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

Annual Report 2025

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.

Stay up to date by visiting our newsroom and website

www.acc.co.nz/newsroom
media@acc.co.nz

www.acc.co.nz
website

Contact us, we are open Monday to Friday, 8am to 6pm

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Contents

Annual Report 2025 highlights our achievements throughout the year and outlines our financial and non-financial performance. It describes our results for 2024/25 and reports on how we performed against our strategic intentions, as set out in our Statement of Intent and Service Agreement.

How to read this report

This report gives information about who we are, what we do, and the key aspects of our operating environment for 2024/25. It also provides detail about our progress towards our strategic intentions and the progress we have made in the year. It also gives information on our governance, Investment Fund, statement of performance and our financial statements.

Previous Annual Reports, our Statement of Intent and Service Agreement are available on our website acc.co.nz.

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.

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.

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. Information on the Accounts is included on page 40.

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.

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

From the Board

ACC is unique to New Zealand, delivering a no-fault, comprehensive, social insurance scheme for personal injury for more than fifty years. However, to ensure we can provide support to injured New Zealanders for the next fifty years, we need to make sure the Scheme is financially sustainable by addressing the various factors impacting its financial position.

These factors include the increasing time to rehabilitate injured New Zealanders, the growing cost of services, and the expansion by judicial decisions of Scheme boundaries in recent years.

While some of these changes are outside our direct control, we have recognised the need to refocus on the core purpose of the Scheme: providing timely, appropriate support to help injured New Zealanders return to independence and work.

The Scheme delivered an overall deficit for the year of $1.5 billion, an improvement from the 2024 result of $7.2 billion. This is represented by a deficit of underwriting activities of $5.8 billion (2024 - $10.7 billion) and surplus from investments of $4.4 billion (2024 - $3.5 billion).

Our investment portfolio returned 9.10% after costs, outperforming the comparative benchmark.

The Account reserves show a net deficit of $13.8 billion, reflecting the large deficit recorded in 2024. This followed a significant increase in the Outstanding Claims Liability last year, including following an expansion to Scheme boundaries from Court of Appeal rulings.

The funding ratios for the Work and Motor Vehicle Account remain above the funding policy target of 100%. The Earners' and non-levied account are below this level. Scheme payments for compensation, rehabilitation and treatment support have more than doubled over the past 10 years, with growth accelerating in the last three years. At this rate, payments would double again in six years, which is clearly unsustainable.

The Board considers this performance is unacceptable. The steps taken in 2024/2025 have made some progress on stabilising rehabilitation performance. But we are under no illusions — there is still a big mountain to climb and delivering on our targets will require ACC to reverse the significant growth in people who have not been rehabilitated for over 12 months and the costs of services provided by the Scheme.

The Minister for ACC and the Government has set clear expectations for the Board to turnaround ACC's trajectory, through improved organisational performance, delivering better rehabilitation outcomes and better managing the treatment and rehabilitation costs of the Scheme. It is acknowledged that ACC cannot achieve the turnaround through its actions alone and other steps will need to be taken to ensure the long-term viability of the Scheme.

This year, we had independent reviews of our investment and insurance operations and organisational culture. The findings and recommendations from these reviews are valuable to assist us developing and implementing a plan to improve organisational and Scheme performance in the coming years.

The review of operations confirmed that ACC is making progress in some areas, but that more needs to be done to 'get back to the basics' of delivering the right services at the right time to injured New Zealanders.

We have worked with the Executive team to ensure a strengthened focus on claims management is reflected is ACC's priorities for 2025/26, supporting relentless attention on successful rehabilitation and effective cost management. We will also reflect this in a new enterprise strategy and Statement of Intent, incorporating the recommendations from external reviews and setting out our path forward.

The Board initiated a review of ACC's culture to understand the current state and areas where we need to change. A positive, inclusive, and safe workplace, where our staff are supported to meet the needs of our clients and other stakeholders is essential for the high performing organisation we want to be.

The Board has accepted all the findings and recommendations of this review and acknowledged where we have fallen short. The Board will work with the ACC Executive team to deliver a well-coordinated and timely action plan.

We are owning our part in building a sustainable ACC — and we are asking others to do the same. Insurance costs are shared by everyone. Every dollar we spend on treatment, rehabilitation and financial entitlements is paid for by someone — and that someone is all of us.

We will work with clients, employers, and providers to consider the impact they can have on preventing injuries and respecting the Scheme's purpose and boundaries. Accessing more treatment, services and financial support than needed places pressure on providing services to those who genuinely need support. We all have a part to play in protecting the future of ACC.

I want to thank our Executive team and all ACC employees for their dedication to improving lives every day. I also acknowledge Dr Tracey Batten for her significant contribution to ACC and her leadership as Board Chair, which concluded in June 2025.

David Hunt
Acting Board Chair
Date: 19 September 2025

Bella Takiari-Brame
Risk Assurance and Audit Committee Chair
Date: 19 September 2025

From the Chief Executive

New Zealand's unique Accident Compensation Scheme has been helping New Zealanders recover from their injuries for more than 50 years. Every year, ACC accepts more than two million claims for injuries, providing treatment, rehabilitation and compensation to the people who need it.

Over the past decade, rising treatment and rehabilitation costs have put financial pressure on the Scheme. More people are accessing support, and for longer periods.

These trends reflect internal and external pressures, including economic and demographic factors, broader health sector pressures, and past changes to ACC's case management approach that resulted in some people relying on support for longer than needed. We know that significant changes are required to ensure the Scheme is affordable and future generations aren't paying for our injuries.

This year, there was further pressure on the costs of providing treatment and rehabilitation services for injured people. More people accessed elective surgery, the number of claims and related costs for sensitive claims increased, as did the cost of providing social rehabilitation services. These increased costs drove an increase in the future costs of claims of over $1 billion.

In response to performance challenges, over the past two years, ACC has been focused on ensuring the Scheme remains sustainable for future generations. This year, we took further deliberate steps to improve rehabilitation outcomes, strengthen financial performance, and deliver better outcomes for our clients.

The improved performance we've seen as a result is a highlight of the past year. We achieved 88% (or 14/16) of our service agreement targets and seen key indicators of rehabilitation stabilise, then improve. These improving trends are a significant shift from previous years and has set us for further improvement.

One of our most important achievements was helping nearly 8,000 clients return to work or independence after more than a year on weekly compensation. This helped limit growth in the long-term claims pool (LTCP) to 8.7%, outperforming our target.

These improvements are a direct result of a new team we established focused on supporting LTCP clients to achieve a positive rehabilitation outcome.

Improvements to rehabilitation performance also reflect changes we have made to our case management approach to provide more dedicated support to clients. This new approach has seen more clients to return to work earlier and fewer claims cross into the LTCP.

Clients generally view these changes to our case management approach positively. They also reflect evidence that a rapid return to work or independence supports better outcomes for clients and reduces the social and economic impacts of injury.

This year we completed an organisational restructure that began in 2023/24. This restructure helped set us up for a stronger performance focus, greater impact and more collaboration. By shifting investment from corporate functions to the frontline, we were also able to reinvest in 250 new customer-facing roles to support injured New Zealanders.

Injury prevention remains a cornerstone of our work. In 2024/25, we published the first national report on injuries, Injuries in New Zealand, Insights from 2024: How we are getting hurt and how you can make a difference. This report highlights the impact of injuries and provides practical steps people can take to stay safe. We're asking all New Zealanders to play their part in keeping themselves and their communities safe.

We know that improving rehabilitation performance and financial sustainability isn't a quick fix. It requires deliberate organisational focus and a return to our core purpose: providing timely, necessary and appropriate support to injured New Zealanders. We're proud of the progress we've made, but we know there's more work to do.

Our plan for 2025/26 sets out the changes we're making to further lift organisational performance, deliver better outcomes for injured Zealanders, and ensure the Scheme is financially sustainable for future generations.

The Minister for ACC has set us ambitious targets to deliver a turnaround in performance. While meeting this will require ACC to achieve exceptional results, we're committed to building a stronger, more sustainable Scheme that delivers better outcomes for injured New Zealanders. We also know we can't make these changes alone and that we'll need to work with our partners across the wider health system in new and more innovative ways.

Central to this will be ensuring ACC is high-performing organisation, with a safe, positive and inclusive culture. The Board-commissioned independent review of ACC's workplace culture was delivered early in 2025/26 and responding to its recommendations will be a key focus for the coming year.

On behalf of the Executive Team, I would like to acknowledge the ongoing commitment and professionalism of our employees navigating the challenges of the past year. Your hard work and ongoing care for our clients and customers is commendable.

Megan Main
Chief Executive
Date: 19 September 2025

Statement of responsibility

(Pursuant to section 155 of the Crown Entities Act 2004)

We are responsible for the preparation of these financial statements and statement of performance and for the judgements made in them.

We are responsible for any end-of-year performance information provided by ACC under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of ACC for the year ended 30 June 2025.

Signed on behalf of the Board:

David Hunt
Acting Board Chair
Date: 19 September 2025

Bella Takiari-Brame
Risk Assurance and Audit Committee Chair
Date: 19 September 2025

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Progress in 2024/25

Operating environment

The Government has set clear expectations for ACC to improve the financial sustainability of the Scheme, with specific expectations to improve long-term rehabilitation performance and reduce social rehabilitation costs.

This means getting back to our core purpose — supporting the rehabilitation of injured New Zealanders and returning them to work and independence. There is a clear need to focus on scheme sustainability and rehabilitation performance improvement through efficient and effective claims management, the core purpose of any accident compensation scheme.

The Scheme continues to grow, and rehabilitation performance has been declining for a decade. The declining performance reflects drivers both within, and outside our control such as Scheme cover and entitlements, management of the Scheme, and societal and government expectations. Factors outside our control that impact performance include:

- Economic and labour market conditions (including impact of COVID-19, changes to sick leave and holiday entitlements, changes to minimum wage rates, pay equity agreements)
- Demographic factors like an ageing population and increased prevalence of health and other comorbidities
- Court and review decisions
- Policy and legislation change
- Societal expectations on the Scheme
- Levy and appropriation funding settings
- Pressure in the health system
- Incentives on employers, providers and clients

Changes in governance

There were several changes in ACC's governance in 2024/25 at Minister, Board and Executive level.

Three Ministers for ACC served over the course of 2024/25. Hon Matt Doocey and Hon Andrew Bayly both served earlier in the year, with Hon Scott Simpson appointed in February 2025. Hon Nicola Grigg replaced Hon Melissa Lee as Associate Minister for ACC in January 2025.

In June 2025, the ACC Board Chair, Dr Tracey Batten, resigned. Tracey has been a member of the ACC Board since February 2019, and Board Chair since March 2024. Throughout her tenure. her contribution to the Governance of ACC has been significant. Following Tracey's resignation, David Hunt was appointed Interim Board Chair and Jan Dawson was appointed Interim Deputy Chair.

In September 2024, we implemented a new organisational structure to help deliver on our priorities now and into the future. The changes, consulted on in early 2024, were a response to our changing environment and operating challenges, including the expectation from the Government for expenditure restraint and fiscal discipline. The restructure was significant and the changes for our people were substantial. As a result, we welcomed several new members to our Executive Team.

There were several other movements in the Executive this year, notably Paul Dyer, our Chief Investment Officer retired in the fourth quarter. Paul was at ACC for 17 years, and a member of the Executive Team since 2019. Paul demonstrated outstanding leadership of our Investments team in delivering sustained outperformance across investment cycles.

Details of our governance structure can be found on page 55.

ACC was subject to three external reviews

This year, ACC has been subject to three external reviews ensuring we are fit for purpose with the appropriate governance and operational processes and controls in place to protect and enhance the long-term sustainability of the Scheme.

External review of ACC — commissioned by Minister for ACC

In December 2024, the Minister for ACC announced an independent review of ACC prompted by concerns about declining rehabilitation performance and increasing costs. The announcement of the review was made alongside communication of the Government decision to increase ACC levies.

The purpose of the review was 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 focused on areas where ACC has direct influence. Information on the review will be provided on acc.co.nz once released.

Independent review of the ACC investments function — commissioned by the Treasury

This independent review of our investments function is consistent with monitoring arrangements for other Crown Financial Institutions. ACC worked with the Treasury on preparations for this review since 2023.

The review recommendations were made public in July 2025 and found the function to be a "strong investment organisation that is fit-for-purpose across the board", with robust governance, effective investment practices and operational capabilities that are aligned with both its organisational objectives and legislative mandate.

Additional information on this review is included in the Investment Report on page 28.

Culture Review — commissioned by the ACC Board

The Culture Review was commissioned to provide an external review of ACC's workplace culture. The review looked at the experiences of our people, as well as the existing policies, systems and procedures to promote appropriate conduct. The ACC Board is committed to ensuring ACC provides a safe and inclusive working environment, with a values-based culture.

The review, released in September 2025, showed that ACC is full of hard-working people who are dedicated to supporting injured New Zealanders in their recovery. It also identified several areas for improvement. The Board accepts the findings and acknowledges where we have fallen short. Understanding and addressing the recommendations from the review will be a key focus for ACC in 2025/26.

We welcome the findings of the external reviews conducted in 2025 and will utilise the recommendations received to support our efforts to improve performance.

Our operational plans for 2025/26 include interventions that aim to improve performance to avoid burdening future tax and levy payers and protect the Scheme's long-term sustainability. They bring together our response to the Interim letter of expectations and these external reviews.

Performance in a challenging environment

We are committed to improving the performance of the Scheme to benefit both current and future generations of New Zealanders. Ensuring the long-term financial sustainability of the Scheme, through improved rehabilitation performance and management of cost pressures, has been our key focus in 2024/25. The steps we have taken to stabilise and improve performance are having a positive impact and the improvements began to show in our results this year.

However, there are performance challenges that need continued focus to sustain the progress made this year:

- Balancing focus on clients at all stages of the rehabilitation journey, including short-term
- Scaling the changes made to further improve long-term rehabilitation performance
- Addressing growing claim volumes, e.g. through injury prevention initiatives
- Ensuring claims costs are considered and effective to minimise the burden on future levy payers.

Claim volumes are increasing

New claims accessing the Scheme grew in 2024/25 at 3.2%. There were over 2.1 million new claims registered in the year and more than 107,000 claims accessed weekly compensation for the first time. In 2024/25 there were ~65,000 more new claims registered this year, and ~3,000 more new weekly compensation claims than in 2023/24.

We know that the growth of new claims is largely driven by movements in macro-economic factors. The number of new claims, particularly the number of new weekly compensation claims, is a key driver of Scheme performance. Periods of extended economic growth and tightening labour market conditions are generally associated with periods of claims volume growth for several reasons. With higher incomes, people may engage in sports, travel, or recreational activities, increasing risk for personal accidents. Higher employment means more people working, especially in manual labour, construction, or transport jobs which can lead to an increase in workplace accidents. More transportation and commuting can increase the likelihood of motor vehicle accident claims.

We forecast claim volumes based on these drivers (population, gross domestic product (GDP), unemployment and distance driven), using the latest available forecasts of these factors from the Treasury and other government agencies, to ensure we can respond to the anticipated demand for our services. Our ability to achieve performance targets is affected if actual claim volumes differ significantly from our forecast claim volumes. Increasing claim volumes exacerbates workload pressures on our client-facing teams.

The latest macro-economic forecast suggests growth in new claims can be expected to continue. Growth rates are expected to soften for new claims registered in 2025/26, but high growth is expected for new weekly compensation claims.

The number of new claims registered for Māori increased this year to 273.9 per 1,000 population. There was an increase of 1.5 claims per 1,000 population in 2024/25, compared with an increase for non-Māori of 9.3 claims.

Improvement in claim lodgement rate for Māori
Number of claims per 1,000 population

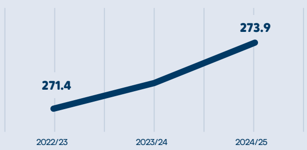
Result

273.9

Status: **Achieved**

Target: **>272.4**

Trend



Earlier in 2025, we published our first report about access to the accident compensation Scheme (the Scheme) for Māori, and identified populations, who are — Pacific people, Asian people and disabled people, acc.co.nz/about-us/annual-scheme-access-reporting. This report provides foundational evidence about barriers to accessing the health and social system of which ACC is a part, as well as the Scheme itself.

This first report identified the best way to measure Scheme access was by matching survey data with ACC claims data to identify how many people report an injury but do not have a claim with ACC. New Zealand does not have a current total injury prevalence rate. New injury prevalence data will be collected through the 2025/26 New Zealand Health Survey.

Investing in injury prevention

Injury prevention is an investment. As well as reducing the impact of injury on New Zealanders, reducing injuries improves the overall Scheme for now and into the future.

In 2024/25, the return on investment for injury prevention was $1.92:$1. The number of injuries prevented this year, ~9,500, were below our expectations. However, those prevented were in high-risk areas where injuries are generally more severe. Specifically, more injuries related to road, forestry and older adult falls were prevented than expected.

Increase in injury prevention return on investment

Result

$1.92

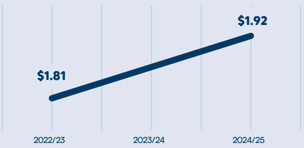
Status

Achieved

Target

$1.75 - $1.95

Trend



In June 2025, ACC published the first ever annual report that shines a light on injuries in New Zealand - 'Injuries in New Zealand, Insights from 2024: How we are getting hurt and how you can make a difference'. The report leverages key data and insights to help reduce the incidence and impacts of injury.

The encouraging news is that research shows most injuries are preventable. This publication provides our first comprehensive snapshot of how injuries occur and their impact on New Zealanders. The report highlights the true cost of injuries - physically, mentally, and financially, and shows how New Zealand can help us reduce these numbers. Everyone's involvement is key to reducing preventable injuries and helping to ensure the Accident Compensation Scheme is here for generations to come.

As we continue our focus on improving rehabilitation performance, it is important to ensure that we are not only providing the right support to injured New Zealanders to regain their independence and return to work when injuries do occur, but that everyone understands the role they can play in helping to keep the Scheme sustainable.

ACC teams up with partners across various areas of injury prevention to keep New Zealanders safe, whether at home, at play or at work. One of the ways we are asking New Zealanders to help is by participating in these programmes. This helps avoid injury and will keep the Scheme sustainable.

If you're:

A motorcycle rider

Jump on the ***Ride Forever*** website and find a course near you.

A parent to young children

Sign them up for a ***Water Skills for Life course***, and when they're a bit older, the ***Drive*** resources are a great way to help them learn to drive safely.

Connected to an older person

Help them set up the ***Nymbl app*** on their phone and encourage them to join a local ***strength and balance class***.

Active in sport

Following the ***SportSmart*** principles, like warming up properly before each game, can help you perform at your best. And if someone on your team takes a knock to the head, it's important to follow the ***National Concussion Guidelines*** to keep them safe.

For employees

Set an example by being a health and safety champion, and check out the practical ***online resources*** for the sector you work in, such as Farmstrong, Safer Farms, Work Should Not Hurt, WorkSafe and ShopCare.

For employers

If you do get injured, research shows that ***recovering at work*** can have significant benefits, both physically and mentally. ACC offers ***resources*** for employers with practical guidance on how to support recovery in the workplace.

Rehabilitation performance has stabilised

Rehabilitation performance has deteriorated over the last decade, challenging the financial position of the Accident Compensation Scheme.

People taking longer to recover from injuries leads to higher costs, particularly for weekly compensation and rehabilitation. These cost pressures are challenging the Scheme's financial sustainability. This means intervention is required so future levy and taxpayers are not meeting today's costs and to ensure the Scheme is financially sustainable long-term.

Our effectiveness at managing rehabilitation performance hinges on factors such as the capacity and capability of our workforce, timely and effective case management activity, and the number and composition of claims being managed. Our rehabilitation targets and forecasts predicted a decline in performance over 2024/25.

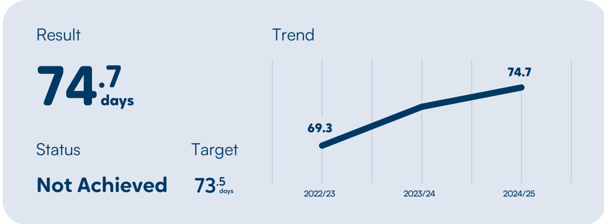
Case management is more effective

Early in the year we made some key changes to our case management model to change these performance trajectories. This included providing dedicated case management for new and low complexity weekly compensation claims. By increasing the effectiveness of our case management for these claims we aimed to deliver improved rehabilitation outcomes and more timely return to work for clients accessing weekly compensation for less than one year.

We also increased the effectiveness of case management for clients at risk of delayed recovery. This led to improvements in return to work rates (nine months and one year) in the third and four quarters. This is also reducing the volume of clients entering the Long-Term Claims Pool.

We expected our short-term rehabilitation result to deteriorate over the course of 2024/25, as we focused on driving improvements in the Long-Term Claims Pool. Average Weekly Compensation Days Paid for claims less than one year increased more than forecast since February and did not meet target, with a result of 74.7 days. This reflects that as we increasingly prevented entries into the pool, a higher proportion of clients exited at durations between ten weeks and one year.

Average weekly compensation days paid is rising



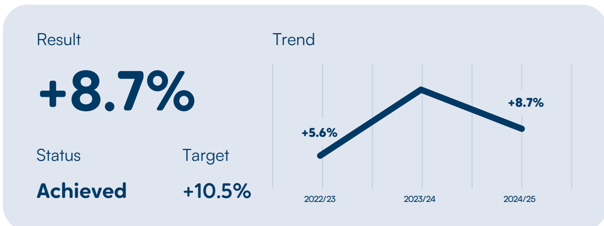
Key lead indicators for short-term-return to work have remained stable (ten weeks) or improved (nine months and one year) in the third and fourth quarters, but remain below historic norms. While the improvement in short-term performance seen in the second half of the year is encouraging, we must maintain focus to keep the performance momentum going. The progress made is good, but a lot more is required.

Supporting more long-term clients back to independence

To support the turnaround in our long-term rehabilitation performance, we established a team, Integrated Recovery, to enable a deliberate focus on Long-Term Claims Pool clients who have been out of work for extended periods and have the potential to achieve a positive rehabilitation outcome.

The positive impact from the proactive management of weekly compensation clients continues, as teams settle and capability builds. The Growth rate of the Long-Term Claims Pool finished the year at 8.7%, ahead of the 10.5% target and down from ~15% in the second quarter. This performance improvement can be attributed to the deliberate interventions and changes we have made to improve client outcomes, and provides confidence that the work we are doing is having the desired impact.

Growth in the long-term claims pool is slowing



As with short-term rehabilitation performance, we need to make a lot more progress with long-term rehabilitation performance. By improving rehabilitation performance across the board and carefully managing cost pressures we will be making a difference to our influenceable financial performance.

We cannot achieve the performance improvements required alone, it requires a team effort. This includes the injured client, their health provider, employer, and ACC, along with support from friends and whānau. Recovery at work can be an important part of rehabilitation for people who experience non-complex injuries such as sprains and strains.

Supporting recovery at work

An injury can mean a person may not be able to do their usual job while they are recovering. But compared to staying at home, doing some tasks at work can help them get better, sooner. There is also strong evidence it benefits their physical and mental wellbeing.

In June 2025 we launched the recovery at work campaign to make sure that if an injury does happen, everyone knows their role in the process. The launch of Recovery at Work also coincided with us promoting the new Medical Certification definitions to providers. These definitions encourage 'fit for selected work' medical certificates rather than fully unfit.

Hāpai case management

Hāpai is a culturally responsive case management experience for clients. The service is offered to physical injury clients in our Supported and Partnered Recovery Teams. Using a Te Ao Māori approach to rehabilitation, Hāpai aims to improve the experience and outcomes of clients in the service by providing the option of an experience-based case management service grounded in Tikanga.

Supporting indicators show Hāpai is accessed by and is supporting those that are often underserved. Since inception, Hāpai has supported ~2,250 claims and supported ~1,100 clients to achieve rehabilitation or independence outcomes.

Embedding Integrated Care Pathways

Integrated Care Pathways - Musculoskeletal (ICP-MSK) is a provider-led approach to managing clients with shoulder, back and knee injuries with a level of complexity that is likely to require specialist oversight and interdisciplinary treatment to achieve a return to work or return to independence. ICP-MSK is the first standardised integrated care pathway service delivery model we have introduced.

In 2024/25, the number of injured people accessing ICP-MSK tracked towards forecasts, with over 800 people entering the pathways each month. As more people progress through the pathways, we expect improvements in health and rehabilitation outcomes.

Implementing changes to the Accredited Employer Programme

The new framework for ACC's Accredited Employer Programme came into effect on 1 April 2025. The changes include updates to the annual assessment and a new way of managing performance.

The changes aim to support better health and safety outcomes, modernise the assessment tools, improve claims and injury management, remove unnecessary compliance, and help us hear and learn more from workers about their experience.

They will also introduce more proactive monitoring, enhancing the ability to improve performance.

General public trust and confidence in ACC has held consistently at 61% over the course of 2024/25, higher than the target of 57%.

Public Trust and Confidence remains consistent

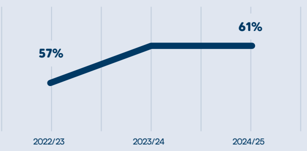
Result

61%

Status **Achieved**

Target **57%**

Trend



Low trust and negative sentiment towards ACC is largely driven by experiences the respondent, or someone they know, had with us. Therefore, strengthening the claims management model to better support the client experience remains an important lever to sustain high trust and confidence results. We continue to use campaigns such as Have a Hmmm, social media and proactive media to maintain positive messaging in the market.

Enabling digital provider interactions

ProviderHub is an online platform where businesses working with us can submit or search claims and invoices. It is built on the latest cloud technology, to ensure the protection of information and the privacy of our clients. The new platform provides a secure interface with ACC. With the successful on-boarding of the initial cohort of users, 1,200 to date, we are looking ahead to moving existing businesses onto this technology. Over the next year, up to 5,000 businesses are expected to be move onto ProviderHub.

The return to independence for those not in the workforce improved this year for the first time in three years. This measure provides understanding of how well we are supporting injured people (not receiving weekly compensation) back to independence.

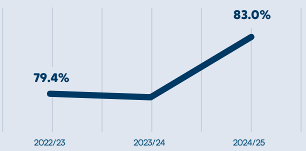
Return to independence for those not in the workforce is improving

Result

83.0%

Status	Target
Achieved	82.0%

Trend



Evolving support for sexual violence survivors

The new Sensitive Claims Service launched on 1 December 2024, replacing the existing service. The new service comes after nearly three years of extensive consultation with providers, suppliers, survivors, and the broader sexual violence sector.

The design of the new Service seeks to address the concerns raised since 2019 to allow more survivors to access services, reduce their overall wait times and improve outcomes. The service enables more timely and tailored support to clients who have experienced sexual assault and abuse, ultimately improving both their experience and outcomes as a result of seeking support from ACC.

All sensitive claims are now being managed through this service, supported by ~2,700 named service providers, working for ~200 suppliers. The service includes new therapy providers and Allied Health professionals such as occupational therapists and physiotherapists who can provide holistic packages of support to better support clients in their recovery journeys.

In December 2023, the Court of Appeal issued a ruling in the ACC v TN case, clarifying when survivors of sexual abuse can qualify for financial support if they are unable to work or study. Because of the complexity of the decision, and the need to consider the impact on clients and providers, we have phased implementation. Initially we prioritised to ensure people who were not receiving any support could benefit from the ruling as soon as possible. The next phase of the implementation will begin in the first quarter of 2025/26.

In 2023/24, we recognised this ruling as a financial liability ($3.6 billion) that had to be held for incurred but not reported claims. This year there was an increase in this specific liability resulting from updating the impact of claims experience and modelling, and changes in economic assumptions. Refer to note 2.3 in the financial statements for more information.

Enhancing our commissioning function

Managing our cash claims costs is key to controlling our influenceable financial performance. In 2024/25, the OCL increased $987 million from influenceable factors. This year we established a strategic commissioning function, with a focus on improving rehabilitation outcomes, ensuring value for money and enhancing our supplier dynamics. This function takes a strategic view of New Zealand's health and rehabilitation ecosystem and will focus on monitoring and managing provider performance and outcomes. Work this year included defining drivers of spend and value, and identifying actionable levers across four priority areas: secondary care; primary care; social rehabilitation; and weekly compensation for implementing in 2025/26.

Financial sustainability

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 2024/25, our overall financial result is a net deficit of $1.5 billion. The estimate of the present costs required to service existing claims (the Outstanding Claims Liability) increased to $63.6 billion, while the value of our Investment Fund was $51.1 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, Minister of Finance and ACC Board. There is a need to respond with urgency to address the drivers of financial pressure at scale.

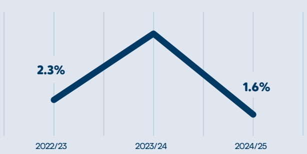
Actuarial movement (influenceable) remains high

Result

+1.6%

Status	Target
Not Achieved	+/- 1%

Trend



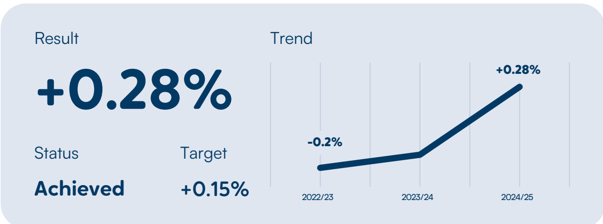
Consultation on levy rates

ACC conducts a levy consultation every three years as part of our statutory obligations under the Accident Compensation Act 2001. Levy consultation ensures levy rates remain fair, sustainable, and aligned with the actual costs of injuries and rehabilitation services. Over September and October 2024, we consulted with the public on proposed changes to levy rates and other related proposals. The Minister then considered ACC's recommendations, feedback from the public, and independent advice from MBIE, before Cabinet made the final decisions in December 2024. As a result the levy rates for all levied Accounts were increased.

More information on our financial performance is included on page 24.

2024/25 was another standout performance year for our investments portfolio. Delivering a return of 9.10% and outperforming benchmarks by 0.28%, means the value of $100 invested in 1992 has grown to $1,848 at 30 June 2025. Further information on our investment performance is included on pages 27 and 139.

Investments performance after costs outperform benchmark



Strategic Intentions

The following outlines how various elements of our strategic framework relate to each other. They include our vision, outcomes, goals, intentions and outputs.

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.

Performance against our strategic intentions

Huakina Te Rā is our current enterprise strategy. It provides the 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. Our strategic intentions change over time to reflect our medium-term areas of focus. In the Statement of Intent 2023-2027, we identified priority areas for each of our strategic intentions. In 2025/26 we are producing a new Statement of Intent to reflect the current operating environment.

Our Service Agreement 2024/25 identified the key workstreams for delivery in the year. The following provides an overview of the progress made this year. Detail on the deliverables that supported improving our performance is included in the Performance summary on page 13.

Guardianship | Ringa Atawhai

We ensure the Scheme remains sustainable for future generations.

Guardianship | Ringa Atawhai means we are trusted stewards, looking after the Scheme for New Zealand so that we can support present and future generations.

To ensure the longevity of the Scheme, we need to be considerate of environmental, social, and financial sustainability. These themes are considered in the way we operate internally, how we design, commission, and deliver our services to clients, and how we manage our investments and claims liabilities.

In 2024/25 we focused on key workstreams to activate and enable our people to achieve an efficient, effective, and resilient ACC, and protect the long-term sustainability of the Scheme. Our progress against the deliverables planned is detailed below.

