

Financial Condition Report 2025



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

This Financial Condition Report has been prepared by ACC's internal actuaries and issued by ACC's Chief Actuary.

In writing this report as at 30 June 2025, we have complied with the New Zealand Society of Actuaries' professional standards, including Professional Standard No. 31 — Non-Life Insurers — Financial Condition Report, appropriately adapted for ACC. In line with these standards, our objectives are to:

- present a view of the Accident Compensation Scheme (the Scheme) that is transparent and free from bias
- help others build a clear picture of the financial condition of the Scheme
- establish what is needed for ACC to ensure the financial condition can support a fair and sustainable Scheme for New Zealanders now and in the future.

We are satisfied that the data, methods, and assumptions used in this report are appropriate for the purpose of assessing the financial condition of the Scheme. We have used a level of materiality based on ACC's external audit procedures. This is determined at 0.8% of total assets (\$480 million).

Readers should note that owing to rounding, the sum of the components in some tables and charts may not exactly match the totals.



Nina Herries BSc (Hons) FNZSA FIA

Chief Actuary & Head of Actuarial Services

Date: 14 November 2025

Contents

1. Summary	Summarises the report and answers the question ‘what’s needed to ensure there is a fair and sustainable Scheme, now and in the future?’	5
2. Why financial condition matters	Talks about why we write this report each year and introduces some key concepts	12
3. Financial and actuarial results	Discusses how the Scheme’s financial condition has changed in the past year, as well as the trend over time	20
4. Future funding and sustainability	Discusses the future funding requirements and sustainability of each of the Scheme’s five Accounts	28
5. Claim performance	Discusses claim and rehabilitation performance at ACC and the effect it’s having on financial sustainability	40
6. Injury prevention	Discusses the performance of ACC’s injury prevention investment and the effect it’s having on financial sustainability	50
7. Future risks and opportunities	Discusses additional opportunities and risks to the financial condition of the Scheme	59
8. Recommendations	Provides our recommendations on what can be done to improve the Scheme’s financial condition	66
Glossary	Glossary of terms used in this report	75
Appendices	Additional information to supplement the main report that we need to cover to meet our professional standards	78

1.

Summary

1. Summary

We write this report to help make sure that ACC is here for future generations

New Zealanders need to feel confident that if they or their friends or family are injured, ACC will be there to support their wellbeing — not just today but into the future.

ACC's Chief Actuary issues a formal Financial Condition Report each year to assess the financial condition of the Accident Compensation Scheme (the Scheme). This report is required under the Accident Compensation Act 2001 and sets out the financial condition of the Scheme, how it's changed during the year, and the reasons for the changes. The report also includes forecasts on how the financial condition may change over time and identifies existing and future risks to the Scheme. No restrictions or limitations have been placed on the Chief Actuary in producing this report.

Where appropriate, we make recommendations for improving customer outcomes and ensuring a stronger financial condition in the future. Customer outcomes include claim rehabilitation performance, cost-effective injury prevention, and fair and affordable levies and appropriations. All of these contribute to the Scheme's financial condition. We make recommendations in areas where ACC can act, but not in areas outside of ACC's control (for example, legislative and Scheme policy settings). We try to avoid making recommendations that duplicate work already underway.

This report takes a long-term view. Currently, there are no risks to the Scheme's financial condition significant enough to affect ACC's ability to pay claims over the short-to-medium term. This is because ACC can use assets (collected to fund existing claims) for both existing and new claims (if it needs to), for a period of time.

However, there are underlying trends and drivers of those trends that, if left unaddressed, would likely result in the next generation having to pay significantly higher levies and taxes to ensure the Scheme remains sustainable. ACC is working to reduce some of the pressure on future funding requirements by improving long-term Scheme performance.

The scale, complexity, and long-term nature of the Scheme mean that it takes time to make changes and that decisions made today can have major implications for the future fairness and sustainability of the Scheme. Encouragingly, in areas ACC has been working to improve claim performance, there are signs this is starting to reverse the declining trends. Most of this year's decline arose in other areas.

Throughout this report, results are stated on a basis consistent with the two government funding policies for the Scheme — one for the levied Accounts¹ and one for the Non-Earners' Account. This means that in some cases figures differ from those in the 2025 financial statements, which are prepared on the required accounting basis. One of the main differences between these approaches is that the figures in the Financial Condition Report don't include a risk margin on the Outstanding Claims Liability (OCL). The OCL is an estimate of the money ACC will need to pay in the future to support clients who are currently injured. A reconciliation is provided in the report between the two approaches.

Unless stated otherwise, we write the report as at 30 June 2025 under the following assumptions:

- There are no changes to the legislation under which ACC operates.
- The government funding policies are followed for setting future levies and appropriations not yet approved.
- The performance trajectory that was evident when the OCL and funding requirements were estimated at 30 June 2025 will continue, with no allowance for improvements that haven't yet been observed.

Substantial changes to any of these factors could affect the future financial condition of the Scheme.

¹ ACC manages five Accounts — the Motor Vehicle, Work, Earners', Treatment Injury, and Non-Earners' Accounts. The funding and coverage of each Account is matched with where injuries occur and who is injured. The levied Accounts are Motor Vehicle, Work, Earners', and the portion of Treatment Injury covering earners' claims. The non-levied Accounts are the Non-Earners' and the portion of Treatment Injury covering non-earners' claims.

The Scheme's overall financial result in 2024/25 was better than expected, with economic movements offsetting much of the underwriting loss

In 2024/25, the Scheme's overall financial result was a net deficit of \$785 million as determined under the government funding policies. This was \$1,451 million better than the result expected, primarily because of favourable economic movements on both the OCL and investment income.

A higher-than-expected economic result offset the weaker-than-expected underwriting result² in all but the Earners' Account. Economic movements aren't within ACC's control and can't be relied upon to always be favourable.

We forecast that the Scheme will continue to return underwriting deficits in each of the next four years, with projected annual deficits of between \$2.0 billion and \$2.6 billion. We also forecast that economic movements won't provide a significant offset to the projected underwriting deficits. In total we expect the Scheme's overall funding position to reduce by between \$1.8 billion and \$2.1 billion in each of the next four years.

The OCL strain³ was \$1,209 million for 2024/25. This equates to a **2.2% increase in the total OCL** above the 6.3% increase that was forecast at 30 June 2024. The key drivers of this strain, discussed below, are the main reason for the weaker-than-expected underwriting result.

In 2024/25, declining claim performance resulted in \$0.7 billion of OCL strain

Over the past five years declining claim performance has resulted in \$5.7 billion of influenceable OCL strain. We classified this strain as influenceable as it occurred in areas ACC might be able to control or mitigate — at least to some degree.

Where ACC has taken action to improve rehabilitation outcomes, in weekly compensation rehabilitation rates and serious injury care hours,

there are signs this is starting to reverse the declining claim performance.

These areas have been major sources of OCL strain in previous years, but were largely stable or slightly improved over the past year.

The \$0.7 billion of influenceable OCL strain in the 2024/25 financial year was primarily driven by elective surgery volumes and higher costs of capital items. These areas have contributed more noticeably to the strain in 2024/25 compared to prior years.

There was also non-influenceable strain of \$0.5 billion. This was mostly due to rising average costs of weekly compensation for sensitive claims. This is likely linked to the Court of Appeal decision in December 2023 relating to claimants who obtain cover for a mental injury arising from sexual abuse (the TN court decision). The full effect of this decision remains uncertain.

Risks to the Scheme's financial condition are growing, with the gap between new year costs and income increasing for all Accounts

The Scheme's income for new claims in a given year is generated through levies and appropriations. ACC makes funding recommendations to the Government on the required amounts of levies and appropriations. These are determined individually for each of the five Scheme Accounts, in line with the government funding policies, by considering an Account's new year costs⁴ and its funding ratio⁵ compared to the funding target of 100%.

Declining claim performance in 2024/25 has increased estimated new year costs for all Accounts, putting further pressure on the Scheme's long-term sustainability.

Across all Accounts, the new year cost for 2025/26 is \$2,556 million more than we expect ACC to collect in levies and appropriations. This 'new year cost gap' has increased from the \$2,077 million we projected for 2025/26 in last year's report, primarily because of the increase in the new year costs.

² The underwriting result is the difference between income (levies and appropriations) received and the cost of claims incurred during a year (including expenses paid). It excludes economic movements such as investment income and costs, as well as the economic effects from interest rates and inflation.

³ Strain is an unexpected increase in the OCL because of the actual payments ACC is making to support clients being higher than expected.

⁴ New year costs are the estimated lifetime cost of injuries that occur in that year, including the costs of managing those claims, and allowing for expected investment returns.

⁵ Funding ratio is the ratio (%) of the Account's assets (mainly investments) relative to its liabilities (the OCL, with some elements excluded).

The funding ratios of the levied Accounts are projected to decline for some time, despite increases approved in the 2024 levy consultation

All levied Accounts, except for the Motor Vehicle Account, are projected to drop below the target funding ratio within the next 10 years and remain below target for a significant period. This projection assumes that levy increases at cap⁶ (in line with the government funding policies) up to 2035/36 are approved by the Government. It makes no allowance for further improving rehabilitation.

The largest projected reduction in funding ratio is for the levied portion of the Treatment Injury Account. Its funding ratio is projected to decrease to 23% by 2044/45 before it starts to recover. This is worse than last year, mostly because of an increase in the actual and forecast number of new treatment injury claims, causing the funding ratio to decline faster than expected.

When combined with the fully funded non-levied portion, the Treatment Injury Account funding ratio is projected to decrease to around 76% by 2043/44.

The Earners' Account funding ratio at June 2025 is below the funding target and has reduced from 91% last year to 83% this year. Because of the large new year cost gap, the Earners' Account is projected to decrease to 66% by 2031/32 and take 14 years to recover to 90%.

The non-levied Accounts have smaller new year cost gaps but are well below their funding target

At 30 June 2025, the Non-Earners' Account funding ratio remains below target at 53%. A large portion of the deficit is because of the TN court decision. Without the additional liability for incurred-but-not-reported (IBNR) claims driven by the TN decision, the Non-Earners' Account would be at 72%.

The funding ratio of the Non-Earners' Account is expected to decline for five years and then gradually improve. It isn't forecast to reach 90% until after 2049.

While the Account remains in deficit, the funding policy allows for appropriations to be higher than the new year costs to increase the funding ratio toward the funding target.

However, the recovery of the funding position is limited by the cap, which only allows increases of 7.5% per annum. This means future calculated appropriations are not projected to be higher than the new year costs until 2030/31.

We are forecasting that ACC will need to recommend further funding increases at cap for some time for all Accounts, based on current trends

Under current projections, levies and appropriations for all Accounts need to increase at cap for at least the next 10 years. If increases are approved at lower levels than the government funding policies recommend, and assuming costs don't reduce, then funding ratios will deteriorate faster than we are projecting, and it will be more difficult to achieve the funding targets in the long term. It will also mean that future increases need to be larger, or at cap for longer.

To reduce the new year cost gap and the burden on future levy payers and taxpayers, ACC can have the biggest effect through sustained improvements in claim performance

In administering the Accident Compensation Act 2001, ACC has a responsibility to do what it can within the bounds of current legislative parameters to reduce pressure on levy payers and taxpayers, while maintaining Scheme sustainability and fairness.

ACC has three core levers it can use to reduce upward pressure on levies and appropriations:

- Improving the effectiveness and efficiency of rehabilitation and other supports provided to better help people return to independence sooner. ACC has initiatives underway to target this.
- Investing and managing Scheme assets to generate a good return, and to partially match future claim costs.
- Investing in a balanced injury prevention portfolio to reduce the incidence and severity of injuries in the community.

⁶ The government funding policies cap the increase in levy rates and appropriations at 5% per year for levied Accounts (5% plus inflation for the Motor Vehicle Account) and 7.5% per year for the non-levied Accounts.

ACC can also continue efforts to manage its operating expenses. It's important that the management of operating expenses isn't pursued to the detriment of claim performance, which has a much greater effect on financial condition.

The first lever, improving claim performance, is expected to have the greatest effect by far on reducing funding requirements in the short-to-medium term. Therefore, this should continue to be ACC's primary area of focus for now. This, and the effect of injury prevention, are discussed further next.

ACC invests Scheme assets to generate returns above market benchmarks. In 2025, ACC's investment portfolio made a return of 9.10% after costs, which was 0.28% above the benchmark target. Historically, ACC's investments have outperformed benchmark in 6 of the last 10 years.

Significant risks exist within the Scheme that ACC must address, and there are also significant opportunities to improve sustainability

The June 2025 OCL valuation report highlights that Scheme payments are continuing to grow at an unsustainable rate, having more than doubled over the last decade. Several payment types pose material risks to the liability, including care payments for serious injury claims, weekly compensation rehabilitation rates, backdated weekly compensation for sensitive claims, elective surgery, and capital payments.

Some of these risks are already well understood with management responses in place, while others require further investigation. In particular, as part of our reframed recommendation on claim performance (see the end of this Summary) we recommend further analysis into the drivers of growth in residential care costs and capital payments.

In addition to these risks, there are also upside opportunities if recent adverse claim performance improves. For example, weekly compensation costs and elective surgery volumes could be lower than expected if rehabilitation rates strengthen or surgery demand returns to previous levels.

Injury prevention is not currently making a significant contribution to Scheme sustainability

Some injury prevention programmes are delivering tangible benefits, with an expected net gain of \$53 million in 2025/26 (0.6% of estimated new year costs). However, there continues to be a reliance on a few programmes to deliver benefits and some of ACC's current injury prevention investment is at risk of underperforming.

In 2024/25, ACC refreshed its injury prevention strategy, strengthening the governance and decision-making frameworks, and setting long-term targets. The refreshed strategy aims for a 5% reduction in new year costs in 2040, with an interim goal of a 1% new year cost reduction in 2030.

Right now, ACC needs a faster and more effective lever than injury prevention to improve the Scheme's financial condition. In line with prioritising claim rehabilitation improvements, ACC is scaling back new injury prevention investment and delaying full implementation of the updated injury prevention strategy. In our view this is appropriate.

Injury prevention remains a core function, with continued focus on proven programmes and future improvements. ACC is seeking to take a more targeted, evidence-based approach and make better use of internal resources, system partnerships, and advocacy.

ACC is resetting its enterprise strategy

ACC has taken significant action over the past year to address the challenges to the Scheme's long-term financial sustainability. In 2025 there has been notable improvement in rehabilitation outcomes, particularly for clients receiving long-term weekly compensation. However, to provide additional assurance that ACC is taking the right actions to improve operational performance and financial sustainability, the Minister for ACC commissioned an independent review.

The review recommended that ACC reset and simplify its strategic priorities to support a 'back to basics' approach with a stronger focus on its core business of claims management. ACC's new enterprise strategy will have a stronger focus on timely, lasting recovery and financial sustainability

ACC has developed an operational plan to turn around performance that sets out immediate actions to address declining rehabilitation performance

and growing financial pressures on the Scheme. The plan sets out actions up to 30 June 2026 and incorporates recommendations from the independent review. It focuses on faster recovery, getting clients back to work and independence, and improved financial sustainability.

Over the longer term, the strategy will focus on meeting in-year performance targets while making more significant change to secure long-term Scheme sustainability. Focus on both is required to ensure ACC sustains shorter-term performance improvements while building the capabilities required to deliver the more fundamental changes needed for long-term Scheme sustainability.

During a period of substantial change, care is needed to make sure broader risks to financial sustainability are managed

ACC is responding to multiple recommendations from the review discussed above, as well as two other reviews carried out during 2024/25. It also needs to manage to the performance targets set out in its Service Agreement. Alongside this, there are always other areas of Scheme performance that could pose risk to the financial condition of the Scheme. If measures and targets are not set carefully, they could drive focus towards a narrow set of objectives, at the expense of other areas with a major effect on Scheme sustainability. Care needs to be taken with setting measures and targets to ensure that key risks and opportunities are captured, and to assist with any prioritisation that might become necessary around improving claim performance.

While the current prioritisation of financial sustainability is essential, the credibility and therefore sustainability of the Scheme depends on fair access to entitlements and ensuring every eligible person receives the right level of support. Under-servicing can delay recovery and increase long-term costs, while over-servicing creates undue financial pressure and inequities. Achieving this balance requires consistent application of legislation, sound clinical and financial judgement, and strong frontline capability supported by clear guidance.

ACC's performance is influenced by a wider health system and is affected if that system isn't operating effectively

ACC's ability to deliver timely rehabilitation outcomes depends heavily on the capacity and responsiveness of the broader health sector. The interdependence between ACC and the health system means that even the most efficient claims management processes cannot fully offset system bottlenecks. ACC should also consider whether it may be contributing to these issues through providing services above requirements.

We are resetting our recommendations on how ACC can improve the Scheme's financial condition

There were four open recommendations in the *Financial Condition Report 2024* on opportunities to improve the financial condition of the Scheme. These recommendations have been in place in various forms for a number of years, and ACC has made continuing progress on addressing them.

With the reset of ACC's enterprise strategy and the work that has already been done to improve claim performance, we believe these recommendations no longer align with the direction in which ACC is now moving. As a result, we are closing three of the recommendations, reframing one, and making one new recommendation to support the work ACC is doing to improve rehabilitation performance. We are:

- Closing the 2024 recommendations relating to injury prevention, Māori access, outcomes, and experience, and sensitive claims.
- Reframing the recommendation focusing on claims with greatest long-term effect on the OCL and new year costs.
- Making one new recommendation around the quality of decision-making.

Our recommendations for the Financial Condition Report 2025 are:

Claim performance — data and evidence for monitoring and managing Scheme financial sustainability

We recommend that, in ACC's efforts to improve claim performance and financial sustainability,

it considers how the following data, analysis, or evidence could be obtained or strengthened. This will enable adequate monitoring of claim performance, identify emerging issues, and inform management responses where necessary.

1. **Residential care costs for serious injury claims** — conduct detailed analysis of the drivers of the increase in these payments, separately for serious injury and non-serious injury claims. To assist with this a distinction should be made between claims in receipt of long-term residential care, respite or interim care and a split of data between the number of days of residential care and the rate per day.
2. **Sensitive claims** — introduce a monitoring process that measures the duration of claims accessing sensitive claims services including how often repeat packages are given to clients. This will enable a comparison of outcomes with those before the introduction of the new Sensitive Claims Service.
3. **TN court decision** — ACC should consider how it could clearly identify which payments would not have been made, or which entitlements would have been different, prior to the court decision. As part of this, capturing data such as the date of first harm and date mental injury suffered for sensitive claims, where possible, would support more accurate estimation of the IBNR provision.
4. **Capital** — analyse the drivers of the increase in demand and average costs for capital items for both serious and non-serious injuries, particularly for existing accidents.
5. **Weekly compensation new claim volumes** — understand the drivers of the increase in the proportion of claims that receive weekly compensation over the past decade. This will likely require an in-depth analysis of medical certification practices because existing data analysis suggests that the increase is not explained by a change in the profile of accidents.
6. **Public Health Acute Services (PHAS)⁷ and ambulance** — analyse historical claim volumes, and costs per claim, of patients accessing these bulk-funded services relative to non-ACC-funded patients. This should help evaluate whether the current amounts paid are appropriate, and enable better forecasting.

7. **Identified population data** — obtain reliable data on ethnicity and other indicators of identified populations. This will enable identification of unfair or avoidable differences in injury risk and Scheme access, outcomes, and experience, and assist with evidencing any improvements.

Quality of decision-making — benchmarks, measures and targets for decisions on cover and entitlements

ACC's plan to turn around performance has a strong focus on improving rehabilitation outcomes and the financial sustainability of the Scheme. We recommend that as part of its plan, ACC should also consider what measures and targets are in place, or need to be introduced, to demonstrate that decision-making on cover and entitlements is of appropriate quality.

These measures and targets should include assessment of the clinical soundness of decisions and compliance with governing legislation and associated regulations. They should also be designed with reference to historical trends and external benchmarks to provide meaningful context and assurance.

⁷ Accidental injury costs from acute inpatient, emergency department and outpatient care, pharmaceuticals, care for complex burns, and laboratory services.

2.

Why financial condition matters

2. Why financial condition matters

About this section

- This section talks about why we write this report each year.
- We introduce the concepts of Scheme sustainability and Scheme fairness.
- We also include an explanation of some key actuarial concepts, which will help non-specialist readers better understand this report.
- We've supplemented this section with a *Glossary* of key terms, which can be found on *page 75*.

Key messages

1. ACC is here for all New Zealanders.
2. We want to make sure the Scheme is here for the next generation and they're not paying for today's injuries.
3. Better client injury outcomes support improving the financial condition of the Scheme.
4. This report needs to comply with some professional requirements, but we've tried to limit jargon and to keep things as simple as possible.
5. There are some key concepts that will help to understand what this report is saying about Scheme financial condition and sustainability.

Key concepts

Scheme sustainability | Scheme fairness | Financial condition | Accounts | New year costs | Funding ratio | Outstanding Claims Liability (OCL)

ACC is here for all New Zealanders

ACC provides no-fault personal injury cover to all New Zealanders and overseas visitors. It exists to prevent injuries and to rehabilitate and compensate injured people. Around one-third of New Zealanders are injured every year and make claims to ACC. For some the support needed is short term. For others, the support extends over a long period.

New Zealanders need to feel confident that if they or their friends or whānau are injured, ACC will be there to support them — not just today but into the future. As funders of the Scheme, levy payers and taxpayers must share this confidence. They need to know how their money is being used and what funds may be needed in the future to sustain the services under the Scheme. Ministers and the ACC Board, in their governance roles, also need this understanding and assurance.

We want to make sure the Scheme is here for future generations and they're not paying for the costs of today's injuries

ACC's Chief Actuary issues a formal Financial Condition Report each year to assess the Scheme's financial condition. Financial condition refers to the financial health of the parts of the Scheme that are relevant to ACC's ability to fulfil its core role — preventing injury, and rehabilitating and compensating people after injury. This report is required under the Accident Compensation Act 2001 and no restrictions or limitations have been placed on the Chief Actuary in producing this report.

The report sets out the financial condition of the Scheme, highlighting significant trends over the past three (or more) years. It explains how the financial condition has changed during the year, and the reasons for the changes. The report also includes forecasts on how key aspects of financial condition may change over time and identifies existing and future risks to the Scheme. Where appropriate, we make recommendations for improving customer outcomes and ensuring a stronger financial condition in the future. Customer outcomes include claim rehabilitation performance, cost-effective injury prevention, and fair and affordable levies and appropriations. All of these contribute to the Scheme's financial condition. We make recommendations in areas where ACC can act but not in areas outside ACC's control (for example, legislative and Scheme policy settings).

We write the Financial Condition Report each year to help make sure the Scheme stays sustainable and fair:

- By sustainable, we mean a Scheme that fulfils its purpose, withstands shocks, and is here for future generations.
- By fair, we mean a Scheme with equity of needs-based access, outcomes, and experience, but that's also fair to future generations. We can make sure the Scheme is fair to future generations by funding it in a way that means that future generations don't have to pay for the costs of today's injuries.

Currently, there are no risks to the Scheme's financial condition significant enough to affect ACC's ability to pay claims over the short-to-medium term. However, there are underlying trends and drivers of those trends that, if left unaddressed, are likely to result in the next generation having to pay significantly higher levies and taxes to ensure the Scheme remains sustainable. See Section 4 '*Future funding and sustainability*' for further information.

Better client injury outcomes support improving the financial condition of the Scheme.

This report needs to comply with some professional requirements, but we've tried to limit jargon and to keep things as simple as possible

In writing this report as at 30 June 2025, we've complied with the New Zealand Society of Actuaries' professional standards, appropriately adapted for ACC. In line with these standards, our objective is to present a view of the Scheme that's transparent and free from bias. That's important in helping others to build a clear picture of the financial condition of the Scheme. It's also important in establishing what's needed to ensure the financial condition can support a fair and sustainable Scheme for New Zealanders now and in the future.

We recognise that some of the content of this report is technical and complex so have done our best to reduce jargon and use plain language. There are occasions, though, where we need to present information or use language in certain ways to comply with professional standards.

There are some key concepts that it's helpful to understand

To understand what this report says about the Scheme's financial condition, it's helpful to understand some key concepts about:

- how the Scheme is structured and funded
- how we measure Scheme sustainability and fairness
- how we keep track of the money needed to cover the costs of all the injuries that have already happened (the OCL).

How the Scheme is structured and funded

ACC manages five Accounts, each funded differently. Combined, these Accounts fund the costs for every claim that ACC pays. The funding of each Account is matched with where injuries occur and who is injured.

Each Account is funded by a levy, Parliament appropriations (funding from taxpayers paid by the Government), or a mixture of both.

Some of the funding ACC collects is used to rehabilitate and compensate injured people in the year it is collected. Most of the funding collected, however, is invested to support future rehabilitation and compensation for people with long-term injuries. These funds are invested to earn returns that help reduce the total funding required each year.

To best understand the financial condition of the Scheme, it's necessary to look at each Account individually, rather than looking at all the Accounts collectively. One of the reasons for this is Accounts can't be 'cross-subsidised', which means funds from one Account can't be transferred to another. This also means that any surplus funds collected for one Account must be returned to levy payers or taxpayers in the form of a reduction in future levies or appropriations for that same Account.

Account	What it covers	How it's funded
Motor Vehicle	Any injury involving a motor vehicle on a public road.	A vehicle licensing charge, plus a levy on petrol (not diesel or other fuels or energy sources).
Work	Any injuries (excluding most motor vehicle injuries) that happen at the workplace or are work related. Injury type and risk level are heavily dependent on industry.	A levy charged to employers as a percentage of payroll and to the self-employed as a percentage of taxable earnings.
Earners'	Any injuries to earners that happen during everyday (non-work and non-motor-vehicle-related) activities.	A levy charged to employees as a percentage of salary, collected through PAYE tax, and the self-employed as a percentage of taxable earnings.
Treatment Injury	Any personal injuries caused by undergoing treatment by a Registered Health Professional, where the injuries aren't an ordinary consequence of the treatment.	A mix of Parliament appropriations and levies from employees and the self-employed.
Non-Earners'	Any injuries that happen to people in New Zealand who aren't earning income and don't involve a motor vehicle or treatment injury.	Parliament appropriations.

How we measure financial sustainability and fairness

We assess the financial sustainability and fairness of each Account by looking at two key measures — ‘funding ratio’, and ‘new year costs’:

- The ‘funding ratio’ for each Account relates to claims that have already happened at a given date, and is the ratio (%) of the Account’s assets (mainly investments) relative to its liabilities (the OCL, with some elements excluded). It’s a legislative requirement for the levied Accounts⁸ to be ‘fully funded’ (that is, to have a funding ratio of 100%). The government funding policy for the Non-Earners’ Account and non-levied portion of the Treatment Injury Account also states that post-2001 claims should be fully funded. If Accounts are below 100% for too long, it can be difficult to get them back to target, and Scheme fairness and sustainability are threatened. It’s also not optimal to be too far above 100% for too long, as this means ACC is holding on to more taxpayer or levy-payer money than it needs.
- ‘New year costs’ are the estimated lifetime costs of new claims for injuries occurring in a year, including all the costs associated with managing those claims, and allowing for expected investment returns. The new year cost gap is the difference between new year costs and the income received from levies or appropriations.

In theory, levies and appropriations should be set at a level that matches the cost of new injuries each year (so that there’s no new year cost gap). If levies and appropriations are set too far below new year costs, then assets can be consumed faster than expected and the funding ratio of an Account will deteriorate. If levies and appropriations are set too far above new year costs, then ACC is overcharging levy payers and taxpayers.

In reality, there are situations in which there should be a new year cost gap. If an Account is overfunded (meaning its funding ratio is above 100%), then a new year cost gap (where levies and appropriations are below new year costs) will help bring the Account’s funding ratio down towards the target of 100%.

Similarly, if an Account is below the target funding ratio, then it will be necessary to collect levies and appropriations above new year costs. This will increase the funding ratio of an Account back towards the target of 100%.

We talk more about funding ratios and new year costs in Section 3 ‘*Financial and actuarial results*’, and Section 4 ‘*Future funding and sustainability*’.

One key aspect of fairness that this report considers is intergenerational funding. The Scheme is designed so that each cohort of people who can access the Scheme is funding the lifetime costs of that cohort’s injuries. The same measures described above for sustainability are relevant here. The financial position of each Account shows how much funding has been collected from previous levy payers or taxpayers to fund their claims. The new year cost gap can show us how much we are under or over collecting to fund each new year of claims.

The separation of Accounts provides another way to enable fairness between different groups of people, by preventing cross-subsidisation between Accounts.

Fairness can also be assessed by looking at equity of needs-based access, outcomes, and experience for different population groups. For example, there could be a financial risk if certain population groups are facing access barriers — as we can’t assess funding requirements for things we can’t see — or if the Scheme is not delivering equitable rehabilitation outcomes for different groups. This then could put strain on the Scheme in a future period when these issues get addressed (as they should be). Over- or under-servicing people who are injured is both a financial and a fairness issue.

In 2023, an amendment to the Accident Compensation Act 2001 introduced a new requirement for ACC to report annually on levels of access to the Scheme by Māori and other identified population groups. ACC’s first Access Report was published in March 2025, providing foundational evidence about barriers to accessing the health and social system of which ACC is a part, as well as to the Scheme itself.

This first report found that there are disparities in access to the health system, and in turn to ACC, for Māori, Pacific people, Asian people, and disabled people. The report also identified deficiencies in the data available, and documents the intended approach to improve this data for future reporting.

⁸ The levied Accounts are Motor Vehicle, Work, Earners’, and the portion of Treatment Injury covering earners’ claims. The non-levied Accounts are the Non-Earners’ and the portion of Treatment Injury covering non-earners’ claims.

ACC's commitment to equity is reflected in its focus on needs-based access, services, and outcomes for identified populations, supported by regular Scheme Access reporting.

Together, these measures help the Scheme to uphold fairness not only in financial sustainability, but also in the accessibility and quality of support provided to diverse communities.

A simplified model of the OCL calculation is:⁹



When the OCL increases because ACC needs to pay more than expected to support clients, it's called OCL strain.

When the OCL decreases, because ACC needs to pay less than expected to support clients, it's called OCL release.

We classify OCL strain and release as either:

- non-influenceable, which ACC can't control
- influenceable, which occurs in areas where ACC might be able to mitigate the effect — at least to some degree.

The Outstanding Claims Liability (OCL)

The OCL is the amount of money we believe that ACC will need to pay in the future to support clients who are currently injured. The money will be paid over the time they progress through their recovery (for example, on medical expenses and weekly compensation).

Long-term injuries have the greatest effect on the OCL

Long-term and serious injuries have the greatest effect on the OCL. The long-term consequences of some injuries are one of the reasons that it's important for us to make forecasts about the future financial condition of the Scheme. This is because we need to make sure the Scheme can continue to provide the support that people need far into the future.

⁹ The calculation of the OCL is reduced by an allowance for returns to be earned on funds held before the money is paid out.

On 20 May 2025 two accidents occur

Joe falls off his bike and injures his knee and wrist

- Joe goes to his GP, who certifies him as off work for eight weeks, and refers him to his physio for the same period.
- By 30 June 2025, he's about two weeks away from returning to work.
- The OCL for Joe as at 30 June 2025 will be the cost of weekly compensation for those two weeks, plus his last two physio appointments, plus any other services he needs from ACC for that last couple of weeks.

The OCL for a claim like this would be in the low thousands, and by June 2026 we'd be expecting the OCL for this claim to be zero, as by then Joe will be back at work and fully recovered.

Jane has a much more serious crash and is taken to hospital

- Jane sustains a high-level spinal cord injury and will likely require support throughout her lifetime. Because of the level of injury, Jane is unlikely to return to her pre-injury job, and alternative employment options are limited. She will need in-home care and supporting equipment to regain as much independence as possible
- By 30 June 2025, Jane's injury has been classified as a serious injury.
- The OCL for Jane will include weekly compensation until she turns 65, the cost of care hours and capital equipment for the rest of her life, plus any other ACC services she's likely to need.

The OCL for a claim like this could be many millions of dollars. This claim is likely to be included in the OCL for the rest of Jane's life. Each year we'd re-estimate what's left to pay to provide the services Jane needs, looking forward from the new balance date.

The OCL is closely tied to client outcomes

Generally, if ACC improves client outcomes (for example, by helping people return to independence sooner through improved rehabilitation performance), then the OCL also improves.

The OCL is an important concept that's discussed throughout this report. It's easy to think that OCL release is always a good thing and OCL strain, particularly influenceable strain, is always a bad thing. However, the truth is more nuanced. OCL performance always needs to be considered in a broader context. Where the OCL is increasing because of unjustifiable growth in costs, ACC should act to mitigate this. But there are times when influenceable OCL strain can be considered positive (for example, when it's the result of a deliberate choice to reduce access barriers to Scheme entitlements). We discuss this more in Section 5 '*Claim performance*'.

There's inherent uncertainty in some of our predictions

Much of the content in this report is based on predictive modelling. This modelling requires us to make a lot of assumptions about the future. As time goes on, we need to update these assumptions to better reflect what's happened in the past, and what we think might happen in the future. This can result in changes to the predictions we make about funding ratios, new year costs, and the OCL. While no-one can predict the future with 100% certainty, we take great care to ensure our predictions are as accurate as possible, and are regularly updated.

The results and numbers presented in this report sometimes differ from those in ACC's financial statements in the 2025 Annual Report

This is because the Financial Condition Report is prepared in a way that aligns with the government funding policies for the Scheme, while the financial statements in the Annual Report are prepared in a way that aligns with the Public Benefit Entity International Financial Reporting Standards (PBE IFRS 4 *Insurance Contracts*).

One of the biggest differences between these approaches is that the figures in the Financial Condition Report don't include a risk margin on the OCL, which is required under New Zealand accounting standards. This is a margin added to the OCL that ensures it will be sufficient to meet claim payments 75% of the time.

Additional differences include the treatment of the Accredited Employers Programme (AEP) and work-related gradual process claims. Further detail and reconciliations can be found in Section 3 '*Financial and actuarial results*', along with Appendix B '*Financial and actuarial results detail*' and Appendix F '*Claim performance detail*'.

More technical information is available in the appendices

This report is supplemented by appendices that include more detailed technical information.

There are seven appendices:

- **Appendix A — Additional background information** provides some additional background information that we need to cover to meet our professional standards.
- **Appendix B — Financial and actuarial results detail** provides more detail to supplement the discussion in Section 3 '*Financial and actuarial results*'. It also includes a reconciliation of the financial results presented in the Financial Condition Report to those presented in the Annual Report.
- **Appendix C — Valuation of the Outstanding Claims Liability** discusses how the OCL was valued for the year ending 30 June 2025.
- **Appendix D — Funding detail** supplements the discussion in Section 4 '*Future funding and sustainability*'.
- **Appendix E — Management of investments** discusses the performance of ACC's investment portfolio and how this is managed and governed.
- **Appendix F — Claim performance detail** supplements the discussion in Section 5 '*Claim performance*' on the claim and rehabilitation performance at ACC and the effect it's having on financial sustainability.
- **Appendix G — Risk management** outlines the risks ACC faces and the associated risk frameworks it uses to achieve its objectives.



3.

Financial and actuarial results

3. Financial and actuarial results

About this section

- This section discusses how the Scheme's financial condition has changed in the past year, as well as the trend over time.
- It does this by looking at the financial effect on the Scheme of:
 - Scheme management activities excluding economic effects (the underwriting result), and
 - changes in economic variables and investment performance (the economic result).
- This section includes projections of how we think the Scheme's funding position may change over the next four years.
- A breakdown of changes in the OCL is also included.

Key messages

1. The Scheme's funding position is stronger than expected from last year. Economic movements offset much of the weaker-than-expected underwriting result.
2. Key drivers of the 2024/25 OCL strain of \$1,209 million are the main reason for the weaker-than-expected underwriting result. We have classified more than half of this strain as influenceable.
3. Encouragingly, in areas ACC has been working on to improve claim performance, the OCL results were small strains or releases. Most of this year's larger influenceable strains arose in other areas.
4. Economic results won't always offset underwriting results. If an unfavourable economic result coincides with a weak underwriting result, then the Scheme's financial condition will deteriorate faster.
5. We expect underwriting deficits to continue for at least the next four years. This is partly to reduce the funding surplus in some Accounts.
6. A new accounting standard for insurance contracts is set to replace the existing standard from next year.

Key concepts

Funding ratio | OCL | Underwriting result | Economic result | New year costs

We use the overall funding position and the funding ratios of each of the five Accounts to assess the financial condition of the Scheme

As discussed in Section 2 '*Why financial condition matters*', the funding ratios of the five Accounts are a key indicator of the financial condition of the Scheme. This is because funding ratios show the amount of assets each Account has available to pay for existing claims (the OCL).

The target funding ratio for each Account is 100%.¹⁰ This means ACC aims to hold assets equal to the OCL, excluding the risk margin and with some other adjustments. When funding ratios are close to the target of 100%, we can be more confident that the Scheme is sustainable and fair.

Each year as at 30 June, we calculate how the funding ratio has changed for each of the five Accounts. If total income received during the year is greater than the total costs incurred, then the assets of the Account will increase relative to its liabilities (the OCL). This represents an improvement to the Account's funding ratio. If, however, costs exceed income, then the funding ratio declines.

The income and costs are split into two key components:

- 'Underwriting result' — the movement in funding position¹¹ arising from the difference between income (levies and appropriations) received and the cost of claims incurred during a year (including expenses paid). It excludes investment income and costs, as well as the economic effects of interest rates and inflation.
- 'Economic result' — the movement in funding position arising from changes to economic variables (such as interest rates, inflation, and investment income). Economic movements can result in large changes to the Scheme's funding ratio and be favourable to the Scheme even if the wider economic climate is less favourable (or vice versa).

Throughout this report, results are stated on a basis consistent with the government funding policies for the Scheme (described in Appendix A '*Additional background information*'). This means that, in some cases, figures differ from those in the 2025 financial statements, which are prepared on the required accounting basis. A reconciliation is shown in Appendix B '*Financial and actuarial results detail*' with adjustments to:

- exclude AEP income, costs, and OCL
- exclude the OCL risk margin
- exclude the unexpired risk liability
- include work-related gradual process incurred-but-not-reported claims.

The Scheme's overall funding position for the year was better than expected with economic movements offsetting much of the underwriting loss

Table 1 shows the 2024/25 underwriting and economic results for the Scheme in total compared to the expected 2024/25 underwriting and economic results as at 30 June 2024. To understand the effect of this on financial condition, we need to look at each Account separately, which we do below.

¹⁰ The exception to the 100% funding ratio target is pre-2001 claims in both the Non-Earners' Account and the non-levied portion of the Treatment Injury Account. These claims are funded under a pay as you go (PAYG) approach. This means no additional funding needs to be held at the end of the year, so the funding targets for these claims are effectively 0%.

¹¹ Funding position is a different way of expressing funding ratio, being the dollar amount of assets held less the liabilities, rather than the percentage of assets over liabilities. If the funding position increases/decreases relative to the size (assets) of the Account, then the funding ratio will also increase/decrease and vice versa.

Table 1: 2024/25 underwriting and economic results

\$M	Actual	Expected	Difference
<i>Income</i>			
Total levies and appropriations	6,526	6,798	(272)
<i>Less expenditure</i>			
Cash claim costs	8,714	8,277	437
Change in OCL	2,100	943	1,157
Expenses	156	171	(15)
Total expenditure	10,970	9,391	1,579
Underwriting result	(4,444)	(2,593)	(1,851)
<i>Plus economic</i>			
Change in discount and inflation rate assumptions	1,847	0	1,847
Unwind of risk-free interest rate ¹²	(2,499)	(2,500)	2
Net investment income	4,311	2,858	1,453
Economic result	3,659	358	3,302
Total movement in funding position	(785)	(2,236)	1,451

At 30 June 2024, we expected a \$2,236 million decrease in the Scheme's overall funding position in the year to June 2025. The actual funding position reduced \$785 million, \$1,451 million better than expected. Economic effects on both the OCL and investment income are the main components of this better-than-expected movement in funding position.

The total OCL movement in 2024/25 was \$2,752 million, being \$692 million lower than expected. This is the combination of the 'change in OCL' less the 'change in discount and inflation rate assumptions', plus the 'unwind of risk-free interest rate'¹² shown in Table 1. The key movements in the OCL in the last financial year were:

- OCL strain increased the liability by \$1,209 million more than expected. We have classified \$716 million of this strain as influenceable, coming from areas where ACC action could, at least partially, improve outcomes for injured people. In areas where ACC has been working to improve claim performance, the OCL results were small strains or releases. Most of this year's larger influenceable strains arose in other areas. Further detail is in Section 5 '*Claim performance*'.

- Model recalibration decreased the OCL by \$52 million more than expected. This was because of a refinement in the OCL models to provide more detailed projections for serious injury and sensitive claims. Further detail is provided in Section 5 '*Claim performance*'.
- Higher risk-free interest rates, partially offset by higher inflation rates, resulted in a net reduction to the OCL of \$1,847 million more than expected.

Net investment income was one of the largest positive contributors to the funding position over the year, at \$1,453 million higher than expected. Around half of the asset classes outperformed their benchmarks, with private markets, global bonds, and New Zealand long bonds delivering the highest relative returns. Further detail on investment performance over the year is provided in Appendix E '*Management of investments*'.

Declining claim performance in some areas also meant that higher-than-expected cash claim costs added another \$437 million to the underwriting deficit.

¹² The unwind of risk-free interest rate is the economic expense created as existing claims move one year closer to the date of expected payment, reducing the number of years over which discounting takes place.

All Accounts except for the Earners' Account reported better-than-expected funding ratios

Table 2 shows the opening funding ratios by Account as at 30 June 2024, the expected change in the ratios during 2024/25, and the effect this year's underwriting and economic results had on the final ratios as at 30 June 2025. We show the funding ratio of the entire Accounts here, and also the fully funded¹³ portions of the non-levied Accounts. For the non-levied Accounts we are only concerned with the fully funded portions for funding purposes, as discussed in Section 4 'Future funding and sustainability'.

Table 2: Movement in funding ratio by Account

	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Treatment Injury — levied portion	Treatment Injury — non-levied fully funded portion	Non-Earners' Account	Non-Earners' Account — fully funded portion
Opening funding ratio as at 30 June 2024	128%	131%	91%	82%	122%	85%	40%	53%
Effect of expected underwriting result	(5%)	(8%)	(7%)	(2%)	(8%)	(2%)	(1%)	(2%)
Effect of expected economic result	1%	2%	1%	1%	2%	1%	1%	1%
Expected funding ratio as at 30 June 2025	124%	126%	85%	80%	115%	85%	40%	52%
Difference between actual and expected underwriting result	(0%)	(1%)	(5%)	(3%)	(9%)	(3%)	(3%)	(4%)
Difference between actual and expected economic result	9%	6%	3%	5%	3%	9%	4%	6%
Actual funding ratio as at 30 June 2025	133%	131%	83%	83%	110%	90%	41%	53%

Table 3 summarises the effects of OCL strain and release across each Account. Each year we categorise changes in OCL as either influenceable or non-influenceable. When the change in liability occurs in areas over which ACC might have at least partial control, we categorise the movement as influenceable. If the change in liability is fully beyond the control of ACC, the movement is categorised as non-influenceable.

Table 3: OCL strain/release by Account

\$M	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account	Total 2024/25
Influenceable OCL strain/(release)	32	(43)	374	256	98	716
Non-influenceable OCL strain/(release)	(20)	1	201	(14)	325	493
Total OCL strain/(release) as at 30 June 2025	11	(42)	574	242	423	1,209

¹³ In the Non-Earners' Account and non-levied portion of the Treatment Injury Account, claims for injuries that occurred before 1 July 2001 are funded on a PAYG basis, whereas claims made from 1 July 2001 are fully funded.

The influenceable OCL strain of \$716 million was mainly driven by weaker-than-expected claim performance across all Accounts except the Work Account. The Earners' Account had high influenceable strain, largely driven by an increase in the number of elective surgeries being performed. This contributed to a decline in the Earners' Account funding ratio relative to that expected. For the Treatment Injury Account, the \$256 million influenceable OCL strain was mainly driven by increased social rehabilitation payments for seriously injured clients, particularly in non-contracted care and other care services.

The non-influenceable OCL strain of \$493 million was mainly driven by increases made to the liability for sensitive claims in the Earners' and Non-Earners' Accounts. This included an increase of \$470 million arising from higher-than-expected numbers of sensitive claims starting to receive payments for loss of potential earnings, and high volumes of backdated weekly compensation payments for sensitive claims. Both are likely to be linked to the Court of Appeal decision in December 2023 relating to claimants who obtain cover for a mental injury arising from sexual abuse (the TN court decision). There was also an increase of \$33 million in the additional liability required to be held in relation to the TN court decision (excluding the economic component) for sensitive claims not yet reported, including the addition of claims handling expenses.

More detailed analysis on influenceable strain and claim performance can be found in Section 5 '*Claim performance*'.

The funding ratio for the Work Account is affected by the Accredited Employers Programme

The funding ratio for the Work Account is also affected by the Accredited Employers Programme (AEP), which is an optional product for eligible employers. About 70% of employers who join the AEP choose the Full Self Cover (FSC) option. Unlike the standard Work levy, the levy for this option doesn't include a built-in way to balance out any over- or under-funding from previous levy periods. As a result, any surplus or deficit from the programme affects the funding requirements for all other employers not in the FSC.

This year we've reviewed how these FSC contracts performed from 2001 to 2020. Overall, the effect has been close to even, but every year since 2011 has shown deficits. If this pattern continues, the product will move into deficit, and the rest of the Work Account will be cross-subsidising it. We will consider this when next pricing the FSC product. For more detail see Appendix B '*Financial and actuarial results detail*'.

Economic movements have been favourable to the Scheme over the past five years, but can't be relied on to offset declining claim performance in future

Over the past five years, the Scheme has recorded underwriting deficits between \$2.4 billion and \$8.2 billion. As has been the case for levied Accounts for several years, a certain amount of underwriting deficit can be deliberate. If Accounts are above the target funding ratio of 100%, excess funds need to be returned to levy payers. However, in the past five years underwriting deficits have also been driven by declining claim performance. We discuss this in more detail in Section 5 '*Claim performance*'.

This year (2024/25) is the fifth consecutive year in which the economic result was better than expected. This is primarily because of increasing interest rates and the effect this has on the OCL. Economic movements are not within ACC's control and cannot be relied upon always to be favourable. If an ongoing decline in claim performance coincides with unfavourable economic movements, there could be a significant deterioration in the Scheme's financial condition. This would increase the pressure on Scheme sustainability and fairness.

Table 4 shows the effect of the various underwriting and economic factors that have contributed to movements in the Scheme's funding position over the past five years. It shows that in each of these years OCL strain has been the primary component of larger-than-expected underwriting deficits.

Table 4: Actual vs expected movement in funding position

\$M	2020/21	2021/22	2022/23	2023/24	2024/25
Expected movement in funding position at start	(1,322)	(919)	(1,064)	(1,395)	(2,236)
Income from levies/appropriations higher/(lower) than expected	323	272	272	166	(272)
Cash claim costs paid (higher)/lower than expected	(396)	19	(164)	(552)	(437)
Expenses paid (higher)/lower than expected	19	13	48	31	15
OCL (strain)/release	(450)	(1,499)	(902)	(5,868)	(1,157)
Underwriting movement higher/(lower) than expected	(504)	(1,195)	(746)	(6,222)	(1,851)
Net investment income higher/(lower) than expected	3,443	(6,062)	793	529	1,453
Economic assumptions for the OCL higher/(lower) than expected	7,944	7,641	2,029	1,306	1,849
Economic movement higher/(lower) than expected	11,387	1,578	2,822	1,836	3,302
Closing movement in funding position	9,561	(536)	1,013	(5,781)	(785)

Before this five-year period, the 2019/20 result was an example of how the Scheme can be affected by unfavourable economic movements — in this case, risk-free interest rates fell to historical lows. The unfavourable economic movements significantly increased the OCL and put upward pressure on levies and appropriations.

A drop in interest rates remains the economic movement most likely to negatively affect the Scheme's financial condition. As at 30 June 2025, a 1% decrease in interest rates would result in a \$4.5 billion (6%) decrease in overall funding position of the Scheme. This effect varies significantly by Account, ranging from 3% for the Work Account to 11% for the Motor Vehicle Account. The average time that claims remain on the Scheme is the main driver of these differences, with the Motor Vehicle Account having more serious injuries and, therefore, longer-duration claims on average. See Appendix B *'Financial and actuarial results detail'* for further Scheme sensitivity analysis.

ACC's investment portfolio can only partially offset the effect that economic movements have on its liability.

The long-term nature of the Scheme means that it's not possible to fully match Scheme investment assets to total claim liabilities. Other factors that affect financial condition, such as claim performance, can be (at least partially) within ACC's influence. By acting on these factors, ACC can strengthen the financial condition and reduce the risk posed by future unfavourable economic movements.

We expect deficits to continue for at least the next four years

We forecast that the Scheme will continue to return underwriting deficits in each of the next four years, with annual deficits projected to be between \$2.0 billion and \$2.6 billion.

