Service Agreement

2026/27

He Kaupare. He Manaaki. He Whakaora.
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Service Agreement

The Service Agreement 2026/27 is an annual agreement between the Accident Compensation Corporation (ACC) and the Minister for ACC for the year ending 30 June 2027.

The Service Agreement is required under the Accident Compensation Act 2001 and also constitutes the annual Statement of Performance Expectations for the purposes of the Crown Entities Act 2004, both as amended by the Crown Entities Amendment Act 2013.

Hon Scott Simpson
Minister for ACC

Dated 30 June 2026

Jan Dawson
Board Chair

Dated 26 June 2026

David Hunt
Deputy Board Chair

Dated 26 June 2026

Purpose of the Service Agreement

The Service Agreement outlines the key initiatives ACC will pursue in 2026/27 to achieve our strategic objectives. It also outlines the services and outputs ACC is funded to deliver, as well as the performance measures and targets we will use to assess our operational performance in 2026/27.

The Statement of Intent 2026-2030 outlines ACC's organisational strategy and details of how the public can evaluate our effectiveness in delivering against our strategic objectives. This is the second Service Agreement under this Statement of Intent. The Service Agreement 2026/27 should be read in conjunction with the Statement of Intent 2026-2030.

ACC reports to the Minister for ACC against the performance measures in the Service Agreement each quarter and annually through our Annual Report. The Annual Report also sets out information on our progress relative to our strategic objectives and provides an account of our achievements during the year.

Contents

Overview

Who we are

ACC is a Crown entity set up to deliver a comprehensive no-fault accident insurance scheme (the Scheme) for New Zealand residents and visitors to New Zealand. This includes helping prevent injuries and getting New Zealanders and visitors back to everyday life if they have had an accident or personal injury.

ACC is established under the Accident Compensation Act 2001 (AC Act) and governed by the Crown Entities Act 2004.

> *'The purpose of the Act is to enhance the public good and reinforce the social contract represented by the first accident compensation scheme by providing for a fair and sustainable scheme for managing personal injury that has, as its overriding goals, minimising both the overall incidence of injury in the community, and the impact of injury on the community …' Accident Compensation Act 2001.*

The Scheme provides that individuals forgo the right to sue for compensatory damages following an injury, in exchange for comprehensive accident insurance cover and compensation. The Scheme is managed through five Accounts, with each providing cover based on the circumstances of the injury. Each Account operates independently and cannot cross-subsidise.

Each year ACC receives more than two million claims from people who are injured. Most claims are for relatively minor injuries, while a small proportion involve serious injuries that require ongoing support for decades into the future.

ACC is funded through a combination of levies and government appropriations. A portion of the levies collected, and appropriations received, is invested in funds managed by us. We manage one of the largest investment funds in New Zealand, valued at over $50 billion, designed to meet the future costs of injuries that have already occurred. We aim to share the costs of accidents fairly across generations to ensure all New Zealanders (and visitors) are cared for into the future. We look to conduct our investment activities in an ethical manner that avoids prejudice to New Zealand's reputation as a responsible member of the world community. This extends to our responsibilities regarding climate change.

In 2026 we launched our new organisational Strategy aligned to our Turnaround Plan and informed by the recommendations of the three external reviews conducted in 2025, and the Government's key priorities. Our strategic objectives are reflected in the Statement of Intent 2026-2030[1]. This is the second Service Agreement delivered under this Statement of Intent.

As we build on our progress achieved to date and continue to improve rehabilitation and financial performance, our focus remains on delivering and embedding initiatives to support the long-term financial sustainability of the Scheme.

[1] *https://www.acc.co.nz/about-us/corporate-documents*

Operating environment

ACC's operating context is shaped by shifting public expectations and environmental changes. We have a strong focus on developing into a high-performance organisation, strengthening relationships with our key partners, and building a deeper understanding of how we can work together to improve outcomes for injured New Zealanders.

ACC operates in a complex environment, with a range of internal and external factors influencing performance and challenging the long-term financial sustainability of the Scheme. Returning balance to the Scheme's financial sustainability requires focus on all aspects of performance.

Over the past 18 months, our efforts have delivered a positive shift in rehabilitation performance with some related financial relief reported as a result. We recognise there is still more to do. In 2026/27 we will build on the recent performance momentum to drive towards our goal of long-term financial sustainability.

ACC's operating environment is shaped by external pressures that impact the Scheme and its performance. While these factors are largely outside our control, we monitor them closely and adapt our approach where possible.

These external factors include:

- economic and labour market conditions
- demographic factors, including an ageing population and increased prevalence of comorbidities
- ongoing macro-economic challenges including inflation and fluctuating interest rates
- societal expectations of the Scheme, including Court decisions which necessitate changes to ACC's decision-making about the extent of cover and entitlement
- levy and appropriation funding settings, including adequacy for cost increases such as Public Health Acute Services
- pressure in the health system
- incentives influencing employers, providers, and clients.

Growing demand on the Scheme drives increased treatment, rehabilitation and compensation costs. In addition, these costs continue to grow faster than general inflation. This ultimately places financial pressure on the Scheme. Reviews of Scheme boundaries and legislative interpretations affect eligibility and entitlements. The Court of Appeal ruling in the *ACC v TN* case is a current example that has a significant impact on the Scheme's boundaries with no additional funding being allocated. As a result, Sensitive claims are a growing and increasingly significant driver of financial pressure on the Scheme.

Effective recovery from injury requires greater coordination between ACC, health providers, and employers as managing injuries and rehabilitation needs become more complex. There is a growing emphasis on integrated, system-wide delivery across health and rehabilitation services, aligned with expectations of value for money and better Scheme performance.

Looking to the future

We are committed to delivering excellent rehabilitation outcomes for all New Zealanders now and into the future. We aim to be a modern accident insurer with strong insurance capabilities. This will enable us to deliver consistent outcomes and evidence-based decisions for clients, while adapting to the changing needs of New Zealanders.

Strategic shifts are required over the next three to five years to meet the longer-term ambitions for our turnaround and set ourselves up for the future. The shifts are centred around two key concepts: improving core claims management and enabling high performance.

Improving core claims management will contribute to our strategic objectives of **Care that leads to lasting recovery** and **Timely return to work and independence** by:

- identifying who needs our attention
- ensuring consistent and evidence-based decisions
- improving our health commissioning approach
- strengthening recovery and rehabilitation management
- digital-first services to improve quality and efficiency.

Enabling high performance will contribute to our strategic objectives of **Efficient organisation, sustainable Scheme** and **Capable, enabled, empowered people** by:

- embedding a clear and connected performance framework
- simplifying and modernising our technology
- lifting data quality and consistency
- supporting change and adoption.

Together, these shifts will enable ACC to become an organisation that delivers its best-ever performance. By focusing on what matters most for clients and for the long-term financial sustainability of the Scheme, including ensuring decision-making is evidence-based and consistent, we will be better placed to meet changing expectations and deliver value for New Zealanders now and into the future.

The Government’s key priorities

The Government's key priorities for ACC are outlined in the annual Letter of Expectations from the Minister for ACC. In addition, the Enduring Letter of Expectations, dated April 2024, sets out all of Government priorities for the public sector.

Letter of Expectations

The Minister of ACC provides a Letter of Expectations each year, outlining their expectations for the financial year. In April 2026, ACC received the Letter of Expectations for 2026/27. This letter is included as Appendix 3 (refer to page 61). The Minister acknowledged the progress made to date and how ACC is reflecting the three priority areas raised in the previous Letter of Expectations (November 2025).

Additionally, the Minister expects that the ACC Board will keep its focus on the following areas for 2026/27:

Delivering on the Turnaround Plan in 2026/27

- maintain the momentum gained to date from the Turnaround Plan by rigorously pursuing targets set out in the Statement of Intent 2026-2030
- commit to strong leadership of ACC.

Returning to best-ever performance

- relentlessly drive to achieve on the overarching goal set out in the Turnaround Plan to ‘return ACC to best-ever performance in the coming years’
- identify opportunities to improve Scheme efficacy through engagement with providers, clients, and ACC staff.

Improved client outcomes

- ensure ACC's primary focus is rehabilitation through provision of services to restore clients back to work, independence, and everyday life
- recognise timely and appropriate investment in rehabilitation to improve outcomes
- ensure spending decisions are made consistently and based on evidence about what works, with a clear focus on sustainable recovery outcomes
- utilise the wider health and rehabilitation system to support rehabilitation capacity where it is most needed.

Enduring Letter of Expectations

The Enduring Letter of Expectations dated April 2024 outlines the following priorities:

- drive greater value for the funds ACC receives and public assets managed, understanding that reprioritisation should be used as a tool for achieving better results for our customers
- have a full understanding of ACC’s cost drivers and performance against key outcomes
- improve efficiency and responsiveness of service through a continuous improvement approach for the activities and programmes we deliver.

Strategic intentions

Strategic framework

ACC's organisational strategy refocuses our efforts on our core roles of delivering quality rehabilitation outcomes for injured people in New Zealand, while ensuring the Scheme is financially sustainable in the future. There are three strategic objectives underpinned by a strategic enabler.

Figure 1 - Our strategic framework

Purpose

To improve lives every day

Vision

ACC is a trusted and high-performing organisation, providing care, supporting recovery and promoting injury prevention, now and into the future

Strategic objectives

- Care that leads to lasting recovery
- Timely return to work and independence
- Efficient organisation, sustainable Scheme

Organisational health and capability

- Capable, enabled, empowered people
- Information and systems

Values

We are proud to serve | We are courageous and own our actions | We are better together

Outputs

Injury prevention | Levy engagement and collection | Investment management | Claims management

Care that leads to lasting recovery

We invest in effective and appropriate care that supports people to recover from their injuries. Our decision-making is evidence-based, consistent, timely, and aligned with our legislative purpose. We commission outcome-focused services and ensure that providers play their role in achieving lasting recovery outcomes.