Table 01: 2024/25 Guardianship | Ringa Atawhai achievements

What we set out to achieve in 2024/25	Result[1]
We will be increasing the value delivered through treatment and rehabilitation services via a high-quality, efficient, and effective commissioning of health services. This will include shifting to a model of value-based commissioning, including the design of a new end-to-end commissioning model.	Ongoing
We will have implemented changes to the Accredited Employers Programme as agreed by Cabinet.	Achieved
We will have completed the legislative process for levy setting and making regulatory changes to the levy system.	Achieved
We will have assisted with the modernisation of the Scheme's regulatory settings as appropriate.	Achieved
We will have engaged on the cost and sustainability implications of recent Court cases to ensure appropriateness of Scheme settings.	Achieved
We will continue to manage our investments by seeking to maximise investment returns over the long term while minimising unexpected mismatches between investment income and growth in the Outstanding Claims Liability.	Achieved
We will continue to work with Treasury officials in preparation towards the 2025 independent review.	Achieved
We will be continuing 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.	Achieved

[1] Achieved — fully delivered against the deliverable | Partially achieved — some aspects of the deliverable were delivered | Not achieved — the deliverable was not delivered.

Equity | Mana Taurite

We ensure all people in New Zealand experience accessible services and improved outcomes.

ACC has a responsibility to ensure that people can access the Scheme, receive the treatment and support they are entitled to, and experience equitable outcomes from that support.

In 2024/25 we focused on key workstreams to understand and remove access barriers as a foundation to achieving equity, and improve the experience of the rehabilitation system in ways that work for our communities. Our progress against the deliverables planned is detailed below.

Table 02: 2024/25 Equity | Mana Taurite achievements

What we set out to achieve in 2024/25	Result[2]
We will be developing and evolving strategic partnerships with Māori.	Achieved
We will be measuring and monitoring Māori engagement performance.	Partially Achieved
We will have integrated mātauranga Māori and insights to support and uphold the dual-framed goals of Huakina Te Rā.	Achieved
We will be focused on identifying barriers to equitable access and experience and prioritising interventions at a systemic level though our Action Plan.	Partially Achieved
We will report annually on Scheme access.	Achieved
We will have strengthened our Rongoā service provision.	Ongoing
We will be embedding mātauranga Māori throughout health contracts, services, and processes.	Ongoing

[2] Achieved — fully delivered against the deliverable | Partially achieved — some aspects of the deliverable were delivered | Not achieved — the deliverable was not delivered.

Safe and Resilient Communities | Oranga Whānau

We ensure all people in New Zealand experience accessible services and improved outcomes.

ACC has a responsibility to ensure that people can access the Scheme, receive the treatment and support they are entitled to, and experience equitable outcomes from that support.

In 2024/25 we focused on key workstreams to understand and remove access barriers as a foundation to achieving equity, and improve the experience of the rehabilitation system in ways that work for our communities. Our progress against the deliverables planned is detailed below.

Table 03: 2024/25 Safe and Resilient Communities | Oranga Whānau achievements

What we set out to achieve in 2024/25	Result[3]
We will be developing the future design of ACC's treatment and rehabilitation system.	Achieved
We will be extending our integrated care pathway approach to different client groups (including those with musculoskeletal injuries) to deliver outcomes-driven rehabilitation and treatment services to clients with moderate-to high-complexity injuries.	Achieved
We will improve the processes of lodging, assessing cover for, and triaging claims to ensure they reflect best practice and provide optimal value and experience for our customers.	Ongoing
We will be ensuring we have the most effective and efficient processes to provide weekly compensation and optimal value to our customers.	Ongoing
The new Sensitive Claims service will be live.	Achieved
We will be preparing and investigating investment-ready pathways to enable sustainable partnerships with Māori.	Ongoing
We will have a revised injury prevention strategy, operating model, and investment framework to drive an injury prevention culture across New Zealand.	Achieved
We will be enabling employers to remain connected to, and actively engaged in, their workers' rehabilitation through strategic engagement, the implementation of recovery-at-work trials, and education programmes with multiple sectors.	Achieved
We will have continued to develop constructive relationships with Health New Zealand, the Ministry of Disabled People, and across the wider health system, improving services to those accessing the Scheme.	Partially Achieved

[3] Achieved — fully delivered against the deliverable | Partially achieved — some aspects of the deliverable were delivered | Not achieved — the deliverable was not delivered.

Financial report

Ensuring the long-term financial sustainability of the Scheme, through improved rehabilitation performance and management of cost pressures, has been our key focus in 2024/25. The steps we have taken to stabilise and improve performance are having a positive impact, which started to show improvements in our financial performance towards the end of the financial year.

The longevity of the Scheme needs us to consider environmental, social, and financial sustainability. We consider these themes in the way we operate internally, how we design, commission, and deliver our services to clients, and how we manage our investments and claims liabilities.

Careful guardianship of the Scheme is required so we continue providing the high-quality services our customers need, while not imposing a burden on future levy payers and Governments.

The largest drivers of our financial performance are traditionally externally driven factors, including interest rates, inflation, financial market performance, levy decisions, and claims volumes.

ACC invests to meet the future costs of outstanding claims. Our 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 (OCL).

In 2024/25, the investment portfolio returned 9.10% (after costs), 0.28% higher than benchmark and generating $4.5 billion of investment income. This year, a significant increase in the value of the future costs of accepted claims, the OCL came from our underlying performance.

The Scheme and its investments are deliberately structured to consider both the OCL and the need to maximise the use of our investment assets. External impacts and economic volatility will continue to impact our financial sustainability. Our ability to minimise the impact of these factors on the Scheme is limited, which means we must continue to concentrate on these areas of financial performance we can control.

Achieving appropriate outcomes for injured people

To ensure the financial sustainability of the Scheme we need to carefully consider the costs of the services we provide. This is balanced with ensuring the services are high-quality and support our clients to achieve the most appropriate rehabilitation and independence outcomes.

This year the cost of providing services and compensation to injured people increased 14% to $8.1 billion, exceeding our budget expectations. How we commission services for our clients is fundamental to controlling our influenceable financial performance. The cost of providing compensation, treatment, and rehabilitation services to injured people has three main drivers:

- Changes in claims volumes: driven by a range of economic factors, with GDP and the unemployment rate being the most significant.
- Changes in the costs of goods and services: driven by wage levels, general cost inflation, and medical health inflation.
- Changes in operational approach and settings: driven by several factors, including judicial rulings, changes in legislation or regulations, and management decisions to change a service approach, design, or offerings.

New claim volumes grew slightly stronger than forecasts for 2024/25. Compensation costs are the largest contributor to the increase in costs this year. Lower rehabilitation performance has led to longer weekly compensation durations and higher costs. An increase in the number of large, backdated payments has also increased costs. Many of these backdated payments relate to the recent court ruling that modified the entitlement for weekly compensation for clients with sensitive claims.

Elective surgery costs also lifted with strong growth in the number of clients receiving surgery during the year. More clients are receiving weekly compensation after elective surgery.

Public Health Acute Services was $70m over budget as the price agreement with the Ministry of Health was set higher than was budgeted, caused by cost pressures within Health New Zealand.

Non-acute inpatient rehabilitation services costs were 19% higher in 2024/25 as the public hospitals supported more complex clients and delayed invoices from previous years were paid.

Our strong focus on improving rehabilitation outcomes has resulted in more clients being referred into rehabilitation programmes such as training for independence services.

As delivery of the initiatives planned for 2025/26 to improve rehabilitation performance progress, we expect an impact on the costs of providing services to injured people.

There are signs of improvement in both short-term and long-term rehabilitation performance that have started to ease cost pressures.

Supporting injured people into the future

Some injured people with serious injuries will require ongoing support for decades to come. The OCL is the net present value estimate of how much money we need in today's terms to support already injured people for as long as they need it.

In 2024/25, the OCL increased by $3.3 billion to $63.6 billion. This movement is broken into two components; the economic impacts and performance-related impacts.

Refer to page 86 for the full breakdown of the movements in the OCL.

1. **Economic impacts on the OCL**

   Historically, the impact of external economic factors has contributed significantly to the movement in the OCL. In 2024/25 the impact of external economic factors was a $2.1 billion decrease. An 18 basis point increase in discount rates reduced the OCL by $2.0 billion. Movements in inflation increased the OCL by a further $57 million.

   The value of the OCL is significant, so the Scheme will continue to be affected by the volatility of these external economic factors. For perspective, as at 30 June 2025, if interest rates were 1% higher, the OCL would have been a further $7.3 billion lower. Conversely, a 1% decrease in interest rates would have added $9.5 billion onto the OCL.

   Refer to Note 6.3 (d) (ii) (page 94) in the financial statements for an analysis of the sensitivities of key valuation assumptions on the OCL.

2. **Performance-related impacts on the OCL**

   In 2024/25 there were two key sources of performance related increase in the OCL; the expected increase and actuarial strain.

   Expected increase: Each year more injured people enter the Scheme than leave, the population grows, and inflation increases the costs of services. The effect of this growth towards Scheme maturity in 2024/25 was $3.9 billion.

   Actuarial strain: This year, the OCL increased $1.5 billion from claims experience.. This movement includes areas where management action could, at least partially, improve outcomes for injured people. Ensuring the effectiveness of our expenditure, especially elective surgery and social rehabilitation, is a key focus for 2025/26. The largest drivers of the strain were from:

- Elective Surgery: contributed $457 million. The increase in the number of surgeries performed caused this deterioration. A large portion of the strain is in the Earners', Non-Earners' and Work Accounts.
- Social rehabilitation capital items for injured people: contributed $289 million for serious injuries and $153 million for non-serious injuries. This is from a rise in the average cost of these supports for clients and an increase in the number of clients with non-serious injuries receiving supports such as equipment and housing modifications.
- Social rehabilitation care for injured people: contributed $210 million. This is primarily driven by an increase in costs for other rehabilitation services such as training for independence for serious injury claims. Non-serious injuries have seen a higher-than expected increase in average payments.
- Sensitive claims contributed $541 million. Weekly compensation payments to these clients have increased significantly over the year, due to significant levels of backdated payments likely to be linked to the court judgement from December 2023 that expanded eligibility. In addition, the related Incurred but not reported (provision) has been revised upwards.

Increasing the investment portfolio

A portion of levies collected each year is invested to provide for future costs to support clients for the claims incurred in that year. Our Investment Fund is one of the largest in New Zealand, and to reduce the impact on levy payers, we look to maintain investment performance above benchmarks.

We seek to maximise returns over the long term while minimising unexpected mismatches between investment income and growth in the Outstanding Claims Liability. Our investments reduce the risk that future levy payers will have to pay for past injuries.

This year our investment portfolio returned a weighted average return of 9.10% after costs, generating $4.5 billion of investment income. This performance was underpinned by strong returns from our fixed interest and global equity portfolios.

Every $100 invested in 1992, is now worth $1,848 and our investment portfolio is now $51.1 billion, an increase from $48.9 billion last year. For more details on our investment performance, refer to our Investments information on pages 27 and 139.

Financial sustainability for intergenerational fairness

Funding for the Scheme comes from levies, appropriations, and investment income. This means that future generations of levy payers do not carry the cost burden of injuries that occurred in earlier years.

During 2024/25 we consulted on and recommended levy rates for the 2025/26, 2026/27 and 2027/28 levy years. We make recommendations on future levy rates based on the funding policy, Cabinet decides what, if any, changes will be made.

The calculations outlined in the Government's funding policy produce both the recommended rates for the consultation years and a projection of future rates.

Currently, the financial sustainability of the Scheme is under pressure. Several Accounts have a declining funding ratio, and escalating new year cost gap, or both. To understand the financial sustainability of the Scheme the individual performance of each of ACC's five Accounts must be considered separately. Each Account, by design, has different drivers and dynamics.

Levy and appropriation revenue in a year should be at a level to cover the lifetime costs of new claims incurred in that year. Any difference between expected revenue and cost, by Account, is known as the new year claims cost gap or surplus.

Table 04: New year claims cost gap by Account— levy year 2025/26

New year claims cost gap surplus / (shortfall)	As at 30 June 2025
Motor vehicle	($457m)
Work	($576m)
Earners'	($949m)
Treatment Injury (Earners')	($169m)
Treatment Injury (Non-Earners')	($36m)
Non-Earners'	($308m)

Funding ratios for the Earners' Account and the non-levied Accounts are below the funding policy target of 100% for 2024/25. Funding ratios have fluctuated over the year, mainly in response to changing discount rates. However, the OCL strain in the June 2025 valuation has resulted in further deterioration for the Work and Earners' Accounts.

While we do expect some volatility in the funding ratios, if Accounts are underfunded for too long it can be difficult to get them back to target. This threatens intergenerational fairness and sustainability, and could mean future generations will have to pay higher levies to cover the costs of the prior generation's accidents. Expected future lifetime claims costs in the levied Accounts remain significantly higher than levy income.

Some of this is expected as levied Accounts were above the funding target at the previous levy consultation, so levies were intentionally set below the level of the future lifetime claims costs.

The Non-Earners' and the Non-Earner's portion of the Treatment Injury Account are both below the funding target. Appropriations would need to be set above the level of the future lifetime claims costs for these Accounts to become fully-funded.

The long-term nature of the Scheme means that while our investment portfolio can partially offset some movements in our liabilities, it is not possible to fully match assets to total claim liabilities.

Therefore, to alleviate some of the pressure in the Scheme, we must continue to prioritise our resources on the areas of greatest impact: injury prevention and rehabilitation performance.

Investments report

ACC's Investment Fund is designed to meet the future costs of accidents that have already occurred. Our investments reduce the risk that future levy payers will have to pay for past injuries.

Intergenerational equity is an underlying objective of the ACC Scheme. In essence, this means that each year's levy income should be sufficient to meet the ongoing costs of accidents occurring in that year, including costs that are paid out over time. Future levy payers would end up having to pay these ongoing costs if investment returns were less than expected, or if there were unanticipated rising costs such as unexpected inflation.

9.25% 2024/25 return (before costs)

7.62% 2023/24 return (before costs)

9.24% p.a. Investment returns since 1992

8.02% p.a. Benchmark returns since 1992

$1,848 Growth of $100 since 1992

0.15% Management expense ratio

$50.8 billion Value of ACC's investments on 30 June 2025[4]

0.28% 2024/25 investment performance after costs relative to benchmark

[4] Valuation based on last sale price, refer page 144.

Message from David Iverson, Chief Investment Officer

Our Performance

This is my first report as Chief Investment Officer of ACC and it gives me great pride to report that it has been a very strong year for the investment fund. The fund returned 9.25% for the year, which is equivalent to investment income of slightly under $4.5 billion. This has helped the fund contribute $2.22 billion to claims payments and the operational costs of ACC while continuing to grow to $50.8 billion[5] by year end.

The fund is actively managed by the Investment team against a market-based benchmark set by our Board Investment Committee. Actively managing our investments allows us to further enhance investment returns, without taking excessive risk, by selecting assets that we expect to deliver superior returns compared to the benchmark. Our active management performance added 0.43% to investment returns over and above the benchmark return and continues the outstanding performance of the fund exceeding benchmark returns in 31 years over its 33-year history since its inception.

Investment Environment

While investment returns have been strong, it has been a challenging year with many different forces shaping our investment environment. Our performance was driven by high but declining interest rates and strong equity markets. As a liability driven investor, the fund is well diversified across asset classes and benefits when equity markets are strong and interest rates decline.

In New Zealand, where we invest about 70% of our assets, inflation moderated through the year which led to monetary policy easing and a decline in interest rates. This helped our fixed interest assets which benefit from declining interest rates. Our New Zealand listed equity portfolios and private market assets also performed well despite the challenging economic conditions faced in New Zealand over the last few years.

Global equity assets were our best performing asset class despite the heightened uncertainty caused by geopolitical events. Global equity markets have been driven by the large US technology and consumer stocks — the so called "Magnificent 7" — over the last few years as investors look to benefit from the potential of artificial intelligent (AI) to lead to long-term transformational change.

But geopolitics, including the impact of tariffs on the global trade system, rising public debt levels and conflicts in the Middle East and Europe created uncertainty and had a direct impact on global markets. These forces will have a lasting impact on our investment environment which we will need to continue to navigate going forward.

External Investment Review

During the year the investment fund was independently reviewed by Willis Towers Watson (WTW), a global investment consultant. The review was comprehensive and covered all areas of the fund to assess how effectively the Investments team is performing its legislated and operational functions. It was very pleasing that WTW observed Investments was a strong investment organisation, is fit for purpose across the board. It also commented that we have a high performing team with a good culture, produce strong investment returns, and have clear and effective governance and oversight.

It is testament to the dedicated staff, both current and former, who have shaped the Investment fund into what is today.

While the review findings were pleasing, we also acknowledge that we must continue to adapt to the changing environment to ensure we continue to deliver strong long-term investment returns into the future in a cost-effective manner and thereby ensuring we continue to support the ACC Scheme on behalf of New Zealanders.

Fund Leadership

Towards the end of the financial year, I took over leadership of the fund from Paul Dyer, who retired after 17 years at ACC, including six years as Chief Investment Officer. Under Paul's leadership he continued to strengthen the fund and navigated the challenges of the COVID-19 pandemic. I extend my thanks to Paul for his dedication and service to the fund over the years.

[5] Valuation based on last sale price, refer page 144.

Highlights of 2024/25

Chief Investment Officer	In June 2025, David Iverson was appointed into the role of ACC's Chief Investment Officer. In addition to being ACC's Chief Investment Officer, David is a member of ACC's Executive. David will play a key role in continuing the success of ACC's $50 billion Investment Fund, while contributing to ACC's Financial Sustainability strategy for the benefit of all New Zealanders. David is an existing member of ACC's Investment leadership team, heading ACC's successful Dynamic Asset Allocation programme since 2021. David has depth of institutional knowledge and breadth of market experience evidenced through a successful career at the Guardians of New Zealand Super Fund and Russell Investments building high performing teams and producing superior investment returns.
Independent Review of ACC Investments	ACC welcomed the independent review of its investment function during 2025. The review, led by WTW was commissioned by the Treasury on behalf of the Minister of Finance and Minister for ACC. The review aimed to assess the efficiency and effectiveness of ACC Investments in fulfilling its legislative obligations. ACC believe that continuous improvement and external assurance are vital for maintaining public trust and achieving our mission of supporting injured New Zealanders. We are pleased the review has confirmed ACC Investments is a strong investment organisation that is fit for purpose across the board. This acknowledgement reflects our commitment to prudent, fit-for-purpose and cost-effective investment practices and our role in managing a significant fund that supports the ACC Scheme on behalf of New Zealanders and visitors. ACC is committed to considering the recommendations from this review. We see this as an opportunity to enhance our investment operation and ensure that it continues to support the long-term sustainability of the ACC Scheme.
2025 Interim Carbon Reduction Target	In 2025, ACC Investments met its interim carbon intensity reduction target, having significantly reduced the carbon intensity of our listed equities portfolios through decisive actions including divesting from thermal coal, adopting low-carbon benchmarks, and implementing a declining carbon cap.

Investment beliefs

Being open and transparent supports New Zealanders' trust and confidence in their government organisations and agencies.

We publish our investment beliefs as part of our ongoing commitment to transparency. These beliefs — both explicit and implicit — have guided the Fund since inception more than 30 years ago and are a key factor behind our track record of strong investment returns.

Our investment beliefs are a clear statement about how we think investment markets work and ensure a shared understanding of how we operate. They are designed to stand the test of time and improve the innovative adaptability of the organisation.

Our investment beliefs are critical for the functioning of the Fund and a springboard for everything we do. They play a key role in ensuring continuity through time and people.

The 12 beliefs cover the role of governance and the importance of clear lines of accountability, clear purpose for the Fund, our beliefs about asset allocation and markets, the paramount importance of our people, manager selection, and our relentless focus on costs.

Our investment beliefs are published on ACC's website here: acc.co.nz/about-us/our-investments/investment-beliefs

Setting investment risk tolerance

One of the most important, and most difficult, decisions the ACC Board makes for our Investment Fund is setting the Fund's tolerance for risk. No return can be achieved without risk.

ACC's $50 billion fund invests for the long term, so the dollar impact of the chosen risk tolerance can be substantial.

ACC's biggest holdings are in Government bonds — long-term investments with relatively secure cashflows that provide the best match for ACC's long-term liabilities — our outstanding claims liability (OCL).

A key consideration of the risk tolerance review is the Board's tolerance for equity risk. Stock markets can offer higher returns than bonds, helping to lower average levy rates, but such returns come with greater risk. Setting the appropriate level of equity risk means getting the balance right between the interests of the current generation of levy payers and future generations who would have to make up any shortfall in funding if returns were below expectations.

ACC is a long-horizon investor with secure cashflows and as a statutory monopoly, our claims-paying ability is not in question. This means ACC is well placed to take equity risk to lower average levy rates.

The Risk Tolerance Review was last undertaken in 2024. Changes to the Fund's risk tolerance are made infrequently, every five-to-10 years, because an infrequent review cycle helps 'institutionalise' our tolerance for risk and guards against behaviour including panic selling, exuberant buying, and delayed investment. ACC makes a public risk tolerance statement to enhance the institutional stability of the risk tolerance decision.
acc.co.nz/about-us/our-investments/investment-risk-tolerance-statement

The risk tolerance review links to our strategic goal of Guardianship — Ringa Atawhai. We are valued guardians of the people we serve now and trusted stewards for future generations to come. This means helping people to recover from injury, maintaining the trust and support of the people we serve, and focusing on the financial stability of the Scheme over time.

How we invest ethically

Our ethical investment policy

ACC believes that carrying out its duty to invest requires it to consider the ethical implications of its investments as well as its fiduciary responsibilities.

ACC aims to conduct its investment activities in an ethical manner that avoids prejudice to New Zealand's reputation as a responsible member of the world community.

As Crown Financial Institutions, ACC works closely with the Guardians of New Zealand Superannuation and the Government Superannuation Fund Authority on all aspects of ethical investment and is a signatory to the Principles for Responsible Investment (see www.unpri.org).

ACC has a legal requirement to invest as a trustee, which implies a fiduciary responsibility to achieve the best possible mix of long-term return and risk on its investment funds.

Climate change and carbon reduction

ACC recognises the importance of climate change and remains committed to responsible actions in this area.

ACC is a signatory to the Crown Responsible Investment Framework and the Net Zero Asset Owner Commitment and is committed to reporting progress on its transition to a net zero emissions economy by 2050, in line with government policy and the Paris Agreement.

ACC Investments achieved its 2025 interim target by reducing the carbon intensity of our listed equities portfolio by 76% from the June 2019 baseline. This was accomplished by divesting from thermal coal miners, adopting low-carbon benchmarks, and implementing a gradually decreasing carbon cap.

Our interim target for 2030 is to achieve a 65% reduction in the carbon intensity of our listed equities portfolio, from the June 2019 baseline. Our target is consistent with the Climate Change Response (Zero Carbon) Amendment Act 2019.

Activities we will not invest in

ACC avoids investing in entities that engage in activities that are illegal in New Zealand or that most New Zealanders would regard as unethical.

ACC recognises that significant numbers of New Zealanders believe that various other activities are unethical (for example, involvement in gambling, fast food, sugary soft drinks, alcoholic beverages, or factory farming). However, ACC would be unlikely to impose a blanket exclusion on investing in these activities unless New Zealand's Parliament passed laws to ban these activities.

When New Zealand's Parliament does ban an activity, ACC will presume that the decision reflects the majority view of the New Zealand public. In addition to avoiding investments in companies that engage in activities that are contrary to New Zealand law, we will avoid making any form of investment that is illegal under NZ law.

In addition to excluding investments in specific types of activities, ACC occasionally excludes companies that it believes are behaving in an unethical manner if there seems little chance that they will change their behaviour. In these cases, ACC will typically discuss its concerns with the companies before we make any final decisions to add them to our exclusion list.

We hope that, in most cases, the board or senior management of a company will seek to improve their company's behaviour when they recognise that some aspect of how they have been conducting their business is attracting unfavourable attention from large investors such as ACC.

Our exclusions list is continually reviewed in these areas:

- Production or sale of anti-personnel land mines that are not compliant with the Anti-Personnel Mines Prohibition Act 1998.
- Production, design, testing, assembly, or refurbishment of nuclear explosive devices.
- Production or development of cluster munitions.
- Processing of whale meat.
- Production of automatic or semi-automatic firearms for civilian use.
- Coal-mining companies that get more than 30% of revenues from thermal coal.
- As a health-focused agency, ACC avoids investing in tobacco production. We recognise that while tobacco is still legal in New Zealand it is also greatly discouraged by public policy.
- Production or supply of recreational cannabis or supply of unlicensed medicinal cannabis.

Investing in New Zealand

Iwi partnerships

Māori iwi have many characteristics in common with ACC's Investment philosophy. Iwi are focused on New Zealand, representing a broad part of our community, and often have a long investment horizon and a broad mandate to invest. This makes us natural co-investment partners where there is a demonstrated commercial return. Examples of our iwi partnerships include:

- A joint venture with Ngāi Tahu Property to develop Ōtepoti, a state-of-the-art office building that will house ACC's Dunedin-based operations.
- Teaming up with Te Kawerau ā Maki to buy land at four school sites across Tāmaki Makaurau Auckland with the Ministry of Education as tenant.

New Zealand financial markets

ACC is one of the largest investors in New Zealand companies. ACC owns about 2.74% of the market capitalisation of the New Zealand sharemarket. This rises to about 3.55% of the available shares if we exclude strategic shareholding blocks, such as the Crown's shares in the gentailers (electricity generators and retailers) from the calculation.

ACC holds an even greater proportion of New Zealand sovereign investment-grade bonds. For example, ACC owns around half of the inflation-indexed bonds that have been issued by the New Zealand Government and other material holdings in New Zealand government bonds.

ACC's investments in most individual companies or securities are generally too small to significantly affect total investment returns. ACC holds five equity investments that individually represent more than 0.5% of the Reserves Portfolio (that is, greater than $253 million).

The only individual credit exposures representing more than 1% of the Reserves Portfolio are to the New Zealand Government, Housing New Zealand and two financial services groups.

ACC's 20 Largest Listed Equity Investments	$NZ million
Infratil	343.09
Auckland International Airport	333.73
Microsoft	306.52
Fisher & Paykel Healthcare	280.19
Meridian Energy	263.47
Spark New Zealand	252.89
EBOS	241.10
Contact Energy	231.26
Meta Platforms	220.40
Amazon	200.95
Taiwan Semiconductor Manufacturing	195.08
Precinct Properties Group	188.11
Goodman Property	183.99
a2 Milk	169.07
Kiwi Property Group	164.04
Transurban	163.97
Mainfreight	157.33
Apple	152.42
Alphabet	152.36
Mercury NZ	146.39

Governance

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 corporate governance standards.

Over 2025, our focus was on enhancing relationships with boards and board chairs and focusing on strategy, including capital management, board composition and executive remuneration alignment and disclosure. We believe representations by shareholders, and proxy advisors have supported a material (and ongoing) improvement of disclosures of chief executive incentive metrics and outcomes. We also continue to interact with regulators and government on relevant matters, such as the upcoming review of the Companies Act.

ACC votes on all New Zealand company proxies and exercises our voting rights in the interests of levy payers.

III.

Statement of Performance

Statement of Performance

The statement of performance reports against the measures contained in ACC's Service Agreement 2024/25. It includes a description of what is intended to be achieved within each output class, as well as our performance against the measures included in the Service Agreement 2024/25. We have provided explanations of our performance, specifically where we did not achieve the targeted performance levels. Definitions of all measures included in the statement of performance are included in the Glossary on page 152.

Performance summary

Ensuring the long-term financial sustainability of the Scheme, through improved rehabilitation performance and management of cost pressures, has been ACC's key focus in 2024/25. The steps we have taken to stabilise and improve performance are having a positive impact, which is starting to show in our results. While financial pressures remain, the progress we have made this year means we are well positioned to deliver further improvements in 2025/26.

In 2024/25, ACC supported over 2.1 million new claims. These injured people received over $5 billion of treatment and rehabilitation services and $3 billion of compensation payments.

New claim volumes (both registered and weekly compensation) continue to grow this year at 3.2% each. Weekly compensation claim volumes were in line with our budget, and new claims registered were slightly higher than budget. The number of new claims, particularly the number of new weekly compensation claims, is a key driver of Scheme performance. Growth of new claims is largely driven by movements in macro-economic factors. Our ability to achieve performance targets is affected if actual claim volumes differ significantly from our forecast claim volumes. Increasing claim volumes exacerbates workload pressures on our client-facing teams.

The deliberate interventions and changes we have made to improve outcomes for injured people this year delivered a significant improvement in the Growth rate of the Long-Term Claims Pool. At 8.7% for the end of the year, this was much lower than the ~15% in the middle of the year, outperforming the 10.5% target.

As we increasingly supported clients back to work or independence within one year, a higher proportion of clients exited at durations between ten weeks and one year. This meant our Average Weekly Compensation Days Paid for claims less than one year increased more than forecast since February and did not meet target. Key lead indicators for short-term-return to work have remained stable (ten weeks) or improved (nine months and one year) in the third and fourth quarters, which is encouraging as we head into the new financial year.

Over the course of 2024/25, the Outstanding Claims Liability (OCL) increased $3.3 billion and is now $63.6 billion. Included in this increase is a $1.5 billion actuarial strain, of which $987 million arises from claim volumes, types, and costs differing from expectations where we have at least partial influence over the drivers. This was largely driven by elective surgery and social rehabilitation costs. Reflecting the improvements in rehabilitation performance in the year there is a $180 million weekly compensation release from better-than-expected rehabilitation performance (including duration, volume and average payment). The release is offset by a $191 million strain from a projected increase in new weekly compensation claims related to increased elective surgery volumes.

ACC invests to meet the future costs of outstanding claims. Our investment objectives seek to maximise investment returns over the long term, while minimising unexpected mismatches between investment income and growth in the OCL. This year, the investment portfolio returned 9.10% (after costs), outperforming benchmark by 0.28% and generating $4.5 billion of investment income. The funding ratios for all Accounts deteriorated over the year. The funding ratios for the Earners' Account and the non-levied Accounts are below the funding policy target of 100%. Returning to a fully funded position will require ACC to continue delivering performance improvements, along with potential changes to levies and appropriation funding.

The government has set clear expectations for ACC to improve the financial sustainability of the Scheme, including specific expectations to further reduce the Long-Term Claims Pool growth rate and social rehabilitation costs. Our operational plans for 2025/26 include interventions that aim to improve performance to avoid burdening future tax and levy payers and protect the Scheme's long-term sustainability.

We aim to materially improve financial sustainability by returning the Scheme to its core purpose, ensuring the support provided to clients is necessary and appropriate, with stronger system and process controls and better enforcement of obligations.

We are committed to turning around the long-term performance trajectory. We welcome the findings of the external reviews underway in 2025 and will utilise the recommendations received to support our efforts to improve performance.

PBE FRS 48 Service Performance Reporting

Our approach for 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 — selecting and aggregating 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 against previous years.
6. Verifiable — our performance information is capable of measurement or description in a consistent manner, capable of independent verification, and excludes unsubstantiated claims.

PBE FRS 48 acknowledges 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 understanding of ACC's priorities and the outcomes we deliver.

Performance against output delivery

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.
The information includes:

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

These performance measures support the assessment of whether our activities are making a difference and the extent to which we are achieving our strategic intentions. The targets set for 2024/25 considered the prevailing performance and operating environment. The targets for 2024/25 were developed based on the best available information at the time the Service Agreement 2024/25 was finalised.

Definitions of performance measures are included in the Glossary of performance measures on page 152.

Breakdown of revenue and costs by output class

The breakdown of revenue and costs incurred compared with expected revenue and costs reported in the Service Agreement 2024/25 is as follows.