As Table 5 shows, we're forecasting that economic movements won't provide a significant offset to the projected underwriting deficits. In total we expect the Scheme's overall funding position to reduce by between \$1.8 billion and \$2.1 billion in each of the next four years. As discussed above, there is a risk that a decrease in interest rates could result in a decline more than expected in these projections, which would result in larger deficits.

Table 5: Summary of projected movement in funding position

\$M	2024/25	2025/26	2026/27	2027/28	2028/29
Underwriting result	(4,444)	(2,631)	(2,431)	(2,240)	(1,965)
Economic result	3,659	557	426	259	101
Movement in funding position	(785)	(2,074)	(2,005)	(1,981)	(1,864)

The current funding ratios of the Motor Vehicle and Work Accounts are over the target funding ratio of 100%. To move these ratios towards the 100% target, under the funding policy excess funds are returned to levy payers over time through setting levies below the level needed to fund new claims. As a result, these Accounts are expected to produce underwriting deficits, contributing to the overall projected deficit.

If deficits continue over the medium-to-long term, the funding ratio of Accounts may continue to decline and financial condition will weaken, which would threaten Scheme sustainability and fairness. This is explored in more detail in Section 4 '*Future funding and sustainability*'.

A new accounting standard for insurance contracts is set to replace the existing standard

Public Benefit Entity International Financial Reporting Standard 17 *Insurance Contracts* (PBE IFRS 17) is the new accounting standard for insurance contracts for public benefit entities (PBEs) including the public sector, superseding PBE IFRS 4. It incorporates specific modifications designed for PBEs in New Zealand.

The standard applies to reporting periods beginning on or after 1 January 2026, meaning ACC's first full reporting year under PBE IFRS 17 will be 2026/27. Dual reporting will be undertaken during 2025/26 for comparison purposes.

The transition will require several changes to both the financial statements and the calculation of actuarial liabilities. ACC is currently working through these adjustments and validating its proposed accounting treatment with the Board and external auditors. If this accounting treatment is adopted, this will remove some of the difference between the accounting basis and the funding policy basis. While this new standard will change the stated financial position of the Scheme, the underlying risks to sustainability, and the actions ACC can take to strengthen the financial condition, remain the same.



4.

Future funding and sustainability

4. Future funding and sustainability

About this section

- This section focuses on the funding that the Scheme will need over the coming years.
- This is determined by looking at the funding ratio of each of the Scheme's Accounts, and also considering whether there's enough money coming in each year from levies and appropriations to cover new year costs.
- The section includes projections for how levies and appropriations may need to change over the coming years, in line with the government funding policies for the Scheme.
- It also discusses the implications for Scheme sustainability and fairness if funding and costs don't align.

Key messages

1. Risks to the Scheme's financial condition are growing, with the gap between new year costs and income increasing for all Accounts.
2. Despite the approved funding increases in 2024, the future funding ratio of most Accounts is expected to decline for some time because ACC is spending more on claims than it's receiving through levies and appropriations. This is partially deliberate for Accounts in surplus.
3. For the Scheme to remain sustainable, the gap between new year costs and levies and appropriations will need to reduce.
4. Declining claim performance, along with other claim cost pressures, has increased new year costs for all Accounts.
5. We are forecasting ACC will need to recommend further funding increases at cap for some time for all Accounts, based on current trends.
6. To reduce the new year cost gap and the burden on future levy payers and taxpayers, ACC can have the biggest effect through sustained improvements in claim performance.
7. ACC has implemented initiatives to improve claim performance, and these are starting to deliver results. They are still in the early stages, so the improvements are not yet sufficient to reduce forecast future levies and appropriations.
8. ACC is doing significant work to plan and design further initiatives to improve claim performance, but these are still in development.

Key concepts

Government funding policies | Funding ratio | New year costs | New year rate

Future funding requirements for each Account must allow for projected claim costs and funding ratios

ACC must calculate levies and appropriations for each Account in accordance with two government funding policies — one for the levied Accounts and one for the non-levied Accounts. ACC does this annually for the non-levied Accounts, which are funded by appropriations, and three-yearly for the levied Accounts.

Under the government funding policies, ACC calculations are based on projected new year costs — the lifetime costs of claims occurring in a year. There is then a funding adjustment, which is a change required in the levy rate or appropriations to move the Account towards the 100% funding target over time. The funding adjustment can either increase or decrease the levy or appropriations, depending on whether there is a funding deficit or surplus.

Recommended increases in overall Account levy rates and appropriations must not exceed a cap, which is 5% per year for levied Accounts (5% plus inflation for the Motor Vehicle Account) and 7.5% per year for the non-levied Accounts. See Appendix A *'Additional background information'* for more on the government funding policies.

ACC's recommendations under the government funding policies are not binding on the Government when determining the final levy rates and appropriations, which means final decisions can be different from ACC's initial calculations or recommendations. This has happened several times in each Account in the past.

In September 2024, ACC consulted on capped increases to all levied Accounts for each of the 2025/26 to 2027/28 levy years covered by the consultation. These increases were approved by the Government in December 2024.

For the non-levied Accounts, the Ministry of Business, Innovation and Employment (MBIE) recommends the Non-Earners' appropriations amount to the Government using ACC's calculations as the primary input.

In December 2024, the Government approved the recommended increase for the 2025/26 Non-Earners' appropriations at cap.

Risks to the Scheme's financial condition are growing

A perfectly fully funded and fully sustainable Scheme would maintain 100% funding ratios in all Accounts, with income collected each year fully covering the new year cost. This would give stable funding positions, at target, going forward. In practice this is very difficult to achieve and maintain, as there are a lot of moving parts in the system in which ACC operates.

The difference between forecast income and the new year costs, allowing for investment returns, is known as the 'new year cost gap'. The funding policies for both the levied and non-levied Accounts are designed to deal with over- and under-funding in the Accounts, as well as any new year cost gap.

If funding increases are too low, or costs are too high, the funding policies respond to recover the shortfall in funding over time. However, as increases in funding are capped and decreases are uncapped, an Account's funding position or approved funding can drop suddenly, but recovery is much slower. This is particularly true if the funding position is left to fall too low or the new year cost gap is too large.

The 2024/25 year has put further pressure on Scheme sustainability. As we have stated elsewhere in this report, despite this pressure ACC can still afford to pay claims over the short-to-medium term. If it needs to, ACC can use assets (collected to fund existing claims) for both existing and new claims, although ultimately this is not sustainable and goes against the principle of full funding.

By way of illustration, we have considered an extreme scenario in which no future levy or appropriations increases are approved after 2027/28, the beginning of the next levy consultation period. This scenario doesn't represent a realistic real-world situation; it's just intended to illustrate the relative pressure on the Scheme compared to last year. Under this scenario all assets within the Accounts would eventually be used and the levy and appropriations collected beyond that point would be insufficient to fund new claim costs and expenses.

Table 6 shows, as at 30 June 2024 and 30 June 2025, how many years it would take each Account to use all its assets, based on projections with no future levy or appropriations increases past 2027/28. Also shown are the projections as at 30 June 2024 assuming no levy or appropriations increases past 2024/25. This was included in the *Financial Condition Report 2024*, which was written before Government decisions on levy rates following the 2024 levy consultation.

Comparing the first two rows shows the effect of the approved funding increases for the 2025/26 to 2027/28 period.¹⁴ This extended the number of years before all assets are used for all Accounts. Comparing the last two rows shows just the effect of changes over the year. Because of deteriorating claim performance, on this comparison the number of years has decreased from last year for most Accounts.

Table 6: Years to consume assets under extreme scenario

	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account (levied)	Treatment Injury Account (non-levied)	Non-Earners' Account
30 June 2024 (no increase after 2024/25)	25	19	14	16	33	11
30 June 2024	28	23	19	18	33+	15
30 June 2025	28	22	17	16	33	12

The gap between new year costs and income has increased for all Accounts

Across all Accounts, the combined new year cost gap projected for 2025/26 is \$2,556 million. This means that the new year cost for 2025/26 is \$2,556 million more than what we expect ACC to collect in levies and appropriations. The new year cost gap has increased from the \$2,077 million we projected for 2025/26 in last year's report, primarily because of the increase in the new year costs.

For levied Accounts, the rate that needs to be set to match new year costs is called the 'new year rate'. For non-levied Accounts, the level that appropriations need to be set to match new year costs is called the 'new year cost'. Table 7 shows the projected 2025/26 new year cost gap, and new year rate/cost for each Account.

Table 7: Projected 2025/26 new year rate/cost and new year cost gap by Account

	Motor Vehicle Account (average rate per vehicle)	Work Account (average rate per \$100 of payroll)	Earners' Account (rate per \$100 wages)	Treatment Injury Account (levied) (rate per \$100 wages)	Treatment Injury Account (non-levied) ¹⁵ (\$M)	Non-Earners' Account ¹⁵ (\$M)
2025/26 levy or appropriations	\$122.84	\$0.66	\$1.39	\$0.06	\$278	\$1,995
New year rate/cost	\$229.27	\$0.97	\$1.84	\$0.14	\$317	\$2,360
New year cost gap (%)	(46%)	(32%)	(24%)	(57%)	(12%)	(15%)
New year cost gap (\$M)	(\$457)	(\$576)	(\$949)	(\$169)	(\$39)	(\$365)
Funding ratio as at 30 June 2025	133%	131%	83%	110%	90%	53%

¹⁴ For the non-levied Accounts, this assumes capped increases are approved for 2026/27 and 2027/28 appropriations.

¹⁵ The numbers for the Non-Earners' Account and non-levied portion of the Treatment Injury Account only include the fully funded portion of these Accounts, as required for funding purposes.

The funding ratios of most Accounts are projected to decline for some time as a result of the new year cost gap

When forecast income is below new year costs, the shortfall will result in a reduction in the future funding ratio.

As discussed in Section 3 '*Financial and actuarial results*', the decline in the funding ratio is partially deliberate for Accounts with large funding surpluses.

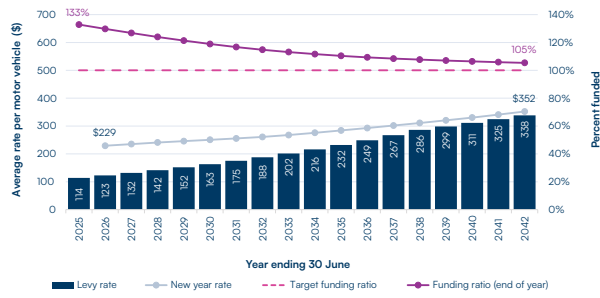
At present these are the Work Account, the Motor Vehicle Account, and the levied portion of the Treatment Injury Account. When this occurs, levies or appropriations are deliberately held below new year cost to return the surplus funds over time, which moves the funding ratio towards the 100% target. Conversely, when Accounts are below target, levies and appropriations should be deliberately set above new year cost to increase the assets available in the Account and move the funding ratio toward the 100% target.

We project that funding ratios in most Accounts will remain below target for some time

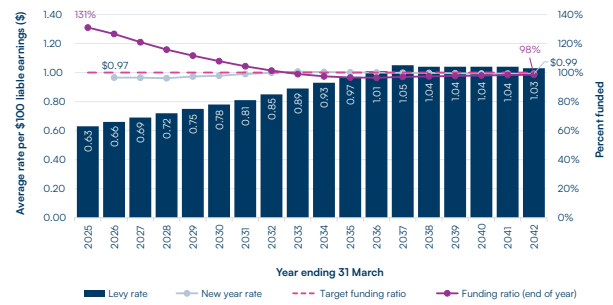
The charts in Chart 1 show the projected movement of funding ratios, new year rates/costs, and levies and appropriations out to 2042. The Treatment Injury Account is represented over two charts as it's funded through a mix of levies and appropriations.

Chart 1: Current and future funding ratios, levies, appropriations and new year rates/costs

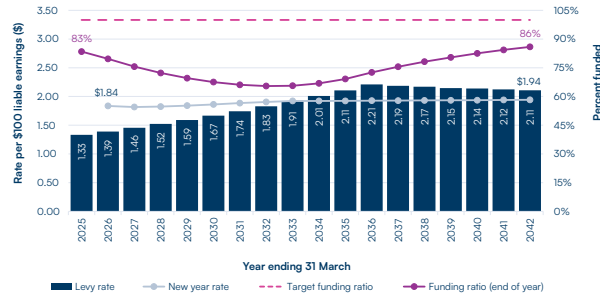
Motor Vehicle Account



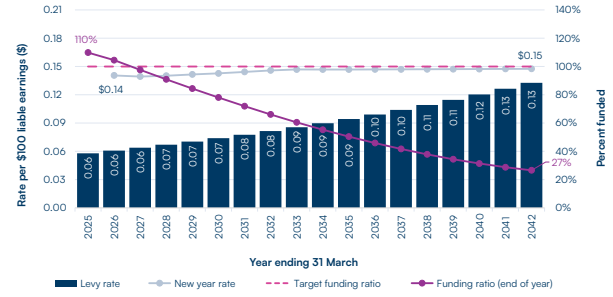
Work Account



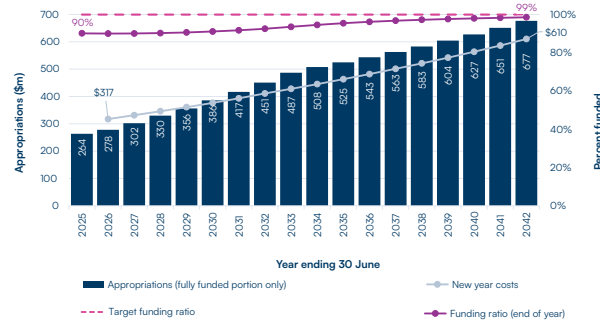
Earners' Account



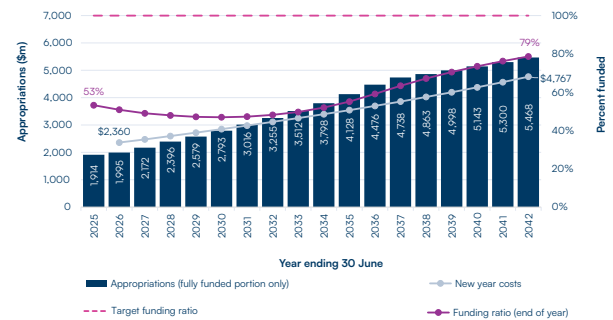
Treatment Injury Account (levied)



Treatment Injury Account (non-levied)



Non-Earners' Account



These projections assume that ACC's recommended increases to levies and appropriations, calculated under the government funding policies, are approved. For all Accounts, we are projecting levy and appropriations increases to be required over a long period of time.

The funding ratios of the levied Accounts are projected to decline, despite the approved levy increases in the 2024 levy consultation

Even assuming further levy rates are increased in line with the government funding policy every year, all levied Accounts, except for the Motor Vehicle Account, are projected to drop below the target funding ratio within the next 10 years and remain below target for a significant period.

This is particularly seen in the levied portion of the Treatment Injury Account where its funding ratio is projected to decrease to 23% by 2044/45 before it starts to recover. This is worse than last year, primarily because of deteriorating claim performance in social rehabilitation and weekly compensation payments, causing the funding ratio to decline faster than expected.

When combined with the fully funded non-levied portion, the Treatment Injury Account funding ratio is projected to decrease to around 76% by 2043/44.

The Earners' Account funding ratio at 30 June 2025 is below the funding target and has reduced from 91% last year to 83% this year. Because of the large new year cost gap (around \$950 million in 2025/26), the Earners' Account is projected to decrease to 66% by 2031/32 and take 14 years to recover to 90%.

This assumes capped levy increases up to 2035/36 are approved by the Government, but does not allow for further improving rehabilitation.

With a \$457 million new year cost gap, the Motor Vehicle Account is projected to slowly return to funding target over time. However, the Motor Vehicle Account has a large proportion of long-term claims so is sensitive to changes in the economic assumptions. The current funding ratio of 133% would decrease to 100% with an approximate 1.8% decrease in the risk-free discount rate. This assumes assets and forecast investment returns remain the same. If the discount rate did drop substantially, the Account would likely go into deficit for some time, because of its large new year cost gap.

The non-levied Accounts have smaller new year cost gaps but are well below their funding target

At 30 June 2025, the Non-Earners' Account funding ratio remains below target at 53%. A large portion of the deficit is because of the TN court decision. Without the additional liability for incurred-but-not-reported (IBNR) claims driven by the TN decision, the Non-Earners' Account would be at 72%.

The funding ratio of the Non-Earners' Account is expected to decline for up to five years and then gradually improve over time.

While the Account remains in deficit, the funding policy allows for appropriations to be higher than the new year costs to increase the funding ratio toward the funding target. However, the recovery of the funding position is limited by the cap, which only allows increases of 7.5% per annum. This means future calculated appropriations are not projected to be higher than the new year costs until 2030/31. As the funding ratios get closer to target the difference between appropriations and the new year costs will decrease.

However, because of the \$5.1 billion funding deficit at 30 June 2025, the funding ratio of the Non-Earners' Account isn't forecast to reach 90% until after 2049.

For the Scheme to remain sustainable, future levies and appropriations need to increase

Under current projections, levies and appropriations for all Accounts need to increase for at least the next 10 years. If increases are approved at lower levels than the government funding policies recommend, and assuming costs don't reduce, then funding ratios will deteriorate faster than we are projecting, and it will be more difficult to achieve the funding targets in the long term. It will also mean that future increases need to be larger, or at cap for longer.

The Motor Vehicle Account is more vulnerable than the other levied Accounts if levies are held flat. The funding base for the Work and Earners' Accounts, and the levied portion of the Treatment Injury Account, is liable earnings. Even if no increases in the levy rate are approved, we expect the income received on these Accounts to increase as liable earnings increase. However, there is no inflationary component to the Motor Vehicle Account funding base, which is the number of vehicles. Therefore, when no increases are approved for this Account, in real terms the income received by ACC reduces. This has happened in previous years, although in 2024 increases were approved. Put simply, as the costs of treatment, rehabilitation, and compensation increase each year, the income received from the Motor Vehicle Account falls behind, if it's not adjusted at least for inflation.

Before the 2024 levy consultation, the Motor Vehicle Account levy had remained unchanged at \$113.94 since 2017/18, despite recommended levy increases at each levy consultation since then. In the 2024 levy consultation, increases to the Motor Vehicle levy were approved for each year from 2025/26 to 2027/28. The final year's approved levy, effective to 30 June 2028 is \$141.69, compared to the \$148.85 that would be needed to cover actual and projected inflation from June 2018 to June 2028.

Shown in Chart 2, we have estimated the future funding ratio of each Account under two scenarios:

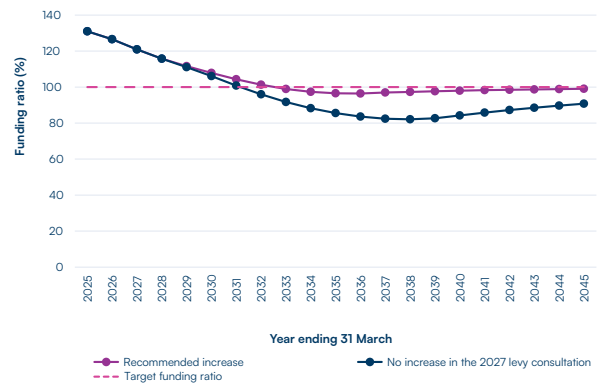
- In the first scenario, increases to levies and appropriations recommended under the government funding policies are approved.
- In the second scenario, no increases are approved in the 2027 levy consultation for the 2028/29 to 2030/31 levy years for the levied Accounts, and no increases are approved in appropriations over the same period for the non-levied Accounts, but recommended increases are approved in later years.

Chart 2: Future funding ratio scenarios

Motor Vehicle Account



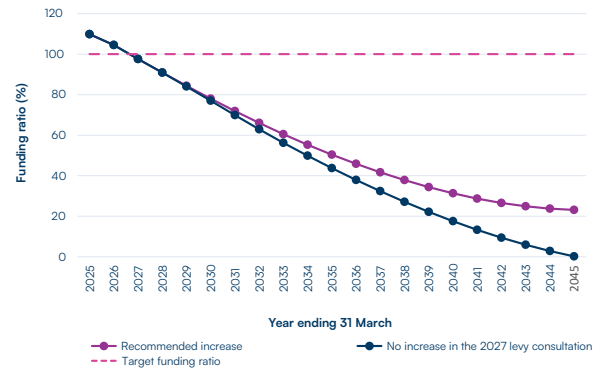
Work Account



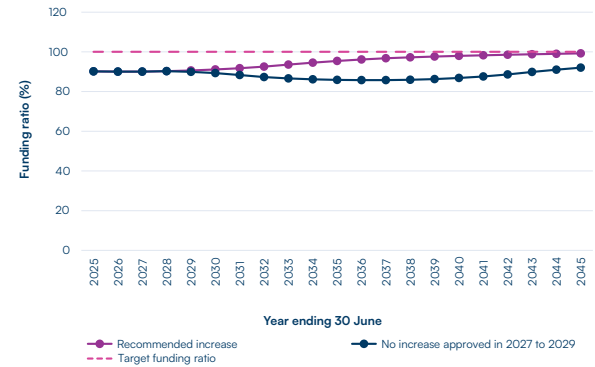
Earners' Account



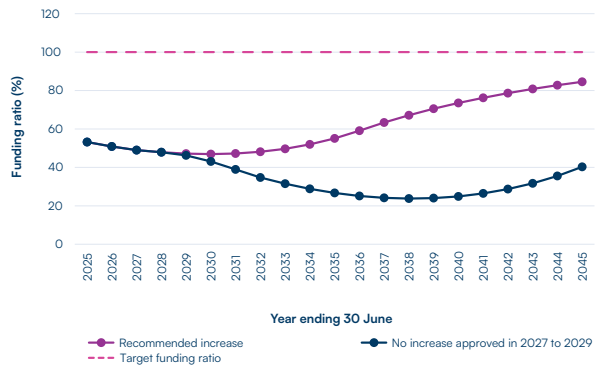
Treatment Injury Account (levied)



Treatment Injury Account (non-levied)



Non-Earners' Account



If recommended levy increases aren't approved in the next levy consultation, and with no other material offset, the faster deterioration of the funding ratio would have a material effect on Scheme sustainability and fairness. For the Earners' Account the funding ratio would drop to 51% by 2034/35 and not reach 90% until 2052/53. The Non-Earners' Account would decline to 24% in 2037/38. This would mean many years of capped increases to return to target unless additional funding were received.

With no increases, the levied portion of the Treatment Injury Account would reach 0% by 2045/46 because of the 57% new year cost gap. The Account would then need additional funding, either from the Government, or from the Earners' Account, to continue paying claims. If this funding came from the Earners' Account, the funding position of that Account would drop. As previously mentioned, this scenario is significantly worse than we projected last year because of the deteriorating claim performance seen over the year in this Account.

Declining claim performance has increased estimated new year costs for all Accounts

Over time, the estimated new year costs and the funding adjustments fluctuate with changes in external and internal factors. This has an effect on forecast levies and appropriations.

While there's fluctuation, declining claim performance has resulted in consistent upward pressure on levies and appropriations in the past five years. This is reflected through the direct effect claim performance has on funding ratios, and through the resulting effect on projected new year costs.

Funding requirements have increased for most Accounts

Since 2020/21, projected new year costs for 2028/29 have risen across all Accounts,

and the projected levies and appropriations for 2028/29 have increased for most Accounts, except the Motor Vehicle Account.

These changes are driven by multiple factors, including deteriorating claim performance and changing economic conditions. Some of these factors, such as funding requests and exposure base, are outside ACC's control. Others, such as deteriorating weekly compensation rehabilitation, are at least partially within ACC's influence. It can be challenging to determine the degree of ACC's ability to mitigate these influenceable factors.

Table 8 shows how claim performance over the past five years has resulted in increases to the projected 2028/29 new year costs for all Accounts, and an increase in the new year rate for all the levied Accounts.

Table 8: Changes in 2028/29 new year costs owing to claim performance and other factors from 2020 to 2025

	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account (levied)	Treatment Injury Account (non-levied)	Non-Earners' Account
2028/29 new year costs as at 30 June 2020 (\$M)	1,100	1,233	2,996	233	322	1,961
Change from claim performance (\$M)	↑ 96 (9%)	↑ 687 (56%)	↑ 1,463 (49%)	↑ 121 (52%)	↑ 92 (28%)	↑ 549 (28%)
Influenceable (\$M)	19	625	1,193	113	64	126
PHAS and ambulance (\$M)	65	42	133	1	2	322
Non-influenceable (\$M)	12	19	138	8	25	101
Change from other factors (\$M)	↓ -97 (-9%)	↓ -21 (-2%)	↑ 83 (3%)	↓ -5 (-2%)	↓ -53 (-16%)	↑ 212 (11%)
2028/29 new year costs as at 30 June 2025 (\$M)	1,098	1,898	4,542	349	361	2,722
Effect on 2028/29 new year rate of claim performance from 2020 to 2025	↑ \$21.43	↑ \$0.35	↑ \$0.59	↑ \$0.05		

The main areas of claim performance in the past five years causing the increase in projected 2028/29 new year costs include:

Influenceable:

- People taking longer to be rehabilitated, who then need more weekly compensation payments. This was a key driver of increasing new year costs for all levied Accounts, resulting in around \$500 million in the Earners' Account, \$300 million in the Work Account, \$90 million in the Motor Vehicle Account and \$30 million in the levied portion of the Treatment Injury Account.

- Higher claim frequency for weekly compensation claims. This increased the new year costs by \$460 million for the Earners' Account, \$330 million for the Work Account and \$40 million for the levied portion of the Treatment Injury Account.
- Growing average payments for sensitive claims have caused small increases to new year costs in the Earners' and Non-Earners' Accounts.
- Higher-than-expected care payments to non-seriously injured clients have contributed a \$144 million increase for the Non-Earners' Account. This is primarily because of growth in inpatient Non-Acute Rehabilitation (NAR) payments that are paid to Health New Zealand.

PHAS and ambulance:

- Funding for ambulance and public health acute services (PHAS) has increased significantly from \$700 million in 2020, by around \$560 million (80%) more than expected in the past five years. This caused a more than \$300 million increase in the Non-Earners' Account, over \$130 million increase in the Earners' Account and a \$65 million increase in the Motor Vehicle Account.

Non-influenceable:

- Impact of legal cases over the past five years, including AZ and TN. The outcomes of legal cases are outside ACC's control. For more information see Section 5 '*Claim performance*'.

Other factors in the past five years causing the major changes in projected new year costs include:

- Higher forecast investment returns have reduced new year costs for all Accounts. The reduction is most significant for the non-levied portion of the Treatment Injury Account and the Motor Vehicle Account.
- Higher-than-expected inflation has contributed to higher projected claim costs for all Accounts. This has more than offset the reduction from higher forecast investment returns for the Work, Earners' and Non-Earners' Accounts.
- The expected number of vehicles reduced, resulting in a lower overall projected claim cost for the Motor Vehicle Account. However, as the expected number of vehicles is also the levy base for the Motor Vehicle Account, the net effect on the new year rate is neutral.
- High wage inflation in recent years increased levy income for the Work and Earners' Accounts. While higher wages also contribute to higher costs of weekly compensation claims, the net effect is a reduction in the projected new year rate.
- In the non-levied Accounts, the higher-than-expected non-earner population has contributed to a higher projected number of new year claims leading to higher new year costs.

In addition to the five-year key factors, we have observed several influenceable trends over the past one to two years, which we discuss below. These trends may become relatively more significant if they persist.

- There has been improvement in weekly compensation rehabilitation rates since June 2024. This has resulted in small reductions in new year costs in the Earners' Account and the Motor Vehicle Account.
- The projected number of future sensitive claims has reduced, resulting in reduced new year costs for both the Earners' Account and the Non-Earners' Account. This was in response to a few years of lower-than-expected new claims growth owing to provider capacity constraints for assessment and counselling services.
- Higher-than-expected number of elective surgery claims for all Accounts since June 2023.
- Higher numbers of new claims, above what would be expected from the annual increase in the population, have been seen for all payment types in the Non-Earners' Account and the non-levied portion of the Treatment Injury Account since June 2024, resulting in \$114 million increase in the new year costs.

If levies or appropriations don't match unavoidable cost increases, this puts pressure on the Scheme's financial condition

To ensure the Scheme is sustainable, funding needs to increase to at least offset increases in non-influenceable factors, as these are fully outside ACC's ability to mitigate. Funding may also need to increase to at least partially offset some influenceable factors, as not all influenceable cost can be mitigated by ACC.

Table 9 shows the key drivers of changes in 2028/29 funding requirements for each Account since the 2021 levy consultation. Included in the table is the effect of approved levies being lower than recommended in the 2021 levy consultation.

Table 9: Changes in 2028/29 funding requirements from 2021 to 2025

	Motor Vehicle Account \$	Work Account \$	Earners' Account \$	Treatment Injury Account (levied) \$	Treatment Injury Account (non- levied) \$M	Non- Earners' Account \$M
2020/21 levy rates/approved appropriations	113.94	0.67	1.16	0.05	228	1,522
Uncapped 2028/29 rates (with 2021 recommended rates)/ appropriations as at June 2021	187.93	0.74	1.50	0.08	303	1,854
Change from						
Levies approved compared to 2021 recommendations	8.22	(0.00)	0.00	0.00	n/a	n/a
Influenceable claim performance	16.36	0.34	0.60	0.08	283	571
PHAS and ambulance	16.94	0.02	0.06	0.00	4	398
Non-influenceable claim performance	(5.05)	0.02	0.10	0.00	18	543
Economic factors	(57.68)	(0.22)	(0.23)	(0.02)	(146)	260
Uncapped 2028/29 rates/appropriations as at June 2025	166.74	0.90	2.03	0.15	463	3,627
Effect of capping	(14.68)	(0.15)	(0.44)	(0.08)	(59)	(851)
Indicative 2028/29 rates/appropriations as at June 2025	152.06	0.75	1.59	0.07	404	2,776

In 2021, Motor Vehicle levies were projected to increase significantly to 2029, partly to account for inflation in cost of claims. Since then, projected 2029 funding requirements have reduced, primarily because of favourable economics, though these can be volatile for this Account. Despite this, we still expect levy increases in 2028/29, relative to the current level mainly driven by inflation, the lack of increases in 2021, and higher-than-expected PHAS and ambulance payments, in addition to the need to close the \$457 million existing new year cost gap.

For the other levied Accounts, deterioration in weekly compensation rehabilitation and the higher-than-expected growth in weekly compensation claims have driven most of the influenceable cost pressures. This is partially offset by higher-than-expected liable earnings. Overall, the forecast uncapped levies have risen significantly since 2021, particularly for the levied portion of the Treatment Injury Account. However, capping limits the increases so the indicative 2028/29 levies for these Accounts after capping are similar to the June 2021 projections. As the cost pressure remains, this will lead to an extended period of capped increases.

For the non-levied portion of the Treatment Injury Account, the increased funding requirement is mainly driven by influenceable factors, with more than half arising from higher-than-expected social rehabilitation care payments. Favourable economics have partially offset the increase, but this could change if the economic conditions shift.

Funding requirements have increased significantly for the Non-Earners' Account. Whilst influenceable factors have increased the requirements, the effect of factors outside ACC's control is much more substantial. The key influenceable cost pressures include growth in inpatient NAR payments that are paid to Health New Zealand, sensitive claim payments and social rehabilitation payments. Non-influenceable factors include increased funding for PHAS and ambulance and effect of the TN court decision. The effect of the cap means that the indicative appropriations haven't gone up enough to cover the increase in non-influenceable factors. Again, the underlying cost pressure will extend the period of capped increases.

To reduce the new year cost gap and the burden on future levy payers and taxpayers, ACC's main priority in the short term should be to improve claim performance

In administering the Accident Compensation Act 2001, ACC has a responsibility to do what it can within the bounds of its current legislative parameters to reduce pressure on levy payers and taxpayers, while maintaining Scheme sustainability and fairness.

ACC has three core levers it can use to reduce upward pressure on levies and appropriations:

- Improving the effectiveness and efficiency of rehabilitation and other supports provided to better help people return to independence sooner. As discussed earlier, ACC has initiatives underway to target this. This is also discussed more in Section 5 '*Claim performance*'.
- Investing and managing Scheme assets to generate a good return, and to partially match future claim costs.
- Investing in a balanced injury prevention portfolio to reduce the incidence and severity of injuries in the community. Injury prevention is discussed more in Section 6 '*Injury prevention*'.

The first lever, improving claim performance, is expected to have the greatest effect by far on reducing funding requirements in the short-to-medium term. Therefore, this should continue to be ACC's primary area of focus in the short term.

ACC can also continue efforts to manage its operating expenses. It's important that the management of operating expenses isn't pursued to the detriment of claim performance, which has a much greater effect on financial condition.

It's too early to see most of the benefits of ACC's claim performance improvement initiatives

ACC has initiatives underway to improve claim performance. While there has been some effect seen already on short-term weekly compensation rehabilitation rates and contracted care hours, the full benefits are still to come. It will likely take several years for the benefits to fully emerge, which, if they do, will reduce our projections for claim costs and funding requirements in the future. These initiatives are expected to be more effective for the Work, Earners' and Treatment Injury Accounts, where past cost pressures have been largely influenceable. In contrast, for the Motor Vehicle and Non-Earners' Accounts, past changes are largely non-influenceable. More detail of the initiatives is discussed in Section 7 '*Future risks and opportunities*'.

5.

Claim performance

5. Claim performance

About this section

- Claim performance is influenced by how efficiently and effectively ACC is managing claims. This includes how ACC commissions services from providers. External factors can also influence claim performance.
- Claim performance is a core lever for financial sustainability.
- Claim performance is closely linked to client outcomes. Rehabilitating people to health and independence sooner reduces the OCL and new year costs, which in turn improves the Scheme's financial condition.
- When considering claim performance, we pay special attention to influenceable OCL strain.
- Areas experiencing influenceable OCL strain can present good opportunities for ACC to improve claim performance, as they're the areas where ACC might have more control or influence.

Key messages

1. Over the past five years declining claim performance has resulted in \$5.7 billion of influenceable OCL strain.
2. Where ACC has taken action to improve rehabilitation outcomes, there are signs this is starting to reverse the declining claim performance in weekly compensation rehabilitation rates and serious injury care hours.
3. In 2024/25, declining claim performance in other areas resulted in \$0.7 billion of influenceable OCL strain.
4. This year's influenceable strain has been primarily driven by elective surgery volumes and higher costs of capital items. These have contributed more noticeably to the strain in 2024/25 compared to previous years.
5. There was also non-influenceable strain of \$0.5 billion. This was primarily because of rising average costs of weekly compensation for sensitive claims. This is likely linked to the TN court decision, for which the full effect remains uncertain.
6. Significant risks exist within the Scheme that ACC must address, and there are also significant opportunities to improve sustainability.

Key concepts

OCL | New year costs | Influenceable and non-influenceable strain | Payment types | Serious injury

Understanding claim performance and the OCL

Managing claims effectively and efficiently is one of the most important things that ACC can do to improve the Scheme's financial condition. It's also the right thing to do for ACC's clients.

Claim performance is closely tied to rehabilitation outcomes. In general, if rehabilitation outcomes improve, then claim performance improves. Better rehabilitation outcomes mean that more New Zealanders are returning to health, work, and independence sooner. This directly translates into reduced costs, which in turn means levies and appropriations don't need to increase as quickly.

One way to assess claim performance is by looking at movements in the OCL. As discussed in Section 2 *'Why financial condition matters'*, the OCL is the amount of money we believe ACC will need to pay in the future to support clients who are currently injured.

We expect that the OCL will increase year-on-year. This is because of the cost of new claims being higher than the cost of claims exiting as the Scheme matures and is affected by factors such as inflation. When the OCL increases because ACC needs to pay more than expected to support clients, it's called OCL strain. When it decreases because ACC needs to pay less than expected to support clients it's called OCL release. If strain or release is completely outside of ACC's control, it's labelled as non-influenceable. If it's in areas where ACC might be able to mitigate it — at least to some degree — it's labelled as influenceable. The effect of economics is always excluded from this measure.

Each year any OCL strain or release is included in the overall OCL baseline for the next year. So, if there's \$200 million of strain one year and \$300 million the year after, then there's been a total strain of \$500 million over two years.

We pay particular attention to influenceable strain, because this points to the areas where there's the greatest potential to improve claim and rehabilitation performance. In this way, labelling strain as influenceable can be thought of as highlighting something for the attention of ACC management.

Influenceable strain isn't always a bad thing. There are times when influenceable OCL strain can be considered positive (for example, where it's the result of a deliberate choice to remove access barriers to Scheme entitlements).

Over the past five years, however, the scale of influenceable strain is concerning because of the effect it's having on the Scheme's financial condition.

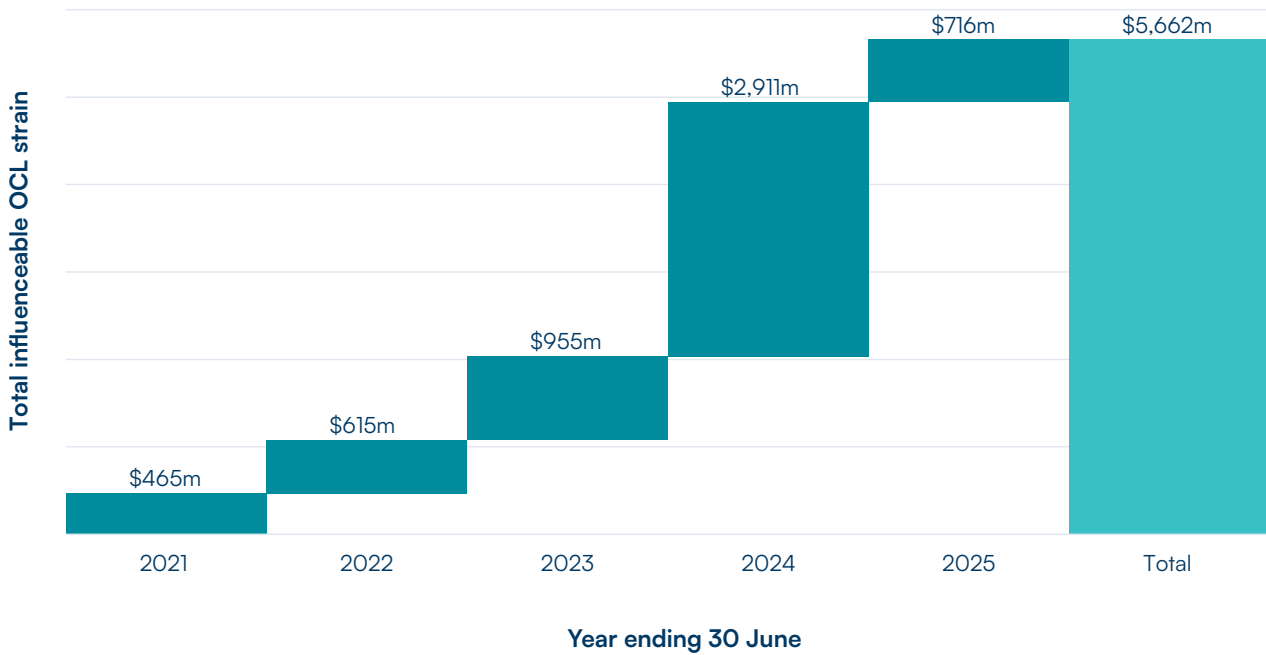
Even if we identify strain as influenceable, and ACC decides that some mitigating action is needed, it doesn't mean that it can be fully fixed straight away. Some of the strain we identify as influenceable can only be influenced through interventions that might take several years to put into place.

Over the past five years declining claim performance has resulted in \$5.7 billion of influenceable OCL strain

This year's results reinforce an 11-year pattern of declining claim performance and resulting OCL strain. As shown in Chart 3, in the past five years there's been a cumulative total of \$5.7 billion of influenceable strain. These increases are placing ongoing pressure on the financial condition of the Scheme. This, in turn, increases how much needs to be collected in levies and appropriations to keep the Scheme fair and sustainable.

While the increase in the 2024/25 result is not as significant as the strain observed in 2023/24, there has still been a notable increase in the OCL. This reinforces the need for sustained claim performance improvement initiatives.

Chart 3: Cumulative influenceable OCL strain in the past five years



Declining claim performance has been observed across all claim cohorts over the past five years

Over the past five years, declining claim performance has been observed across all three of the primary claim cohorts: serious injury, sensitive, and lower complexity claims. Lower complexity claims refer to those that do not meet the criteria to be classified as either a serious injury or a sensitive claim. The cumulative strain for each cohort over this period is presented in Table 10.

Before 2025, weekly compensation payments for both lower complexity and serious injury claims were modelled together, so are not separated in the table. However, cost pressures have primarily stemmed from lower complexity claims. Payments for these claims have consistently grown at a rate exceeding inflation, whereas growth in serious injury weekly compensation has remained broadly aligned with inflation.

For serious injury claims, the years before 2025 do not include strain from serious injury weekly compensation or serious injury medical payments, as these were previously grouped with lower complexity claims.

Table 10: Influenceable OCL movement by cohort and year

\$M	2021	2022	2023	2024	2025	Total
Lower complexity claims strain/ (release)	208	186	(65)	1,298	520	2,148
Weekly compensation	438	262	181	1,189	(44)	2,025
Care	42	52	45	119	47	305
Capital	6	15	18	40	136	216
Elective surgery	(103)	(44)	(27)	75	407	308
Medical	(2)	(61)	(193)	(19)	89	(185)
Other	(174)	(39)	(88)	(105)	(115)	(520)
Serious injury claims strain/ (release)	78	186	718	931	373	2,286
Weekly compensation	0	0	0	0	(32)	(32)
Care	80	157	655	764	117	1,773
Capital	(3)	29	63	167	257	514
Medical	0	0	0	0	30	30
Sensitive claims strain	249	229	69	539	54	1,140
Claims handling expenses strain/ (release)	(70)	13	233	143	(231)	88
Total	465	615	955	2,911	716	5,662

Where ACC has taken action to improve rehabilitation outcomes, there are signs this is starting to reverse the declining claim performance

Last year, and in the past five years, deteriorating weekly compensation rehabilitation rates and higher-than-expected care hours for serious-injury claims were the main contributors to OCL influenceable strain. Rehabilitation rates reflect the duration clients remain on the Scheme before recovering and regaining independence.

This year, short- to medium-term weekly compensation rehabilitation rates have improved for lower complexity claims. As a result, there has been an overall release of \$44 million for this payment type. This result includes weekly compensation paid to clients after receiving elective surgery. The volume of elective surgeries has been growing much faster than projected over the last couple of years. Ignoring the effect of these additional post-surgery claims, weekly compensation had a \$153 million release.

This release for weekly compensation indicates that recent improvements to claims management for weekly compensation clients are starting to work.

Key initiatives included transitioning new and low-complexity earner clients to a more tailored claims management approach, proactive cohort analysis to identify and intervene early with clients at risk of adverse rehabilitation outcomes, and a focus on supporting clients whose rehabilitation had already gone off track.

Sustaining and growing this momentum will be essential to support Scheme sustainability and enable future OCL releases.

While serious injury care payments did contribute to strain in 2024/25, their effect was smaller than in previous years. Within this, contracted and non-contracted serious injury care together contributed a small OCL influenceable release, primarily driven by lower-than-expected contracted care hours during the year.

The Support Needs Assessment Guidance Group (SNAGG) continues to play a key role in reviewing and assessing the care provided to seriously injured clients, ensuring that support levels remain aligned with individual needs. In parallel, the Residential Guidance Group (RGG) has been established to oversee all recommendations and extensions relating to contracted and non-contracted residential support services. Further work is required to quantify the potential effect of these initiatives on the OCL, particularly in relation to the timing of future releases.

In 2024/25, declining claim performance resulted in \$0.7 billion of influenceable OCL strain

In the 2024/25 financial year there was \$0.7 billion of influenceable OCL strain. There was also a non-influenceable OCL strain of \$0.5 billion, meaning overall there was a total strain of \$1.2 billion.

This equates to a 2.2% increase in the total OCL above the 6.3% increase that was forecast at 30 June 2024.

The influenceable OCL strain of \$716 million can be broken down into two core components:

- Number of active claims — the number of new and existing claims ACC is managing. It's affected not only by new claims entering, but also by how long both new and older claims are staying on the Scheme. In the past year, this resulted in \$557 million of OCL strain.
- Average cost of claims — the average amount paid per claim. In the past year, the average amount paid per claim was higher than expected, resulting in \$160 million of OCL strain. Around \$16 million of this influenceable strain is because of approved price/rate changes. We have categorised these price/rate changes as influenceable this year, as they were not driven by pay equity or other external agreements.

Both demonstrate an overall decline in claim performance in the past year.

This year's influenceable strain has been primarily driven by elective surgery volumes and higher costs of capital items

While weekly compensation showed an improvement and serious injury care was relatively stable, other drivers of strain have emerged that have not featured as strongly in recent years. The main drivers were higher elective surgery volumes and total costs of capital items for both serious and lower complexity injury claims. As mentioned above, the effect of additional elective surgeries also saw higher volumes of claims starting to receive weekly compensation, resulting in additional strain in that payment type.

Weekly compensation for sensitive claims was also a primary driver of strain in the past year, owing to a significant volume of backdated payments.

This was thought to be predominantly influenced by the effect of the TN court decision and is considered non-influenceable strain. Given the TN court decision hadn't been fully operationalised at June 2025, we will need to undertake further analysis in future valuations to isolate the specific effect of this court decision, so some of this strain may be classified as influenceable in later valuations.

Table 11 presents the total OCL strain and release for 2024/25, broken down by key payment types. These payment types have been grouped into three cohorts: sensitive claims, serious injury claims, and lower complexity claims. Monitoring these payment types by cohort provides insight into claim performance within groups that are expected to share similar cost drivers and service needs. This helps us identify specific areas where focused effort is required to improve rehabilitation outcomes.

This year's OCL valuation introduced a more granular approach by modelling certain payment types within each cohort separately. For sensitive claims, payments are now separated into three distinct categories: weekly compensation, counselling, and other payments. Previously, all sensitive claim payments were modelled together. This refinement allows each payment type's future expected payments to be modelled more precisely, recognising that weekly compensation, counselling services, and other payments are influenced by different underlying drivers. This improves the accuracy of projections and provides clearer insight into the cost drivers of sensitive claims.

For serious injury claims, weekly compensation and medical payments are now modelled separately within the serious injury model. In previous valuations, these payment types were modelled with lower complexity claims. Since the serious injury model uses an individual projection approach, modelling weekly compensation within this cohort enables more accurate capture of factors such as retirement and pre-accident earnings. For medical payments, this approach reflects the distinct service mix seriously injured clients receive, in particular more intensive nursing and counselling services. This provides a more comprehensive view of the total costs associated with serious injuries.

The lower complexity claims cohort now benefits from clearer separation from the serious injury cohort. This ensures that cost patterns and drivers unique to these claims are modelled more accurately.

Table 11: OCL movement by payment type in the 2024/25 financial year

Cohort	Payment type (\$M)	Expected OCL as at 30 June 2025	Influenceable		Non-influenceable	Total OCL strain/ (release)
			Active claims	Average cost of claims		
Lower complexity claims	Weekly compensation	12,053	22	(66)	0	(44)
	Care	1,637	(8)	55	0	47
	Capital	650	67	69	0	136
	Elective surgery	3,890	393	14	0	407
	Medical	1,914	76	13	0	89
	Other	2,567	(173)	59	0	(115)
Serious injury claims	Weekly compensation	2,428	(8)	(24)	7	(25)
	Care	18,007	79	38	(20)	97
	Capital	2,399	53	204	3	260
	Medical	323	11	19	0	30
Sensitive claims	Weekly compensation	2,657	(18)	0	470	452
	Counselling	1,902	(4)	49	0	45
	Other	1,038	67	(40)	0	27
	TN IBNR	3,143	0	0	33	33
Other	Claims handling expenses	2,728	0	(231)	0	(231)
Total OCL		57,336	557	160	493	1,209

Overall, elective surgery and capital were the primary payment types contributing to the influenceable OCL strain this year. This was partially offset by an influenceable release in weekly compensation, as well as a release from claims handling expenses. The decrease is largely driven by a reduction in the claims handling expenses liability for sensitive claims, reflecting changes in the projected claim run-off patterns for these claims.

The primary driver of non-influenceable strain is the effect of the TN court decision on both weekly compensation for already reported sensitive claims and the additional liability required to be held for incurred-but-not-reported sensitive claims. This is partially offset by small releases in serious injury because of higher-than-expected number of deaths of seriously injured clients.

We discuss the three cohorts in more detail below.

Lower complexity claims



2024/25 influenceable strain: \$520 million



Five-year influenceable strain: \$2,148 million

Total OCL: \$25,908 million

Over the past year, a 40% higher-than-expected number of claims receiving surgeries and capital payments was the biggest contributor to the influenceable strain of \$520 million. This was offset by the average cost of claims receiving weekly compensation being lower than expected, contributing to a \$66 million influenceable release.

The components contributing to this influenceable movement were:

- Number of active claims — \$377 million in influenceable OCL strain

- The primary driver of this strain was from elective surgery (\$393 million), owing to a significant increase in the volume of surgeries performed over the past two years. At the time of the previous valuation, this higher claim volume was expected to reduce as it was thought to be caused by a temporary catch-up from Covid-19-restriction-related delays. However, this trend has persisted into the current year and claim volumes are now expected to remain at these elevated levels,

unless proactive action is taken by the business. ACC has a workstream underway to address this payment type, but it is too early to see if these initiatives are having an effect on the OCL.