Over the next four years we will focus on achieving the following outcomes:

- Injured clients receive timely, fair and consistent access to the care they need to quickly and sustainably recover from injury.
- Scheme boundaries are consistently applied to ensure that our spending on services and supports is necessary and appropriate.
- Services are designed, commissioned, delivered, and evaluated with a clear focus on client recovery and outcomes.
- We have systems and processes in place to prevent and detect fraud, misuse, and waste.

In 2026/27 we will focus on:

- Using targeted performance management to ensure rehabilitation services effectively support client recovery, independence, and return to work.
- Improving how we commission services to deliver better client outcomes and value-for-money.
- Ensuring decision-making around care reflects clinical evidence and consistent application of Scheme boundaries.
- Enhancing how we proactively prevent, monitor and detect fraud, waste, and abuse.

Timely return to work and independence

We are committed to excellence in rehabilitation. Our best-practice case management sees injured people return to lasting work and independence. We ensure that employers and clients play their part in achieving recovery outcomes.

Over the next four years we will focus on achieving the following outcomes:

- Clients experience a faster return to work and independence through effective and efficient case management, reducing long-term reliance on support.
- We identify clients who are at risk of delayed recovery early and work with them to return to work and independence sooner.
- Clients and employers play their part in supporting lasting return to work and independence outcomes.
- We transition clients to independence when they are no longer eligible for ACC support and work effectively with other Government agencies to do so.

In 2026/27 we will focus on:

- Identifying early clients at risk of delayed recovery to provide the right support at the right time.
- Further strengthening ACC's recovery and rehabilitation case management.
- Reducing long-term dependence on ACC for clients with less serious injuries.
- Supporting the efficiency and effectiveness of decision-making, through automation and digital services.

Efficient organisation, sustainable Scheme

We are focused on our core purpose and administer the Scheme responsibly and fairly, ensuring it is here for future generations. We better leverage technology and data to improve how we operate. We work with others to lift New Zealand's safety culture, promoting injury prevention to reduce harm.

Over the next four years we will focus on achieving the following outcomes:

- We have a fit-for-purpose operating model supported by modern technology and enabled by data.
- We reduce the gap between spend and revenue, and the value of investment assets matches our Outstanding claims liability.[2]
- We have a strong performance culture and commercial capability, with a focus on value-for-money embedded in our decision-making.
- We promote an injury prevention culture which results in reduced claims.

In 2026/27 we will focus on:

- Embedding a new operating model for ACC that supports long-term financial sustainability.
- Improving the way we operate, by simplifying and modernising our technology, and lifting data quality and consistency.
- Embedding a performance focus across everything we do, through improved frameworks, reporting, fiscal discipline, and ways of working.

Enabler: Capable, enabled, empowered people

We are a high-performing organisation with leadership, accountability, and respect at our core. We have a safe, positive, and inclusive culture where staff feel connected to our purpose. Our workforce is motivated and trusted to deliver the right outcomes. We invest in our people, grow their capability, and foster inclusivity, engagement, and collaboration.

Over the next four years we will focus on achieving the following outcomes:

- Our people are supported in their roles and empowered to improve client outcomes.
- We build a high-performance culture of leadership, accountability, collaboration, and inclusivity, enabled by our organisational values.
- We attract and retain diverse, high-performing people who support the communities we serve.
- We actively grow the professional capability of our workforce to support high-performance.

In 2026/27 we will focus on:

- Embedding and monitoring recommendations from the Culture Review, to ensure that ACC is a safe and inclusive organisation that supports high performance.
- Building the capability and capacity of our workforce to sustainably change and strengthen how we operate longer-term.

[2] From 2026/27 ACC will adopt PBE IFRS 17 *Insurance Contracts*. Under this standard Outstanding claims liability will be replaced with liability for incurred claims.

Measuring our performance in 2026/27

Our key performance measures best reflect the aspects of performance we can control across the breadth of the Scheme. Each measure has a set of performance targets for 2026/27, that will keep us on track to achieve our 2030 ambitions, as described in our Statement of Intent 2026-2030. Definitions of performance measures are included in the Glossary of performance measures (refer to page 69).

Table 1 — Key performance measures

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27	Target 2029/30
Care that leads to lasting recovery				
Actuarial movement (influenceable)	+1.6%	-1.0%	**-2% to -5%**	0% to -5%
Timely return to work and independence				
Return to work: 28 days	35.1%	36.3%	**38.1% to 39.1%**	Greater than 41%
Return to work: 10 weeks	59.9%	61.6%	**64.4% to 65.4%**	Greater than 68%
Return to work: nine months	87.9%	89.2%	**91.0% to 92.0%**	Greater than 93%
Return to work: one year	90.8%	92.0%	**93.2% to 94.2%**	Greater than 95%
Return to independence for those not in the workforce	83.0%	82.7%	**83.0%**	83.0%
Long-term claims pool volume (excluding Sensitive claims)[3]	22,617	22,412	**20,350 to 20,850**	N/A
Long-term claims pool volume[4]	*24,549*	*24,846*	*23,000 to 23,500*	*N/A*
Efficient organisation, sustainable Scheme				
New year costs' movement	+0.9%	-3.0%	**-2% to -5%**	0% to -5%
Investment performance (after costs) relative to benchmark	+0.42%	+0.43%	**+0.15%**	+0.15%
Return on investment — injury prevention	$1.92:$1	$1.83:$1	**$1.78:$1 to $1.98:$1**	$1.80:$1 to $2.00:$1
Public trust and confidence	61%	62%	**Greater than 62%**	65%
Capable, enabled, empowered people				
Employee engagement[3]	New measure	New measure	**73%**	N/A
Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)	2	0	**0**	0
Overall operational system availability	99.9%	99.9%	**99.9%**	99.9%

[3] New measure for 2026/27 onwards.
[4] Supporting measure.

Statement of performance expectations

Our performance framework

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

PBE FRS 48 Service Performance Reporting

Our service performance information is prepared in line with Public benefit entity financial reporting standards (PBE FRS) 48 Service Performance Reporting standards. Our performance framework aligns to the standard's qualitative characteristics to ensure we provide useful information to stakeholders:

1. Relevant — we select and aggregate appropriate performance information.
2. Representative — information is complete, neutral, and free from material error.
3. Understandable — information is communicated simply and clearly.
4. Timely — information is provided when needed for accountability and decision-making.
5. Comparable — results are presented alongside previous years.
6. Verifiable — information is measurable, consistent, and able to be independently verified.

PBE FRS 48 also recognises that when we choose performance information, we need to consider what is material, whether the benefits outweigh the costs, and how to balance the qualitative characteristics of information.

Our performance framework provides a clear view of ACC's strategic objectives and the outcomes we deliver. It ensures we measure, monitor, and report our activities effectively. This provides a clear link between our work and the strategic objectives we strive to achieve for our clients and the communities we serve.

Statement of performance expectations by output

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

The section includes:

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

We report quarterly against these performance measures to assess the difference our activities are making towards achieving our strategic objectives. Definitions of performance measures are provided in the Glossary of performance measures (refer to page 69). Measures have targets for 2026/27 that consider current performance trajectories, operating environment, and ambitions for the financial sustainability of the Scheme.

Breakdown of revenues and costs by output

Table 2 — 2026/27 budget by output class

$M	Administration costs	Claims costs	Revenue	Other	Total
Output 1 Injury prevention	(59)				(59)
Output 2 Levy engagement and collection	(19)		7,783		7,764
Output 3 Investment management	(84)		2,125	1	2,042
Output 4 Claims management	(790)	(9,205)	-	(1,953)	(11,948)
Total	**(952)**	**(9,205)**	**9,908**	**(1,952)**	**(2,201)**
Non-allocated costs	(75)				(75)
Total ACC	**(1,027)**	**(9,205)**	**9,908**	**(1,952)**	**(2,276)**

Output 4 Claims management: Other costs include movements in the liability for incurred claims and loss component of the liability for remaining coverage. These movements include both claims and economic assumptions which are not budgeted.

Non-allocated costs include the indirect costs allocated to all four output classes by enabling business groups including Corporate and Finance, People and Culture, and Strategy, Engagement and Prevention.

Aligning our strategic objectives with our outputs

ACC delivers the Scheme through four core outputs. These are injury prevention, levy engagement and collection, investment management, and claims management. Our outputs are aligned to our strategic objectives as shown in the table below.

Table 3 — Alignment of strategic objectives with outputs

Strategic Objective	Output	How the output supports the strategic objectives
Care that leads to lasting recovery	Output 2: Levy engagement and collection	By ensuring funding and resources are allocated in ways that address the needs of all people.
	Output 4: Claims management	By collaborating with our providers to achieve the most appropriate outcomes for our clients.
Timely return to work and independence	Output 4: Claims management	By working closely with our clients and their families to return them to work and independence as soon as possible.
Efficient organisation, sustainable Scheme	Output 1: Injury prevention	By minimising the incidence and severity of personal injury to reduce the economic, social, and personal impacts on people and communities.
	Output 2: Levy engagement and collection	By recommending levies that are sufficient to cover the costs of claims incurred in each year and collecting levies approved by Cabinet.
	Output 3: Investment management	By investing effectively in order to meet the future costs of claims from injuries already incurred so the collected levy is most effectively managed.
	Output 4: Claims management	By balancing the quality, efficiency and effectiveness of claim services delivered to clients.