Table 05: Actual versus expected revenue and costs by output class

2024/25	Administration		Claims costs		Revenue		Other		Total	
$M	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Output 1 — Injury prevention	(68)	(85)							(68)	(85)
Output 2 — Levy engagement and collection	(19)	(22)			6,681	6,874	1	1	6,663	6,853
Output 3 — Investment management	(74)	(70)			4,457	3,001	(33)		4,350	2,931
Output 4 — Claims management	(664)	(645)	(8,148)	(7,874)			(3,543)	(3,253)	(12,355)	(11,772)
Total	**(825)**	**(822)**	**(8,148)**	**(7,874)**	**11,138**	**9,875**	**(3,575)**	**(3,252)**	**(1,410)**	**(2,073)**
Other operating costs	(72)	(67)							(72)	(67)
Total ACC	**(897)**	**(889)**	**(8,148)**	**(7,874)**	**11,138**	**9,875**	**(3,575)**	**(3,252)**	**(1,482)**	**(2,140)**

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 and our outputs

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

Table 06 – Alignment of strategic intentions and outputs

Output	Strategic Intention	How the output supports the delivery of the intention
Output 1: Injury prevention	Guardianship | Ringa Atawhai	By minimising the incidence and severity of personal injury 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 whānau and community resilience through a focus on intervening early 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 most effectively managed.
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 whānau and return people to independence. This will contribute to whānau and community wellbeing.

Output 1 – Injury prevention

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.

This, 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.

Performance summary

In 2024/25 we spent $68 million in injury prevention activity to reduce the incidence and severity of injury, as demonstrated by the following measures.

Table 07 – Performance measures: injury prevention

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
Return on investment — injury prevention[6]	$2.03:$1	$1.81:$1	$1.86:$1	$1.92:$1	$1.75:$1 to $1.95:$1	Achieved
Claim lodgement rate for Māori	254.0	271.4	272.4	273.9	Greater than previous performance year	Achieved

[6] Excluding WorkSafe New Zealand investment

Injury prevention

The Return on Investment — injury prevention increased in 2024/25. There are two key components to the ROI calculation; the number of injuries prevented and the estimated lifetime costs for the injuries prevented. The estimated lifetime costs for the injuries prevented increased in the year. This reflects increasing treatment, rehabilitation and compensation costs, and other factors like inflation movements.

Overall, fewer injuries were prevented in 2024/25 than expected. However, several programmes, where injuries prevented generally have higher costs, outperformed expectations. In road programmes, the volume of people accessing training aimed at preventing road injuries, including RideForever and DRIVE exceeded expectations. The forestry, NetballSmart and older adult falls programmes also prevented more injuries than expected.

Scheme access

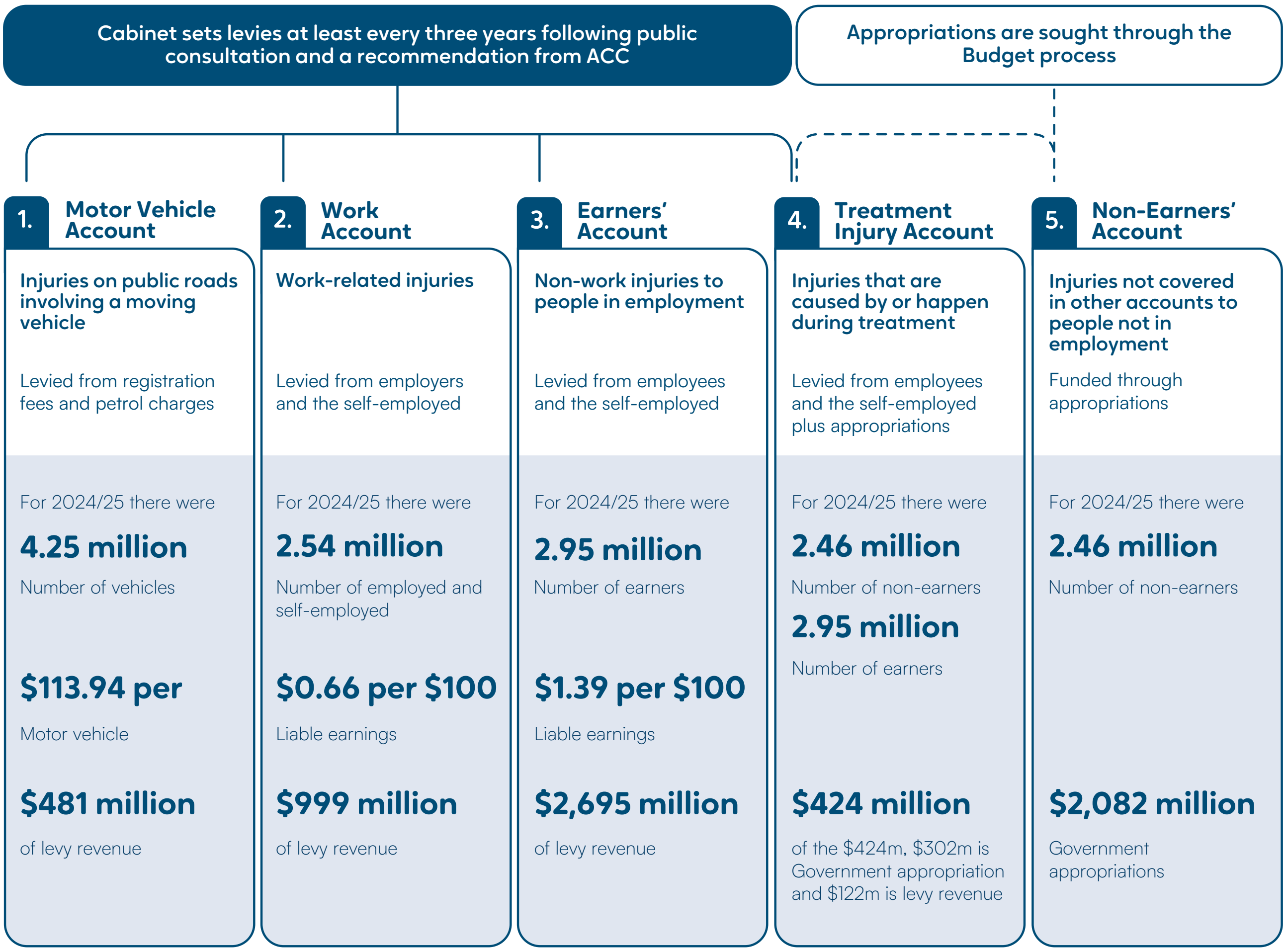
The number of new claim registrations for Māori clients increased this year. There was an increase of 1.5 claims per 1,000 population in 2024/25, compared with an increase for non-Māori of 9.3 claims.

Output 2 – Levy engagement and collection

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, 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 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.

Figure 01 shows the number of funders, the levy and appropriation revenue, and the currently approved levy rates for each Account for 2024/25

Figure 01 – Sources of Account funding



Performance summary

In 2024/25, we spent $19 million in levy engagement and collection activity, as demonstrated by the following performance information.

Table 08 – Performance measures: levy engagement and collection

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
New year costs' movement	New measure	+1.6%	+12.5%	+0.9%	Between +/-1%	Achieved
Actuarial movement (influenceable)	New measure	+2.3%	+6.4%	+1.6%	Between +/-1%	Not achieved

These two measures reflect whether we are keeping our influenceable costs reasonable to ensure financial sustainability.

The actuarial movement (influenceable) demonstrates the impact of growth in the Outstanding Claims Liability arising from claim volumes, types, and costs differing from expectations where we have at least partial influence over the drivers. In 2024/25, there was $987 million of influenceable strain. Most of the influenceable strain is related to elective surgery (driven by increased surgical volumes) and social rehabilitation. Ensuring rehabilitation and treatment services are cost effective is a key focus for 2025/26.

Funding ratios

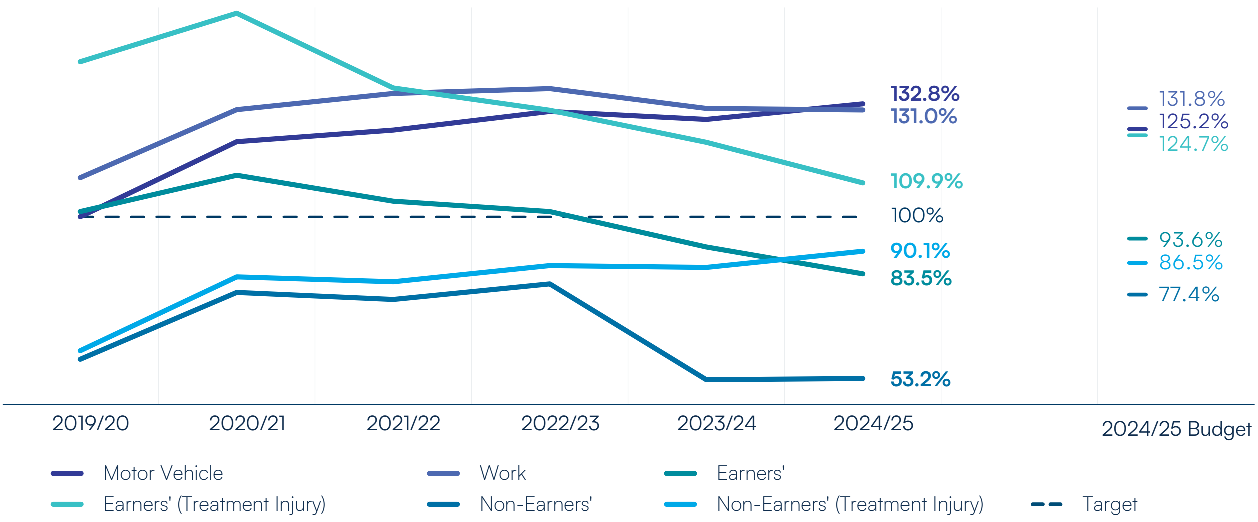
The financial sustainability of each Account is measured by the funding ratio. The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each Account, expressed as a ratio for each Account. The calculation 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 Accident Compensation Act 2001 (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 line with that funding policy.

Funding ratios for the Earners' Account and the non-levied Accounts are below the funding policy target of 100%. Returning to a fully funded position will require ACC to continue delivering performance improvements, along with other potential actions, such as changes to levies and appropriation funding.

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

Figure 02 – Funding ratios



Output 3 – Investment management

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.

Performance summary

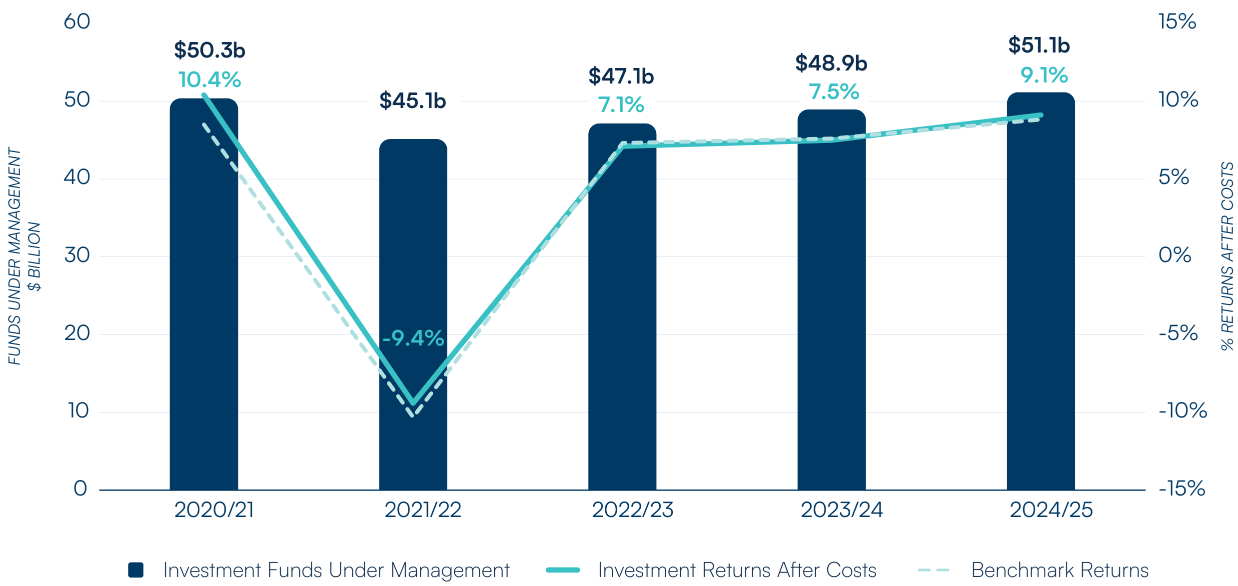
In 2024/25, we spent $74 million in investment management activity, as demonstrated by the following performance measures.

ACC's reserves portfolio delivered a return of 9.10% outperforming benchmark by 0.28%. The outperformance was driven by strong returns from fixed interest and global equity portfolios. The value of $100 invested in 1992 has grown to $1,848 at 30 June 2025. Further information on our investment performance is included in Appendix 1: Investment Statement on page 139.

Table 09 – Performance measures: investment management

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
Investment performance after costs relative to benchmark	+0.94%	-0.20%	-0.11%	+0.28%	+0.15%	Achieved

Figure 03 – Total investment funds and investment returns



Output 4 –Claims management

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 typically a rapid return to work and/or independence reduces the adverse social and economic impacts of injury.

To achieve the best outcomes for our clients, we are focused on building strong, connected, and trusting partnerships. 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.

Performance summary

In 2024/25, we spent $664 million in claims management activity, as demonstrated by the following performance measures.

Table 10 shows recent trends in the types of claims that we have received and accepted. In recent years, claim volumes have been affected by COVID-19 and related lockdowns. This has distorted 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 with covered injuries are eligible to receive.

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.

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

Table 10 – Historical claim volumes, by type

Claim type	Definition	2021/22	2022/23	2023/24	2024/25
Registered claims	Total number of registered claims in the period.	1,804,280	1,968,040	2,037,129	2,102,566
Medical fees only claims	Total number of new medical fees only claims in the period.	1,490,051	1,631,945	1,689,346	1,721,012
Weekly compensation claims	Total number of claims that received weekly compensation payments in the period.	138,527	149,053	159,366	167,639
Other entitlement claims	Total number of entitlement claims (excluding weekly compensation) that received payments in the period.	157,494	175,661	191,366	208,456
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	24,549
New serious injury claims	Total number of new serious injury claims in the period.	294	316	438	238
Fatal claims	Total number of new fatal claims in the period.	1,498	1,678	1,537	1,424

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

The costs and associated liability from this output class have the largest bearing on overall Scheme financial sustainability. We must provide quality services to clients in an efficient manner.

This requires the responsible management of controllable costs, ensuring that expenditure is appropriate and cost-effective.

Costs are influenced by the number of claims, the rate at which those claims access entitlements, the time taken to rehabilitate clients and the medical costs associated with rehabilitation. Health care inflation is also a key driver of costs in this area.

Table 11 – Expenditure for key claims costs

Key claims costs $M	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Budget 2024/25
Weekly compensation	1,848	2,102	2,474	2,855	2,647
Medical treatment	904	1,041	1,207	1,324	1,348
Social rehabilitation	1,039	1,201	1,402	1,551	1,576
Public health acute services	651	733	815	974	901
Elective surgery	411	498	566	671	620

Information on significant variances against budget is included in Note 20 of the notes to the financial statements on page 129.

Table 12 – Performance measures: claims management

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
Return to independence for those not in the workforce	85.4%	79.4%	79.2%	83.0%	82.0%	Achieved
Average weekly compensation days paid	72.1 days	69.3 days	72.8 days	74.7 days	73.5 days	Not achieved
Sustained return -to-work rate	New Measure	New Measure	66%	67%	Baseline established	Achieved
Growth rate of the long-term claims pool	+8.9%	+5.5%	+13.0%	+8.7%	+10.5%	Achieved
Public trust and confidence	54%	57%	61%	61%	57%	Achieved
Percentage of total expenditure paid directly to clients or for services to clients	87.9%	89.8%	89.6%	90.8%	90.6%	Achieved

Rehabilitation

Ensuring the long-term financial sustainability of the Scheme, through improved rehabilitation performance and management of cost pressures, was our key focus in 2024/25. Our relentless focus has delivered a significant improvement in the Growth rate of the Long-Term Claims Pool, finishing the year at 8.7%, ahead of the 10.5% target. The Long-Term Claims Pool at the end of 2024/25 was 416 claims lower than the 24,965 required to meet target. This performance improvement can be attributed to the deliberate interventions and changes we made to improve client outcomes, and provides confidence that the work we are doing is having the desired impact.

We did expect the Average Weekly Compensation Days Paid to deteriorate over the course of 2024/25, because of our focus on driving improvements in the Long-Term Claims Pool. However, the result increased more than forecast since February and did not meet target. This result reflects a higher proportion of clients returning to work or independence between ten weeks and one year as we increasingly supported to independence within the first year.

We will continue to balance the need to improve shorter duration rehabilitation performance with Long-Term Claims Pool growth rate reduction. We have initiatives planned for 2025/26 focused on improving both short and long-term client outcomes.

Over the last two years, we have established the measurement for the Sustained return-to-work measure. This is a survey-based measure to understand the proportion of clients who have returned to work and remained at work. Results over the period have been relatively stable at 67%, establishing a baseline for understanding of future performance.

Customer sentiment

Public trust and confidence measures general sentiment towards ACC. This year our result has held consistently at 61% over the course of 2024/25, higher than the target of 57%.

Organisational excellence

This is the set of measures used to demonstrate the extent to which we are achieving our organisational health and capability intentions.

Our people

Table 13 – Performance measures: our people

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
Employee engagement	4.20	4.22	Not available	4.14	4.00	Achieved

Performance summary

In November 2024 we completed our Engagement Survey. While the result was lower than earlier years, it remained above target. We did not have a result for 2023/24. The usual annual survey was postponed from May 2024 to allow our people the time and space to focus on the organisational change proposal that was consulted on in quarter four 2023/24 and implemented in September 2024.

Our information and systems

Table 14 – Performance measures: our information and systems

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)	New measure	New measure	11	2	Less than previous year	Achieved
Overall operational system availability	99.9%	99.9%	99.9%	99.9%	99.8%	Achieved

Performance summary

The number of privacy breaches (notifiable to the Office of the Privacy Commissioner) is a new measure introduced in 2024/25. Two of the privacy incidents that occurred in 2024/25 were notifiable to the Office of the Privacy Commissioner (OPC). Privacy remains important across the organisation. We continue to encourage our people to report issues, and therefore anticipate that both reported incidents and breach numbers may continue to increase. Better reporting of incidents demonstrates our increasing privacy maturity towards raising awareness and embedding privacy practices.

Our carbon emissions

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. For more information on our climate responsibilities, please refer to our Climate Report 2025, found here acc.co.nz/about-us/corporate

Table 15 – Performance measures: our information and systems

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
Reduction in corporate emissions (from 2019 levels)	53%	37%	42%	39%	21% by 2025 and 42% by 2030	Achieved
Reduction in carbon intensity of the global equity portfolio (from 2019 levels)	45%	60%	62%	74%	60% by 2025 and 65% by 2030	Achieved

Other performance measures

Asset performance measures

Cabinet Office Circular (23) 9: Investment Management and Asset Performance in Departments and Other Entities sets out expectations for agencies to report on relevant asset performance indicators for service critical assets.

Table 16 – Asset performance measures

Measure	Actual 2022/23	Actual 2023/24	Actual 2024/25
Utilisation: Percentage of active ACC computer devices that are within the accepted lifecycle target.	95%	86%	91%
Condition: Number of critical faults for key ACC systems	1	1	2
Condition: Percentage of key systems with a condition rating of Good or Excellent	84%	88%	89%
Functionality: Total operational ICT spend per full-time equivalent (FTE)	$25,847	$27,210	$28,377
Availability: Percentage of time key applications and networks are available to perform required functions	99.9%	99.9%	99.9%

Appropriation measures

The Minister purchases outputs from ACC consistent with the provisions of the AC Act in respect of non-earners (other than motor vehicle injury). This includes the funding requirements of the Treatment Injury Account in respect of treatment injuries to non-earners. This funding is appropriated within Vote Labour Market.

Table 17 – Appropriation measures

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
Case management and supporting services						
Return on investment for 0- to 20-year injury prevention programmes	$2.18:$1	$1.77:$1	$1.79:$1	$1.95:$1	$2.15:$1	Not achieved
Investment management costs as a proportion of total funds under management	0.14%	0.18%	0.16%	0.15%	0.17%	Achieved
Speed of cover decisions: non-complicated claims	0.82 days	0.85 days	1.21 days	0.84 days	Less than 0.9 days	Achieved
Speed of cover decisions: complicated claims	69.3 days	63.5 days	62.2 days	47.0 days	Less than 70 days	Achieved
Average time to resolution for claims with reviews	131.5 days	127.3 days	120.7 days	108.6 days	Less than or equal to 125 days	Achieved
Proportion of ACC reviews upheld (in favour of ACC)	90.3%	91.9%	93.7%	94.7%	Greater than or equal to 88%	Achieved
Reviews as a percentage of decline decisions	7.9%	7.6%	7.5%	8.9%	Less than or equal to 8.5%	Not achieved
Administration costs per active claim	$2,715	$2,527	$2,614	$2,536	$2,435	Achieved

Measure	Actual 2021/22	Actual 2022/23	Actual 2023/24	Actual 2024/25	Target 2024/25	Target met?
Public Health Acute Services						
Agreement with Ministry of Health for public health acute services will be signed off no later than the end of the year to which this applies	Agreement reached	Agreement reached	Agreement reached	Agreement reached	Agreement reached	Achieved
Rehabilitation entitlements and services						
Change in average treatment cost	+2.3%	+9.9%	+10.3%	+9.3%	Less than or equal to 4.1%	Not achieved
Long-term claims pool return to independence	5,406	6,117	6,278	7,950	5,300	Achieved
Sexual Abuse Assessment and Treatment Services						
Increase the total number of first presentations to SAATS	1,860	1,865	1,829	2,228	3,395	Not achieved

The change in average treatment cost per claim measures the growth in the average cost of medical treatment and elective surgery per claim. The growth was generally stable across 2024/25. The increases in elective surgery costs were the largest contributor to this year's growth.

IV.

Organisation Health and Capability

Organisational health and capability

Our organisational health and capability intentions (for our people and our information and systems) underpin our work to support a thriving New Zealand while maintaining our focus on efficiency and effectiveness.

Our people

To achieve our goals we invest in our people through developing new capabilities and attracting and retaining people with new skills. We are embedding 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 are strengthening 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 needed, we must support our people to be responsible stewards, delivering value for both levy payers and injured people.

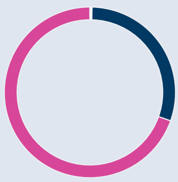
To maintain a diverse, high-performing workforce empowered to deliver great customer outcomes and experience, we want our workforce to increasingly reflect the diversity of New Zealand.

Figure 04: Workforce profile as at 30 June 2025

All Staff

4,777
Permanent and temporary staff

Gender



70.3% Female

29.4% Male

0.3% Another Gender

Diversity

59% European	**13%** Māori
19% Asian	**7%** Pasifika
2% MELAA	**12%** Other ethnicity

People indicated a Disability
10.9%

Median gender pay gap
18.8%

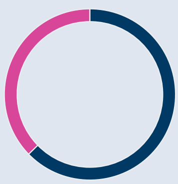
Average age of our people
40.8 Years

Average length of service
6.3 Years

Tier 1-3 managers

42
Permanent and temporary staff

Gender



41.5% Female

58.5% Male

Diversity

84% European	**8%** Māori
5% Asian	**0%** Pasifika
3% MELAA	**5%** 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 the respondents who disclosed their diversity. All unknown diversity responses are excluded from the percentage calculations.

In 2024/25 we focused on key workstreams to activate and enable our people to work in an efficient, effective and resilient ACC and protect the long-term sustainability of the Scheme. Our progress against the deliverables planned is detailed below.

Table 18: 2024/25 Organisational excellence – Our people achievements

What we set out to achieve in 2024/25	Result[8]
We will be maturing ACC's Māori cultural capability.	Achieved
We will have an enterprise roadmap for a skills and capability-based organisation and commenced implementation.	Ongoing
We will have delivered a structural efficiency and effectiveness programme.	Achieved
We will have critical controls and assurances in place for managing significant health, safety and wellbeing risks.	Achieved
We will have a new office in Dunedin that is designed to be efficient, safe, and accessible and minimise carbon emissions with the construction benefiting local business.	Achieved

Good employer activities

As a Crown entity, ACC is committed to being a good employer by providing safe working conditions and promoting equal opportunities for employment and advancement. Our activities under the seven elements of being a good employer are set out below:

Leadership, accountability and culture

- Annual Engagement Survey gives leaders valuable feedback from their people on both team dynamics and overall organisational effectiveness.
- Our Performance Development Cycle supports the annual setting of clear objectives for all employees, along with regular feedback to track progress throughout the year.

Recruitment, selection and induction

- We use robust and consistent recruitment and selection processes to attract skilled and diverse applicants.
- Our recruitment practices promote work-life balance, which improves access to talent across New Zealand.
- We apply a range of assessment and selection tools designed to support diversity across age, culture, ethnicity, gender, and disability.
- We partner with organisations to build a workforce that reflects the diverse communities we serve.
- Our careers website and job advertisements include a clear diversity statement to reflect our commitment to inclusive hiring.
- New employees are supported through a standardised onboarding experience, including e-learning modules and a leader toolkit.

Employee development, promotion, and exit

- A performance development and remuneration framework is in place, supported by tools and resources for employees and leaders.
- Current graduate and postgraduate learners are supported to gain recognised qualifications through ACC sponsorship.
- Employees have access to a comprehensive range of learning and development programmes.
- Accessibility guidelines are applied to all development programmes to make learning inclusive and accessible.
- Internal roles and secondment opportunities are regularly advertised to promote career progression.
- Employee turnover trends and exit feedback are reviewed to identify opportunities for improvement.

[8] Achieved — fully delivered against the deliverable | Partially achieved — some aspects of the deliverable were delivered | Not achieved — the deliverable was not delivered.

Flexibility and work design

- Hybrid working is embedded in the organisation.
- Role-relevant flexibility is available through options like compressed work weeks, flexible hours, rostered days off, part-time work, and the ability to work temporarily from different ACC offices.

Remuneration, recognition, and conditions - updated

- A range of financial and non-financial benefits and recognition options are available to our people.
- Job evaluation and remuneration practices are designed to be transparent and equitable.
- Annual remuneration reviews follow a performance-based pay approach.
- Gender and ethnic pay equity is actively monitored to maintain fairness within pay bands.

Harassment and bullying prevention

- Employee Code of Conduct and relevant policies are accessible at all times to guide behaviour and expectations.
- Multiple channels are available for raising concerns, regularly reinforced through internal communications.

Safe and healthy environment

- Strong employee representation and involvement in health and safety committees and initiatives.
- Near misses and incidents are reported to support learning and prevention.
- Physical site health and safety checks are carried out by a centralised team to ensure practices and environments are safe and 'work as done' aligns with policies and practices.
- Management of critical risks continues to evolve, with employee workshops helping to identify and understand risk in 'work as done'.
- Comprehensive wellbeing programme, which has been tailored to our environment throughout the year, including:
    - Flu vaccinations and health checks.
    - Employee Assistance Programme and professional supervision support programme.
    - Rongoā Māori services for employees and their families.
    - Ergonomic workstation assessments (both in the office and for remote working locations) and sit/stand desks across ACC offices.
    - Support for employees with disabilities and other needs.

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.

In 2024/25 we focused on key workstreams to activate and enable our people to work in an efficient, effective and resilient ACC and protect the long-term sustainability of the Scheme. Our progress against the deliverables planned is detailed below.

Table 19: 2024/25 Organisational excellence – Our information and systems achievements

What we set out to achieve in 2024/25	Result[9]
We will be improving and maintaining client and levy systems, including migrating to the Cloud.	Achieved
We will be improving provider payments and supports.	Partially achieved
We will be maintaining and optimising our technology landscape to support strategic and sustainable technology, while minimising disruptions for our people.	Achieved
We will be advancing our cybersecurity programme to strengthen the security posture of ACC and its systems.	Achieved
We will be developing our capability to leverage artificial intelligence to enhance performance and achieve greater efficiencies.	Achieved
We will have built internal privacy risk capability, frameworks and processes to improve assurance and effectiveness of privacy risk management and developed organisational capability and accountability to identify, manage and escalate privacy risks and concerns	Ongoing

[9] Achieved — fully delivered against the deliverable | Partially achieved — some aspects of the deliverable were delivered | Not achieved — the deliverable was not delivered.

Governance

ACC Board and governance framework

ACC is committed to excellent corporate governance processes and practices.

ACC is governed by a Board of up to nine non-Executive members, each appointed by the Minister for ACC for up to three terms.

Minister for ACC			
ACC Board			
Risk, Assurance and Audit Committee	Investment Committee	People and Culture Committee	Financial Sustainability Committee
Chief Executive			
Executive			

The Board has the authority to exercise ACC's statutory powers and perform its functions. The Board may only act for the purpose of performing ACC's statutory functions.

Board members are accountable to the Minister of ACC for the performance of their duties.

The Board's governance role is largely governed by the provisions of the Crown Entities Act 2004 and the Accident Compensation Act 2001. These Acts include the following elements:

- Maintaining appropriate relationships with the Minister, Parliament and the public.
- Ensuring ACC's compliance with the law.
- ACC's accountability documents and relevant Crown expectations.
- Ensuring that ACC is a good employer and creates an environment that promotes the highest standards of safety and wellbeing, both for its employees and the communities it serves.
- Setting strategic direction and developing policy on the operation and implementation of the legislation.
- Maintaining the financial viability and security of ACC and its investments.
- Appointing the Chief Executive of ACC.
- Monitoring the performance of ACC and its Chief Executive.
- Exercising due diligence to ensure that ACC complies with its obligations and primary duties.
- All decisions about the operation of ACC must be made by, or under, the authority of the Board.
- The Board delegates to the Chief Executive the day-to-day management and leadership of ACC.

Board committees

ACC has three standing Board committees and one ad-hoc committee to enhance the Board's focus in key areas. Each committee operates under its own Terms of Reference, which sets out the roles and responsibilities of the committee and its members.

Risk, Assurance and Audit Committee

Assists the Board to fulfil its responsibilities for financial, investment and operational service delivery controls, performance, monitoring and reporting. The committee has delegated authority to oversee, review, monitor and provide recommendations to the Board on its responsibilities.

Members: Bella Takiari-Brame (Chair), Dr Helen Nott, Kim Gordon, Jan Dawson (appointed 25 July 2024) and Fred Hutchings (independent member).

Investment Committee

Assists the Board to monitor ACC's investment responsibilities. The Board has delegated to this committee authority for investment decisions.

Members: Mark Cross (Chair), David Hunt, Stephen Montgomery (independent member), Paul Richardson (independent member), and Amanda Smith (independent member — resigned 30 May 2025).

People and Culture Committee

Assists the Board to review, approve and make recommendations to the Board on people and culture matters, including diversity and inclusion, health, safety and wellbeing, and recognition, reward and remuneration. The Board has delegated to this committee authority to approve the appointment of the Executive Team, approve gender, ethnic and pay gap reporting, and monitor the operations of Shamrock Superannuation Limited.

Members: David Hunt (Chair), Kim Gordon, Helen Nott (appointed 25 July 2024) and Dan Buckingham (appointed 25 July 2024).

Financial Sustainability Committee

Assists the Board to drive ACC's plans to ensure financial sustainability and monitor progress against the plans. The Committee was established on 22 April 2025.

Members: Dr Tracey Batten (Chair until 11 June 2025), David Hunt (Chair from 12 June 2025) Jan Dawson, and Helen Nott (from 18 June 2025)

Managing potential conflicts of interest

ACC proactively manages potential conflicts of interest. All Board and Board Committee members must declare and record details of all relevant external interests, including actual, potential, or perceived conflicts of interest. Unless the Chair gives written permission, interested Board and Board Committee members must not:

- vote or take part in any Board or Board Committee discussions or decisions (or otherwise participate in any activities) related to the matters in which they have an interest,
- sign any documents related to the matters in which they have an interest,
- be regarded as part of the quorum for any part of a meeting during which the matters in which they have an interest are discussed or in which a decision is made.