- Capital contributed \$67 million of influenceable strain, owing to higher-than-expected volumes of claims receiving capital payments. This was driven both by delayed billing from ACC’s capital equipment supplier, which created backdated payment spikes, particularly in the year to June 2024, and by increasing spend on capital items. This is likely because of a combination of internal and external factors. ACC is investigating what has driven this, to ensure spend on capital equipment going forward is appropriate, targeted, and cost-effective.
- The strain was partially offset by a \$158 million influenceable release, owing to hearing loss incurred-but-not-reported (IBNR) claims. The number

of claims receiving their first payment in the first quarters after accident has reduced substantially because of earlier acceptance and treatment of claims following the lowered thresholds and the ability for audiologists to lodge claims directly.¹⁶

- Average cost of claims — \$144 million in influenceable OCL strain

The increase was primarily driven by higher-than-expected average capital payments (\$69 million) because of increased use of advanced technologies causing higher costs for capital items such as prosthetics. It was also driven by higher-than-expected average care payments (\$55 million). This was partially offset by lower-than-expected average costs for claims receiving weekly compensation (\$66 million).

Serious injury claims



2024/25 influenceable strain:
\$373 million



Five-year influenceable strain:
\$2,286 million

Total OCL:
\$22,283 million

In the past year, the biggest contributor to the serious injury influenceable strain was capital (\$257 million), followed by care (\$117 million) and medical (\$30 million). This was partially offset by a \$52 million release in weekly compensation. The components of the influenceable strain were:

- Number of active claims — \$135 million influenceable OCL strain

The increase was driven by a higher-than-expected volume of new serious injury claims receiving care and capital payments from older accident years, following a change in ACC’s practices to profile claims as serious injuries. This was partially offset by a small \$8 million release, as the number of new serious injury claims receiving weekly compensation was lower than expected.

- Average cost of claims — \$238 million influenceable OCL strain

The increase was mainly driven by capital payments over the past year being 15% higher than expected, owing to a combination of factors such as billing delays, increased costs because of supply-chain disruptions and increased demand for housing and vehicle modifications.

Additional strain came from higher assumed average starting level of residential care for future entrants and higher-than-expected other care payments. For weekly compensation, a \$24 million influenceable release arose primarily because of several clients ceasing to receive weekly compensation during the year.

¹⁶ The threshold for hearing loss claim acceptance was lowered from 6% to 5%, effective from October 2022, meaning an increase in the number of accepted claims. Additionally, since July 2022, audiologists have been able to lodge new hearing loss claims without specialist approval, allowing claims to be processed earlier.

There is a comparatively small number of seriously injured clients. As at 30 June 2025, there are 5,775 serious injury claims out of almost 1 million active ACC claims.¹⁷ Because of high client and claim complexity for serious injuries, their service requirements represent a significant portion

of the total OCL (\$22.3 billion, or 39%, as at 30 June 2025). The long-term nature of these claims means that small changes in service provision can have a significant effect on the OCL.

Sensitive claims



2024/25 influenceable strain:
\$54 million



Five-year influenceable strain: Total OCL:
\$1,140 million \$8,940 million

The Scheme fully funds the services for survivors of sexual abuse and assault. As a result of ongoing work to improve the accessibility and effectiveness of sensitive claim services, growth in the number of active sensitive claims is expected and appropriate. This does, however, make it important that the average cost per claim is carefully managed to ensure the service remains sustainable. The components of the 2024/25 influenceable strain in sensitive claims were:

- Number of active claims — \$45 million influenceable OCL strain

The strain was primarily driven by higher-than-expected future new claims projected to receive non-counselling, non-weekly compensation payments (\$67 million).

There was also strain in the counselling space owing to existing claims continuing to receive services for longer, leading to a worsening of rehabilitation assumptions. However, this counselling strain was offset by a release because of fewer-than-expected active claims receiving counselling in the past year.

- Average cost of claims — \$9 million influenceable OCL strain

This was primarily driven by the assumed 1.5% increase in counselling costs from 1 July 2025 under ACC’s new counselling contract, in addition to standard inflation. This was offset by lower-than-expected average costs for non-counselling, non-weekly compensation payments.

¹⁷ A claim is defined as active if it has received a payment in the final quarter of 2024/25.

The full effect of the TN court decision remains uncertain, and this is the main driver of the non-influenceable strain of \$0.5 billion

Weekly compensation payments for sensitive claims have risen sharply over the past year, largely because of significant levels of backdated payments. This trend has been most prominent in the Non-Earners' Account but has also affected the Earners' Account. The higher payments are thought to be primarily driven by the implications of the TN court decision, which has contributed a substantial \$503 million non-influenceable strain to the OCL.

The TN court decision is legally and operationally complex. As at June 2025, ACC was operating under interim policy settings that did not yet give full effect to the decision. Full implementation of the new operational settings took effect from the end of September 2025.

In the interim, payment patterns for weekly compensation are showing significant and rapidly evolving distortions. These patterns are difficult to interpret and may not reflect where payments will ultimately settle over the medium to long term. This uncertainty presents challenges for setting a robust basis for the core OCL valuation for sensitive claims and for adjusting the IBNR liability.

Significant risks exist within the Scheme that ACC must address, and there are also significant opportunities to improve sustainability

The June 2025 OCL valuation report highlights that Scheme payments are continuing to grow at an unsustainable rate, having more than doubled over the last decade. Several payment types pose material risks to the liability, including care payments for serious injury claims, sensitive claims (weekly compensation), elective surgery, capital payments, and weekly compensation.

Some of these risks are already well understood with management responses in place, while others require further investigation. In particular, we recommend further analysis into the drivers of growth in residential care costs and capital payments.

Further detail on the claim performance improvement programmes can be found in Section 7 *'Future risks and opportunities'*.

In addition to these risks, there are also upside opportunities if recent adverse claim performance improves. For example, weekly compensation costs and elective surgery volumes could be lower than expected if rehabilitation rates strengthen or surgery demand returns to prior levels.

Further detail on these risks, issues for management attention, and upside opportunities are set out in Appendix F *'Claim performance detail'*.

6.

Injury prevention

6. Injury prevention

About this section

- Investment in injury prevention can be important to financial condition if it meaningfully reduces the amount New Zealanders need to pay to keep the Scheme financially sustainable.
- Investment in injury prevention can also provide wider social benefits, but these are less relevant to this report, which is focused on the Scheme's financial condition.
- In most cases, there is a legislative requirement that ACC only invests in injury prevention initiatives that will result in lower levies or appropriations.
- This section discusses the performance of ACC's investment to reduce the incidence and severity of injuries in New Zealand.
- It includes the effectiveness of the overall injury prevention investment and the performance of specific investments.

Key messages

1. Injury prevention is not currently making a significant contribution to Scheme sustainability.
2. ACC has strengthened its governance and decision-making framework for injury prevention and set long-term targets. The overall target is a 5% reduction in new year costs in 2040, with an interim target of 1% reduction in 2030 new year costs.
3. Over the past five years, deteriorating claim performance has increased new year costs by more than \$2 billion, with projections of continued growth at 5% per annum between 2026 and 2030. ACC needs a faster and more effective lever than injury prevention to improve the Scheme's financial condition.
4. ACC is prioritising claim rehabilitation improvements over injury prevention investment. In line with this, ACC is slowing its expansion of injury prevention investment. In our view this is appropriate.
5. While injury prevention is not the main priority right now, it remains a core function of ACC.
6. Some programmes are performing well, but ACC continues to be reliant on a few programmes to deliver benefits.
7. In the past two years, ACC has stopped 25 underperforming programmes.

Key concepts

Return on investment | Claim benefits | New year costs

Preventing injuries, or reducing their severity, reduces social, economic, and personal harm

Reducing the incidence and severity of injuries is one of ACC's core purposes.

Successful injury prevention can deliver a wide range of social and economic benefits to communities. In writing the Financial Condition Report, however, we're primarily concerned with the effect of ACC's injury prevention investment on Scheme sustainability and fairness.

ACC's injury prevention activities have the potential to be an important lever to improve financial condition over the longer term. Injury prevention programmes can reduce claim costs by decreasing the number or severity of injuries. This reduces new year costs, which in turn can lead to lower levies and appropriations.

ACC's investment is guided by section 263 of the Accident Compensation Act 2001. This legislation requires ACC to be satisfied its investment in prevention is likely to result in a cost-effective reduction in levies or appropriations, or can be funded by another source, such as Parliament appropriation.

As a result, ACC uses the return on investment (ROI) to monitor the performance of its injury prevention investments. The ROI is the claim benefits¹⁸ from an injury prevention investment divided by the investment amount. The ROI is an indicator of performance, as it directly measures the amount of return on a particular investment relative to its cost. The higher the claim benefits are compared to investments, the higher the ROI. The higher the ROI, the greater the financial benefits to levy payers and taxpayers through reduced levies and appropriations.

Injury prevention is not currently making a significant contribution to Scheme sustainability

The expected net claim benefit from injury prevention in 2025/26 is \$53 million,¹⁹ or 0.6% of estimated new year costs. For this to be more significant, the net claim benefit from injury prevention would need to be much higher.

In 2024/25, ACC refreshed its injury prevention strategy. The refresh included strengthening the governance and decision-making framework and setting long-term targets.

Over the past five years, deteriorating claim performance has increased new year costs by more than \$2 billion, with projections of continued growth at 5% per annum from 2025/26 to 2029/30. The injury prevention strategy sets an overall target of a reduction in new year costs of 5% in 2040, estimated to be a saving of around \$800 million. An interim target of reducing new year costs by 1% in 2030 was set, with an estimated saving of \$157 million.

Because of the recent significant deterioration in claim performance, ACC needs a faster and more effective lever than injury prevention to improve the Scheme's financial condition.

ACC is prioritising claim rehabilitation improvements over injury prevention investment. Under its plan to turn around performance, ACC has initiatives in place aiming to deliver financial improvements by 2030 that are significantly higher than the injury prevention target. In line with this new strategic priority, ACC is slowing its expansion of injury prevention investment, delaying the implementation of the refreshed injury prevention strategy. In our view this is appropriate.

¹⁸ Claim benefits are the number of claims avoided multiplied by the average expected cost of the avoided claims as a result of an injury prevention initiative.

¹⁹ This excludes investments that don't contribute towards the target ROI.

While injury prevention is not the main priority right now, it remains a core function of ACC

ACC's approach to injury prevention has, for many years, been to focus on direct participant programmes, with more recent work undertaken in the community-led and behaviour change communications space. Some of these are well-established programmes that have been delivering benefits for many years, and we expect these to continue.

Through the refreshed strategy, ACC aims to establish itself as a strategic leader in injury prevention, by taking a more targeted, evidence-based approach and making better use of internal resources, system partnerships, and advocacy. The current approach for injury prevention is to consolidate what's working well, and focus on building on this for the future.

Some programmes are performing well, but there continues to be a reliance on a few programmes to deliver benefits

As with most investments, diversification within the injury prevention portfolio should be considered to reduce concentration risk. This can be achieved by ensuring there are multiple well-performing injury prevention programmes representing different focus areas. This is particularly important because there are few well-performing programmes in the history of ACC's investment in injury prevention.

Much of ACC's current prevention investment is at risk of underperforming

Since July 2006, ACC has invested \$944 million in injury prevention. The investment has delivered a total of \$739 million in estimated claim benefits between July 2006 and June 2025. From 1 July 2025, there is \$133 million committed to future investments with \$781 million of claim benefits expected.²⁰ The \$133 million includes \$46 million spent on programmes still in design and not yet included in ROI calculations.

When including expected future investments and benefits, the ROI for ACC's overall injury prevention portfolio is \$1.41. This means that an extra 41 cents is expected to be returned to levy payers and taxpayers for every dollar invested. If future investments prove insufficient to deliver intended benefits, or if future benefits are lower than assumed, the ROI would fall. Conversely, if less investment is required or more benefits are delivered than expected, the ROI would rise.

When considering only estimated benefits that have been delivered against investments made to date, the portfolio ROI drops to \$0.78.

During the 2024/25 annual revaluation of estimated future claim benefits, there was an overall reduction of \$62 million owing to declining portfolio performance and outlook. Since 2020, the annual revaluation process has resulted in a total net reduction in future benefits of \$182 million. Based on past and recent performance, the expected claim benefits for a couple of programmes may still be overvalued. However, this is likely to be offset by a few well-performing programmes for which expected claim benefits may be currently undervalued.

The annual revaluation process, which is refined each year, has resulted in more realistic claim benefits being forecast for the portfolio. The expected claim benefits are more reflective of past and recent performance.

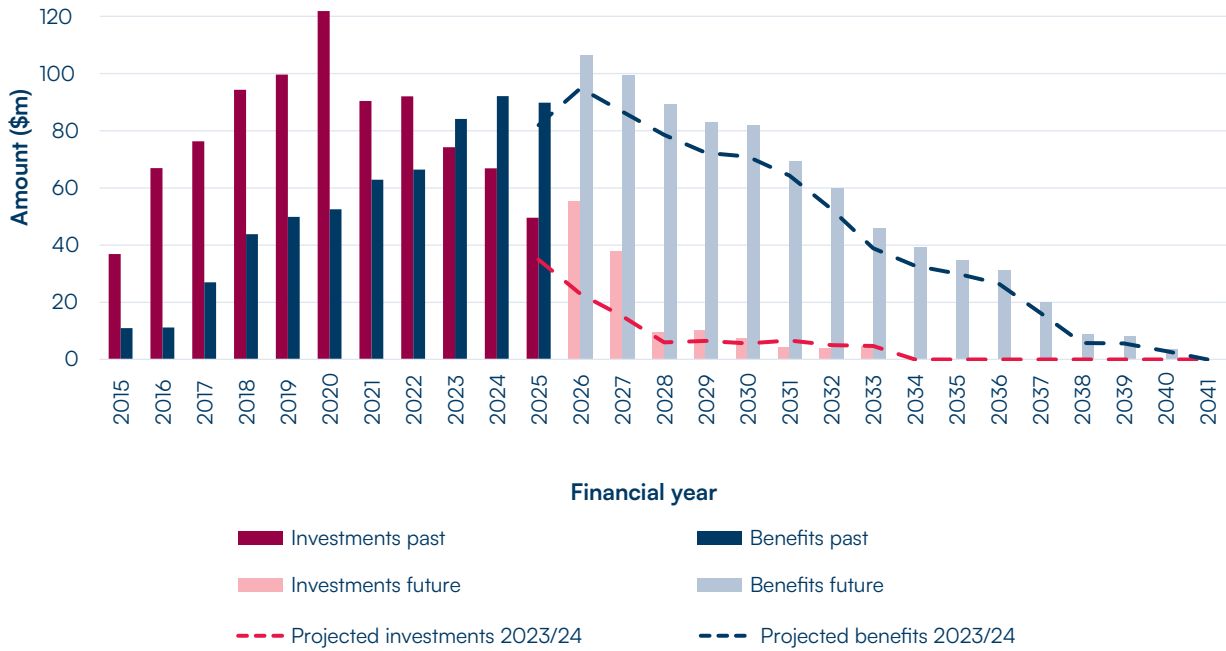
Investment in injury prevention is long term, with upfront investments expected to provide benefits in the future. As at 30 June 2025, 92% of programme investment has been spent, but only 49% of claim benefits has been realised.²¹ This ratio, along with a history of reducing expected benefits, indicates a risk of not realising all future benefits.

Chart 4 shows past and future investments and claim benefits across the entire injury prevention portfolio at the end of 2024/25. These are compared with the future investments and benefits expected at the end of 2023/24. Figures are based on the expected average lifetime cost of a claim saved as at 30 June 2025.

²⁰ These figures are inclusive of all investments, including those not yet contributing towards the ROI. If not accounting for design costs yet to be included in the ROI calculation, the \$133 million goes down to \$87 million.

²¹ These exclude programmes in design that are not yet accounted for in ROI calculations, and do not yet have expected claim benefits.

Chart 4: Past and future investments and claim benefits as at 30 June 2025



Future investments increased by \$27 million as reinvestments were approved during the year to 2024/25. ACC expects these reinvestments to deliver \$79 million in extra benefits from 2025/26. Also, deteriorating rehabilitation performance and changes in economic assumptions drove up the expected average lifetime cost of a claim saved. This contributed a further \$111 million increase in expected future benefits. As ACC improves its claim performance, the average lifetime cost of a claim will reduce, and this will reduce the ROI.

Injury prevention is managed in four portfolios

ACC’s injury prevention investment is split into four portfolios. Each portfolio consists of sub-portfolios, which then consist of programmes.

Table 12 shows the four portfolios with the corresponding past investments and past benefits since July 2006 to date. The table also shows projected future investments and benefits from 2024/25 onwards.

Table 12: Injury prevention past and future investments and benefits as at 30 June 2025

Portfolio	Past	Future	Commentary (expected ROI includes all design costs)
<i>Targeted</i>			
Makes investments targeted at outcomes related to sports and active recreation, ageing well and transportation	Investment: \$511m Benefits: \$593m	\$89m \$623m	<ul style="list-style-type: none"> 85% of committed investment has been made, and 49% of estimated benefits has been realised. Has the highest proportion (55%) of programmes in delivery. Four of the five biggest programmes in terms of future benefits are in this portfolio, having a combined future benefit of \$445 million (71% of this portfolio’s total future benefits).
			<p>ROI to date: \$1.16 Expected ROI: \$2.02</p>

Table 12: Injury prevention past and future investments and benefits as at 30 June 2025 continued

Portfolio		Past	Future	Commentary (expected ROI includes all design costs)
<i>Treatment Safety</i>				
Targets injuries acquired during a medical treatment	Investment:	\$75m	\$1m	<ul style="list-style-type: none"> 98% of committed investment has been made, but only 20% of estimated benefits has been realised. Expects one programme (Neonatal) to deliver 94% of its future benefits. Neonatal is one of the top five programmes in terms of future benefits and is expected to start delivering benefits from 2026/27.
	Benefits:	\$14m	\$55m	
<i>Workplace (including WorkSafe²²)</i>				
Directs investments towards preventing work-related injuries	Investment:	\$208m	\$19m	<ul style="list-style-type: none"> 91% of committed investment has been made and 55% estimated benefits has been delivered.
	Benefits:	\$132m	\$104m	
<i>Strategic</i>				
Makes long-term investments aligned to ACC's injury prevention strategic objectives	Investment:	\$150m	\$24m	<ul style="list-style-type: none"> 97% of the committed investment has been made, with no benefits expected yet. Nine programmes are in design, and one is in implementation. Expected benefits from the portfolio are yet to be determined.
	Benefits:	\$0m	\$0m	
Total	Investment:	\$944m	\$133m	<ul style="list-style-type: none"> For the overall portfolio, most of the investment has been committed, but most benefit realisation is still in the future.
	Benefits:	\$739m	\$781m	
				ROI to date: \$0.78 Expected ROI: \$1.41

²² ACC ceased its investment with WorkSafe during 2024/25. The investments made and benefits to date from WorkSafe programmes are included in the lifetime ROI for the Workplace portfolio.

Of 29 programmes in delivery, six achieved benefits higher than expected in the year. These six programmes belong to the Targeted and Workplace portfolios.

Five programmes account for 63% of the total expected future benefits

Of the \$781 million future claim benefits, 63% (\$496 million) is expected to be delivered through only five programmes. This poses a risk to future overall performance, as investment risk in the portfolio is not well-diversified. From inception

through to 2024/25 ACC invested \$261 million in these five programmes, with a further \$62 million remaining from 2025/26. That is, 81% of known investments has been spent, while only 19% is remaining for these five. On the other hand, \$359 million (42%) of claim benefits has been delivered, with \$496 million (58%) remaining. Table 13 shows the benefit performance of these programmes. Grants and Subsidies was previously one of the five largest programmes but has dropped out of this list with its expected claim benefits revalued down by over 60%.

Table 13: Injury prevention programmes with the top five expected future benefits as at 30 June 2025

Programme		Past	Future	Commentary
<i>Falls and Fractures</i>	Investment:	\$113m	\$46m	This Targeted programme delivered its expected benefits in the year to 30 June 2025. There remains 80% of claim benefits to be delivered and 29% of committed investments to be made.
	Benefits:	\$57m	\$231m	
				ROI to date: \$0.50 Expected ROI: \$1.81
<i>Ride Forever</i>	Investment:	\$65m	\$5m	This well-performing Road programme delivered expected claim benefits in the year to 30 June 2025. 41% claim benefits lie in the future, while 7% of committed investments remain to be made.
	Benefits:	\$141m	\$98m	
				ROI to date: \$2.16 Expected ROI: \$3.40
<i>Young Driver</i>	Investment:	\$45m	\$9m	This other well-performing Road programme delivered expected claim benefits for the year to 30 June 2025. 31% of expected benefits lie in the future, with 17% of committed investments to be made.
	Benefits:	\$158m	\$70m	
				ROI to date: \$3.49 Expected ROI: \$4.17
<i>Neonatal</i>	Investment:	\$13m	\$1m	100% of the benefits for this Treatment Safety programme lie in the future. Its current ROI relies on future benefit delivery, which is expected to start in 2026/27. Targeted claims are small in volume, but high in cost. If the number of claims saved are not as many as expected, the estimated amount of claim savings may not be met.
	Benefits:	\$0m	\$51m	
				ROI to date: \$0 Expected ROI: \$3.70

Table 13: Injury prevention programmes with the top five expected future benefits as at 30 June 2025 continued

Programme	Past	Future	Commentary
<i>Roading infrastructure</i>	Investment: \$25m Benefits: \$3m	\$1m \$45m	93% of claim benefits for this programme lie in the future; 3% of committed investments remain to be made. This programme is long term in nature due to the time it takes for road engineering changes to be implemented. Target claim savings are small in number but high in cost, with next delivery expected to start in 2025/26. ROI to date: \$0.14 Expected ROI: \$1.91
Total	Investment: \$261m Benefits: \$359m	\$62m \$496m	The expected ROI for the five programmes above is higher than the expected ROI for the overall portfolio. However, 63% of benefits are still to be realised. ROI to date: \$1.37 Expected ROI: \$2.64

Some risks for the five programmes relate to securing external funding, small data volumes and fewer claim savings than expected:

- For Falls and Fractures, failure to secure expected external funding as planned would result in an ROI reduction.
- For Neonatal, targeted claims are small in volume so there are challenges measuring the effectiveness of initiatives.
- For Roding Infrastructure, the timing gap between investment and benefit realisation will make it hard to address any underperformance.

In the past two years, ACC has stopped 25 underperforming programmes

As at 30 June 2025, ACC has 59 programmes in design, implementation or delivery. This follows the termination, between 2023/24 and 2024/25,²³ of 25 programmes not meeting performance expectations. ACC has four confirmed new programmes in the pipeline.

Some programmes have delivered no benefit and are not expected to

In a balanced portfolio of prevention initiatives, and over time, some investments would be expected to fail or underperform. Since 2006/07, sixty-three injury prevention programmes that were moved into delivery have not delivered, and are not expected to deliver, any claim benefits. Only four of these programmes with no future benefit expected now remain in delivery. Of these four, ACC expects to end one sometime in 2025/26. Investigations are underway for the other three for potential savings, with one targeting claims with a significant average lag from injury to reporting.

Table 14 shows these programmes by portfolio. The ended programmes represent \$228 million (22%) of all committed injury prevention investment.

²³ ACC ended four programmes in 2024/25, following termination of 21 programmes not meeting performance expectations in 2023/24.

Table 14: Injury prevention programmes exited or in delivery with nil ROI by portfolio

Portfolio		Ended	In delivery	Total
<i>Targeted</i>	Investment:	\$56m	\$18m	\$74m
	Number of programmes:	22	1	23
<i>Treatment Safety</i>	Investment:	\$13m	\$18m	\$30m
	Number of programmes:	7	3	10
<i>Strategic</i>	Investment:	\$132m	\$0m	\$132m
	Number of programmes:	8	0	8
<i>Workplace</i>	Investment:	\$28m	\$0m	\$28m
	Number of programmes:	22	0	22
Total	Investment:	\$228m	\$36m	\$264m
	Number of programmes:	59	4	63

7.

Future risks and opportunities

7. Future risks and opportunities

About this section

- This section discusses future opportunities and risks relevant to the financial condition of the Scheme. These are in addition to those discussed in earlier sections.
- It focuses on those areas that are significant enough to potentially have a material impact on the future sustainability of the Scheme.
- Some of the opportunities and risks discussed will have an effect in the shorter term (the next few years), while the effect of others will be felt in the longer term.

Key messages

1. ACC is resetting its enterprise strategy to focus more strongly on timely, lasting recovery and financial sustainability.
2. In the shorter term the implementation of the new strategy will be driven by an operational plan to turn around performance.
3. Delivering significant, longer-term change, while still meeting in-year targets, will require disciplined prioritisation, and mature benefits management.
4. During a period of substantial change, care is needed to make sure broader risks to financial sustainability are managed.
5. Consistent, high-quality decisions on cover and entitlements remain key to Scheme fairness and sustainability.
6. Scheme performance is influenced by the wider health system.
7. Unfunded expansion of Scheme boundaries can threaten financial sustainability.
8. Several other factors may affect Scheme sustainability over the longer term, but are not of immediate concern.

Key concepts

Enterprise strategy | Scheme boundaries

ACC is resetting its enterprise strategy

Over the past year, awareness of challenges to the Scheme's long-term financial sustainability has grown. Key issues include a persistent new year cost gap, declining funding ratios across Accounts, significant influenceable OCL strain, and a sustained decline in shorter-term rehabilitation performance.

ACC has taken significant action towards addressing these issues. In 2025, rehabilitation outcomes in targeted areas have improved, particularly for clients receiving long-term weekly compensation. However, to provide additional assurance that ACC is taking the right actions to improve operational performance and financial sustainability, the Minister for ACC commissioned an independent review.

The review recommended that ACC reset and simplify its strategic priorities to support a 'back to basics' approach with a stronger focus on its core business of claims management.

In 2025, the ACC Board also commissioned an independent workplace culture review, led by Phillipa Muir, Chair and Partner at Simpson Grierson. While culture has a less directly measurable effect on Scheme sustainability than claims management, it remains relevant given the critical role of ACC's workforce in rehabilitation outcomes. The review highlighted the need for a clear, aligned strategy to support staff and reinforce ACC's strong sense of purpose.

A third review, completed by Willis Towers Watson in 2025, focused on ACC's investment strategy. It delivered positive findings and required minimal follow-up action.

ACC's new enterprise strategy will be simpler with a stronger focus on timely, lasting recovery and financial sustainability

In response to its changing operating environment and the results of the independent reviews, ACC is developing a new enterprise strategy, which is due to be launched on 1 January 2026.

While the strategy has yet to be finalised, it will be simpler and focused on the need for ACC to refocus on its core purpose, adopting a back-to-basics approach centred on effective claims management, operational excellence, and a high-performing culture.

The new strategy is likely to include three core strategic priorities:

- Care that leads to lasting recovery — built on investment in effective and appropriate care, consistent decision-making, and partnering with providers to achieve lasting recovery outcomes.
- Timely return to work and independence — built on excellence in rehabilitation, enabling injured people to return to work or independence faster through best-practice claims management aligned with legislative purpose and shared accountability for recovery outcomes.
- Efficient organisation and sustainable Scheme — underpinned by responsible administration that ensures the Scheme is here for future generations by better leveraging technology and data, making smart investments, and partnering to lift New Zealand's safety culture.

The sharper scope and clearer direction of the new strategy is more likely to deliver the sustained improvements in claims management needed to make a material difference to long-term Scheme sustainability.

In the shorter term the implementation of the new strategy will be driven by an updated operational plan to turn around performance

ACC has developed an operational plan that sets out immediate actions to address declining rehabilitation performance and growing financial pressures on the Scheme. The plan sets out actions up to 30 June 2026 and incorporates recommendations from the independent review. It focuses on faster recovery, getting clients back to work and independence, and improved financial sustainability.

The plan sets out 12 targeted actions across three priority areas.

1. Care that leads to lasting recovery — includes improving social rehabilitation and elective surgery decision-making, ensuring services are necessary, cost-effective, and injury related. This priority also includes enhanced fraud detection to protect the integrity of the Scheme.

2. Getting New Zealanders back to work and independence — focuses on growing frontline capability through recruitment and training, early engagement with clients at risk of delayed recovery, and partnering with health providers to accelerate sustainable return-to-work outcomes. It also includes proactive management of clients at risk of staying on the Scheme for longer than necessary, and streamlined processes for those no longer eligible for support.
3. Resetting ACC and getting back to basics — involves refining the operating model to strengthen claims management, leveraging technology and international best practice, resetting strategic priorities, and embedding a high-performing, inclusive culture.

Additional actions aim to ensure operating expenses deliver value for money and that ACC's systems and governance structures support long-term financial sustainability. Collectively, these actions are designed to lift rehabilitation performance, reduce unnecessary costs, and secure the Scheme for future generations. The plan is supported by more detailed planning and milestone tracking for key initiatives.

Over the longer term, the strategy will focus on both meeting in-year performance targets and making more significant change to secure long-term Scheme sustainability. Focus on both is required to ensure ACC sustains shorter-term performance improvements while building the capabilities required to deliver the more fundamental changes needed for long-term Scheme sustainability.

Delivering significant, longer-term change while still meeting in-year targets will require disciplined prioritisation, clear focus, and mature benefits management

Balancing the design and delivery of longer-term change against achieving key operational performance targets will be a challenge for ACC. The organisation must simultaneously stabilise operational performance and address immediate financial pressures, while designing, delivering, and operationalising change required to support longer-term Scheme sustainability.

Disciplined prioritisation is essential. Without this, there is a risk of spreading effort too thin across competing initiatives, weakening impact and delaying benefits. Sequencing change, aligning investment to the highest-value activities, and making deliberate trade-offs will be key.

Equally important is mature benefits management — an area in which ACC has faced challenges in the past. Previous reviews have highlighted inconsistent benefit definition, lack of baselining, limited tracking beyond implementation, and difficulty embedding changes into frontline practice. These gaps have meant that some initiatives delivered outputs but failed to sustain measurable improvements in rehabilitation outcomes or cost efficiency. Addressing this requires early definition of benefits against clear and meaningful baselines, linking them to operational metrics, and maintaining accountability for realisation over time. ACC is working on improving its approach to this.

Even with all of this in place, there may be a delay between benefits starting to emerge, and their recognition through reduced OCL or new year costs. To affect these longer-term metrics, benefits must be demonstrated with robust, auditable data, and must not only be forecast but proven, sustained, and verifiable over time.

During a period of substantial change, care is needed to make sure broader risks to financial sustainability are managed

ACC is responding to multiple recommendations from the reviews discussed above. It also needs to manage to the performance targets set out in its Service Agreement. Alongside this, there are always other areas of Scheme performance that could pose risk to the financial condition of the Scheme. These are set out elsewhere in this report. To best support financial sustainability, ACC must balance its efforts to ensure it is monitoring and managing all major risks to the Scheme's financial condition.

If measures and targets are not set carefully, they could drive focus towards a narrow set of objectives, at the expense of other areas with a major effect on Scheme sustainability. Care needs to be taken with these to ensure that key risks and opportunities are captured, and to assist with any prioritisation that might become necessary around improving claim performance.

Consistent, high-quality decisions on cover and entitlements remain key to Scheme fairness and sustainability

In 2014, the State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet published a Performance Improvement Framework review of ACC. This report contains some valuable observations, many of which are still relevant to ACC, over a decade later. The report states:

“ACC can only deliver a better experience for its customers while simultaneously delivering financial sustainability with levy stability by improving service quality and effectiveness. Trying to win the trust and confidence of customers and the public with a more generous administration of the scheme creates an unnecessary tension between these goals. That tension leaves ACC chasing customer goals in one period and financial goals in the next. This ‘pendulum effect’ adds to scheme volatility in ways that undermines confidence in the scheme. It also makes ACC difficult to partner with and undermines partner and staff confidence that ACC will persist with any particular course of action.”

The credibility and therefore sustainability of the Scheme depends on fair access to entitlements and ensuring every eligible person receives the right level of support — neither less nor more than they are entitled to. Under-servicing can delay recovery and increase long-term costs, while over-servicing creates undue financial pressure and inequities. Achieving this balance requires consistent application of legislation, sound clinical and financial judgement, and strong frontline capability supported by clear guidance.

Reviews of decline decisions are a key indicator of decision quality on cover and entitlements

When ACC last substantially increased its focus on returning clients on long-term weekly compensation to work or independence (2008/09), review volumes rose significantly. At the same time, there was a small increase in the proportion of reviews resolved in favour of clients. This second metric is one useful indicator of whether the right decisions are being made.

In 2024 and 2025, we have seen a significant increase in the number of reviews of decisions and, importantly, an increase in the proportion of declined decisions being taken to review in 2025. This is expected as ACC reviews settings that appear to have been overly permissive.

It is too early to tell if there is any change in the proportion of decisions overturned in favour of clients, given the delay between review lodgement and resolution. However, it is important to track these and similar measures and understand the drivers of any changes. Doing so will help safeguard against changes in settings going too far.

ACC’s plan to turn around performance has a strong focus on improving rehabilitation outcomes and the financial sustainability of the Scheme.

We recommend that as part of its plan, ACC should also consider what measures and targets are in place, or need to be introduced, to demonstrate that decision-making on cover and entitlements is of appropriate quality.

These measures and targets should include assessment of the clinical soundness of decisions and compliance with governing legislation and associated regulations. They should also be designed with reference to historical trends and external benchmarks to provide meaningful context and assurance.

We note that work in response to this risk is underway and that monthly reporting delivered under the plan to turn around performance will include information on review statistics and trends.

Scheme performance is influenced by the wider health system

ACC’s ability to deliver timely rehabilitation outcomes depends heavily on the capacity and responsiveness of the wider health system. Delays in accessing surgery, specialist assessments, or rehabilitation services can significantly extend recovery times, increase the risk of long-term dependency, and increase Scheme costs. Workforce shortages, regional service gaps, and pressure on public hospitals all contribute to these delays. In some cases, ACC has had to fund additional capacity or alternative pathways to mitigate these constraints, but these solutions are costly and not always sustainable.

The interdependence between ACC and the health system means that even the most efficient claims management processes may not fully offset system bottlenecks. ACC should also consider whether it has been providing services above requirements in areas that may be contributing to this. Addressing these challenges requires strong partnerships with health providers and a commissioning approach that ensures capacity is available where and when it is needed.

Unfunded expansion of Scheme boundaries can threaten financial sustainability

'Scheme boundaries' describes the overall coverage provided by the Scheme. The boundaries of the Scheme expand when the Scheme coverage is changed to include an injury, condition or group of people that weren't previously covered.

Expanding coverage can be of benefit to New Zealanders by providing support to those who weren't previously eligible to receive it. However, this does incur additional costs that are ultimately borne by levy payers and taxpayers. When there's a significant expansion of Scheme boundaries, without new funding, it can affect the Scheme's long-term financial sustainability.

Scheme boundaries can't be directly expanded by court decisions. However, when a judge's interpretation of the existing law differs from ACC's current application it can have the effect of extending cover and entitlements to a wider group of people.

Last year, we reported on three Court of Appeal cases, two where ACC's appeals had been dismissed, and one where its appeal remained to be heard.

That last case, ACC v D, concerned cover for mental injury arising from physical injury, where the physical injury itself did not have ACC cover. In July 2025, the Court of Appeal allowed the appeal and accepted ACC's position that there was no ACC cover for mental injury in this situation.

Several other factors may affect Scheme sustainability over the longer term but are not of immediate concern

Pay equity claims

In May 2025 the Government announced the Equal Pay Amendment Act. This changes and tightens the criteria for pay equity claims. All existing outstanding claims needed to be refiled and judged against the new stricter Act and cannot be raised as a new claim until 10 years since the previous settlement. As the previously outstanding pay equity claim for care workers was last settled in 2017, a new claim cannot be raised until 2027, removing the immediate risk to the OCL. However, there is still a risk that future pay equity claims could cause strain in the longer term.

Ageing population, mental health conditions and other co-morbidities

The New Zealand population is expected to grow by 0.8% per year over the next decade. The proportion of the population aged 65 and over is expected to increase from 17% to 21% by 2034. Conversely, the proportion of the population aged under 20 is expected to decline from 25% to 22% by 2034.

This shift in population is likely to have an effect on the volume, types, and costs of claims ACC receives each year, as well as the type and size of the population funding these claims. This will be a gradual change over time and is likely to affect each Account differently.

Similarly, mental health and other co-morbidities can have a gradual effect on Scheme sustainability by complicating recovery. However, while there's some evidence of an increase in the proportion of claims with mental health conditions, this doesn't explain ACC's deteriorating performance to any significant degree.

There's potential value in ACC deepening its understanding of how mental health conditions and other co-morbidities influence recovery, as well as the effects of shifting population demographics. This is a lower priority than the more immediate work ACC is doing to improve claim performance.

Climate change

There's little research about the effects of climate change on accidents and injuries. This means that estimating financial effects for ACC is difficult. We're not yet making any explicit allowance for these effects in our projections. We currently believe that the future risks posed by climate change to the Scheme's financial condition are likely to be in the same order of magnitude as other financial risks, such as the effect of economic movements and declining claim performance.

ACC doesn't currently need reinsurance

Reinsurance can be used as a means of protecting insurers from large claim risks. Based on the findings of a 2021/22 scenario analysis considering the financial effects of various catastrophic events, ACC's Board agreed that the Scheme doesn't require reinsurance at this time.

ACC maintains a significant balance sheet as part of its obligation to maintain funds to pay for the lifetime costs of claims that have already occurred. As a result, ACC is well placed to cope with significant and unexpected events resulting in accident or injury, potentially to significant numbers of people, without requiring reinsurance. In the short term, any reasonably foreseeable call on funding could be met and the resulting deficit could be reduced over time through increased levies and appropriations, in line with the Government Funding Policy Statements. Unless there is a significant change in Scheme circumstances, the need for reinsurance should be reviewed again in 2026/27.



8.

Recommendations

8. Recommendations

About this section

- Each year we recommend actions ACC can take to improve the Scheme's financial condition and enhance sustainability and fairness.
- The Scheme's long-term nature means recommendations may take several years to resolve.
- Recommendations from previous years can be carried over to future reports, depending on how much progress has been made to address them.
- In the Financial Condition Report 2024 no recommendations were closed, and there were four active recommendations.

Key messages

1. This year we have changed the recommendations from the previous year. Three of the four recommendations have been closed, one has been reframed, and a new one has been added.
2. Some residual aspects of the closed recommendations have been included in the reframed recommendation.
3. For each of the previous year recommendations we detail the progress made over the 2024/25 year.

Key concepts

Financial Condition Report recommendation

Three of the four previous FCR recommendations have been closed with the other recommendation being reframed

There were four open recommendations in the *Financial Condition Report 2024* on opportunities to improve the financial condition of the Scheme. These recommendations have been in place in various forms for a number of years, and ACC has made continuing progress to address them.

With the reset of ACC's enterprise strategy and the work that has already been done to improve claim performance, the approach to injury prevention, and equity, we believe these recommendations need substantial adjustment.

As a result, we are closing three of the recommendations, reframing one, and making one new recommendation to support the work the organisation is doing to improve rehabilitation performance.

We are closing the 2024 recommendations relating to injury prevention, Māori access, outcomes, and experience, and sensitive claims.

We are reframing the recommendation on focusing on claims with greatest long-term effect on the OCL and new year costs.

Injury prevention

Recommendation	2024/25 progress highlights
<p>We recommend that ACC's injury prevention activities are guided by a detailed implementation strategy that:</p> <ul style="list-style-type: none"> sets out clear milestones for how ACC's strategic injury prevention targets will be achieved over time sets out accountabilities and responsibilities across ACC to ensure the importance of injury prevention as a lever for financial sustainability is recognised and managed includes approaches to ensure current and historic performance issues are appropriately managed strengthens investment logic, monitoring, and evaluation frameworks so that changes can be made at the right time if a programme seems to be going off track, or if the environment changes. 	<ul style="list-style-type: none"> A revised strategic approach to injury prevention with a near- to medium-term injury prevention plan was presented to the ACC Board in April 2025. In June 2025, the Injury Prevention Governance Group (IPGG) endorsed three frameworks for injury prevention to be implemented within the next 12 months. <ul style="list-style-type: none"> Pipeline framework — a structured approach to identifying new areas for investment. Measurement framework — an enhanced approach to measuring outcomes and benefits, process for determining appropriate measures for each intervention/programme, and standardised measures across all programmes. Investment framework — a decision-making tool for managing new interventions/programmes or significant changes to existing ones. In October 2025 a paper was presented to the Board, outlining the changes being made to the way ACC delivers injury prevention and providing visibility on high-performing programmes, divestment options, and alternatives. The first phase of the baseline review to understand current injury prevention spending and the extent to which it is aligned to the new strategic approach has been completed. The second phase in which programmes will be assessed against the investment framework is expected to be completed by June 2026.

Commentary

Our recommendation, first made in 2015, was significantly updated in 2023 to focus on the development of a detailed injury prevention implementation strategy. We are closing the recommendation because ACC has made substantial progress over the past year in meeting each of the points that make it up.

- The injury prevention implementation plan sets out annual targets and a plan to achieve those targets, as ACC works towards reducing new year costs by 5% in 2040.
- ACC's Board and the cross-enterprise IPGG provide the necessary governance frameworks to support injury prevention.
- The new frameworks for strengthening investment logic, monitoring and evaluation will allow ACC to manage current and historic performance issues and make changes to injury prevention programmes at the right time.

Given ACC's focus on rehabilitation performance in the short-to-medium term, significant scaling up of the effect of injury prevention is not a current priority.

Māori access, outcomes, and experience

Recommendation	2024/25 progress highlights
<p>We recommend that ACC improve Māori access, outcomes, and experience by:</p> <ul style="list-style-type: none">• developing an evidence base about where there are unfair or avoidable differences in injury risk and Scheme access, outcomes, and experience for Māori• clearly demonstrating how the work ACC's doing will result in improved access, outcomes, and experience for Māori, in a way that is sustainable and cost-effective for levy payers and taxpayers in the longer term (including Māori).	<ul style="list-style-type: none">• The first Access Report was produced and tabled in Parliament in March 2025. Through this work, it became clear that the absence of current data on injury prevalence is a significant gap in the evidence base. To address this, ACC is collaborating with the Ministry of Health and Stats NZ to include a question about injury in the New Zealand Health Survey.• The second Scheme Access report is currently being developed and is scheduled to be tabled in March 2026. It focuses on ACC's foundational evidence about barriers to access to the Scheme and the reasons for those barriers for Māori and identified populations.• Te Kāpehu Whetū (Māori Outcomes Framework) measures are now included in the Mana Taurite Equity performance report, which compares Māori outcomes with those of European and non-Māori populations. Regular monitoring of Te Kāpehu Whetū measures is now in place, with baselines and targets set for Service Agreement-level indicators. However, targets for other measures are still being developed.• For the Mana Taurite Equity Data Roadmap, ACC is currently exploring funding options to support the integration of National Health Index (NHI) data, aiming to improve the quality of ethnicity data.• In September 2024, the Government released a Cabinet Office Circular that directs public service agencies to shift to needs-based commissioning, rather than race-based commissioning. In response, ACC has developed guidelines for staff to support the application of the circular to commissioning practices, and a procurement language guidance provision.

Commentary

We consider that ACC's response to the Cabinet Office Circular on needs-based commissioning addresses much of the intent of this recommendation. The resulting guidelines and service provisions require all initiatives to present a robust investment rationale, clearly demonstrating the necessity of the intervention and justifying why the proposed approach is the most effective means of meeting that need. For targeted services, this rationale must explicitly explain why the selected group has a genuine need, rather than merely sharing characteristics that serve as proxies for need. This justification should be grounded in empirical evidence that clearly defines the need being addressed and outlines the intended outcomes of the service.

We remain concerned about the continued reliance on ACC's internal ethnicity data, given its known historical and ongoing limitations. These limitations could affect the accuracy of baseline measures, target setting, and long-term monitoring.

The data initiatives underway through the Mana Taurite | Equity Data Roadmap and the Future State and Data Strategy programme are critical to enabling better needs-based access, outcomes, and experience for Māori. We are incorporating this data quality issue into our new reframed recommendation on improving claim performance.

Sensitive claims

Recommendation	2024/25 progress highlights
<p>We recommend that ACC's work on sensitive claims:</p> <ul style="list-style-type: none">improves ACC's understanding of the people suffering sexual abuse or assault in the community, including what their injury and claim patterns might mean for how services are delivered and funded, now and in the futureensures services can be shown to deliver the right client outcomes, in a way that is sustainable and cost-effective for levy payers and taxpayers in the longer term.	<ul style="list-style-type: none">The new Sensitive Claims Service was launched on 1 December 2024, replacing the Integrated Services for Sensitive Claims (ISSC). A transition period to 31 May 2025 was established to ensure continuity of care for the large number of clients previously supported under the ISSC. All sensitive claims are now being managed through the new service, and the Sensitive Claims Evolution Work Programme has formally ended.The design of the new service was informed by concerns raised since 2019, with a focus on improving access for survivors, reducing wait times, and enhancing outcomes. The updated contract includes tighter controls to ensure the services provided are appropriate and mitigate the risk of overpayment, while supporting clients to achieve their recovery goals and safely exit the Scheme — ultimately enabling more survivors to access support and regain independence.The completion of the Data Dashboard for the Sensitive Claims Service has been delayed until later in the calendar year. Once finalised, the dashboard will present metrics for each key performance indicator. This will allow ACC to monitor service performance, including client and financial outcomes. There are processes in place to identify and respond if there are performance issues with an individual or with groups of suppliers where measures are going off track.

Commentary

Given the significant work undertaken in this space to both improve ACC's understanding of people suffering sexual abuse or assault, and an intent to prove services can be shown to deliver the right client outcomes, we have closed this recommendation this year.

The completion of the Sensitive Claims Service performance and monitoring dashboard has been delayed. It is critical that monitoring of this contract is fit for purpose and effectively tracks the metrics that have the greatest impact on the OCL valuation. Accurate valuation modelling relies on three key assumptions: claim volume, average cost, and duration. We are keen to see how the dashboard setup will effectively capture the information needed to assess the duration sensitive claims are remaining on the Scheme. We are incorporating this into the reframed claim performance recommendation, ensuring ongoing data quality improvement and effective monitoring.

Longer-term claim performance

Recommendation	2024/25 progress highlights
<p>We recommend ACC places appropriate focus on claims that have the potential to have the greatest long-term impact on the OCL and new year costs, such as weekly compensation and social care and capital. ACC should ensure:</p> <ul style="list-style-type: none">• the services seriously injured clients are receiving are needs-based and that effective monitoring and control frameworks are in place• clients only enter or remain in the long-term claims pool (LTCP) because of complex or ongoing rehabilitation or support needs• work underway to improve rehabilitation outcomes can deliver the sustained performance improvements needed to have a positive impact on the OCL.	<ul style="list-style-type: none">• ACC has several initiatives underway to target serious injury care and the LTCP.• The Support Needs Assessment Guidance Group (SNAGG) continues to closely review and assess the care provided to seriously injured clients, ensuring that care levels remain appropriate to individual needs.• The Residential Guidance Group (RGG) was established during the year to maintain oversight of all recommendations and extensions related to residential support services. The RGG is also looking at ensuring shared funding arrangements are established with Health New Zealand for clients who have both injury- and non-injury-related needs for residential support services.• ACC has changed its claims management model so that earner clients who are in the LTCP, or at risk of delayed recovery and entering the LTCP, are managed by a dedicated case manager.• During the year, ACC implemented several initiatives to support the effectiveness of claims management and uplift capability of case managers and team leaders.

Commentary

Work has progressed substantially on this recommendation with encouraging signs that ACC's actions to improve rehabilitation outcomes are starting to reverse or stabilise the declining claim performance for weekly compensation and serious injury care. The strain in the June 2025 OCL valuation for elective surgery and capital, though, indicates that the control environment surrounding claim performance still requires strengthening.

The Rehabilitation and Treatment Programme is a key initiative that ACC has in place to continue to drive performance improvements across the rehabilitation system during the next financial year 2025/26. The programme workstreams focused on social rehabilitation and elective surgery performance are particularly relevant given the recent strain in these areas. It is encouraging to see that the outcomes for initiatives under the new rehabilitation work programmes are linked to both expected claim cost reductions and OCL savings. ACC is establishing clear baselines, robust measurement frameworks, and continuous monitoring for these initiatives, which are essential to ensure their success.

In response to the increased focus on long-term claims, this recommendation in its existing form has been reframed. The reframed recommendation includes specific areas where additional data and evidence would be useful for monitoring and managing Scheme financial sustainability.

We have reframed our longer-term claim performance recommendation this year

ACC has signalled a strong focus on improving claim performance and financial sustainability. Increasing use of data and evidence can have a meaningful effect on claim performance and our key sustainability measures. This includes highlighting new areas of concern, understanding the drivers of performance and helping identify actions to improve performance.