Output 1 – Injury prevention

What we intend to achieve

One of our core roles is to reduce the incidence and severity of injury to reduce economic, social, and personal impacts of injury on individuals and to achieve a cost-effective reduction in levy rates or government funding.

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

In 2026/27 we plan to invest $59 million in injury prevention activity to reduce the incidence and severity of injuries.

Link to Strategic Objectives

Care that leads to lasting recovery	Timely return to work and independence	**Efficient organisation, sustainable Scheme**

How we will know we have achieved this

Table 4 — Output 1 performance measure

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27
Return on investment — injury prevention[5]	$1.92:$1	$1.83:$1	**$1.78:$1 to $1.98:$1**
Why this matters: We invest in injury prevention initiatives to minimise the incidence and severity of personal injury. We estimate the return on investment to ensure our initiatives achieve a cost-effective reduction in levy rates or government funding.			

[5] Excluding WorkSafe New Zealand investment.

Output 2 – Levy engagement and collection

What we intend to achieve

Under the Accident Compensation legislation, our role is to engage with levy payers and collect revenue for us to commission and deliver services under the Scheme.

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

Link to Strategic Objectives

Care that leads to lasting recovery	Timely return to work and independence	**Efficient organisation, sustainable Scheme**

How we will know we have achieved this

Table 5 — Output 2 performance measures

	Actual		Target
Measure	**2024/25**	**Mar 2026**	**2026/27**
New year costs' movement	0.9%	-3.0%	**-2% to -5%**
Why this matters: By effectively managing the controllable costs of the Scheme, the long-term sustainability of the Scheme is enhanced.			
Actuarial movement (influenceable)	+1.6%	-1.0%	**-2% to -5%**
Why this matters: Management action in areas such as injury prevention and claims management practices have the potential to partially mitigate the increases in the liability for incurred claims[6]			

[6] From 2026/27 ACC adopted PBE IFRS 17 *Insurance Contracts*. Under this standard Outstanding claims liability will be replaced with liability for incurred claims.

How we are funded

Our forecasts of the number of funders, the levy and appropriation revenue, and the currently approved levy rates for each Account are provided in the figure below. In 2026/27, we forecast $5.0 billion of levy revenue and $2.8 billion of Government appropriation.

Figure 2 — Sources of Account funding

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

Appropriations are sought through the Budget process

1. Motor Vehicle Account	2. Work Account	3. Earners' Account	4. Treatment Injury Account	5. Non-Earners' Account
Injuries on public roads involving a moving vehicle	**Work-related injuries**	**Non-work injuries to people in employment**	**Injuries that are caused by or happen during treatment**	**Injuries not covered in other accounts to people not in employment**
Levied from registration fees and petrol charges	Levied from employers and the self-employed	Levied from employees and the self-employed	Levied from employees and the self-employed plus appropriations	Funded through appropriations
For 2026/27 we budgeted	For 2026/27 we budgeted	For 2026/27 we budgeted	For 2026/27 we budgeted	For 2026/27 we budgeted
4.3 million Number of vehicles	**2.5 million** Number of employed and self-employed	**3.0 million** Number of earners	**2.4 million** Number of non-earners **3.0 million** Number of earners	**2.4 million** Number of non-earners
$131.94 per Motor vehicle	**$0.69 per $100** Liable earnings	**$1.52 per $100** Liable earnings		
$537 million of levy revenue	**$1,177 million** of levy revenue	**$3,180 million** of levy revenue	**$485 million** Of the $485m, $349m is Government appropriation and $136m is levy revenue	**$2,404 million** Government appropriations

Funding ratios

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

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

The AC Act requires the Government to issue a Funding Policy[7], setting out the criteria for fully funding the levied Accounts, including the Earners' portion of the Treatment Injury Account. ACC must make levy rate recommendations in accordance with the Funding Policy.

Table 6 — Funding ratios[8]

Account	Forecast 2025/26	Budget 2026/27	Funding policy target
Motor Vehicle	143.3%	**144.8%**	100%
Work (includes gradual process claims incurred but not yet made)	144.9%	**155.7%**	100%
Earners'	89.4%	**96.7%**	100%
Treatment Injury (Earners' portion)	104.7%	**95.5%**	100%
Treatment Injury (Non-Earners' fully funded portion)	103.2%	**104.3%**	100%
Non-Earners' (fully funded portion)	55.6%	**53.6%**	100%

[7] Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts (Gazette No. 2021-go1226).
[8] These Funding ratios reflect the new accounting standard PBE IFRS 17 *Insurance Contracts*, refer to page 41.

Output 3 – Investment management

What we intend to achieve

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

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

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

Link to Strategic Objectives

Care that leads to lasting recovery	Timely return to work and independence	**Efficient organisation, sustainable Scheme**

How we will know we have achieved this

Table 7 — Output 3 performance measure

	Actual		Target
Measure	**2024/25**	**Mar 2026**	**2026/27**
Investment performance (after costs) relative to benchmark[9]	+0.42%	+0.43%	**+0.15%**

Why this matters: The quality of our investment management can be gauged by comparing our returns (after costs) with that of a blended market average benchmark. The quality of our investment management is an important factor in ensuring we have sufficient resources in the future. The Fund is designed to meet the future costs of accidents that have already occurred. Our investments reduce the risk that future levy payers will have to pay for past injuries.

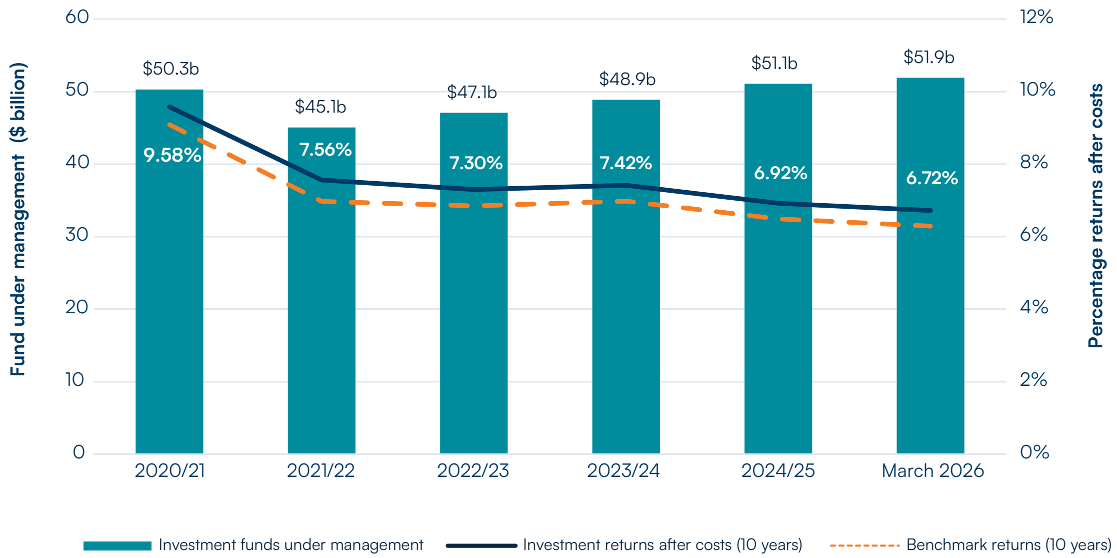
[9] From 2025/26 this measure reports on the rolling 10-year performance, previously this was a single year measure.

Activity information

ACC had $51.9 billion of investment funds at the end of March 2026 and the rolling 10-year average return after costs was 6.72%. Market returns can be volatile from year to year, and ACC's investment function aims to add value over the longer term.

ACC has outperformed its market benchmarks in 31 of the past 33 years. The value of $100 invested in 1992 has grown to $1,848 at 30 June 2025.

Figure 3 — Total investment funds and investment returns



Output 4 – Claims management

What we intend to achieve

Our purpose is to improve lives every day. We are focused on building a trusted and high-performing organisation by providing care, supporting recovery, and promoting injury prevention, now and into the future. We support injured people covered by the Scheme to get the appropriate treatment, social and vocational rehabilitation, and compensation to enable a return to work, independence, or everyday life.

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

The Scheme is under financial pressure, with more injured people seeking our support and for longer periods. This is further exacerbated by rising costs of services. As a result, it is costing us more to support injured people to lasting recovery.

Research tells us that a rapid return to work and/or independence reduces the adverse social and economic impacts of injury. We are making changes to ensure that injured people get the right level of support at the right time, while better managing our increasing costs. This will mean building on the work completed to date to scale up and accelerate improvements in claims management through our case management and service commissioning. Continuing to grow the capability and capacity of ACC's frontline workforce is crucial to achieving the ambitious performance needed to meet our rehabilitation targets.

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

Link to Strategic Objectives

Care that leads to lasting recovery	Timely return to work and independence	Efficient organisation, sustainable Scheme

How we will know we have achieved this

Table 8 — Output 4 performance measures

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27
Return to work: 28 days	35.1%	36.3%	**38.1% to 39.1%**
Weekly compensation setup timeliness	8.7 days	8.7 days	Less than 9 days
Return to work: 10 weeks	59.9%	61.6%	**64.4% to 65.4%**
Return to work: nine months	87.9%	89.2%	**91.0% to 92.0%**
Return to work: one year	90.8%	92.0%	**93.2% to 94.2%**
Return to independence for those not in the workforce	83.0%	82.7%	**83.0%**

Why this matters: Research tells us that a rapid return to work and/or independence reduces the adverse social and economic impacts of injury. These performance measures evaluate how effectively we are supporting clients to return to work or independence, and whether their returns are sustained.

