstanding Claims Liability

PBE IFRS 4 requires an OCL to be recognised and to be measured as the central estimate of the present value of the expected future payments for claims incurred, with an additional risk margin to allow for the inherent uncertainty in the central estimate. The OCL is to be discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.

The OCL consists of expected future payments associated with:

- claims reported and accepted as at the valuation date that remain unsettled as at the valuation date
- claims incurred but not reported to, or accepted by, ACC as at the valuation date
- closed claims that are expected, on the basis of actuarial projections, to be reopened after the valuation date
- the costs of managing reported but unsettled, reopened and IBNR claims.

The OCL is the central estimate of the present value of expected future payments for claims occurring on or before the balance date including direct and indirect handling costs, plus a risk margin to ensure the liability is sufficient to meet all the costs of future claim payments 75% of the time. The estimated future cash payments are discounted using a risk-free rate based on the yield curves of New Zealand Government bond rates.

Future payments associated with gradual process claims that have not yet been reported are not included in the OCL. ACC's major exposure to gradual process or latent claims is in respect of hearing loss and asbestos-related injuries. Section 37 of the AC Act states that a person is considered injured when:

- they first report the incapacity; or
- they first receive medical treatment for the incapacity.

The AC Act effectively defines gradual process claims as being consistent with the 'claims made' policies issued by general insurance entities. That is, clients are covered for a specified contract period, regardless of when the event occurred giving rise to the claim. Under 'claims made' policies, an insurer only has liability for reported claims.

Levy revenue and Government appropriation

Levy revenue is recognised in the levy period to which it relates. Levy revenue relating to levy periods that commenced prior to balance date is accrued if not yet invoiced. This accrual is estimated based on expected liable earnings at the applicable levy rate, with the assumption that the levy revenue is earned evenly over the levy period. The calculation of levy rates considers the current funding position of an Account and the lifetime costs of new year claims, discounted using the expected investment rate of return applicable to the Account. The proportion of levies not earned at the reporting date is recognised in the statement of financial position as unearned levy liability.

Government appropriation is recognised as revenue at the point of entitlement and this is considered to be the start of the appropriation period to which the funding relates.

Investment revenue

Investment revenue consists of and is recognised on the following basis:

- Dividends on equity securities are recorded as revenue on the ex-dividend dates (the dates on which the securities start trading without the value of their next dividend payments).
- Distributions from unit trusts are recognised when received, and can be in the form of additional units or cash.
- Interest revenue is recognised as it accrues, and can be in the form of additional investment units or cash.
- Investment gains (losses) represent the realised and unrealised movements in the investment values. Realised gains (losses) occur at the time of disposal of the financial instruments and are calculated as the difference between the proceeds received and their carrying values. Unrealised gains (losses) represent the difference between the carrying values of the financial instruments and their fair values at year end.

Foreign currency transactions (including those subject to forward foreign exchange contracts and cross-currency interest rate swaps) are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

Accrued levy revenue

Levies required to fund the Work Account are invoiced directly to employers or self-employed persons based on their respective liable earnings at the applicable levy rates.

Earner levies of shareholder-employees and the self-employed are also invoiced directly. Earner levies of employee earners are collected within the PAYE system and are paid to ACC upon being collected by Inland Revenue.

Accrued levy revenue for the Work and Earners' Accounts is estimated by using their respective expected liable earnings and average levy rates.

ACC recognises and accrues levy revenue up to the end of the levy year for the three levy-funded Accounts. The levy year runs from 1 April to 31 March for the Work and Earners' Accounts, and from 1 July to 30 June for the Motor Vehicle Account.

Investments

ACC holds investment assets to generate investment revenue that matches the expected future cash flows arising from insurance liabilities. Assets held in the investment portfolios are designated as 'assets backing insurance liabilities'.

All investment assets, other than service concession arrangements and investment properties, are classified as financial assets recognised at fair value through surplus or deficit. The service concession arrangement is carried at cost less accumulated amortisation. Investment properties are carried at fair value through surplus or deficit but are not considered financial assets.

Investment assets are initially recognised at fair value (which is their cost) and subsequently measured at fair value (except for the service concession arrangement). Purchases and sales of investments are recognised on a trade date basis, being the dates on which commitments are made to buy or sell the investments.

Fair value for investment assets is determined as follows:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities. These include listed shares and unit trusts, included in New Zealand equities, Australian equities and overseas equities.
- Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). These include:
  - > bonds and other fixed interest investments, included in New Zealand government securities, other New Zealand debt securities and overseas debt securities, valued using quoted yield curves
  - > unit trusts (included in New Zealand equities, Australian equities and overseas equities), deposits at call, derivatives and assets supporting collateral.
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs). ACC uses independent valuations for various investments without active markets or observable inputs. Fair value is determined using the most appropriate valuation technique. These include:
  - > non-listed equity investments (private equity and venture capital), included in New Zealand equities, Australian equities and overseas equities. The valuation techniques include discounted cash flow analysis, capitalisation of earnings and prices observed from recent market transactions associated with substantially similar investments
  - > unlisted unit trust investments, included in New Zealand equities, Australian equities and overseas equities, valued based on the exit price (the value ACC would receive if the units were sold).

The techniques for all levels include references to substantially similar investments with quotable prices, discounted cash flow analysis and option pricing models that maximise observable market data and keep unobservable inputs to a minimum. Assets subject to these valuations are included in other New Zealand debt securities, New Zealand equities, Australian equities, overseas debt securities and overseas equities.

Investment properties are revalued by independent registered property valuers.

Unearned levy liability

ACC recognises levy revenue that is earned for the financial year for the three levy funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account. This means that at each 30 June reporting date the financial statements include unearned levy liabilities for the remainder of the levy year (being July to March) for both the Earners' and the Work Accounts.

For the Motor Vehicle Account, ACC recognises unearned levy liability for a proportion of vehicle registration levies for vehicle registrations that expire after 30 June, and a proportion of petrol levies that can be expected to be received after 30 June based on the number and expiry dates of vehicle registrations purchased up to 30 June but that expire after 30 June.

Unearned levy is calculated based on the levy period to which it relates, with the assumption that the levy is earned evenly over the levy period.

Unexpired risk liability

At each balance date, ACC assesses whether the levy revenue recognised in the current period is sufficient to cover all expected future cash flows relating to future claims incurred in the current period. This assessment is referred to as the liability adequacy test and is performed for each Account.

If levies are insufficient to cover the expected future claims plus a risk margin, they are deemed to be deficient. The entire deficiency is recognised immediately in surplus or deficit. The deficiency is recorded in the statement of financial position as an unexpired risk liability.

The expected future claims are determined as the present value of the expected future cash flows relating to future claims. ACC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the claims liability.

Going concern assumption

The forecast financial statements have been prepared on a going concern basis, reflecting the Government's ongoing obligation to fund the Scheme and the long-term nature of its funding policy, pursuant to Sections 166A and 166B of the AC Act.

The Board continues to monitor and consider the future outlook of the Scheme and the likelihood that this creates uncertainty over the going concern assumption. ACC is particularly mindful that external economic factors can significantly impact the Scheme's financial performance and position. The scope of the Scheme can also change due to judicial interpretations of the provisions in the AC Act. This may require increased levels of funding in order to meet the future costs of current claims. In addition, the regulatory scheme contemplates periods when funding of some Accounts will be inadequate and catch-up funding will occur at a later stage to address any resulting deficits. In circumstances where the Government has elected for a period to not fund such deficits and/or not approve levy and appropriation changes recommended by the Board, financial deficits may worsen. If future recommended levy and appropriation changes are declined, this would likely lead to a deterioration in the funding ratios of the relevant Accounts.