Growth in Scheme costs

In their OCL valuation report for 30 June 2025, the external actuary highlights the following key areas of risk to the OCL:

“Our overarching observation continues to be that scheme payments are increasing, year-on-year, at a concerning and unsustainable rate.”

“The growth in payments has accelerated over the last 3 years (over 14% p.a. growth observed, compared to population and general inflationary growth of only 4% p.a. in total).”

Key areas of risk

The external actuary highlights several payment types that pose the most risk to the OCL, and hence funding ratios, of the Scheme, if actual claim performance differs from the OCL valuation assumptions.

Alongside these areas, we need to include the areas that are key risks to the new year costs, as this is a key driver of funding requirements in future years. These arise in areas of high volume but short duration costs, which the OCL valuation does not capture.

- Social rehabilitation for serious injuries
 - Care hours
 - Residential care costs
- Sensitive claims
 - Payments for weekly compensation
 - Number of claims accessing services

- Elective surgery
 - Active claim volumes
- Capital for serious and non-serious injury
 - Number of claims receiving items
 - Average costs per claim
- Weekly compensation
 - Continuance rates
 - New claim volumes
- Public Health Acute Services (PHAS) and Ambulance
 - Bulk payment amounts

Our reframed recommendation highlights key areas for ACC to build into its work to turn around performance

Under its current plan, ACC has initiatives planned or in delivery that aim to improve claim performance in most of the areas highlighted above. It is important that the work in these areas is benchmarked to OCL and new year cost projected cash flows, to enable estimation of how much effect the initiatives may have on our key measures of financial sustainability. This will also help with prioritisation, as the OCL and new year cost measures add in a long-term dimension.

We make the following recommendation to assist ACC in targeting its efforts to improve claim performance. It includes some residual items from last year’s recommendations that are folded into this new recommendation.

We have split the recommendation into individual component parts. Some components may already be underway, and on track for delivery. Others may require some analysis to establish feasibility, and a sensible target timeframe. We would expect some parts of the recommendation will be able to be closed relatively quickly, while others may take longer. We will work with the business as needed to help clarify and refine the requirements and to indicate where further information may be required.

Recommendation — claim performance — data and evidence for monitoring and managing Scheme financial sustainability

We recommend that, in ACC's efforts to improve claim performance and financial sustainability, it considers how the following data, analysis, or evidence could be obtained or strengthened. This will enable adequate monitoring of claim performance, identify emerging issues, and inform management responses where necessary.

- 1. Residential care costs for serious injury claims** — conduct detailed analysis of the drivers of the increase in these payments, separately for serious injury and non-serious injury claims. To assist with this a distinction should be made between claims in receipt of long-term residential care, respite or interim care and a split of data between the number of days of residential care and the rate per day.
- 2. Sensitive claims** — introduce a monitoring process that measures the duration of claims accessing sensitive claims services including how often repeat packages are given to clients. This will enable a comparison of outcomes with those before the introduction of the new Sensitive Claims Service.
- 3. TN court decision** — ACC should consider how it could clearly identify which payments would not have been made, or which entitlements would have been different, prior to the court decision. As part of this, capturing data such as the date of first harm and date mental injury suffered for sensitive claims, where possible, would support more accurate estimation of the IBNR provision.
- 4. Capital** — analyse the drivers of the increase in demand and average costs for capital items for both serious and non-serious injuries, particularly for existing accidents.
- 5. Weekly compensation new claim volumes** — understand the drivers of the increase in the proportion of claims that receive weekly compensation over the past decade. This will likely require an in-depth analysis of medical certification practices because existing data analysis suggests that the increase is not explained by a change in the profile of accidents.

6. Public Health Acute Services (PHAS) and ambulance — analyse historical claim volumes, and costs per claim, of patients accessing these bulk-funded services relative to non-ACC-funded patients. This should help evaluate whether the current amounts paid are appropriate, and enable better forecasting.

7. Identified population data — obtain reliable data on ethnicity and other indicators of identified populations. This will enable identification of unfair or avoidable differences in injury risk and Scheme access, outcomes, and experience, and assist with evidencing any improvements.

We are making a new recommendation this year to ensure ACC balances high-quality decision-making while progressing improved rehabilitation performance

The credibility, and therefore sustainability, of the Scheme depends on fair access to entitlements and ensuring every eligible person receives the right level of support — neither less nor more than they are entitled to. Under-servicing can delay recovery and increase long-term costs, while over-servicing creates undue financial pressure and inequities. Achieving this balance requires consistent application of legislation, sound clinical and financial judgment, and strong frontline capability supported by clear guidance.

Recommendation — quality of decision-making — benchmarks, measures and targets for decisions on cover and entitlements

ACC's plan to turn around performance has a strong focus on improving rehabilitation outcomes and the financial sustainability of the Scheme. We recommend that as part of its plan, ACC should also consider what measures and targets are in place, or need to be introduced, to demonstrate that decision-making on cover and entitlements is of appropriate quality.

These measures and targets should include assessment of the clinical soundness of decisions and compliance with governing legislation and associated regulations. They should also be designed with reference to historical trends and external benchmarks to provide meaningful context and assurance.

Glossary

Term	What it means
Account	ACC manages five Accounts, each funded differently. Combined, these Accounts fund the costs for every claim that ACC pays.
Appropriations	Money received from the Government (from the general tax pool) to cover costs arising from the Non-Earners' Account and a portion of the Treatment Injury Account.
Claim benefits	The estimated monetary value of claims avoided through an injury prevention initiative.
Client	A person who makes a claim under the Scheme.
Customer	Anyone in New Zealand who receives or funds ACC services, including clients, levy payers, and taxpayers.
Deficit	An excess of expenditure over income.
Economic movements	Changes to economic variables (such as interest rates, inflation, and investment income) that are outside of ACC's control.
Financial condition	The financial health of the parts of the Scheme that are relevant to ACC's ability to fulfil its core role — preventing injury, and rehabilitating and compensating people after injury.
Financial Condition Report recommendation	A recommendation made by the Chief Actuary on how ACC can improve the Scheme's financial condition.
Fully funded	A funding approach by which the assets held equal the lifetime cost of claim liabilities.
Funding adjustment	An adjustment made to the levy rate or appropriations to move an Account towards its funding target.
Funding policy	A policy set by the Government that says how the levies or appropriations will be set to fund the Scheme.
Funding position	The difference between assets held and liabilities for an Account expressed as a dollar amount. If the funding position increases/decreases relative to the size (assets) of the Account, then the funding ratio will also increase/decrease and vice versa.
Funding ratio	The ratio of assets held to liabilities for an Account.
Funding target	The target funding ratio for an Account.
Influenceable	<p>An increase/decrease in OCL or new year costs from areas that ACC might be able to control or mitigate, at least to some degree. Influenceable strain isn't always a bad thing. There are times when influenceable strain can be considered positive (for example, where it's the result of a deliberate choice to remove access barriers to Scheme entitlements).</p> <p>Even if we identify strain as influenceable, and ACC decides that some mitigating action is needed, it doesn't mean that it can be fully fixed straight away. Some of the strain we identify as influenceable can only be influenced through interventions that might take several years to put into place.</p>

Term	What it means
Levied Accounts	Accounts funded by levies. The levied Accounts are the Motor Vehicle, Work, and Earners' Accounts. In addition, the portion of the Treatment Injury Account covering earners' claims is also funded by levies.
Levies/levy	The rate, per unit of exposure, that ACC charges for the Earners', Work, and Motor Vehicle Accounts. These are prescribed by the Government every three years.
Lower complexity claims	Claims that do not meet the criteria to be classified as either a serious injury or a sensitive claim.
New year costs	The estimated lifetime costs of new claims for injuries that occur during the year, including all the costs associated with managing those claims, allowing for expected investment returns.
New year cost gap	The difference between new year costs and the income received from levies or appropriations.
New year rate	The rate levies would need to be set at to match new year costs.
Non-influenceable	An increase/decrease in OCL or new year costs from areas that are completely outside ACC's control. For example, change in mortality rates, or expansion/contraction of Scheme boundaries through legislation.
Non-levied Accounts	Accounts funded by appropriations. Currently the Non-Earners' Account and the portion of the Treatment Injury Account covering non-earners' claims.
Outstanding Claims Liability (OCL)	The expected amount of money we believe that ACC will need to pay in the future to support clients who are currently injured. The money will be paid over the time clients progress through their recovery (for example, on medical expenses and weekly compensation).
OCL release	An unexpected decrease in the OCL because ACC needs to pay less than expected to support clients.
OCL strain	An unexpected increase in the OCL because ACC needs to pay more than expected to support clients.
Pay As You Go (PAYG)	A funding approach where claims are funded as costs arise.
Payment type	Types of payment ACC makes to provide compensation and rehabilitation to clients.
Rehabilitation rates	The rates at specific points in time at which clients are recovering from their injuries and returning to health and independence.
Return on investment (ROI)	The ratio of claim benefits to investments. The higher claim benefits are compared to investments, the higher the ROI.
Risk margin	A margin added to the central estimate of claims to allow for uncertainty in the estimate of the OCL. This is required under accounting standards.
Scheme	The Accident Compensation Scheme, comprising the Motor Vehicle, Work, Earners', Treatment Injury, and Non-Earners' Accounts.

Term	What it means
Scheme fairness	The degree to which the Scheme has equity of needs-based access, outcomes, and experience, and is also fair to future generations.
Scheme sustainability	The degree to which the Scheme can fulfil its purpose, withstand shocks, and endure for future generations.
Serious injury	An injury of a specified severity and/or complexity level that leaves a person impaired and requiring support, such as home or nursing care to various levels, often throughout their lives.
Surplus	An excess of income over expenditure.
TN court decision	Refers to the Court of Appeal decision in December 2023 relating to claimants who obtain cover for a mental injury arising from sexual abuse. The decision clarified that the date of mental injury, rather than the date of first treatment, should be used to determine if a claimant is a potential earner under section 6 of the Accident Compensation Act 2001. The decision means a liability must now be held for incurred-but-not-reported (IBNR) claims from the date of the mental injury, rather than from the date of first treatment, for potential claims for abuse happening as a child. The decision also means that many more claimants whose abuse happened as a child are likely to be eligible for backdated loss of potential earnings.
Underwriting result	The difference between income (levies and appropriations) received and the cost of claims incurred during a year (including expenses paid). It excludes investment income and costs, as well as the economic effects of interest rates and inflation.
Unexpired risk liability	A provision for claims ACC can expect to incur after the end of the financial year that are funded by levies already received.

Appendices

A. Additional background information	Provides some additional background information that we need to cover to meet our professional standards	79
B. Financial and actuarial results detail	Provides more detail to supplement the discussion in Section 3 <i>'Financial and actuarial results'</i> on how the Scheme's financial condition has changed in the past year	90
C. Valuation of the Outstanding Claims Liability	Discusses how the OCL was valued for the year ending 30 June 2025	103
D. Funding detail	Provides more detail to supplement the discussion in this report on the future funding requirements and sustainability of each of the Scheme's five Accounts	110
E. Management of investments	Discusses the performance of ACC's investment portfolio and how this is managed and governed	132
F. Claim performance detail	Provides more detail to supplement the discussion in this report on the claim and rehabilitation performance at ACC and the effect it's having on financial sustainability	137
G. Risk management	Outlines the risks ACC faces and the associated risk frameworks it uses to achieve its objectives	155

Appendix A – Additional background information

ACC has a clear governance structure

As a Crown entity, ACC has a Board appointed by the Minister for ACC. The Board delegates day-to-day management and leadership to the Chief Executive. Each year the Minister and the Board agree on performance targets, which shape ACC's priorities and its work.

The Ministry of Business, Innovation and Employment (MBIE) oversees ACC policy around cover, entitlements and funding, and the New Zealand Treasury monitors performance and Board appointments for the Minister. ACC is responsible for service delivery and is accountable through the Board to the Minister.

ACC's corporate structure and strategic objectives influence its choices, including where it focuses investment. Key strategic documents include:

- Enterprise Strategy
- Statement of Intent
- Service Agreement
- Letter of Expectations (from the Minister for ACC).

ACC manages five Accounts

ACC manages five Accounts, each funded differently. Combined, these Accounts fund the costs for every claim that ACC pays.

Each of the Accounts has a different exposure and funding base. Exposure is the number of people or motor vehicles that could be involved in an event resulting in a claim. The funding base refers to those required to pay levies and appropriations. Although the two are usually linked, they're not necessarily the same.

Exposure

The number and mix of people in New Zealand and the activities in which they participate can change. This can affect the volume and types of injury occurring and the subsequent claims made to ACC.

For example, the volume and types of claims that ACC receives can be affected by changes in:

- net migration (both volumes and demographics)
- the types of work New Zealanders do
- attitudes to working part time and working past the age of retirement
- the vehicle types driven on the roads
- the way people choose to spend their leisure time.

Changing economic conditions can influence these factors. When economic conditions change, the activities in which people participate and their attitudes to making claims can also change.

We use exposure to estimate how many claims ACC might receive in the future. As it's not possible to estimate exposure based on every New Zealander's activities and lifestyle, we estimate it using readily available and reliable information.

Funding base

New Zealand levy payers and taxpayers fund the Scheme in different ways for each Account. For each of the levied Accounts (the Motor Vehicle, Work, and Earners' Accounts) we calculate the levy using a 'levy base' that's linked to the way of collecting funds.

ACC uses external estimates and forecasts to quantify the levy base. Often changes in levy bases will also be reflected in changes in the volume and types of claims made, but these are not always fully aligned.

Levies and appropriations are set in advance, based on the expected claim volumes, types, and costs, and (for the levied Accounts) the levy base. There can be differences in the timing of when changes are reflected in claims and the levy base. When these timings change unexpectedly, the funding collected can be different from what's needed, affecting the Scheme's financial condition.

Below we outline the coverage, exposure, and funding bases for each of the five Accounts.²⁴

²⁴ The Accounts haven't always been as neatly defined as this because of changes over time. In particular, the Work Account includes all injuries to earners, whether at work or not, that happened before 1 July 1992.

Motor Vehicle Account

Includes all injuries from accidents involving a motor vehicle on a public road.

Exposure is calculated as the estimated number of vehicles on the road, based on NZ Transport Agency Waka Kotahi's historical levels of vehicle registrations. This data is also used to forecast future registrations. The estimated number of vehicles on the road includes rental vehicles that tourists may use to travel around New Zealand.

The funding base uses the number of vehicle registrations and the level of petrol consumption in New Zealand. We use the historical level of petrol consumption supplied by MBIE to project future consumption. Levies are paid alongside the registration of vehicles, and a petrol levy is collected as oil enters the country.

Work Account

Includes all injuries (excluding most motor vehicle injuries) that happen at the workplace or are work related.

Exposure is calculated as the number of people working and earning in New Zealand. This number is estimated from the labour force of New Zealand less those who are unemployed. Quarterly estimates for both the labour force and the number unemployed come from the Treasury's budget releases. People working for employers in the Accredited Employers Programme (AEP) or not working while receiving weekly compensation are not included in the Work Account exposure.

The funding base uses total liable earnings paid to the earner population as described above.

An individual's liable earnings are limited to a specified maximum amount each year and in 2024/25 this was \$142,286. Every month, Inland Revenue sends information to ACC on the earnings of New Zealand workers. Future liable earnings are estimated by applying average weekly earnings inflation, which is linked to the Consumer Price Index (CPI) from Treasury forecasts.

Earners' Account

Includes all claims made by people working and earning for injuries that happen during everyday activities, such as sports and leisure, and sensitive claims caused by sexual violence. Excludes those claims that fall within the Motor, Work or Treatment Injury Accounts.

The exposure is the number of people working and earning in New Zealand, similar to the Work Account exposure, but includes people working for employers in the AEP and those receiving weekly compensation. We call this population the Earners' Account population or the earner population.

The funding base is the same as that used in the Work Account, but includes liable earnings paid to those employed by Accredited Employers (AEs) and weekly compensation paid to ACC's clients.

Treatment Injury Account

Includes injuries occurring when receiving treatment from a registered health professional, where the injury isn't an ordinary consequence of the treatment.

The exposure for this Account covers the whole New Zealand population. It's split between the earner population and the non-earner population.

The funding base for this Account is split between treatment injury claims for earners and those for non-earners. Funding for earner claims (the levied portion) uses the same liable earnings as the Earners' Account to determine the levy rate. Funding for non-earner claims (the non-levied portion) forms part of the appropriations funded annually by the Government.

Non-Earners' Account

Includes all injuries to people not working, excluding those covered by the Motor Vehicle or Treatment Injury Account.

The non-working New Zealand population is estimated from the Treasury's total population less the Earners' Account population. Non-working tourists are included in the population. We call this population the Non-Earners' Account population or the non-earner population.

ACC receives annual appropriations from the Government for non-earner claims, which comes from the general tax pool.

The Government sets the Scheme's funding policies

The funding needed for each Account is calculated in line with the government funding policies. There are two funding policies: one for the levied Accounts and one for the Non-Earners' Account.

The government funding policy for the levied Accounts is in a statement gazetted in April 2021 (see *Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts*, New Zealand Gazette notice number 2021-go1226).

The Government last updated the Non-Earners' Account funding policy in 2019/20, as shown in Table 15.

Table 15: Non-Earners' Account funding policy from 2019/20

Claims before 1 July 2001	Claims from 1 July 2001
<ul style="list-style-type: none"> • Pay As You Go basis • One-year funding horizon • Funding position target of 0% 	<ul style="list-style-type: none"> • Fully funded basis • Costs are discounted using investment forecasts • Funding position target of assets at 100% of liabilities, excluding risk margin • Three-year funding horizon when the Account is above its funding target • Ten-year funding horizon when the Account is below its funding target

Annual increases in the appropriations are capped at 7.5%.

Each of the Scheme's five Accounts has a target funding position set through its funding policy. For all Accounts this is currently 100%.²⁵ If a fund is at target, it means we're estimating that sufficient funds are being held to cover the remaining expected amount of money that ACC will need to pay in the future to support clients who are currently injured (the OCL).

We expect each Account to have volatility around the target given the nature of the Scheme. However, if Accounts remain significantly underfunded for too long, it can become difficult to bring them back to target. This could lead to problems with intergenerational equity as the Scheme moves away from the principles of full funding.²⁶

The components of funding

There are two main components to the funding calculations. First, the 'new year costs' represent the lifetime costs of ACC rehabilitating and supporting people injured during the year. New year costs are estimated by forecasting:

- economic conditions
- claim frequency and severity
- expenses
- exposure.

Secondly, a 'funding adjustment' is applied to ensure there's enough money to also pay for the expected ongoing costs of past claims, while not over-collecting funds.

The funding adjustment is calculated so that each Account is forecast to move towards the funding target set by the funding policies over time.

²⁵ Except for claims that occurred before 1 July 2001 in the Non-Earners' Account and non-levied portion of the Treatment Injury Account, which are funded on a Pay As You Go (PAYG) basis.

²⁶ Full funding means the assets held to cover estimated claim liabilities are equal to those liabilities.

Once these two components are estimated, the resulting total is compared to the funding in place for the previous year. Increases are capped at 5%²⁷ for the levied Accounts and 7.5% for the non-levied Accounts. There is no limit applied if the recommended levy or appropriations amount is a decrease.

Every three years ACC consults businesses, communities, and individuals on recommended levies and provides explanations of the drivers and assumptions behind them. The Board then reviews the feedback and recommends levy rates to the Minister for ACC. The final levy rates are set by Cabinet. In the 2024 levy consultation, the levy rates for 2025/26, 2026/27 and 2027/28 were set, along with levy system changes to the Motor Vehicle and Work Accounts.

Levies from motorcycle owners historically haven't covered the full cost of injuries involving motorcycles, with a significant amount cross-subsidised by the owners of other vehicle types. Last year, changes to the Motor Vehicle Account were approved that primarily focus on motorcycles and aim to better align risk. These changes included:

- Increasing the motorcycle owner's levy contribution to the cost of injuries from accidents involving motorcycles to the equivalent of 37% of motorcycle injury costs, an increase from their previous contribution of about 28%.
- Changing the classification of motorcycles for levying purposes.
- Reducing levies by 25% for motorcycle riders who complete advanced rider safety training.
- Reclassification of battery electric vehicles (BEVs) and plug-in hybrid vehicles (PHEVs) to impose levies on owners that accurately reflect their risk exposure.

The approved changes to the Work Account included:

- Changes to classification units (CUs) and levy risk groups (LRGs).
- Changes to the interest charged on payment plans, penalty interest, and credit interest.

ACC doesn't consult the public on the recommended appropriations. The final appropriations are jointly approved by the Minister of Finance and the Minister for ACC through the annual October Baseline Update.

²⁷ The Motor Vehicle Account is capped at 5% plus inflation.

ACC offers products to some customers

In certain circumstances, ACC offers variations to standard cover and pricing (levies) and calls these 'products'. Some products are compulsory for specific groups of people, while others are optional.

The Work Account offers two products: the Accredited Employers Programme (AEP) and CoverPlus Extra (CPX). Businesses that do not have these products will have their levies adjusted through either Experience Rating or No Claim Discounts, depending on the amount of levies they pay. The Motor Vehicle Account offers one product — the Fleet Saver Discount. No products are offered in the Earners' Account, the Non-Earners' Account or the Treatment Injury Account. Recent changes, including those approved in the 2024 levy consultation to products in the Work and Motor Vehicle Accounts, are discussed below.

The purpose of these products is to provide eligible customers with incentives to improve claims management and to promote injury prevention and effective rehabilitation. In return, their levies are adjusted to reflect their claim histories or the levels of risk they're assuming.

Levy product enhancements requiring regulatory change can only be introduced after approval has been given by Cabinet following appropriate public consultation.

Accredited Employers Programme

Large employers (those who pay annual Work levies of over \$250,000) may be eligible for the AEP. Employers must apply to ACC to be part of the programme and must demonstrate a commitment to injury prevention and rehabilitation, have experience in workplace health and safety, and be able to finance claims.

Members of the AEP represent 19% of total liable earnings and 14% of the workforce. Under the programme Accredited Employers (AEs) have the authority to make entitlement decisions and deliver injury prevention, rehabilitation, and claims management for specified periods. In return, the AEs receive reductions in their Work Account levies.

Recent changes to the AEP focus on the following four areas:

- Improving claims and injury management assessment.
- Introducing a new performance monitoring model.

- Implementing new health and safety assessment requirements.
- Introducing additional pricing options for AEs on the Partnership Discount Plan (see below).

These changes took effect from 1 April 2025, with a one-year notice period, allowing accredited employers and ACC time to prepare and adapt their processes and systems.

The AEP has two plans: Full Self Cover Plan (FSC) and Partnership Discount Plan (PDP).

Full Self Cover Plan

Around 71% of all AEs have the Full Self Cover Plan. This means that each AE is solely responsible for the lifetime costs of any injuries incurred at work by their employees during a cover year. They also manage the provision and payment of treatments, rehabilitation services, and compensation during their selected claims management period of two to four years. At the end of this period the AE pays ACC an amount equal to the estimated remaining lifetime costs of all open claims. Claims that are notified or re-opened after the end of the claims management period are not included in the claim handback calculations. Payments on these claims are invoiced to the AE as they emerge.

ACC charges the AEs for the services they incur and that charge is lower than the standard Work Account levy. The average levy for AEs on the FSC Plan is around 10% of the standard Work Account levy in 2024/25.

Partnership Discount Plan

The remaining 29% of AEs are on the PDP. Each employer could select a claims management period of one or two years until 1 April 2025. Since then, employers can also choose a three- or four-year claims management period. For the duration of this period, they are responsible for the cost of injuries incurred at work by their employees during that cover year. After that the claims are handed back to ACC to be managed and paid.

The average levy for AEs on the PDP is between 40% and 50% of the standard Work Account levy, depending on the durations they select to manage claims.

CoverPlus Extra (CPX)

CPX is an optional cover product that allows self-employed workers to choose how much of their income will be covered if they have an injury and can't work. The level of compensation paid, and the levy charged, vary according to the cover amount.

CPX provides self-employed workers with certainty on the amounts they pay and the benefits they receive. The weekly compensation amounts are the same regardless of where they injure themselves — whether it's at work, on the road or anywhere else. This is particularly beneficial for people with volatile incomes.

There are two options for CPX cover:

1. Full compensation — ACC pays 100% of the agreed compensation until the client gets back to full-time work. This option incurs additional costs for providing the client with 100% weekly compensation while they're unable to work full-time, rather than reducing the weekly compensation for a partial return to work.
2. Lower levels of weekly compensation — the level of compensation paid reduces as the client gradually returns to work. No amount is paid once the client can substantially do their pre-injury work. This is the same as the standard weekly compensation ACC offers to non-CPX customers.

Experience rating and No Claims Discount

Businesses in operation for at least three years are either experience rated or qualify for the No Claims Discount adjustment. This applies to all non-AEP businesses. The category into which a business falls is determined by the levy amount paid in the previous three years.

Businesses that pay more than \$10,000 in levies each year are experience rated. The Work Account levy may be increased by up to 100% or decreased by up to 50%. The experience ratings are determined by considering the businesses' previous three-year claim history and three-and-a-half-year payment period for work-related injuries and takes into account:

- the number of weekly compensation days paid to employees
- the number of claims for employees with medical costs over \$500
- any accidental death claims.

Businesses that pay less than \$10,000 in levies each year and all self-employed workers come under the No Claims Discount assessment. Businesses may pay an adjusted levy based on their previous three-year claim history and a three-and-a-half-year payment period for work-related injuries, allowing for the following:

- Those that have had no weekly compensation days paid and no accidental death claims receive a 10% discount.
- Businesses with more than 70 weekly compensation days paid or with any accidental death claims get a 10% loading.
- All other businesses pay the standard Work Account levy for their classification units.

Neither programme pays for itself. The value of the loadings charged on experience rating and No Claims Discount is around \$60 million less than the amount paid in reductions because of participating in these programmes. Consequently, businesses outside the experience rating and No Claims Discount programmes are currently paying around 6% higher levies to cross-subsidise the cost of claims from businesses within them.

In the 2024 levy consultation changes were approved in the experience rating and No Claims Discount programmes to make the levy system more effective. The approved changes, effective from 1 July 2026, include:

- removing the No Claims Discount programme because it has not improved workplace safety through fewer injuries
- reducing the level of cross-subsidisation for experience rating
- an increase in the threshold for medical fees from \$500 to \$750.

Fleet Saver

The Motor Vehicle Account has an optional Fleet Saver incentive programme designed to improve the safety performance of commercial vehicle fleets.

Businesses with five or more vehicles weighing more than 3,500kg, and that demonstrate strong safety-management practices, are eligible for the programme. In return, they can reduce the ACC portion of their vehicle licensing fees. In New Zealand there are around 110,000 motor vehicles that weigh more than 3,500kg.

There are three levels of accreditation, depending on levels of on-road and workplace safety practices. The discounts available reflect the accreditation levels: Bronze Fleet Saver members receive a 10% reduction in levies, silver a 25% discount, and gold a 40% discount.

In the 2024 levy consultation approval was given to remove the Fleet Saver product because it has not effectively reduced the risk of injury in the transport industry. This is likely because of the limited participation, with only 35 active members contributing to 6.7% of the total heavy vehicles, and the programme being based only on audits. From 1 July 2025 the programme is closed to new entrants and from 30 June 2029 the programme will be completely closed.

We are satisfied that the current pricing of these products is adequate

The pricing for these products is reviewed every three years as part of the consultation process. The rates for CPX and PDP are linked to the underlying Work Account rates, and as such are affected by the funding policy. The funding policy limits the levies ACC is able to recommend, by both capping increases and requiring any surplus assets to be returned overtime through lower levies. While this means the pricing for these products is not sufficient to cover the current cost of claims, in the long-term the mechanisms of the funding policy enable these shortfalls to be recovered.

The FSC Plan under AEP is priced independently of the levy rates. This year we undertook a detailed review of the financial performance of the FSC Plan.

The financial performance of the Full Self-Cover contracts within the Accredited Employers Programme has been declining

Each year, we review the financial performance of the FSC product by cover year. The most recent review available at date of writing includes cover years 2001 to 2020. It uses claims projections from 30 June 2024. The results of the review using the 30 June 2025 claims projections are not yet available.

Later cover years have not yet been assessed, as claims for these years have not yet been handed back to ACC by Accredited Employers. These will be assessed in future reports.

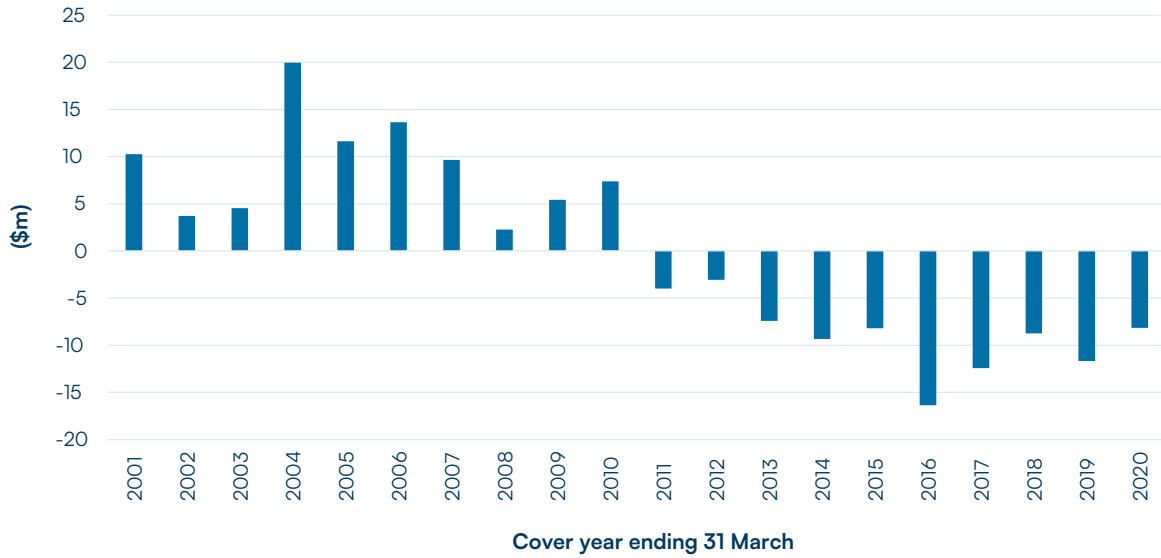
The FSC product within the AEP is the only product or Account that has no funding adjustment mechanism, meaning that future pricing cannot retrospectively correct for any under- or over-funding. Any deficit or surplus produced through the AEP FSC contracts are borne by all other employers through the Work Account. Understanding the financial performance of the AEP, and how this changes each year enables ACC to understand how much, if at all, the Work Account is cross subsidising the AEP, or vice versa.

In future reviews, estimates of ultimate claim performance may change, even for past years, as claims develop further. So the performance estimates could change as a result.

Since 2011, all cover years under the FSC contracts have recorded deficits

Chart 5 summarises the financial performance of the FSC contracts for cover periods 2001 to 2020.

Chart 5: FSC financial performance by cover year



When summing across all cover years from 2001 to 2020, the financial performance of FSC contracts has been relatively neutral. Surpluses were generated from cover periods between 2001 and 2010. However, cover years since then have been in deficit, and these deficits have offset the earlier surpluses. If this pattern continues, FSC will move into a net deficit position, increasing each year, causing a degree of cross-subsidisation from the rest of the Work Account. ACC is considering how to correct for this in future pricing rounds.

To provide further insight into the financial performance of FSC contracts, we have broken down the results into three components:

1. The net cost of claims handed back to ACC.
2. The net cost to ACC of claim costs above self-selected caps for both individual claim cost and cumulative claim cost for one cover year. We refer to this as 'cap on employer liability'.
3. Actual versus expected investment income.

This breakdown is presented in Chart 6. Because of data limitations, this analysis is only available for cover years from 2004 onwards.

Chart 6: Estimated surplus or deficit from cap on employer liability, investment and claim handback for FSC contracts by cover year



We estimate claim handbacks have produced a \$250 million deficit since 2004, offset by large surpluses from the cap on liabilities before 2010

Over the period 2004 to 2020, AEP FSC contracts have been relatively cost neutral. Consistent deficits on the claim handbacks have offset surpluses from the caps on employer liabilities between 2004 and 2010.

Before 2010 the premiums for capping employer liabilities were high. A review of pricing and methodology reduced these around 2010/11. Since then, the performance of this component has been relatively neutral which is to be expected for a large portfolio with many employers.

Premiums for the caps on liabilities are paid upfront and held until the end of the claims management period (CMP) when the claim handback calculation occurs, earning investment income over this period. Actual investment income has been higher than expected in most years, but relatively small following the pricing review in 2010/11.

Claim handbacks have consistently resulted in deficits averaging approximately \$15 million per year. Since 2004 this has totalled an estimated \$250 million deficit from claim handbacks. This is mainly driven by a handful of large claims each year.

Claims are paid across several services

Table 16 summarises the main payments the Scheme makes to rehabilitate and compensate people with covered personal injuries.

Table 16: Schedule of services

Medical			
Public health acute services		Accidental injury costs from acute inpatient, emergency department and outpatient care, pharmaceuticals, care for complex burns, and laboratory services.	
General practice		Payments to GPs, and accident and medical clinics.	
Radiology		Payments for radiology services — low-tech (for example, X-ray) and high-tech (for example, magnetic resonance imaging [MRI]).	
Physiotherapy		Payments to physiotherapists.	
Ambulance		Emergency transport to a medical facility, by road and/or air.	
Elective surgery		Mainly orthopaedic-related surgery.	
Other-medical		All medical costs except those listed above. These include counselling for clients that need support beyond treatment of physical injuries.	
Compensation			
Weekly compensation — non-fatal		Loss of earnings based on 80% of weekly income (capped) before incapacity from the injury occurred, and loss of potential earnings for minors.	
Death benefits		Funeral grants and support for spouses and/or dependants.	
Lump sum and independence allowance		<p>Additional support to compensate for permanent impairment resulting from injury. This includes work-related gradual process claims that result from ongoing exposure to an element (for example, asbestos).</p> <p>Injuries that occurred on or after 1 April 2002 are paid by lump sum. Eligible claims for injuries before 1 April 2002 receive quarterly independence allowance payments. These payments may also be paid to clients with gradual process, sensitive or treatment injury claims, if the exposure occurred on or before 31 March 2002.</p>	
Rehabilitation			
Vocational		Programmes to support clients' return to independence.	
Social rehabilitation	Serious injury	Capital	Mainly housing and motor vehicle modifications for people with serious injuries.
		Non-capital	Care costs (such as attendant care and assessments) and other costs related to serious injury.
	Non-serious injury	Capital	Mainly equipment, orthotics for splints, medical consumables and residential modification costs for people with non-serious injuries. Includes ongoing aids and appliances for hearing loss suffered through traumatic events or prolonged work exposure to loud noise.
		Non-capital	Care, assessments, and other social rehabilitation support for people with non-serious injuries.

Claims management process

Claims management is the function of providing rehabilitative support to injured people to return them to work and/or independent living to the extent practicable. For most people the support required is relatively minor (such as a one-off visit to a GP). In these cases, ACC's only involvement is to make payments for the medical services provided.

For some individuals the services and support required are more complex. Where full rehabilitation isn't possible, claims management includes support to allow people to be as independent as possible.

ACC's claims management functions provide different levels of support, depending on client needs. ACC screens all claims at the point of registration to establish which recovery teams are best suited to the clients and their needs. These decisions aren't based purely on injury diagnoses. ACC also considers factors such as age, co-morbidities, and living circumstances. Over the past year, ACC has also deployed an automated system that monitors self-managed weekly compensation claims and identifies and escalates clients likely to need rehabilitation support to the appropriate recovery team. Throughout their recovery, clients can transition between the teams, depending on the level of support they require.

The recovery teams are:

1. Enabled Recovery (approximately 9% of managed claims). Clients primarily manage their own needs using an online portal to select services to support their recovery.
2. Assisted Recovery (approximately 27% of managed claims). Supports clients with generally less complex injuries and needs, or seriously injured clients with stable needs. Team members use a many-to-many approach to support recovery and maximise independence.
3. Supported Recovery (approximately 26% of managed claims). Supports clients with more complex injuries, or clients with weekly compensation who are likely to return to work or independence within one year. Clients have a 1:1 relationship with a recovery team member.

4. Integrated Recovery (approximately 11% of managed claims). Supports clients who have been receiving weekly compensation for more than one year and need a more specialised 1:1 claims management approach to support them back to work or vocational independence.
5. Partnered Recovery (approximately 4% of managed claims). Supports clients with some of the most serious injuries. They have a dedicated ACC recovery partner, who works alongside the client through their rehabilitation journey and supports them to increase their independence as much as practicable.
6. Mental Injury Recovery (approximately 12% of managed claims). Supports survivors of sexual violence through the management of sensitive claims. Clients have a dedicated Recovery Partner who works closely with them, their providers, whānau and others to support their recovery.
7. Other (approximately 12% of managed claims). Clients are primarily managed by providers under integrated care pathways, third party administrators or specialist claims teams within ACC.

Reviews of ACC claim decisions

Clients who are dissatisfied with ACC's decisions on support can ask for a review. Reviews can be lodged against any decision ACC makes on a claim. Historically, the biggest proportion of review applications relates to decisions on whether injuries are covered, followed by decisions on receiving weekly compensation and funding elective surgery. Reviews of decline decisions are a key monitor of the quality of ACC's decisions on cover and entitlements.

In July 2016, the government commissioned Miriam Dean, QC, to undertake an independent review of the ACC dispute resolution system, following the release of a report by Acclaim Otago (Inc) about the barriers that some people face when challenging ACC's decisions. In response ACC made considerable improvements to its dispute resolution process, aimed at improving clients' access to justice, improving transparency of the disputes resolution process and providing greater support for clients in the disputes process. This included introducing a free independent navigation service to advocate for clients' interests, assist them to raise complaints or disputes where appropriate, and support them to prepare effectively for a review hearing if required.

Before involving an external party, ACC completes an internal investigation on the decision for which a client has lodged a review request. ACC will work with clients to try and resolve the issue directly by re-explaining the decision or seeking further information. If an issue can't be resolved between ACC and a client, the case will be sent to an independent review provider to either facilitate a conciliation or review the decision at a review hearing.

The addition of early resolution and alternative dispute resolution processes to resolve disputes and prevent escalation of client issues that lead to external review hearings led to a significant increase in the proportion of reviews resolved without going

to external review hearing from 2020. Over the past five years, around 70% of all review requests are resolved without the need for an external review hearing, and this proportion has been increasing annually.

Table 17 shows that 14,884 reviews were lodged in 2024/25, up from 10,517 in 2023/24 and 8,935 in 2022/23. This increase was expected with ACC's work to improve claim performance changing the settings on making appropriate decisions. The number of reviews lodged in 2024/25 represents about 8.88% of ACC's decisions to decline support in the same period. This has increased by approximately 1% from the percentage in 2023/24.

Table 17: Review lodgements and outcomes

	Year ending 30 June							
	2018	2019	2020	2021	2022	2023	2024	2025
Number of reviews lodged	7,577	8,058	8,638	9,364	8,261	8,935	10,517	14,884
% of decline decisions	7.15%	7.22%	8.04%	8.52%	7.81%	7.59%	7.48%	8.88%
Number of reviews completed	7,721	8,322	9,503	9,282	9,329	9,082	11,183	14,832
Number resolved without going to external review hearing	3,426	4,163	5,788	6,318	6,225	6,527	8,316	11,274
% resolved without going to external review hearing	44%	50%	61%	68%	67%	72%	74%	76%
Number found in favour of clients at external review hearings	1,451	1,485	1,257	886	943	767	782	922
% of external review hearings found in favour of clients	34%	36%	34%	30%	30%	30%	27%	26%
Number found in favour of ACC at external review hearings	2,844	2,674	2,458	2,078	2,161	1,788	2,085	2,636
% of external review hearings found in favour of ACC	66%	64%	66%	70%	70%	70%	73%	74%

It is too early to tell if there is any change in the proportion of decisions overturned in favour of clients, owing to the delay between review lodgement and resolution. But the proportion of external review hearings found in favour of clients has continued to decrease.

Appendix B – Financial and actuarial results detail

This appendix provides more detail to supplement the discussion in Section 3 '*Financial and actuarial results*' on how the Scheme's financial condition has changed in the past year.

We rely on data from ACC's Cloud Data Platform (CDP) to determine claim assumptions for average cost, duration and active claims. We use this data to determine the OCL and new year costs. We perform a reconciliation between quarterly CDP data extracts and between the CDP data and general ledger. These reconciliations are included within the annual external audit.

In addition, the external valuation actuary (Taylor Fry) also performs a reconciliation in the annual data sets we provide them. Based on these reconciliations, we believe that the data is relevant and appropriate for the purposes of the valuation and to determine new year costs.

Reconciliation between balance sheet and funding ratio

The government funding policies for the Scheme specify how the funding ratio should be calculated for each Account. Table 18 shows how the assets and liabilities shown on the balance sheet are adjusted to reach the funding ratio as prescribed by the funding policies.

Table 18: Reconciliation between balance sheet and funding ratio by Account

\$M	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Treatment Injury — levied portion	Treatment Injury — non-levied fully funded portion	Non-Earners' Account	Non-Earners' — fully funded portion	Total 2024/25	Total 2023/24
<i>Available assets</i>										
Balance sheet total assets	16,908	13,820	16,110	6,887	2,526	4,361	6,256	6,256	59,981	56,440
Less applicable liabilities ²⁸	(1,751)	(1,924)	(3,491)	(616)	(226)	(384)	(536)	(438)	(8,317)	(6,837)
Less assets required for AEP ²⁹	0	(509)	0	0	0	0	0	0	(509)	(415)
Funding policy available assets to cover OCL	15,158	11,387	12,619	6,271	2,300	3,977	5,719	5,818	51,155	49,188
<i>OCL</i>										
Balance sheet OCL	12,917	9,322	16,905	8,649	2,391	5,038	15,762	12,400	63,556	60,220
Less risk margin	(1,506)	(930)	(1,784)	(1,075)	(297)	(626)	(1,862)	(1,465)	(7,158)	(6,797)
Less AEP ²⁹	0	(509)	0	0	0	0	0	0	(509)	(415)
Add work-related gradual process incurred-but-not-reported claims	0	810	0	0	0	0	0	0	810	939
Funding policy OCL	11,411	8,693	15,121	7,574	2,094	4,412	13,899	10,935	56,698	53,946
Funding ratio	132.8%	131.0%	83.5%	82.8%	109.9%	90.1%	41.1%	53.2%		

²⁸ The government funding policies state the following liabilities should be removed from total assets when calculating the funding ratio: payables, accrued liabilities, investment liabilities, and unearned levy liability.

²⁹ Accredited Employers Programme (AEP) is assumed to be 100% funded with the OCL (excluding risk margin) and same value of assets excluded.

The Scheme's overall funding position decreased by \$785 million in 2024/25

Table 19 shows how the overall funding position changed during 2024/25. It includes:

- the Scheme surplus/deficit as stated in the 2025 Annual Report
- the adjustments required to move the Scheme surplus from an accounting basis to a funding basis consistent with the government funding policies.

Table 19: Change in the overall funding position in 2024/25

	2024/25 funding position (\$M)	2023/24 funding position (\$M)
Opening funding position as at 30 June 2024	(4,759)	1,023
Plus Scheme surplus/(deficit)	(1,482)	(7,239)
Plus value of work-related gradual process (WRGP) claims incurred-but-not-reported	129	44
Less risk margin on change in outstanding claims liability (OCL)	362	988
Less change in unexpired risk liability	207	426
Total change in funding position during 2024/25	(785)	(5,781)
Closing funding position as at 30 June 2025	(5,544)	(4,759)

This year's underwriting deficit was larger than expected owing to the declining claim performance

Table 20 includes a breakdown of the components that contributed to the 2024/25 movement in funding position, split by underwriting and economic performance. It compares this year's results against the 2024/25 projected result as at 30 June 2024 and last year's budget set on 29 February 2024.

The economic surplus of \$3,659 million partially offset the underwriting deficit of \$4,444 million.

Table 20: Movement in funding position versus expected

\$M	Actual 30 June 2025	Expected	Difference	Budget
<i>Income</i>				
Total levies and appropriations	6,526	6,798	(272)	6,810
<i>Expenditure</i>				
Claims incurred				
Medical costs	2,412	2,363	50	2,352
Elective surgery	666	571	95	617
Sensitive claims	468	377	91	476
Social rehabilitation	1,475	1,350	125	1,482
Compensation-related	2,707	2,699	8	2,557
Other	330	248	82	329
Claims handling expenses	657	671	(14)	639
Total cash claim costs	8,714	8,277	437	8,453
Total change in OCL under the funding policies	2,100	943	1,157	653
Total claims incurred	10,814	9,220	1,594	9,106
Expenses				
Net operating costs	88	86	2	86
Injury prevention costs	68	85	(17)	85
Total expenses	156	171	(15)	171
Total expenditure	10,970	9,391	1,579	9,277
Movement in funding position from underwriting activities	(4,444)	(2,593)	(1,851)	(2,467)
<i>Economic</i>				
Effect of economic assumptions for the OCL higher/(lower) than expected	1,847	0	1,847	0
Investment management costs	(73)	(70)	(4)	(69)
Unwind of risk-free interest rate	(2,499)	(2,500)	2	(2,218)
Investment income	4,384	2,928	1,457	2,979
Movement in funding position from economic factors	3,659	358	3,302	692
Total movement in funding position	(785)	(2,236)	1,451	(1,775)

The movement in funding position in 2024/25 varies by Account

Table 21 sets out the total movement in funding position for the year ending 30 June 2025, split by Account.

Table 21: Movement in funding position by Account

\$M	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account	Total 2024/25	Total 2023/24
<i>Income</i>							
Total levies and appropriations	481	843	2,696	424	2,082	6,526	6,339
<i>Expenditure</i>							
Claims incurred							
Medical costs	184	201	733	42	1,254	2,412	2,132
Elective surgery	37	92	330	52	155	666	564
Sensitive claims	0	6	194	0	268	468	371
Social rehabilitation	358	89	252	226	550	1,475	1,329
Compensation-related	278	762	1,526	119	22	2,707	2,405
Other	58	112	81	45	33	330	325
Claims handling expenses	62	122	276	57	139	657	656
Total cash claim costs	978	1,383	3,392	541	2,420	8,714	7,782
Total change in OCL under the funding policies	(35)	(57)	1,272	414	505	2,100	6,584
Total claims incurred	943	1,326	4,665	955	2,925	10,814	14,367
Expenses							
Net operating costs	5	61	17	1	5	88	83
Injury prevention costs	6	16	20	1	25	68	81
Total expenses	10	77	36	2	30	156	165
Total expenditure	954	1,403	4,701	957	2,955	10,970	14,531
Movement in funding position from underwriting activities	(473)	(560)	(2,005)	(533)	(873)	(4,444)	(8,193)
<i>Economic</i>							
Effect of economic assumptions for the OCL higher/(lower) than expected	432	78	147	420	769	1,847	1,306
Investment management costs	(22)	(16)	(18)	(9)	(8)	(73)	(74)
Unwind of risk-free interest rate	(574)	(365)	(657)	(372)	(532)	(2,499)	(2,337)
Investment income	1,191	892	1,194	499	609	4,384	3,516
Movement in funding position from economic factors	1,027	589	667	539	837	3,659	2,411
Total movement in funding position	554	30	(1,339)	5	(36)	(785)	(5,781)
Total movement in funding ratio	5%	(0%)	(8%)	1%	1%		

Table 22 shows the main contributions to this year's underwriting deficit of \$4,444 million. It compares the actual movement in funding position from underwriting activities to what was expected. This is split into three parts:

1. The expected deficit when the levies and appropriations were priced. This was the levy consultation in 2021 for the levied Accounts, and the Non-Earners' Forecast Adjustments in 2023 for the non-levied Accounts (\$1,903 million).
2. The expected deficit from 1 is brought forward to the beginning of the current financial year, 30 June 2024 (\$2,593 million).
3. The actual underwriting performance in the year to 30 June 2025 (\$4,444 million) is compared to what was expected from 2.