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27
Long-term claims pool volume (excluding Sensitive claims)[10]	22,617	22,412	**20,350 to 20,850**
Long-term claims pool volume	24,549	24,846	23,000 to 23,500

Why this matters: Minimising the incidence and impacts of injury is a primary responsibility for ACC. Long-term claims represent more complex injuries. A low growth in long-term claims is an indication of the effectiveness of injury prevention and rehabilitation.

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27
Public trust and confidence	61%	62%	**Greater than 62%**

Why this matters: Public perceptions of ACC provide a key indicator of how effectively we demonstrate the value delivered through our engagement with levy payers, clients, providers, and stakeholders.

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27
Cover decision timeliness: non-complicated claims	0.84 days	0.88 days	Less than 1 day
Cover decision timeliness: complicated claims	47.0 days	49.1 days	Less than 70 days

Why this matters: We make cover decisions promptly to reduce uncertainty for our clients. These performance measures demonstrate how timely we are being.

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27
Proportion of reviews upheld in favour of ACC[10]	68.3%	72.9%	Greater than 70.0%
Average time to resolution for claims with a review	108.6 days	121.0 days	Less than 130 days

Why this matters: If most independent reviews are found in our favour, this suggests that we usually make an appropriate decision the first time around. This is supported by communicating effectively with our clients during the process. When a client asks for a review of an ACC decision, early resolution is important to reduce uncertainty for them.

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27
Claim lodgement rate for Māori[11]	27.2%	TBC	Greater than previous year

Why this matters: We aim to ensure injured people can access the Scheme and receive the treatment and support they are entitled to. This includes delivering equitable outcomes for Māori.

Measure	Actual 2024/25	Actual Mar 2026	Target 2026/27
Operating costs as a percentage of levy and appropriation revenue[10]	12.82%	12.75%	Less than 13%

Why this matters: Maintaining operating costs that are proportionate to revenue supports efficient use of funding and ensures the long-term financial sustainability of the Scheme.

[10] New methodology or measure for 2026/27 onwards.
[11] From 2025/26 the methodology used to calculate the Māori claim lodgement rate was updated to align with the annual Access Report.

Long-term claims pool volume (excluding Sensitive claims)

From 2026/27 onwards, we are adding a measure of the Long-term claims pool, excluding sensitive claims. This measure provides a clearer view of underlying operational performance, while uncertainty around sensitive claims remains high. We will maintain visibility of overall Long-term claims pool performance to ensure we do not lose sight of the need to support clients with sensitive claims back to work and independence.

Proportion of ACC reviews upheld in favour of ACC

From 2026/27 onwards, we have changed the methodology for this measure to strengthen the focus and transparency of cover and entitlement decision quality at the Scheme level. The new methodology includes review outcomes only where they were withdrawn or settled pre-formal hearing, or dismissed at a formal hearing. Decisions overturned pre-formal hearing are no longer included as upheld. This change encourages decisions that consistently apply policy and legislation and are supported by complete and accurate information. Prior results for this measure have been restated to reflect the new methodology.

Operating costs as a percentage of levy and appropriation revenue

For 2026/27, we have changed the measure used to demonstrate our operational efficiency. The new measure demonstrates how we are maximising our operational spending in relation to funding for the Scheme to best serve our clients and enhance the long-term sustainability of the Scheme.

Activity information

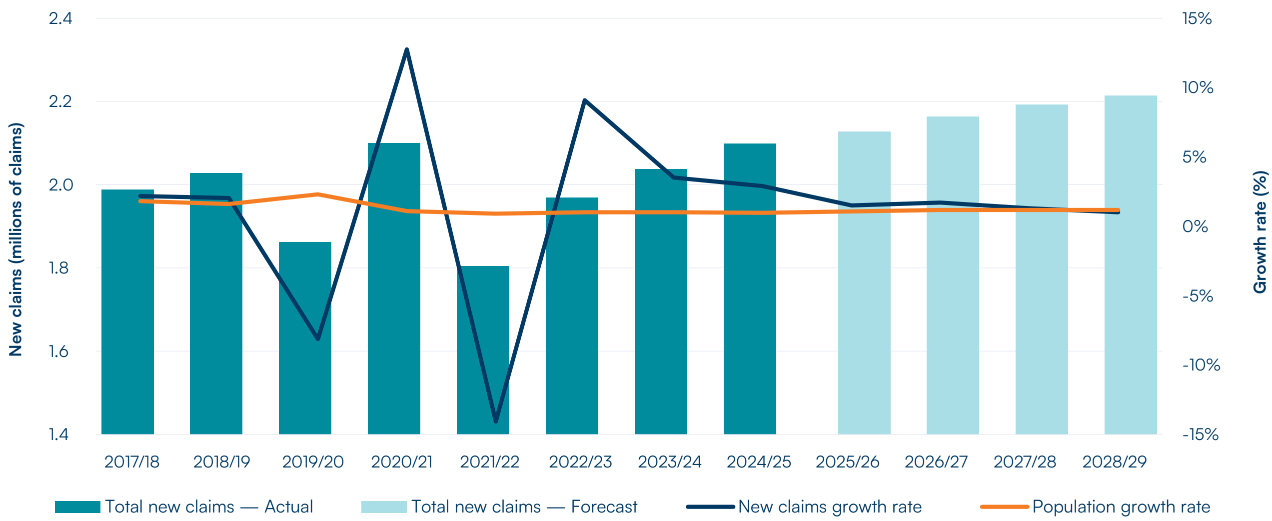
Claims activity

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

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

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

Figure 4 — Total new registered claims versus rate of new claims growth, by year (actual and forecast[12])



[12] As at February 2026.

Table 9 shows recent trends in the types of claims that we receive and accept. The Scheme is based on legislation, and each claim is evaluated to determine whether it meets the requirements of the AC Act. We do not ration our services. Demand is determined by the number of covered injuries that occur and the service types and amounts that those who have covered injuries are eligible to receive.

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

Table 9 — Historical claim volumes, by type

Claim type	Definition	2022/23	2023/24	2024/25	Mar 2026 year-to-date
Registered claims	Total number of registered claims in the period.	1,968,199	2,037,366	2,098,026	1,580,651
Medical fees only claims	Total number of new medical fees only claims in the period.	1,631,582	1,687,617	1,742,279	1,294,098
Other entitlement claims	Total number of entitlement claims (excluding weekly compensation) that received payments in the period.	175,661	191,366	208,458	175,852
Weekly compensation claims	Total number of claims that received weekly compensation payments in the period.	149,053	159,367	167,639	140,031
Long-term weekly compensation claims	Number of clients receiving weekly compensation for more than 365 days as at 30 June.	19,993	22,592	24,549	24,846
New serious injury claims	Total number of new serious injury claims in the period.	316	440	240	220
New sensitive claims	Total number of new sensitive claims in the period.	12,029	12,581	13,502	10,639
Fatal claims	Total number of fatal claims in the period.	1,688	1,559	1,615	991

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

Table 10 — Expenditure for key claim costs

$M	Actual 2024/25	Forecast 2025/26	Budget 2026/27
Weekly compensation	2,855	2,917	**2,920**
Public health acute services	815	1,029	**1,621**
Medical treatment	1,324	1,427	**1,569**
Social rehabilitation	1,551	1,517	**1,560**
Elective surgery	566	647	**632**

Organisational health and capability

Performance and culture are intrinsically linked; ensuring ACC's people are highly engaged and that the organisation has a positive culture is key to delivering improved outcomes for clients. ACC has completed most of its direct responses to the recommendations of the ACC Board-commissioned Culture review. Because meaningful culture change takes time, it will remain a priority to monitor progress to ensure that the actions are having the desired effect and continue to support high performance.

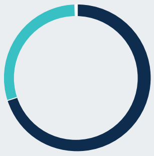
While people will always remain our most important resource, we recognise that this alone is not a sustainable long-term approach. Resetting ACC requires a forward-looking mindset, one that ensures we remain efficient and effective over time, by leveraging new technology and continuously improving how we operate.

Figure 5 — Workforce profile as at 31 March 2026

All Staff

5,017
Permanent and temporary staff

Gender



- 70% Female
- 29.7% Male
- 0.3% Another Gender

Diversity[13]

56.3% European	11.9% Māori
19.2% Asian	6.9% Pasifika
1.5% MELAA	14.5% Other ethnicity

People indicated a Disability **10.6%**

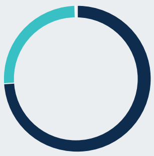
Average age of our people **42.2** years

Average length of service **6.4** years

Frontline Staff

3,780
Permanent and temporary staff

Gender



- 74.2% Female
- 25.6% Male
- 0.3% Another Gender

Diversity[13]

55.8% European	12.8% Māori
18.6% Asian	7.8% Pasifika
1.6% MELAA	14.4% Other ethnicity

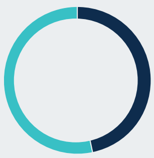
Average age of our people **40.3** years

Average length of service **6.2** years

Tier 1-3 managers

46
Permanent and temporary staff

Gender



- 46.7% Female
- 53.3% Male

Diversity[13]

82.9% European	7.3% Māori
2.4% Asian	0% Pasifika
2.4% MELAA	7.3% Other ethnicity

[13] Diversity can add to more than 100% as employees were able to select more than one ethnicity. All percentages are calculated based on the respondents who disclosed their diversity. All unknown diversity responses are excluded from the percentage calculations.

Our people

Our people remain central to achieving our vision and outcomes. We will continue to foster a positive, safe, and inclusive culture where everyone feels supported in their roles and understands how their work contributes to client outcomes. Building on this foundation, we will focus on enabling our people to drive high performance, with a particular emphasis on developing leadership capability and modernising our approach to learning.