3. Financial risks

As the forecasts are projecting future events, there are risks that the actual results may differ materially from those forecast.

A major risk is the impact of economic factors that are not controlled by ACC (for example, wage and cost inflation, and interest rates) on future claim payments, investment revenue and the OCL.

ACC's performance-management framework is designed to identify and monitor risks to the budget and forecast on a timely basis, and to allow management the opportunity to respond appropriately.

4. Levy revenue and Government appropriation

Approved aggregate levy rates (GST exclusive) and funding bases as detailed below have been used to prepare the budget.

Table 13 – Budget levy rates by levy year

Account	2024/25	2025/26
Motor Vehicle	$113.94 per vehicle through licensing fees and petrol levies	$122.84 per vehicle through licensing fees and petrol levies
Work	$0.63 per $100 liable earnings	$0.66 per $100 liable earnings
Earners'	$1.39 per $100 liable earnings	$1.45 per $100 liable earnings

The $7,330 million total levy revenue for 2025/26 is $626 million higher than forecast for 2024/25.
The budget for total levy revenue incorporates:

- Cabinet-approved (December 2024) levy rates for the 2025/26 levy year (including an increase in the earners' levy rate) and a forecast increase in the Work and Earners' Accounts' levy rates effective from 1 April 2026
- the Non-Earners' Account appropriation, including the non-earners' portion of the Treatment Injury Account, which has increased by $179 million or 7.51% to $2,563 million
- increased liable earnings in 2025/26, by 4.51% compared to 2024/25
- a 1.28% increase in the number of licensed vehicles and a forecast reduction in petrol-consumption of 1.13%.

Table 14 – Levy revenue and Government appropriation

$M	2024/25 Forecast	2025/26 Budget
Levy revenue	4,320	4,767
Government appropriation	2,384	2,563
Total levy revenue and Government appropriation	**6,704**	**7,330**

Non-Earners' Account appropriation

The Minister for ACC purchases outputs from ACC consistent with the provisions of the AC Act in respect of claims in the Non-Earners' Account and the Treatment Injury Account. This funding is appropriated within Vote Labour Market.

Table 15 – Budget Non-Earners' Account output expenses

$M	2025/26 Budget	Relevant ACC activity	Relevant ACC output
Case management and supporting services	377	Development and delivery of programmes to reduce the incidence and severity of injury.	Injury prevention
		Setting, invoicing and collecting levies — the Vote Labour Market appropriation process.	Levy engagement and collection
		Management of investment assets.	Investment management
		Lodgement of new claims and making cover decisions. The costs of determining, processing, paying and monitoring payments to treatment and service providers and clients. Also includes the cost to ACC of managing claims with the goal of returning clients to independence.	Claims management
Sexual abuse assessment and treatment services	14	Payments to providers for sexual abuse assessment and treatment services, and associated training and accreditation services, to victims of sexual abuse or assault.	Claims management
Rehabilitation entitlements and services	1,492	Payments to providers for services including social rehabilitation, medical treatment and vocational rehabilitation.	Claims management
Public health acute services	548	Funding via the Ministry of Health to provide services to injured people in hospitals during the acute phase of their treatment.	Claims management
Compensation entitlements	132	Direct payments of entitlements to clients, including weekly compensation, independence allowances and lump sum payments.	Claims management
Total	**2,563**		

5. Claim costs

Claim costs are budgeted to increase by $634 million (7.77%) to $8,798 million from the 2024/25 forecast to the 2025/26 budget. Claim costs are derived from the forecasts of new registered and new weekly compensation claims' growth, expected rehabilitation duration performance, the health labour cost index, and ordinary time weekly earnings assumptions.

Volume drivers have been applied to some individual services to recognise instances where claim volumes are expected to differ from the global new claim volumes forecast (up and down). These include services that are currently generating, or expect to generate, higher utilisation rates through targeting or responding to specific client needs, and services where demand is sensitive to various demographic and other factors.

Table 16 – Budget claim costs

$M	2024/25 Forecast	2025/26 Budget
Rehabilitation (including treatment) costs		
Vocational rehabilitation	100	112
Social rehabilitation	1,552	1,664
Medical treatment	1,330	1,498
Hospital treatment	655	678
Public health acute services	973	1,031
Other treatment	355	390
Total rehabilitation (including treatment) costs	**4,965**	**5,373**
Compensation costs		
Income maintenance	2,871	3,083
Other compensation and benefits	265	269
Total compensation costs	**3,136**	**3,352**
Other costs	63	73
Total claims paid	**8,164**	**8,798**

6. Operating costs

Operating costs are budgeted to increase by $74 million (8.12%) to $985 million from the 2024/25 forecast to the 2025/26 budget.

Table 17 – Operating costs by function

$M	2024/25 Forecast	2025/26 Budget
Claims handling costs	679	734
Other underwriting costs	160	168
Investment costs	72	83
Total operating costs	**911**	**985**

Table 18 – Operating costs by nature

$M	2024/25 Forecast	2025/26 Budget
Personnel costs		
Salaries and wages	444	471
Employer contributions to defined contribution schemes	41	44
Contractors and temporary staff	6	2
Training and professional development	2	3
Termination benefits and other personnel restructuring costs (i)	(4)	-
Other personnel costs	13	9
Total personnel costs	**502**	**529**
Other operating costs		
Computer and telecommunication costs	95	105
Strategic change programmes	68	68
Rental and operating lease costs	31	35
Injury prevention and other programmes	72	86
External levy collection	8	8
External investment costs	32	40
Direct investment costs	13	14
Consulting and other professional services	14	14
Depreciation, amortisation, impairment and losses/gains on disposal of property, plant and equipment and intangibles	42	33
Other operating costs	34	53
Total other operating costs	**409**	**456**
Total operating costs	**911**	**985**

Notes:

(i) The credit in the 2024/25 forecast is due to the write-back of the restructuring provision.

7. Outstanding Claims Liability

The liability is forecast to increase from $60,220 million to $63,462 million in 2024/25, an increase of $3,242 million. This reflects the 31 December 2024 valuation, with adjustments to reflect economic assumptions as at 28 February 2025. It is estimated that the OCL will reach $66,347 million in 2025/26.

Table 19 – Budget movement in the OCL

$M	2024/25 Forecast	2025/26 Budget
Opening balance at 1 July	60,220	63,462
Expected increase in the outstanding claims liability	3,925	2,885
Impact of change in claims experience and modelling	501	-
Impact of change in economic assumptions	(1,184)	-
Closing balance at 30 June	**63,462**	**66,347**

8. Investment revenue and net investment assets

Investment revenue is calculated using forecast returns based on a methodology that provides an estimate of ACC's median returns. The projected changes in rates from year to year reflect market expectations of the returns expected in each of the next 20 years.

Investment revenue in the 2025/26 year has been calculated by Account. The projected rate of return range in 2025/26 is 4.47% to 5.19% per annum, depending on the Account.

The projected net investment assets at balance date are shown in the table below.