Table 22: Analysis of movement in funding position from underwriting activities by Account

\$M	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account	Total 2024/25
Levies/appropriations different from expected new year costs	(358)	(284)	(341)	(72)	10	(1,046)
Expected reduction in OCL for PAYG claims	n/a	n/a	n/a	40	153	194
Different assumptions for pricing versus valuation	(169)	(172)	(345)	(132)	(233)	(1,051)
Expected movement in funding position at time of pricing	(526)	(456)	(687)	(164)	(70)	(1,903)
Approved Levies different from recommended levies	(103)	(53)	0	0	0	(156)
Updated levies forecast	(3)	93	279	12	18	399
Updated claim assumptions	(111)	(333)	(881)	(70)	(186)	(1,581)
Updated economic assumptions	179	130	274	45	19	648
Projected movement in funding position for 30 June 2025 (as at 30 June 2024)	(564)	(619)	(1,015)	(177)	(219)	(2,593)
Actual versus expected levy income/appropriations	(2)	(60)	(116)	(0)	0	(178)
Effect of AEP surplus/(deficit)	0	(94)	0	0	0	(94)
Actual versus expected cash paid	(34)	40	(165)	(39)	(225)	(423)
Actual versus expected change in OCL	126	173	(711)	(317)	(429)	(1,157)
Closing movement in funding position from underwriting activities for 30 June 2025 (as at 30 June 2025)	(473)	(560)	(2,005)	(533)	(873)	(4,444)

At the time of pricing, a deficit was expected for all Accounts in 2024/25

Pricing for the 2024/25 financial year was largely based on 30 June 2021 data for the levied Accounts, and 30 June 2023 data for the non-levied Accounts. At that time, a deficit was projected for all Accounts with a total projected deficit of \$1,903 million. Three components contributed to this result:

- A \$1,046 million deficit because of total recommended levies and appropriations being set below the expected cost of 2024/25 claims. The bulk of this relates to the levied Accounts where these were above their funding targets at the time of pricing. Levies were therefore set below the cost of claims to reduce the funding ratios and move them closer to the funding target.
- A \$194 million surplus relating to non-earner claims incurred before 2001 and funded on a Pay As You Go (PAYG) basis. This was an expected accounting surplus that occurs every year.
- A \$1,051 million owing to differences in the assumptions used to calculate levies and appropriations and those used for determining the OCL. This is because investment returns, rather than risk-free rates, are used to determine the cost of new year claims when pricing levies and appropriations. Since the OCL uses risk-free rates, the expected cost of new year claims results in a higher liability than that projected with levy and appropriations assumptions.

The projected deficit for 2024/25 was bigger as at 30 June 2024 compared to when levies and appropriations were priced

The change in the projected movement in funding position, between the time of pricing and the beginning of the 2024/25 financial year, varied depending on Account. In total, the projected deficit for 2024/25 increased by \$691 million from \$1,903 million to \$2,593 million because of the following factors:

- A \$156 million deficit owing to approved levies being lower than the recommended levies in the Motor Vehicle and Work Accounts.
- Higher projected income in 2024/25 of \$399 million — primarily because of higher liable earnings driven by greater workforce participation especially within the Earners' Account.

- Changes to economic assumptions since the time of pricing resulted in a \$648 million favourable movement in the funding position. This was mainly because of higher discount rates since the time of pricing, which led to a lower expected OCL for new claims as of 30 June 2024.
- These improvements were entirely offset by deteriorating claim performance since the time of pricing, resulting in worsening claim assumptions and a \$1,581 million increase in claim costs.

Worse-than-expected OCL strain in the current year resulted in the 2024/25 underwriting deficit being higher than expected

The total actual underwriting deficit as at 30 June 2025 was \$4,444 million. This was a \$2,542 million higher deficit than projected at the time of pricing and \$1,851 million higher than projected as at 30 June 2024. The main reasons for the changes in the 2024/25 year were as follows:

- A \$1,157 million deficit owing to higher-than-expected OCL. This was largely driven by OCL strain, with a small offset from model recalibration. The total OCL strain under the government funding policies from the 2025 valuation was \$1,209 million. This consisted of a \$716 million strain identified as influenceable and a \$493 million non-influenceable strain. All Accounts excluding the Work Account, experienced OCL strain in 2024/25.
- Higher-than-expected cash claim payments during 2024/25, with a partial offset from lower-than-expected expenses, contributed \$423 million to the deficit. The higher-than-expected claim payments were largely driven by social rehabilitation costs in most Accounts and elective surgery costs primarily in the Earners' and Non-Earners' Accounts.
- The levies collected in 2024/25 were lower than expected, which contributed a deficit of \$178 million. This was mainly from the Earners' and Work Accounts owing to both lower-than-expected working population and wage growth.
- The Accredited Employers Programme (AEP) recorded a deficit of \$94 million, which directly affected the Work Account's funding position. This was primarily driven by both higher-than-expected increase in OCL and cash claim payments.

Claims handling expenses, other operating expenses and investment management costs were above budget for the year, while injury prevention costs were below budget

Total expenses reduced from \$895 million in 2023/24 to \$886 million in 2024/25.

Overall, this was consistent with the budget.

Expenses pay for handling claims, preventing injuries, investing funds, and the costs of operating the Scheme.

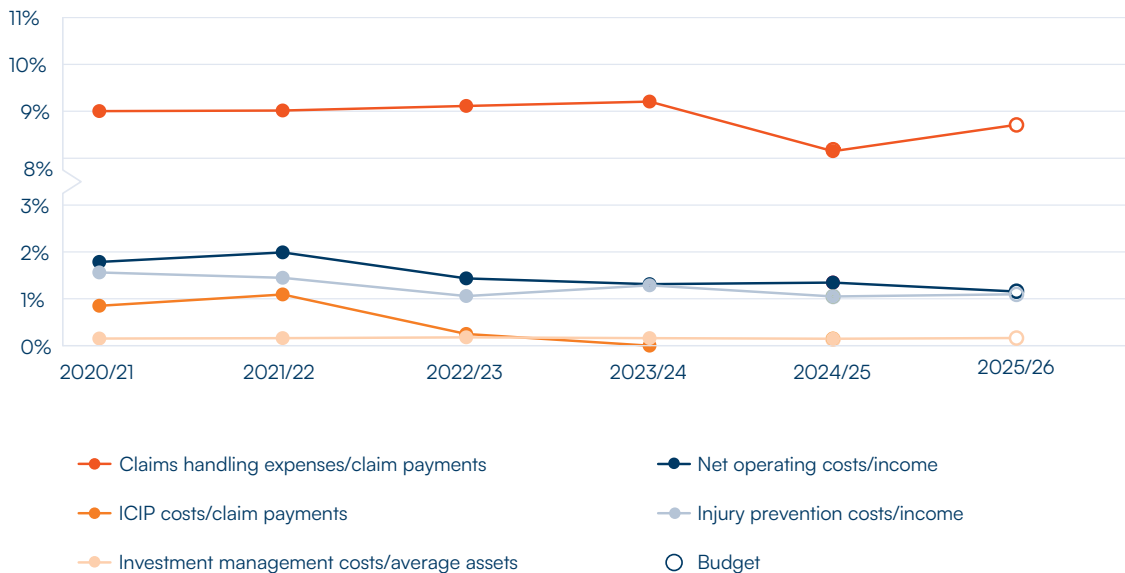
Table 23: Expenses by category

\$M	Actual 2023/24	Actual 2024/25	Budget 2024/25	Budget 2025/26
Claims handling expenses	656	657	645	734
Other operating expenses	83	88	86	85
Injury prevention costs	81	68	85	80
Investment management costs	74	73	70	83
Total	895	886	886	982

Chart 7 shows expenses, as percentages of the underlying service, for the past five years, alongside the 2024/25 budget and 2025/26 projected budget in five categories:

- Claims handling expenses paid during the year compared to claim payments
- Net operating costs compared to income (from levies and appropriations)
- Integrated Change Investment Portfolio (ICIP) project costs compared to claim payments
- Injury prevention costs compared to income (from levies and appropriations)
- Investment management costs compared to average funds under management.

Chart 7: Expenses as percentages of underlying service



The reasons for the movements in the expenses over the 2024/25 year, and differences from the budget include:

- Claims handling expenses increased slightly from last year and were above the budget. This was mainly because of an increase in forward and temporary recruitment in Service Delivery to manage high turnover and ongoing workload pressures in the front-line. As claim payments also increased significantly over the year, the claims handling expense ratio has decreased from 9.2% to 8.2%. The claims handling expense ratio for 2025/26 is expected to increase slightly as the growth in claim payments is lower than the growth allowed for claims handling expenses.
- Net operating costs increased from last year mainly because of higher levy setting costs. The costs were slightly above budget because of the accelerated depreciation of systems used by ACC.
- Spend on ICIP projects ended in 2022/23. Any spend from 2023/24 onwards is included in business-as-usual claims handling expenses and operating costs.

- Injury prevention costs reduced from last year and were below budget owing to reduced activity while the Injury Prevention team undertook a strategy review across most portfolios.
- Investment management costs were above budget mainly because of a revised allocation of assets to external managers.

The funding ratio of most Accounts moved towards target

The target funding ratio (the ratio of assets held to liabilities) for all Accounts is 100%. This means each Account should aim to hold net assets equal to the OCL excluding the risk margin.

The exception is pre-2001 claims in both the Non-Earners' Account and the non-levied portion of the Treatment Injury Account. These claims are funded under PAYG, meaning the funding in any given year is equal to the amount we expect ACC to pay in that year for those claims. No additional funding needs to be held at the end of the year so the funding targets for these claims are effectively 0%.

Table 24 shows the movement in funding ratios over the past five years by Account.

Table 24: Funding ratios by Account for past five years

	As at 30 June					Target	
	2021	2022	2023	2024	2025		
Motor Vehicle Account	122%	125%	131%	128%	133%	100%	
Work Account	131%	136%	137%	131%	131%	100%	
Earners' Account	112%	105%	102%	91%	83%	100%	
Treatment Injury Account	84%	81%	83%	82%	83%		
• Levied portion	159%	137%	131%	122%	110%	100%	
• Non-levied fully funded portion	83%	81%	86%	85%	90%	100%	
Non-Earners' Account	50%	50%	55%	40%	41%		
• Fully funded portion	78%	76%	81%	53%	53%	100%	

Several key factors drive changes in the funding ratio by changing asset values, liability values or both. While ACC can influence some of these factors, others are beyond its control and include:

- what's happening in the economy
- how this affects interest rates.

Changes in funding ratios over time have varied by Account, generally in response to the OCL strain, economic assumptions and investment returns by Account. The funding ratios of the Motor Vehicle Account, Non-Earners' Account and non-levied portion of the Treatment Injury Account have increased, while the Work Account, Earners' Account and levied portion of the Treatment Injury Account have declined in 2024/25.

We expect the Scheme's overall funding position to reduce in each of the next four years

Table 25 shows the expected change in funding position for the Scheme for each of the next four years. The four-year projections are based on the following:

- the 2025/26 to 2027/28 levy rates prescribed by Cabinet in 2024
- the June 2025 indicative levy rates for 2028/29
- assumptions updated to 30 June 2025
- the 2025/26 approved appropriations for the Non-Earners' Account agreed in October 2024
- the June 2025 forecast appropriations for the Non-Earners' Account for 2026/27 to 2028/29.

Table 25: Projected movement in funding position

\$M	Actual 2024/25	2025/26	2026/27	2027/28	2028/29
<i>Income</i>					
Total levies and appropriations	6,526	7,322	8,001	8,725	9,548
<i>Expenditure</i>					
Claims incurred					
Medical costs	2,412	2,561	2,712	2,864	3,019
Elective surgery	666	663	713	763	816
Sensitive claims	468	444	478	512	554
Social rehabilitation	1,475	1,538	1,614	1,699	1,786
Compensation-related	2,707	2,963	3,215	3,467	3,740
Other	330	258	261	265	289
Claims handling expenses	657	735	756	771	794
Total cash claim costs	8,714	9,161	9,749	10,342	10,998
Total change in OCL under the funding policies	2,100	627	511	438	328
Total claims incurred	10,814	9,788	10,260	10,779	11,326
Expenses					
Net operating costs	88	85	86	90	92
Injury prevention costs	68	80	85	96	96
Total expenses	156	165	171	185	187
Total expenditure	10,970	9,953	10,432	10,965	11,513
Movement in funding position from underwriting activities	(4,444)	(2,631)	(2,431)	(2,240)	(1,965)
<i>Economic</i>					
Effect of economic assumptions on the OCL higher/(lower) than expected	1,847	0	0	0	0
Investment management costs	(73)	(83)	(86)	(88)	(91)
Unwind of risk-free interest rate	(2,499)	(1,569)	(1,804)	(2,142)	(2,473)
Investment income	4,384	2,209	2,316	2,489	2,665
Movement in funding position from economic factors	3,659	557	426	259	101
Total movement in funding position	(785)	(2,074)	(2,005)	(1,981)	(1,864)

All Accounts are expected to return deficits in 2025/26

Table 26 gives the projected movement in funding position by Account for 2025/26 compared with the projected 2025/26 movement from last year's report.

Table 26: Projected movement in funding position by Account for 2025/26

\$M	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account	Total projected 2025/26	Total projected 2025/26 as at 30 June 2024
<i>Income</i>							
Total levies and appropriations	527	1,071	3,029	459	2,236	7,322	7,396
<i>Expenditure</i>							
Claims incurred							
Medical costs	192	217	779	46	1,328	2,561	2,504
Elective surgery	37	92	338	56	139	663	611
Sensitive claims	0	5	201	0	237	444	418
Social rehabilitation	379	111	262	241	545	1,538	1,429
Compensation-related	291	870	1,649	134	19	2,963	2,941
Other	49	99	53	33	22	258	252
Claims handling expenses	65	147	310	60	154	735	692
Total cash claim costs	1,013	1,542	3,592	570	2,444	9,161	8,847
Total change in OCL under the funding policies	(3)	112	433	70	15	627	904
Total claims incurred	1,010	1,654	4,025	640	2,459	9,788	9,751
Expenses							
Net operating costs	7	57	16	1	5	85	87
Injury prevention costs	13	8	20	4	34	80	90
Total expenses	20	65	36	5	39	165	177
Total expenditure	1,030	1,718	4,061	645	2,498	9,953	9,928
Movement in funding position from underwriting activities	(503)	(648)	(1,032)	(186)	(262)	(2,631)	(2,532)
<i>Economic</i>							
Effect of economic assumptions on the OCL higher/(lower) than expected	0	0	0	0	0	0	0
Investment management costs	(25)	(18)	(21)	(10)	(9)	(83)	(71)
Unwind of risk-free interest rate	(346)	(230)	(437)	(228)	(328)	(1,569)	(2,263)
Investment income	611	467	569	276	286	2,209	2,765
Movement in funding position from economic factors	240	219	112	37	(52)	557	431
Total movement in funding position	(263)	(428)	(920)	(149)	(315)	(2,074)	(2,102)

We are now projecting a \$2,074 million deficit for 2025/26. This is \$27 million lower than the \$2,102 million deficit we were projecting last year for the same period. The largest contributors to this difference are:

- Cash claims \$314 million higher than previously projected.
- A change in the OCL \$277 million lower than previously projected.
- Risk-free interest rates decreasing between the two calculation dates (\$694 million).
- Investment income \$556 million lower than previously projected.

The Scheme's total funding position is sensitive to changes in economic factors

Table 27 shows how a 1% movement in interest rates, asset values, or inflation assumptions could have changed the OCL (excluding the risk margin), the investment portfolio, and the funding position as at 30 June 2025. It also shows how changes in major claim assumptions could have changed the OCL and the resulting change in the funding position.

Table 27: Sensitivity of funding position

	Change in OCL (\$M)		Change in assets (\$M)		Change in funding position (\$M)	
	+1%	-1%	+1%	-1%	+1%	-1%
Interest/discount rates	(6,421)	8,385	(2,820)	3,036	3,601	(5,349)
Asset values	n/a	n/a	512	(512)	512	(512)
Inflation rate	8,563	(6,674)	1,271	(1,134)	(7,292)	5,540
Serious injury care superimposed inflation	2,663	(2,050)	n/a	n/a	(2,663)	2,050
Weekly compensation non-serious injury continuance rates	659	(585)	n/a	n/a	(659)	585
Sensitive claims (weekly compensation) continuance rates	356	(254)	n/a	n/a	(356)	254
Sensitive claims (counselling) continuance rates	192	(169)	n/a	n/a	(192)	169
Elective surgery superimposed inflation	680	(520)	n/a	n/a	(680)	520
Medical superimposed inflation	270	(213)	n/a	n/a	(270)	213
Elective surgery active claims	1,119	(771)	n/a	n/a	(1,119)	771

Changes in interest rates alter the value of the OCL and the investment assets by different amounts. This is because Scheme liabilities can't be completely matched with investment assets, because of the long-term nature of the liabilities, as discussed in Appendix E '*Management of investments*'. As a result, the funding ratios are highly sensitive to interest rate changes, especially when interest rates are low.

After economic assumptions, a 1% change in superimposed inflation for serious injury care would have the largest effect on the funding position.

Appendix C – Valuation of Outstanding Claims Liability

This appendix discusses how the Outstanding Claims Liability (OCL) was valued for the year ending 30 June 2025.

This appendix contains OCL numbers calculated on an accounting basis, in line with the accounting standards. Note, they will not match those presented in other areas of this report, which are on a funding policy basis. The Annual Report includes the liability for work-related gradual process (WRGP) claims that have been incurred-but-not-reported in a note to the financial statements and not directly in the reported OCL numbers, owing to accounting requirements.³⁰

The OCL increased by 6% between June 2024 and June 2025

The OCL as at 30 June 2025 was \$63,556 million. This was \$565 million lower than the expected OCL of \$64,121 million (including the change owing to model recalibration). The OCL as at 30 June 2024 was \$60,220 million.

The liability for WRGP claims incurred-but-not-reported as at 30 June 2025 was \$899 million. This is \$160 million lower than the expected liability of \$1,059 million. The liability as at 30 June 2024 was \$1,042 million.

We expect an increase in the OCL every year as we expect the volume of new claims to exceed claims leaving the Scheme, as New Zealand's population grows over time. The expected OCL is also affected by projected economic and claim assumptions as at the start of the year.

The decrease in the expected liability was caused by favourable economic factors (increases to risk-free interest rates and decreases to inflation rates). Excluding changes owing to economic factors the liability increased by \$1,539 million. This increase was because of both declining claim performance defined as influenceable strain and a non-influenceable strain mainly arising from increasing claim payments related to recent court decisions.

The OCL is an important indicator of ACC's performance

The OCL is the amount of money we project ACC will need to pay in the future to clients who are currently injured. The value of the assets (mainly investments) each of the Scheme Accounts has available relative to the OCL then feeds into recommendations for levy rates and appropriations. The OCL also points to areas in which changes in claim volumes or costs may be risks to the Scheme's sustainability and to outcomes for clients.

External valuation actuaries calculated the OCL

Alan Greenfield FNZSA FIAA, Paul Driessen FIAA and Ross Simmonds FNZSA FIA, from external actuary Taylor Fry, valued the OCL. They delivered their report, *Accident Compensation Corporation – Valuation of Outstanding Claims Liabilities as at 30 June 2025*, to us in August 2025.

They calculated the OCL by forecasting future cash flows for each payment type for accidents that happened before 30 June 2025. They then discounted cash flows back to 30 June 2025 using a 'risk-free' interest rate. They also included allowances for claims handling expenses and risk margins. Their calculations align with the accounting standards.

The OCL calculation complies with all professional reporting standards

The reporting standards are:

1. the Public Benefit Entity International Financial Reporting Standard 4 *Insurance Contracts* (PBE IFRS 4) issued by the New Zealand Accounting Standards Board, a committee of the External Reporting Board
2. Professional Standard No. 30 — Valuations of General Insurance Claims, issued by the New Zealand Society of Actuaries.

³⁰ For a reconciliation of the Financial Condition Report OCL strain to the Annual Report OCL strain see Table 40.

Favourable economic conditions offset declining claim performance

Table 28 shows the breakdown of the OCL, including risk margins, and how it changed between 30 June 2024 and 30 June 2025.

Table 28: Changes in OCL from 30 June 2024 to 30 June 2025

\$M	Liability as at 30 June 2024	Expected increase ³¹	Changes owing to economic assumptions	Changes owing to influenceable drivers	Changes owing to non-influenceable drivers	Liability as at 30 June 2025
Medical costs	2,350	186	(48)	134	0	2,623
Elective surgery	4,095	304	(188)	457	0	4,668
Sensitive claims	5,828	481	(99)	61	530	6,801
Social rehabilitation	24,284	1,408	(1,373)	628	(23)	24,923
Non-fatal weekly compensation related	15,320	1,307	(24)	(26)	8	16,585
Other	5,394	43	(298)	(5)	38	5,172
Claims handling expenses	2,949	124	(28)	(262)	0	2,783
Total OCL	60,220	3,854	(2,057)	987	552	63,556
WRGP claims incurred-but-not-reported	1,042	17	(39)	(122)	0	899

When claim volumes or costs move above or below what's expected, and we can link that movement to areas over which management has at least partial control, we consider the movement influenceable. If the movement is fully beyond the control of ACC management, we consider the movement non-influenceable.

Assumptions used in the OCL calculation are economic or claim related

The key assumptions used to calculate the OCL can be broken into two groups: economic related and claim related.

Economic assumptions apply to all payment types. These are assumptions for future interest rates and underlying inflation rates.

Claim assumptions relate to claim volumes and severity, by type of claim, and they drive future cash flow estimates. The assumptions include rehabilitation rates, average costs per claim, superimposed inflation, and claims handling expenses. They are set separately for each Account. Further detail of the claim performance of the Scheme over recent years, and claim assumptions used in the

2024/25 valuation can be found in Section 5 'Claim performance' and Appendix F 'Claim performance detail'.

Assumptions for calculating the OCL are 'best estimates'

Many assumptions are needed to project future cash flows and calculate the OCL. The actuary must use 'best estimates' when making assumptions that are not deliberately conservative or optimistic. The liability produced using the best estimate assumptions is a 'central estimate'.

We are satisfied that the claim data, methods and assumptions used are appropriate

Every year, the external valuation actuary reviews the number and severity of claims, by type of claim, looking at actual claims made. Short-term assumptions follow recent claims quite closely. Long-term assumptions are also set to follow the actual claim volumes and costs, but these tend to be volatile, and the selected rates will generally reflect historical averages.

We're satisfied that the data, methods and assumptions used are appropriate.

³¹ The expected increase includes the expected movement in the year and the change that relates to the model recalibration carried out in the year that refined how sensitive claims and serious injury claims are modelled.

Changes to economic conditions resulted in a decrease in the OCL

PBE IFRS 4 requires interest rates used for discounting to be 'risk free'. The Treasury prescribes the risk-free rates used in financial accounting for all Crown entities. Risk-free rates reflect the yields of New Zealand Government bonds. The long-term risk-free rate is based on long-term historical norms, which cannot be seen from New Zealand Government bond yields.

The Treasury's approach applies a smoothing methodology to transition between the last observed short-term rate and the assumed long-term rate.

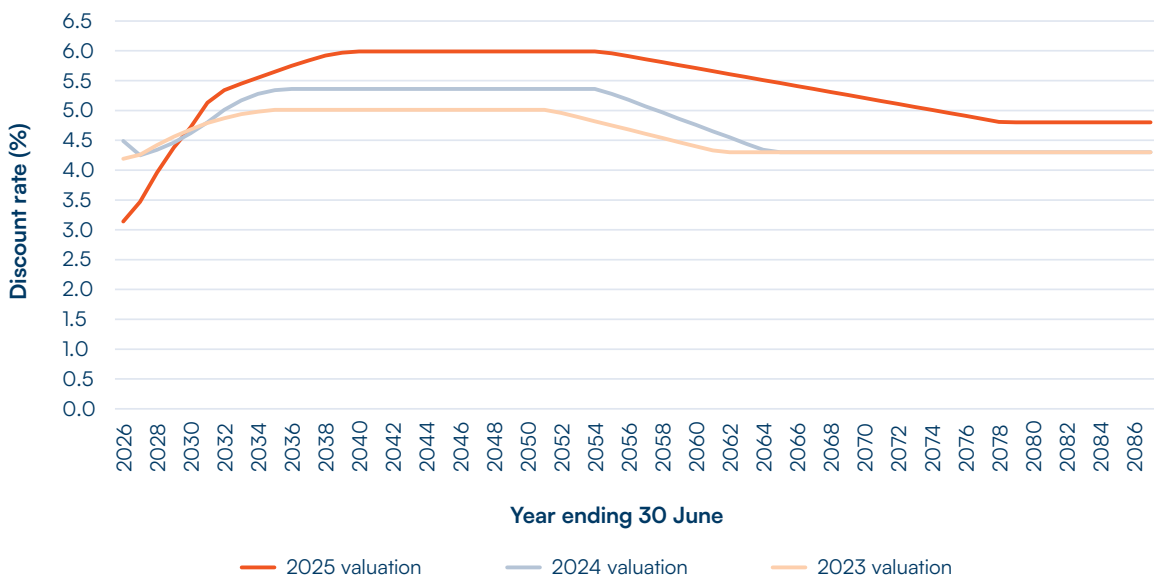
Changes owing to economic assumptions decreased the OCL by \$2,057 million, including the risk margin. Changes in the economic environment cause the OCL to go up and down. The investment team helps

to manage the risks through its asset allocation strategy, as described in Appendix E '*Management of investments*'. The \$2,057 million change this year reflected:

- an increase in interest rates, resulting in a reduction of \$2,000 million
- a decrease in future inflation rates, resulting in a reduction of \$153 million
- higher-than-expected inflation during 2024/25, resulting in an increase of \$96 million.

Chart 8 shows the risk-free interest rates used in the calculation of the 30 June 2025 OCL, and the rates used in the two previous years.

Chart 8: Risk-free interest rates – application of the yield curve to liabilities



In 2024/25, interest rates increased in line with market yields available on New Zealand Government bonds and changes in Treasury's methodology used to set the forward risk-free discount rates. In May 2025 Treasury undertook a three-yearly review of its risk-free discount rate methodology. One of the main changes from this was to increase the assumed long-term nominal forward discount rate to 4.8% per annum, compared to the previous assumption of 4.3% per annum.

The Treasury specifies assumptions for short-term consumer price index (CPI) rates, based equally on inflation-indexed bonds and market forecasts of inflation. The Treasury also reviewed its CPI rate

methodology in May 2025. One of the main changes was a reduction in the inflation risk premium that is deducted from break-even inflation to 0.1% per annum, compared to the previous deduction of 0.3% per annum. This change in CPI methodology has the effect of increasing assumed future CPI rates.

Assumptions for future average weekly earnings rates and the labour cost index are based on the historical differences between these two indices and the CPI. Chart 9 shows the CPI assumptions used in the calculation of the 30 June 2025 OCL and the rates used in the two previous years.

Chart 9: Inflation rate assumptions



The forecast short-term inflation rates have decreased from the previous year because inflation is expected to reduce to more normal levels faster than was previously expected. This was partially offset by the change in CPI methodology.

The inflation indices are applied to payment types according to economic drivers of cost. Table 29 shows the inflation type used for each payment type.

Table 29: Application of inflation assumptions

Inflation type	Payment type
Average weekly earnings 1% above CPI	Weekly compensation (non-fatal) — the starting level for new claims (including new sensitive claims), as the payment is based on income before the date of incapacity.
Labour cost index 0.2% above CPI	Weekly compensation (non-fatal) — the growth in payments for continuing claims (including sensitive claims), as the legislation indexes payments to the labour cost index. Fatal weekly compensation, medical, elective surgery, non-weekly compensation related services for sensitive claims, vocational rehabilitation, and social rehabilitation
CPI	Independence allowance, lump sum, and funeral grants/benefits.

The OCL includes claims handling expenses

The OCL must allow for future claims handling expenses. These are based on the assumed cost per expense driver for each expense type, drawn from budgeted expenses. The expenses are split into rehabilitation, medical treatment, serious injury, sensitive claims, and hearing loss. They are also split by Account using an activity-based apportionment model.

Cash flows are projected for each payment type

Table 30 shows the main payment types and how each is valued for the OCL.

Table 30: Payment types and valuation methods

Payment type	Description	Valuation methodology
Weekly compensation (non-fatal) — non-serious injury	Income replacement provided to non-serious injury clients	Full payment per active claim
Vocational rehabilitation	Rehabilitation services provided to help clients return to work	Simplified payment per active claim
Social rehabilitation — serious injury	Non-vocational rehabilitation services and assistance with capital costs provided to clients with serious injuries. Income replacement provided to serious injury clients. Medical services provided to clients with serious injuries	Individual projection
Social rehabilitation — non-serious injury	Non-vocational rehabilitation services and assistance with capital costs provided to clients whose injuries are not serious	Full payment per active claim for rehabilitation services Simplified payment per active claim for capital costs
Sensitive claims	Counselling services provided to clients who have been the victims of sexual violence. Income replacement provided to clients who have been the victims of sexual violence. All other support services provided to clients who have been victims of sexual violence	Full payment per active claim
Medical — non-serious injury	Medical services, including general practice, physiotherapy and radiology services	Simplified payment per active claim
Other-medical — non-serious injury	All other medical services	Full payment per active claim
Elective surgery	Surgical procedures	Simplified payment per active claim
Fatal weekly compensation	Income support provided to surviving dependants of fatally injured clients	Simplified payment per active claim
Independence allowance	Compensation for permanent impairment	Full payment per active claim
Lump sum	Compensation for permanent impairment	Simplified payment per active claim
Asbestosis and hearing loss	Compensation and medical costs for work-related gradual process claims	Full payment per active claim

Full payment per active claim

The number of future active claims is projected based on three elements:

- the number of new claims being reported
- the number of continuing claims
- an assumed rate of claims finishing.

The future average claim cost by duration is forecast based on the starting average cost and assumed inflation. The number of active claims is multiplied by the average cost at each future point to calculate the projected cash flow.

Simplified payment per active claim

The number of future active claims is projected based on the claim durations. The future average claim cost by duration is determined based on the starting average cost and assumed inflation. The average cost and number of active claims are multiplied at each future point to calculate the projected cash flow.

Individual projection

Future cash flows are projected based on the individual characteristics of each claim, such as a client's age and the severity of their injury.

The risk margins applied follow industry standards

Applying the best-estimate assumptions gives a central estimate of the OCL. This means it is equally likely to be overstated or understated. PBE IFRS 4 states that the OCL must include a risk margin added to the central estimate, to allow for the inherent uncertainty. The addition of the risk margin makes it more likely that the final OCL will be enough to meet the claims to which it relates. PBE IFRS 4 does not specify the risk margin level, but industry practice adds a margin to increase the OCL to a 75% 'sufficiency' level. This means the reported OCL should be sufficient to meet claim payments 75% of the time. ACC follows this industry norm.

Chart 10 shows the distribution of potential OCL estimates without the risk margin. It shows the 'best estimate' of the OCL was \$56.397 billion as at 30 June 2025. It also shows the variance in the OCL, with 95% of potential estimates being between \$40 billion and \$80 billion.

Chart 10: Estimated distribution of OCL as at 30 June 2025

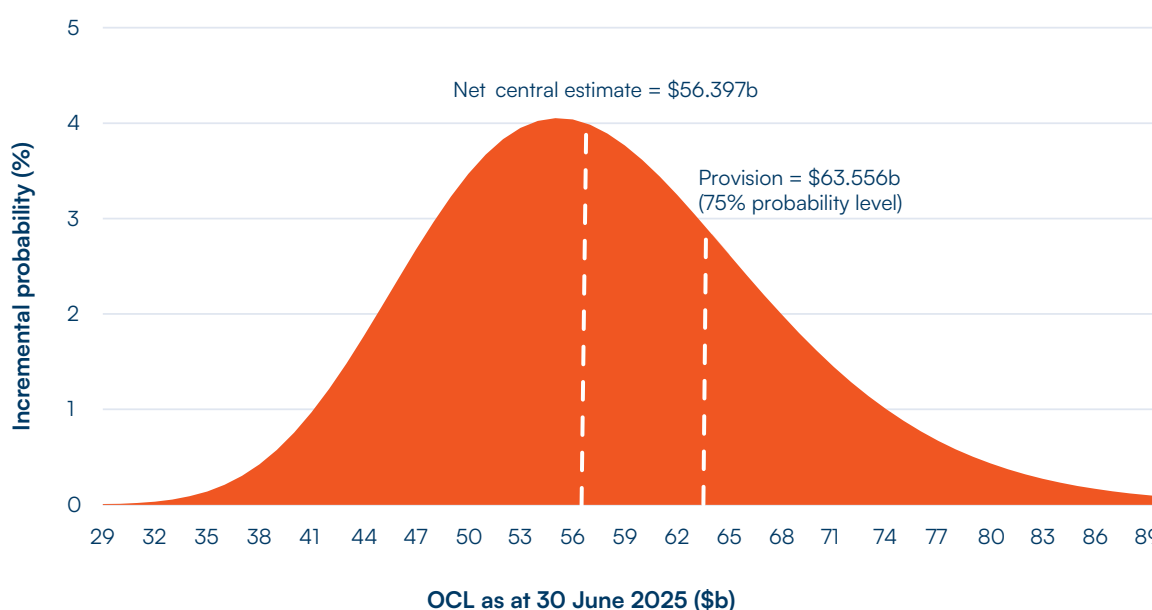


Table 31 shows the risk margins added to the central estimate to meet the 75% level for each Account. Adding the weighted average risk margin of 12.7% to the central estimate brings the 30 June 2025 OCL provision to \$63.556 billion, as shown in Chart 10.

Table 31: Risk margins

Account	2024/25
Motor Vehicle	13.2%
Work	11.0%
Earners'	11.8%
Treatment Injury	14.2%
Non-Earners'	13.4%
Weighted average risk margin	12.7%

The external valuation actuary has retained the assumed 2023/24 risk margins for this valuation, as they consider the current risk margins remain appropriate.

PBE IFRS 4 will be superseded by Public Benefit Entity International Financial Reporting Standard 17 *Insurance Contracts* (PBE IFRS 17), effective for financial reporting periods starting on or after 1 January 2026. This means ACC will adopt PBE IFRS 17 for the financial year ending 30 June 2027 with a one-year comparison for the financial year ending 30 June 2026.

Under PBE IFRS 17 a risk adjustment is defined as *“the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the entity fulfils insurance contracts”*. ACC’s current interpretation of PBE IFRS 17 is that, as per the government funding policies, ACC does not require compensation for non-financial risk in its levies and therefore is not required to hold a risk adjustment on its insurance reserves. This would mean that under PBE IFRS 17 the OCL (or liability for incurred claims, being the new term for OCL under PBE IFRS 17) will be held at the central estimate.

The decision as to whether a risk adjustment is required under PBE IFRS 17 will be approved by the Board and agreed by ACC’s external auditors as part of the implementation of PBE IFRS 17.

Appendix D – Funding detail

This appendix provides more detail to supplement the discussion in this report on the future funding requirements and sustainability of each of the Scheme's five Accounts. Economic conditions and deteriorating claim performance have affected indicative levies and appropriations.

Funding requirements for levied Accounts have increased since last year

Table 32 shows the changes in the indicative 2028/29 levy rates between the June 2024 and June 2025 bases. The first year of the next levy-setting cycle is 2028/29. The June 2025 basis provides an updated view on the levies ACC would recommend were the consultation to be held today.

Table 32: Change in indicative 2028/29 levy rates from June 2024 to June 2025

\$	Motor Vehicle Account	Work Account	Earners' Account	Levied portion of Treatment Injury Account
2028/29 indicative uncapped levies as at 30 June 2024 before recalibration	208.53	0.91	2.06	0.14
Model recalibration	(10.51)	(0.07)	0.03	0.00
Effect of capping	(45.91)	(0.10)	(0.49)	(0.07)
2028/29 indicative capped levies as at 30 June 2024	152.10	0.75	1.59	0.07
<i>New year rates</i>				
New year rate as at 30 June 2024	250.10	0.92	1.87	0.13
Change from:				
Claim frequency and Service utilisation rate	2.19	0.03	(0.03)	0.01
Average cost of services	(4.09)	(0.00)	(0.02)	0.00
Investment forecasts	(0.93)	0.00	0.02	0.00
Base inflation	(1.11)	0.00	0.01	0.00
Other	(0.31)	0.01	0.00	0.00
New year rate as at 30 June 2024	245.85	0.97	1.84	0.14
<i>Funding adjustment</i>				
Funding adjustment as at 30 June 2024	(52.08)	(0.08)	0.21	0.00
Change from:				
Claim frequency and Service utilisation rate	0.08	0.01	(0.00)	0.00
Average cost of services	3.62	0.03	0.03	0.01
Investment forecasts	11.37	0.02	0.02	0.00
Discount rates	(30.15)	(0.03)	(0.05)	(0.01)
Base inflation	(5.32)	(0.03)	(0.00)	(0.00)
Other	(6.63)	0.00	(0.01)	(0.00)
Funding adjustment as at 30 June 2025	(79.11)	(0.08)	0.19	0.01
2028/29 indicative uncapped levies as at 30 June 2025	166.74	0.90	2.03	0.15
Effect of capping	(14.68)	(0.15)	(0.44)	(0.08)
2028/29 indicative capped levies as at 30 June 2025	152.06	0.75	1.59	0.07

The indicative uncapped levy rate for 2028/29 is lower than that estimated in June 2024 for the Motor Vehicle and Earners' Accounts. New year rates for these Accounts have also decreased. For Motor Vehicle, this was mainly driven by a decrease in claim severity, partially offset by an increase in claim frequency. For Earners' this was mainly driven by lower claim frequency and severity. Both Accounts benefitted from favourable economic conditions, which were partially offset by lower investment returns.

Conversely, the indicative uncapped levy rates for 2028/29 for the Work and Treatment Injury Accounts have increased from those estimated in June 2024, along with the new year rates. These are primarily driven by changes in claim frequency and severity, along with lower investment returns.

Changes in funding adjustments have also contributed to lower forecast levies for most Accounts, mainly driven by changes in discount rates. This has been partially offset by lower investment returns and increased claim severity and frequency.

Funding requirements for non-levied Accounts have also increased since last year

Last year, the Government approved ACC's 2025/26 recommended appropriations and pre-approved capped increases for the 2026/27 to 2028/29 Non-Earners' appropriations. This year ACC has carried out calculations for the 2026/27 to 2029/30 period appropriations. For consistency with the levied Accounts, Table 33 shows the changes in the indicative 2028/29 appropriations between those calculated using the June 2024 basis and those calculated using the June 2025 basis.

Table 33: Change in indicative 2028/29 Non-Earners' appropriations from June 2024 to June 2025

\$M	Non-Earners' Account	Non-levied portion of Treatment Injury Account	Total Non-Earners' appropriations
Estimated 2028/29 uncapped appropriations as at 30 June 2024 before recalibration	3,265.9	445.6	3,711.4
Model recalibration	29.6	2.1	31.7
Effect of capping	(528.8)	(48.3)	(513.6)
Additional funding outside the cap	14.0	0.0	14.0
2028/29 approved funding	2,780.6	399.5	3,180.1
<i>New year costs</i>			
New year costs as at 30 June 2024	2,768.7	373.6	3,142.3
Change from:			
Claim frequency and service utilisation rate	92.7	16.1	108.8
Average cost of services	38.7	19.8	58.5
Investment forecasts	36.0	4.4	40.4
Base inflation	(3.5)	(4.5)	(8)
Other	(26.7)	(1.2)	(27.9)
New year costs as at 30 June 2025	2,905.9	408.2	3,314.1
<i>Funding adjustment</i>			
Funding adjustment as at 30 June 2024	526.7	74.1	600.8
Change from:			
Claim frequency and service utilisation rate	(21.8)	4.9	(17.0)
Average cost of services	45.0	15.9	60.9
Investment forecasts	12.1	11.2	23.3
Discount rates	(133.6)	(65.6)	(199.1)
Base inflation	(9.9)	(9.7)	(19.6)
Other	75.4	4.7	80.1
Funding adjustment as at 30 June 2025	493.9	35.4	529.4
Estimated 2028/29 uncapped appropriations as at 30 June 2024	3,399.8	443.7	3,843.5
Effect of capping	(637.3)	(40.1)	(677.4)
Additional funding outside the cap	14.0	0.0	14.0
2028/29 indicative appropriations as at 30 June 2025	2,776.5	403.6	3,180.1

Since last year, the new year costs have increased for both the non-levied Accounts. However, the funding adjustment required for the non-levied portion of the Treatment Injury Account decreased. Further increases to the recommended appropriations are limited because of capping. As with the levied Accounts, increases in claim frequency and severity and decreases in the forecast investment returns have increased the new year costs. The higher new year costs are partially offset by increases in the negative funding adjustment from the decrease in the projected investment returns. We expect appropriations increases to be capped for at least the next 10 years.

Detailed changes to indicative levies and appropriations are described below.

Declining performance mostly increased funding requirements

To estimate the lifetime cost of new accident years we set assumptions regarding:

1. Claim frequency — the number of new claims for the Account per unit of exposure
2. Service utilisation rate — the proportion of clients accessing services
3. Average cost of services — the average lifetime cost if accessing a service.

These assumptions are set for every accident quarter and development quarter. Below we summarise the key changes over the year to June 2025 that influenced these assumptions.

Claim frequency — we expect the total number of claims ACC receives to increase over time, but if the increase is faster than the increases expected in population or number of vehicles then levy rates will increase. Some areas in which claim frequency affected the expected funding requirements are:

- overall increased claim frequency for non-levied Accounts
- lower total claim frequency for the Work Account.

For the projected 2028/29 levies and appropriations, the funding adjustment component is based on the projected OCL at the start of the levy year — either 1 April or 1 July 2028. If the claim frequency assumptions up to this date differ from what we expected last year, this will affect the funding adjustment component. Changes to the claim

frequencies since 2023/24 are discussed in more detail in the claim frequency projections at the end of this appendix, from [page 122](#).

Service utilisation rate — we expect the future utilisation of services to remain relatively consistent with recent levels. When we see increases in the utilisation rate this results in changes to the projected new year costs. Some areas in which claim utilisation has affected the expected funding requirements are:

- weekly compensation utilisation rates have increased for the Work Account, meaning that a higher proportion of Work Account claims are expected to receive at least some weekly compensation
- elective surgery and social rehabilitation utilisation rates have increased for all Accounts.

Average cost of services — we expect claim costs to increase each year, but when we see the cost increase by more than expected it results in changes to the projected new year costs. Some areas in which claim severity affected the expected funding requirements are:

- an improvement in rehabilitation rates of weekly compensation claims for the Earners' and Motor Vehicle Accounts, decreasing new year costs by 1.6% and 2.4% respectively
- higher average cost of social rehabilitation care payments to non-seriously injured clients, particularly for the Non-Earners' Account.

Changes in claim performance for existing claims have increased the OCL, reduced the funding position and increased funding requirements for all Accounts. If claim performance continues to decline, it will further increase the funding pressure on levies and appropriations.

Increased risk-free interest rates reduced expected funding requirements

Risk-free interest rate forecasts increased in the year to 30 June 2025. On average, short-to-medium term interest rates are about 0.2% higher than the previous forecast. The assumed long-term interest rate has also increased by 0.5%, from 4.3% to 4.8%, as a result of the Treasury's three-yearly review of the risk-free discount rate methodology. This reduced the OCL, leading to an improved funding position, which then reduced the forecast levies and appropriations through funding adjustments.

Lower investment forecasts had a minimal effect on expected funding requirements

Forecasts of investment returns decreased for all Accounts in the year to 30 June 2025 except the Motor Vehicle Account. The effect on the levied Accounts was minimal, resulting in less than a 1% change — either an increase or, for the Motor Vehicle Account, a decrease — in the funding necessary to cover the anticipated lifetime costs of future claims. The Non-Earners' Account experienced a larger effect, having the largest change in investment forecast, resulting in a 2% increase in required funding.

Decreased forecast inflation rates also reduced funding requirements

Actual inflation was higher than expected in the year to June 2025. This was offset by lower short-term forecast inflation rates, as latest expectations are for inflation to reduce to previous average levels faster than was expected at 30 June 2024. This decreased the OCL and reduced funding requirements through funding adjustments.

Model recalibration increased funding requirements for the non-levied and Earners' Accounts

Since the previous valuation, the external actuary has refined the valuation models to split sensitive claims into three key payment groups and add weekly compensation and medical payments into the individual claim model used for serious injuries. This has allowed for more precise estimates of projected claim costs, which have had mixed effects on different Accounts.

Recalibrating to the new model resulted in a \$32 million increase for the overall appropriations, and a rise in the Earners' levy rate of \$0.03. Conversely, the Motor Vehicle Account had a release of \$10.51 from the levy rate, and Work levy has reduced by \$0.07.

A higher asset balance has decreased the level of funding required for the Motor Vehicle Account

The biggest component of the 'other' change for the funding adjustment is the change in projected asset balances. Asset balances have increased in the year to 30 June 2025 owing to higher net investment income than expected, decreasing the funding adjustment required in the Motor Vehicle Account.

Indicative levies and appropriations are sensitive to many factors

Table 34 and Table 35 show the expected effects on indicative uncapped 2028/29 levies and 2026/27 appropriations of a 1% increase or decrease in key assumptions. The movements don't indicate the upper or lower levels of all possible outcomes. These sensitivities are calculated independently of each other.

Table 34: Sensitivity of levy rates

Effect on levy rates (\$)	Motor Vehicle Account		Work Account		Earners' Account		Treatment Injury Account (levied)	
	+1%	-1%	+1%	-1%	+1%	-1%	+1%	-1%
Risk-free discount rates and investment returns	(47.13)	61.97	(0.07)	0.07	(0.10)	0.12	(0.01)	0.02
Asset values	(4.23)	4.22	(0.01)	0.00	(0.01)	0.01	(0.00)	0.00
Inflation rates	86.22	(68.99)	0.14	(0.13)	0.23	(0.20)	0.02	(0.02)
Number of new weekly compensation claims	1.00	(1.01)	0.01	(0.01)	0.01	(0.01)	0.00	(0.00)
Weekly compensation continuance rates	8.20	(6.98)	0.03	(0.04)	0.02	(0.02)	0.00	(0.00)
Sensitive claims counselling continuance rates	n/a	n/a	n/a	n/a	0.00	(0.00)	n/a	n/a
Sensitive claims weekly compensation continuance rates	n/a	n/a	n/a	n/a	0.01	(0.01)	n/a	n/a
Elective surgery superimposed inflation	6.19	(4.56)	0.01	(0.01)	0.04	(0.03)	0.00	(0.00)
Medical superimposed inflation	2.32	(1.85)	0.01	(0.01)	0.02	(0.02)	0.00	(0.00)
Care superimposed inflation	48.23	(36.06)	0.01	(0.01)	0.03	(0.03)	0.01	(0.01)
Elective surgery active claims	7.32	(4.97)	0.02	(0.02)	0.03	(0.02)	0.00	(0.00)

Table 35: Sensitivity of Non-Earners' appropriations

Effect on Non-Earners' appropriations (\$M)	Non-Earners' Account		Treatment Injury Account (non-levied)		Total Non-Earners' appropriations	
	+1%	-1%	+1%	-1%	+1%	-1%
Risk-free discount rates and investment returns	(217.34)	303.51	(131.70)	145.30	(349.04)	448.81
Asset values	(6.49)	6.49	(4.41)	4.41	(10.89)	10.89
Inflation rates	380.28	(288.94)	166.56	(182.34)	546.84	(471.29)
Number of new weekly compensation claims	n/a	n/a	n/a	n/a	n/a	n/a
Weekly compensation continuance rates	n/a	n/a	n/a	n/a	n/a	n/a
Sensitive claims counselling continuance rates	19.05	(16.91)	n/a	n/a	19.05	(16.91)
Sensitive claims weekly compensation continuance rates	20.82	(18.08)	n/a	n/a	20.82	(18.08)
Elective surgery superimposed inflation	19.38	(14.75)	7.17	(5.62)	26.56	(20.38)
Medical superimposed inflation	15.61	(13.83)	1.62	(1.44)	17.23	(15.27)
Care superimposed inflation	118.38	(83.80)	130.64	(128.46)	249.02	(212.26)
Elective surgery active claims	20.60	(14.46)	6.10	(4.49)	26.70	(18.95)
Number of non-earners	27.27	(27.27)	3.71	(3.71)	30.98	(30.98)

No sensitivities have been calculated for weekly compensation scenarios for the Non-Earners' Account, as non-earners are not eligible³² for weekly compensation payments.

³² There's a small number of situations in which non-earners are eligible for weekly compensation, but the volume of claims is too small to consider in this analysis.

Various possible future scenarios for economic factors and claim performance generate a range of potential pathways for the levies and appropriations

Our forecast levies and appropriations are calculated by applying the government funding policies with best-estimate assumptions, which means it's equally likely that they're too high or too low. Our forecasts vary over time with changes in the underlying assumptions, such as those indicated in the sensitivities above. To understand more, we simulate future examples of these variations.

The simulations allow for:

- the funding position as at 30 June 2025
- the approved levies for years 2026 to 2028 and the 2026 approved appropriations
- variations in economic factors, including the earned rates of investment return, inflation rates, and risk-free interest rates
- changes in the number of claims, rehabilitation rates, average costs, and superimposed inflation.

We've generated funding ratios, along with levy rates and appropriations based on the government funding policies for each simulation. Charts 11, 13, 15, and 17 show the distribution of possible funding ratios for each Account in future years, with levy rates and the appropriations calculated according to the funding policies. The central 80% of simulations fall within this range (the 10th to 90th percentile).

New year costs vary with changes in economic assumptions and claim trends, which results in a range of possible pathways for levies and appropriations. Charts 12, 14, 16, and 18 show, for each Account, the distribution of future uncapped and capped levy and appropriations paths. The distribution of capped levy paths is much narrower than the uncapped levy paths, showing the effect the cap has on stabilising levy rates.

The assumptions for each simulation can change each year. The simulated levies and appropriations are then re-calculated by applying the applicable funding policy. The ability to revise the assumptions for the simulations every three years creates a wide range of possible levy rates for each of the future years, and this variance increases the further we project.

Continued capped funding increases make it more likely that the Accounts will be underfunded

The funding policy for levied Accounts stipulates that the maximum increase in levies is 5% per annum. However, it allows the Motor Vehicle Account to adjust for inflation on top of this 5% cap. The funding policies don't have a limit on the size of funding reductions. For example, a simulated pathway could see a 25% drop in levies one year followed by capped increases in the next five years to restore the funding level.