ACC Board and Committee Members do not receive any information in relation to ACC investments where the Member has a potential conflict of interest.

ACC Board

Members of the ACC Board who served in 2024/25

- Dr Tracey Batten (Chair) — appointed February 2019, Chair from March 2024, resigned June 2025.

Following the resignation of the ACC Board Chair Dr Tracey Batten in June 2025, David Hunt was appointed interim Board Chair and Jan Dawson as interim Deputy Chair.

There were no new appointments in the year.

As at 30 June 2025, the ACC Board comprised the following members

- **David Hunt** — Appointed September 2021
  Interim Board Chair (from 12 June 2025)
  Deputy Chair from March 2024
- **Jan Dawson** — Appointed June 2024
  Interim Deputy Chair (from 12 June 2025)
- **Dan Buckingham** — Appointed June 2024
- **Mark Cross** — Appointed August 2021
- **Kim Gordon** — Appointed September 2023
- **Dr Helen Nott** — Appointed February 2021
- **Bella Takiari-Brame** — Appointed February 2021

For bios of the ACC Executive, visit: acc.co.nz/about-us/who-we-are/our minister-board-ce-and-executive#accboard.

Board and sub-committee attendance and fees

Attendance at committee meetings is recorded for committee members only. If a Board member is not a member of a committee, but attended a meeting as an observer, their attendance has not been noted here.

Table 20: Board and sub-committee attendance and fees

Board members	ACC Board	Financial Sustainability Committee	Investment Committee	People and Culture Committee	Risk, Assurance and Audit Committee	2024/25 remuneration
David Hunt	14/14	9/9	4/5	6/6		$64,743
Jan Dawson	13/14	9/9			8/8	$50,879
Dr Helen Nott	14/14			6/6	8/8	$50,404
Bella Takiari-Brame	13/14				8/8	$55,248
Mark Cross	13/14		6/6			$55,248
Kim Gordon	13/14			6/6	7/8	$50,225
Dan Buckingham	14/14			6/6		$50,225
Dr Tracey Batten	14/14					$100,450
Independent members						
Risk Assurance and Audit Committee						
Fred Hutchings					8/8	$30,000
Investment Committee						
Stephen Montgomery			6/6			$30,000
Paul Richardson			6/6			$30,000
Amanda Smith			5/5			$30,000

Board members' and employees' indemnity and insurance

ACC has indemnified Board members and certain employees (and former employees) who have been appointed as directors, nominated by ACC, or as other officers of entities in which ACC has invested. These indemnities are given, to the maximum extent permitted by the Crown Entities Act 2004, for any liability connected with acts or omissions carried out as a consequence of the role. Each indemnified person is also indemnified for costs incurred by that person in defending any claim or proceeding.

ACC has effected Directors and Officers Liability insurance cover for the liability or costs of Board members, certain employees, and external director appointees.

Whole-of-government directions

The following provides the details of the current directions given by a Minister that remain current. There were no new directions given in 2024/25. These directions apply to the whole of government.

Whole-of government area	Date applies from
ICT	19 June 2014
Property	1 July 2014
Procurement	1 February 2015
New Zealand Business Number	1 January 2018
Carbon Neutral Government Programme	27 March 2022

Subsidiary company

Shamrock Superannuation Limited (Shamrock) is a wholly owned Crown entity subsidiary of ACC. It was established in 1991 to act as the independent corporate trustee for the mysuper Superannuation Scheme (mysuper).

Shamrock's role is to act in the best interests of members by serving as the independent trustee, manager, and custodian of mysuper's assets, as outlined in the mysuper Trust Deed.

As at 30 June 2025, Shamrock had six directors: Paul Bevin (Chair), Michael Frampton, Andrew Johnson, Stewart McRobie, Philip Newport, and Jennifer O'Sullivan-Brown.

No fees were paid by ACC to these directors for their work on the Shamrock board during 2024/25. Shamrock had no employees and no remuneration was paid during the year.

ACC Executive

On 12 September 2024, ACC moved to a new structure following a proposal for change. These changes were made to support the Government's priorities, while ensuring we could support clients to get better faster, and invest in things that will have the greatest positive impact on the Scheme and for New Zealand. The new organisational structure reduced the number of roles in our supporting functions, and at the same time we invested in approximately 250 additional customer facing roles.

Figure 05: ACC Executive structure as at 30 June 2025

ACC Board

Chief Executive

Service Delivery	System Commissioning & Performance	Corporate & Finance	Investments	Māori	People and Culture	Strategy, Engagement & Prevention	Technology and Data

Over 2024/25 there were several movements in the ACC Executive.

Executive appointments in 2024/25

- **Michael Frampton** — Deputy Chief Executive — Service Delivery
- **John Bennett** — Deputy Chief Executive — System Commissoning and Performance
- **Lisa Hanson** — Deputy Chief Executive — People and Culture
- **David Iverson** — Chief Investment Officer
- **Michael Dreyer** — Deputy Chief Executive — Technology and Data

Executive members who departed in 2024/25

- **Amada Malu** — Deputy Chief Executive — Service Delivery
- **John Bennett** — Deputy Chief Executive — System Commissoning and Performance
- **Rēnata Blair** — Deputy Chief Executive —Māori
- **Paul Dyer** — Chief Investment Officer

At 30 June 2025, the ACC Executive included the following senior leaders.

- **Megan Main** — Chief Executive
- **Michael Frampton** — Deputy Chief Executive — Service Delivery
- **Thomas Ronan** — Deputy Chief Executive — System Commissoning and Performance (Acting)
- **Stewart McRobie** — Deputy Chief Executive — Corporate and Finance
- **David Iverson** — Chief Investment Officer
- **Lisa Hanson** — Deputy Chief Executive — People and Culture
- **Andrew Milne** — Deputy Chief Executive — Strategy, Engagement and Prevention
- **Michael Dreyer** — Deputy Chief Executive — Technology and Data

For bios of the ACC Executive, visit: acc.co.nz/about-us/who-we-are/our minister-board-ce-and-executive#the-executive.

Te Tiriti o Waitangi | Treaty of Waitangi statement

E whakaae ana mātou ko Te Tiriti o Waitangi te tūāpapa o te kāwanatanga o Aotearoa e whakaū ana i te noho ā-motu o tēnei whenua. Ka mahitahi mātou ki a ngāi Māori, hei hinonga o te Karauna, ki te whakatinana i Te Tiriti o Waitangi/The Treaty of Waitangi, ā ka pūmau mātou ki te whakatutukinga o ngā putanga taurite ki te Māori i raro i tō mātou Kaupapa Inihua.

I raro anō i tō mātou tū hei hinonga o te Karauna, ka whai mātou i ngā mahi e hāngai ana ki ngā hiahia o te Māori e kitea ai te ngākau pūmau o te Karauna ki Te Tiriti o Waitangi/The Treaty of Waitangi.

We recognise that Te Tiriti o Waitangi/The Treaty of Waitangi is a founding document of government in New Zealand and established the country as a nation. We will partner with Māori, as an entity of the Crown, to give effect to Te Tiriti o Waitangi/The Treaty of Waitangi and commit to achieving equitable wellbeing outcomes for Māori in relation to our Scheme.

As a Crown entity, ACC acts to be responsive to Māori as an expression of the Crown's commitment to Te Tiriti o Waitangi/The Treaty of Waitangi.

Managing risk

ACC operates in a dynamic operating environment. Taking appropriate risks to achieve strategic objectives is a normal and necessary part of doing business. Risk management is integrated into our governance, business planning and decision-making processes.

We adopt the Three Lines Model for how we manage risk across ACC. Our Enterprise Risk Management and Compliance Policy sets clear accountabilities and responsibilities for the management of risk, ensures clear separation of duties between first- and second-line risk activities, and supports the independence of internal and external assurance.

The Enterprise Risk Management and Compliance Policy was refreshed and approved by the Board on 29 August 2024 along with our refreshed Enterprise Risk Management Framework. The framework supports staff to apply risk management in practice as part of their day-to-day operations. The framework is consistent with the principes set out in the ISO 31000:2018 Risk Management — Guidelines.

The Board Risk Assurance and Audit Committee monitor and evaluate the maturity of ACC's risk management system and receives regular risk reporting.

Our enterprise risks

The full refresh of our enterprise risks was approved by the Board on 11 June 2025. The view of enterprise risks is outlined below. This is based on a top-down and bottom-up approach. It is informed by our strategy priorities, our focus on ensuring the Scheme is financially sustainable for future generations and that we maintain public trust and confidence.

These enterprise risks are consistent with Huakina Te Rā. They are reviewed quarterly to ensure alignment with the current environment.

Note: the ordering of risks does not denote risk rating or imply any form of ranking

Scheme Sustainability and Long Term Funding Position

- **Claim Management —** Risk that ACC's claims management approach fails to deliver improved client outcomes in a way that ensures the long term sustainability of the Scheme.
- **Fee & Levy Management —** Risk that our fee and levy management systems and processes are not effective, efficient and / or lack transparency.
- **Health System Commissioning —** Risk that ACC fails to strategically partner with health system leaders and manage providers to deliver improved client outcomes, quality, and value for money.
- **Injury Prevention Impact —** Risk that we fail to deliver the culture change required across New Zealand to reduce the incidence, severity, and cost of injuries.
- **Investment Performance —** Risk that investment performance does not materially offset economic assumptions of the Outstanding Claims Liability (OCL) on a long-term basis.
- **Overhead Cost Management —** Risk that our forecasting, cost control and financial reporting processes are not effective, efficient and / or do not adhere to relevant laws, regulations, and standards.
- **Scheme Boundaries —** Risk that changes to Scheme boundaries and services are not fully funded to manage Scheme costs in a sustainable way.

Strategic Risks

- **Change Delivery System —** Risk that ACC does not effectively coordinate, sequence and manage change activity at an enterprise level to fully realise expected outcomes and benefits.
- **Climate Change Adaptation —** Risk that ACC fails to monitor, prepare and adapt for known and future climate change impacts and opportunities.
- **Data Governance —** Risk that ACC fails to manage data as a strategic asset to enable evidence-based decision-making and organisational priorities.
- **Mana Taurite | Equity —** Risk that ACC fails to improve access, experience and outcomes for Māori and identified populations.
- **Strategic Direction & Alignment —** Risk that ACC fails to establish a clear strategic direction aligning our operating model, leadership, and resources to optimise delivery of strategic priorities.

Operational Risks

- **Business Continuity —** Risk that ACC does not effectively respond to, and recover from, a business disruption.
- **Cyber & Information Security —** Risk of loss of data, or other information security event, due to cybersecurity threats, including malicious acts, cybercrime, and misuse of emerging technologies.
- **Integrity & Internal Fraud —** Risk that ACC employees fail to uphold expected behaviours and / or "do the right thing".
- **Operational Control Environment —** Risk that core operational processes and controls are not effective, efficient and / or do not adhere to relevant laws, regulations, and standards.
- **Wellbeing, Health & Safety —** Risk that ACC does not take all practicable steps to ensure the Wellbeing, Health & Safety of employees and those impacted by our work.
- **Workforce —** Risk that ACC does not have sufficient capacity of workforce, and / or is unable to attract, develop, and retain the capability required to achieve core objectives and priorities.

Legal & Compliance Risks

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

V.

Financial Statements

Financial statements

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Levy revenue and Government appropriations	3	**6,681**	**6,409**	**6,874**
Claims paid	6.1	8,148	7,180	7,874
Claims handling costs	5.1	664	662	645
Increase in outstanding claims liability	6.3(a)	3,336	8,683	3,252
Total claims incurred	6.1	**12,148**	**16,525**	**11,771**
Increase in unexpired risk liability	6.6	207	426	1
Other underwriting costs	5.1	159	168	174
Deficit from underwriting activities	6.2	**(5,833)**	**(10,710)**	**(5,072)**
Investment revenue	4	4,457	3,583	3,001
Investment costs	4 & 5.1	(107)	(113)	(70)
Other revenue		1	1	1
Net deficit		**(1,482)**	**(7,239)**	**(2,140)**
Total comprehensive revenue and expense for the year		**(1,482)**	**(7,239)**	**(2,140)**

Consolidated statement of changes in reserves (equity)

For the year ended 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Total Account reserves				
Balance at the beginning of the year (deficit)		(12,367)	(5,128)	(5,597)
Total comprehensive revenue and expense for the year		(1,482)	(7,239)	(2,140)
Balance at the end of the year (deficit)	20	**(13,849)**	**(12,367)**	**(7,737)**

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves				
Motor Vehicle Account		1,998	1,464	1,179
Work Account		1,988	2,213	2,450
Earners' Account		(5,415)	(3,741)	(3,122)
Treatment Injury Account		(2,378)	(2,332)	(2,253)
Non-Earners' Account		(10,042)	(9,971)	(5,991)
Total Account reserves (deficit)		**(13,849)**	**(12,367)**	**(7,737)**
Represented by:				
Assets				
Cash and cash equivalents	9	48	68	200
Assets supporting collateral	7.4	22	134	544
Receivables	10	723	520	414
Accrued levy revenue	11	3,835	3,721	4,171
Investments	7	54,490	51,587	50,128
Derivative financial instruments	8	801	321	386
Property, plant and equipment, and intangible assets	13	62	89	65
Total assets		**59,981**	**56,440**	**55,908**
Less liabilities				
Collateral received	7.4	357	37	76
Payables and accrued liabilities	14	4,087	2,693	785
Derivative financial instruments	8	507	935	953
Employee entitlements and provisions	15	113	92	55
Unearned levy liability	6.5	3,253	3,080	3,395
Unexpired risk liability	6.6	1,957	1,750	1,282
Outstanding claims liability	6.3(a)	63,556	60,220	57,099
Total liabilities		**73,830**	**68,807**	**63,645**
Net liabilities		**(13,849)**	**(12,367)**	**(7,737)**

For and on behalf of the Board, which authorised the issue of these financial statements on 19 September 2025.

David Hunt
Acting Board Chair
Date: 19 September 2025

Bella Takiari-Brame
Risk Assurance and Audit Committee Chair
Date: 19 September 2025

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Cash flows from operating activities				
Cash was provided from:				
Levy revenue and Government appropriations		6,657	6,341	6,768
Interest		683	627	854
Dividends		380	449	516
Revenue from investment properties and other investments		30	26	22
Other revenue		1	1	1
		7,751	**7,444**	**8,161**
Cash was applied to:				
Payments towards claims		8,146	7,169	7,874
Payments towards injury prevention and other operating costs		828	885	842
		8,974	**8,054**	**8,716**
Net cash outflows from operating activities		**(1,223)**	**(610)**	**(555)**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		88,483	71,939	68,481
Proceeds from sale of collateral		4,246	8,981	-
		92,729	**80,920**	**68,481**
Cash was applied to:				
Payment for investments		87,698	72,194	67,892
Payment for collateral		3,814	8,273	-
Payment for property, plant and equipment, and intangible assets		14	20	34
		91,526	**80,487**	**67,926**
Net cash inflows from investing activities		**1,203**	**433**	**555**
Net decrease in cash and cash equivalents		**(20)**	**(177)**	-
Cash and cash equivalents — opening balance		**68**	**245**	**200**
Cash and cash equivalents — closing balance	9	**48**	**68**	**200**

The accompanying notes form part of these financial statements.

Reconciliation of the net cash outflows from operating activities with the reported net deficit

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Net deficit		**(1,482)**	**(7,239)**	**(2,140)**
Add (less) items classified as investing activities:				
Realised gains on sale of investments		(2,126)	(1,183)	(135)
Losses on disposal of property, plant and equipment, and intangible assets		-	1	-
Add (less) non-cash items:				
Depreciation and amortisation	5.2	41	38	46
Unrealised gains on investments		(423)	(840)	(1,575)
Other movements in investments		(751)	(441)	–
Movement in employee entitlements and provisions	15	21	5	-
Movement in impairment allowance of claimant debtors		5	4	-
Movement in the fair value of levy receivables		(17)	(17)	-
Increase in unexpired risk liability	6.6	207	426	1
Increase in outstanding claims liability	6.3(a)	3,336	8,683	3,252
Add (less) movements in working capital items:				
Receivables and accrued levy revenue		(237)	(365)	-
Payables and accrued liabilities		30	42	(4)
Unearned levy liability	6.5	173	276	-
Net cash outflows from operating activities		**(1,223)**	**(610)**	**(555)**

The accompanying notes form part of these financial statements.

Financial Statemetns

Reporting and funding by Account

The Accident Compensation Scheme (as required through the Accident Compensation Act 2001 (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. The Accident Compensation Corporation (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 Outstanding Claims Liability (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' Account and appropriations from the Non-Earners' Account on the basis of whether the treatment injury claims are from earners or non-earners.

The accompanying notes form part of these financial statements.

MOTOR VEHICLE ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Levy revenue		**481**	**478**	**479**
Claims paid	6.1	917	839	1,032
Claims handling costs		63	61	60
Increase in outstanding claims liability	6.3(a)	120	603	651
Total claims incurred		**1,100**	**1,503**	**1,743**
Increase in unexpired risk liability	6.6	7	43	18
Other underwriting costs		9	16	12
Deficit from underwriting activities		**(635)**	**(1,084)**	**(1,294)**
Investment revenue		1,197	901	852
Investment costs		(28)	(31)	(21)
Other revenue		-	-	-
Net surplus (deficit)		**534**	**(214)**	**(463)**
Total comprehensive revenue and expense for the year		**534**	**(214)**	**(463)**

Statement of changes in reserves (equity)

For the year ended 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves — opening balance	1,464	1,678	1,642
Total comprehensive revenue and expense for the year	534	(214)	(463)
Account reserves — closing balance	**1,998**	**1,464**	**1,179**

Statement of financial position

As at 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves	**1,998**	**1,464**	**1,179**
Represented by:			
Assets	16,908	15,821	15,293
Less liabilities	14,910	14,357	14,114
Net assets	**1,998**	**1,464**	**1,179**

Funds for the Motor Vehicle Account are derived and applied in accordance with section 213 of the AC Act.

The accompanying notes form part of these financial statements.

WORK ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Levy revenue		**999**	**1,037**	**1,071**
Claims paid	6.1	1,351	1,238	1,397
Claims handling costs		129	130	127
Increase in outstanding claims liability	6.3(a)	502	755	415
Total claims incurred		**1,982**	**2,123**	**1,939**
Increase (decrease) in unexpired risk liability	6.6	76	146	(5)
Other underwriting costs		82	83	83
Deficit from underwriting activities		**(1,141)**	**(1,315)**	**(946)**
Investment revenue		938	809	685
Investment costs		(23)	(24)	(16)
Other revenue		1	1	-
Net deficit		**(225)**	**(529)**	**(277)**
Total comprehensive revenue and expense for the year		**(225)**	**(529)**	**(277)**

Statement of changes in reserves (equity)

For the year ended 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves — opening balance	2,213	2,742	2,727
Total comprehensive revenue and expense for the year	(225)	(529)	(277)
Account reserves — closing balance	**1,988**	**2,213**	**2,450**

Statement of financial position

As at 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves	**1,988**	**2,213**	**2,450**
Represented by:			
Assets	13,820	13,099	12,949
Less liabilities	11,832	10,886	10,499
Net assets	**1,988**	**2,213**	**2,450**

Funds for the Work Account are derived and applied in accordance with section 167 of the AC Act.

The accompanying notes form part of these financial statements.

Non-Compliers Fund

Included in the Work Account is the Non-Compliers Fund (the Fund). The Fund was set up to cover employees who were injured while working for an employer who had not taken out accident insurance during the time when the workplace accident insurance market was opened up for competition. The Fund was transferred to ACC following the restoration of ACC as sole provider of workplace accident insurance. The net surplus for the year ended 30 June 2025 for the Fund was $55,000 (2024: $41,000). The Fund's reserves as at 30 June 2025 were $649,000 (2024: $595,000). The values in this note are rounded to the nearest thousand dollars.

CoverPlus Extra

There were 36,055 (2024: 36,444) CoverPlus Extra policies purchased as at 30 June 2025. CoverPlus Extra is an optional product that lets self-employed people and non-PAYE shareholder employees negotiate a pre-agreed level of lost earnings compensation. Payments of $20 million (2024: $17 million) in weekly compensation relating to work-related injuries were paid to clients who had purchased weekly compensation under CoverPlus Extra policies from the Work Account during the year. Non-work injury payments of $46 million (2024: $39 million) were paid from the other Accounts.

Statement of comprehensive revenue and expense

For the year ended 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Levy revenue		**2,695**	**2,555**	**2,814**
Claims paid	6.1	3,116	2,728	2,951
Claims handling costs		276	274	268
Increase in outstanding claims liability	6.3(a)	1,992	2,074	1,098
Total claims incurred		**5,384**	**5,076**	**4,317**
Increase (decrease) in unexpired risk liability	6.6	124	237	(12)
Other underwriting costs		37	35	37
Deficit from underwriting activities		**(2,850)**	**(2,793)**	**(1,528)**
Investment revenue		1,204	1,017	735
Investment costs		(28)	(29)	(16)
Other revenue		-	-	1
Net deficit		**(1,674)**	**(1,805)**	**(808)**
Total comprehensive revenue and expense for the year		**(1,674)**	**(1,805)**	**(808)**

Statement of changes in reserves (equity)

For the year ended 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves — opening balance (deficit)	(3,741)	(1,936)	(2,314)
Total comprehensive revenue and expense for the year	(1,674)	(1,805)	(808)
Account reserves — closing balance (deficit)	**(5,415)**	**(3,741)**	**(3,122)**

Statement of financial position

As at 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves (deficit)	**(5,415)**	**(3,741)**	**(3,122)**
Represented by:			
Assets	16,110	15,257	15,199
Less liabilities	21,525	18,998	18,321
Net liabilities	**(5,415)**	**(3,741)**	**(3,122)**

Funds for the Earners' Account are derived and applied in accordance with section 218 of the AC Act.

The accompanying notes form part of these financial statements.

TREATMENT INJURY ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Levy revenue and Government appropriations		**424**	**403**	**428**
Claims paid	6.1	483	427	469
Claims handling costs		57	57	55
Increase in outstanding claims liability	6.3(a)	418	529	494
Total claims incurred		**958**	**1,013**	**1,018**
Increase (decrease) in unexpired risk liability	6.6	-	-	-
Other underwriting costs		2	3	6
Deficit from underwriting activities		**(536)**	**(613)**	**(596)**
Investment revenue		503	378	363
Investment costs		(13)	(14)	(9)
Other revenue		-	-	-
Net deficit		**(46)**	**(249)**	**(242)**
Total comprehensive revenue and expense for the year		**(46)**	**(249)**	**(242)**

Statement of changes in reserves (equity)

For the year ended 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves — opening balance (deficit)	(2,332)	(2,083)	(2,011)
Total comprehensive revenue and expense for the year	(46)	(249)	(242)
Account reserves — closing balance (deficit)	**(2,378)**	**(2,332)**	**(2,253)**

Statement of financial position

As at 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves (deficit)	**(2,378)**	**(2,332)**	**(2,253)**
Represented by:			
Assets	6,887	6,355	6,428
Less liabilities	9,265	8,687	8,681
Net liabilities	**(2,378)**	**(2,332)**	**(2,253)**

Funds for the Treatment Injury Account are derived and applied in accordance with section 228 of the AC Act.

The accompanying notes form part of these financial statements.

NON-EARNERS' ACCOUNT

Statement of comprehensive revenue and expense

For the year ended 30 June 2025

	Note	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Government appropriations		**2,082**	**1,936**	**2,082**
Claims paid	6.1	2,281	1,948	2,025
Claims handling costs		139	140	135
Increase in outstanding claims liability	6.3(a)	304	4,722	594
Total claims incurred		**2,724**	**6,810**	**2,754**
Increase (decrease) in unexpired risk liability	6.6	-	-	-
Other underwriting costs		29	31	36
Deficit from underwriting activities		**(671)**	**(4,905)**	**(708)**
Investment revenue		615	478	366
Investment costs		(15)	(15)	(8)
Other revenue		-	-	-
Net deficit		**(71)**	**(4,442)**	**(350)**
Total comprehensive revenue and expense for the year		**(71)**	**(4,442)**	**(350)**

Statement of changes in reserves (equity)

For the year ended 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves — opening balance (deficit)	(9,971)	(5,529)	(5,641)
Total comprehensive revenue and expense for the year	(71)	(4,442)	(350)
Account reserves — closing balance (deficit)	**(10,042)**	**(9,971)**	**(5,991)**

Statement of financial position

As at 30 June 2025

	Actual 2025 $M	Actual 2024 $M	Unaudited Budget 2025 $M
Account reserves (deficit)	**(10,042)**	**(9,971)**	**(5,991)**
Represented by:			
Assets	6,256	5,908	6,039
Less liabilities	16,298	15,879	12,030
Net liabilities	**(10,042)**	**(9,971)**	**(5,991)**

Funds for the Non-Earners' Account are derived and applied in accordance with section 227 of the AC Act.

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2025

1. Statement of accounting policies

1.1 Reporting entity

Accident Compensation Corporation (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 financial statements for ACC are for the year ended 30 June 2025, and were authorised for issue by the Board on 19 September 2025.

1.2 Basis of preparation

ACC is a Tier 1 entity, and the financial statements and statement of performance have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements and statement of performance comply with Public Benefit Entity Standards (PBE Standards) and have been prepared in accordance with the Accident Compensation Act 2001 (AC Act) and the Crown Entities Act 2004.

The financial statements consolidate the financial statements of ACC and its sole subsidiary, Shamrock Superannuation Limited, a non-trading New Zealand entity.

The 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.

The budget figures are derived from the Service Agreement as approved by the Board in June 2024. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. The budget figures are unaudited.

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 and 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. ACC is developing accounting policies, which includes an assessment of the scope and the impact of the measurement principles, as well as changes required to the financial statements and reporting systems. Due to the complex nature of the standard, these policies have not been fully completed and approved, and therefore the financial impact is yet to be finalised. The presentation of the financial statements is expected to change with new line items and new disclosures.

Standard issued and not yet effective and early adopted

2024 Omnibus Amendments to PBE Standards

2024 Omnibus Amendments to PBE Standards is an amending standard issued in October 2024 which updates PBE IPSAS 1 *Presentation of Financial Reports* - the amendments are effective for periods beginning on or after 1 January 2026 with early adoption permitted. The amendments clarify the principles for classifying a liability as current or non-current. ACC has early adopted the amendments with no significant impact on ACC's financial statements.

Comparatives

Some comparatives have been reclassified to align with current year presentation.

There have been reclassifications of comparatives in the financial statements, the details are disclosed below but are not considered to be material. The reclassifications are made to meet the requirements of the accounting standards and/or to provide a fair presentation of the financial statements.

In the statement of financial position for the year ended 30 June 2024 equity investments in investment properties made through limited liability partnerships were classified as investment properties. These are now presented as equity investments. The reclassifications are in the consolidated statement of financial position, Note 7 Investments and Note 12 Financial risk management.

1.3 Summary of significant accounting policies

Significant accounting policies are included in the notes that they relate to.

2. Significant accounting judgements, estimates and assumptions

ACC makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which significant accounting judgements, estimates and assumptions are applied are described below.

2.1 Outstanding claims liability

In estimating the OCL, a central estimate plus a risk margin is adopted. Due to the uncertainty in the OCL estimate, and the number of assumptions required in its determination, it is highly likely that the actual experience will differ from the stated estimate. Standard actuarial techniques are used to formulate the central estimate, taking into account trends in historical claims data, reviewing current conditions that may impact future trends, and scanning the horizon for possible changes that may affect trends in the future.

Where possible, both the number of clients receiving payments and the average amount of these payments are analysed separately. When claim numbers are too unstable for this method to be reliable, an analysis of aggregate payments is undertaken.

The following actuarial valuation techniques are used to project the various benefit types:

- payment per active claim method
- individual claim projection method.

Some elements of the claims liability are subject to more uncertainty than others. For past injury years, a higher proportion of the ultimate number of claims for each year will have been reported. These reported claims will have a longer history of payments and a smaller outstanding amount, all other things being equal, than claims reported in more recent injury years.

Incurred but not reported (IBNR) claims have no payment history and must be estimated in their entirety. Hence the OCL estimate for more recent injury years will be subject to more uncertainty.

The general sources of uncertainty include:

- actual future claim costs that differ from those expected due to unanticipated changes to Scheme utilisation, inflationary trends and claim durations
- the actual timing of claim payments differs from those expected
- unanticipated changes in operational processes that affect claim payments
- future advances in medicine and treatment that may impact recovery periods, cost structures and Scheme utilisation
- periodic review of ACC legislation, policy decisions and court decisions, which can result in entitlements that are not anticipated.

In general, the largest area of uncertainty affecting the OCL is the future costs associated with personal and social rehabilitation support services provided to individuals experiencing significant disability as a result of an injury. In particular the cost of personal care services whether they be home or residential-based care. These may involve anything from helping with daily duties to providing nursing care services. The number of hours per day, types of service required, provider type and average costs per hour are key assumptions that need to be projected decades into the future. The estimate carries with it a wide range of uncertainty, due to the length of the projection period and the variation of disabilities and/or demonstrated independent participation by the clients.

The estimated future cash payments are discounted using a risk-free rate based on the yield curves of New Zealand Government bond rates.

2.2 Gradual process claims

These claims are a result of injuries that have occurred due to prolonged exposure in the workplace to conditions that result in some form of harm. The most common examples of such claims are those for asbestosis (due to prolonged exposure to asbestos dust in the atmosphere) and hearing loss (due to prolonged exposure to excessive noise).

Due to the nature of these injuries, many years can pass between exposure to the conditions that result in harm and the individual receiving treatment or suffering incapacity.

A gradual process claim can be made when a person is regarded as suffering personal injury caused by work-related gradual process, disease or infection which is in accordance with section 37 of the AC Act. The claim can be made at the earlier of either the date that the person first receives treatment or the date that the injury first results in incapacity.

ACC's accounting policy is to recognise a financial liability for gradual process injury only when a claim is made. The effect of this policy is that until the injury presents itself such that the person receives treatment or suffers incapacity and makes a claim, ACC does not record a liability in the OCL.

2.3 Sensitive claims

These claims are a result of mental injuries that have been caused by certain criminal acts as set out in Schedule 3 of the AC Act (predominantly serious sexual offences) under the provision in section 21. Prior to the 2024 financial year, ACC interpreted the AC Act such that the date for a mental injury arising from sexual abuse was the date on which the person first received treatment. In December 2023, a Court of Appeal decision ruled that for claimants who obtain cover for a mental injury arising from sexual abuse, it is the date of mental injury, rather than the date of first treatment, which should be used to determine if a claimant is a potential earner under section 6 of the AC Act.

This resulted in a larger than expected OCL increase at the end of the 2024 financial year as a liability had to be held for incurred but not reported claims from the date of the mental injury, rather than from the date of first treatment, in respect of potential claims for sexual offences, usually where the individual is aged under 18 when the offence or offences took place. This also meant that many more claimants whose sexual offences happened, usually where the individual is aged under 18 when the offence or offences took place, are likely to be eligible for backdated loss of potential earnings. The change in the liability for policy changes in the 2025 financial year is the result of updating the impact of claims experience and modelling, and changes in economic assumptions, see Note 6.2 Actuarial result.

2.4 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 using their respective expected liable earnings and average levy rates.

2.5 Investments

Where the fair values of investment assets recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include inputs derived from observable market data where possible. Where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as economic growth, cash forecasts and discount rates.