Table 20 – Budget net investment assets

$M	2024/25 Forecast	2025/26 Budget
Operational cash portfolio	**200**	**200**
Investments	52,935	52,781
Receivables (including unsettled transactions, and dividend and interest receivables)	413	413
Payables (unsettled transactions)	(3,145)	(3,145)
Investment reserves portfolio	**50,203**	**50,049**

9. Unexpired risk liability

The unexpired risk liability is the difference between the unearned levy liability and the present value of the lifetime costs of the claims associated with that levy. It is forecast to increase by $130 million (7.43%) in 2024/25, and budgeted to decrease by $62 million (3.30%) in 2025/26.

Table 21 – Budget movement in unexpired risk liability

$M	2024/25 Forecast	2025/26 Budget
Opening balance at 1 July	1,750	1,880
Increase (decrease) in unexpired risk liability	130	(62)
Closing balance at 30 June	**1,880**	**1,818**

10. Capital expenditure

Computer equipment costs are those for the IT infrastructure expenditure and the cyclical replacement cost of mobile devices. Leasehold improvements spend is the annual spend necessary to ensure that our property is fit for purpose. The leasehold improvements spend in 2024/25 is mainly for the fit-out costs of the new office building in Dunedin. The 2025/26 spend on leasehold improvements is also mainly for the fit-out costs of the new office building in Dunedin, which is expected to be completed in 2025/26, along with the modernisation of the Greymouth and Gisborne worksites.

Table 22 – Budget capital expenditure

$M	2024/25 Forecast	2025/26 Budget
Property, plant and equipment		
Computer equipment	1	3
Leasehold improvements	10	6
Motor vehicles and other property, plant and equipment	-	1
Total property, plant and equipment	**11**	**10**
Intangible assets		
Intangible assets	-	-
Total capital expenditure	**11**	**10**
Depreciation and amortisation costs included in the Forecast statement of comprehensive revenue and expense	**42**	**33**

11. Summary of other important assumptions

Our forecast financial statements are underpinned by a range of assumptions. In addition to those noted earlier in this section, we adopt a range of forecasts for those indices that drive aspects of our financial performance.

Table 23 – Important Assumptions

Index (year to 30 June)	2025	2026	2027	2028	2029
Claim volume growth	2.90%	1.50%	1.70%	1.30%	1.00%
Entitlement claim volume growth	2.50%	5.40%	4.00%	3.70%	3.80%
Population growth	0.96%	1.08%	1.18%	1.18%	1.18%
Consumer price index	1.97%	1.97%	1.94%	4.89%	1.91%
Labour cost index	2.17%	2.17%	2.14%	5.09%	2.11%
Ordinary time weekly earnings	2.96%	2.26%	2.79%	2.88%	2.83%

Appendices

Appendix 1 — Alignment of the Service Agreement

How the Service Agreement aligns with our other accountability documents

We have three accountability documents. These can all be found at www.acc.co.nz/about-us/corporate.

Purpose of the Statement of Intent

The Statement of Intent summarises our strategic intentions for the next four years. It includes our medium-term outcomes, our vision, our areas of focus and how we assess our performance overall. The Statement of Intent also summarises how we maintain our organisational excellence: our people, our systems, and our risk-management framework.

Purpose of the Service Agreement

The Service Agreement is between the Minister for ACC and ACC.

The Agreement outlines for the forthcoming year:

- what we will have delivered by 30 June 2026 to demonstrate progress against our strategic intentions
- the quality and quantity of services to be provided by ACC
- the expected cost of those services
- the performance measures, targets and related information necessary for the Minister to assess our performance
- the nature and frequency of the reporting requirements against the Service Agreement
- how we will deliver our outputs: injury prevention, levy engagement and collection, investment management and claims management.

The Service Agreement outlines the initiatives and outcomes that ACC will deliver. It does not impose corresponding obligations on the Minister.

Statement of Intent

Covers a four-year period and outlines our medium-term strategic intentions

Service Agreement

Annual agreement with the Minister for ACC setting out the services we will deliver and the expected performance standards

Annual Report

Annual report that enables stakeholders to compare our actual performance with expected performance

Purpose of the Annual Report

The Annual Report highlights our achievements throughout the year and outlines our financial and non-financial performance. It provides a summary of our results and reports on how we have performed against our strategic objectives as set out in our Statement of Intent and Service Agreement.

Appendix 2 — Conditions of the Service Agreement

Roles and responsibilities

The Minister for ACC is the Minister responsible for both the Scheme and ACC. The Minister's roles and responsibilities are to:

- make sure an effective Board is in place to govern ACC
- participate in setting the direction of ACC
- monitor and review ACC's performance and results
- manage risks on behalf of the Crown.

The Minister exercises this responsibility through the relationship with the ACC Board and, in particular, the Board Chair. This Service Agreement supports that relationship.

The Board is accountable to the Minister for the delivery of the services specified in this Service Agreement, to the quality and costs specified. ACC remains accountable for the delivery of all outputs, including outputs that have been subcontracted to third parties.

Parties

This Service Agreement is between the Minister and ACC. Under section 25 of the Crown Entities Act 2004 the Board is responsible for all decisions relating to the operation of ACC. Under section 49 of that Act the Board also has a statutory duty to ensure that ACC acts in a manner consistent with this Service Agreement.

Term

This Service Agreement, entered into pursuant to section 271 of the AC Act, relates to a one-year period from 1 July 2025 to 30 June 2026. This Service Agreement revokes the Service Agreement for the period 1 July 2024 to 30 June 2025.

ACC's functions and duties

ACC provides accident insurance cover for all New Zealanders and visitors to New Zealand. We receive approximately two million claims per year.

Our core services are:

- injury prevention — we have a key role in promoting a reduction in the incidence and severity of personal injury. ACC-funded injury prevention activity is expected to be cost-effective and to lead to reductions in levies and appropriations
- rehabilitation — we aim to restore an injured person's independence to the maximum extent practicable. Specific provisions in the AC Act prescribe the entitlements that clients can access
- compensation — the Scheme provides financial compensation to clients for certain losses owing to personal injury.

ACC delivers the Scheme through four core activities (outputs). These are injury prevention, levy engagement and collection, investment management and claims management.

The cost of services for each injury is assigned to the Motor Vehicle, Work, Earners', Treatment Injury or Non-Earners' Account depending on the circumstances of the injury. Injury prevention costs are also assigned to the relevant Accounts. There is no cross-subsidisation between the Accounts.

ACC complies with procedures, conditions, restrictions and other provisions in the performance of its duties in relation to the management of each Account as set out in the AC Act. ACC is governed in accordance with the provisions of the Crown Entities Act 2004, the Public Service Act 2020, the Public Finance Act 1989 and the Health and Safety at Work Act 2015.

Amendments to this Service Agreement

This Service Agreement may be amended with the consent of the Minister and the Board if at any time during its term the work or environment of ACC is materially altered and the contents of this Service Agreement are no longer appropriate.

Any changes must be signed by the Minister and the Board and attached to this Service Agreement. Both parties will hold copies of the original and any amendments to this Agreement.

Payment

The Minister, on behalf of the Crown, will pay ACC up to the amount authorised by Parliamentary Appropriations for 2025/26. MBIE (the Ministry, acting as the administering agency responsible for Vote Labour Market) will action payments to ACC in accordance with the Public Finance Act 1989. Payments will be made monthly by direct credit from MBIE to ACC, coinciding with MBIE's receipt of funding from the Treasury.

Interpretation

The appendices to this Service Agreement form part of this Agreement, as do any amendments to those appendices signed by the Minister and the Board.

The parties agree to discuss and seek to resolve any differences of opinion between them under this Service Agreement, and any matter not covered by this Service Agreement relating to the supply of outputs.