We will actively grow the capability of our workforce to support high performance and professional growth, ensuring people have a clear understanding of their roles and responsibilities. We will equip our people with the right tools and technologies, freeing up time to focus on meaningful client interactions and high-value work.

As a Crown entity, we are also committed to being a good employer by providing safe working conditions and promoting equal opportunities for employment and advancement.

How we will know we have achieved this

Table 11 — Performance measure – Our people

	Actual		Target
Measure	**2024/25**	**Mar 2026**	**2026/27**
Employee engagement[14]	New measure	New measure	**73%**

Why this matters: Equipping our staff with the right tools and capabilities enables them to be high-performing employees, engaged in their organisation and work.

Employee engagement

From 2026/27 onwards we have changed the methodology for this measure to a single aggregated engagement score based on five questions about engagement and work satisfaction from the Public Service Commission Te Kawa Mataaho census conducted in 2025. The new measure can be benchmarked against the rest of the New Zealand public sector. For more information on the methodology please see Glossary of performance measures (refer to page 69).

14 New measure for 2026/27 onwards.

Our information and systems

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

At the same time, our technology must empower our people by providing them with the tools they need to deliver positive recovery outcomes for our customers. Equally our use of customer, clinical, and provider data should support effective decision-making to deliver the right level of entitlements and service to customers. Further empowerment will be achieved through ambitious use of smart technologies to support decision-making, enhance productivity, and modernise customer service via self-service, digital-first solutions, seamless integration, and increased automation. As a continually improving organisation, we also need to ensure that our organisation and customers are supported by reliable, safe, and secure information technology.

How we will know we have achieved this

Table 12 — Performance measures – Our information and systems

	Actual		Target
Measure	**2024/25**	**Mar 2026**	**2026/27**
Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)	2	0	**0**
Why this matters: We care for the personal and health information of New Zealanders, applying the principles of stewardship. Should a privacy breach occur, we aim to reduce resulting harm.			
Overall operational system availability	99.9%	99.9%	**99.9%**
Why this matters: Our systems need to be available so we can deliver the services our customers expect.			

Financial information

Prospective financial information

Introduction

The information that follows sets out the:

- 2026/27 budget for ACC, which incorporates actual results up to 28 February 2026, as prepared for the Budget Economic and Fiscal Update 2026.
- 2025/26 forecast comparative information, based on the projected financial results for the year ending 30 June 2026, incorporating actual results up to 28 February 2026.

The use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented, and that the variations may be material.

These prospective financial statements have been prepared under the new accounting standard PBE IFRS 17 *Insurance Contracts*. All figures, including 2025/26 forecast and 2026/27 budget, are presented on this basis unless otherwise stated. The prospective financial statements have been prepared on the basis of assumptions as to future events that we reasonably expect to occur as at the date the information was prepared. The prospective financial statements are not intended to be updated after they are authorised for issue.

Drivers of the Scheme's financial performance

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

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

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

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

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

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

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

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

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

Prospective financial statements

Statement of prospective comprehensive revenue and expense

For the years ending 30 June

$M	Note	2025/26 Forecast	2026/27 Budget
Insurance revenue	4.1	**6,998**	**7,783**
Insurance service expenses			
Claims paid	5.4	8,367	9,205
Claims handling expenses and other incurred insurance service expenses	6	890	943
Changes to the liability for incurred claims	5.2	100	2,063
Losses and reversal of losses on onerous contracts	5.3	16	(110)
Total insurance service expenses		**9,373**	**12,101**
Insurance service result		**(2,375)**	**(4,318)**
Insurance finance expenses	5.2, 5.3	(4,052)	-
Investment revenue	7.1	4,899	2,125
Investment expenses	6	(117)	(84)
Net investment revenue		**4,782**	**2,041**
Total insurance and investment result		**(1,645)**	**(2,277)**
Other revenue		1	1
Net deficit	1.3.1(e)	**(1,644)**	**(2,276)**
Total comprehensive revenue and expense for the year		**(1,644)**	**(2,276)**

Statement of prospective changes in Account reserves

For the years ending 30 June

$M	Note	2025/26 Forecast	2026/27 Budget
Total Account reserves			
Balance at the beginning of the year (deficit) — previously reported	1.3.1(d)	(13,849)	(3,916)
Impact of initial adoption of PBE IFRS 17	1.3.1(d)	11,577	-
Balance at the beginning of the year (deficit) - restated		**(2,272)**	**(3,916)**
Total comprehensive revenue and expense for the year		(1,644)	(2,276)
Balance at the end of the year (deficit)		**(3,916)**	**(6,192)**

Statement of prospective financial position

As at 30 June

$M	Note	2025/26 Forecast	2026/27 Budget
Account reserves			
Motor Vehicle Account		4,453	4,153
Work Account		3,599	3,235
Earners' Account		(3,414)	(4,337)
Treatment Injury Account		(934)	(1,053)
Non-Earners' Account		(7,620)	(8,190)
Total Account reserves (deficit)	1.3.1(e)	**(3,916)**	**(6,192)**
Represented by:			
Assets			
Cash and cash equivalents	7.2	200	200
Assets supporting collateral	7.2	56	56
Receivables	7.2	144	144
Investments	7.2	57,017	56,631
Derivative financial instruments	7.2	1,067	1,055
Property, plant and equipment, and intangible assets		42	39
Total assets	1.3.1(e)	**58,526**	**58,125**
Less liabilities			
Collateral received	7.2	225	225
Payables and accrued liabilities		3,780	3,786
Derivative financial instruments	7.2	951	951
Employee entitlements and provisions		13	12
Insurance contract liabilities	5.1	57,473	59,343
Total liabilities	1.3.1(e)	**62,442**	**64,317**
Net liabilities	1.3.1(e)	**(3,916)**	**(6,192)**

Statement of prospective cash flows

For the years ending 30 June

$M	2025/26 Forecast	2026/27 Budget
Cash flows from operating activities		
Cash was provided from:		
Levy revenue and Government appropriations	7,045	7,702
Interest	1,346	1,346
Dividends	391	335
Revenue from investment properties and other investments	65	71
Other revenue	1	1
	8,848	**9,455**
Cash was applied to:		
Payments towards claims	8,390	9,205
Payments towards injury prevention and other operating expenses	1,009	1,009
	9,399	**10,214**
Net cash outflows from operating activities	**(551)**	**(759)**
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sale of investments	166,026	166,244
Proceeds from sale of collateral	-	-
	166,026	**166,244**
Cash was applied to:		
Payment for investments	165,301	165,477
Payment for collateral	-	-
Payment for property, plant and equipment, and intangible assets	22	8
	165,323	**165,485**
Net cash inflows from investing activities	**703**	**759**
Net increase in cash and cash equivalents	**152**	**-**
Cash and cash equivalents — opening balance	**48**	**200**
Cash and cash equivalents — closing balance	**200**	**200**

Reporting and funding by Account

The Accident Compensation Scheme (as prescribed by the AC Act) comprises five separate Accounts: the Motor Vehicle, Work, Earners', Treatment Injury and Non-Earners' Accounts. Each Account is funded on a specific basis and is maintained for a separate purpose.

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

Sections 166A and 166B of the AC Act require the Government to issue a funding policy statement setting out the criteria for fully funding the levied Accounts, including the earners' portion of the Treatment Injury Account. Under section 166C of the AC Act, if the Minister for ACC considers it appropriate, levy payers are consulted about the funding policy before the funding policy statement is issued. The funding policy statement can be reviewed at any time. Under sections 331(1) and 331(3) of the AC Act, ACC must make levy rate recommendations in accordance with that funding policy statement. The current funding policy statement was gazetted on 6 April 2021 (Gazette No. 2021-go1226).

The Non-Earners' Account and the non-earners' portion of the Treatment Injury Account are funded through Government appropriations. These Non-Earners' appropriations are administered by the Ministry of Business, Innovation and Employment within Vote Labour Market. The current funding policy was agreed by Cabinet in 2017 (SEC-17-MIN-0028).

Prior to 2001, claims were funded on an annual pay-as-you-go basis. In 2001 Cabinet agreed to fully fund the Non-Earners' Account and the non-earners' portion of the Treatment Injury Account for new claims from 1 July 2001 (post-2001 claims) and to continue to fund claims that occurred before 1 July 2001 (pre-2001 claims) on an annual pay-as-you-go basis. The lifetime costs of post-2001 claims are fully funded using central estimates. Each year, the funding request for cost pressures in the Non-Earners' Account is treated as a forecast adjustment which is capped at 7.5% year on year. To inform the forecast adjustment, ACC re-calculates the appropriations for the following four years to determine any changes to the required funding.