2.6 Climate Change Risk

ACC recognises that climate change poses potential risks to its operations and financial performance. ACC is committed to monitoring and reporting on climate related risks and opportunities in its other public disclosures when appropriate. ACC acknowledges that climate change is an ongoing and evolving issue and will continue to take appropriate steps to identify and manage potential impacts on its operations, financial performance and assets. For more information on ACC's climate change risks and opportunities, please refer to ACC's Climate Report, found here: www.acc.co.nz/about-us/corporate

2.7 Going concern assumption

The 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 may be inadequate and catch-up funding may 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 appropriations changes recommended by the Board financial deficits may worsen. If future recommended levy and appropriations changes are declined, this would likely lead to a deterioration in the funding ratios of the relevant Accounts.

3. Levy revenue and Government appropriations

Overview

ACC collects the Motor Vehicle levy for people injured on public roads involving a moving vehicle, Work levy to fund cover for injuries that happen at work and Earners' levy for injuries that happen during everyday activities. The remaining revenue comes from Government appropriations for people in New Zealand who do not pay levies but still need ACC support if they are injured.

Accounting policy

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 rates, with the assumption that the levy revenue is earned evenly over the levy period. The proportion of levies not earned at the reporting date is recognised in the statement of financial position as unearned levy liability.

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

	2025 $M	2024 $M
Levy revenue	4,314	4,206
Fair value effect of credit risk	16	21
Fair value write down of levy receivables	(33)	(36)
Total levy revenue	**4,297**	**4,191**
Government appropriations	2,384	2,218
Total levy revenue and Government appropriations	**6,681**	**6,409**

Financial Statemetns

4. Net investment revenue

Overview

ACC invests funds collected as levies to ensure that it can meet its obligations to pay claims. Because serious injuries will require ongoing expenditure for decades into the future, a portion of the levies is set aside to provide for future costs. To meet this purpose, ACC favours long-term investments that it expects will deliver relatively certain revenue streams for a long period of time.

Each of ACC's Accounts 'holds' a portion of different investment portfolios. These holding proportions are adjusted whenever an Account places additional funds into, or withdraws funds from, an investment portfolio. Investment revenue from each investment portfolio is allocated between the Accounts daily, based on the Accounts' daily proportionate 'ownership'.

Some derivative positions are allocated directly between the Accounts rather than to investment portfolios, with all associated revenue from these positions directly allocated to the relevant Accounts.

Accounting policy

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, which can be in the form of additional investment units or cash.
- Investment gains or losses represent the movement in the fair values of the investments. Realised gains or losses occur at the time of disposal of investments and are calculated as the difference between the proceeds received and their carrying values. Unrealised gains or losses represent the difference between the carrying value at the beginning of the year and the carrying value at balance date or where investments were purchased during the year, between the value at initial recognition and its carrying value at balance date.

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 translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

	2025 $M	2024 $M
Interest, dividend and other revenue		
Interest revenue		
Financial instruments designated at fair value through surplus or deficit	1,254	1,173
Financial instruments classified as held for trading	(97)	(240)
	1,157	**933**
Dividend and distribution revenue	724	604
Other revenue		
Rental revenue from investment properties	21	18
Revenue from service concession arrangement	8	7
Other fee revenue	-	1
Gross interest, dividend and other revenue	**1,910**	**1,563**
Gains (losses) on investments		
Change in fair value of financial instruments designated at fair value through surplus or deficit	369	687
Change in fair value of financial instruments classified as held for trading	2,165	1,362
Change in fair value of investment properties	13	(29)
Net gains on investments	**2,547**	**2,020**
Investment revenue	**4,457**	**3,583**
Investment costs		
Direct investment costs		
Foreign withholding tax	12	12
Other direct investment costs	21	26
Total direct investment costs	**33**	**38**
Investment management costs	74	75
Total investment costs	**107**	**113**
Net investment revenue	**4,350**	**3,470**

5. Analysis of operating costs

Overview

ACC's total operating costs comprising claims handling costs, other underwriting costs, investment costs and other costs are allocated to the five Accounts using an activity-based costing methodology. Our largest areas of spend are on personnel, IT and technical support, various programmes and professional services.

Accounting policy

Employee benefits

Employee entitlements to salaries and wages, bonuses, annual leave, long service leave, retirement leave and other similar benefits are recognised as a cost when they accrue to employees. Contributions to ACC's superannuation schemes and KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed as incurred.

Other operating costs

Other operating costs are recognised when goods and services are received.

Operating leases

Payments under an operating lease are recognised as an operating cost on a straight-line basis over the lease term. Lease incentives for premises are recognised evenly over the term of the lease as a reduction in rental costs. The unexpired portion of operating leases is shown in Note 16 Commitments.

5.1 Costs by function

	2025 $M	2024 $M
Claims handling costs	664	662
Other underwriting costs	159	168
Investment costs	107	113
Total operating costs	**930**	**943**

5.2 Costs by nature

	2025 $M	2024 $M
Personnel costs		
Salaries and wages	439	415
Employer contributions to defined contribution schemes	41	39
Contractors and temporary staff	3	8
Training and professional development	2	3
Termination benefits and other personnel restructuring costs(i)	(6)	12
Other personnel costs	16	10
Total personnel costs	**495**	**487**
Other operating costs		
Computer and telecommunication costs	96	94
Strategic change programme	69	81
Rental and operating lease costs	26	25
Injury prevention and other programmes	65	80
External levy collection	8	6
External investment costs	46	46
Direct investment costs	33	38
Consulting and other professional services	9	6
Depreciation, amortisation, impairment and losses (gains) on disposal of property, plant and equipment and intangibles	41	39
Other operating costs	42	41
Total other operating costs	**435**	**456**
Total operating costs	**930**	**943**

Note:

(i) The credit for the 2024/25 financial year is due to the net release of the redundancy provision as a result of staff redeployment and resignations.

5.3 Contractors and consultants

ACC uses contractors and consultants to provide backfill for vacant positions or cover short-term demand, where specialist skills or independent external advice are needed (such as specific programmes or projects), and in periods of peak demand. In Note 5.2 Costs by nature, contractor and consultant costs are allocated where appropriate to the cost categories to which the work relates.

A contractor is a person who is not considered an employee, providing backfill or extra capacity in a role that exists within ACC or acting as an additional resource for a time-limited piece of work.

A consultant is a person or firm who is not considered a contractor or employee, engaged to perform a piece of work with a clearly defined scope and to provide expertise, in a particular field, not readily available from within ACC.

	2025 $M	2024 $M
Operating costs		
Contractors	8	23
Consulting services	9	9
Total operating costs — contractors and consultants	**17**	**32**
Total contractors and consultants	**17**	**32**

5.4 Auditor's remuneration

Included in other operating costs are fees paid to ACC's auditor (Ernst & Young) for:

	2025 $000	2024 $000
Audit of the financial statements and statement of performance[i]	1,049	933
Other non-audit and non-review services:		
Other assurance services		
Greenhouse gas emissions	71	67
Cybersecurity	-	61
Total other assurance services	**71**	**128**
Other services		
Purchased remuneration surveys	4	10
Total fees for other non-audit and non-review services	**75**	**138**
Total fees incurred for services and goods provided by the audit firm	**1,124**	**1,071**

Note:

(i) In 2025 the audit of the financial statements and statement of performance includes audit fees in relation to the implementation of PBE IFRS 17.

6. Insurance disclosures

6.1 Claims incurred

Overview

The largest cost for ACC is claims costs. This is the difference between the OCL at the beginning and the end of the year plus claims payments and handling costs during the year. Current year claims relate to injuries suffered in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions, risk margin and claims experience) made in all previous financial years, and include the effects of discounting caused by changes in the discount rate and the natural unwinding of the discount as the claims move one year closer to settlement.

	2025			2024		
	Current year $M	Prior years $M	Total $M	Current year $M	Prior years $M	Total $M
Undiscounted	17,849	814	18,663	16,380	10,148	26,528
Discount movement	(7,995)	1,480	(6,515)	(7,256)	(2,747)	(10,003)
Total claims incurred	**9,854**	**2,294**	**12,148**	**9,124**	**7,401**	**16,525**

Claims paid during the year comprised of:

	2025 Total $M	Motor Vehicle Account $M	Work Account $M	Earners' Account $M	Treatment Injury Account $M	Non-Earners' Account $M	2024 Total $M
Rehabilitation (including treatment) costs							
Vocational rehabilitation	96	7	28	57	2	2	90
Social rehabilitation	1,551	359	146	258	226	562	1,402
Medical treatment	1,324	38	143	536	29	578	1,207
Hospital treatment	671	37	96	331	52	155	566
Public health acute services	974	96	64	198	6	610	815
Dental treatment	47	2	4	17	1	23	42
Conveyance for treatment	303	48	19	65	5	166	272
	4,966	**587**	**500**	**1,462**	**321**	**2,096**	**4,394**
Compensation costs							
Income maintenance	2,855	271	792	1,559	117	116	2,474
Independence allowances	76	10	10	16	3	37	82
Lump sums	73	9	18	13	19	14	64
Death benefits	113	34	16	42	10	11	107
	3,117	**324**	**836**	**1,630**	**149**	**178**	**2,727**
Other costs	65	6	15	24	13	7	59
Claims paid	**8,148**	**917**	**1,351**	**3,116**	**483**	**2,281**	**7,180**

6.2 Actuarial result

The actuarial view of the underwriting result is summarised below.

	2025 $M	2024 $M
Levy revenue and Government appropriations	**6,681**	**6,409**
Claims incurred		
Lifetime cost of new claims anticipated over the year	9,963	8,565
Effect of model recalibration	(71)	-
Effect of payments experience	541	604
Effect of discount unwind	2,841	2,656
Effect of risk margin release	(605)	(528)
Effect of claims experience	347	1,207
Effect of claims modelling and assumptions	640	2,114
Effect of legislative and policy changes	-	(240)
Effect of non-influenceable modelling and experience	513	(15)
Effect of policy changes following court decisions[(i)]	(268)	3,611
Effect of changes in inflation assumptions	(58)	352
Effect of changes in discount rates	(1,695)	(1,801)
Total claims incurred	**12,148**	**16,525**
Increase in unexpired risk liability	207	426
Other underwriting costs	159	168
Deficit from underwriting activities	**(5,833)**	**(10,710)**

Note:

(i) In 2025 this includes a decrease from changes in economic assumptions of $306 million and an increase from changes in claim/modelling assumptions of $38 million.

6.3 Outstanding claims

Overview

The OCL is an estimate of the present value of future payments, including claims handling expenses, on all claims incurred prior to 30 June 2025. It is the estimated amount ACC expects to pay in the future for claims that have already occurred but are not yet fully settled, discounted back to 30 June 2025.

Accounting policy

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, including direct and indirect handling costs, for claims occurring on or before the balance date, 30 June 2025, plus a risk margin to ensure the liability is sufficient to meet all the costs of future claim payments 75% of the time.

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
- 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.

However, in order to highlight the potential payments related to persons who may have suffered exposure to conditions of harm but have not yet suffered incapacity or made a claim on ACC, an assessment of the potential payments under such future claims has been made. The present value of the obligation for all future gradual process claims not yet made is estimated at $899 million (2024: $1,042 million). This is only for claims arising due to noise-induced hearing loss and exposure to asbestos, being the types of gradual process claims where sufficient data is available to permit a reasonable estimate of the obligation.

Prior to the 2024 financial year, sensitive claims were effectively treated on a 'claims made' basis, with no OCL being held for sensitive claims where claimants had not yet sought treatment. Following a Court of Appeal decision in December 2023, ACC now holds a liability for claims incurred but not yet reported from the date of the mental injury, rather than from the date of first treatment, in respect of potential claims for sexual offences, usually where the individual is aged under 18 when the offence or offences took place.

(a) Outstanding claims liability (discounted)

Accounting policy

The OCL is measured at the central estimate of future claim payments relating to claims incurred prior to the reporting date including direct and indirect claims handling costs. The gross OCL also includes a risk margin that relates to the inherent uncertainty in the central estimate of the future payments. ACC currently applies a 75% probability of adequacy to the OCL. The future claim payments are brought to present value as at the valuation date using a risk-free discount rate.

	2025 Total $M	Motor Vehicle Account $M	Work Account $M	Earners' Account $M	Treatment Injury Account $M	Non-Earners' Account $M	2024 Total $M
Central estimate of present value of future claims payments	53,925	10,885	7,917	14,419	7,269	13,435	50,805
Present value of the claims handling costs	2,474	525	476	703	305	465	2,618
	56,399	**11,410**	**8,393**	**15,122**	**7,574**	**13,900**	**53,423**
Risk margin	7,157	1,506	930	1,784	1,075	1,862	6,797
Outstanding claims liability	**63,556**	**12,916**	**9,323**	**16,906**	**8,649**	**15,762**	**60,220**
As at the beginning of the year	60,220	12,796	8,821	14,914	8,231	15,458	51,537
Movement during the year	**3,336**	**120**	**502**	**1,992**	**418**	**304**	**8,683**
Current	6,514	803	1,218	2,789	635	1,069	6,119
Non-current	57,042	12,113	8,105	14,117	8,014	14,693	54,101
Total outstanding claims liability with risk margin	**63,556**	**12,916**	**9,323**	**16,906**	**8,649**	**15,762**	**60,220**

(b) Reconciliation of movement in discounted outstanding claims liability

Overview

The following table reconciles the year-on-year movement of the actuarially assessed OCL by the key drivers of the movement.

The broad definition of each movement category is:

(i) Claims anticipated over the year — the expected claim and claims handling costs arising from new accidents in the year to 30 June 2025. The cost is the present value of projected payments post 30 June 2024 plus the expected payments to be made in the year ended 30 June 2025.

(ii) Payments experience — the difference between actual and projected payments.

(iii) Discount unwind — as prior claims move one year closer to the date of expected payment, the reduction in the number of years over which discounting takes place is termed as the discount unwind.

(iv) Risk margin release — the removal of the risk margin on the current year's expected claims payments for non-current claims is termed as the risk margin release.

(v) Model recalibration — the valuation actuary (Taylor Fry) has split the sensitive claims modelling into three different payment types — counselling, weekly compensation and other, and is now modelling weekly compensation and medical payments separately for serious injury claims. A recalibration valuation as at 30 June 2024 was carried out in order to compare the 2025 results on a consistent basis and is reflected in the 2025 results only. The 2024 results have not been restated.

(vi) Claims experience — change in future expected payments due to actual claims volumes and payments being different to expected.

(vii) Modelling and assumptions — changes to actuarial assumptions and/or methods to reflect actual experience and/or future events that may have an impact on the number and size of claims. Continuance rates are a measure that is used to estimate the proportion of claims in one quarter that continue to the next, including an allowance for any old claims that reactivate in that quarter.

(viii) Legislative and policy changes — these include court rulings, legislation changes and ACC policy changes.

(ix) Non-influenceable modelling and experience — changes to actuarial assumptions and/or methods to reflect experience or events that are outside the control of ACC.

(x) Policy changes following court decisions — changes to the liability held to cover the expected future claim costs arising due to the outcome of Court of Appeal cases against ACC. The nature of this liability is similar to a liability that will arise for claims that have occurred but not been reported yet

(xi) Inflation assumptions — external assumptions made concerning inflationary factors that include labour cost inflation, average wage inflation and consumer price index (CPI). Future CPI assumptions are prescribed by the Treasury.

(xii) Discount rates — estimated future cash payments, which are adjusted in line with expectations of future inflation, are discounted using a risk-free rate that is based on the yield curves of New Zealand Government bond rates and prescribed by the Treasury.

(xiii) Claims payments and handling costs — the actual claims paid and the actual claims handling costs incurred during the year ended 30 June 2025.

	2025 Total $M	Motor Vehicle Account $M	Work Account $M	Earners' Account $M	Treatment Injury Account $M	Non-Earners' Account $M	2024 Total $M
Outstanding claims brought forward	**60,220**	**12,796**	**8,821**	**14,914**	**8,231**	**15,458**	**51,537**
Claims anticipated over the year	9,963	1,142	1,678	4,082	672	2,389	8,565
Effect of payments experience	541	35	66	166	43	231	604
Effect of discount unwind	2,841	656	436	727	420	602	2,656
Effect of risk margin release	(605)	(93)	(109)	(227)	(63)	(113)	(528)
Effect of model recalibration	(71)	(163)	(165)	159	90	8	-
Effect of claims experience	347	(153)	105	201	141	53	1,207
Effect of modelling and assumptions	640	189	25	217	151	58	2,114
Effect of legislative and policy changes	-	-	-	-	-	-	(240)
Effect of non-influenceable modelling and experience	513	(23)	(2)	224	(16)	330	(15)
Effect of policy changes following court decisions(i)	(268)	-	-	-	-	(268)	3,611
Effect of changes in inflation assumptions	(58)	(16)	(1)	9	(17)	(33)	352
Effect of changes in discount rates	(1,695)	(474)	(51)	(174)	(463)	(533)	(1,801)
Incurred claims recognised in the underwriting result	**12,148**	**1,100**	**1,982**	**5,384**	**958**	**2,724**	**16,525**
Claims payments and handling costs	(8,812)	(980)	(1,480)	(3,392)	(540)	(2,420)	(7,842)
Outstanding claims carried forward	**63,556**	**12,916**	**9,323**	**16,906**	**8,649**	**15,762**	**60,220**

Note:

(i) In 2025 this includes a decrease from changes in economic assumptions of $306 million and an increase from changes in claim/modelling assumptions of $38 million.

(c) Claims development table

Overview

The following table shows the development of undiscounted claim cost estimates. The claims development table demonstrates the extent to which the original estimate of net ultimate claims payments in any one accident year has subsequently developed favourably (i.e. claims cost estimates have reduced) or unfavourably (i.e. further claims cost has been recognised in subsequent years). This table therefore illustrates the variability and inherent uncertainty in estimating the central estimate each year. The ultimate claims cost for any particular accident year is not known until all claims payments have been made which could be many years into the future.

	Accident year										
	2016 and prior $M	2017 $M	2018 $M	2019 $M	2020 $M	2021 $M	2022 $M	2023 $M	2024 $M	2025 $M	Total $M
Estimate of ultimate claim costs:											
At end of accident year		7,914	8,038	8,828	8,367	10,684	11,316	13,037	14,569	15,894	
One year later		7,160	7,738	9,137	8,963	11,044	12,335	13,578	14,623	-	
Two years later		7,430	7,655	10,183	9,464	11,882	12,946	13,920	-	-	
Three years later		7,500	8,365	10,396	9,887	12,246	12,880	-	-	-	
Four years later		8,021	8,882	10,805	10,220	12,395	-	-	-	-	
Five years later		8,221	9,038	11,077	10,273	-	-	-	-	-	
Six years later		8,727	9,643	11,310	-	-	-	-	-	-	
Seven years later		9,003	9,819	-	-	-	-	-	-	-	
Eight years later		9,207	-	-	-	-	-	-	-	-	
Current estimate of cumulative claim costs	**129,988**	**9,207**	**9,819**	**11,310**	**10,273**	**12,395**	**12,880**	**13,920**	**14,623**	**15,894**	**240,309**
Cumulative payments made to date	(50,136)	(2,788)	(3,027)	(3,290)	(3,162)	(3,559)	(3,304)	(3,637)	(3,445)	(2,021)	(78,369)
Outstanding claims — undiscounted	**79,852**	**6,419**	**6,792**	**8,020**	**7,111**	**8,836**	**9,576**	**10,283**	**11,178**	**13,873**	**161,940**
Discount	(51,752)	(4,513)	(4,694)	(5,483)	(4,724)	(5,897)	(6,381)	(6,494)	(6,808)	(7,789)	(104,535)
Outstanding claims — discounted	**28,100**	**1,906**	**2,098**	**2,537**	**2,387**	**2,939**	**3,195**	**3,789**	**4,370**	**6,084**	**57,405**
Liability for policy changes following court decisions											3,342
Claims handling costs											2,783
Short tail outstanding claims											26
Outstanding claims — per statement of financial position											**63,556**

(d) Key assumptions

Overview

ACC commissions actuarial consultancy Taylor Fry to provide an actuarial estimate of the OCL annually. ACC's Chief Actuary and Head of Actuarial Services (Ms Nina Herries — Fellow of the New Zealand Society of Actuaries, Fellow of the Institute of Actuaries (UK)) supports this annual valuation and has tested and challenged key assumptions to ensure these are reasonable. The Taylor Fry actuarial report is signed by Mr Alan Greenfield (Fellow of the Institute of Actuaries of Australia, Fellow of the New Zealand Society of Actuaries), Mr Ross Simmonds (Fellow of the New Zealand Society of Actuaries, Fellow of the Institute of Actuaries (UK)) and Mr Paul Driessen (Fellow of the Actuaries Institute of Australia).

The actuarial estimate has been made based on actual experience to 30 June 2025. The calculation of the OCL has been made in accordance with the standards of the New Zealand Society of Actuaries' Professional Standard No. 30: *Valuation of General Insurance Claims* and PBE IFRS 4.

In determining the actuarial estimate, Taylor Fry have relied on information supplied by ACC. Taylor Fry has indicated they are satisfied as to the nature, sufficiency and accuracy of the information provided.

The table in Note 6.3(a) Outstanding claims liability (discounted) shows the actuarial estimate of the present value of the future expenditure relating to accidents that occurred prior to balance date, whether or not the claims have been reported to or accepted by ACC. The actual outcome is subject to uncertainty and is likely to fall within a range of probable outcomes.

The following table shows the main long-term assumptions used in the above estimates.

	2025		2024	
	Year 1 % pa	**Beyond Year 1 % pa**	**Year 1 % pa**	**Beyond Year 1 % pa**
Discount rate	3.14%	3.47% to 5.99%	5.30%	4.25% to 5.36%
Inflation rates:				
weekly compensation[(i)]	2.90%	2.18% to 2.27%	4.15%	2.20% to 2.62%
impairment benefits	2.53%	1.98% to 2.07%	4.02%	2.00% to 2.42%
social rehabilitation benefits	2.30%	2.18% to 2.22%	2.52%	2.20% to 2.30%
hospital rehabilitation benefits	2.30%	2.18% to 2.22%	2.52%	2.20% to 2.30%
short-term medical costs	2.30%	2.18% to 2.22%	2.52%	2.20% to 2.30%
other medical costs	2.30%	2.18% to 2.22%	2.52%	2.20% to 2.30%
Superimposed inflation:				
social rehabilitation benefits (contracted care)[(ii)]	-1.65%	1.00%	1.00%	1.00%
social rehabilitation benefits (non-contracted care)[(ii)]	-1.78%	1.00%	1.00%	1.00%
social rehabilitation benefits (residential care)[(ii)]	-0.93%	0.50%	3.35%	0.50%
social rehabilitation benefits (serious injury capital expenditure)[(iii)]	0.70%	0.80% to 2.80%	0.70%	0.80% to 2.80%
hospital rehabilitation benefits[(iv)]	3.00%	3.00%	3.00%	3.00%
short-term medical costs (general practitioners)	2.00%	2.00%	2.00%	2.00%
short-term medical costs (radiology)	2.00%	2.00%	2.00%	2.00%
short-term medical costs (physiotherapists)	2.00%	2.00%	2.00%	2.00%
other medical costs	1.50%	1.50%	1.50%	1.50%
Weighted average risk margin	12.65%		12.68%	
Weighted average claims handling costs ratio	4.85%		5.50%	

Continuance rates are also key assumptions used in the valuation, particularly for non-fatal weekly compensation, sensitive claims — counselling, and sensitive claims — weekly compensation. Weekly compensation continuance rates range from 39% in the short term (2024: 40%) to 97% in the long term (2024: 98%), sensitive claims — counselling continuance rates range from 83% in the short term (2024: 82%) to 100% in the long term (2024: 100%), and sensitive claims — weekly compensation continuance rates range from 69% in the short term (2024: 69%) to 99% in the long term (2024: 100%).

Notes:

(i) Growth in weekly compensation benefits for existing accidents is inflated based on the Labour Cost Index (LCI). Growth in underlying wages to set starting levels of weekly compensation for future accidents is inflated using average weekly earnings.

(ii) Growth in liability due to increases in carer wages and residential care above LCI. Note this does not include increases in the hours of care provided or the effects of clients moving between care providers. In 2025 the agreed residential and support worker rates in the upcoming year are lower than LCI so the superimposed inflation is negative in year 1.

(iii) Capital expenditure: motor vehicle and housing modifications, along with other capital expenditure provided to those seriously disabled due to an accident.

(iv) Predominantly elective surgery costs.

(i) Process used to determine assumptions

Overview

Discount rate

The risk-free rates are prescribed by the Treasury and based predominantly on the yield curve of the New Zealand Government bond rates. The longest term of a current non-inflation-indexed New Zealand Government bond is approximately 30 years from now. Discount rates beyond 30 years are smoothed over a minimum of 10 years (subject to a maximum slope of 0.05%) to eventually attain the long-term risk-free discount rate of 4.80% (2024: 4.30%). This long-term rate is based on an examination of average New Zealand Government bonds over an extended period of time. This discounting methodology is consistent with that applied by the Treasury in valuing the liabilities on all Crown accounts.

The projected claim cash flows were discounted using a series of forward discount rates at balance date derived from the Treasury's risk-free rates. The equivalent single effective discount rate, taking into account ACC's projected future cash flow patterns, is 5.15% (2024: 4.97%).

Inflation rates

CPI inflation rates are prescribed by the Treasury. Assumptions for the LCI and average weekly earnings are based on their historical relationships with the CPI. Long-term inflation is determined by using an assumption about the gap between inflation and interest rates.

Superimposed inflation

Superimposed inflation is an allowance for increases to the cost of claims, over and above any adopted inflation index.

Risk margin

ACC has added a risk margin to the central estimate of the discounted future claims payments to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments.

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate. Uncertainty was analysed for each benefit type, taking into account potential uncertainties relating to the claims experience, the insurance environment and the impact of legislative reform.

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates.

Claims handling costs

The allowance for claims handling costs is determined by analysing claims-related costs incurred in the accounting year and expressing these costs as percentages of claims paid in the same year. These are used as the basis for deriving the percentages that are applied to future projected payments to estimate future projected claims handling cost payments.

(ii) Sensitivity to changes in key assumptions

Overview

The sensitivity analysis below shows the impact of a change in key assumptions higher and lower at the beginning of the financial year and held constant throughout the year. Each sensitivity has been calculated in isolation to other changes, so an effect could be compounding.

The effects of the sensitivity for the OCL, the net surplus or deficit and the net liabilities position to key assumption changes are in the following table.

One of the more volatile assumptions for the OCL is the interest rate. Interest rate movements in the OCL are partially offset through the interest rate exposure of the investment portfolios. The two asset sensitivities are separately calculated for impacts of interest rate changes on fixed interest assets and impacts of inflation rate changes on index linked bonds. There may also be some impact on equities, property, etc; however, these impacts are indeterminant.

The liability for policy changes following court decisions is included in the sensitivity calculations in the 2025 table below, but is excluded from the 2024 table.

	2025		
	OCL $M	Net liabilities $M	Net deficit $M
Actual	63,556	(13,849)	(1,482)

	2025			
Assumption	Movement	Increase (decrease) in OCL $M	Impact on net liabilities $M	Impact on net deficit $M
Discount rate	1.00%	(7,295)	4,475	4,475
	-1.00%	9,525	(6,489)	(6,489)
Inflation rate	1.00%	9,726	(8,456)	(8,456)
	-1.00%	(7,583)	6,449	6,449
Long-term gap between discount rate and inflation rates	0.75%	(75)	75	75
	-0.75%	84	(84)	(84)
Superimposed inflation (medical and elective surgery)	1.00%	1,072	(1,072)	(1,072)
	-1.00%	(827)	827	827
Discounted mean term	+1 year	(1,691)	1,691	1,691
	-1 year	1,745	(1,745)	(1,745)
Superimposed inflation for social rehabilitation for serious injury claims after one year and non-serious non-capital claims	1.00%	3,020	(3,020)	(3,020)
	-1.00%	(2,324)	2,324	2,324
Long-term continuance rates for non-fatal weekly compensation — non serious injury(i)	1.00%	772	(772)	(772)
	-1.00%	(684)	684	684
Sensitive claims — counselling continuance rates(ii)	1.00%	216	(216)	(216)
	-1.00%	(191)	191	191
Sensitive claims — weekly compensation continuance rates(ii)	1.00%	402	(402)	(402)
	-1.00%	(286)	286	286

Notes:

(i) Long term continuance rates for non-fatal weekly compensation only includes non-serious injuries in 2025, whereas 2024 included both serious and non-serious injuries. This is due to a change in modelling this year, with serious injury weekly compensation now being modelled separately. Continuance rates for serious injury weekly compensation are very high (close to 100% excluding mortality), so a sensitivity for this payment type is not required.

(ii) Sensitive claims continuance rates are now separated into counselling and weekly compensation as they are modelled separately this year. For the 2024 sensitivities, all sensitive claims payments were modelled together.

Sensitivity of the liability for policy changes following court decisions

The liability for policy changes following court decisions is included in the sensitivities for 2025 in the table above, but was excluded for 2024 in the table below. At an overall level, if the number of eligible clients were 10% higher (lower) than assumed and all other assumptions remain unchanged, then the liability for policy changes following court decisions will be $334 million higher ($334 million lower) (2024: $361 million higher and $361 million lower). Similarly, if the average cost of these claims were 10% higher (lower) than assumed and all other assumptions remain unchanged, then the liability will be $334 million higher ($334 million lower) (2024: $361 million higher and $361 million lower). There is considerable uncertainty around the value of the liability as it is based on limited data and involves making a number of key judgements. In the case of sensitive claims in particular, there is also a considerable delay between when claimants suffer the injury and when they come forward to obtain cover. ACC is working through operationalising these policy changes following court decisions.

	2024		
	OCL $M	Net liabilities $M	Net deficit $M
Actual	60,220	(12,367)	(7,239)

		2024		
Assumption	Movement	Increase (decrease) in OCL $M	Impact on net liabilities $M	Impact on net deficit $M
Discount rate	1.00%	(6,760)	4,134	4,134
	-1.00%	8,958	(6,081)	(6,081)
Inflation rate	1.00%	9,119	(7,799)	(7,799)
	-1.00%	(7,003)	5,832	5,832
Long-term gap between discount rate and inflation rates	0.75%	(298)	298	298
	-0.75%	345	(345)	(345)
Superimposed inflation (medical and elective surgery)	1.00%	1,029	(1,029)	(1,029)
	-1.00%	(780)	780	780
Discounted mean term	+1 year	(1,328)	1,328	1,328
	-1 year	1,364	(1,364)	(1,364)
Superimposed inflation for social rehabilitation for serious injury claims after one year and non-serious non-capital claims	1.00%	3,325	(3,325)	(3,325)
	-1.00%	(2,515)	2,515	2,515
Long-term continuance rates for non-fatal weekly compensation	1.00%	1,044	(1,044)	(1,044)
	-1.00%	(903)	903	903
Sensitive claims continuance rates	1.00%	752	(752)	(752)
	-1.00%	(598)	598	598

6.4 Insurance Contracts - Risk management policies and procedures

Overview

Insurance risk is the risk that the cost of insurance claims is higher than the planned cost, with the consequence, in extreme cases, that the insurer cannot meet its claims liabilities. Although ACC's exposure to insurance risk differs markedly from insurance risks faced by private sector commercial insurers, ACC is still exposed to several facets of insurance risk. As a result, ACC has objectives, policies and processes for managing them. ACC's general approach to managing risk is set out in the Enterprise Risk Management and Compliance Policy and includes the application of ACC's Enterprise Risk and Compliance Framework. The general approach applies to the management of all risks, including insurance risk. Note 6.4(i) contains a summary of the specific objectives, policies, processes and related methods relevant to ACC's management of insurance risk.