Quarterly reporting

ACC will provide quarterly reports on its performance against this Service Agreement. Quarterly reports are to be read in conjunction with this Service Agreement and the reports of any preceding quarters to provide a context for the reporting of ongoing performance for the financial year 2025/26.

Each quarterly report will include commentary on performance against the performance targets, progress in implementing key initiatives and, where necessary, an explanation of performance trends, an analysis of those trends, and proposed actions to improve performance.

It will also include commentary on our financial performance and an analysis of risks, critical issues and opportunities arising from our performance to date.

Alongside the quarterly reports, ACC will provide information and commentary as appropriate to the Minister's officials to support the monitoring of, and further understanding of Scheme performance. The information and commentary may include results for supporting measures, historical information, and related commentary.

Where our performance does not meet targets, we will provide further information that may include:

- an analysis of causes
- strategies and plans to improve performance and meet the specified targets
- an outlook for full-year performance against targets.

As necessary ACC will provide the Minister with:

- any proposals to amend this Service Agreement due to changed circumstances
- timely advice of any risks that may create significant exposures for the Crown
- information to support the forecast adjustment process for funding cost pressures in the Non-Earners' Account.

The timeframes for quarterly reporting are:

Quarterly report	Timeframe
Quarter one	31 October 2025
Quarter two	31 January 2026
Quarter three	30 April 2026
Quarter four	31 July 2026

Our quarterly reports to the Minister will be published on ACC's website.

Appendix 3 — Letter of Expectations

Hon Scott Simpson

Minister for ACC
Minister of Commerce and Consumer Affairs

Dr Tracey Batten
Chair
Accident Compensation Corporation
[redacted]

Dear Tracey

INTERIM LETTER OF EXPECTATIONS FOR THE ACCIDENT COMPENSATION CORPORATION (ACC)

We are writing to outline how your board can support the delivery of the Government's priorities, and our specific and general governance expectations for the Accident Compensation Corporation (**ACC**). This is an interim letter, and we expect to issue an updated letter in response to recommendations identified following the report back from the current independent Review of organisational performance.

This letter should inform your 2025/26 Service Agreement, along with any updated Letter of Expectations.

Contributing to Government priorities

New Zealand is in a tight fiscal environment: the Crown's operating balances before gains and losses has been in deficit since 2019/20, and last year (2023/24) that deficit reached $12.9 billion. Getting the Government's books back in order will require a sustained, collective effort by delivering the Government's fiscal sustainability programme. It is critical that all public sector organisations, including ACC, play their part and maintain a culture of fiscal discipline.

We continue to expect boards to consider the Government's priorities, the Treasury's letter on *Fiscal Objectives and Budget 2024* in January 2024, and the expectations in the Enduring Letter of Expectations issued to statutory Crown entities in April 2024. We further confirm the expectations set out in the Letter of Expectations dated 18 April 2024 remain, including that you and your board will continue to:

- focus resources, minimise, and control costs (including contractor and consultant spend), deliver improved performance to represent a value for money investment for the Crown as owner; and
- set ambitious targets and develop robust performance measures.

We note that actions taken by Agencies as part of their Budget 2024 savings programmes included reviewing corporate costs such as those relating to travel and employees, and the use and cost of contractors and consultants.

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Specific expectations for ACC

1. Improve sustainability of the Accident Compensation Scheme (Scheme) and reduce pressure on levy payers

We are disappointed that the declining performance of the Scheme has not been appropriately raised until recently. Consecutive Financial Condition Reports highlighted performance concerns for a number of years. We expect that ACC has systems in place to enable early detection of Scheme issues to allow action to be taken much earlier, before performance challenges become entrenched.

ACC should consider prudent use of taxpayer, and levy-payer, funds throughout its decision-making process. Improving the long-term financial sustainability of the Scheme, to ensure it can support New Zealanders both now and into the future must be a top priority. At the same time, levies must remain affordable for working New Zealanders. The increase to levies agreed in December 2024 puts pressure on levy payers and continuous increases cannot be sustained.

2. Drive better performance and reduce costs

According to the 2024 Financial Condition Report, the largest cost drivers were weekly compensation rehabilitation rates, serious injury care hours and costs, and the average cost of sensitive claims. We expect focus and improvement on all these areas.

Long-Term Claims Pool
We particularly want you to focus on the Long-Term Claims Pool. There needs to be a dedicated focus on reducing claimants and returning them to independence as soon as possible. The growth in the cohort of claimants receiving weekly compensation for over a year is too high. The 2024/25 Service Agreement sets a target of reducing growth to 10.5% by 30 June 2025. We expect, through the 2025/26 Service Agreement that ACC sets a stretch target of between 6% and 7% growth by 30 June 2026. We will support ACC in developing a work programme to achieve this.

Specific attention needs to be given to the volume of claims that are not understood to be permanently impaired that sit within the Long-Term Claims Pool. This cohort has almost tripled between June 2017 and December 2024 (growing at approximately 15% per annum),and now make up approximately two-thirds of the claims in the Long-Term Claims Pool. In contrast, the number of claims that are understood to be permanently impaired[1] have been growing at only around 2% per annum.

We also expect you to focus on claimants receiving weekly compensation for less than 365 days. Data shows the 270-day mark is an important indicator of future claiming behaviour and should be a focus for case management.

[1] This includes serious injury claims, sensitive claims and long-term service claims that are not expected to be fully rehabilitated but do not meet the classification of a serious injury claim.

When setting targets in future outyears, we encourage ACC to consider benchmarking against the best performers internationally in both private and Government-run social insurance schemes.

Reduction in costs

We expect an important way to achieve these targets will be getting back to basics and supporting New Zealanders to return to work by having a strong focus on case management. Most entitlements should only be funded in line with Accident Compensation Act 2001 (the Act) where there is strong clinical evidence these will help claimants rehabilitate, either back to work or to independence. These entitlements should only be funded where there is evidence that in doing so, it will help a claimant rehabilitate.

Where there is strong evidence that specific treatments or services improve rehabilitation, ACC should use all available levers provided in the Act to incentivise claimants to participate in their recovery. It is our expectation that the ACC Board to consider options to strengthen the sanctions framework that is provided for within the Act to support the long-term financial sustainability of the Scheme.

We are aware the social rehabilitation costs have also escalated over recent years and expect ACC to actively track and manage these expenses. We expect ACC to undertake work to identify causes and opportunities to manage these costs, with an aim to seek a 5-10% reduction in 2025/2026 from the 2024/2025 financial year.

ACC must significantly sharpen its focus on the operational levers that will drive better rehabilitation outcomes and reduce costs. The Board should lead a decisive shift in the Scheme's rehabilitation performance over the next five years, setting ambitious targets accompanied by robust plans to achieve them. There is no room for complacency.

3. Co-operation with the Review of ACC

We expect ACC to co-operate fully with the Review that was announced in December 2024. It is important that the Review is completed by June 2025 and your timely input to support meeting this deadline would be appreciated. It is expected that you will work closely with the Ministry of Business, Innovation and Employment (MBIE) and the Treasury to implement recommendations to help drive better performance, and reduce costs.

4. Co-operation with the Cultural Review of ACC

We expect that ACC co-operate fully with the recently announced Cultural Review of ACC. It is expected that the Board will help to enable the reviewers to undertake their work and provide them with the resources they require to do so. The culture at ACC needs to be in line with public service good practice, as well as the Public Service Commission's Positive and Safe Workplaces and Speaking Up Model Standards.