The combination of capped funding increases and unrestricted decreases results in a higher likelihood of significant underfunding (less than 80% funding ratio) in each Account. If this happens, the underfunding is likely to be passed on to future levy payers and taxpayers in the form of higher levies and appropriations.

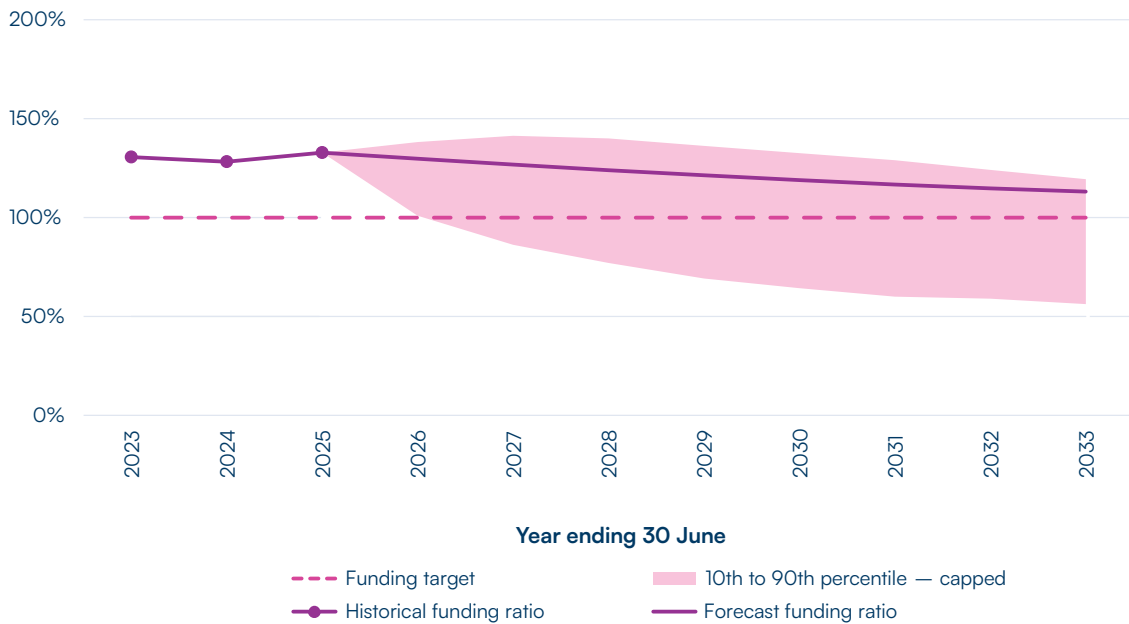
The forecast funding ratio path maintains the economic and claim assumptions as at 30 June 2025 into the future. However, for each simulation, the assumptions can change each year. The levies and appropriations are then re-calculated by applying the applicable funding policy. If these assumptions deteriorate, the funding policy (both capping and the funding adjustment) will deliberately slow any increases in funding. This means that the simulated funding ratio is likely to be lower than the indicative funding ratio path.

Motor Vehicle Account — future levy increases, capped at 5% plus inflation, likely required for 10+ years despite the strong funding ratio to better align with new year rates

As at 30 June 2025, the Motor Vehicle Account had a funding ratio of 133%, an increase from 128% in the previous year. The forecast funding ratio, shown as the blue line in Chart 11, reduces over time. This is because the funding surplus is returned to

levy payers in the form of lower levies in line with the funding policy. The simulations imply a 35% probability of being under the 100% target in 2028 and a 12% probability that the funding ratio will be lower than 80%.

Chart 11: Motor Vehicle Account projected funding ratio



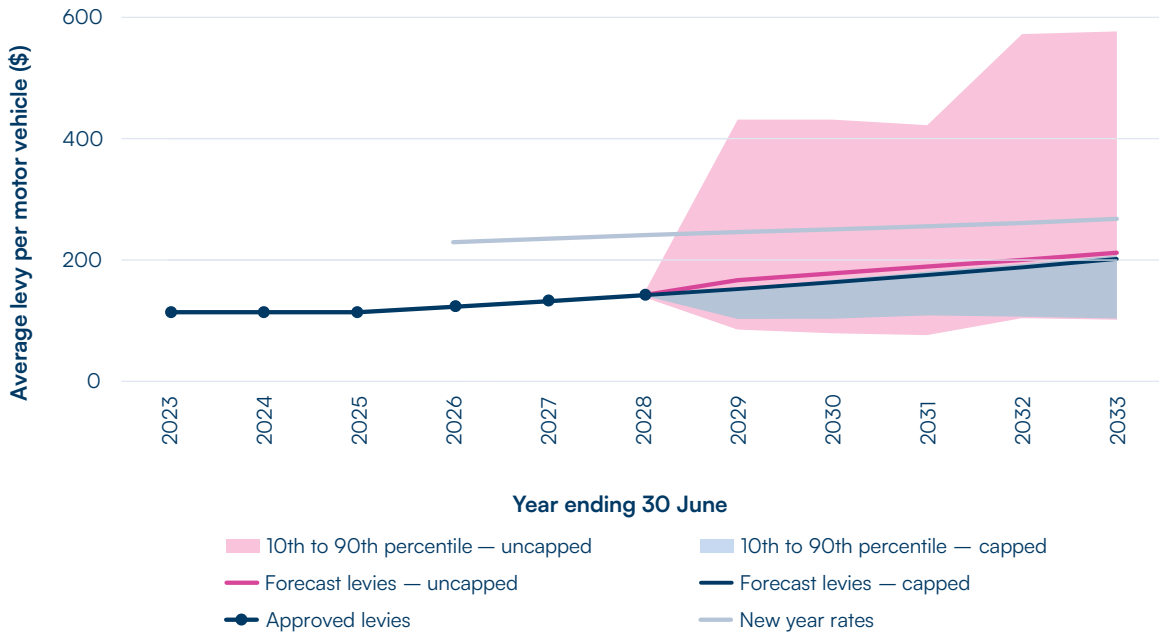
In the 2024 levy consultation, capped increases were approved for the 2025/26, 2026/27, and 2027/28 levy years. Despite this, and the Motor Vehicle Account's strong funding ratio, we expect levy increases will be needed in the future. This is because the 2027/28 levy (\$141.69) is well below the 2028/29 new year rate (\$245.85). Altogether, we forecast levies will increase at the cap for the next 12 years.

The distribution of the Motor Vehicle Account's simulated uncapped levy path, shown in Chart 12, is the widest of the levied Accounts. For example, by 2029/30 the simulated levy rate could range from 46% to 242% of the indicative uncapped levy rate. The long-term nature of claims in this Account means it's the most sensitive to changes in economic and claim trends.

Even with capped levy increases, the range of possible levies is wide — between \$103.13 and \$167.27 in 2029/30. The upper range is still well below the expected 2029/30 new year rate of \$250.55.

The volatility in levy paths is mostly caused by the funding adjustment, rather than the new year costs. The \$103.13 levy scenario described above could occur in situations where a combination of high risk-free interest rates, low inflation rates, and high equity returns creates a very strong funding ratio (approximately 133%). A significant negative funding adjustment (discount) is then applied to move the levy rate towards the funding target over time in accordance with the funding policy.

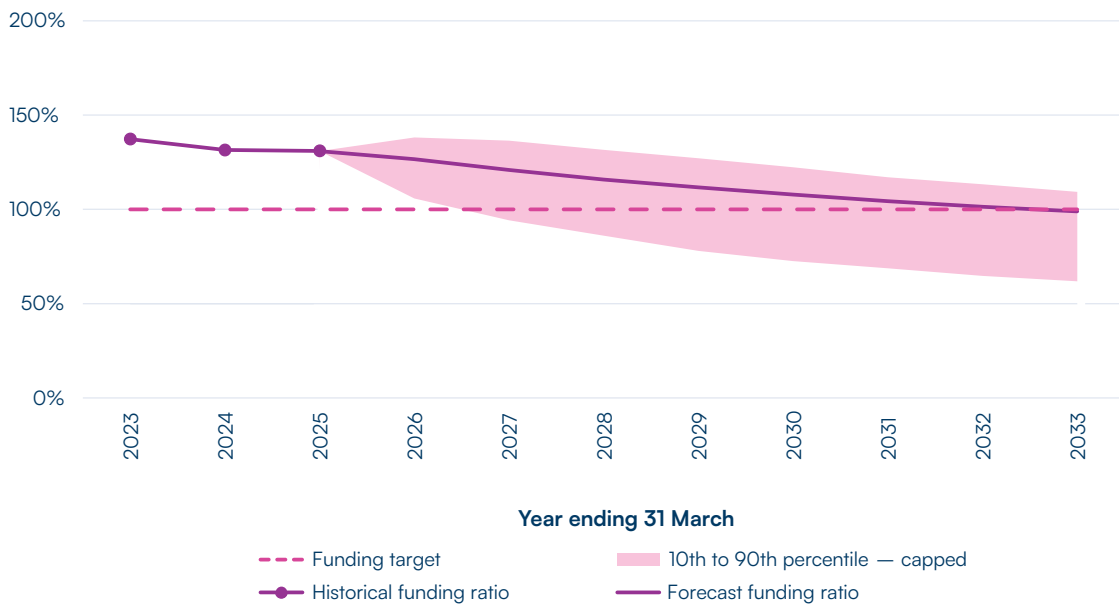
Chart 12: Motor Vehicle Account distribution of future levy paths



Work Account — future levy increases, capped at 5%, likely required for 10 consecutive years despite the strong funding ratio to better align with new year rates

The Work Account had a strong funding ratio, as at 30 June 2025, of 131%. It's the least likely to be below the 100% funding target in 2028, with a probability of 33% and only a 5% probability of a funding ratio lower than 80%, as seen in Chart 13.

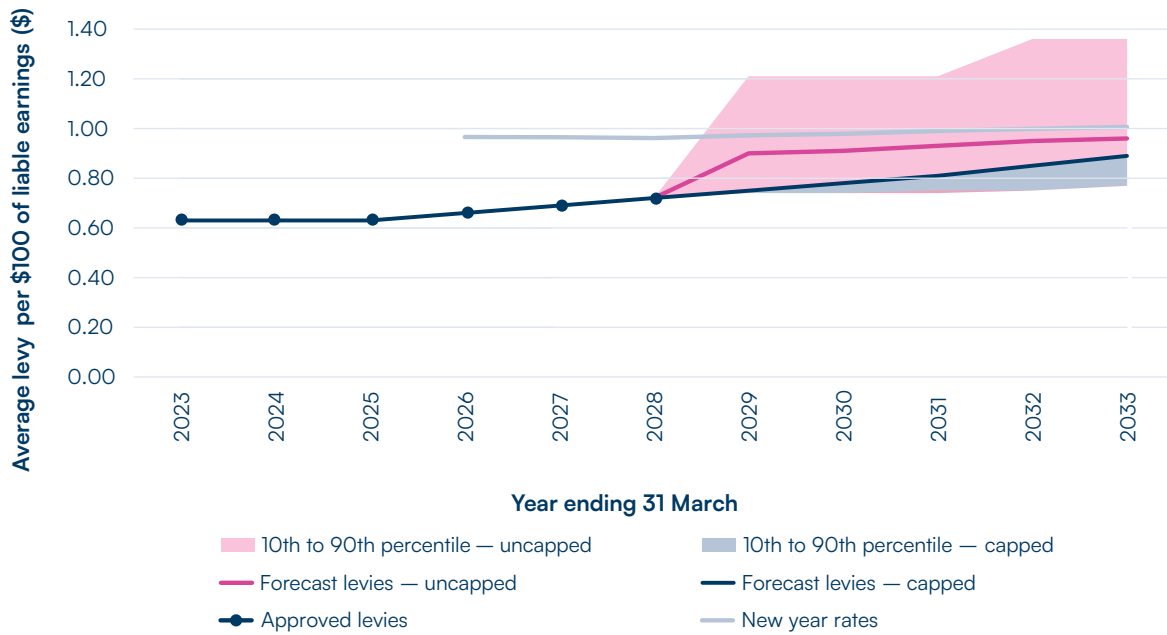
Chart 13: Work Account projected funding ratio



The 2024 levy consultation set capped increases to the Work Account levy for the next three years (2025/26 to 2027/28). The new year rate for 2028/29 is \$0.97 per \$100 liable earnings, significantly higher than the 2027/28 levy of \$0.72. Therefore, despite the strong funding position for the Work Account, levy increases are forecast to be at the 5% maximum cap for 10 consecutive years.

The Work Account is more exposed to future variability in interest rates than the Earners' Account. This means the simulated uncapped levy path in Chart 14 is slightly more volatile than in the Earners' Account.

Chart 14: Work Account distribution of future levy paths



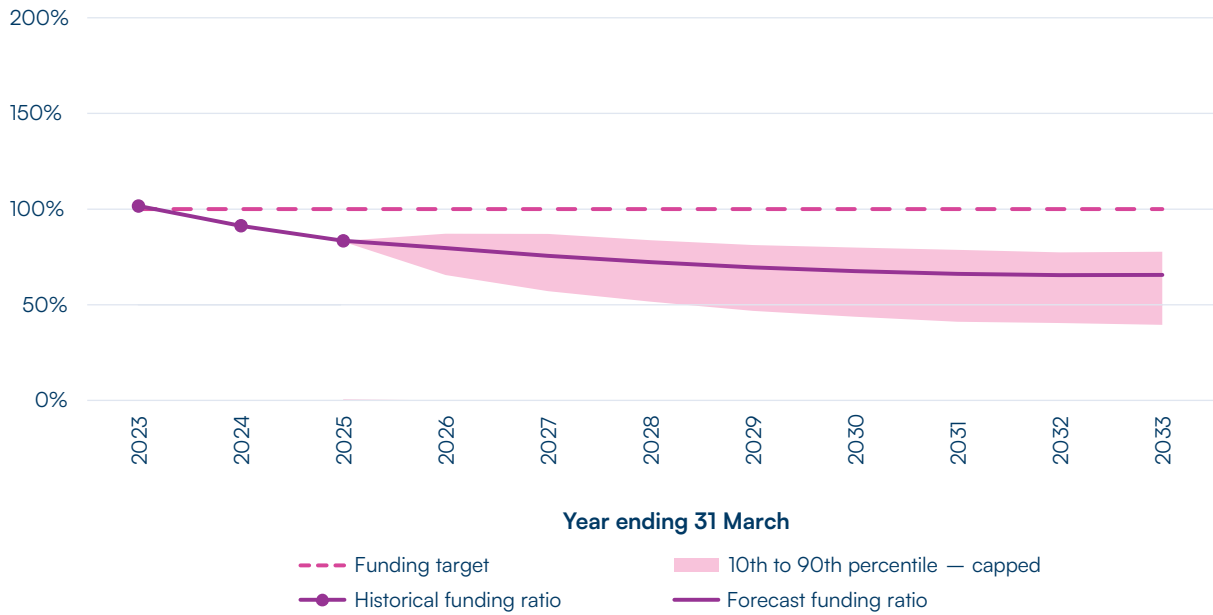
Earners' Account — future levy increases, capped at 5%, required for 10 consecutive years to address funding deficits and better align to new year rates

The Earners' Account (excluding the levied portion of the Treatment Injury Account) had an opening funding ratio of 83.5%, a decrease from 91.3% the previous year. Despite the Government approving the capped levy increases for 2025/26, 2026/27, and 2027/28, a funding deficit persists as these rates remain below new year rates. We forecast that the funding ratios will further deteriorate as the year progresses, as illustrated in Chart 15. Capped levy increases will limit how quickly the funding position can be restored.

economic and claim assumptions in the simulations. Our simulations indicate there's a 99% probability that the funding ratio will be below 100% in 2028 and an 84% probability that it will be below 80%. Chart 15 shows that funding ratios are highly likely to remain below the funding target, even with approved increases.

As stated above, the funding policy deliberately slows any funding increases as a response to deteriorating

Chart 15: Earners' Account projected funding ratio (excluding the levied portion of the Treatment Injury Account)

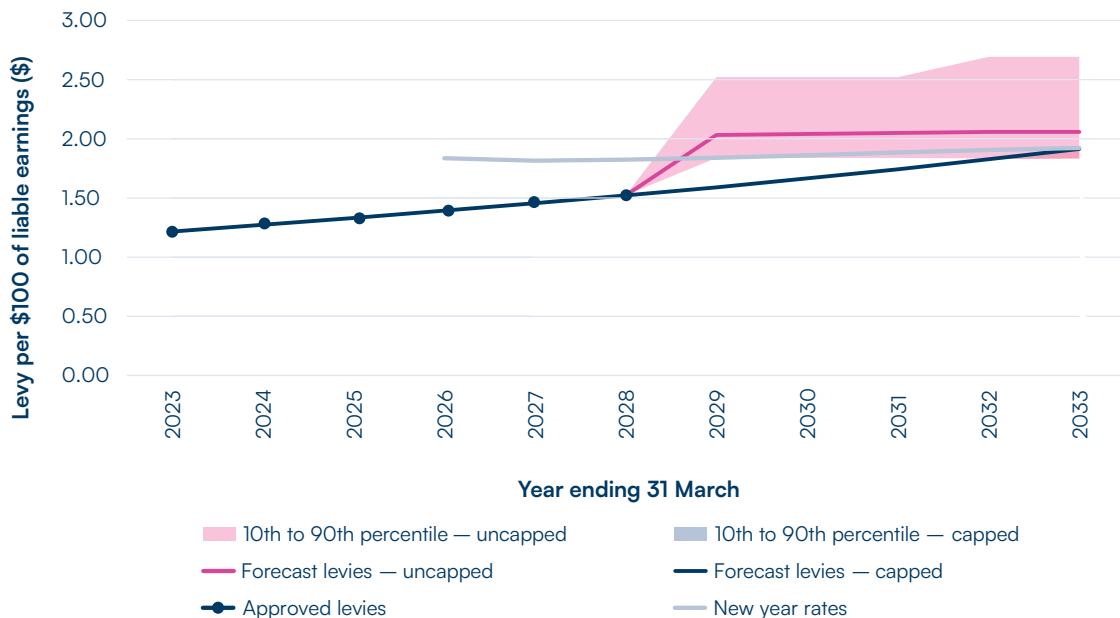


Capped increases to the Earners' Account levy were approved for 2025/26, 2026/27, and 2027/28 in the 2024 levy consultation. Despite this, levies are forecast to increase close to the 5% cap for the next 10 years. This is because of the funding deficit and the gap between the 2027/28 levy rate (\$1.52) and the new year rate for 2028/29 (\$1.84).

Our simulations also show the strong likelihood of capped increases. As shown in Chart 16, the range of possible capped levies is identical to the forecast capped levies until 2033, which follows the maximum 5% increase per annum. This indicates that it's very unlikely that levy increases in line with the funding policy will be below the maximum 5%.

In 98% of simulations, the levy for the Earners' Account (excluding the levied portion of the Treatment Injury Account) for the levy year 2029/30 is capped at \$1.67, which is higher than the 2025/26 levy of \$1.39. This shows that, even in the more favourable scenarios, the Earners' levy is expected to need to increase. Without the cap the range of possible levies in the same period widens, from \$1.84 to \$2.52 with 80% confidence.

Chart 16: Earners' Account distribution of future levy paths (excluding the levied portion of the Treatment Injury Account)



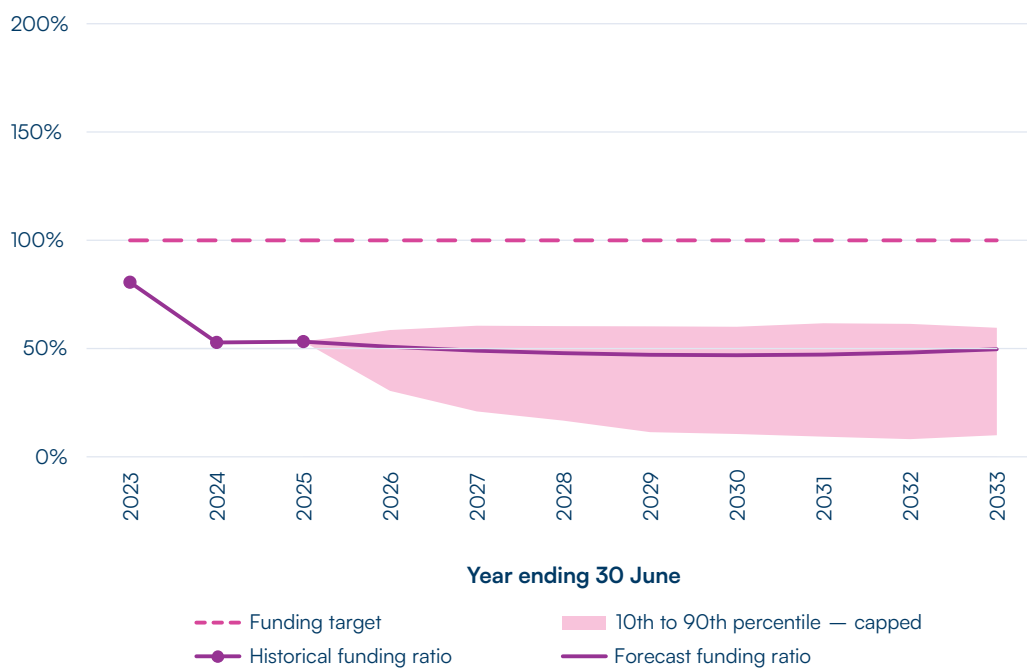
Non-Earners' Account — future appropriations increases, capped at 7.5%, likely required for next 10 years to address the significant funding deficit

The fully funded portion of the Non-Earners' Account (excluding the non-levied portion of the Treatment Injury Account) was already in deficit as at 30 June 2025. The funding ratio is now at 53%, which is the same as the previous year.

As with the levied Accounts, capping slows the Non-Earners' Account's approach towards the funding target. The cap in this case is 7.5%, rather than the 5% applied to the levied Accounts.

As shown in Chart 17, even under favourable scenarios the simulations imply that the Non-Earners' Account is highly likely to be below a funding ratio of 80% at 2027/28. This is because of the significant existing deficit and the capping limit on increases, which slows the deficit recovery.

Chart 17: Non-Earners' Account projected funding ratio (fully funded portion excluding the non-levied portion of the Treatment Injury Account)



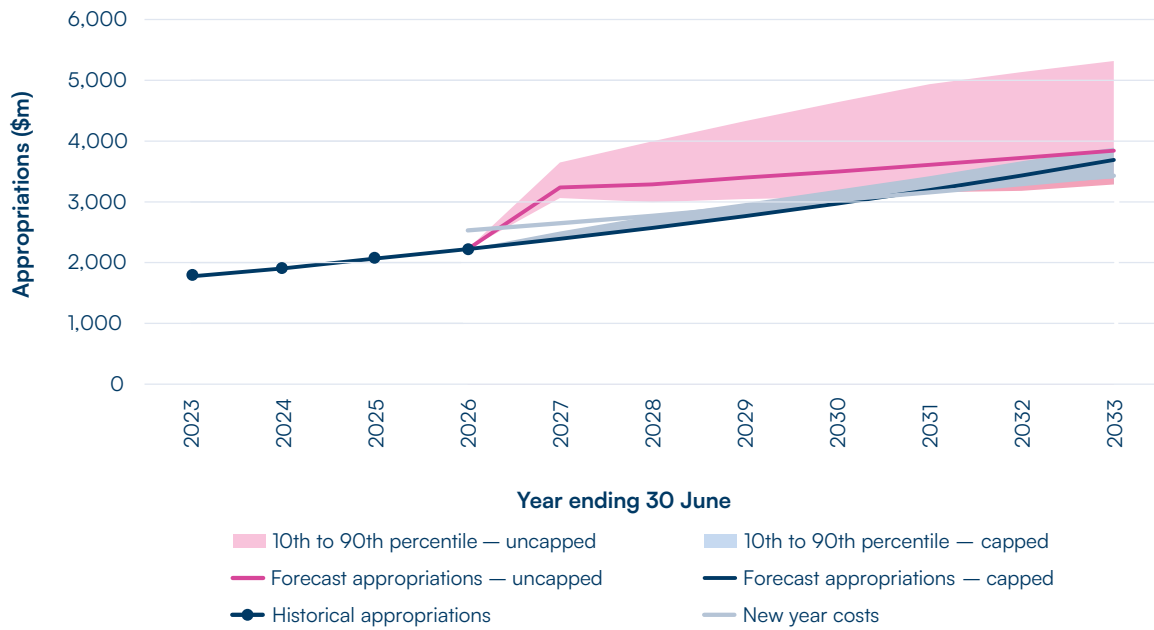
Appropriations increases are expected because of the deficit in the Non-Earners' Account. The 2025 calculated appropriations suggest that the combined appropriations will increase at the 7.5% cap for 10 consecutive years from 2025/26.

The government funding policy for the Non-Earners' Account states that claims occurring before July 2001 should be funded on a Pay As You Go (PAYG) basis. This means that, in any given year, the amount we expect ACC to pay for those claims in that year is included in the appropriations. The PAYG portion of the appropriations is very stable, at around \$200 million per year. As it represents only a year's worth of payments, it's not as affected by changes in economic assumptions. Also, there's more certainty around claim numbers and payments as it only covers claims from before 2001.

As shown in Chart 18, the distribution of the simulated uncapped appropriations is wide, with a projected range of \$3.1 billion to \$4.6 billion in 2029/30 with 80% confidence. The long-term nature of claims in this Account means that it's very sensitive to changes in economic and claim trends.

With capped increases, the projected range of the Non-Earners' Account appropriations is from \$3.0 billion to \$3.2 billion in 2029/30.

Chart 18: Non-Earners' Account distribution of future appropriations paths (excluding the non-levied portion of the Treatment Injury Account)



Claim frequency projections

Claim frequency is a measure of the number of claims as a proportion of the population covered. Any increase (or decrease) reflects growth in the claim numbers above (or below) the growth in the relevant population.

The historical claim frequencies in this section include estimates of the number of claims for injuries that have happened in each year but haven't yet been reported.

Future claim frequencies have been projected using a combination of past claim number trends and largely economic information from the Treasury's Half-Year Economic and Fiscal Update 2024.

Some claims receive support through bulk-funded Public Health Acute Services (PHAS). Most of these claims aren't counted in our frequency calculations, as they don't require any further treatment or support from ACC. Those who do go on to receive further treatment or support are counted when that treatment or support is provided. We refer to claims that receive compensation for time off work as weekly compensation claims.

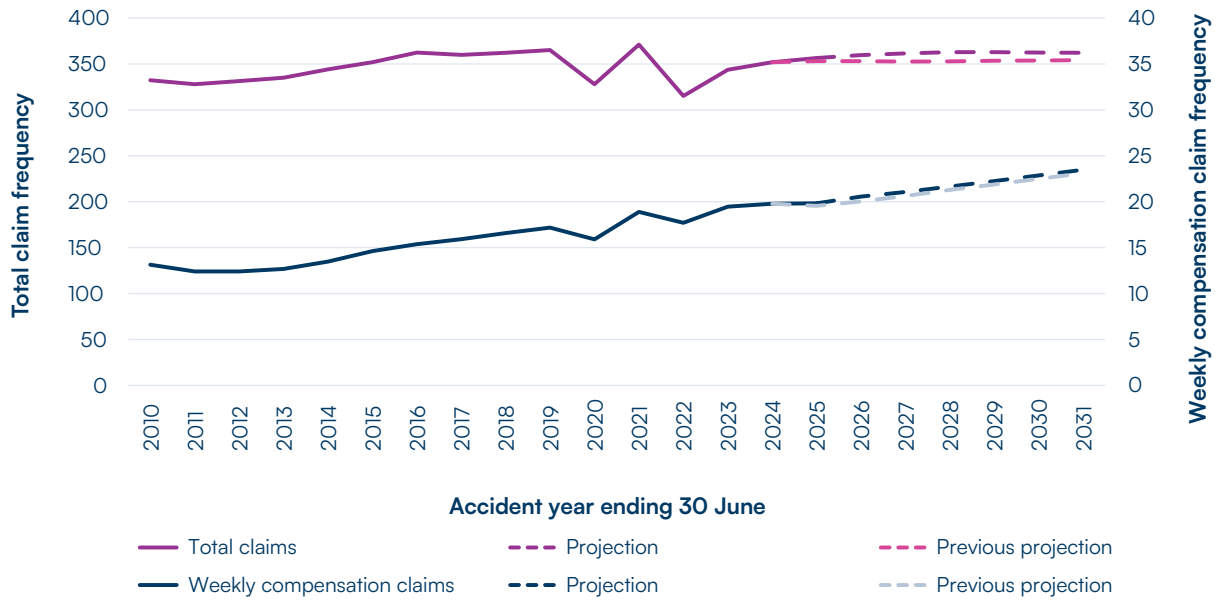
We exclude work-related claims from employers in the AEP, as they're not covered by the levies set for the Work Account, but rather are paid for directly by the employers.

Work-related gradual process (WRGP) claims are also excluded, where applicable, from the following charts as exposure to a gradual process injury occurs over a number of years.

For the total Scheme, we're projecting weekly compensation claim frequency to increase faster than total claim frequency

Chart 19 shows the overall total historical and projected claim frequencies, combined for all five Accounts.

Chart 19: Total Scheme estimated claim frequency rates per 1,000 people



The Covid-19 restrictions led to reductions in both total claims and weekly compensation claims in 2019/20 and 2021/22, affecting all Accounts. We saw a quick recovery of claims in 2020/21 following the removal of restrictions. We expected a similar recovery to pre-pandemic levels in 2022, but this didn't eventuate for total claims. We've ignored the claim performance from periods of the Covid-19 restrictions for projecting future claim frequencies. We project total claim frequencies to remain close to the current level for the foreseeable future.

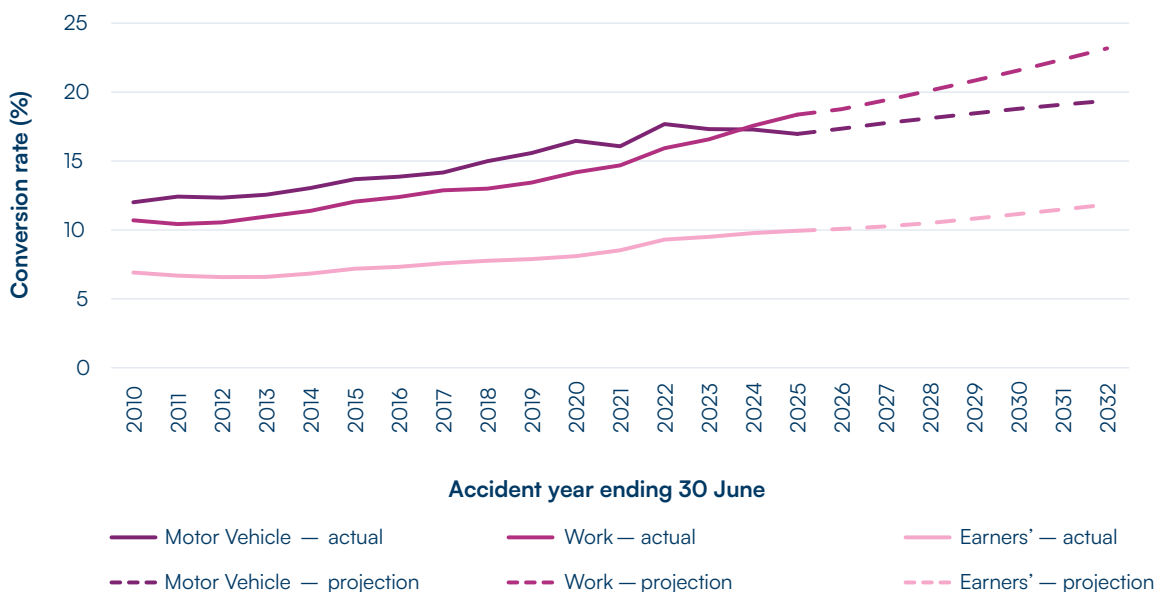
We'd generally expect weekly compensation and total claim frequencies to trend at similar rates.

However, weekly compensation claim frequency increased at an average 3% per annum between 2014/15 and 2024/25, compared to less than 1% per annum for total claims frequency over the same period.

The proportion of claims receiving weekly compensation is also known as the weekly compensation conversion rate. This rate has been steadily increasing over the past 15 years.

Chart 20 shows the past and projected weekly compensation conversion rates for the levied Accounts. These Accounts contain the bulk of weekly compensation claims.

Chart 20: Weekly compensation conversion rates



The Motor Vehicle and Work Accounts generally cover more severe injuries, so the weekly compensation conversion rates are higher for these two Accounts. All three levied Accounts have experienced steady growth in the weekly compensation conversion rates over the 10 years to 2022. From 2022, Work and Earners' Account conversion rates have continued to increase, while the Motor Vehicle Account conversion rate has decreased. This appears to be driven by a slightly higher proportion of Motor Vehicle claims coming from individuals not earning and therefore not eligible for weekly compensation.

Over this time, people have moved to getting weekly compensation payments earlier in their recovery journey and for longer periods. While short-term weekly compensation claims are growing faster than long-term weekly compensation claims, both types of claims have grown significantly over time.

This year, we undertook analysis in Stats NZ's Integrated Data Infrastructure (IDI)³³ to investigate what claims are more likely to receive weekly compensation and to examine factors behind the rising conversion rate. By using the IDI, we were able to access linked administrative data from government entities (including ACC), enhancing our insights into clients through their interactions with various agencies.

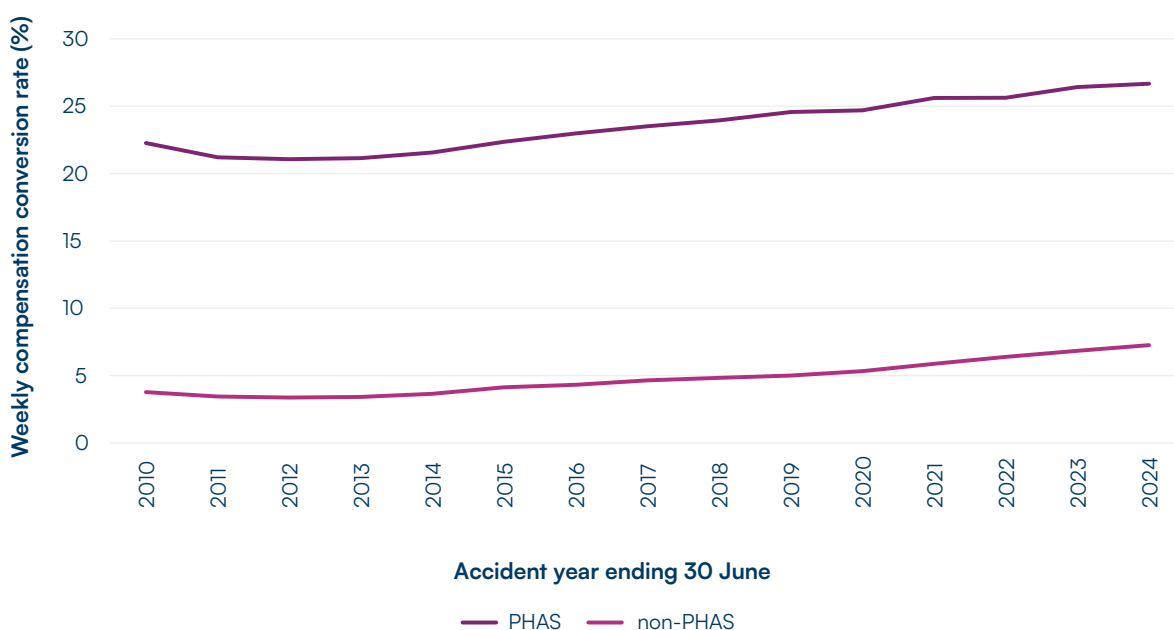
For our purposes, the most useful extra information was health data (emergency department visits, hospitalisations, mental health indicators), Inland Revenue income data (salaries) and industry data.

Our analysis showed the following factors were indicative of a claim being far more likely to go on to claim weekly compensation:

- interaction with Public Health Acute Services (PHAS)
- fractures (compared to soft-tissue and laceration injuries)
- employment in heavy work types
- earnings between \$50,000 and \$80,000 in the previous year
- lodgement by a general practitioner (as opposed to an Allied Health provider)
- recent weekly compensation claims for other injuries
- hospital admittance for their injuries.

The most significant difference in weekly compensation conversion rates was between those who have and haven't had PHAS interactions for their claim. Chart 21 shows the weekly compensation conversion rate over the past 15 years to 30 June 2024 for claims that have had a PHAS interaction against those that have not.

Chart 21: Weekly compensation conversion rates by PHAS interaction



³³ These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI), which is managed by Stats NZ. For more information about the IDI please visit <https://www.stats.govt.nz/integrated-data/>.

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

PHAS includes emergency department (ED) visits and short-stay hospitalisations — about 12% of claims have some PHAS interaction at the time of accident. The PHAS weekly compensation conversion rate is far higher, likely because of more severe injuries requiring PHAS. Conversion rates have increased for both PHAS and non-PHAS claims over the period. However, they have almost doubled for non-PHAS, increasing from 3.8% in 2010 to 7.3% in 2024, whilst PHAS increased more modestly from 22.3% to 26.7% over the same period.

Our analysis also found several factors that do not appear to influence likelihood of claiming weekly compensation, including:

- ethnicity (recorded by the NZ Census)
- sex
- location indicators (such as urban indicator, region, local deprivation index)
- use of mental health pharmaceuticals and specialist services, as recorded by the Ministry of Health
- unemployment rate at the time of accident
- previous hospitalisations/ED admittances not related to the claim
- previous ACC claims not involving weekly compensation.

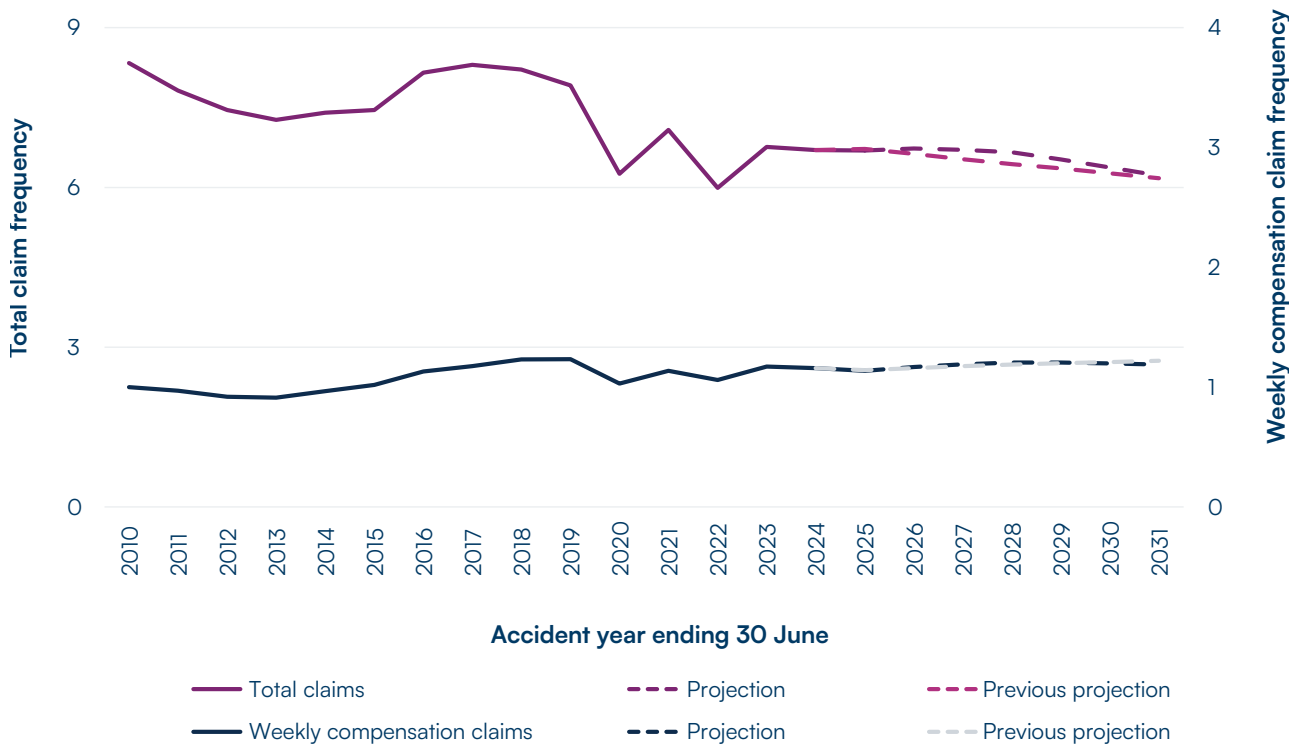
Although conversion rates may appear to differ because of these factors, our findings suggest that this is likely because of their correlation with other factors. For example, regions will vary by their mix of occupations.

We generally observed a consistent increase in weekly compensation conversion rates across all evaluated factors. In theory, two primary factors might explain this increase: a shift in the types of claims resulting in a higher proportion of high-severity claims, or a change in claim propensity, meaning ACC is now more likely to receive and approve weekly compensation claims than before. Our analysis indicates the shift in types of claims has had a minimal effect on the weekly compensation conversion rates, which suggests that claim propensity is the larger driver of this trend. In Section 8 *‘Recommendations’* of this report, we have recommended further analysis to understand this, as part of our reframed recommendation on strengthening the analysis for adequate monitoring of and understanding the drivers of claim performance.

Motor Vehicle Account total claim frequency is expected to reduce

Chart 22 shows the annual historical and projected claim frequencies for the Motor Vehicle Account.

Chart 22: Motor Vehicle Account estimated claim frequency rates per 1,000 motor vehicles



The Motor Vehicle Account total claim frequency, measured per 1,000 registered motor vehicles, has been decreasing over time. We expect total claim frequency to continue to reduce, in line with the historical trends.

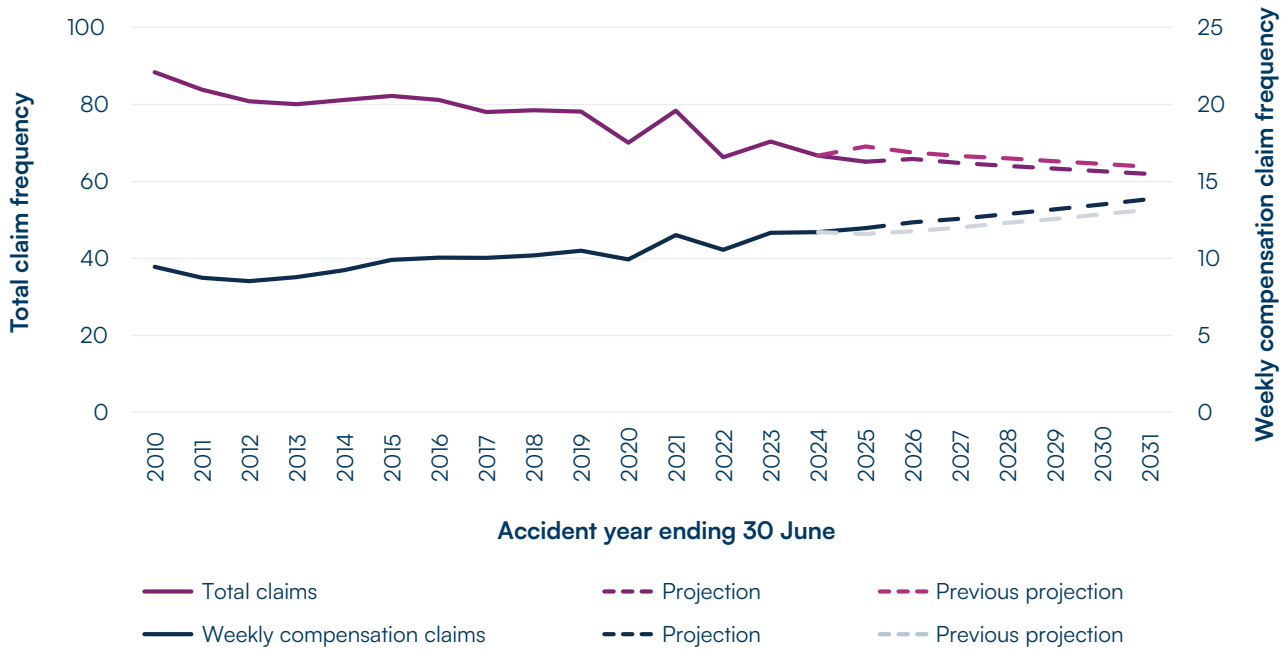
Over the period shown on Chart 22 total claim frequency has been decreasing. In the same period, the number of vehicles per person has gradually increased by around 11%, whilst the distance travelled per person has remained largely unchanged. This combination has contributed to a decrease in the claim rates per vehicle. Furthermore, there have also been fewer crashes over the past couple of years, despite an increase in the number of vehicles, resulting in a lower observed claim frequency. This could potentially be linked to better roading infrastructure, and improved safety awareness.

Last year, we forecast that the Motor Vehicle Account weekly compensation claim frequency would remain steady, despite projecting a reduction in total claim frequency. This year we're maintaining our expectations for stability, in line with performance over the 2024/25 year. A stable projection for weekly compensation claims, despite a reducing total claim frequency, is consistent with the growth seen in the weekly compensation conversion rate.

Total claim frequency for the Work Account is expected to reduce, but the weekly compensation claim frequency is expected to increase

Chart 23 shows the annual claim frequencies, including projections, for the Work Account.

Chart 23: Work Account estimated claim frequency³⁴ rates per 1,000 employed people



Total claim frequency for the Work Account has been reducing, and we expect this trend to continue. The number of claims reported in 2024/25 was lower than expected. This has been reflected in a reduction in total claim frequency projections compared to our last report. We don't know what's driving the decreasing total claim frequency in the Work Account.

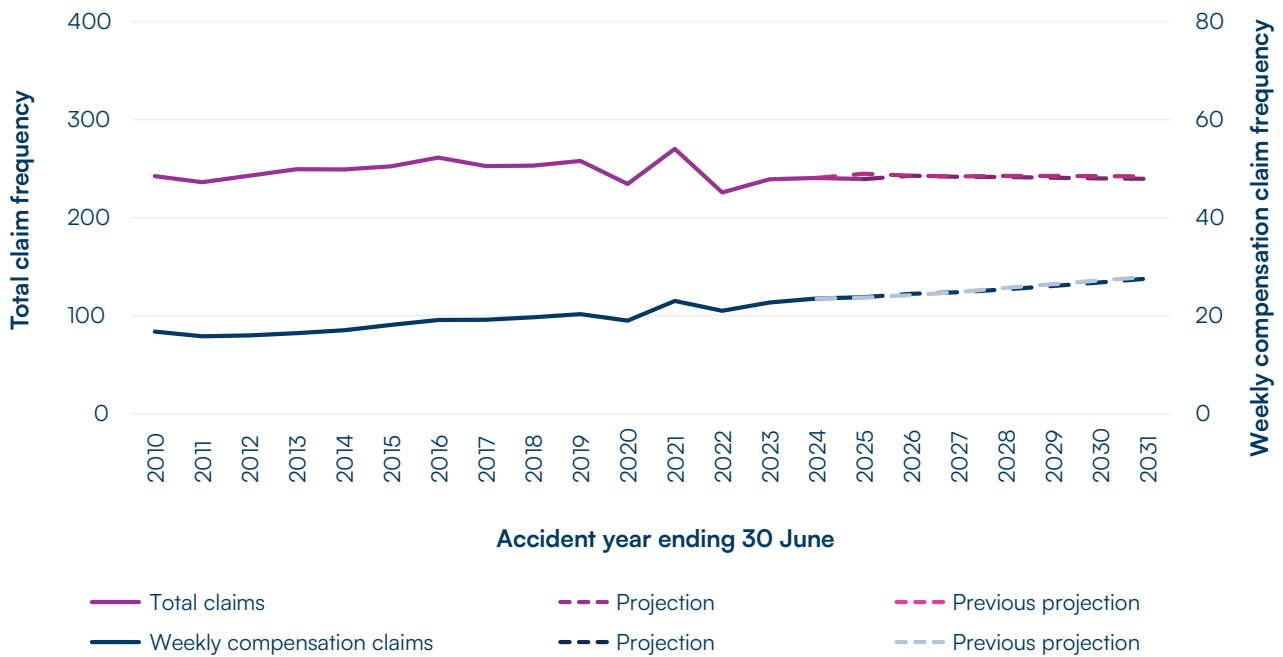
Weekly compensation claim frequency has been gradually increasing since 2011/12, in line with the increasing weekly compensation conversion rate. We expect future weekly compensation claims to increase further, in line with the current weekly compensation conversion rate trend.

³⁴ Excludes WRGP claims.

Earners' Account claim frequencies are largely in line with previous projections

Chart 24 shows the annual claim frequencies, including projections, for the Earners' Account.