(i) Objectives, policies and processes for managing insurance risk and the methods used to manage that risk

The key activities that usually expose insurers to insurance risk comprise: product design, pricing, underwriting and claims management. Some of these activities are less relevant to ACC because, for example, the design of its products is (predominantly) prescribed by the AC Act and it does not have total control over its pricing. Nevertheless, those four categories of activity provide a useful framework to describe ACC's approach to managing insurance risk.

Product design: The personal injury events covered by the Scheme are prescribed by the AC Act, the contents of which are determined by Parliament, not ACC, and reflect Government policy. As such, the scope and nature of ACC's products are determined by statute. There is a risk that the product design can deviate over time from the original intentions of the legislature. This can occur by way of judicial (mis)interpretation or misapplication of the statutory provisions. ACC's objective is to ensure that the relevant provisions in the AC Act are interpreted and applied in a manner consistent with the original intentions of the legislature. ACC has implemented several controls to manage this risk, including:

- the review of material decisions by specialists to assess the accuracy and consistency of the interpretation of relevant statutory provisions concerning cover
- governance and other forums to review recommendations from specialists on whether to challenge potentially 'incorrect' interpretations and applications
- mature processes for conducting formal appeals of relevant decisions.

Pricing: A description of how the Scheme is funded is described in the 'Reporting and funding by Account' section. Part of that funding comes from levies. Although ACC plays an important role by making levy rate recommendations in accordance with the Government's funding policy, the final decisions on levy rates are made by the Government. As a result, compared to private sector commercial insurers, ACC does not have as much direct influence on the pricing of its services. ACC's objective in relation to its levy rate recommendations is to comply with section 331 of the AC Act, which requires (among other things) that ACC must consult levy payers before making any recommendation and that the recommendations must give effect to the Government's funding policy. There is a risk, however, that ACC's levy rate recommendations may not be approved by the Government, which could lead to underfunding of the Scheme. ACC has implemented several controls to manage this risk, including:

- processes to ensure that the actuarial valuations on which the levy recommendations are based are robust and prepared in accordance with relevant standards
- governance forums to oversee the levy consultation and recommendation process and to make decisions on levy recommendations in accordance with the Government's funding policy.

Underwriting: The statements of comprehensive revenue and expense and Note 6.2 contain ACC's underwriting result (in the sense of ACC's core business of collecting levies and paying for accident compensation and rehabilitation, excluding any investment activities). However, the concept of underwriting activity, in the context of insurance risk, concerns the activities of an insurer related to its decisions on (essentially) what insurance contracts to enter into. ACC does not engage in that type of underwriting activity, because the AC Act prescribes both who is entitled to cover under the Scheme and the personal injury events that are covered. As a result, ACC's insurance risks are not affected by this aspect of insurance risk, which applies to most insurers.

Claims management: There are two aspects of claims management at ACC that give rise to material risks:

(i) the routine handling and settling of claims in the ordinary course of business

(ii) the management of the costs of claims, especially future costs of rehabilitation support services provided to individuals experiencing significant disability as a result of injury.

In relation to the routine handling and settling of claims in the ordinary course of business, there is a risk that ACC could approve and settle claims incorrectly, potentially incurring inappropriate costs related to the claims. ACC's objective in relation to the routine handling and settling of claims is to ensure that claims are settled in a timely manner in accordance with the relevant requirements of the AC Act. ACC has implemented several controls to manage this risk, including:

- documented claims management processes with associated claims handling authority levels
- claims settlement procedures
- dispute resolution processes.

The management of the costs of claims, especially long-term future costs, is complex. Some of the drivers of future claims costs are not able to be controlled by ACC. For example, falling interest rates (and the consequential impact on discount rates) have a negative (inflationary) impact on future claims costs. See Note 2.1 concerning the OCL. There is a risk that growth in claims costs could (among other things) place unwarranted pressure on levy rates. ACC's objective in relation to the management of the costs of claims is to identify and respond to controllable causes of claims cost growth. ACC has implemented several controls to manage this risk, including:

- procedures to ensure that contracts with service providers are appropriate
- review of provider contracts to identify potential opportunities for efficiencies
- setting annual budgets for claims costs, performance against which is tracked and reported
- processes requiring an assessment of the impact on OCL before service changes are adopted
- governance and other forums to oversee the management of claims costs and to identify initiatives that could improve claims management
- changes to the case management model to deliver improved rehabilitation performance balancing short-term improvements with advancing systemic longer-term changes.

(ii) Terms and conditions of accident cover

The terms and conditions of personal injury cover are determined by the AC Act. ACC operates in compliance with its governing legislation.

(iii) Concentration of risk

The ACC Scheme covers the risks related to the provision of rehabilitation and compensation to people in New Zealand who have injuries as a result of accidents.

(iv) Credit rating

ACC is not required to have a credit rating.

6.5 Unearned levy liability

Overview

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 as of 30 June 2025 ACC has recognised unearned levy liabilities for the period 1 July 2025 to 31 March 2026 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 2025, and a proportion of petrol levies that can be expected to be received after 30 June 2025 based on the number and expiry dates of vehicle registrations purchased up to 30 June 2025 but that expire after 30 June 2025.

Accounting policy

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.

	2025 Total $M	Motor Vehicle Account $M	Work Account $M	Earners' Account $M	2024 Total $M
Opening balance at 1 July	3,080	168	783	2,129	2,804
Unearned levies received in the year	3,253	178	816	2,259	3,080
Levies received in previous years now recognised	(3,080)	(168)	(783)	(2,129)	(2,804)
Closing balance at 30 June	**3,253**	**178**	**816**	**2,259**	**3,080**
Current	3,253	178	816	2,259	3,080
Non-current	-	-	-	-	-
Total unearned levy liability	**3,253**	**178**	**816**	**2,259**	**3,080**

6.6 Unexpired risk liability

Overview

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 the surplus or deficit in the statement of comprehensive revenue and expense. 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 (refer to Note 6.3(d)(i)).

Accounting policy

At each balance date, the adequacy of unearned levy revenue is assessed against the present value of the expected future claims cash flows plus an additional risk margin to reflect the inherent uncertainty of the central estimate. The assessment is carried out at the Account level.

	2025 Total $M	Motor Vehicle Account $M	Work Account $M	Earners' Account $M	2024 Total $M
Opening balance at 1 July	1,750	237	509	1,004	1,324
Expected change	27	17	(15)	25	70
Effect of changes in economic assumptions	18	(12)	10	20	(52)
Other changes	162	2	81	79	408
Increase in unexpired risk liability	**207**	**7**	**76**	**124**	**426**
Closing balance at 30 June	**1,957**	**244**	**585**	**1,128**	**1,750**
Calculation of deficiency					
Unearned levy liability as reported in the statement of financial position	3,253	178	816	2,259	3,080
Adjustment[(i)]	(94)	-	-	(94)	(92)
Adjusted unearned levy liability	**3,159**	**178**	**816**	**2,165**	**2,988**
Central estimate of present value of expected future cash flows arising from future claims	4,593	375	1,267	2,951	4,250
Risk margin[(ii)]	523	47	134	342	488
Present value of expected future cash flows for future claims	**5,116**	**422**	**1,401**	**3,293**	**4,738**
Total unexpired risk liability	**1,957**	**244**	**585**	**1,128**	**1,750**
Current	1,957	244	585	1,128	1,750
Non-current	-	-	-	-	-
Total unexpired risk liability	**1,957**	**244**	**585**	**1,128**	**1,750**

Notes:

(i) This excludes the earners' portion of treatment injury in the Earners' Account as the liabilities that are assessed exclude those arising from medical misadventure.

(ii) The risk margins determined for the unexpired risk liability relate to future claims payments for injuries that have yet to happen. The risk margins are consistent with those used for the OCL valuation.

A liability adequacy test was not performed for the Non-Earners' Account as there was no unearned levy liability as at 30 June 2025 for this Account.

7. Investments

Overview

Levies collected are invested to meet ACC's obligations to pay claims and costs. ACC mainly invests with a principal focus on asset-liability risk, which is the net movements between assets and the OCL.

Accounting policy

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 'assets backing insurance liabilities'. All investment assets, other than service concession arrangements and investment properties, are designated at fair value through surplus or deficit on initial recognition under PBE IPSAS 41 *Financial Instruments*.

The service concession arrangement is carried at cost less accumulated amortisation and the 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 as quoted by the unit trust manager (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.

	2025 $M	2024 $M
New Zealand deposits at call	466	522
Overseas deposits at call	194	202
Assets supporting collateral (Note 7.4)	22	134
New Zealand government securities	25,262	21,311
Other New Zealand debt securities	3,936	4,625
Overseas debt securities	7,089	7,795
New Zealand equities	5,736	5,275
Australian equities	2,143	3,393
Overseas equities	9,066	7,874
Other investments	21	24
	53,935	**51,155**
Investment properties (Note 7.1)	550	537
Service concession arrangements (Note 7.2)	27	29
Total investments including assets supporting collateral	**54,512**	**51,721**
Less assets supporting collateral	(22)	(134)
Total investments	**54,490**	**51,587**
Current	2,242	1,940
Non-current	52,248	49,647
Total investments	**54,490**	**51,587**

7.1 Investment properties

Overview

Investment properties are properties that ACC holds for rental revenue and capital gains. ACC is not the tenant of any properties it owns for investment purposes.

Accounting policy

The investment properties are revalued annually. The market valuations have been determined by members of the New Zealand Institute of Valuers, who are independent valuers of Colliers International NZ Limited. The properties are valued under a combination of the capitalisation approach, the discounted cash flow method and direct comparison with prices for properties of a similar nature. Investment properties are carried at fair value through surplus or deficit but are not considered financial assets.

	2025 $M	2024 $M
Opening balance as at 1 July	537	577
Additions	-	-
Disposals/transfers	-	(11)
Net gain (loss) from revaluations	13	(29)
Closing balance as at 30 June	**550**	**537**
Current	-	-
Non-current	550	537
Total investment properties	**550**	**537**

7.2 Service concession arrangements

Accounting policy

ACC recognises an asset arising from a service concession arrangement where it has the right to charge for the use of a car park facility. The asset is carried at cost less accumulated amortisation and accumulated impairment.

The service concession arrangement was acquired in 2013 and will expire in 2037. Amortisation is calculated on a straight-line basis over the period in which ACC is able to charge the public for the use of the facilities.

	2025 $M	2024 $M
Year ended 30 June		
Opening net carrying amount	29	32
Amortisation charge	(2)	(3)
Closing net carrying amount	**27**	**29**
At 30 June		
At cost	56	56
Accumulated amortisation	(29)	(27)
Net carrying amount	**27**	**29**

7.3 Repurchase agreements

Overview

A repurchase agreement is a contract in which ACC as the seller of securities agrees to buy them back at a later date at a predetermined price. A reverse repurchase agreement is a contract in which ACC as the buyer of securities agrees to sell them back at a later date at a predetermined price.

Accounting policy

Securities held under repurchase agreements are included within investments classified as financial assets at fair value through surplus or deficit. These securities are subject to fully collateralised security lending transactions. ACC has determined that it retains substantially all of the risks and rewards of the securities advanced and therefore they are not derecognised. Cash collateral received of $3,414 million (2024: $2,290 million) from these transactions is invested. The cash collateral received is recognised as a liability in payables, this is the obligation to repurchase the investments.

Securities purchased under reverse repurchase agreements to resell are not recognised in the statement of financial position because the securities are held in escrow by a third party agent and recourse to those securities is only available in the event of default of the borrower (recipient of the consideration). The consideration paid, including accrued interest, is recognised separately in the statement of financial position as a receivable.

	2025		2024	
	Value of transferred assets not offset $M	Value of associated liabilities $M	Value of transferred assets not offset $M	Value of associated liabilities $M
New Zealand government securities subject to repurchase agreements	3,426	3,426	2,297	2,297
	3,426	**3,426**	**2,297**	**2,297**

	2025		2024	
	Value of transferred assets not recognised $M	Value of associated assets $M	Value of transferred assets not recognised $M	Value of associated assets $M
Overseas debt securities subject to reverse repurchase agreements	28	28	23	23
	28	**28**	**23**	**23**

7.4 Collateral

In line with standard industry practice, ACC uses Credit Support Agreements (CSAs) to provide credit protection for derivative positions. ACC's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with counterparties. Under these agreements, open derivative positions with the counterparty are aggregated and cash collateral is exchanged daily. The collateral is provided by the counterparty when their position is out of the money or provided to the counterparty by ACC when ACC's position is out of the money.

Cash balances relating to initial and variation margin on futures are lodged with the custodian and passed on to the relevant futures exchange. Fixed income securities pledged as collateral are lodged with a clearing house via an external collateral manager.

Assets supporting collateral

ACC is required to pledge part of its deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to ACC when the underlying transactions have been settled, but in the event of default the counterparty is entitled to apply the collateral in order to settle the liability. The fair value of the amount pledged was $22 million as at 30 June 2025 (2024: $134 million).

Collateral received

ACC has received cash deposits as collateral to meet obligations under the CSAs for derivative positions. ACC has an obligation to repay the deposits to the counterparties upon settlement of the underlying transactions, but in the event of default ACC is entitled to apply the collateral received in order to settle the liability. The fair value of the deposits at call received by ACC was $357 million as at 30 June 2025 (2024: $37 million).

8. Derivative financial instruments

Overview

Derivative financial instruments form part of the actively managed investment portfolio. ACC uses various derivative financial instruments, such as forward foreign exchange contracts, interest rate swaps and futures, to manage its exposure to movements in exchange rates, interest rates and equity market prices. Refer to Note 12 Financial risk management for further explanation of ACC's investment risks and how these are addressed.

The use of derivative financial instruments is covered by investment policies which control the risks associated with such instruments.

Accounting policy

All derivative financial instruments are classified as 'held for trading' and are recognised at fair value through surplus or deficit. Fair value for derivative financial instruments is determined as follows:

- Interest rate swaps are measured at the present value of future cash flows discounted based on the applicable yield curves derived from quoted interest rates
- Credit default swaps are valued using discounted cash flow models that incorporate the default rate and credit spread of the underlying entity or index
- Cross-currency interest rate swaps are valued using quoted market yields and exchange rates at balance date
- Forward foreign exchange contracts are valued with reference to quoted forward exchange rates and yield curves derived from quoted interest rates with similar maturity profiles
- Futures contracts are valued using quoted prices.

Derivatives are reported in the statement of financial position as assets when their fair value is positive and as liabilities when their fair value is negative.

	2025		2024	
	Fair value assets $M	Fair value liabilities $M	Fair value assets $M	Fair value liabilities $M
Interest rate swaps	344	167	122	667
Credit default swaps	1	-	2	-
Cross-currency interest rate swaps	155	73	49	38
Forward foreign exchange contracts	280	246	133	222
Futures contracts	21	21	15	8
Total derivative instruments	**801**	**507**	**321**	**935**
Current	294	261	148	222
Non-current	507	246	173	713
Total derivative instruments	**801**	**507**	**321**	**935**

At balance date, the notional amounts outstanding were:	2025 $M	2024 $M
Interest rate swaps	18,536	17,090
Credit default swaps	31	38
Cross-currency interest rate swaps	13,113	7,183
Forward foreign exchange contracts	21,776	20,401
Futures contracts — long	1,742	1,203
Futures contracts — short	(1,474)	(2,048)
Options	15	-

9. Cash and cash equivalents

Overview

Cash and cash equivalents are ACC's most liquid assets. Cash equivalents are assets that can be readily convertible into cash.

Accounting policy

Cash and cash equivalents are considered to be cash on hand, current accounts with banks and deposits held on call with banks, net of outstanding bank overdrafts. These make up the operational cash balances used to meet operational needs such as paying claims and costs. Cash and cash equivalents exclude items held for investment purposes within the reserves portfolio and not used for short-term cash needs.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	2025 $M	2024 $M
Cash at bank	4	-
Investment operational cash		
Overnight call deposits	24	3
Deposits at call	20	65
Total cash and cash equivalents	**48**	**68**

The effective interest rate at 30 June 2025 on overnight call deposits was 3.25% (2024: 5.50%) and on deposits at call was 3.25% (2024: 5.50%).

10. Receivables

Overview

Levy receivables are amounts owed to ACC by levy customers. Unsettled investment transactions receivables are investments sold or matured but the funds are yet to be received. Reverse repurchase agreements are an obligation to sell investments ACC has purchased at the agreed resell price.

Accounting policy

Receivables include debtors for levy, claimants, unsettled investment transactions, reverse repurchase agreements and taxes. Some of the receivables are contractual statutory arrangements and are non-exchange transactions. Generally non-levy receivables are from exchange transactions.

All receivables are initially recognised at fair value. Levy receivables are subsequently measured at fair value. Fair value is approximated by the undiscounted expected future cash flows. Due to the short-term nature of levy receivables, the effect of discounting is not material. Non-levy receivables are subsequently measured at amortised cost and tested for impairment.

An allowance for impairment is recognised when ACC does not expect to recover the amount owed and there is objective evidence that the receivable is impaired. Receivable impairment is assessed on a collective basis as it possesses shared credit risk characteristics. For claimant debtors the allowance for impairment loss is based on historical credit loss experience. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include debtor financial hardship. Movements in the impairment allowance are recognised in the statement of comprehensive revenue and expense. Impairment losses can be reversed where there is evidence that the impaired value of the asset has increased.

	2025 $M	2024 $M
Levy debtors	205	158
Motor Vehicle levy receivable[i]	17	18
Earners' levy receivable	-	5
Total levy receivables	**222**	**181**
Claimant debtors	4	4
Unsettled investment transactions	394	251
Reverse repurchase agreements	28	23
Dividends receivable	34	21
Interest receivable	3	-
Other tax receivables	16	15
Prepayments and other sundry debtors	22	25
Total non-levy receivables	**501**	**339**
Total receivables	**723**	**520**
Current	723	520
Non-current	-	-
Total receivables	**723**	**520**

Credit risk

The credit risk management practices are in the accounting policy within this note. The maximum exposure to credit risk of receivables is the carrying value. The non-levy receivables are short term, and their carrying value represents a reasonable approximation of their fair value.

Note:

(i) Motor Vehicle levy receivable consists of:

- the amount collected by NZ Transport Agency Waka Kotahi from motor vehicle licensing that is due to ACC
- the amount collected by the New Zealand Customs Service for the levy portion of the excise duty on petrol that is due to ACC in the first week of the following month.

11. Accrued levy revenue

Overview

Accrued levy revenue is a type of revenue that has been earned but not yet collected.

Accounting policy

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 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.

The accrued levy revenue at 30 June 2025 therefore includes revenue for the period 1 July 2025 to 31 March 2026 for the Work and Earners' Accounts as well as uninvoiced revenue for levy periods up to 30 June 2025.

	2025 $M	2024 $M
Motor Vehicle Account	64	62
Work Account	1,137	1,167
Earners' Account	2,634	2,492
Total accrued levy revenue	**3,835**	**3,721**
Current	3,835	3,721
Non-current	-	-
Total accrued levy revenue	**3,835**	**3,721**

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Sensitivity analysis

The accrued levy revenue for the levy year 1 April 2025 to 31 March 2026 is assessed using Inland Revenue's earnings data, and providing for an uplift on the liable earnings from the previous levy year 1 April 2024 to 31 March 2025, multiplied by the applicable levy rates. The following sensitivity analysis shows the impact on the net deficit if the uplift applied were to change by 6.00%, with all other variables held constant.

Account	Uplift applied range %	Movement %	Impact on net deficit $M
Work	3.95 to 4.58	+6.00	65
		-6.00	(65)
Earners	3.62 to 4.70	+6.00	181
		-6.00	(181)

12. Financial risk management

Overview

The main financial risks that ACC is primarily exposed to are market (interest rate, foreign currency risk and other price risk), credit and liquidity risk.

12.1 Financial instrument classification

Financial instruments held by ACC are categorised as follows:	2025 $M	2024 $M
Financial assets designated at fair value through surplus or deficit		
Investments (Note 7)	53,935	51,155
Financial assets at fair value through surplus or deficit held for trading		
Derivative financial assets (Note 8)	801	321
Financial assets at amortised cost		
Cash and cash equivalents (Note 9)	48	68
Receivables (Note 10)	461	297
Financial liabilities designated at fair value through surplus or deficit		
Collateral received (Note 7.4)	357	37
Financial liabilities at fair value through surplus or deficit held for trading		
Derivative financial liabilities (Note 8)	507	935
Financial liabilities at amortised cost		
Payables (Note 14)	3,988	2,595

12.2 Financial risk management objectives

Each of ACC's five Accounts allocates its investment funds to ACC's short-term operational cash portfolio and its own longer-term reserves portfolio depending on that Account's future cash flow needs. The operational cash portfolio is used to meet operational needs such as paying claims and costs. When the Accounts allocate money to the various investment markets (asset classes), the money in each asset class is pooled from all Accounts and managed collectively to ensure operational efficiency and fairness between Accounts. The Accounts' ownership of each asset class is updated when each Account contributes money to or withdraws money from the investment portfolios. The ownership amounts are monitored on a daily basis.

The main financial risks that ACC is primarily exposed to are market, credit and liquidity risk.

ACC consciously chooses to be exposed to many of these risk exposures through the investment portfolios. These risks either provide a natural offset to risks inherent in the OCL or because ACC expects to enhance returns through prudent exposure to market risks.

When ACC does not wish to incur the above risks in the reserves portfolio it will seek to reduce exposure to these risks using a variety of methods. These methods include disposing of investments currently exposed to these risks, purchasing investments with offsetting risk exposures, and using derivative financial instruments. Market risk (which comprises interest rate, foreign exchange and other price risk) is managed for all portfolios through the investment guidelines. This ensures that portfolio managers maintain their portfolios within defined market exposure limits. These include:

- limits on the percentage weight of any particular company in the portfolio relative to its benchmark weight
- limits on aggregate investment in companies not represented in the benchmark
- limits on the maximum percentage shareholding in any individual company
- ratings-related credit limits on both a per-issuer and an aggregate basis
- duration limits relative to the duration of the benchmark
- maximum exposure limits to single entities.

Compliance with the investment guidelines is reviewed by ACC's Investment Risk and Performance group on a daily basis, and by the internal auditors on a half-yearly basis.

Market risk exposures are measured in a number of ways, specific to the types of risk being measured. In some cases more than one measure of risk is used, recognising the fact that all forms of investment risk measurement are imperfect.

12.3 Market risk

(i) Interest rate risk

Overview

The interest rate exposures of the investment portfolios and the operational cash portfolio are managed through:

- asset allocation between asset classes
- the selection of physical securities within the asset class sub-portfolios
- the use of interest rate swaps within portfolios
- the use of interest rate swaps as an 'asset allocation overlay'.

Other derivative financial instruments may also be used to manage the interest rate exposures of the investment portfolios and the operational cash portfolio.

Interest rate risk affects ACC's investments and the OCL of each Account. For each Account, ACC would expect investment gains and an increase in the OCL to result from declines in interest rates, and investment losses and a decrease in the OCL to result from rises. However, the corresponding movements in ACC's OCL (due only to interest rate movements) would be far more significant than the movement in the value of investments. Hence, investment gains or losses arising from changes in interest rates will tend to only partially offset a corresponding revaluation of ACC's claims liabilities.

Under interest rate swap contracts, ACC agrees to exchange the difference between fixed and floating rate interest payments calculated on agreed notional principal amounts. Such contracts enable ACC to manage its interest rate risk and create synthetic fixed-rate bonds from its investment in variable rate debt.

Sensitivity analysis

At balance date, if the interest rate at the end of the financial year had been 1% higher/lower and held constant throughout the year with all other variables remaining constant, the net surplus or deficit would have moved as per the table below. Any change in the net surplus or deficit for the period would result in a corresponding movement in net liabilities.

		2025	2024
Fair value interest rate risk	**Change in interest rate %**	**Impact on net deficit $M**	**Impact on net deficit $M**
New Zealand dollar interest rates	+1.00	(2,820)	(2,626)
New Zealand dollar interest rates	-1.00	3,036	2,878

The above only shows the impact of changes in interest rates on ACC's investment portfolios. Changes in interest rates also have an impact on the OCL. Refer to Note 6.3(d)(ii) for this sensitivity analysis.

(i) Foreign exchange risk

Overview

Foreign exchange risk is the risk that the value of ACC's investment portfolios could be affected by a change in foreign exchange rates. ACC is exposed to foreign exchange risk principally due to its holdings of foreign currency denominated investments. ACC partially offsets these exposures by entering into foreign currency contracts for forward sales of foreign currencies against the New Zealand dollar and longer-term, cross-currency interest rate swaps.

Benchmark ranges of foreign exchange exposure are established by the Investment Committee for each Account. Accounts can move within these benchmark ranges but action must be taken if exposure exceeds these ranges. These benchmark exposures are designed to align with ACC's high-level objective of finding an appropriate balance between minimising risk whilst maximising expected return.

All foreign exchange contracts held by ACC have remaining terms of two years or less. While the cross-currency interest rate swaps have maturities out to twelve years, the floating interest rates on these swaps are reset every three months.

Sensitivity analysis

The following sensitivity analysis shows the impact on the net surplus or deficit of a reasonably possible change of 10% in the New Zealand dollar against the respective major currencies and held constant throughout the year, with all other variables remaining constant. Any change in the net surplus or deficit for the period would result in a corresponding movement in net liabilities.

$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
	2025							
Impact on net deficit								
10.00% increase	(404)	(355)	(82)	(59)	(25)	(48)	(28)	(100)
10.00% decrease	494	434	100	72	31	59	34	123

$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
	2024							
Impact on net deficit								
10.00% increase	(806)	(412)	(78)	(29)	(13)	(37)	(22)	(56)
10.00% decrease	985	503	95	36	16	45	27	68

(ii) Other price risk

Overview

ACC invests in equities and unit trusts, and considers the risk on these from a long-term perspective. Changes in the market price of equity and unit trust investments:

- affect the value that ACC could realise for these investments if it chose to sell them in the short term
- will be reflected in the valuation carried in ACC's statement of financial position and the investment revenue reported in ACC's statement of comprehensive revenue and expense.

Sensitivity analysis

The table below details the sensitivity to a change of 10% in the market values of listed and unlisted equity investments to the net surplus or deficit at reporting date, with other variables held constant. Any change in the net surplus or deficit for the period would result in a corresponding movement in net liabilities.

	Movement %	2025 Impact on net deficit $M	2024 Impact on net deficit $M
Overseas equities	+10.00	907	787
	-10.00	(907)	(787)
New Zealand equities	+10.00	574	528
	-10.00	(574)	(528)
Australian equities	+10.00	214	339
	-10.00	(214)	(339)

12.4 Credit risk

Overview

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to ACC. Credit risk only applies to debt instruments, derivatives in gain, receivables and a selection of other financial assets.

For internally managed portfolios, the Investment Committee has approved an authorised set of credit criteria which includes credit limits and portfolio limits. There is a list of authorised New Zealand banks that ACC can invest with. These credit limits are designed to limit ACC's exposure to counterparties with a high risk of defaulting while at the same time allowing ACC to take on appropriate levels of risk whilst maximising investment returns. Investment in unrated debt is allowed if approved by ACC's Credit Committee. ACC's exposure and the credit ratings of its counterparties are continuously monitored.

Transactions involving derivative financial instruments are undertaken with authorised banks and executed in accordance with ISDA documentation.

The maximum exposure to credit risk at balance date is the carrying value of each class of financial assets disclosed below and the cash flows for derivative instruments noted in the liquidity table in Note 12.5.

As all financial assets, except for cash and cash equivalents and non-levy receivables, are recognised at fair value through surplus or deficit, there is no expected credit loss recognised in respect of those financial assets. This is due to credit risk being factored into the fair value of those financial assets. Any movement in this value is recognised in the statement of comprehensive revenue and expense, as part of gains (losses) on investments.

Given the short-term nature of cash and cash equivalents, no expected credit loss has been recognised. Refer to Note 10 for the expected credit loss on receivables.

The credit ratings used in the table below relate to each individual security's credit rating. Where a security does not have an individual credit rating, the issuer's credit rating is used. In determining the credit ratings, the primary source used is Standard & Poor's.

	2025						
$M	**AAA**	**AA**	**A**	**BBB**	**Below BBB**	**Not rated**	**Total**
Cash and cash equivalents	-	48	-	-	-	-	48
Deposits at call	-	309	350	-	-	1	660
Assets supporting collateral	-	3	6	13	-	-	22
Other New Zealand debt securities	1,961	173	80	934	-	788	3,936
Overseas debt securities	5,465	685	190	337	84	328	7,089
New Zealand government securities	25,262	-	-	-	-	-	25,262
Interest rate swaps	-	299	174	-	24	2	499
Forward foreign exchange contracts	-	173	36	-	71	-	280
Other derivatives	-	-	-	-	-	22	22
Receivables	-	-	461	-	-	-	461
	32,688	**1,690**	**1,297**	**1,284**	**179**	**1,141**	**38,279**

ACC has an additional exposure of $31 million (2024: $38 million) with regard to credit default swaps. This is the potential liability faced if the underlying entity defaults on its contractual obligations, which ACC will then be obligated to pay. ACC recognises credit default swaps at fair value through surplus or deficit, rather than at amortised cost as a financial guarantee. This is due to the current measurement basis, which significantly reduces the accounting mismatch that would arise from measuring credit default swap assets or liabilities or recognising the gains and losses on them on a different basis.

	2024						
$M	**AAA**	**AA**	**A**	**BBB**	**Below BBB**	**Not rated**	**Total**
Cash and cash equivalents	-	3	65	-	-	-	68
Deposits at call	-	420	301	-	-	3	724
Assets supporting collateral	-	1	20	-	-	113	134
Other New Zealand debt securities	2,349	216	438	883	33	706	4,625
Overseas debt securities	6,159	644	192	431	71	298	7,795
New Zealand government securities	21,311	-	-	-	-	-	21,311
Interest rate swaps	-	77	88	-	3	3	171
Forward foreign exchange contracts	-	37	74	-	22	-	133
Other derivatives	-	-	-	-	-	17	17
Receivables	-	-	272	23	-	2	297
	29,819	**1,398**	**1,450**	**1,337**	**129**	**1,142**	**35,275**

12.5 Liquidity risk

Overview

Liquidity risk is the risk that ACC may not be able to raise cash when required and on acceptable terms. ACC maintains sufficient liquid assets to cover obligations and unforeseen costs.

The table below summarises the maturity profile of the financial liabilities held by ACC. The amounts disclosed in the table are the contractual undiscounted cash flows for payables and estimated cash flows for uncalled investment-related commitments and collateral received.

	2025			
	Less than 1 year $M	**Between 1-2 years $M**	**Between 2-5 years $M**	**Greater than 5 years $M**
Payables	3,988	-	-	-
Uncalled investment-related commitments	167	112	139	67
Collateral received	357	-	-	-

	2024			
	Less than 1 year $M	**Between 1-2 years $M**	**Between 2-5 years $M**	**Greater than 5 years $M**
Payables	2,595	-	-	-
Uncalled investment-related commitments	75	66	74	22
Collateral received	37	-	-	-

The table below summarises the cash inflows and outflows for all derivative instruments held by ACC. The amounts disclosed in the table are the contractual undiscounted cash inflows and outflows. The derivatives have been classified based on their settlement terms. The gross-settled derivatives are the forward foreign exchange contracts and cross-currency interest rate swaps. All other derivatives are classified as net settled derivative liabilities.