Other priorities

It is our expectation that the board will:

5. consider and implement the recommendations of the Independent Review of ACC Investment;
6. introduce performance measures for investment returns that better reflect the long-term nature of the Scheme;
7. monitor and disclose critical risk information early, including presenting mitigation options;
8. maintain a focus on cybersecurity, including implementing the recommendations from the Deloitte Review (NIST CSF 2.0 Assessment); and
9. identify and report on key projects that enhance long-term financial sustainability and fairness.

Crown Financial Institutions (CFIs) expectations

We expect boards of CFIs to continue to:

- Operate in a manner that is fit-for-purpose, delivering on their legislated purpose, and balancing risk and return to assure investment performance is meeting long-term policy objectives and obligations;
- Actively consider their role within the Crown, understanding how their operations impact on broader Crown risk;
- Proactively work with Treasury and collaborate with the other CFIs to build resilience in the New Zealand economy; and
- Apply the responsible investment framework and take a sustainable finance approach to operations.

General governance expectations

Strong board governance is critical to the performance and success of the Crown's companies and entities. We expect you to focus on ensuring that ACC's board has the right governance model to enable effective decision-making and assigns accountability to the board and management. We also request regular engagement with Ministers and Treasury.

We expect the board to operate in a politically impartial manner and in accordance with high professional and ethical standards and the board's charter/code of practice, including of directors' independence and interests. A register of board interests should be maintained and shared with the Treasury as it is updated. We also expect you to champion succession preparedness across the board and the entity.

We refer you to the Treasury's Owner's Expectations document which outlines board and governance, performance, and reporting and accountability expectations, as well as process requirements.

Further information

In your Strategic Issues Letter due as soon as practicable, we are seeking your assessment of ACC's performance against the above expectations to date, including actions taken, and results achieved for specific expectations and broader Government priorities. We also reserve the right to consider the need for an updated or new Letter of Expectations following the live reviews.

Your relationship managers at the Treasury will contact you to discuss these expectations and engage with ACC as it carries out its 2025/26 business planning. We ask to be kept informed on a 'no surprises' basis about how ACC is giving effect to its strategic direction, and any significant matters.

We wish you every success with your endeavours.

Yours sincerely

Hon Scott Simpson
Minister for ACC

Hon Nicola Willis
Minister of Finance

Appendix 4 — Investment statement

The Government's expectations

The Government's expectations for ACC's investment function are outlined in the annual Letter of Expectations to ACC from both the Minister for ACC and the Minister of Finance. The Letter of Expectations can be found in *Appendix 3 — Letter of Expectations*. A summary of the Government's expectations for ACC's investment function, included in the Letter, can be found in *The Government's key priorities*.

Investment context

The Scheme was created in 1974 and in 1999 the government legislated the Scheme's accounts to become fully funded. This means ACC needs to collect enough money during each year to fund all future costs of any injuries that occur in that year.

Intergenerational equity is an underlying objective of the Scheme. In essence, this means that each population cohort should bear the costs of accidents that happened during the period when it was paying levies. Unanticipated rising costs, rising incomes and the introduction of effective but expensive new medical treatments could otherwise mean that future levy payers would contribute to the cost of previous years' accidents.

As required by its legislation, ACC invests funds as if it were a trustee. The investment portfolio cannot be used for anything other than meeting the cost of claims in each of the Accounts. One Account cannot cross-subsidise another. If ACC could invest to fully 'match' its liabilities, the changes in value of its assets would offset the valuation changes for its liabilities. In practice, ACC's assets can only partially match its liabilities given their long-term nature and the limited supply of equivalent assets.

ACC is close to being fully funded across all Accounts, but this assessment relies on forecasts of returns achievable on ACC's investment portfolios. If forecasts of returns reduce due to interest rates declining or claim costs rising unexpectedly, catch-up contributions would be required.

In such a situation, ACC aims to reduce the impacts that it may have on levy rates and on the contribution that the Government is required to make to the Scheme. Thus, ACC favours long-term investments that are expected to deliver relatively certain income streams for long periods of time. Such investments match the long-term cash flow requirements and tend to provide an offset against the risk of declining interest rates.

ACC's investment objectives

ACC invests to meet the future costs of outstanding claims. ACC's investment objectives seek to maximise investment returns over the long term while minimising unexpected mismatches between investment income and growth in the Outstanding Claims Liability. To this end, ACC aims to:

- achieve a suitable balance between return and risk (being the potential for unexpected declines in the ability of investment assets to meet future liability payments)
- maximise long-term investment returns, for the level of risk taken
- achieve long-term investment returns that exceed the benchmark by 0.15% (15 basis points) after investment-related costs
- mitigate risks through appropriate levels of diversification, effective risk management and a strong and efficient operational control environment
- incorporate Environmental, Social and Governance factors or considerations into investment decision-making
- support the spirit and content of New Zealand's health and safety legislation.

Governance

The ACC Board Investment Committee (BIC) is responsible for ensuring the development of, and approving, our investment strategy, policies and guidelines, and for approving the appointment of any external fund manager, investment consultant or custodian. The BIC reports to the full Board on a regular basis.

The ACC Board determines the membership of the BIC, which consists of members of ACC's Board plus expert external appointees.

The BIC operates within the delegated authority and risk appetite provided by the ACC Board. The BIC determines the investment policies, while the implementation of the policies is undertaken by ACC's in-house investment managers or by external fund managers (within the requirements and constraints of an Investment Management Agreement). In delegating investment decisions to internal investment staff, the BIC seeks to ensure that these investment decisions are made in a manner consistent with ACC's investment beliefs and objectives by:

- specifying the investment policies that must be complied with by ACC Investment Group staff
- specifying the investment benchmarks that are to be used to measure investment performance
- specifying how the Investment Group should measure and take account of risk when measuring investment performance
- setting various limits and controls governing the scale and nature of the investment decisions
- ensuring there is clear accountability for the various aspects of investment performance
- making sure the Investment Group has a strong control environment to ensure the limits and controls are enforced and conflicts of interest are minimised.

Key decisions the BIC **does not** delegate include the:

- approval of asset-allocation benchmarks and the establishment of the default allocation between investment markets for each of ACC's Accounts
- approval of policy documents discussing how we will approach various aspects of our investment operation (such as how we set the Strategic Asset Allocation and the approach that we will take to managing a particular investment portfolio)
- approval of changes to our Investment Guidelines, which specify limits to, and controls of, all aspects of the investment operation
- approval of the Investment Risk Management Policy, which specifies ACC's investment risk tolerance and how investment risk is to be managed
- appointment of external fund managers or custodians
- approval of any investment transactions that fall outside the limits and controls specified in the Investment Guidelines.

The Chief Investment Officer ensures the investment portfolio is managed relative to the investment risk tolerances set out in the restrictions and limits of the Investment Guidelines and the Investment Risk Management Policy. The Chief Investment Officer reports to the BIC on a regular basis.

ACC's Investment Beliefs

The ACC Board has approved ACC's Investment Beliefs recommended by the BIC.

ACC's Investment Beliefs are clear statements of how we think investment markets work and ensure alignment, a shared understanding and accountability. The beliefs are designed to stand the test of time and improve the innovative adaptability of the organisation.