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

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

Statement of prospective comprehensive revenue and expense

For the year ending 30 June 2027

$M	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
	2026/27 Budget				
Insurance revenue	**537**	**1,177**	**3,180**	**485**	**2,404**
Insurance service expenses					
Claims paid	1,004	1,456	3,480	545	2,720
Claims handling expenses and other incurred insurance service expenses	83	229	380	60	191
Changes to the liability for incurred claims	304	338	835	261	325
Losses and reversal of losses on onerous contracts	(3)	(26)	(70)	(11)	-
Total insurance service expenses	**1,388**	**1,997**	**4,625**	**855**	**3,236**
Insurance service result	**(851)**	**(820)**	**(1,445)**	**(370)**	**(832)**
Insurance finance revenue (expenses)	-	-	-	-	-
Investment revenue	576	475	540	262	272
Investment expenses	(25)	(19)	(19)	(11)	(10)
Net investment revenue	**551**	**456**	**521**	**251**	**262**
Total insurance and investment result	**(300)**	**(364)**	**(924)**	**(119)**	**(570)**
Other revenue	-	-	1	-	-
Net deficit	**(300)**	**(364)**	**(923)**	**(119)**	**(570)**
Total comprehensive revenue and expense for the year	**(300)**	**(364)**	**(923)**	**(119)**	**(570)**

Statement of prospective changes in Account reserves

For the year ending 30 June 2027

$M	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
	2026/27 Budget				
Account reserves — opening balance (deficit)	4,453	3,599	(3,414)	(934)	(7,620)
Total comprehensive revenue and expense for the year	(300)	(364)	(923)	(119)	(570)
Account reserves — closing balance (deficit)	**4,153**	**3,235**	**(4,337)**	**(1,053)**	**(8,190)**

Statement of prospective financial position

As at 30 June 2027

$M	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
	2026/27 Budget				
Account reserves (deficit)	**4,153**	**3,235**	**(4,337)**	**(1,053)**	**(8,190)**
Represented by:					
Assets	17,636	12,899	13,626	7,541	6,423
Less liabilities	13,483	9,664	17,963	8,594	14,613
Net assets (liabilities)	**4,153**	**3,235**	**(4,337)**	**(1,053)**	**(8,190)**

Notes to prospective financial statements

For the years ending 30 June 2026 and 30 June 2027

1. Accounting policies

1.1 Reporting entity

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

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

The prospective financial statements were authorised for issue by the Board on 23 March 2026. The Board is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other disclosures.

1.2 Basis of preparation

ACC is a Tier 1 entity, and the prospective financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), the AC Act and the Crown Entities Act 2004. The prospective financial statements comply with PBE FRS 42 *Prospective Financial Statements*.

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

1.3 Changes in accounting policies and disclosures

1.3.1 PBE IFRS 17 *Insurance Contracts*

The public sector modified version of PBE IFRS 17 *Insurance Contracts* was issued in June 2023 and is effective for periods beginning on or after 1 January 2026. PBE IFRS 17 replaced PBE IFRS 4 *Insurance Contracts*. ACC will adopt PBE IFRS 17 for the year ending 30 June 2027 and will apply the standard retrospectively with restatement of the prospective financial statements for the year ending 30 June 2026, being the transition year. Therefore, these prospective financial statements have been prepared under PBE IFRS 17. The impact of the adoption of PBE IFRS 17 is described below.

ACC has applied the transitional provisions in PBE IFRS 17, which require entities to retrospectively apply the standard as if it had always been in effect, unless it is impracticable to do so. ACC has determined that reasonable and supportable information was available for all insurance contracts in force at the transition date (1 July 2025) and has applied the full transition approach. At the transition date ACC:

- identified, recognised, and measured each portfolio of insurance contracts as if PBE IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if PBE IFRS 17 had always been applied; and
- recognised any resulting net difference in Account reserves/net liabilities.

The opening balance sheet at 1 July 2025 and the prospective financial statements for the year ending 30 June 2026 have been restated accordingly.

The financial year ending 30 June 2026 is the transition year under PBE IFRS 17, and PBE IFRS 4 remains effective until that date. The 2025/26 summary prospective financial statements under PBE IFRS 4 are presented below, followed by an explanation of the impact of adopting PBE IFRS 17 on the opening balances and the 2025/26 forecast.

(a) Summary statement of prospective comprehensive revenue and expense

For the year ending 30 June 2026

$M	PBE IFRS 4 2025/26 Forecast
Levy revenue and Government appropriations	6,998
Total claims incurred and other underwriting activities	14,118
Deficit from underwriting activities	**(7,120)**
Net investment revenue	4,782
Other revenue	1
Net deficit	**(2,337)**
Total comprehensive revenue and expense for the year	**(2,337)**

(b) Summary statement of prospective changes in Account reserves

For the year ending 30 June 2026

$M	PBE IFRS 4 2025/26 Forecast
Total Account reserves	
Balance at the beginning of the year (deficit)	(13,849)
Total comprehensive revenue and expense for the year	(2,337)
Balance at the end of the year (deficit)	**(16,186)**

(c) Summary statement of prospective financial position

As at 30 June 2026

$M	PBE IFRS 4 2025/26 Forecast
Total Account reserves (deficit)	**(16,186)**
Represented by:	
Assets	62,768
Less liabilities	78,954
Net liabilities	**(16,186)**

There are no material changes in the statement of prospective cash flows on transition from PBE IFRS 4 to PBE IFRS 17.

(d) Reconciliation of Account reserves/net liabilities

Table 13 — Reconciliation of Account reserves/net liabilities between PBE IFRS 4 and PBE IFRS 17 at 1 July 2025

$M	Note	Total Account reserves/net liabilities
Closing balance (deficit) under PBE IFRS 4 at 30 June 2025		(13,849)
Impact of initial adoption of PBE IFRS 17		
Risk margin	(i)	7,682
Zero risk adjustment	(i)	-
Illiquidity premium	(ii)	4,022
Onerous contracts	(iii), (iv)	(127)
Total impact of initial adoption of PBE IFRS 17		**11,577**
Restated opening balance (deficit) under PBE IFRS 17 at 1 July 2025		**(2,272)**

(e) Reconciliation of 2025/26 forecast

Table 14 — Reconciliation of 2025/26 forecast between PBE IFRS 4 and PBE IFRS 17

$M	Note	Net deficit	Total assets	Total liabilities	Total Account reserves/net liabilities
Forecast 2025/26 under PBE IFRS 4 — 30 June 2026	1.3.1(a) - (c)	**(2,337)**	**62,768**	**78,954**	**(16,186)**
Impact of adopting PBE IFRS 17					
Risk margin	(i)	575	-	(8,257)	8,257
Zero risk adjustment	(i)	-	-	-	-
Illiquidity premium	(ii)	131	-	(4,153)	4,153
Onerous contracts	(iii), (iv)	(13)	-	140	(140)
Total impact of adopting PBE IFRS 17		**693**	**-**	**(12,270)**	**12,270**
Reclassification of assets to insurance contract liabilities	(v)	-	(4,242)	(4,242)	-
Forecast 2025/26 under PBE IFRS 17 — 30 June 2026		**(1,644)**	**58,526**	**62,442**	**(3,916)**

Notes

(i) Risk margin and risk adjustment

The liability for incurred claims and loss component of the liability for remaining coverage have decreased because the risk margin under PBE IFRS 4 is removed and a zero risk adjustment is applied under PBE IFRS 17.

(ii) Discount rate

The liability for incurred claims and loss component of the liability for remaining coverage have decreased due to the inclusion of an illiquidity premium in the discount rate.

(iii) Level of aggregation

Insurance contracts are grouped into portfolios of contracts subject to similar risks and managed together. ACC's five Accounts are further disaggregated into portfolios for the purpose of assessing onerous contracts and presentation of the insurance contract liabilities.

(iv) Onerous contracts

The loss component of the liability for remaining coverage has increased due to the recognition of onerous contracts for portfolios of insurance contracts that are now required to be recognised under PBE IFRS 17.

(v) Presentation of prospective financial statements

The prospective financial statements have new descriptions, terminology, and subtotals. One of these is insurance finance revenue or expenses, which is presented in the prospective statement of comprehensive revenue and expense. This comprises changes in the carrying amounts of a portfolio of insurance contracts arising from the effects of, and changes in, the time value of money and financial risk. Prior to PBE IFRS 17 such changes were recognised in the movements in outstanding claims liability and unexpired risk liability.

In the statement of prospective financial position, insurance contract liability is presented as a single bundle of contractual rights and obligations. As such, assets and liabilities related to insurance contracts are now added together to form the insurance contract liabilities and are no longer presented individually on the face of the statement of prospective financial position. See Note 5.1 Insurance contract liabilities for the components.

1.4 Significant accounting policies

A summary of the significant accounting policies that affect the prospective financial statements is included in the notes that they relate to. A comprehensive list of the accounting policies is included in the Annual Report 2024/25 (under PBE IFRS 4).

2. Significant accounting judgements, estimates and assumptions

ACC makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which significant accounting judgements, estimates and assumptions are applied in the prospective financial statements are described below. A comprehensive list of the judgements, estimates and assumptions is included in the Annual Report 2024/25 (under PBE IFRS 4).

2.1 Liability for incurred claims

The liability for incurred claims relates to claims that occurred on or before the reporting date but have not been paid. It is measured as the present value of fulfilment cash flows within the contract boundary plus a specific risk adjustment factor to account for non-financial risks, which is zero in the case of ACC. Due to the uncertainty in the estimate of the liability for incurred claims, and the number of assumptions required in its determination, it is highly likely that the actual experience will differ from the stated estimate. Standard actuarial techniques are used to formulate the central estimate, taking into account trends in historical claims data, reviewing current conditions that may impact future trends, and scanning the horizon for possible changes that may affect trends in the future.

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

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

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

Some elements of the liability for incurred claims are subject to more uncertainty than others. For past injury years, a higher proportion of the ultimate number of claims for each year will have been reported. These reported claims will have a longer history of payments and a smaller outstanding amount, all other things being equal, than claims reported in more recent injury years. Incurred but not reported (IBNR) claims have no payment history and must be estimated in their entirety. Hence the liability for incurred claims estimate for more recent injury years will be subject to more uncertainty.

The general sources of uncertainty include:

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

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

The estimated future cash outflows are discounted using a discount rate comprising the risk-free rate based on the yield curves of New Zealand Government bond rates plus an illiquidity premium.