	2025			
	Less than 1 year $M	Between 1-2 years $M	Between 2-5 years $M	Greater than 5 years $M
Net settled derivative liabilities — cash inflows	63	63	183	160
Gross-settled derivatives — cash inflows				
Forward foreign exchange contracts	21,700	-	-	-
Cross-currency interest rate swaps	119	114	131	28
Gross-settled derivatives — cash outflows				
Forward foreign exchange contracts	(21,666)	-	-	-
Cross-currency interest rate swaps	(35)	(35)	(38)	(38)

	2024			
	Less than 1 year $M	Between 1-2 years $M	Between 2-5 years $M	Greater than 5 years $M
Net settled derivative liabilities — outflows	(800)	(789)	(1,964)	(1,455)
Gross-settled derivatives — cash inflows				
Forward foreign exchange contracts	20,386	-	-	-
Cross-currency interest rate swaps	208	208	447	151
Gross-settled derivatives — cash outflows				
Forward foreign exchange contracts	(20,474)	-	-	-
Cross-currency interest rate swaps	(71)	(71)	(146)	(73)

12.6 Fair value hierarchy

Overview

Financial instruments measured at fair value are categorised into a three-level hierarchy. The hierarchy presents the significance of observable inputs used in measuring the fair value. The higher the level, the more significant the unobservable inputs.

The table below analyses financial instruments carried at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	2025			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	344	-	**344**
Credit default swaps	-	1	-	**1**
Cross-currency interest rate swaps	-	155	-	**155**
Forward foreign exchange contracts	-	280	-	**280**
Futures	21	-	-	**21**
	21	**780**	**-**	**801**
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	4,652	-	1,084	**5,736**
New Zealand government securities	-	25,262	-	**25,262**
New Zealand deposits at call	-	466	-	**466**
New Zealand debt securities	-	3,632	304	**3,936**
Australian equities	1,965	-	178	**2,143**
Overseas equities	9,050	-	16	**9,066**
Overseas deposits at call	-	194	-	**194**
Overseas debt securities	1	7,084	4	**7,089**
Assets supporting collateral	-	22	-	**22**
Other investments	-	-	21	**21**
	15,668	**36,660**	**1,607**	**53,935**
Total financial assets	**15,689**	**37,440**	**1,607**	**54,736**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	167	-	**167**
Cross-currency interest rate swaps	-	73	-	**73**
Forward foreign exchange contracts	-	246	-	**246**
Futures	21	-	-	**21**
	21	**486**	**-**	**507**
Financial liabilities designated at fair value through surplus or deficit				
Collateral received	-	357	-	**357**
Total financial liabilities	**21**	**843**	**-**	**864**

	2024			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	122	-	**122**
Credit default swaps	-	2	-	**2**
Cross-currency interest rate swaps	-	49	-	**49**
Forward foreign exchange contracts	-	133	-	**133**
Futures	15	-	-	**15**
	15	**306**	**-**	**321**
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	4,505	-	770	**5,275**
New Zealand government securities	-	21,311	-	**21,311**
New Zealand deposits at call	-	522	-	**522**
New Zealand debt securities	-	4,209	416	**4,625**
Australian equities	1,452	1,755	186	**3,393**
Overseas equities	7,854	-	20	**7,874**
Overseas deposits at call	-	202	-	**202**
Overseas debt securities	2	7,786	7	**7,795**
Assets supporting collateral	-	134	-	**134**
Other investments	-	-	24	**24**
	13,813	**35,919**	**1,423**	**51,155**
Total financial assets	**13,828**	**36,225**	**1,423**	**51,476**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	667	-	**667**
Cross-currency interest rate swaps	-	38	-	**38**
Forward foreign exchange contracts	-	222	-	**222**
Futures	8	-	-	**8**
	8	**927**	**-**	**935**
Financial liabilities designated at fair value through surplus or deficit				
Collateral received	-	37	-	**37**
Total financial liabilities	**8**	**964**	**-**	**972**

Reconciliation of Level 3 fair value movements

	2025 $M	2024 $M
Opening balance	1,423	1,530
Total losses recognised in net deficit [i]	131	(43)
Purchases	315	243
Sales	(143)	(198)
Transfers into Level 3	39	19
Transfers out of Level 3	(158)	(128)
Closing balance	**1,607**	**1,423**
Total losses stated on Level 3 instruments still held at balance date [i]	128	(32)

Transfers between levels

During the year, there were transfers out of Level 3 and into Level 2 of $119 million (2024: transfer out of Level 3 and into Level 2 of $109 million). There were no significant transfers between Levels 1 and 2.

Note:

(i) This is in change in fair value of financial instruments designated at fair value through surplus or deficit which forms part of investment revenue (see Note 4).

Level 3 sensitivity analysis

The sensitivity analysis table below shows the impact on the net surplus or deficit of reasonably possible changes in one or more of the significant unobservable inputs into the fair values of investments in Level 3. The fair values of the Level 3 investment assets have been estimated using a range of valuation methodologies, including discounted cash flows, market transactions and market ratio approaches.

						2025 Impact on fair value movement		2024 Impact on fair value movement	
	Valuation technique	Significant unobservable inputs	Movement	Input (Range) 2025	Input (Range) 2024	Increase $M	Decrease $M	Increase $M	Decrease $M
New Zealand fixed interest	DCF Method	Discount rate	+/-50bps	5.20% - 6.17%	6.28% - 6.65%	(7)	7	(12)	13
New Zealand equity	DCF Method	Discount rate	+/-50bps	7.30% - 10.50%	7.29% - 13.50%	(25)	29	(17)	18
		Refinancing margin	+/-20bps	0.70% - 1.15%	0.70% - 1.75%	(1)	1	(5)	4
		Inflation [i]	+/-50bps	2.00%	2.00%	(2)	3	-	-
		Price	+/-10%	10.00%	10.00%	(128)	128	(101)	101
Other investments	DCF Method	Discount rate	+/-50bps	6.15% - 9.55%	6.34% - 9.35%	(3)	3	(3)	3
Investment property[ii]	DCF Method	Discount rate	+/-50bps	7.50% - 11.50%	7.25% - 11.50%	(11)	11	(11)	12
		Price	+/-10%	Not available	Not available	(55)	55	(54)	54

The fair value of private equity investments is provided by independent valuers at balance date. ACC does not have access to the underlying valuation models to disclose sensitivities to assumptions. All other securities in Level 3 are considered not to have a material effect on fair value if alternative reasonable assumptions were used to obtain their fair values.

Notes:

(i) Impact is less than one million dollars for 2024.

(ii) Investment properties are not financial assets but are included in the sensitivity analysis for completeness with the other investment assets.

13. Property, plant and equipment, and intangible assets

Overview

Property, plant and equipment, and intangible assets are used by ACC to carry out its activities and are expected to last for more than one year. Intangible assets are assets with no physical substance and have a theoretical value to ACC. These are related to items like intellectual property and goodwill.

Accounting policy

Measurement

Property, plant and equipment are initially recorded at cost including transaction costs. Subsequent to initial recognition, all items classed as property, plant and equipment are stated at cost less accumulated depreciation/amortisation and any impairment in value.

Internally generated assets are carried at cost less accumulated amortisation and any impairment value. Research costs incurred in the investigation phase of internally generated software are expensed when incurred. Development costs are accumulated as work in progress until the project is completed, at which stage direct project costs are capitalised as an intangible asset.

Impairment occurs whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairments are recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of the asset's fair value less costs to sell and value in use. Value in use is determined using either a depreciated replacement cost approach, a restoration cost approach, or a service units approach depending on the nature of the impairment.

Software-as-a-Service arrangements

Software-as-a-Service (SaaS) arrangements are service contracts providing ACC with the right to access a cloud provider's application software over a contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating costs. Costs incurred for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The amortisation periods range from 5 to 7 years. The useful lives of these assets are reviewed at least at the end of each financial year.

Depreciation and amortisation

Depreciation and amortisation are calculated on a straight-line basis so as to allocate the cost or valuation of assets, less any estimated residual value, over their estimated useful lives.

The estimated useful lives are as follows:

Leasehold improvements	Lower of remaining life of lease, or 10 years
Computer equipment	3 — 5 years
Intangible software assets	5 — 7 years
Other property, plant and equipment	4 — 5 years

	Leasehold improvements $M	Computer equipment $M	Intangible software assets $M	Other property, plant and equipment $M	Total $M
Cost					
As at 30 June 2023	49	101	657	35	842
Additions	5	7	6	2	20
Impairment losses and other (including disposals and reclassifications)	(2)	(1)	-	-	(3)
As at 30 June 2024	**52**	**107**	**663**	**37**	**859**
Additions	6	5	-	3	14
Impairment losses and other (including disposals and reclassifications)	-	(1)	-	-	(1)
As at 30 June 2025	**58**	**111**	**663**	**40**	**872**
Depreciation/amortisation and impairment					
As at 30 June 2023	33	90	583	28	734
Depreciation/amortisation charge for the year	2	6	27	3	38
Impairment losses and other (including disposals and reclassifications)	(1)	(1)	-	-	(2)
As at 30 June 2024	**34**	**95**	**610**	**31**	**770**
Depreciation/amortisation charge for the year	2	6	30	3	41
Impairment losses and other (including disposals and reclassifications)	-	(1)	-	-	(1)
As at 30 June 2025	**36**	**100**	**640**	**34**	**810**
Net carrying value					
As at 30 June 2024	18	12	53	6	89
As at 30 June 2025	22	11	23	6	62

Work in progress

The table below presents the work in progress in property, plant and equipment and intangibles.

	Leasehold improvements $M	Computer equipment $M	Intangible software assets $M	Other property, plant and equipment $M	Total $M
At 30 June 2025	8	3	-	4	15
At 30 June 2024	4	-	2	2	8

Impairment and write-offs

The carrying amounts of all intangible assets are reviewed on an ongoing basis. Any impairment in value is recognised immediately.

14. Payables and accrued liabilities

Overview

Payables and accrued liabilities are amounts owed to suppliers and other creditors for items and/or services received but not paid at balance date. Unsettled investment transactions payables are investments purchased but the funds are yet to be paid. Repurchase agreements are an obligation to buy back investments ACC has sold at the agreed repurchase price.

Accounting policy

Payables and accrued liabilities are initially recognised at fair value and subsequently measured at amortised cost. Due to the short-term nature of payables and accrued liabilities, the effect of discounting is not material and the carrying values represent a reasonable approximation of fair value.

	2025 $M	2024 $M
Payables under exchange transactions		
Unsettled investment transactions	482	213
Repurchase agreements	3,426	2,297
Claims expenditure	47	38
Sundry creditors	32	44
Other accrued expenditure	45	47
Total payables under exchange transactions	**4,032**	**2,639**
Payables under non-exchange transactions		
Working safer levy collected on behalf of Ministry of Business, Innovation and Employment	24	15
Goods and services tax	8	12
PAYE and earnings-related deductions	23	27
Total payables under non-exchange transactions	**55**	**54**
Total payables and accrued liabilities	**4,087**	**2,693**
Current	4,087	2,693
Non-current	-	-
Total payables and accrued liabilities	**4,087**	**2,693**

15. Employee entitlements and provisions

Overview

Employee entitlements are the rights and benefits that ACC employees are entitled to as part of their employment. A provision is a liability of uncertain timing or amount.

Accounting policy

Employee entitlements

Employee benefits that are expected to be settled wholly within twelve months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, and annual leave earned to, but not yet taken at balance date.

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

ACC has a performance incentive scheme for Investment employees. The scheme has two components:

- achievement of individual performance criteria over the past financial year; and
- performance of ACC's investments relative to investment benchmarks.

Performance incentives are calculated and paid annually in arrears.

Provisions

Provisions are recognised when: there is a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of expected future cash flows and discounted to present value where the effect is material.

	2025 $M	2024 $M
Employee entitlements		
Accrued pay	15	13
Performance incentives	8	8
Annual leave	33	26
Long service leave	13	10
Retirement leave	22	21
Total employee entitlements	**91**	**78**
Provisions		
Leasehold restoration	5	2
Restructuring	1	12
Employer Reimbursement Agreement	14	-
Investment management performance fee	2	-
Total provisions	**22**	**14**
Total employee entitlements and provisions	**113**	**92**
Current		
Employee entitlements	61	52
Provisions	20	12
Total current	**81**	**64**
Non-current		
Employee entitlements	30	26
Provisions	2	2
Total non-current	**32**	**28**
Total employee entitlements and provisions	**113**	**92**

16. Commitments

Overview

A commitment is a legal obligation with an external party for ACC to make payments in the future.

Capital commitments

	2025 $M	2024 $M
Investment — private equity	210	188
Investment — infrastructure and building projects	275	67
Property development	-	10
Total undrawn capital commitments	**485**	**265**

The private equities include investments in several venture capital and private equity funds. In these investments, funds seek commitments from investors and call for the committed funds as they are required. ACC has committed to invest up to a total of $798 million (2024: $761 million) in these funds. Undrawn commitments to these investments are included in the table above.

ACC has committed to provide up to $572 million (2024: $394 million) to various infrastructure and building projects. Undrawn commitments to these investments are included in the table above.

Operating leases

ACC leases premises for its branch network and its corporate offices under non-cancellable operating lease agreements. These lease agreements have varying terms and renewal options. Operating lease incentives are recognised as a liability when received and are subsequently reduced by an offset to rental costs and a corresponding reduction to the liability.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2025 $M	2024 $M
Within one year	26	15
After one year but not more than five years	53	56
More than five years	95	107
Total	**174**	**178**

ACC has property leases on its investment properties. These lease agreements have varying terms and renewal options.

The future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2025 $M	2024 $M
Within one year	20	17
After one year but not more than five years	64	62
More than five years	58	56
Total	**142**	**135**

17. Contingent liabilities

Overview

A contingent liability is a potential liability to ACC that is dependent on a future event occurring or not occurring.

Accounting policy

A contingent liability is disclosed when a possible obligation arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ACC. A contingent liability is also disclosed when a present obligation arising from past events is not recognised because it is not probable that settlement of the obligation will result in a cost to ACC, or the amount of the obligation cannot be measured with enough reliability.

Current litigation

Litigation involving ACC arises mainly from challenges to operational decisions made by ACC through the statutory review and appeal process, but also occasionally includes general civil proceedings such as judicial review applications. The majority of appeals are able to be managed on a case-by-case basis, depending on the merits of the issue in dispute, and without wider Scheme management impact.

At balance date there was one proceeding of note that ACC was a party to (2024: one). Subsequent to balance date, the Court of Appeal ruled in favour of ACC, thereby concluding the proceeding. Prior to this ruling, it was not possible to make a meaningful assessment of the financial impact of the outcome until the appeal had been finally determined. The range of potential outcomes was wide, and could have had a material effect on the financial statements of ACC.

18. Related parties

Overview

A related party transaction is a transfer of money or resource between ACC and a person or other entity that is closely associated with ACC. The association is either through the ability to control or exercise significiant influence on ACC.

18.1 Investment in subsidiary

ACC owns 100% (2024: 100%) of Shamrock Superannuation Limited, which acts as the corporate trustee for the mysuper Superannuation Scheme. Shamrock Superannuation Limited is a non-trading New Zealand entity that does not have a material impact on the financial position of ACC. The investment ACC holds in Shamrock Superannuation Limited is valued at $100 (2024: $100).

18.2 Related party transactions

Transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies undertaken on the normal terms and conditions for such transactions. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those that it is reasonable to expect ACC would have adopted in dealing with the party at arm's length in the same circumstances.

18.3 Key management personnel

The compensation for key management personnel is set out below:

	2025	2024
ACC Board members		
Remuneration ($000)	477	420
Number of members	*8.0*	*7.0*
Executive team		
Remuneration ($000)	4,644	4,650
Defined contribution plans ($000)	416	414
Termination benefits ($000)	-	-
Full-time equivalent members	*9.4*	*8.8*
Total key management personnel remuneration ($000)	**5,537**	**5,484**

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2024: $nil).

ACC did not provide any compensation to close family members of key management personnel during the year (2024: $nil). ACC did not provide any loans to key management personnel or their close family members.

The Executive team is led by the Chief Executive and has collective responsibility for the leadership and performance of ACC.

19. Events after balance sheet date

There were no other significant events after balance date that require separate disclosure, other than those disclosed in Note 17 Contingent Liabilities.

20. Explanation of significant variances against budget

Overview

This section provides reasons for major variances between the current year actual and budgeted results.

The budget figures are those in ACC's Service Agreement 2024/25. The Service Agreement 2024/25 was prepared based on the preliminary claims valuation as at 31 December 2023, using economic assumptions at 29 February 2024.

The budget figures are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are unaudited.

Explanations for significant variations from the budgeted figures approved by the Board are as follows:

20.1 Statement of comprehensive revenue and expense

Levy revenue

Levy revenue was under budget by 2.81% and is mainly the result of decreased revenue in the Work and Earners' Accounts. Both are due to lower liable earnings reflecting reduced work force participation/employment and reduced growth in salaries and wages.

Investment revenue

Investment revenue can be highly variable as it is dependent on movements in equity, bond and foreign exchange markets. ACC's budget for investment revenue is based on projected year-by-year returns based on information available (such as prevailing interest rates) at the forecast date.

Investment revenue was higher than budget driven by strong returns from fixed interest and global equity portfolios.

Interest revenue has benefitted from strategic asset allocation weighting changes, increasing fixed interest assets held. Global equity markets have risen more strongly than projected over the financial year, resulting in above budget equity-driven investment gains.

Claims paid

Claims costs exceed budget by $274 million (3.48%) due to higher weekly compensation costs associated with higher claim volumes, lower rehabilitation performance than budgeted and higher wage inflation. There has also been an increase in large, backdated payments associated with recent Court of Appeal rulings and tax changes.

There are also cost pressures compared to budget for elective surgery, integrated care pathways, training for independence and non-acute rehabilitation.

Outstanding claims liability

The budgeted change in OCL was based on the OCL valuation as at 31 December 2023, using economic assumptions at 29 February 2024. The budget estimated the OCL increase to be $3.25 billion between June 2024 and June 2025.

The actual OCL increase was $3.34 billion ($0.08 billion above budget) based on the June 2025 OCL valuation using economic factors at 30 June 2025. The difference is made up from the following items:

- The expected OCL increase from the June 2024 OCL valuation (with June 2024 economic and claim assumptions) was $3.92 billion ($0.67 billion above the $3.25 billion budget from February 2024).
- The overall decrease in OCL from economic changes from 30 June 2024 to 30 June 2025 was $2.06 billion below budget because of:
  - An increase in the single effective discount rate of 18 basis points. This decreased the OCL by $1.69 billion
  - Decreases in future inflation over the medium term further decreased the OCL by $0.06 billion
  - Changes in economic assumptions also resulted in a $0.31 billion reduction in the liability for policy changes following court decisions.
- A refinement of the OCL valuation modelling for sensitive and serious injury claims resulted in an OCL decrease of $0.07 billion below budget.
- Changes due to claims experience and modelling resulting in a $1.54 billion increase in OCL ($1.54 billion above budget). This comprises an influenceable OCL increase of $0.99 billion and a non-influenceable increase of $0.55 billion. Key drivers of this OCL increase include:
  - Increased volumes of elective surgeries, particularly in the Earners', Non-Earners' and Work Accounts
  - Increased average cost of social rehabilitation capital payments for both serious and non-serious injuries, and increasing volumes of capital payments made for non-serious injuries
  - Increased costs for other care rehabilitation services (eg. Training for independence) for serious injury claims
  - Significant levels of backdated weekly compensation payments made for sensitive claims, thought to be linked to the outcome of the sensitive claims court case.

Unexpired risk liability

The unexpired risk liability (URL) is the shortfall, if any, by Account between the levy revenue that ACC will earn for a future period where the rate of levy revenue has been fixed and the actuarially calculated costs of claims arising over the same future period. This is largely driven by rehabilitation performance items that impact the OCL, which in turn impacts the URL.

20.2 Statement of financial position

Receivables

Receivables as at 30 June 2025 are higher than budget reflecting an increase in unsettled investment transactions at year end.

Accrued levy revenue

The accrued levy revenue has decreased compared to budget due to the decrease in levy revenue in the Work and Earners' Accounts as identified in the "Levy revenue" commentary above.

Net Investments

These balances are higher than budget reflecting the investment gains achieved during the year.

Payables and accrued liabilities

The payables and accrued liabilities balance is higher than budgeted. The major movement in payables and accrued liabilities relates to unsettled investment transactions such as the purchase of equities, bonds and bond repurchases.

Unearned levy liability

The unearned levy liability is 4.18% under budget mainly due to decreased revenue in the Work and Earners' Accounts, as identified in the "Levy revenue" commentary above.

Unexpired risk liability

The URL is the shortfall between the expected future levy revenue and future costs. The actual URL is higher than budgeted. This is largely driven by rehabilitation performance, particularly for weekly compensation from the June 2024 OCL valuation. This impacts the new year cost of claims and, therefore, the URL.

Outstanding claims liability

The actual OCL, based on the June 2025 actuarial valuation of claims liability using economic factors at 30 June 2025 ($63.56 billion), is higher than the budgeted OCL which is based on the preliminary claims valuation as at 31 December 2023, using economic assumptions at 29 February 2024 ($57.10 billion).

This increase in the OCL is driven by both:

- Changes between February 2024 and June 2024: significant OCL strain due to deteriorating claims experience and related assumption changes, and an additional $3.6 billion in the June 2024 valuation to allow for the outcomes of the court cases
- Changes between June 2024 and June 2025, as identified in the "Outstanding claims liability" commentary in Note 20.1 above.

20.3 Statement of cash flows

Net cash outflows from operating activities was higher than budget due to the timing of cash from investment revenue, lower levy revenue and higher than anticipated claims costs.

Remuneration of employees

The number of employees whose remuneration exceeds $100,000 is detailed within the specified bands in the table below.

$000	2025	2024
$100 — $110	356	355
$110 — $120	366	275
$120 — $130	177	205
$130 — $140	242	221
$140 — $150	133	126
$150 — $160	131	126
$160 — $170	78	78
$170 — $180	90	83
$180 — $190	55	56
$190 — $200	44	39
$200 — $210	21	46
$210 — $220	36	27
$220 — $230	21	12
$230 — $240	8	7
$240 — $250	16	13
$250 — $260	8	7
$260 — $270	6	8
$270 — $280	6	12
$280 — $290	8	5
$290 — $300	4	7
$300 — $310	3	4
$310 — $320	4	2
$320 — $330	4	3
$330 — $340	2	2
$340 — $350	2	-
$350 — $360	4	1
$360 — $370	1	-
$380 — $390	3	1
$390 — $400	1	-
$400 — $410	2	1
$410 — $420	-	1
$420 — $430	1	1
$430 — $440	-	2
$440 — $450	1	2
$450 — $460	3	1
$460 — $470	1	3
$470 — $480	2	2
$480 — $490	2	-

$000	2025	2024
$490 — $500	-	2
$500 — $510	4	1
$510 — $520	-	1
$520 — $530	-	1
$540 — $550	-	1
$550 — $560	-	2
$560 — $570	1	-
$570 — $580	-	1
$600 — $610	2	3
$610 — $620	1	1
$620 — $630	1	-
$630 — $640	1	-
$650 — $660	1	1
$670 — $680	-	1
$680 — $690	1	1
$690 — $700	1	-
$700 — $710	-	1
$720 — $730	1	2
$760 — $770	2	-
$810 — $820	-	1
$840 — $850	1	-
$850 — $860	-	1
$860 — $870	1	1
$900 — $910	1	-
$910 — $920	-	1
$1,010 — $1,020	1	-
	1,862	**1,757**

142 staff received redundancy payments and/or settlement payments in 2025, totalling $5,009,835 (2024: 24 staff, $804,531), which is not included in the above table.

The above table reflects all employee remuneration paid during the financial year. This includes performance incentive payments made to employees in ACC's specialist Investment area. Such payments only occur after certain specified performance metrics have been achieved. No other ACC employees receive incentive or bonus payments of any nature.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ACCIDENT COMPENSATION CORPORATION'S
ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND STATEMENT OF PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2025

The Auditor-General is the auditor of Accident Compensation Corporation (the Group). The Auditor-General has appointed me, Simon O'Connor, using the staff and resources of Ernst & Young, to carry out, on his behalf, the audit of:

- the annual consolidated financial statements of the Group, that comprise the consolidated statement of financial position as at 30 June 2025, the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in equity, and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information on pages 64 to 131; and
- the statement of performance for the year ended 30 June 2025 on pages 36 to 46.

Opinion

In our opinion:

- The annual consolidated financial statements of the Group:
  - fairly present, in all material respects:
    - its financial position as at 30 June 2025; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- The statement of performance fairly presents, in all material respects, the Group's service performance for the year ended 30 June 2025. In particular, the statement of performance:
  - provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Group for each class of reportable outputs; determined in accordance with generally accepted accounting practice in New Zealand; and
  - fairly presents, in all material respects, for each class of reportable outputs:
    - the actual performance of the Group;
    - the actual revenue earned; and
    - the output expenses incurred,

as compared with the forecast standards of performance, the expected revenues, and the proposed output expenses included in the Group's statement of performance expectations for the financial year; and

- complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Our audit was completed on 19 September 2025. This is the date at which our opinion is expressed.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): *The Audit of Service Performance Information* issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the annual consolidated financial statements and the statement of performance

The Board is responsible on behalf of the Group for preparing:

- Annual consolidated financial statements that fairly present the Group's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- A statement of performance that:
  - provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Group for each class of reportable outputs; determined in accordance with generally accepted accounting practice in New Zealand;
  - fairly presents, for each class of reportable outputs:
    - the actual performance of the Group;
    - the actual revenue earned; and
    - the output expenses incurred

    as compared with the forecast standards of performance, the expected revenues, and the proposed output expenses included in the Group's statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare annual consolidated financial statements, and a statement of performance that are free from material misstatement, whether due to fraud or error.

Shape the future
with confidence

In preparing the annual consolidated financial statements, and a statement of performance, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern.

The Board's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the annual consolidated financial statements and the statement of performance

Our objectives are to obtain reasonable assurance about whether the annual consolidated financial statements, and the statement of performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the annual consolidated financial statements, and the statement of performance.

For the budget information reported in the annual consolidated financial statements, and the statement of performance, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the annual consolidated financial statements, and the statement of performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the annual consolidated financial statements, and the statement of performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate whether the statement of performance:

- provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Group. We make our evaluation by reference to generally accepted accounting practice in New Zealand; and
- fairly presents the actual performance of the Group for the financial year.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board.

- We evaluate the overall presentation, structure and content of the annual consolidated financial statements, and the statement of performance, including the disclosures, and whether the annual consolidated financial statements, and the statement of performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the annual consolidated financial statements, and the statement of performance, and our auditor's report thereon.

Our opinion on the annual consolidated financial statements, and the statement of performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the annual consolidated financial statements, and the statement of performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the annual consolidated financial statements, and the statement of performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out assurance engagements in the areas of Greenhouse Gas Emissions and provided remuneration data, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the Group.

Simon O'Connor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

VI.

Appendices

Appendix 1 – Investment statement

About the Fund

The Fund is designed to meet the future costs of accidents that have already occurred. Our investments reduce the risk that future levy payers will have to pay for past injuries.

Intergenerational equity is an underlying objective of the ACC Scheme. In essence, this means that each year's levy income should be sufficient to meet the ongoing costs of accidents occurring in that year, including costs that are paid out over time. Future levy payers would end up having to pay these ongoing costs if investment returns were less than expected, or if there were unanticipated rising costs such as unexpected inflation.

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 the long-term nature of its liabilities and the limited supply of equivalent assets.

The Investment team actively manages around 80% of ACC's portfolios, with the remaining 20% actively managed by external asset managers. Active management is an integral part of ACC's investment approach. We believe actively managing these assets enhances investment returns.

Many of our clients need help for more than 20 years; this is a primary reason for ACC being a long-term investor. It is why the Scheme considers:

- the stability of ACC's assets in relation to liabilities (the cost of injuries that go into the future)
- the effects this has on levies
- the impact this has on Government appropriations
- the need to be a good financial steward.

The Investment team responds to continually evolving social considerations, such as ethical investing and climate change, when making investment decisions.

How Investments fit into the ACC Scheme

Funding

ACC receives funding for each Account, in the form of levies and (for the Non-Earners' Account) appropriations. ACC must separate the levies received for each Account. We tailor the investment allocation for each of the Scheme's five Accounts. Our allocation considers the maturity profile of the claims costs that are expected to be incurred for each Account.

Asset allocation

Asset allocation, the proportions of each Account's investments held in the various investment asset categories, shapes the overall risk and return characteristics. The Fund has an Asset Allocation team, whose high-level objective is to strike an appropriate balance between risk and return. The principal focus is on managing the net asset-liability risk. Asset allocation considers both the OCL and the need to maximise the use of our investment assets.

Active portfolio management

Levies are allocated into portfolios. The portfolios invest in different categories of investments. These include:

- equity (shares in companies listed on stock exchanges)
- fixed income (interest-paying investments)
- cash (short-term interest-paying investments)
- property and infrastructure (that are listed on stock exchanges)
- private markets (assets that are held more directly than those listed on stock exchanges, including direct property, infrastructure, private equity funds and individual companies)
- overlay portfolios (using derivatives, where returns are linked to an underlying market)

How ACC invests

Delivering returns while managing risk

We think about the risk to ACC's overall financial position.

Our long-term concern is to ensure that ACC has sufficient funds to pay the future costs of claims that have already occurred. The primary risk is that our assets do not sufficiently match the claims liability over the long term.

Over time, we also want to avoid large swings in levy rates, which may be required to restore asset balances to align with funding ratio targets.

Both concerns encourage us to reduce the risk of large adverse movements in the value of our claims liabilities versus the market value of ACC's investments. This means that we need to think not only about financial risks that could affect the value of ACC's investments, but also about risks that could affect the value of ACC's claims liabilities. There are many economic and financial influences that could affect our net assets.

Factors that influence investment risk

Declines in real long-term interest rates

If interest rates declined without a corresponding decrease in inflation, this would lead to a decrease in our long-term expectations for investment returns and thereby increase ACC's OCL. We aim to offset this risk by holding investment assets that tend to rise in value when real interest rates decline.

An increase in inflation

If inflation increases and bond yields increase, this will have a negative impact on the value of ACC's fixed-interest portfolios, as a large portion of our fixed-interest investments do not provide protection against inflation.

Poor returns in equity markets

Weak equity markets would likely result in a reduction in the value of ACC's investments, without a corresponding reduction in the OCL.

Poor investment returns

Other influences, such as credit defaults, a pandemic, a strengthening New Zealand dollar against foreign currencies and a worse investment performance than market benchmarks, can result in poor investment returns.

Allocating our funds

Each of ACC's Accounts splits its investment funds between an investment in ACC's short-term 'operational cash portfolio', used to meet near-term expenditure requirements, and its own longer-term 'Reserves Portfolio', set aside to meet the future costs of existing claims.

Asset allocations differ by Account. In determining these allocations, we consider the size and nature of claims liabilities, together with the assets available. Generally, Accounts with lower funding positions tend to have asset allocations more highly weighted towards equities. For example, the highest equity weighting is for the Non-Earners' Account, which has the lowest funding ratio. The Accounts with the lowest total equity weightings are for the Work and Motor Vehicle Accounts, which have comparatively high funding ratios.

We allocate funds between distinct investment portfolios, each focused on different investment markets (global and domestic). We aim to add value both in how we allocate funds between different investment markets (i.e. asset allocation) and in how the portfolios perform within each investment market (i.e. active management).

External fund managers manage most of ACC's global assets. This provides another layer of expertise to ACC's portfolio and allows the team to focus on those areas that best align to our strengths and location.

Allocating in New Zealand

We tend to invest a relatively large percentage of ACC's funds in New Zealand investment markets (refer 'Investing in New Zealand'), particularly fixed-interest assets with a long time to maturity. New Zealand fixed-interest assets match our claims liabilities better than the global fixed-interest markets. Overall, ACC has around 70% of the reserve portfolio assets invested in New Zealand.