1. **Governance matters**
   The role of governance is to define desired investment outcomes, set risk tolerances, establish and maintain clear lines of accountability, define suitable processes and establish and maintain an active role in monitoring and reporting.
2. **Fund purpose should be clear**
   The fund should be clear about its purpose in terms of cash flows, time horizon, tolerable risks and the desire for intergenerational equity.
3. **Asset allocation is the key investment decision**
   Asset allocation is the key driver and has the largest impact on both risk and return.
4. **Diversification is beneficial**
   Diversification reduces risk and should be applied to asset allocation, manager selection and active positions.
5. **Markets are imperfectly efficient**
   While markets tend towards being efficient, we believe inefficiencies can arise in different markets at different times.
6. **Markers are partially predictable over the long term**
   Prospective returns are partially predictable and tend to be more so over longer periods. Investors with a long-time horizon can benefit from this.
7. **Active management is difficult**
   We will tend to focus on areas of active management where we have an advantage and have demonstrable ability to add value.
8. **Private markets**
   The business economics and risk of private and public assets are broadly similar over time. However, the skillsets required to manage private assets differ from public assets.
9. **Ethical considerations are important**
   ACC's ethical position, including on climate change, responds to, and is driven by, our stakeholders' expectations and our commitments.
10. **People are paramount**
    Organisations with knowledgeable, skilled staff perform better over time than those without.
11. **Manager styles do not consistently add value over time**
    Managers tend to exhibit investment styles. We believe that manager styles are not rewarded, nor consistently add value, all the time.
12. **Costs matter**
    Costs are almost certain and erode returns. We should take account of all costs including fees, transaction costs, market impact costs and taxes.

Investment strategies and policies

Investment strategy

The highest layer of investment strategy involves the setting and review of the Strategic Asset Allocation, which sets out the asset class allocation percentages for each Account.

Each asset class is described by a market benchmark that is considered the best representation of its risk and return characteristics. The asset allocation of weightings, together with the asset class benchmarks, are referred to as the Strategic Asset Allocation and are used by the Investment Group as the basis for implementing the investment portfolio. The BIC reviews the asset allocation benchmarks on both an annual and an interim basis.

Management strategy

ACC aims for continued investment success by employing the best investment professionals in the market and encouraging them to manage ACC's investment portfolios in an environment that:

- emphasises individual accountability, but also encourages individuals to work together as a team
- encourages open discussion and debate, without requiring team members to buy in to an artificial 'consensus'

- encourages investment professionals to think about risk as well as long-run returns, and more generally to align their behaviours with ACC's objectives
- empowers investment professionals to make decisions that could add real value for ACC, while recognising that some misjudgement is inevitable.

The Investment Group is focused on ensuring that ACC's investment infrastructure and operational control environments are robust, and that the strategy delivers outcomes that are aligned with our vision and our fiduciary responsibility.

Investing in New Zealand

ACC is a large investor in New Zealand sovereign bonds and New Zealand companies.

ACC has a dedicated Governance Manager who works with our New Zealand listed equity team to actively exercise our corporate governance responsibilities. This has the dual benefits of driving sustainable value creation by holding issuers to account for their performance and lifting New Zealand's corporate governance standards.

ACC plays particular attention to the effective representation of shareholders' interests where conflicts exist (eg a large holder or an external manager). We focus on clear disclosure by issuers of strategies, the consequent skills that are required by boards, and improving the alignment and disclosure of executive remuneration.

The team also interacts energetically with regulators, exchanges, issuers and other investors regarding governance issues as they arise — with particular attention to director duties, and issues arising from the NZX Corporate Governance Code review.

Iwi partnerships

Iwi have many characteristics in common with the ACC Investment Group. Iwi are focused on New Zealand, represent a broad part of our community, and often have long investment horizons and a broad mandate to invest. This makes us natural co-investment partners where there is a demonstrable commercial return.

Examples of our investments with iwi to generate commercial returns include:

- joint ventures for commercial property developments
- funding to assist iwi into ownership of land leases to government departments.

Risk management

The taking of compensated risk is core to investing. The BIC seeks to ensure that the accepted level of risk aligns with the objectives of the investment portfolio and is consistent with the Board's risk appetite. The BIC manages risk through the Investment Risk Management Policy and Investment Guidelines.

The Strategic Asset Allocation is also a primary tool in helping the BIC to manage the risk profile of the investment portfolio. It establishes the financial risk profile of the investment portfolio through a set of market benchmarks and exposures that best meet the long-term investment objectives of the portfolio while ignoring short-term fluctuations in market conditions. The Investment Guidelines limit how much risk the Investment Group can take by placing constraints on the exposure to different categories of risk. The BIC sets rules to govern the types of investment that can be entered into, the way in which the Investment Group invests and the ways in which the Investment Group manages performance. The Investment Group measures investment risks from a number of perspectives to give as broad a picture of risk as possible. Risk measures are reported to the BIC monthly.

The investment portfolio is subject to many types of risks by investing in financial markets. The significant risks include, but are not limited to:

- interest rate risk — changes in interest rates will affect the value of investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations
- inflation risk — inflation affects the value of investments and the future costs of claims through higher rehabilitation costs and wage prices. The value of fixed income securities in the investment portfolio, particularly those with long durations and fixed cash flows, typically decreases if expected inflation increases interest rates (the mechanism being as described under 'interest rate risk' above). The values of other investments, like equity and inflation-linked securities and, or property assets, may increase with inflation

- general market risk — the value of the investment portfolio will fluctuate as the equity and bond markets fluctuate. The value of the investment portfolio may decline because of economic changes (including but not confined to the specific interest rate risks and inflation risks detailed above) or other changes including developments and trends in any particular industry, the financial condition of issuers of such assets, and national and international political events and policy developments
- counterparty risk — we enter derivative contracts with banking counterparties and futures exchanges as part of the investment process. If a counterparty is unable or unwilling to make timely payments to honour its obligations under a contract, ACC may incur a full or partial loss on the derivative. The values of derivative contracts can also change quickly as market conditions change, which in turn means the exposure to counterparties can change quickly. ACC uses cash collateral and margining to offset this exposure
- liquidity risk — the investment portfolio requires exposure to liquid assets to both meet the claim costs of the Scheme and take advantage of opportunities in investment markets. Liquidity risk exists when investments are difficult to sell, possibly forcing us to sell at disadvantageous prices. Derivatives involving substantial market risk also tend to involve greater liquidity risks. Liquidity risks can arise from the need to post large amounts of cash collateral or margin to counterparties of derivatives trades as market conditions change, and if sizeable funding activity from the Scheme requires the sale of securities to meet unexpected liquidity requirements
- climate change risk — the impacts of climate change, such as higher temperatures, rising sea levels, more frequent extreme weather events and adverse health impacts, present current and emerging risks to ACC. ACC's investment portfolio is exposed to the physical risks that result from climate change and transition risks that arise from attempts to combat climate change.

Investment Risk Tolerance

Approving ACC's investment risk tolerance is a matter the Board reserves for itself with input and endorsement from the BIC. The Board and BIC review ACC's investment risk tolerance every 5—10 years. The decision to review this infrequently reflects ACC's long investment horizon and the importance of sustaining the agreed tolerance through market cycles.

Essentially, the review is to assess how much risk ACC is willing and able to take in pursuit of higher returns and what trade-offs are involved in doing so. The agreed risk tolerance sets the baseline for the Strategic Asset Allocation. It is expressed as an overall weighting for equities, calibrated to the case where ACC accounts are fully funded and the market reward for risk is 'normal'. The review considers various factors, such as the expected funding ratios, levy rates, the volatility of outcomes, and liquidity requirements.