2.2 Gradual process claims

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

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

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

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

2.3 Sensitive claims

These claims are a result of mental injuries that have been caused by certain criminal acts as set out in Schedule 3 of the AC Act (predominantly serious sexual offences) under the provision in section 21. Prior to 2023/24, ACC interpreted the AC Act such that the date for a mental injury arising from sexual abuse was the date on which the person first received treatment. In December 2023, a Court of Appeal decision ruled that for claimants who obtain cover for a mental injury arising from sexual abuse, it is the date of mental injury, rather than the date of first treatment, which should be used to determine if a claimant is a potential earner under section 6 of the AC Act.

This resulted in a larger than expected increase in liability for incurred claims at the end of 2023/24 as a liability had to be held for incurred but not reported claims from the date of the mental injury, rather than from the date of first treatment, in respect of potential claims for sexual offences, usually where the individual is aged under 18 when the offence or offences took place. This also meant that many more claimants (typically those whose sexual offences occurred when they were under 18) are likely to be eligible for backdated loss of potential earnings.

2.4 Risk adjustment

Risk adjustment measures the compensation required for uncertainty around the amount and timing of the future cash flows from non-financial risk. The Government sets ACC's funding policies and the Accounts are managed on this basis. The funding policies do not require compensation, as defined in PBE IFRS 17, for assuming non-financial risk. Therefore, ACC has applied judgement to determine the risk adjustment to be zero. This achieves a 50% confidence level (that is, a 50% probability of sufficiency) for the liability for incurred claims and loss component of the liability for remaining coverage.

From ACC's perspective no additional compensation is required due to the following reasons:

- its funding policies (as they currently stand) exclude risk adjustments to avoid over or under funding the Scheme
- its unique ability to recover cost overruns through future levies and appropriations
- this aligns with its statutory purpose and public sector responsibility, which include providing comprehensive, no-fault personal injury cover, operating in a financially responsible and prudent manner and ensuring the long-term sustainability of the Scheme.

2.5 Discount rate for insurance contract liabilities

Discount rates under PBE IFRS 17 must be derived using a yield curve with similar attributes and liquidity characteristics, risks, and maturities as the future cash flows of the insurance contracts. The methodology used to derive the curve may be either the bottom-up approach that uses a risk-free yield curve plus an illiquidity premium, or the top-down approach that uses a market-based yield curve adjusted for credit risk across the entire curve. Development of the discount rate assumptions involves significant judgement and effort and has a material impact on the measurement of ACC's insurance contract liabilities.

ACC has applied the bottom-up approach. The risk-free rates are based on the yield curves of New Zealand Government bond rates prescribed by Treasury. The illiquidity premium is estimated based on the market observable spread between yields of New Zealand Government bonds and Local Government Funding Agency bonds, with an adjustment for credit risk.

2.6 Pre-2001 claims

Pre-2001 claims are funded by Government appropriations on pay-as-you-go basis annually. One of the requirements to be in scope of PBE IFRS 17 is that the arrangement has an identifiable coverage period. Section 227 of the AC Act states that the funds for the Non-Earners' Account are to be derived from appropriations authorised by Parliament. These appropriations for the non-earners are annual and lapse at the end of the financial year (30 June). For the annual Non-Earners' Account appropriations, lapsing each year at 30 June supports the interpretation that the identifiable coverage period for non-earners is considered one year (based on ACC's financial year, ending 30 June). Based on the substance of the arrangement and considering all public sector guidance in Appendix E of PBE IFRS 17, pre-2001 claims are classified as insurance contracts within the scope of PBE IFRS 17.

2.7 Accrued levy revenue within liability for remaining coverage

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

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

Accrued levy revenue for the Work, Earners' and earners' portion of the Treatment Injury Accounts is estimated using their respective expected liable earnings and average levy rates.

2.8 Investments

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

All investments are measured at fair value; however, significant judgement is required in assessing the nature of ACC's interests in other entities. This judgement involves evaluating the extent of ACC's ability to influence or participate in key financial and operating decisions of those entities. Based on this assessment, investments are classified as associates where ACC has significant influence, or as joint ventures where decision-making is shared with other parties and with rights to the net assets of the joint arrangements. These assessments are based on current information and assumptions about future arrangements and behaviours, which may change over time.

2.9 Going concern assumption

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

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

3. Financial risks

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

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

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

4. Insurance revenue

4.1 Levy revenue and Government appropriations

Accounting policy

Levy revenue is recognised based on the passage of time over the levy period, in accordance with the provision of coverage, and is measured based on expected receipts for the levy period to which it relates. Levy revenue relating to levy periods that commenced prior to balance date is accrued if not yet invoiced. This is recognised as accrued levy revenue and reduces the liability for remaining coverage. This accrual is estimated based on expected liable earnings at the applicable levy rate less an estimate for non-payment by levy customers, with the assumption that the levy revenue is earned evenly over the levy period. Revenue earned excludes taxes and levies collected on behalf of third parties. Levies that are not earned at the reporting date are recognised as unearned levy revenue and increase the liability for remaining coverage.

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

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

Table 15 — Levy rates by levy year

Account	2025/26 Forecast	2026/27 Budget
Motor Vehicle	$122.84 per vehicle through licensing fees and petrol levies	$131.94 per vehicle through licensing fees and petrol levies
Work	$0.66 per $100 liable earnings	$0.69 per $100 liable earnings
Earners'	$1.45 per $100 liable earnings	$1.52 per $100 liable earnings
Treatment Injury Account - Earners' portion	$0.06 per $100 liable earnings	$0.06 per $100 liable earnings

The total insurance revenue budget of $7,783 million for 2026/27 is $785 million higher than the 2025/26 forecast. The budget incorporates:

- The 2026/27 levy rates increase for the Work and Earners' Account, effective 1 April 2027.
- The Non-Earners' Account appropriations, including the non-earners' portion of the Treatment Injury Account which are increased by $191 million or 7.45% to $2,754 million
- Growth in liable earnings which are expected to increase by 3.74% in 2026/27, when compared to 2025/26
- Licensed vehicle volumes increasing 1.05% and a forecast reduction in petrol-consumption of 0.92%.

Table 16 — Insurance revenue

$M	2025/26 Forecast	2026/27 Budget
Levy revenue	4,435	5,029
Government appropriations	2,563	2,754
Total insurance revenue	**6,998**	**7,783**

4.2 Government appropriations

The Minister for ACC purchases outputs from ACC consistent with the provisions of the AC Act in respect of claims in the Non-Earners' Account, the non-earners' portion of the Treatment Injury Account and Sexual Abuse Assessment and Treatment Services. This funding is appropriated within Vote Labour Market. In Table 17, the 2025/26 budget is the same as the 2025/26 forecast.

Table 17 — Output expenses for Government appropriations

$M	2025/26 Budget	2026/27 Budget	Relevant ACC activity	Relevant ACC output
Case management and supporting services	377	405	Development and delivery of programmes to reduce the incidence and severity of injury.	Injury prevention
			Setting, invoicing and collecting levies — the Vote Labour Market appropriation process.	Levy engagement and collection
			Management of investment assets.	Investment management
			Lodgement of new claims and making cover decisions. The costs of determining, processing, paying and monitoring payments to treatment and service providers and clients. Also includes the cost to ACC of managing claims with the goal of returning clients to independence.	Claims management
Sexual abuse assessment and treatment services	14	14	Payments to providers for sexual abuse assessment and treatment services, and associated training and accreditation services, to victims of sexual abuse or assault.	Claims management
Rehabilitation entitlements and services	1,492	1,604	Payments to providers for services including social rehabilitation, medical treatment and vocational rehabilitation.	Claims management
Public health acute services	548	589	Funding via the Ministry of Health to provide services to injured people in hospitals during the acute phase of their treatment.	Claims management
Compensation entitlements	132	142	Direct payments of entitlements to clients, including weekly compensation, independence allowances and lump sum payments.	Claims management
Total	**2,563**	**2,754**		

5. Insurance contracts

5.1 Insurance contract liabilities

Table 18 — Components of the insurance contract liabilities

$M	2025/26 Forecast	2026/27 Budget
Liability for remaining coverage		
Accrued levy revenue	(4,081)	(4,499)
Levy receivables	(120)	(134)
Unearned levy liability	3,476	3,824
Other liabilities	74	81
	(651)	**(728)**
Loss component of the liability for remaining coverage	1,451	1,341
Liability for incurred claims		
Actuarial valuation	56,652	58,715
Other assets	(41)	(40)
Other liabilities	62	55
	56,673	**58,730**
Insurance contract liabilities	**57,473**	**59,343**

5.2 Liability for incurred claims

Accounting policy

The liability for incurred claims relates to claims that occurred on or before the reporting date but have not been paid. It is measured as the present value of fulfilment cash flows within the contract boundary plus a specific risk adjustment factor to account for non-financial risks, which is zero in the case of ACC. The liability for incurred claims is discounted to reflect the time value of money.

The liability for incurred claims consists of expected future payments associated with:

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

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

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

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

The actuarially valued liability is forecast to increase by $4,158 million (7.92%) to $56,652 million in 2025/26. This reflects the 31 December 2025 valuation, with adjustments to reflect economic assumptions as at 28 February 2026. It is estimated that the actuarially valued liability for incurred claims will reach $58,715 million in 2026/27.