Chart 24: Earners' Account estimated claim frequency rates per 1,000 earners



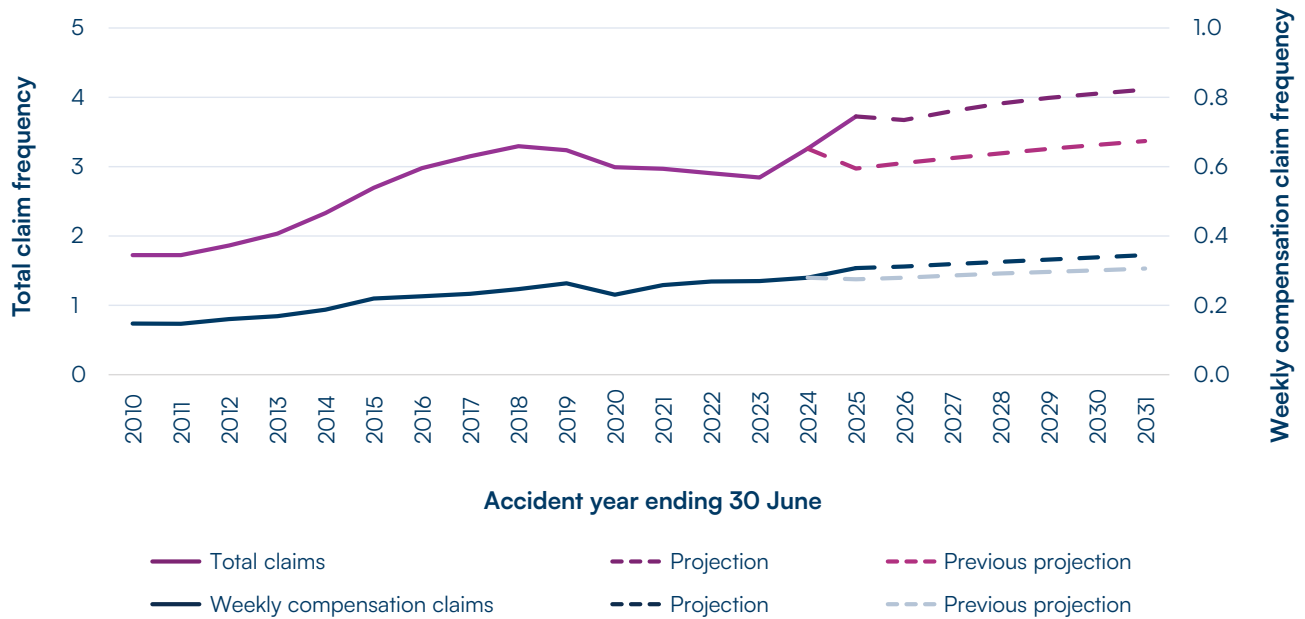
The total claim frequency for the Earners' Account has been stable for the past two years, in line with previous projections. The projected frequency of future claims is expected to remain at levels comparable to those seen in the past year.

The frequency of weekly compensation claims for the Earners' Account is projected to continue growing at a similar rate to that observed in the past 10 years. This growth can also be seen in the weekly compensation conversion rate (see Chart 20).

Treatment Injury Account claim frequencies are expected to increase slowly over time

Chart 25 shows the annual historical and projected claim frequencies for the Treatment Injury Account.

Chart 25: Treatment Injury Account estimated claim frequency rates per 1,000 people



Surgery is a major source of treatment injury claims, and there were reductions/delays in that activity during the periods of Covid-19 restrictions. As a result, there were fewer claims for treatment injuries in those periods. Before 2017/18, the total claim frequency increased significantly. It's thought that this was related to medical providers submitting more treatment injury claims to ACC because of an increasing awareness of the legislative change to treatment injury from medical misadventure.

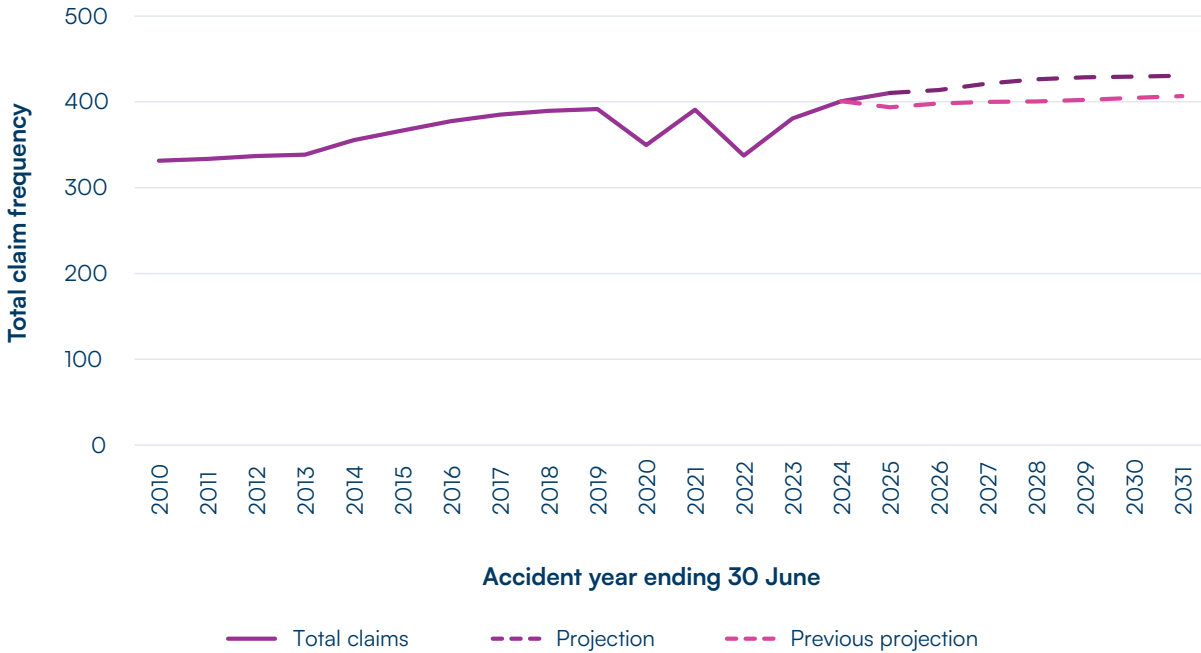
During the Covid-19 restrictions total claims reduced, but not weekly compensation claims. It may be that weekly compensation claims often relate to injuries that are more severe, so medical treatment and support can't be delayed easily.

The total claim frequency for the Treatment Injury Account has increased significantly since 2023, surpassing pre-Covid-19 pandemic levels. This trend is associated with a rise in straightforward claims, which are processed more quickly, especially those related to healthcare acquired infections and pressure injuries. This may be related to pressures on the health system.

Non-Earners' Account claim frequencies are expected to increase gradually

Chart 26 shows the annual historical and projected claim frequencies for the Non-Earners' Account. It excludes claims receiving support solely through bulk-funded PHAS, which are a large portion of the new year costs in this Account.

Chart 26: Non-Earners' Account estimated claim frequency rates per 1,000 non-earners



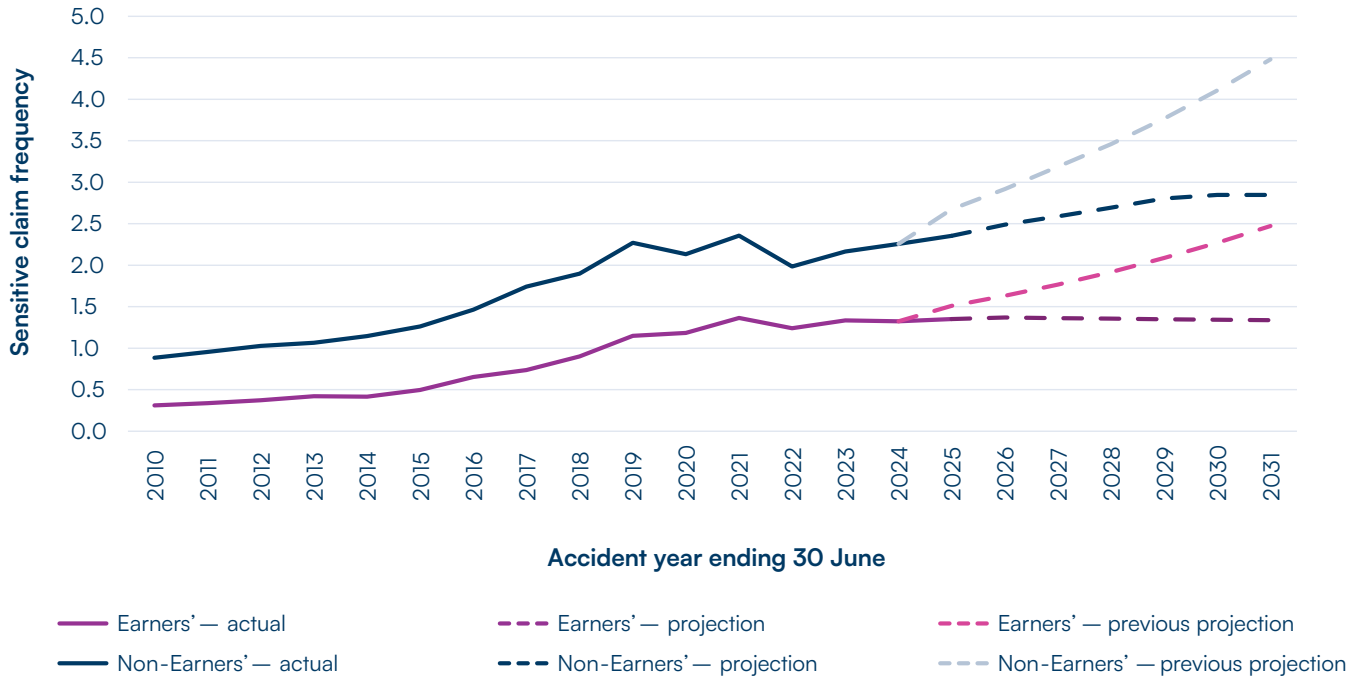
Total claim frequency in 2024/25 was higher than expected, and so future projections are higher than those made last year. Total claims frequency is projected to continue to increase for a few years and gradually flatten after that.

This increase has been observed across most categories of Non-Earners' claims. The growth from 2024 to 2025 is similar to the growth observed in the years before the Covid-19 restrictions.

Sensitive claim frequencies are expected to increase slower than previously expected

Chart 27 shows the annual historical and projected sensitive claim frequencies for the Earners' and Non-Earners' Accounts.

Chart 27: Estimated sensitive claim frequency rates per 1,000 earners and non-earners



We previously assumed sensitive claims would increase by about 10% annually, in line with budget expectations. This was based on the significant growth in claim frequencies between 2014 and 2019. The actual growth rates for sensitive claims have been consistently lower than expected since then.

This is thought to be largely because of capacity constraints in the sector. We revised our assumptions based on this performance and set separate assumptions for the Earners' and Non-Earners' Accounts.

Appendix E – Management of investments

This appendix discusses the performance of ACC’s investment portfolio and how this is managed and governed.

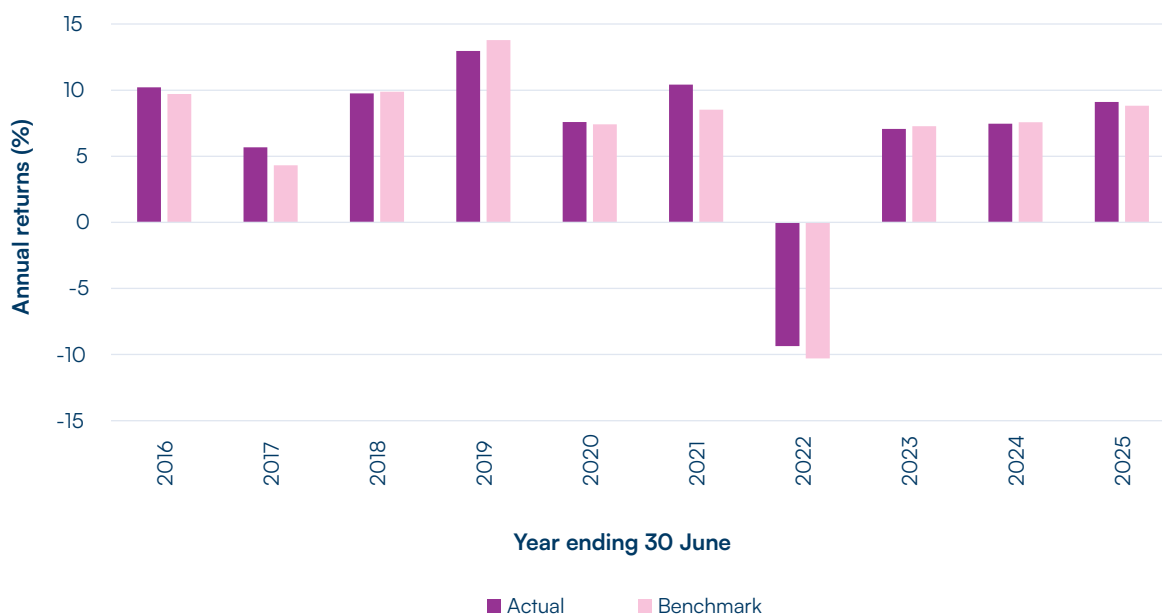
ACC’s investment philosophy and approach to asset management and allocation are appropriate for the profile and nature of the liabilities of the Scheme. The methods applied for valuing Scheme assets and non-insurance liabilities, as described in ACC’s annual financial statements, are appropriate for determining the funding positions.

The 2024/25 investment return after costs was 9.10%

Scheme investment assets had a market value of \$50.8 billion as at 30 June 2025, up from \$48.6 billion in the previous year. These assets and their associated future investment returns are held to fund the outstanding claims liability.

In 2024/25, the actual investment return after costs was 9.10%, which was 0.28% above the benchmark. Chart 28 illustrates the Scheme’s annual investment returns after costs compared to the benchmark since 2016. Over the past 10 years, actual returns have outperformed the benchmark in 6 of those years. Cumulatively, the 10-year actual return was 95.2%, outperforming the benchmark by 7.5% over the same period.

Chart 28: Comparison of investment returns after costs with benchmark



During 2024/25, there were positive returns in most asset types, as shown in Table 36. Investment return before costs was highest for global equities. Around half of the asset classes outperformed their benchmarks, with private markets, global bonds and New Zealand long bonds beating their respective benchmarks by the highest margins.

Table 36: Market value and investment return before costs by asset class

Asset class/overlay	Market value 30 June 2025 (\$M)	2024/25 return (%)	Benchmark return (%)	Relative performance (%)
Cash reserves	605	5.01	4.62	0.38
New Zealand inflation-indexed bonds	14,525	3.93	4.10	(0.17)
New Zealand long bonds	15,634	8.66	7.54	1.12
New Zealand equities	3,769	8.38	8.77	(0.39)
Listed property and infrastructure	1,856	8.44	9.89	(1.45)
Private markets*	2,680	13.10	10.08	3.02
Australian equities (unhedged)	1,155	4.20	9.90	(5.70)
Global bonds (unhedged)	1,137	12.18	10.02	2.16
Global equities (unhedged)	9,173	17.71	17.77	(0.06)
Interest rate overlay*	56	0.37	0.39	(0.02)
Global equity futures overlay*	23	0.20		0.20
Global bond futures overlay*	17	0.03		0.03
Foreign currency overlay*	130	(0.43)	(0.54)	0.11
Total reserves	50,760	9.25	8.82	0.43

*Note: The benchmark for private markets is the Asset Class Equivalent Composite return and the return for overlay portfolios is their contribution to the total reserves return.

ACC outperformed its benchmark across all Accounts. Investment return before costs was highest for the Non-Earners' Account portfolio, primarily because of its high equity weighting.

Table 37: Market value and investment return before costs by Account

Account	Market value 30 June 2025 (\$M)	2024/25 return (%)	Benchmark return (%)	Relative performance (%)
Motor Vehicle	15,198	8.20	7.89	0.31
Work	11,218	9.40	8.79	0.61
Earners'	12,332	9.87	9.41	0.46
Treatment Injury	6,291	8.84	8.53	0.31
Non-Earners'	5,721	10.74	10.29	0.45
Total reserves	50,760	9.25	8.82	0.43

ACC actively manages its portfolios with oversight from the Board Investment Committee

ACC manages investments actively to gain better risk-adjusted returns than it would under a passive regime. A passive investment management approach is a strategy that mechanically tracks representative market benchmarks. Under an active investment management approach, the manager actively seeks opportunities to deviate from the benchmark to achieve higher returns.

ACC develops the overall investment strategy and manages a significant proportion of the investment portfolio including equities, fixed interest securities, and direct markets. External fund management companies manage most investments outside Australasia.

The Board Investment Committee (BIC) provides oversight of ACC's investment management and investment performance against established benchmarks. They approve asset allocation benchmarks and set the default allocation between investment markets for each Account including asset classes, risk tolerances, and exposure limits. The BIC appoints or removes external fund managers and investment advisors.

The investment strategy considers the nature of liabilities and available assets, which vary by Account

Accounts with low funding ratios generally have asset allocations that are more heavily weighted towards equities. This is because equity volatility is less material relative to liability volatility for these Accounts.

The Accounts with the lowest total-equity weightings are the Work and Motor Vehicle Accounts. These Accounts have comparatively high funding ratios.

In the case of the Motor Vehicle Account, there's also less cushion to absorb fluctuations in equity prices without them significantly affecting levy rates. That's because of the low annual cash flow from levy income and claim payments in relation to the size of assets and liabilities, owing to the higher proportion of serious injury claims.

The relatively high total equity weighting for the Non-Earners' Account is because of its relatively low funding ratio.

There is unavoidable mismatch between assets and liabilities

In a closely matched portfolio, asset and liability values respond similarly to economic stresses and mostly offset each other, which results in net assets that are relatively immune to external pressures.

In practice, it's not possible to match Scheme assets to total claim liabilities completely or even closely. The available securities with suitable characteristics tend to be of a much shorter term than the liabilities with long durations that make up most of the OCL. In addition, ACC deliberately forgoes some matching by including equities in the strategic asset allocation to lift expected returns and lower expected levy rates over time.

So, an increase in the OCL from a fall in interest rates is likely to be only partially offset by an increase in investment asset values, resulting in a decrease in the funding ratio. Likewise, a decrease in the OCL because of rising interest rates will be partially offset by a corresponding decrease in investment asset values, leading to an increase in the funding ratio.

The Strategic Asset Allocation (SAA) sets the basis for the investment portfolios for each Account

The SAA is the process of setting benchmark investment allocations by asset class for each Account. Investment portfolio performance is measured against these benchmark allocations. A composite benchmark is used to measure overall investment return.

Table 38 shows the strategic asset allocations with benchmark holdings and actual allocations by Account. Separate asset allocation weightings are set for each Account.

Actual asset allocations may differ from benchmark allocations, which reflects a combination of deliberate and temporary market deviations. Deliberate deviations are permitted by discretion given to the investment team under their Investment Guidelines. Temporary deviations arise from the effect of market movements on asset weightings. Strategic asset allocations vary from year to year, depending on SAA reviews.

In October 2024 and April 2025, ACC reviewed and updated the SAA percentages for individual Accounts. The changes were implemented by the end of November 2024 for the full review and by April 2025 for the interim review, with generally smaller adjustments in the latter. The cumulative changes included:

- a decrease in global equity weight and an increase in New Zealand long bonds because of lower expected equity risk premiums
- an increase in the interest-rate derivative overlay for the Non-Earners' Account to manage the additional interest rate exposure associated with a higher outstanding claims liability
- increased benchmark allocations to listed property and infrastructure with the creation of an Australian real estate investment trust (REIT) portfolio.

There is no strategic asset allocation for private markets, which include unlisted property, infrastructure, private equity and health and safety impact fund holdings. This is because the SAA is restricted to listed assets. Actual asset allocation in the private markets was 5.3% at the end of 2024/25. This has contributed to the tendency for other actual asset allocations (for example listed property and infrastructure) being lower than their strategic allocations, as some of the exposure has been obtained instead through private markets.

The maturity profile of the inflation-indexed bonds was longer than for its benchmark index. The resulting higher sensitivity to interest rate changes was offset by the New Zealand bond portfolio having a lower weighting than its strategic allocation.

Table 38: Strategic asset allocations by Account

Asset class	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account	Total strategic asset allocation 2025	Actual asset allocation 2025	Total strategic asset allocation 2024
New Zealand cash	2.0%	3.5%	3.5%	2.0%	4.0%	2.9%	1.2%	2.8%
New Zealand long bonds	39.5%	41.0%	29.5%	27.0%	8.0%	32.3%	30.8%	30.6%
New Zealand inflation-indexed bonds	35.5%	20.0%	22.5%	37.5%	31.5%	28.7%	28.6%	28.6%
Global bonds	1.0%	4.5%	4.5%	0.5%	0.5%	2.5%	3.1%	2.5%
Listed property and infrastructure	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	3.7%	3.7%
Private markets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%	0.0%
New Zealand equities	6.5%	7.5%	9.0%	9.5%	11.0%	8.2%	7.4%	8.6%
Australian equities	1.5%	2.0%	3.5%	2.5%	4.5%	2.6%	2.3%	2.8%
Global equities	9.5%	17.0%	23.0%	16.5%	36.0%	18.3%	17.4%	20.4%
Foreign currency overlay	n/a	n/a	n/a	n/a	n/a	n/a	0.3%	n/a
Other	n/a	n/a	n/a	n/a	n/a	n/a	0.1%	n/a
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest-rate derivative asset allocation overlay	9.5%	9.5%	13.5%	13.0%	22.5%	12.4%	10.7%	9.9%
Total equity weight (treating New Zealand property and infrastructure as 'half equities')	19.8%	28.8%	37.8%	30.7%	53.8%	31.3%	28.8%	33.6%

ACC considers ethical, social and governance implications

ACC follows an Ethical Investment Policy, which requires consideration of:

- its fiduciary responsibilities
- the ethical implications of its investments.

Ethical implications include those affecting the environment, as well as health, safety and wellbeing.

The BIC ensures compliance with the Ethical Investment Policy, which conforms with New Zealand legislation and UN international conventions.

In managing climate risks, both physical and transitional, ACC:

- measures the carbon intensity of investee companies
- sets long-term carbon intensity reduction targets
- seeks to invest in companies that provide emission reductions.

The organisation manages various investment risks

Many factors can influence investment performance and the net value of assets. Several of these factors can move simultaneously in the same direction. For example, both interest rates and equity markets can decline during a financial crisis.

Table 39 shows the risks that ACC faces and how it manages them.

Table 39: Investment risks and management strategy

Risk	Description	Management
Interest rate	When long-term interest rates fall, the value of fixed interest assets doesn't tend to rise as much as the OCL increases. Furthermore, not all investments will move up or down in value	ACC uses interest-rate derivatives, such as interest rate swaps, to hedge against declines in long-term observed market interest rates. This helps generate revaluation gains when long-term interest rates decline.
Inflation	Price and wage inflation result in higher future claim costs. Interest rates also rise owing to higher inflation expectations. This results in lower asset market values.	Real assets like property, equity and inflation-linked securities tend to increase in value when real interest rates fall. They provide some protection from inflation when held to maturity.
Credit	ACC is exposed to counterparties with a risk of default.	The BIC risks exposure by approving credit and portfolio limits. ACC monitors counterparty credit ratings, only allowing investment with certain New Zealand banks. Investment Guidelines constrain investment in unrated debt.
Currency	Changes in foreign currency rates affect the value of offshore investments when converted to New Zealand dollars. The New Zealand dollar tends to fall when equity markets decline, helping to offset equity market losses.	ACC uses FX forwards and cross-currency basis swaps to hedge foreign currency risk. However, some residual net foreign currency exposure is intentionally retained to help offset the risk of a decline in equity markets.
Market	ACC is exposed to the risk of losses from changes in the value of growth assets such as equities, property, and infrastructure. These changes can significantly affect the overall value of the investment portfolio.	ACC manages market risk through diversification, strategic asset allocation and hedging strategies. This includes retaining some foreign currency exposure to offset foreign equity market risk.
Liquidity	There's a low risk of ACC being unable to pay immediate or uncertain expenses as they arise.	ACC keeps a high proportion of investments in cash and bonds, with levies and appropriations providing a regular income. Scenario modelling is part of ACC's liquidity planning and management.
Extreme or rare events	Extreme events, such as natural disasters and pandemics, are difficult to monitor and predict. This makes hedging more challenging.	Managers of each sub-portfolio respond to the effects of extreme events according to their risk allocations.

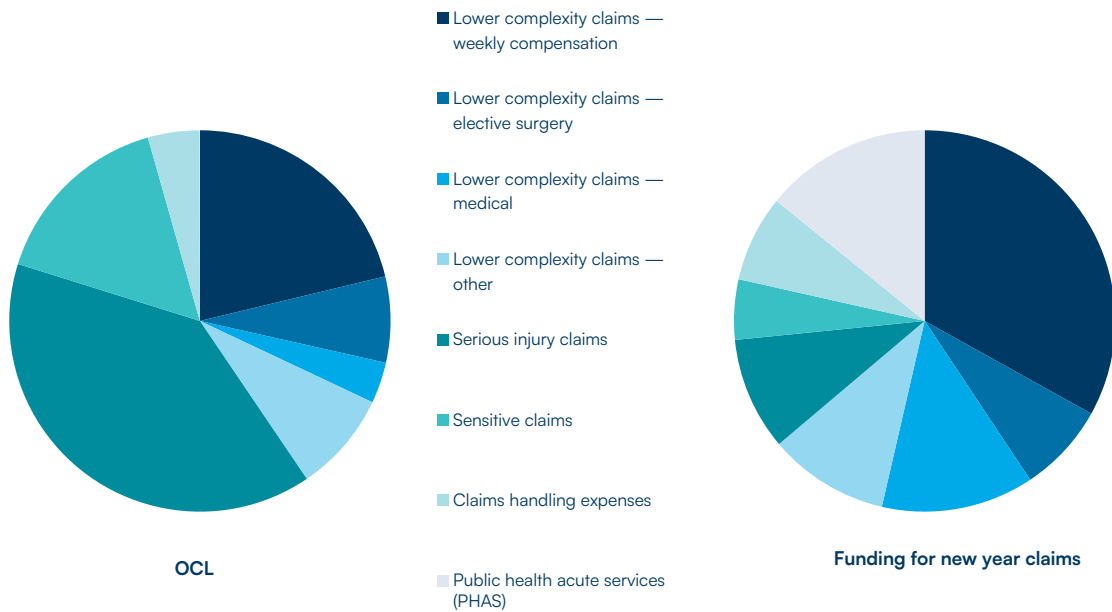
Appendix F – Claim performance detail

This appendix provides more detail to supplement the discussion in this report on the claim and rehabilitation performance at ACC and the effect it's having on financial sustainability.

Claim type contributions to the OCL and new year costs

Claim volumes, types, and costs affect the OCL, levy rates, and appropriations. Chart 29 shows the contribution of the claim types to this year's OCL as at 30 June 2025, compared to the projected new year costs in 2025/26.

Chart 29: Comparison of claim type contributions to OCL and new year costs



The relative proportions of the costs of each claim type differ between the OCL and new year costs. This reflects differences in claim characteristics; for example, longer-term claims tend to have higher OCL.

Serious injury claims account for nearly half of the OCL because of their longer recovery periods and extended support needs, but they represent a smaller proportion of the new year costs.

The lower complexity claims contribute a larger proportion of the new year costs than of the OCL. This is because many of these claims require only short-term support and exit the Scheme quickly, especially medical claims, resulting in minimal effect on the OCL. Weekly compensation still holds a significant proportion of the OCL, as some claims require medium-to-long-term support, which contributes to the OCL.

Sensitive claims represent a larger proportion of the OCL than of new year costs, as most require longer-term supports because of their complex nature.

Public Health Acute Services (PHAS) payments make up a very small proportion of the OCL but a larger component of the new year costs. This is because while the claim volumes are high, most of the PHAS payments are short term. In most cases, the costs of the injuries are covered immediately so there's no need to hold additional funds for future treatments.

The total OCL strain in 2024/25 was \$1,209 million

The OCL strain numbers and results we present in this appendix align with the government funding policies for the Scheme and reflect the effect it has on the funding position. They differ from the figures presented on an accounting basis, which are prepared in line with generally accepted accounting practice (GAAP). Table 40 provides a high-level reconciliation of the strain reported on an accounting basis to the funding basis strain reported here.

Table 40: OCL change – Accounting basis compared with Financial Condition Report

		\$M
Accounting basis OCL strain		1,539
Excluding	AEP OCL strain	(53)
	Risk margin on OCL strain	(168)
Including	Change in value of work-related gradual process (WRGP) claims incurred-but-not-reported (excluding risk margin)	(110)
Financial Condition Report OCL strain		1,209
	Influenceable OCL strain	716
	Non-influenceable OCL strain	493

The total influenceable OCL strain in 2024/25 was \$716 million

Table 41 shows the influenceable OCL strain and release in 2024/25 by cohort and Account.

Table 41: Influenceable OCL movement in 2024/25 by Account and cohort

OCL movements (\$M)	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account	Total
Lower complexity claims	34	(40)	256	137	133	520
Serious injury claims	60	9	71	139	94	373
Sensitive claims	0	2	26	0	26	54
Claims handling expenses	(62)	(15)	20	(20)	(154)	(231)
Total	32	(43)	374	256	98	716

The Earners' and Treatment Injury Accounts were the largest contributors to influenceable OCL strain in 2024/25, with \$374 million and \$256 million respectively.

For the Earners' Account, the \$374 million strain was primarily driven by more people undergoing surgery than previously expected, prompting an upward revision to the assumed projected future elective surgery volumes. The OCL strain in the Treatment Injury Account was largely attributable to a \$115 million OCL strain in serious injury care owing to higher-than-expected non-contracted care hours and payments, and higher-than-expected other care payments. While serious injury care is the key cost driver for this Account, its overall effect remains less significant than that of other payment types when looking across all Accounts.

In the following sections, we discuss mainly the influenceable OCL strain by cohort for the key payment types of concern.

Lower complexity claims

Table 42 breaks down the largest payment types driving influenceable OCL strain outside serious injury and sensitive claims in 2024/25 by Account.

Table 42: Influenceable OCL movement in 2024/25 by payment types

OCL movements (\$M)	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account	Total
Weekly compensation	(16)	(5)	(64)	39	2	(44)
Capital	45	16	18	35	23	136
Elective surgery	28	63	244	9	63	407
Other	(24)	(114)	59	54	45	21
Total	34	(40)	256	137	133	520

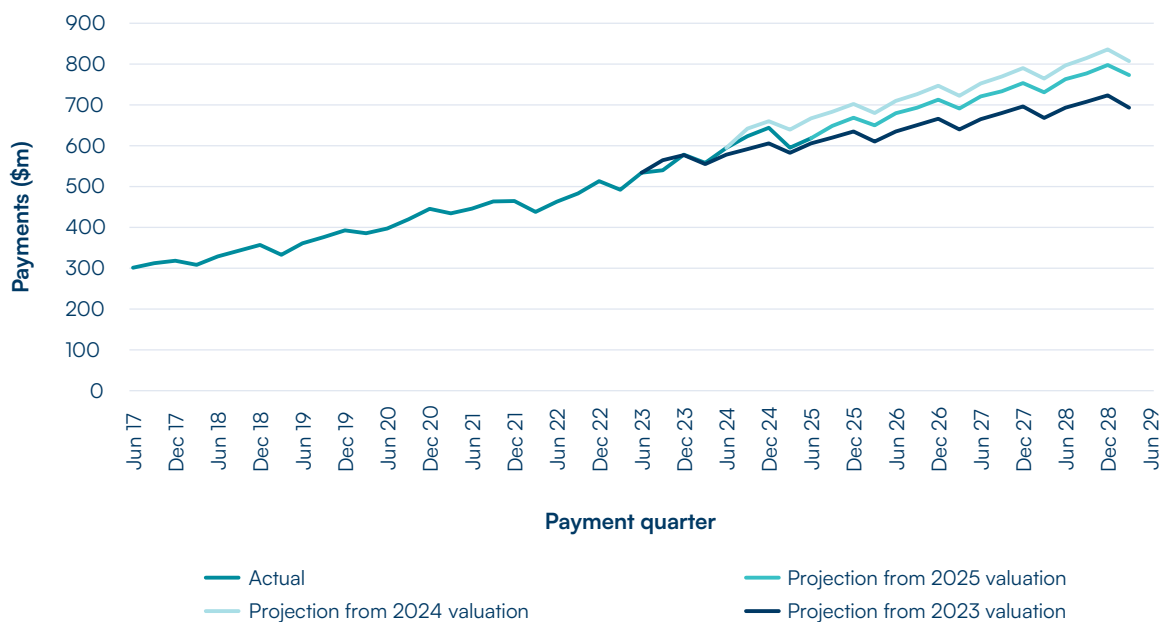
We discuss the key payment types that are contributing to the influenceable OCL strain in more detail below.

Weekly compensation

In the June 2024 valuation, weekly compensation was the largest contributor to influenceable OCL strain, primarily driven by deteriorating rehabilitation rates. However, in the June 2025 valuation, the overall claim performance for weekly compensation has improved compared to the June 2024 projections. This has contributed to \$44 million influenceable OCL release. The release for weekly compensation follows a reduction in the long-term claims pool (LTCP) growth rate to 8.7% as at June 2025, indicating that recent improvements to claims management are starting to show promising signs.

Chart 30 shows the actual and projected weekly compensation payments in the June 2025 valuation compared to the two previous June valuations. While payments were previously expected to worsen, actual claim performance in the 2024/25 year was more favourable than anticipated.

Chart 30: Actual and projected weekly compensation payments, from June 2017 to June 2029



ACC measures rehabilitation rates as the proportion of clients receiving weekly compensation who return to work within the specified number of days. When rehabilitation rates are lower than expected, proportionally fewer clients are expected to return to work, and more clients are expected to continue receiving weekly compensation. This causes strain on the Scheme.

Continuance rates are similar to rehabilitation rates. They are the measure used for modelling the OCL 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. This allows an estimate of how long clients are likely to continue receiving weekly compensation, on average, in the OCL valuation. This relationship between rehabilitation rates and continuance rates means that if rehabilitation rates decrease during the year, then this will likely lead to continuance rates increasing and result in OCL strain. Similarly, if rehabilitation rates increase during the year, then this will likely lead to continuance rates decreasing and an OCL release.

In the previous valuation, the short and medium-term continuance rates were assumed to increase over the past year. However, continuance rates for recent accidents have remained stable rather than increasing, reflecting ACC’s focus on improving rehabilitation rates in the latter half of the year. This has resulted in the reduction in liability, particularly in the Earners’ Account, as discussed below.

Chart 31 to Chart 33 show the continuance rates for weekly compensation claims in the Earners’ Account by claim duration. Overall, continuance rates have been better than expected, so assumed future rates have been reduced compared to those expected at the June 2024 valuation. This has resulted in an OCL release of \$85 million. The longer a client is away from work while receiving weekly compensation, the more likely they are to remain on the Scheme, as evidenced by the higher continuance rates for older claims.

Chart 31: Weekly compensation Earners’ Account – continuance rates for claims less than one year old, from June 2017 to June 2029

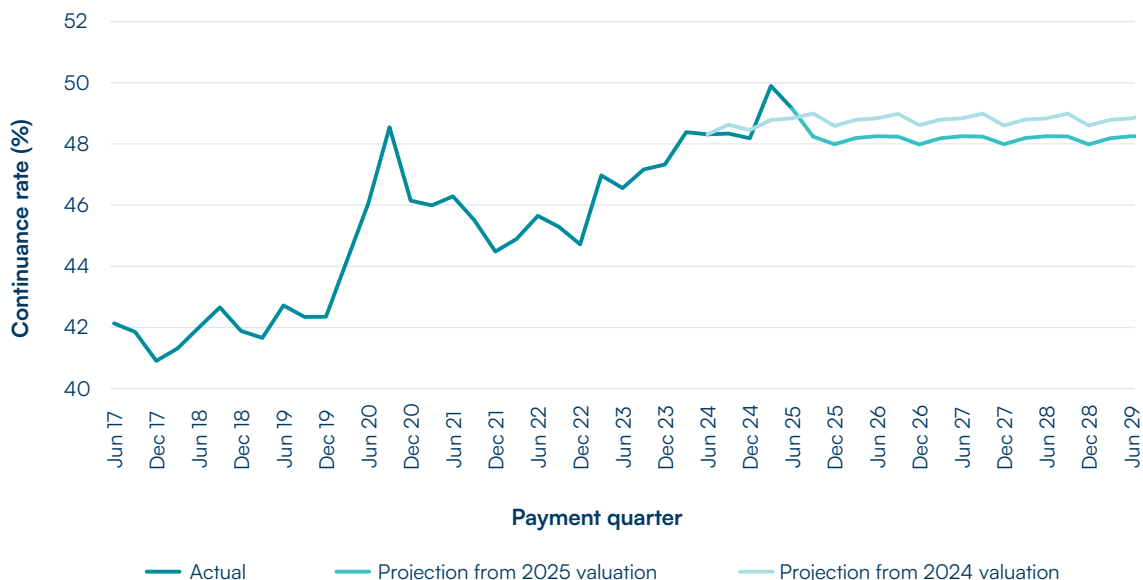


Chart 32: Weekly compensation Earners' Account – continuance rates for claims 2-5 years old, from June 2017 to June 2029

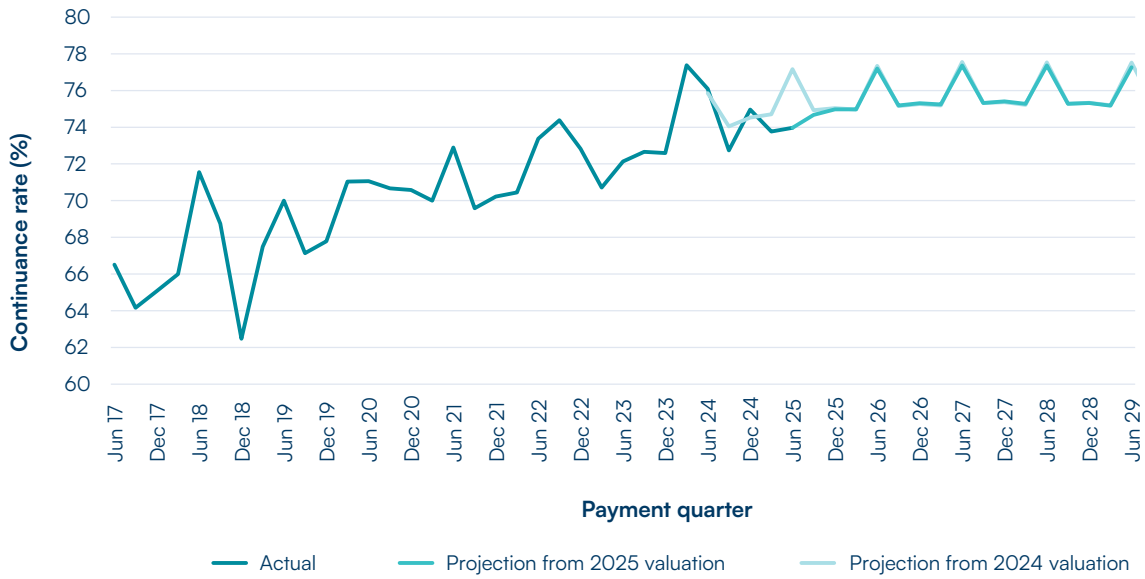
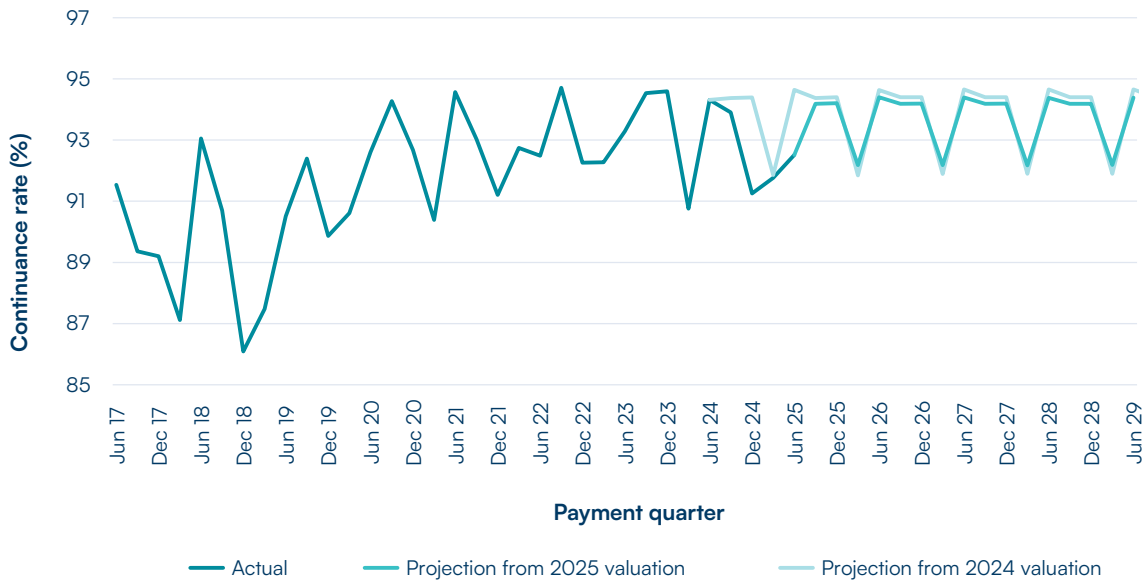


Chart 33: Weekly compensation Earners' Account – continuance rates for claims 6-8 years old, from June 2017 to June 2029

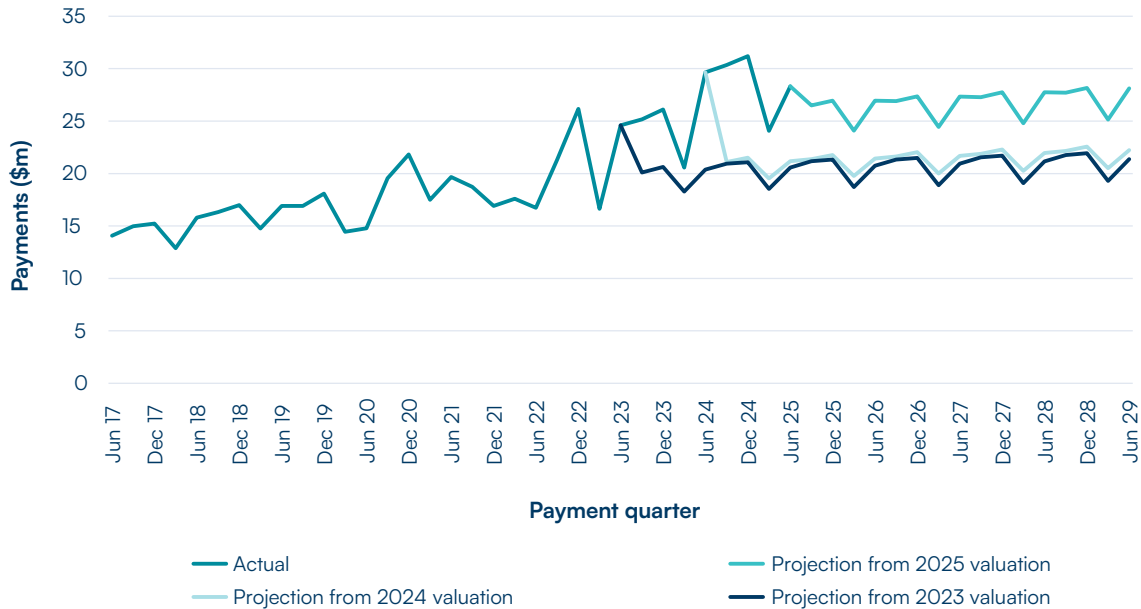


Capital

Payments for capital were significantly higher than expected in 2024/25

Chart 34 shows the actual and projected capital payments in the June 2025 valuation compared to the two previous June valuations. The total payments during 2024/25 were 41% higher than expected, driven by a higher-than-expected number of claims and an increase in the average payment per quarter per active claim.

Chart 34: Actual and projected lower complexity capital payments, from June 2017 to June 2029

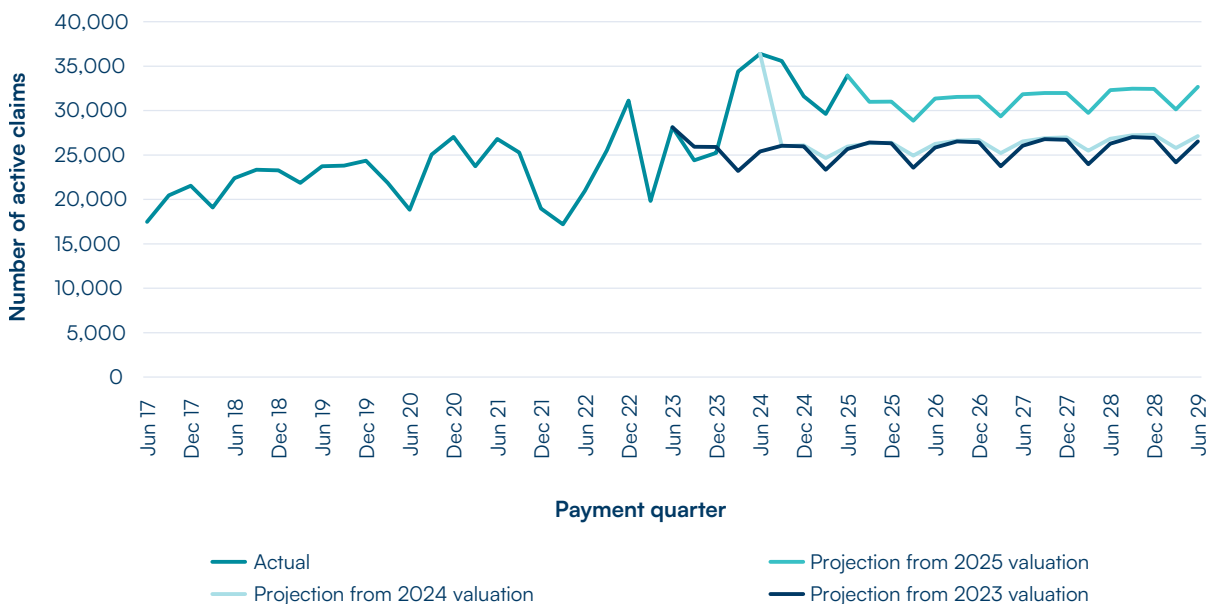


Higher-than-expected number of claims resulted in \$67 million influenceable OCL strain

The number of claims receiving capital payments was higher than expected across all accident year cohorts. Contributing factors include:

- ACC changing its capital items supplier in 2021, with invoicing delays from the new supplier resulting in large, backdated payments, particularly between June 2024 and December 2024
- increased demand for capital items because of pressures in the public health system
- a reduction in the lifespan for some capital items, requiring more frequent replacement.

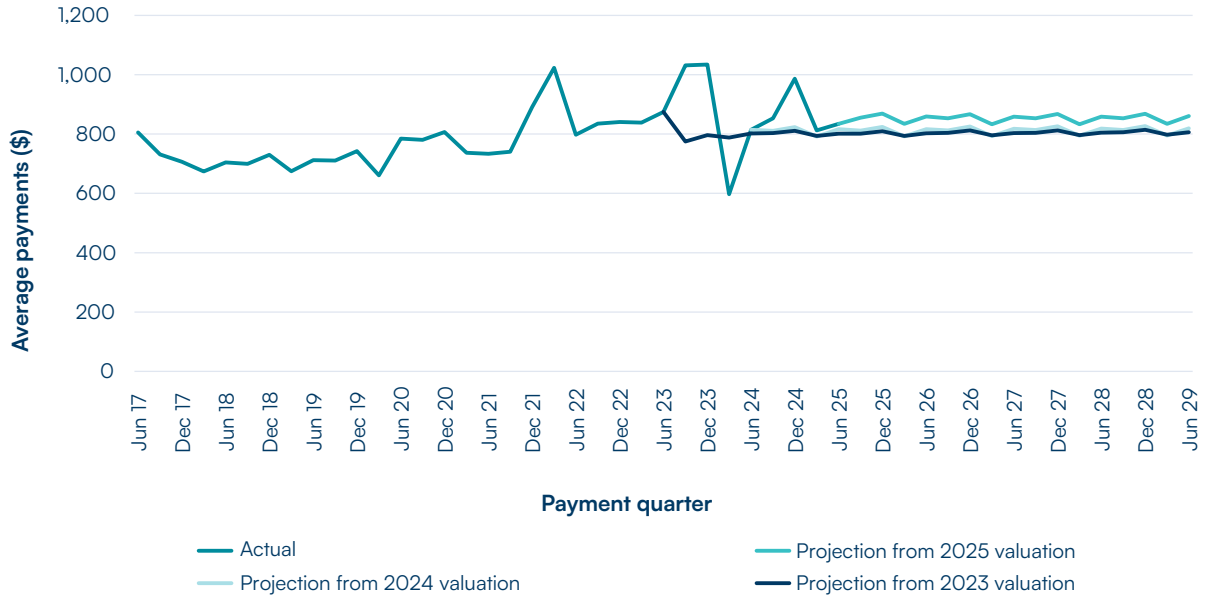
Chart 35: Lower complexity capital claim volumes, from June 2017 to June 2029



Higher-than-expected average payment per active claim contributed \$69 million in influenceable OCL strain

There has been substantial volatility in the average payments, particularly over the past three years owing to invoicing issues with ACC's capital items provider. The average payment per quarter per active claim has been increasing, because increased use of advanced technologies has caused higher costs for capital items such as prosthetics. The June 2025 valuation has increased the assumed average payments. Chart 36 shows the actual average payment compared to those projected in this valuation and the previous two valuations.