The Investment Risk Tolerance Statement[9] is intended to encapsulate the Boards appetite for Investment Risk and is informed by the risk tolerance setting process outlined above.

The Board makes the risk tolerance statement public to enhance institutional stability, transparency, and accountability of the decision.

Active management

Active portfolio management is an integral part of ACC's investment beliefs and is important in achieving ACC's investment objectives. Active portfolio management allows ACC to identify and exploit market opportunities, enhance returns and manage risks.

ACC continues to actively manage all its investment portfolios. The majority of ACC's investments are actively managed by the in-house investment managers. ACC manages most of its Australasian funds internally, and uses external fund managers for all its global investment mandates.

[9] www.acc.co.nz/about-us/our-investments/investment-risk-tolerance-statement

ACC Investments Code of Conduct

The ACC Investments Code of Conduct establishes rules to ensure that the Investment Group complies with the Financial Markets Conduct Act 2013 and that investment staff manage personal investments, conflicts of interest and offers of gifts or hospitality appropriately. The investment portfolio is managed to the highest ethical standards. The Investment Group maintains a culture of compliance that is consistent with its position as a Crown Agent and as a leading investment fund. This means:

- being fully aware of, and complying with, all applicable legal obligations and internal policies and guidelines
- readily identifying and appropriately addressing any instances of non-compliance (actual or potential) to eliminate or minimise ACC's exposure to legal or reputational risk.

Ethical Investment Policy

ACC's Ethical Investment Policy[10] requires ACC to consider the ethical implications of ACC's investments as well as ACC's fiduciary responsibilities. ACC seeks to avoid investing in entities involved in activities that would be considered unethical by a substantial majority of the New Zealand public. ACC uses New Zealand law as a reflection of the principles widely held by the New Zealand public. ACC also draws on international conventions such as the United Nations Global Compact and the Principles for Responsible Investment. ACC also aims to avoid investing in entities that exhibit corporate behaviour that seriously breaches ethical/responsible investing standards.

The ACC Board provides overall guidance on the types of activity that are considered unethical. The ACC Board has highlighted activities that are considered unethical. These include: tobacco companies; cannabis companies; companies involved with the development and/or production of anti-personnel mines, cluster munitions, nuclear explosive devices and automatic or semi-automatic guns for civilian use; companies involved in hunting or processing of whales; and companies generating more than 30% of their revenue from thermal coal.

ACC aims to continue earning strong investment returns for levy payers and reduce the costs that New Zealanders pay for accident cover, while also meeting our ethical responsibilities.

In 2019 ACC committed to a 50% reduction in the carbon intensity of the global equity portfolio by 2030 compared to 2019 levels. The ACC Board revised the targets in 2021, committing to a 60% reduction by 2025 and a 65% reduction by 2030. Significant progress has been made towards these targets, with a commitment to review them on an iterative basis.

Principles for Responsible Investment

ACC became a signatory to the Principles for Responsible Investment in March 2008. These principles provide investors with a framework to incorporate environmental, social and governance issues in their investment decision-making and ownership practices. As a signatory ACC is committed to adopting and implementing the principles where consistent with our fiduciary responsibilities.

Crown Financial Institutions — Responsible Investment Framework

ACC takes into account its role and responsibilities as one of New Zealand's Crown Financial Institutions. This role was reaffirmed under the Crown Responsible Investment Framework, announced in October 2021.

ACC, alongside the NZ Super Fund, Government Superannuation Fund and National Provident Fund, has committed to making reductions in the portfolio carbon footprint in line with achieving net-zero global emissions by 2050, and reporting on these reductions using common metrics.

As part of this, the Crown Financial Institutions will seek to invest in climate solutions consistent with their respective investment strategies and commercial mandates. They will also use their collective influence as asset owners to engage with companies on climate change and emission reductions.

[10] www.acc.co.nz/assets/corporate-documents/ethical-investment-policy.pdf

Investment valuations

We have an investment valuations policy that governs how ACC values non-traded investments such as property and private equity, the timeframes for changing valuation managers and the specific requirements in doing so.

ACC manages its financial statements in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and complies with Tier 1 Public Benefit Entity accounting standards. To ensure assets are measured accurately and without bias, ACC maintains independence between those responsible for managing the investments and those responsible for valuing the investments. For material investments where no observable market prices are available, the Investment Group obtains independent third-party valuations. Independent third-party valuers must be managed on a rotation policy. The policy requires ACC to ensure it follows ACC's Procurement Policy, which ensures independence within ACC on the selection of valuers.

Cost management

ACC uses a market-recognised measure of cost management — the management expense ratio (MER). It includes all the investment costs for the management of the portfolios. ACC undertakes best-practice cost benchmarking to ensure cost transparency and efficiency. The BIC monitors ACC's investment MER on a quarterly basis and reviews it against peer funds and other Crown Financial Institutions.

Measuring performance

The oversight of investment performance is a primary function of the BIC, with independent reporting provided by the Investment Risk and Performance team.

Investment performance should ultimately be evaluated according to the extent to which ACC's investments have achieved the objectives of enhancing returns and reducing risk, and how that performance compares with global investment markets' performance.

The Investment Group measures the performance of each portfolio against a relevant benchmark, and measures ACC's overall investment return against a composite benchmark.

Inherently, most investment decisions involve a considerable degree of uncertainty, and the outcomes of a few investment decisions in a short period of time could be regarded as being due more to luck than skill. But with enough time and enough distinct investment decisions to consider, ACC expects that any unpredictable positive or negative results will average out. Therefore, investment performance over a longer timeframe is more likely to reflect mainly the quality of the investment decisions rather than the 'noise' of relatively unpredictable fluctuations in investment markets.

Standards and procedures

The investment strategy and policies are implemented through standards and procedures that sit outside this document. Standards and procedures are monitored and controlled centrally by the ACC Investment Compliance team and are reviewed and reported to the BIC on an ongoing basis.

Glossary and directory

Glossary of terms

Accident Compensation Act 2001 (AC Act)

The primary legislation which sets out the functions of the Accident Compensation Scheme, and establishes ACC to deliver it.

Client

A person who makes a claim under the Scheme.

Consumer price index

A measure of the price change of goods and services purchased by private New Zealand households.

Crown entity

An organisation in which the Government has a controlling interest, as defined in the Crown Entities Act 2004.

Earners' Account

The Account for non-work injuries to people in employment that occur outside work (e.g. at home or playing sport), that are not motor vehicle or treatment injuries.

Entitlement claim

A claim that has received support in addition to medical treatment, such as weekly compensation, social or vocational rehabilitation for a covered injury.

Funding ratio

A measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each ACC Account. The funding position is expressed as a ratio of the assets divided by the liabilities for each Account. The calculation of the applicable assets and liabilities is defined in the funding policy.

Gradual process claims

Claims as a result of injuries that occurred due to prolonged exposure in the workplace to conditions that resulted in some form of harm (e.g. hearing loss).

Gross domestic product (GDP)

The standard measure of the value added through the production of goods and services in a country during a certain period.

Health provider

A person or organisation providing a treatment or rehabilitation service to a client (e.g. a GP or physiotherapist).

Huakina Te Rā

Our enterprise strategy for 2023-2032. Huakina Te Rā means to 'open the sail', and is the command that calls ACC to action, engaging the sails of our waka into momentum towards our destination. Underpinned by Te Tiriti o Waitangi/the Treaty of Waitangi, our strategy seeks to achieve equitable wellbeing outcomes for the people we serve. Huakina Te Rā is developed with a dual framework that acknowledges both Te Tiriti partners as represented by a waka hourua.