The investment team actively manages almost all of ACC's investments in New Zealand markets and most of ACC's investments in Australia. Active management means the team aims to identify and take advantage of situations where some sectors or securities within their markets are being mispriced in relation to their risks and prospects. We aim for consistent outperformance and seek to avoid exposing ACC to an above-average degree of market risk.

Board Investment Committee role

The ACC Board Investment Committee (BIC) is responsible for our investment strategy, policies, and guidelines. The BIC consists of ACC Board members and expert external appointees.

The BIC operates within the delegated authority and risk appetite provided by the ACC Board and reports to the full Board on a regular basis.

The BIC is responsible for key decisions including:

- Approval of asset allocation benchmarks and the default allocation for each of ACC's accounts.
- Approval of policy documents.
- Approval of changes to our investment guidelines.
- Approval of the investment risk management policy.
- Appointment of external fund managers or custodians.
- Approval of any investments that fall outside the investment guidelines.

Investment decisions are delegated to ACC's in-house investment team, while the BIC seeks to ensure they are made in a manner consistent with ACC's investment objectives.

The investment team may make short- or medium-term decisions to vary from the benchmark allocations, within risk-control parameters set by the BIC.

Diversification of investments

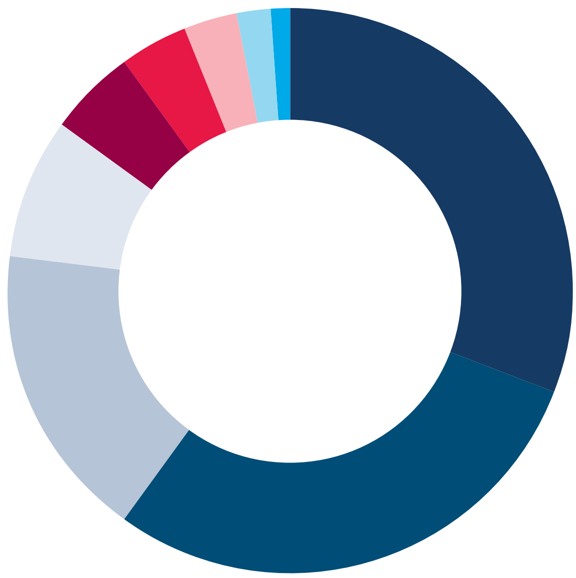
Different categories of investment provide different risk-return profiles and add layers of diversification to the portfolio. The table below illustrates the types of investment ACC can hold in its investment portfolios.

Investments category	Types of Investments
Cash	Cash, bank bills, deposits, commercial paper.
Debt	NZ Government, local authority, corporates, asset-based securities, supranationals, semi-government and agencies.
Equities	New Zealand, Australian, global including emerging market equities.
Private equity	Unlisted assets, private equity, venture funds.
Real assets	Infrastructure, real estate.
Overlay portfolios	Interest rate swaps, foreign currency, and futures.

Figure 06: Composition of investments

Composition of Investments

New Zealand Bonds	**31%**
New Zealand Inflation Linked Bonds	**29%**
Global Equity[10]	**17%**
New Zealand Equity	**8%**
Private Markets	**5%**
Listed Infrastructure & Property	**4%**
Global Bonds[10]	**3%**
Australian Equity[10]	**2%**
Reserves Cash	**1%**
Foreign Currency Contracts Overlay	**<1%**
Other	**<1%**



10 Global Equity and Australian Equity slice includes effective exposure to equity markets obtained through futures contracts. Global Bond slice includes effective exposure to bond markets obtained through futures contracts. However, this pie chart has not been adjusted for the effective exposure to bond markets arising from the use of Interest Rate Derivatives as an asset allocation overlay. The manager benchmark effective exposure of Interest Rate Derivatives represented 11% of Total Reserves at the end of June 2025.

Overlay portfolios

ACC also uses 'overlay strategies' to generate outperformance, manage exposure to different investment markets and provide protection against factors that influence investment risk. We use instruments including NZ interest rate derivatives, global equity futures, foreign exchange forwards and global bond futures.

Managing our exposure — ACC gains credit exposure to counterparties when using derivative transactions like the above. We aim to only use derivatives when there are no equally good alternatives, or when the alternatives would be significantly more expensive for ACC.

Controls — Everything we do is subject to checks and balances. The BIC has approved a set of credit criteria, including credit and portfolio limits for internally managed portfolios. These credit limits are designed to limit exposure to counterparties with a risk of defaulting when ACC seeks higher investment returns.

As ACC is a Crown Financial Institution, the Minister of Finance sets expectations on the use of derivative instruments through the annual Letter of Expectations to ACC. ACC recognises and adheres to these expectations when using derivative instruments and within the control framework outlined above.

Investment performance – short term

9.25%
2024/25 return (before costs)

8.82%
2024/25 benchmark target

8.04%
average return in the last 3 years

	2024/25 financial year			Average last 3 years	
	$M	Portfolio	Benchmark	Portfolio	Benchmark
Cash Portfolio	**430**	**5.05%**	**4.71%**	**5.23%**	**4.87%**
Reserves Portfolios by Asset Class:					
Reserves Cash	605	5.01%	4.62%	5.15%	4.86%
New Zealand Inflation Linked Bonds	14,525	3.93%	4.10%	5.04%	5.22%
New Zealand Bonds	15,634	8.66%	7.54%	5.19%	4.04%
New Zealand Equity	3,769	8.38%	8.77%	3.85%	4.05%
Listed Infrastructure & Property	1,856	8.44%	9.89%	3.55%	2.89%
Private Markets[2]	2,680	13.10%		5.34%	
Australian Equity	1,155	4.20%	9.90%	7.93%	10.47%
Global Bonds	1,137	12.18%	10.02%	8.20%	6.06%
Global Equity	9,173	17.71%	17.77%	17.96%	19.15%
Interest Rate Derivative Overlay[12]	56	0.37%	0.39%	0.03%	0.04%
Equity Future Overlay [11, 12]	23	0.20%		0.12%	
Bond Future Overlay [11, 12]	17	0.03%		0.02%	
Foreign Currency Overlay [13]	130	-0.43%	-0.54%	-0.20%	-0.35%
Total Reserves	**50,760**	**9.25%**	**8.82%**	**8.04%**	**7.84%**
By Funding Account:					
Earners	12,332	9.87%	9.41%	8.73%	8.53%
Motor Vehicle	15,198	8.20%	7.89%	6.90%	6.66%
Work	11,218	9.40%	8.79%	7.88%	7.52%
Non-Earners	5,721	10.74%	10.29%	10.04%	10.14%
Treatment Injury	6,291	8.84%	8.53%	7.84%	7.78%
Total Reserves	**50,760**	**9.25%**	**8.82%**	**8.04%**	**7.84%**

***Please note:** For the purposes of this table, traded investments and performance are valued at the last sale price (or at valuation, in the case of unlisted investments). The values of investments recorded in the financial statements are measured at fair value under IAS 39 requirements. This table shows investment returns after the deduction of some direct costs such as commissions (brokerage) and costs directly relating to the management of specific property investments. However, **returns are shown prior to investment management costs of $73.99 million** (including fees paid to external fund managers and the remuneration of ACC's investment staff), which detracted 0.02% from investment returns in 2024/25. Returns are shown net of tax, whereas the benchmarks make no allowance for tax. However, as ACC isn't liable for tax in New Zealand, offshore withholding taxes paid by ACC have reduced the calculated return by just 0.026%. Benchmark returns are not shown for overlays, as there is no benchmark allocation for these asset classes. Actual percentages of total subject to rounding.*

11 Benchmark returns are not shown, as there is no benchmark allocation for this asset class

12 The percentages in the 'Portfolio' columns show the contributions that these overlays made to the aggregate Reserves Portfolio return, rather than as a return on the funds physically invested in these derivative strategies. The percentages in the 'Benchmark' columns show the contribution that a 'benchmark-neutral' application of these strategies would have made to the benchmark for the aggregate Reserves Portfolio.

13 Foreign Currency Overlay shows the effect of foreign exchange derivatives used to adjust the foreign currency exposures of ACC's Reserves Portfolio. The benchmark return is calculated as the currency hedging that would have been required to maintain the currency exposures built into ACC's Reserves Portfolio benchmarks.

The table below provides a summary of each of ACC's key investment areas.

New Zealand debt	New Zealand long-term government bond yields fell modestly over ACC's financial year, producing higher bond prices. Given this, the New Zealand bond market delivered a decent positive return. For ACC, active management of its nominal bond portfolio added significant value over the year enhancing the total return of the portfolio and hence ACC's Reserves. This was due to the compensation for taking credit risk and the management of interest rate risk, including a large contribution from the change in shape of the yield curve which ACC was well position for.
New Zealand, Australia equity markets	The New Zealand share market underperformed most other global share markets over the year, noting its defensive nature and a backdrop of stable long term domestic bond rates. The performance of our internally managed portfolios was mixed, with Listed Infrastructure and Listed Property notable performers. Over five and ten year time frames, five of our six internal portfolios have beaten their benchmark.
Global markets	Global equity markets performed strongly, with ACC's global equity benchmark rising 17.8% in NZD (unhedged). In aggregate ACC's active managers were broadly in line with the performance of the benchmark. Overweight positions in financials and communication services sectors which were the best performing sectors helped relative performance. An underweight in the Information Technology sector also helped relative performance. The portfolio was overweight healthcare which was the weakest sector which contributed to the portfolio performing largely in line with the benchmark. Amongst our managers those with a value-focus outperformed, while those using growth strategies faced tougher market conditions.
Private market investments	ACC's private market investment activities span property, infrastructure, private equity and debt. ACC holds assets in Australasia both directly and in funds. Highlights of the latest year include the restructuring of our investment in the Transmission Gully PPP, funding of a new industrial property development in South Auckland and further investment into the forestry sector.
Asset allocations	Asset allocation effects added 0.06% to total reserves portfolio returns. This was due to deviations in asset allocation weightings (including foreign exchange weightings) relative to the strategic asset allocation benchmarks. Most of this positive return impact came from targeted deviations, with the balance from deviations arising from the ongoing process of rebalancing towards the target weightings.

Long-term objectives

ACC's long-term Investment Objectives:

- ACC has a fiduciary duty to invest as a trustee. It is important that ACC strike the right balance between return and risk. Higher investment income over time would contribute to lower levies but higher investment income needs to be balanced with the higher potential for losses that could increase levy rates into the future.
- ACC is guided by its ethical investment policy and aims to incorporate ethical themes into investment decision-making, including our commitment to reducing carbon emissions.
- Health and safety are central to ACC. We aim to incorporate health and safety considerations into investment decision-making.
- We also aim to deliver value for money through prudent cost management to maintain a low-cost fund that is fit for purpose.

Investment performance – long term

9.24%

return since 1992

$1,848

growth of $100 since 1992

ACC Investments has outperformed its benchmark for 31 of the past 33 years. ACC's consistent outperformance has been achieved by our longstanding and experienced team.

The consistency of ACC's historical investment performance has helped ACC to achieve compound returns from the Reserves Portfolio of more than 9% per annum for the past 33 years.

Figure 07: ACC financial year returns against benchmark

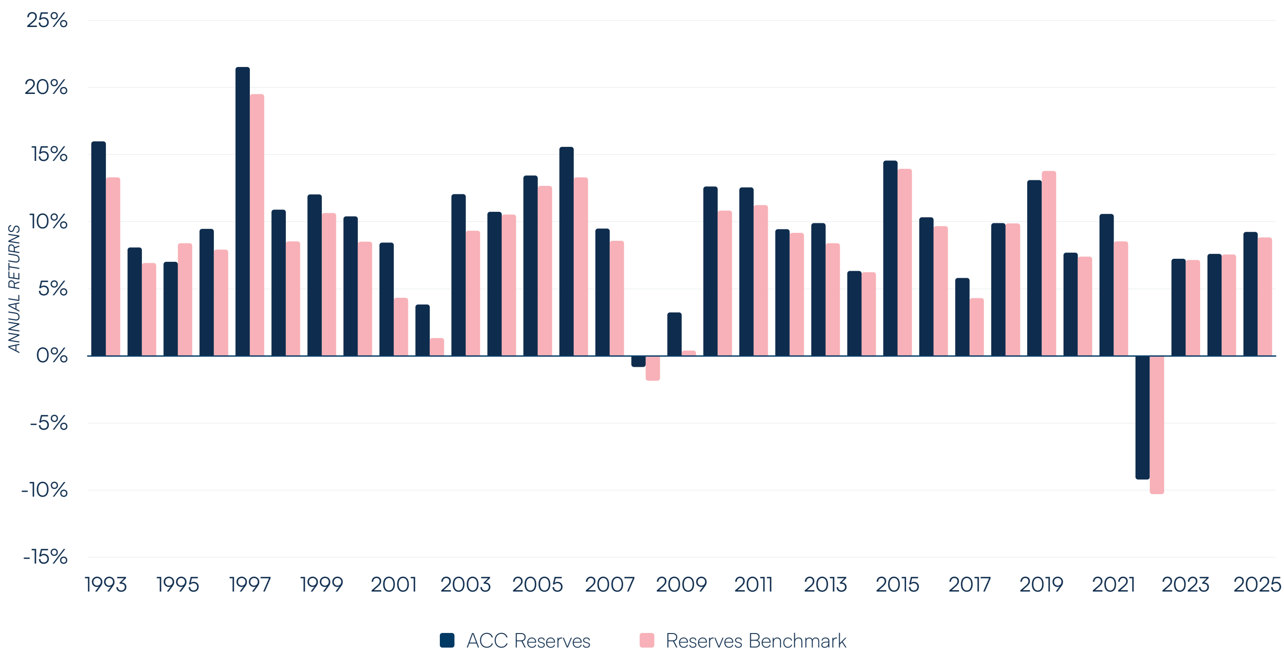


Figure 08: ACC value added from outperformance

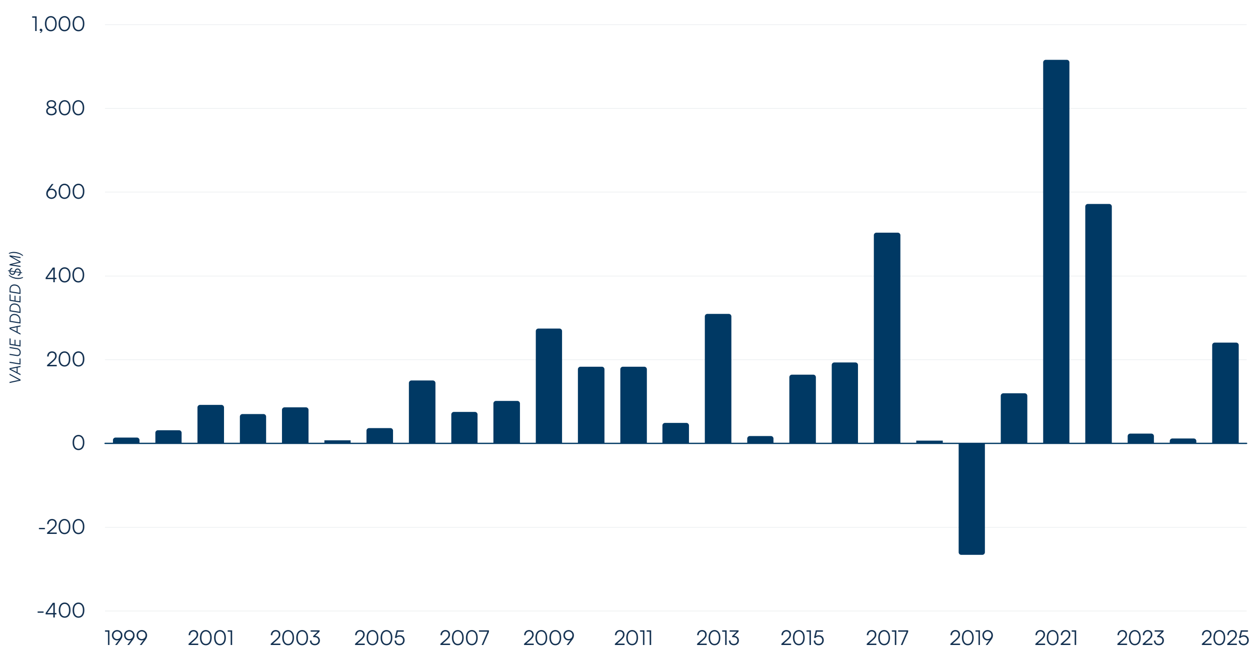


Figure 09: ACC 33-year reserves portfolio returns

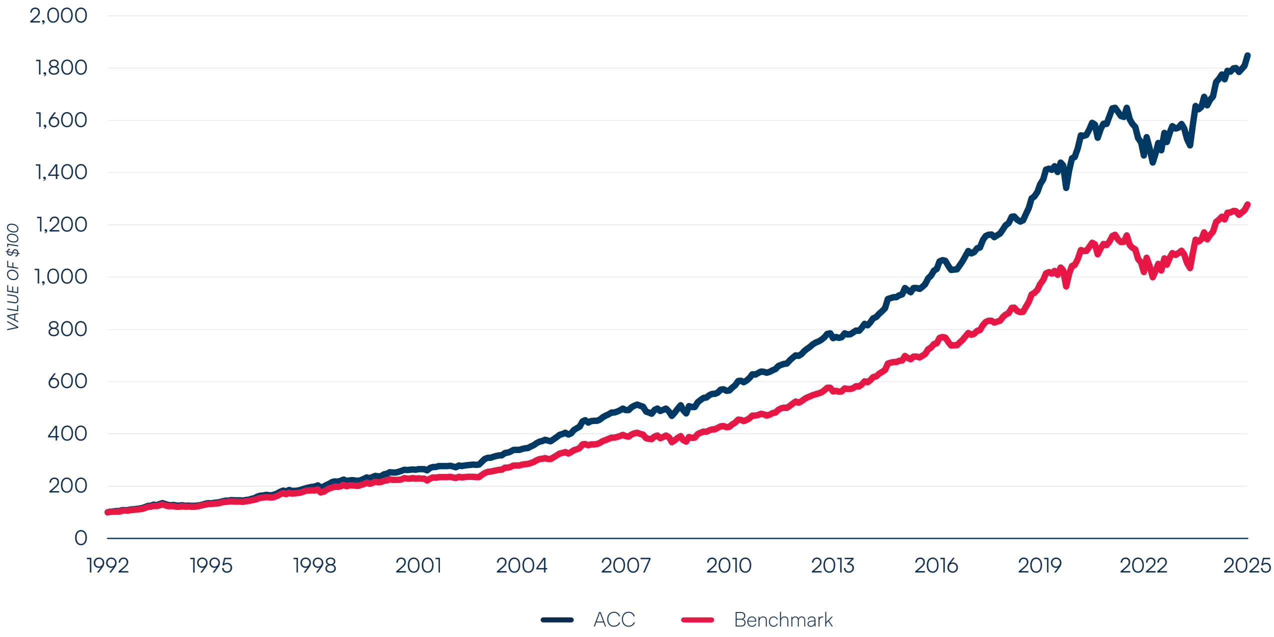


Figure 10: ACC 33-year New Zealand bond returns

The New Zealand bond portfolio has outperformed its benchmark in 31 of the past 33 years.

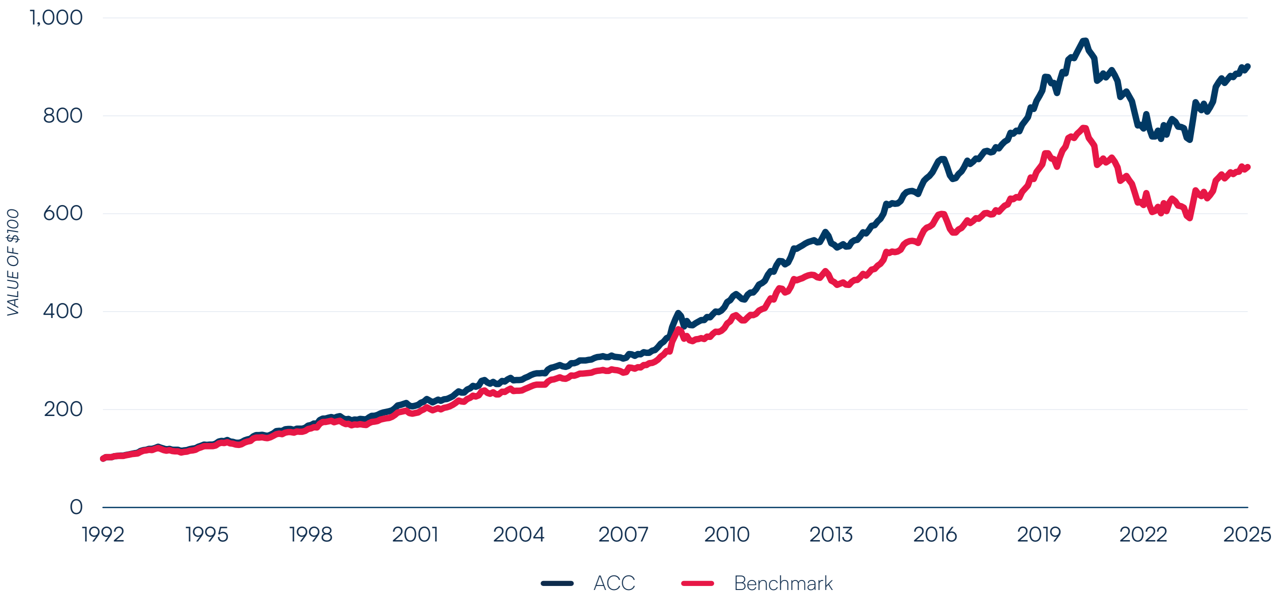


Figure 11: ACC 33-Year New Zealand equity returns

The New Zealand equity asset class has outperformed its benchmark in 25 of the past 33 years.

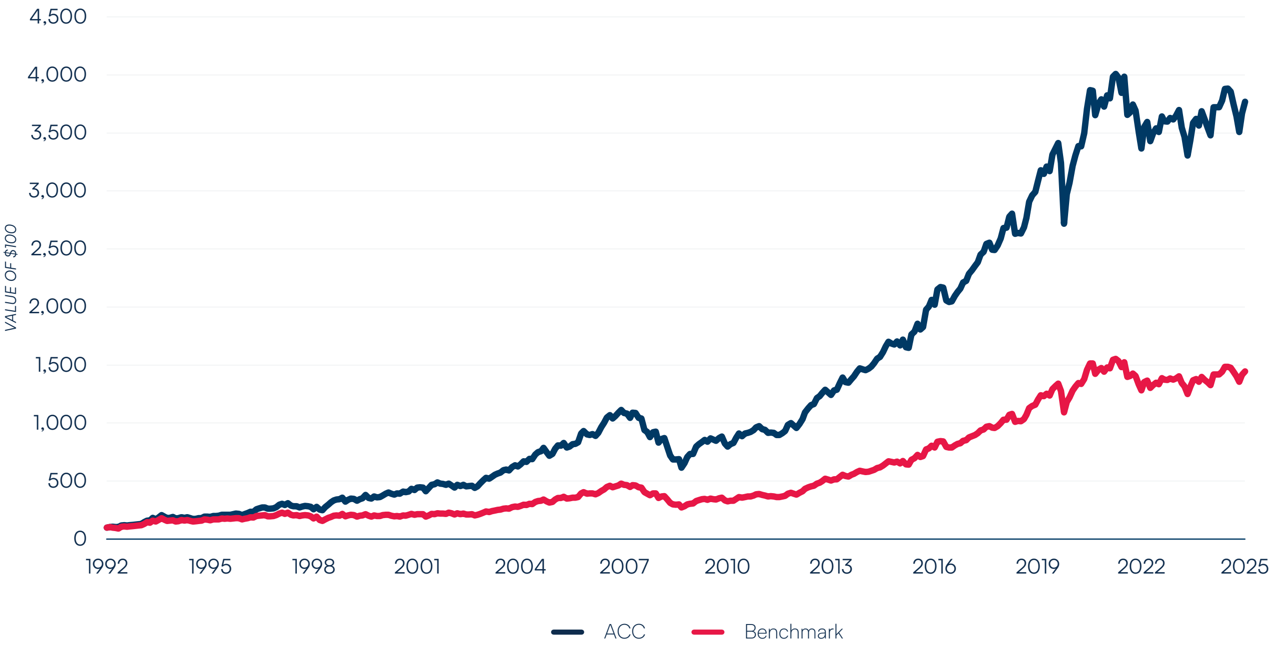


Figure 12: ACC 31-year 5-month global equity returns

The global equity asset class has outperformed its benchmark for 18 of the past 31 years.

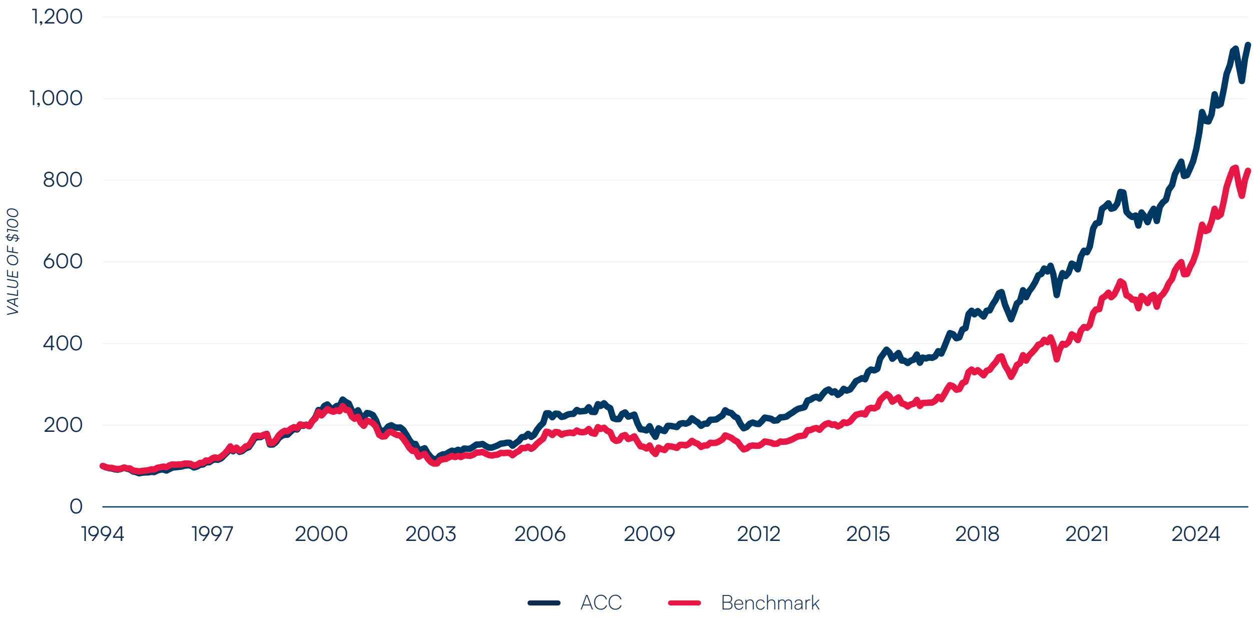
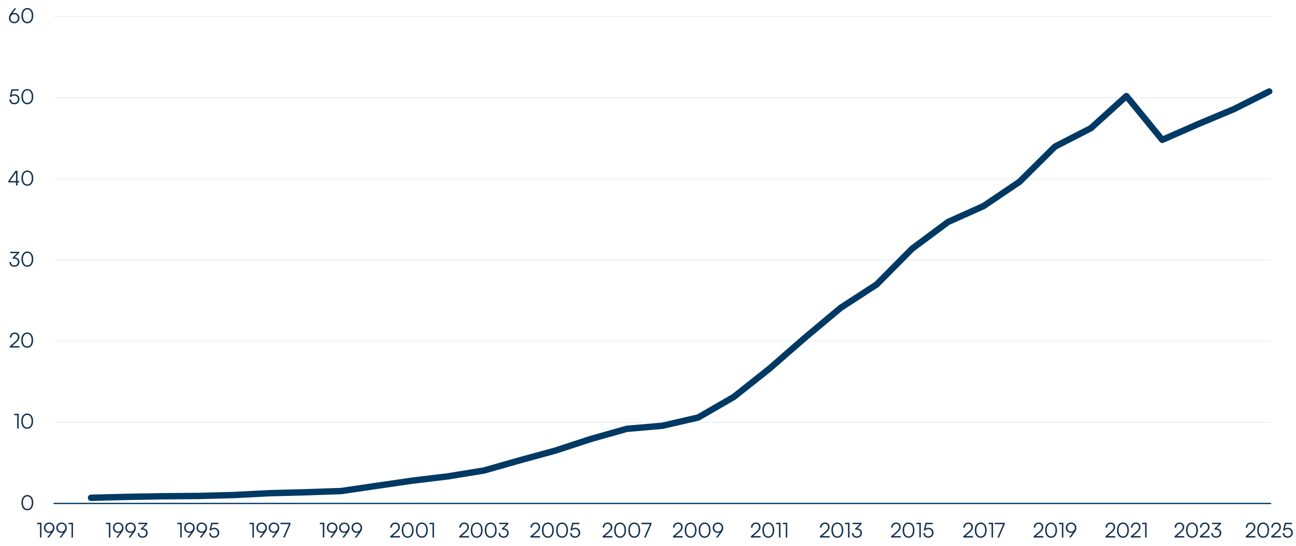


Figure 13: Value of ACC's Reserves Portfolio ($50.8 billion)

ACC's Reserves Portfolio has increased in value from $48.6 billion last year to $50.8 billion at the end of June 2025. The increase is the impact of strong positive investment returns which has been offset by withdrawals ($2,225 million) for operational cash-flow needs.



Note: For the purpose of this graph, traded investments and performance are valued at last sale price (or at valuation, in the case of unlisted investments)

Long-Run Expected Investments returns

Future investment returns

Based on historical returns, we expect future returns to average around half of what has been achieved historically (i.e., closer to 5% to 6% per annum rather than the 9.2% historically achieved). This is because interest rates are low relative to average levels of that historical period, and other investment assets such as equities are starting from high valuation levels.

The likelihood of negative returns

ACC has had only two instances of negative overall investment returns in the past 33 years. However, for the same reasons that we expect future investment returns to be lower than historically, the likelihood of negative returns has increased. Going forward, we expect a negative return about once in every five years.

The two primary factors that drive the risk of negative returns are:

- A rise in bond yields. However, ACC's overall financial position would improve as a result, as the claims liability would decrease by an even greater amount than the decline in investment returns.
- A general decline in foreign and domestic equity prices. Using current allocations for ACC as a whole, equity returns consistent with a -15% return for global equities (on a currency hedged basis), over a year would be far enough below our current expectations to offset the expected returns from other assets.

Appendix 2 – Glossary of terms

ACC Scheme

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

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 It is a dual-framed strategic goals and outcomes that acknowledges Te Tiriti partners

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.

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.

Serious injury claim

A claim where the injuries include moderate to severe traumatic brain injuries, spinal cord injuries and comparable injuries - this includes injuries that have comparable severity eg multiple amputations, brachial plexus avulsion, severe burns and complete blindness.

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).

Statement of Intent (SOI)

A statutory document that covers a 4-year period and outline our medium-term strategic intentions.

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.

Appendix 3 – 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.

Average weekly compensation days paid

The average number of weekly compensation days paid for all clients returning to work (exits) with fewer than 365 days paid. Presented as a 52-week rolling result.

Claim lodgement rate for Māori

The proportion of accepted claims for Māori compared to the Māori population of New Zealand (number of claims made per 1,000 of population). Presented as a rolling four-quarter result.

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 Claim 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 year-to-date result.

New year costs' movement

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 regulated 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_2-e) 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.

Sustained return-to-work rate

A survey measure to understand the percentage of clients in the Work Account who have returned to work and have remained at work. Presented as a rolling four-quarter result.

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

Te Kāwanatanga o Aotearoa
New Zealand Government