Chart 36: Actual and projected lower complexity capital average payments, from June 2017 to June 2029

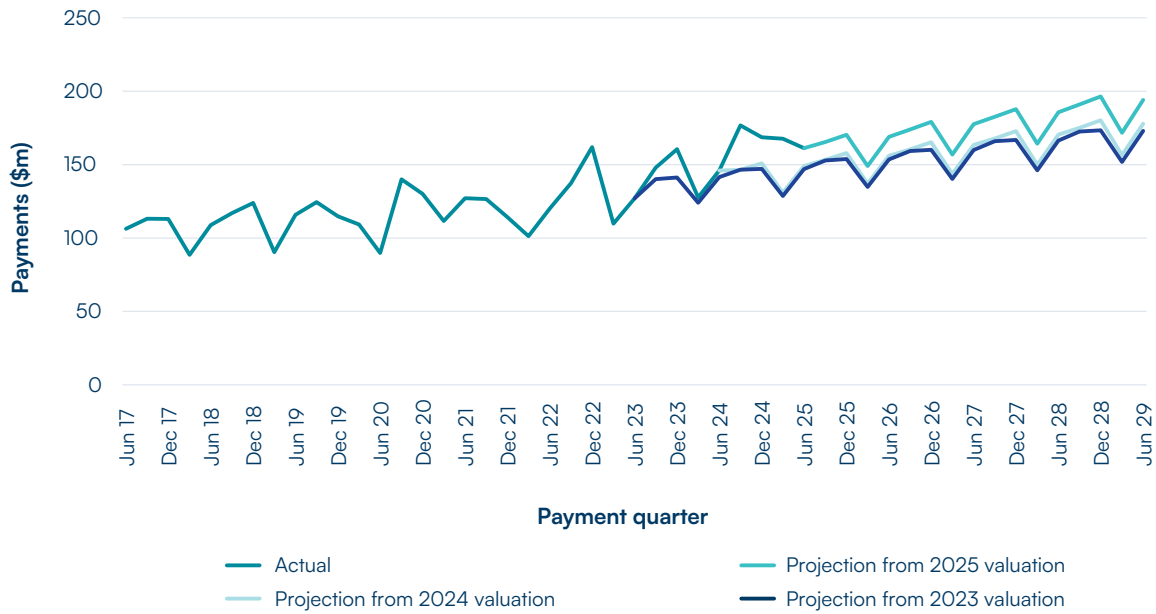


Elective surgery

Elective surgery payments were significantly higher than expected in 2024/25

Elective surgery payments were 16% higher than expected in 2024/25, primarily because of a higher-than-expected number of claims receiving surgeries, particularly in the Earners' Account. Chart 37 shows the actual and projected elective surgery payments in the June 2025 valuation, compared to the two previous June valuations.

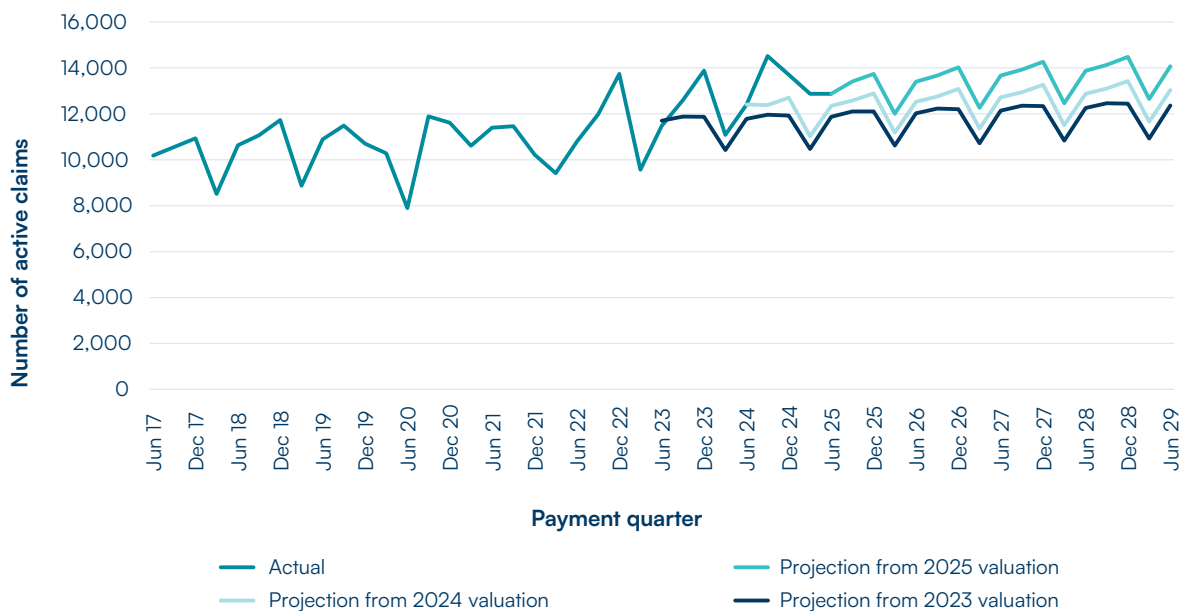
Chart 37: Actual and projected elective surgery payments, from June 2017 to June 2029



Higher-than-expected volume of surgeries resulted in \$393 million influenceable OCL strain

The number of surgeries has increased consistently over the past two years. At the time of the previous valuation, this trend was expected to decline, as it was thought to reflect a temporary catch-up following Covid-19 related delays. However, this trend has continued and claim volumes are now expected to remain at these higher levels unless ACC takes proactive action. The June 2025 valuation has increased the assumed future claim volumes and has resulted in \$393 million influenceable OCL strain. Chart 38 shows the volume of elective surgeries with the projections from June 2025 and the previous two valuations.

Chart 38: Elective surgery active claim volumes, from June 2017 to June 2029



Other payment types

The influenceable OCL movement from all other payment types (within the lower complexity claims cohort) was a \$21 million strain. Table 43 summarises the OCL movement and key drivers in remaining payment types in 2024/25.

Table 43: Influenceable OCL strain/(release) by remaining payment types

Payment type	Influenceable OCL strain/(release) in 2024/25 (\$M)		Key drivers of change in 2025
	Active claims	Average cost	
Care	(8)	55	The average payments per claim over the past year have been higher than expected. This is primarily because of increased utilisation of non-acute rehabilitation (NAR) services and higher average backdated payments for those services. This has been reflected in the increased assumed average payments for future claims.
Medical — GPs, radiology, and physiotherapy	28	(12)	A higher-than-expected number of radiology claims contributed most of the OCL influenceable strain, particularly in the Earners' and Non-Earners' Accounts. This has been reflected in the increased assumed level of future claims.
Other-medical	48	25	This was primarily driven by the increases in assumed average payments and rehabilitation rates, reflecting adverse performance for active claims over the past year, particularly in the Earners' and Non-Earners' Accounts.
Hearing loss	(158)	10	This was driven by a lower-than-expected number of hearing loss IBNR claims. Continuance rates in the first quarters after accident have reduced substantially because of earlier acceptance and treatment of claims following the introduction of lowered thresholds and the ability for audiologists to lodge claims directly.
Other:	(15)	49	This was primarily driven by higher-than-expected average cost for gradual process IBNR asbestos claims.
			<ul style="list-style-type: none"> • vocational rehabilitation • fatal weekly compensation • independence allowance and lump sums • ambulance and PHAS • asbestos

Serious injury claims

Table 44 shows the influenceable OCL strain in 2024/25, broken down by payment types within the serious injury claims cohort.

Table 44: Influenceable OCL movement in 2024/25 by serious injury payment types

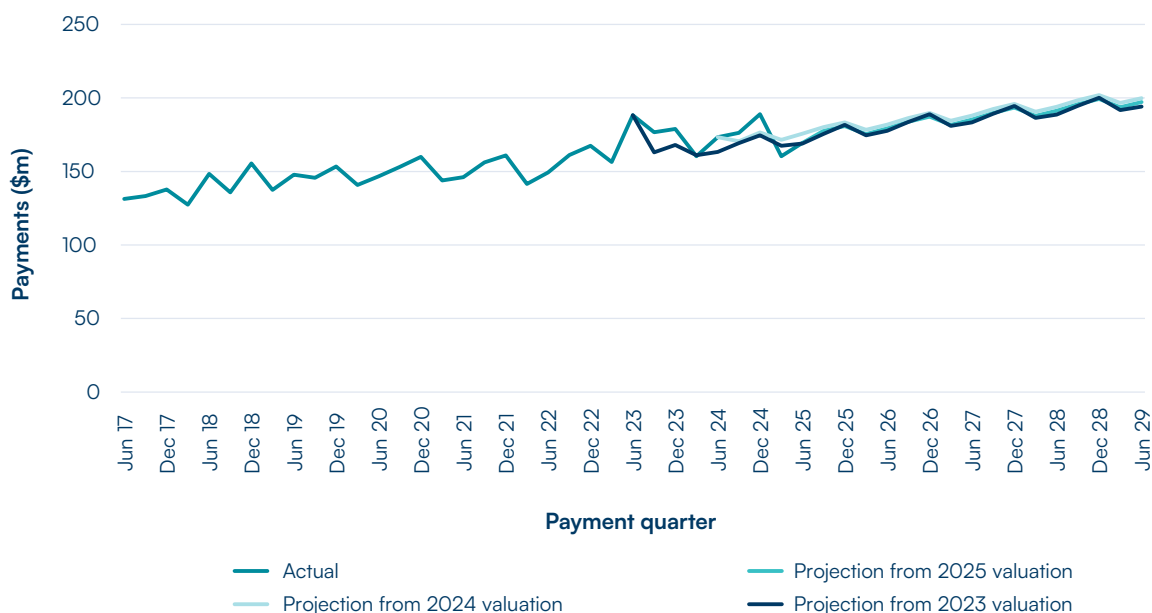
OCL movements (\$M)	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account	Total
Serious injury weekly compensation	(14)	2	2	(13)	(9)	(32)
Serious injury care	(19)	(20)	(2)	115	43	117
Serious injury capital	88	27	66	32	44	257
Serious injury medical	5	0	5	4	16	30
Total	60	9	71	139	94	373

The key contributors to the influenceable OCL strain are discussed in more detail below.

Serious injury care

Chart 39 shows the actual and projected serious injury care payments in the June 2025 valuation compared to the two previous June valuations. The total payments during 2024/25 were 3% higher than expected, mainly because of higher attendant care payments following a care rate uplift in September 2024 and higher residential care payments from greater utilisation of residential care services. This care rate uplift has since been offset by the approved care rates for 2025/26 being lower than previously expected.

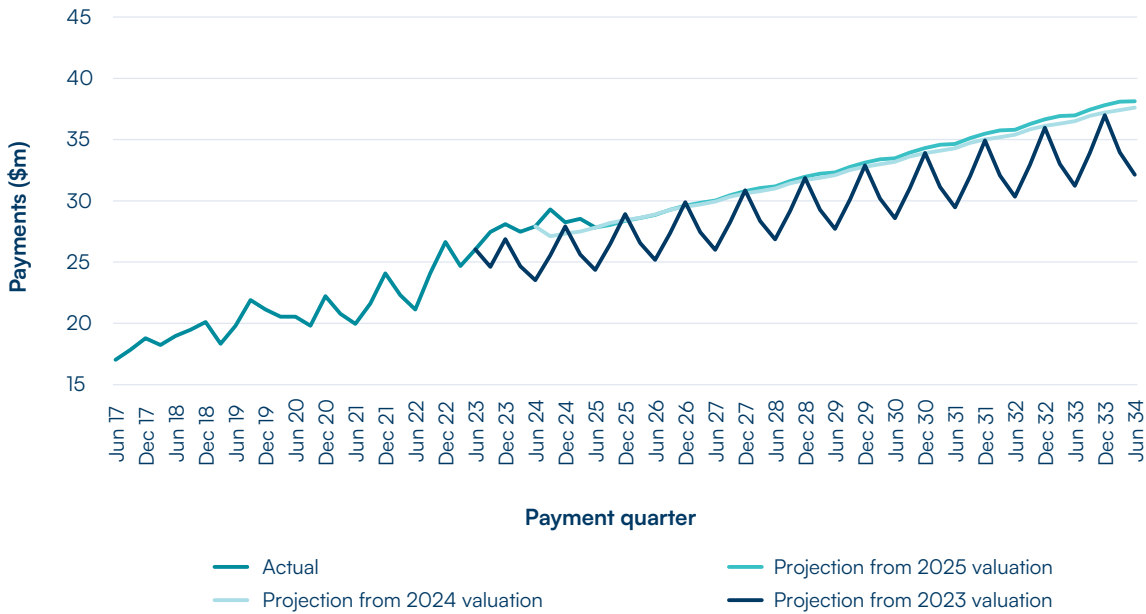
Chart 39: Actual and projected serious injury care payments, from June 2017 to June 2029



Higher assumed average starting level of residential care for future entrants resulted in \$91 million in influenceable OCL strain

The residential care payments have been increasing in the past few years because of a combination of increase in residential care rates, higher-than-expected new serious injury claims and greater utilisation of residential care services. The June 2025 valuation has increased the assumed starting average payments for clients entering residential care. Chart 40 shows the actual residential care payments compared to those expected in this valuation and the previous two valuations.

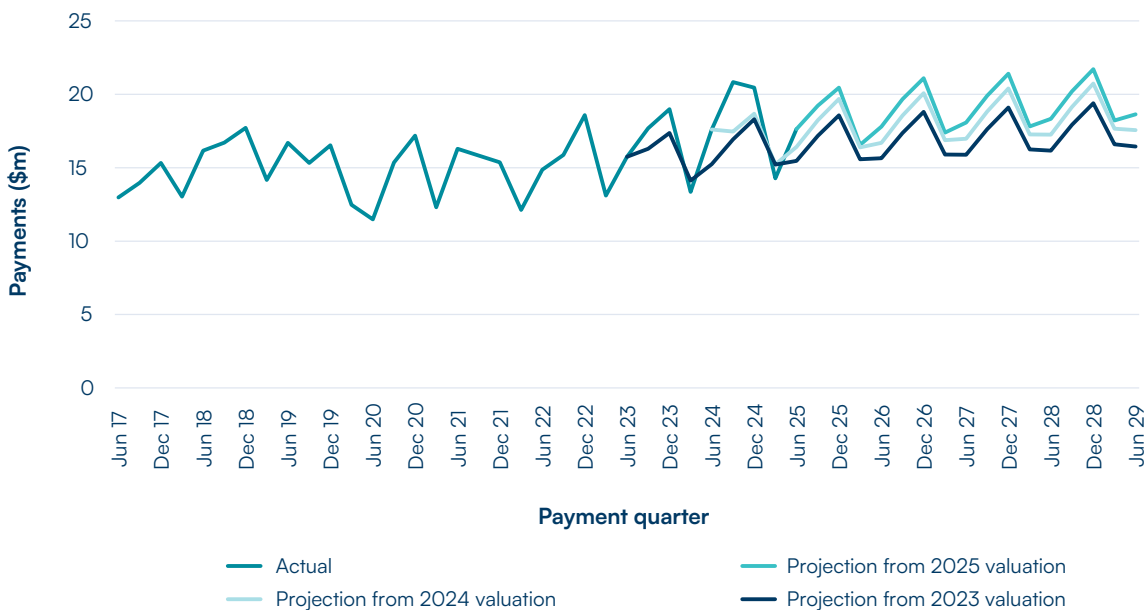
Chart 40: Actual and projected serious injury residential care payments, from June 2017 to June 2034



Higher-than-expected other care payments resulted in \$66 million influenceable OCL strain

Other care payments have increased significantly, primarily because of greater utilisation of training for independence services and related assessments. Chart 41 shows the actual other social rehabilitation care payments compared to those expected in this valuation and the previous two valuations.

Chart 41: Actual and projected serious injury other social rehabilitation care payments, from June 2017 to June 2029



Higher assumed new claim volumes resulted in \$79 million in influenceable OCL strain

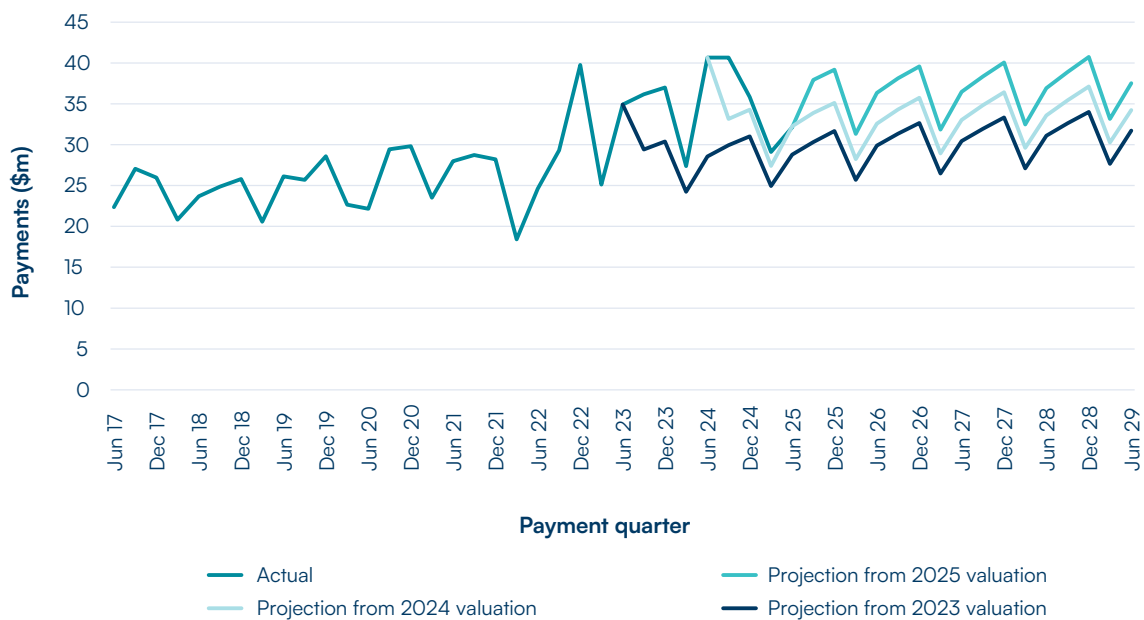
The number of new serious injury claims receiving care payments in 2024/25 was significantly lower than expected, mainly because of greater delays in serious injury profiling. ACC’s current profiling practice involves waiting to observe how a client progresses post-injury and rehabilitation before assigning a profile. We expect that many of the claims not reported this year will be reported later. To reflect this, the assumed new claim volumes has been increased, which resulted in \$79 million influenceable strain across all serious injury care sub-payment types.

Serious injury capital

Higher-than-expected capital payments contributed \$204 million in influenceable OCL strain

Chart 42 shows the actual and projected serious injury capital payments in the June 2025 valuation compared to the two previous June valuations. The total payments during 2024/25 were 15% higher than expected, primarily in the Earners’ and Earner’s portion of the Treatment Injury Accounts. This increase was mainly driven by higher-than-expected average payments per active claim.

Chart 42: Actual and projected serious injury capital payments, from June 2017 to June 2029



The capital payments for seriously injured clients have been significantly higher in recent years. Contributing factors include:

- ACC changing its capital items supplier in 2021, with invoicing delays from the new supplier resulting in large backdated payments
- increased demand for housing and vehicle modifications
- rising costs of capital items, particularly those sourced internationally, because of supply chain disruptions caused by Covid-19 and global conflicts
- higher requests for non-standard items, which are typically more expensive than standard listed items.

Last year, the higher level of payments was assumed to be temporary, as a result of delayed invoices and catchups. Therefore, only part of the increase was allowed for in the 2024 valuation. However, given the continued adverse claim performance and higher level of payments in 2024/25, this has now been reflected fully in the June 2025 valuation.

Higher assumed new claim volumes resulted in \$53 million in influenceable OCL strain

As noted in the serious injury care section above, the number of new serious injury claims was lower than expected. ACC's current profiling practice involves waiting to observe how a client progresses post-injury and rehabilitation before assigning a profile. To reflect this, the assumed number of future new serious injury claims has been increased, as many of the claims not reported this year are expected to be reported later. This has resulted in \$53 million influenceable strain.

Sensitive claims

Table 45 shows the influenceable OCL strain in 2024/25, broken down by payment types within the sensitive claims cohort.

Table 45: Influenceable OCL movement in 2024/25 by payment type and Account

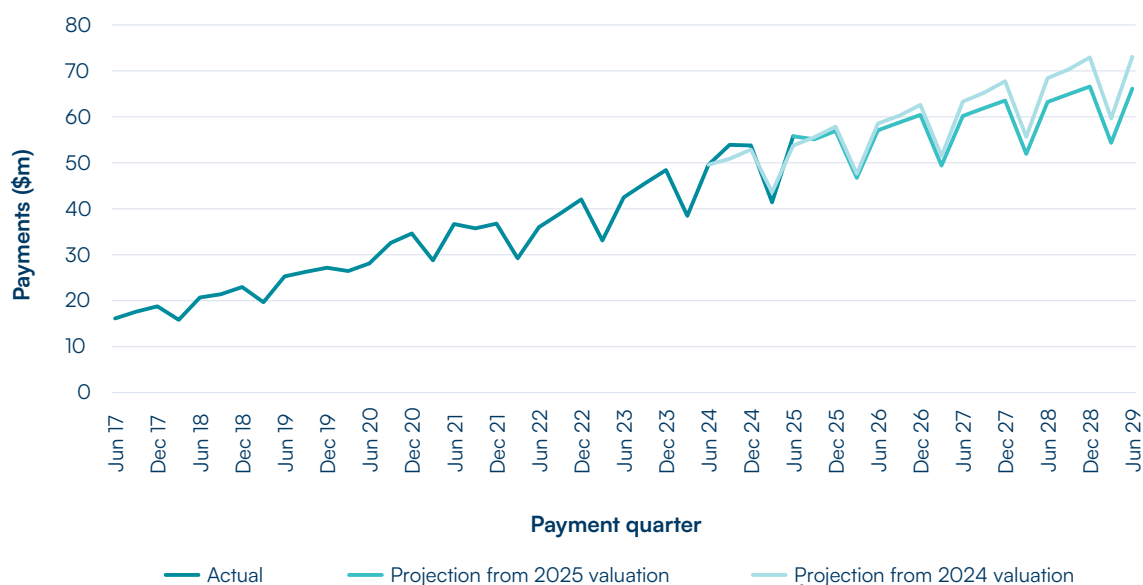
(\$M)	Work Account	Earners' Account	Non-Earners' Account	Total
Sensitive claims weekly compensation	(0)	(7)	(11)	(18)
Sensitive claims counselling	(0)	25	20	45
Sensitive claims other (non-counselling, non-weekly compensation)	3	8	16	27
Total	2	26	26	54

We discuss the payment types in more detail below.

Sensitive claims counselling

Chart 43 shows the actual and projected quarterly counselling payments for sensitive claims in the June 2025 and June 2024 valuations.³⁵ The projections include projected payments for future injuries. The total payments during 2024/25 were 2% higher than expected, mainly driven by higher-than-expected claim reactivations. The June 2025 valuation projections are lower compared to the 2024 valuation, mainly because of reduced assumptions for new claims, as discussed in Appendix D 'Funding Details'. As these are new claim assumptions, they don't affect the OCL.

Chart 43: Actual and projected sensitive claim counselling payments, from June 2017 to June 2029



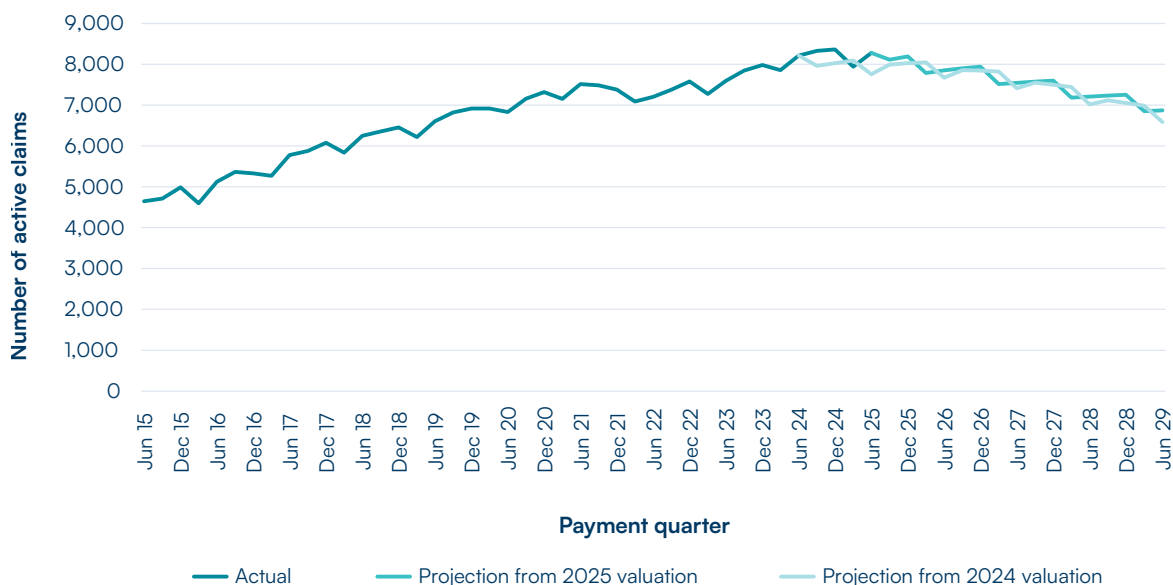
³⁵ We have introduced a more granular modelling approach for sensitive claims by splitting them into three distinct categories (weekly compensation, counselling, and other payments). The June 2024 valuation was recalibrated to reflect this change; however, the June 2023 valuation was not. As a result, projections from the 2023 valuation are not available for comparison.

Higher-than-expected claim reactivations resulted in \$50 million influenceable OCL strain

Chart 44 shows the number of active sensitive claims receiving counselling services for accident periods in 2014 and earlier. Over the 2024/25 year, we observed an increase in the reactivation of claims first reported before the introduction of the Integrated Services for Sensitive Claims in 2015.

These older claims are continuing to receive services for longer durations, contributing to a deterioration in rehabilitation rates. To reflect this, rehabilitation assumptions were worsened, resulting in an OCL strain of \$50 million in 2024/25.

Chart 44: Number of active claims for sensitive claims counselling, for claims from accident periods 2014 and earlier



Higher assumed average cost of claims resulted in \$49 million influenceable OCL strain

This increase is primarily driven by a rate uplift for counselling services. ACC introduced a new contract for sensitive claims counselling in December 2024 that includes a 1.5% increase above the standard inflationary adjustments from 1 July 2025 onwards. This uplift has been reflected in the higher assumed average payments per active claim.

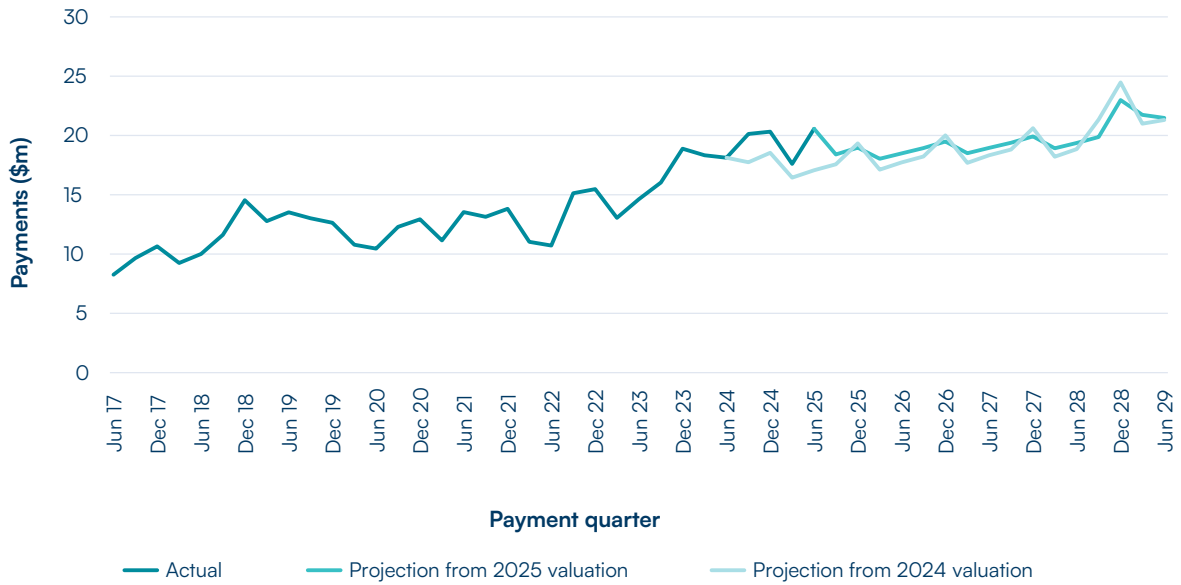
Lower-than-expected number of active claims and lower assumed new claims volumes offset the influenceable OCL strain by \$53 million

There has been a decrease in the number of active claims receiving counselling payments, particularly in recent accident cohorts. This has resulted in an OCL release of \$46 million. In addition, the June 2025 valuation has reduced the assumed level of future new claim volumes to reflect the performance observed over the past year, contributing a further \$7 million OCL release.

Sensitive claims other (non-counselling, non-weekly compensation)

Chart 45 shows the actual and projected quarterly payments for other sensitive claim services (excluding counselling and weekly compensation) in the June 2025 and June 2024 valuations. A significant proportion of the payments in this claim payment type are for independence and lump sum entitlements. The total payments during 2024/25 were 8% higher than expected, primarily driven by a higher-than-expected number of new claims receiving these services, especially from recent accident cohorts.

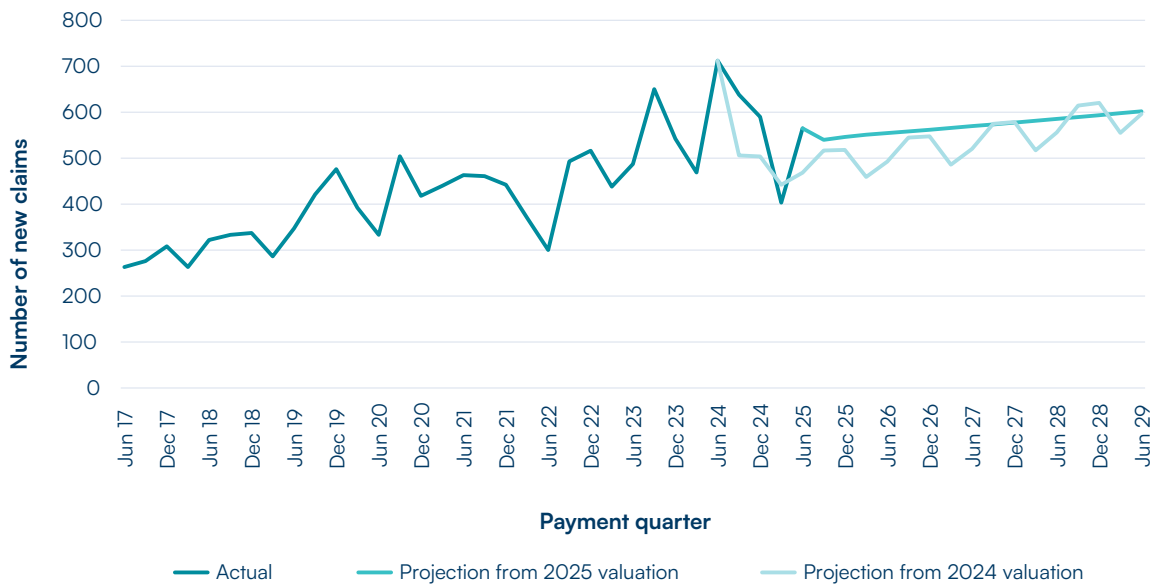
Chart 45: Actual and projected sensitive claim other payments, from June 2017 to June 2029



Higher-than-expected assumed new claim volume resulted in \$67 million OCL strain

The number of new claims receiving other sensitive claim services has increased across most accident cohorts. For sensitive claims, the accident date is defined in legislation as the date treatment is first sought. However, the TN court decision has changed this interpretation, which may have affected how accident dates are recorded in recent periods. This may have contributed to the higher number of new claims for older accident periods. The June 2025 valuation has increased the assumed future new claim volumes. Chart 46 shows the number of new sensitive claims with the projections from June 2025 and June 2024 valuations.

Chart 46: Number of new sensitive claims other from incidents older than two years, from June 2017 to June 2029



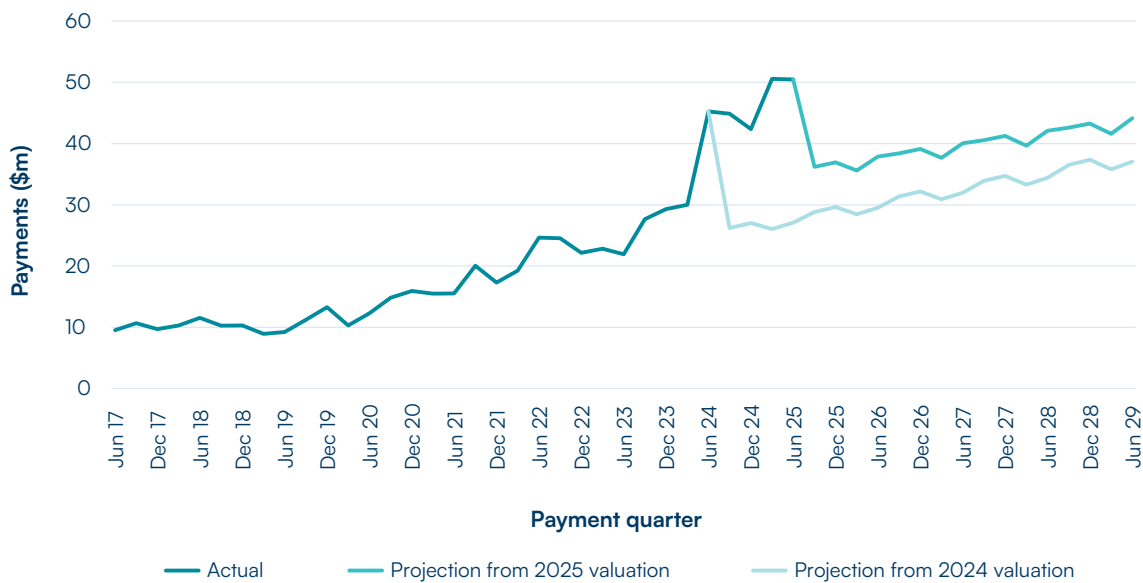
Claims handling expenses

There was an influenceable OCL release for claims handling expenses (CHE) of \$231 million. This was mainly driven by a change in the projected claim run-off patterns for sensitive claims, following the adoption of a more granular modelling approach. Sensitive claims were split into three distinct categories (weekly compensation, counselling and other payments), allowing for more accurate projections and resulting in a reduction in the overall CHE liability.

The total non-influenceable OCL strain in 2024/25 was \$493 million, primarily driven by higher-than-expected backdated loss of potential earnings payments for sensitive claims

Chart 47 shows the actual and projected quarterly weekly compensation payments for sensitive claims in the June 2025 and June 2024 valuations. The total payments during 2024/25 were 75% higher than expected, primarily driven by higher-than-expected backdated loss of potential earnings (LoPE) payments in the Non-Earners' Account.

Chart 47: Actual and projected sensitive claim weekly compensation payments, from June 2017 to June 2029



This significant increase in backdated LoPE payments has led to higher average payments per active claim. Updating assumptions to include a greater allowance for these backdated LoPE payments has resulted in \$470 million of non-influenceable OCL strain. This increase is assumed to be related to the TN court decision and is considered non-influenceable, as it's outside ACC's control.

These projections carry significant uncertainty because of the still-unclear full implications of the TN court decision, which represents a major risk area for the Scheme. It is currently thought that the recent high volumes are a short-term effect as the TN court decision expands cover for sensitive claims that did not previously seek weekly compensation payments. The external valuation actuaries did not make significant changes to their assumptions for rehabilitation rates or future reported claims, as ACC was yet to fully operationalise their policy settings to reflect the TN court decision at the time of the valuation.

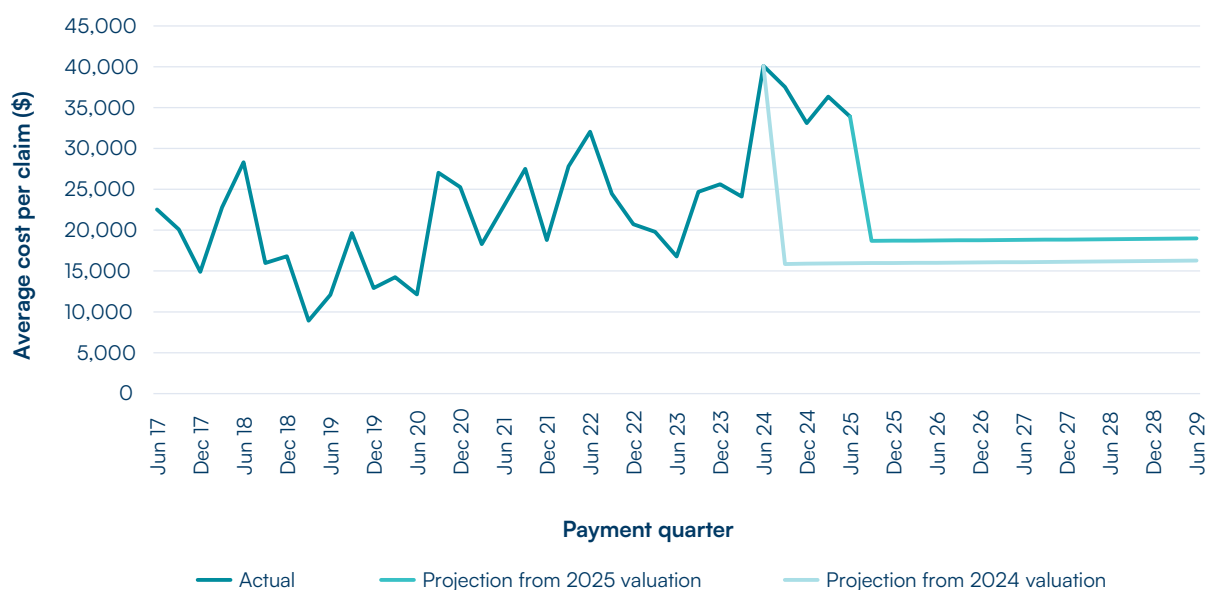
They will review these assumptions as changes in claims performance emerge since ACC introduced the new TN operational policy settings from 29 September 2025.

Because of the significant uncertainty in this payment type, the external valuation actuaries Taylor Fry ran two alternate scenarios for average payments, to assess the sensitivity of the OCL to the short-term changes in claims payments:

- Scenario 1 assumed that the average payments continue in line with the level of average payments as at 31 March 2024 for a further three years. This would increase the OCL by an additional \$65 million.
- Scenario 2 assumed that the average payments continue in line with the level of average payments as at 31 March 2025 for a further five years. This would increase the OCL by an additional \$211 million.

Chart 48 shows the actual average payment per quarter per active sensitive claim in the Non-Earners' Account, along with the projections from June 2025 and June 2024 valuations.

Chart 48: Average weekly compensation payment per quarter per active sensitive claim in the Non-Earners' Account, from June 2017 to June 2029



Key areas of risk and key issues for management attention

The June 2025 OCL valuation report produced by the external valuation actuaries Taylor Fry outlines a number of key areas of risk and key issues for management attention. The amounts here are calculated on the accounting basis, not the funding policy basis.

Key areas of risk

The overarching observation continues to be that Scheme payments are increasing, year-on-year, at a concerning and unsustainable rate. Scheme claim payments have more than doubled over the past decade.

The following are the payment types that have the most significant risks for the Scheme:

- Care payments, serious injury — there's a risk that care hours and residential care costs for seriously injured clients may rise faster than expected, potentially increasing liabilities by between \$300 million and \$1,200 million. While recent care hours have aligned with expectations, previous years showed higher-than-anticipated costs.

- Sensitive claims, weekly compensation — significant uncertainty surrounds future payments because of the TN court decision and its recent change in operationalisation. A 10% to 20% change in the liability for weekly compensation sensitive claims, including the provision for IBNR claims, equates to between \$650 million and \$1,350 million.
- Elective surgery — ACC faces rising demand and reduced decline rates for surgeries. If this trend continues, particularly for surgeries that are performed more than five years after the date of accident, the liability could increase by between \$600 million and \$1,800 million.
- Capital payments, serious and non-serious injury — average costs for capital items are increasing, and if this continues beyond current valuation assumptions, the liability could rise by between \$150 million and \$350 million.
- Weekly compensation — continuance rates have increased in recent years because of Covid-19 disruptions and changes in claims management. Although improvements are expected, if rates continue to increase beyond our current assumptions, the liability could grow by between \$200 million and \$400 million.

Key issues for management attention

The long-term nature of support provided by ACC means that trends, adverse or otherwise, can have a very significant effect on the financial cost of the Scheme. Adverse trends, if not addressed through remedial management action, will significantly increase the OCL. Similarly, favourable experience, if sustained, can significantly reduce the liability.

ACC management needs to not only identify such adverse trends as early as possible (to enable an appropriate management response) but also to implement those responses in an operationally meaningful way.

Some of the key areas of risk identified above are already understood by ACC and plans are in place to address them, with some early signs of improvement already seen. Other areas, though, are less well understood. In particular, Taylor Fry recommends that ACC undertake further analysis (and consider appropriate management responses) in the following areas:

- Growth in residential care costs — residential care costs for seriously injured clients have risen faster than expected, posing a significant risk to the OCL. The valuation data lacks clarity on the drivers of this increase in costs, for example increasing care hours or changes in care type. It is recommended that ACC undertakes a detailed analysis of the drivers of residential care costs.
- Growth in capital payments — capital payments have risen in recent years because of inflation and increased demand across a wide range of items provided by ACC. A detailed analysis is recommended to identify the key cost drivers and explore potential actions or controls to manage future costs.

In addition to these ‘downside’ risks, there are ‘upside’ opportunities for ACC to pursue. These are areas in which the OCL could be reduced from its current level if previous deterioration in experience, which has now been reflected in the valuation basis, could be reversed. Two key upside opportunities are:

- Weekly compensation — recent experience shows stabilising rehabilitation rates, especially in the Earners’ Account. However, the projected costs of claims from recent accident years remains significantly higher than earlier years, with much of the cost still unpaid. If rehabilitation rates improve over the next two years, ACC could reduce the OCL by approximately \$500 million to \$800 million.
- Elective surgery — the OCL for elective surgery has increased this year in response to elevated claim numbers, which have been assumed to continue. If surgery volumes return to previously observed levels, both claim costs and the OCL would also reduce.

Appendix G – Risk management

Taking appropriate risks to achieve strategic objectives is a normal and necessary part of doing business. Embedding risk management practices in all areas gives decision-makers the confidence to make more-informed and better decisions.

This appendix outlines, at a high level, the risks ACC faces and the associated risk frameworks it uses to achieve its objectives. In general, the strategic and operational risks stated, and the process to identify the management actions to mitigate these risks, are appropriate. The financial risks ACC faces, how they're identified and managed, and how they affect the balance sheet and influence funding recommendations, are discussed in more detail elsewhere in this report.

Professional Standard No. 31 — Non-Life Insurers — Financial Condition Report requires specific consideration of conduct risk, and outsourcing risk.

Conduct risk can be defined as the risk of financial loss or other adverse consequences that arises from insurers and/or intermediaries conducting their business in a way that treats customers unfairly or results in harm to customers. For ACC, a social insurer, this risk is best addressed through ensuring fair, transparent and consistent treatment of claimants, providers and other stakeholders. ACC regularly monitors and manages relevant conduct risks across its functions.

In terms of outsourcing risk, ACC has identified third-party risk management, including outsourcing, as an area of focus for the next financial year. Currently, the view of third-party risks across ACC is fragmented. Further work is planned to build an enterprise-wide view to improve visibility and consistency of third-party risk management practices.

ACC's risk management framework and processes

ACC's Enterprise Risk Management Framework outlines the responsibilities, processes, and practices that enable staff to manage risk as part of their day-to-day decision-making. The framework is aligned with ISO 31000:2018 Risk Management — Guidelines.

The objective of the framework is to enable ACC to deliver value and successfully achieve its strategic and performance objectives. Appropriate risk management enhances informed decision-making and enables the right kinds of risks to be taken. It does this by helping to ensure:

- effective and efficient continuity of operations
- safeguarding of assets
- the preservation and enhancement of reputation
- reliability of internal and external reporting
- compliance with applicable laws and regulations
- a culture consistent with ACC's risk tolerance.

The ACC Executive and the Board's Risk Assurance and Audit Committee (RAAC) monitor and evaluate ACC's framework, maturity, and internal control environment. ACC's Internal Audit function and external co-source partner independently advise on the:

- risk and controls environment
- effectiveness of risk management.

ACC Risk Appetite Statement

ACC's risk appetite is defined by its Risk Appetite Statement (RAS), which describes ACC's philosophy, approach, and tolerance to taking risks to achieve its objectives. The RAS also provides a framework for ACC to:

- be innovative and pursue opportunities based on potentially high benefits, despite greater risk
- accept uncertain outcomes or variability
- trade-off against the achievement of other objectives.

Conversely, in areas where ACC's appetite is averse, ACC will take the lowest-risk options. By ensuring that its material decisions are made in a manner consistent with the RAS, ACC maintains its risk profile within the tolerances set by the Board. The RAS is currently being reviewed to ensure it aligns with ACC's internal and external operating environment. This is expected to be completed by the end of December 2025.

The Three Lines Model

Effective risk management depends on clearly defined governance, roles and responsibilities. ACC's Enterprise Risk Management and Compliance Policy establishes roles and responsibilities for how ACC manages risk, including risk governance and oversight, and aligns with the 'Three Lines Model'. As described in Table 46, the model allocates 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 audit.

Table 46: The Three Lines Model

Line of defence	Role
First Line	<p>ACC's business groups have the primary responsibility to identify and manage risks relevant to day-to-day business operations (for example, staff and line management).</p> <p>The value of the First Line comes from those who know the business, its culture and day-to-day challenges, and provides assurance to management and the Second Line that risks are being managed and that controls are operating effectively.</p>
Second Line	<p>Specialist functions set ACC-wide expectations for specific areas of risk, such as Privacy, Health, Safety and Wellbeing, Integrity, and Enterprise Risk.</p> <p>The value of the Second Line comes from the insights and assurance it provides to management and governance committees on how well the First Line is managing risks and that controls are operating effectively.</p>
Third Line	<p>Internal Audit, External Audit and other external assurance providers provide independent assurance and advice on ACC's organisational governance, risk management, and internal control processes.</p> <p>The value of the Third Line comes from the level of independence and objectivity brought by specialist assurance providers. For the Internal Audit function this is achieved through primary accountability to the Chair of the RAAC.</p>

ACC's enterprise risks

Table 47 shows the fully refreshed enterprise risks that were approved by the Board on 11 June 2025. ACC's current view of the enterprise risks is based on a top-down and bottom-up approach. This involved engagement with both the Board and Executive, and enterprise leaders and subject matter experts within the business. It is informed by ACC's strategic priorities and focus on ensuring the Scheme is financially sustainable for future generations, and maintains public trust and confidence. The key risks are reviewed and reported to the Board quarterly, including the effectiveness of the controls and how the treatments are tracking.

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

Table 47: ACC's enterprise risks as at 30 June 2025**Scheme sustainability and long-term funding position**

Claims 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 and levy management	Risk that ACC's fee and levy management systems and processes are not effective, efficient and/or lack transparency.
Health system commissioning	Risk that ACC fails to partner strategically with health system leaders and to manage providers to deliver improved client outcomes, quality, and value for money.
Injury prevention impact	Risk that ACC fails to deliver the culture change required across Aotearoa 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 ACC's 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 and alignment	Risk that ACC fails to establish a clear strategic direction aligning the 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 and information security	Risk of loss of data, or other information security event, owing to cybersecurity threats, including malicious acts, cybercrime, and misuse of emerging technologies.
Integrity and 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, and safety	Risk that ACC does not take all practicable steps to ensure the wellbeing, health, and safety of employees and those affected by its 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 and compliance risks

Privacy	Risk that ACC's 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.
---------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

The cover stock is an environmentally responsible paper, produced using Elemental Chlorine Free (ECF), Third Party certified pulp from Responsible Sources, and manufactured by an ISO140001 certified mill. The text stock is a recycled content paper made from 100% post-consumer waste. Manufactured by an ISO9001 & 14001 certified mill and FSC certified. No chlorine bleaching is used in the manufacturing process.

ACC8828 November 2025 Print ISSN 2230-2042 Online ISSN 2230-2050



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



**Te Kāwanatanga
o Aotearoa**
New Zealand Government