Labour cost index

A measure of the changes in salaries and wages paid to workers, commonly expressed as an annual percentage.

Levies

Amounts charged, separate from general taxation, and used to cover the cost of injuries caused by accidents within the Motor Vehicle, Earners', Earners' portion of the Treatment Injury and Work Accounts.

Long-term claims pool

A long-term claim pool client has received weekly compensation for more than 365 days.

Motor Vehicle Account

The Account for all injuries involving a motor vehicle on a public road.

New claims registered

Total number of new claims registered. Presented as a rolling 12-month result.

Non-Earners' Account

The Account for injuries of people not in employment, that are not motor vehicle or treatment injuries, such as children and retirees.

Outstanding Claims Liability (OCL)

An estimate of the present value of expected future payments on all existing ACC claims.

Pay-as-you-go basis

Funding the costs of injuries as the costs are incurred.

Return on investment

The return or benefit obtained from an investment over and above the original investment, commonly expressed as a percentage or ratio.

Scheme

New Zealand's no-fault accident insurance scheme that provides cover to all New Zealanders and visitors to our country.

Statement of Intent

A statutory document that covers a four-year period and outlines our medium-term strategic intentions.

Strategic intentions

The areas that ACC has identified as needing the most focus during the period of the Statement of Intent (2023—2027).

Treatment Injury Account

The Account for injuries arising from medical treatment.

Weekly compensation

Payments to compensate clients for injury-related loss of income from work. Weekly compensation pays up to 80% of a person's pre-incapacity weekly wages, up to a statutory maximum.

Work Account

The Account for injuries arising from paid work.

Glossary of performance measures

Actuarial movement (influenceable)

The percentage growth in the OCL (balance at the start of the year) from actuarial gains or losses, which arise from claim volumes, types, and costs differing from expectations where the drivers are at least partially influenceable by ACC.

Claim lodgement rate for Māori

The percentage of Māori who had an ACC claim, per year. A person is counted as having a claim if they have at least one accepted ACC claim with an injury date during the 12 months measured. For 2025/26 onward, we have adopted a new methodology aligned to ACC's annual Access Report.

Employee engagement

Employee engagement is the grand mean (average of averages) of results across 12 questions. The questions cover aspects of engagement, including basic needs, management support, teamwork and belonging, and growth. This is measured annually using a Gallup survey tool.

Growth rate of the long-term claims pool

The proportional change or growth in the number of clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

Investment performance after costs relative to benchmark

A measure of ACC's investment performance after costs compared with the industry standard. Measured as the percentage above the blended market average benchmark. Presented as a rolling 10-year result.

Long-term claims pool returns to independence

The net number of long-term claims pool clients who have returned to independence (ceased receiving weekly compensation) in 12 months. A long-term claims pool client has received weekly compensation for more than 365 days. Presented as a rolling 12-month result.

New year costs movement

The annual movements in the expected lifetime costs to ACC of new accidents, excluding the effects of legislation and policy changes and changes in economic conditions. Presented as a point-in-time result.

Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)

The number of privacy breaches notifiable to the Office of the Privacy Commissioner based on criteria for mandatory notification. Presented as a year-to-date result.

Overall system uptime

The percentage of time in which key applications and networks are available to perform required functions. Presented as a year-to-date result.

Percentage of total expenditure paid directly to clients or for services to clients

The proportion of expenditure (claims paid and administration costs) paid for clients (claims paid). Investment costs are excluded. Presented as a year-to-date result.

Public trust and confidence

The proportion of the general public who report feelings of trust or high trust in ACC. Respondents rate their trust and confidence on a scale of 0 to 10. A rating of 7 to 10 corresponds to 'trust/high trust'. Presented as a rolling four-quarter result.

Reduction in corporate emissions

The reduction in our corporate carbon emissions compared to the benchmark year of 2018/19. Our corporate emissions are the tonnes of carbon dioxide equivalent (tCO_2e) of our corporate-related Scopes 1 and 2 and certain Scope 3 emissions calculated using activity data and the Ministry for the Environment's emissions factors. We currently measure air travel, electricity, electricity transmission and distribution losses, staff commute and ground travel (taxis, rental cars, fleet, private mileage), hotel stays, freight, staff working from home, waste, waste water, and water supply. Presented as a point-in-time result.

Reduction in the carbon intensity of the global equity portfolio

The total reduction, compared to the base year of 2018/19, in the total carbon emissions for which our investee companies are directly responsible. Included in the measurement are the emissions generated in the production of the energy they use, and the emissions embedded in the fossil fuel production volumes of reserves' owners in the energy sector and the diversified metals and mining industry. Presented as a point-in-time result.

Return on investment — injury prevention

The return on investment from our injury prevention investments. This consists of two parts: the historical value of claims saved divided by the cost of the interventions to date, and the 10-year expected claims saved divided by the likely future cost of the interventions. The future investment and value of claims saved in the calculation of the return on investment are discounted using our expected investment rate of return. The measure excludes ACC's investment with WorkSafe New Zealand. Presented as an evaluation of the costs and savings at a point in time.

Return to independence for those not in the workforce

The proportion of clients (who have never received weekly compensation) who have returned to independence (ceased receiving any entitlement payments) in 12 months. Excludes serious injury claims. Presented as a rolling 12-month result.

Return to work: 10 weeks

The percentage of clients receiving weekly compensation who return to work within 10 weeks (70 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Return to work: nine months

The percentage of clients receiving weekly compensation who return to work within nine months (273 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Return to work: one year

The percentage of clients receiving weekly compensation who return to work within one year (365 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Directory

Our three main contact centres are open Monday to Friday, 8am to 6pm

Claims

0800 101 996

claims@acc.co.nz

Business

0800 222 776

business@acc.co.nz

Providers

0800 222 070

providers@acc.co.nz

Claims		
General claims questions	0800 101 996	**claims@acc.co.nz**
From overseas	+64 7 848 7400	
Sensitive claims	0800 735 566	**sensitiveclaims@acc.co.nz** Sensitive Claims PO Box 430 Dunedin 9054
Deaf services		**deaf@acc.co.nz**
Language and cultural services	0800 101 996	

Business and levies		
Business and levies	0800 222 776	**business@acc.co.nz**
From overseas	+64 7 859 8675	ACC Business Service Centre PO Box 795 Wellington 6140
Managing employee injuries (Injury management)	0800 101 996	**returntowork@acc.co.nz**
Collections and recoveries	0800 729 538 +64 4 805 4296	**collections@acc.co.nz** ACC Collections and Recoveries PO Box 242 Wellington 6140

Providers		
Health and service providers	0800 222 070	**providerhelp@acc.co.nz** Northern Service Centre PO Box 90341 Auckland 1142

General questions		
General questions	04 816 7400	**information@acc.co.nz** ACC PO Box 242 Wellington 6140
Statistics		**statistics@acc.co.nz**
Complaints and feedback	0800 650 222 +64 7 859 8560 (overseas)	**customerfeedback@acc.co.nz** Customer Resolution Freepost 264 PO Box 892 Hamilton 3240
Media		media@acc.co.nz ACC Media Team PO Box 242 Wellington 6140

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0800 101 996

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New Zealand Government

ACC 8754 June 2025 Print ISSN 2382-0640 Online ISSN 2382-0659