Table 19 — Liability for incurred claims

2025/26 Forecast $M	Actuarial valuation	Other assets	Other liabilities	Total
Opening balance at 1 July	52,494	(30)	130	52,594
Changes from insurance service expenses	100	-	-	100
Insurance finance expenses	4,058	-	-	4,058
Other balance sheet movements	-	(11)	(68)	(79)
Closing balance at 30 June	**56,652**	**(41)**	**62**	**56,673**

2026/27 Budget $M	Actuarial valuation	Other assets	Other liabilities	Total
Opening balance at 1 July	56,652	(41)	62	56,673
Changes from insurance service expenses	2,063	-	-	2,063
Insurance finance expenses	-	-	-	-
Other balance sheet movements	-	1	(7)	(6)
Closing balance at 30 June	**58,715**	**(40)**	**55**	**58,730**

5.3 Loss component of the liability for remaining coverage

Accounting policy

If at any time during the coverage period, facts and circumstances indicate that a portfolio of contracts is onerous, ACC assesses whether the onerous contracts loss should be recognised. Facts and circumstances include new year cost gap. For ACC the facts and circumstances indicate that all the portfolios have onerous contracts. However, ACC only recognises onerous contracts when the coverage period does not align with the financial year because there is a remaining coverage period at balance date. These are the portfolios funded by levies.

A portfolio of contracts is classified as onerous when the total expected fulfilment cash flows allocated to the portfolio of contracts result in a net outflow. This net outflow is the loss component of the liability for remaining coverage. Fulfilment cash flows comprise the present value of future cash flows plus a risk adjustment for non-financial risk. For ACC, the risk adjustment is zero. The loss is recognised in the insurance service expense in the statement of prospective comprehensive revenue and expense and the loss component of the liability for remaining coverage in the statement of prospective financial position.

The loss component of the liability for remaining coverage is remeasured (i.e., additional expected loss or reversal of loss based on experience) until this is zero. The loss component must be zero at the end of the coverage period. The loss component is also reduced by the insurance service expenses actually incurred during the period, reflected with a decrease in insurance service expense. The loss component run-off is based on the passage of time over the remaining coverage period of contracts within an onerous portfolio.

The loss component of the liability for the remaining coverage is forecast to increase by $10 million (0.69%) in 2025/26 and budgeted to decrease by $110 million (7.58%) in 2026/27.

Table 20 — Loss component of the liability for remaining coverage

$M	2025/26 Forecast	2026/27 Budget
Opening balance at 1 July	1,441	1,451
Changes from insurance service expenses	16	(110)
Insurance finance (revenue) or expenses	(6)	-
Closing balance at 30 June	**1,451**	**1,341**

5.4 Claims paid

Claims paid are forecast to increase by $838 million (10.02%) to $9,205 million from the 2025/26 forecast to the 2026/27 budget. Claims paid are derived from the forecasts of new registered and new weekly compensation claims' growth, expected rehabilitation duration performance, the health labour cost index, and average weekly earnings assumptions.

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

Table 21 — Claims paid

$M	2025/26 Forecast	2026/27 Budget
Rehabilitation (including treatment) costs		
Social rehabilitation	1,517	1,560
Vocational rehabilitation	116	128
Medical treatment	1,427	1,569
Public health acute services	1,029	1,621
Hospital treatment	647	632
Conveyance for treatment	325	357
Dental treatment	48	53
Total rehabilitation (including treatment) costs	**5,109**	**5,920**
Compensation costs		
Income maintenance	2,917	2,920
Independence allowances	70	73
Lump sums	82	85
Death benefits	108	114
Total compensation costs	**3,177**	**3,192**
Other costs	81	93
Total claims paid	**8,367**	**9,205**

6. Operating expenses

ACC's total operating expenses, comprising claims handling expenses, other incurred insurance service expenses, investment expenses and other expenses are allocated to the five Accounts using an activity-based costing methodology.

Operating expenses are budgeted to increase by $20 million (1.99%) to $1,027 million from the 2025/26 forecast to the 2026/27 budget.

Table 22 — Operating expenses by nature

$M	2025/26 Forecast	2026/27 Budget
Personnel expenses		
Salaries and wages	483	515
Employer contributions to defined contribution schemes	46	49
Contractors and temporary staff	5	2
Training and professional development	2	3
Termination benefits and other personnel restructuring expenses	2	-
Other personnel expenses	8	21
Total personnel expenses	**546**	**590**
Other operating expenses		
Computer and telecommunication expenses	104	127
Consulting and other professional services	12	13
Depreciation, amortisation, impairment and gains/losses on disposal of property, plant and equipment and intangibles	33	16
Direct investment expenses	14	15
External investment expenses	47	36
External levy collection	7	8
Programme expenses (including injury prevention)	57	55
Rental and operating lease expenses	34	38
Strategic change programmes	81	76
Other operating expenses	72	53
Total other operating expenses	**461**	**437**
Total operating expenses	**1,007**	**1,027**

7. Investment revenue and net investment asset

Accounting policy

Investment revenue is recognised when earned or received, depending on its nature. This may include dividends, distributions, or interest, and can be received in the form of cash or additional investment units.

Investment assets and liabilities are measured at fair value, with changes recognised in surplus or deficit. ACC has elected to measure its investments in associates and joint ventures at fair value, as it meets the definition of a venture capital organisation. Realised gains or losses are also recognised in surplus or deficit.

7.1 Investment revenue

Investment revenue reflects expected returns on ACC's investment portfolio and is sensitive to market conditions, including interest rates, exchange rates and asset price movements.

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

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

The projected rate of return range in 2026/27 is 3.96% to 4.56% per annum, depending on the Account.

Table 23 — Investment revenue

$M	2025/26 Forecast	2026/27 Budget
Interest, dividend and other revenue	1,808	1,752
Gains on investments	3,091	373
Investment revenue	**4,899**	**2,125**

7.2 Net investment assets

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

Table 24 — Net investment assets

$M	2025/26 Forecast	2026/27 Budget
Operational cash portfolio	**200**	**200**
Investments	57,017	56,631
Net cash collateral	(169)	(169)
Net derivative financial instruments	116	104
Receivables (including unsettled transactions, reverse repurchase agreements, and dividend and interest receivables)	144	144
Payables (including unsettled transactions and repurchase agreements)	(3,743)	(3,742)
Investment reserves portfolio	**53,365**	**52,968**

8. Summary of other important assumptions

Our prospective financial statements are underpinned by a range of assumptions. In addition to those noted earlier in this section, we adopt a range of forecasts for those indices that drive aspects of our financial performance. Our claim volume growth assumptions are established by a model with forecast inputs from other Government agencies, including the Treasury and Statistics New Zealand. For more information, refer to page 27.

Table 25 — Important Assumptions

Index (year to 30 June)	2026	2027	2028	2029	2030
Claim volume growth	1.60%	1.80%	1.60%	1.20%	1.10%
Entitlement claim volume growth	1.60%	1.80%	1.60%	1.20%	1.10%
Population growth	0.86%	1.08%	1.18%	1.18%	1.19%
Consumer price index	2.34%	2.28%	2.12%	2.07%	2.00%
Labour cost index	2.54%	2.48%	2.32%	2.27%	2.20%
Ordinary time weekly earnings	2.34%	2.42%	2.97%	3.21%	3.28%

Appendices

Appendix 1 — Alignment of the Service Agreement

The Service Agreement is one of three accountability documents produced by ACC as part of our public accountability framework. These can be found on our website[15].

Relationship between the accountability documents

Type	Document		Description
Strategic direction	**Statement of Intent**	**Strategy** / Four-year view	Outlines our organisational strategy from 2026 to 2029
Delivery	**Service Agreement**	**Initiative planning** / One-year view	An agreement between the Minister for ACC and ACC outlining the services to be delivered in the coming financial year
Performance assessment	**Annual Report**	**Evidence of delivery** / Year in review	Highlights our achievements, financial performance, and delivery against measures included in the Service Agreement and Statement of Intent measures

This Service Agreement sets out our 2026/27 annual expectations for:

- what we will have delivered by 30 June 2027 to demonstrate progress against our strategic objectives
- the quality and quantity of services to be provided by ACC
- the expected cost of those services
- the performance measures, targets and related information necessary for the Minister to assess our performance
- the nature and frequency of the reporting requirements against the Service Agreement
- how we will deliver our outputs: injury prevention, levy engagement and collection, investment management, and claims management

The Service Agreement outlines the services ACC will deliver. It does not impose corresponding obligations on the Minister.

[15] www.acc.co.nz/about-us/corporate.

Appendix 2 — Conditions of the Service Agreement

This section explains the roles, responsibilities, and performance monitoring expectations of key stakeholders for the duration of this Service Agreement.

Roles and responsibilities

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

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

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

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

The Board is expected, as a matter of good governance practice, to adopt a "no surprises" approach to its relationship with the Minister.

Parties

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

Term

This Service Agreement dated 30 June 2026 is entered into pursuant to section 271 of the AC Act, relates to the period from 1 July 2026 to 30 June 2027, and aligns with the Letter of Expectations for ACC (received 23 April 2026). This Service Agreement replaces the Service Agreement dated January 2026.

Functions and duties

ACC's statutory functions and duties under the AC Act are delivered through the outputs described in this Service Agreement. These outputs represent the principal activities through which ACC performs its functions and manages each Account. ACC's four core outputs are injury prevention, levy engagement and collection, investment management, and claims management.

ACC provides accident insurance cover for more than two million injured New Zealanders and visitors to New Zealand in a year. Our core services are:

Injury prevention

We have a key role in promoting a reduction in the incidence and severity of personal injury. ACC-funded injury prevention activity is expected to be cost effective and to lead to reductions in levies and appropriations.

Rehabilitation

We aim to restore an injured person's independence to the maximum extent practicable. Specific provisions in the AC Act prescribe the entitlements that clients can access.

Compensation

The Scheme provides financial compensation to clients for certain losses owing to personal injury.

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

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

Amendments to this Service Agreement

This Service Agreement may be amended with the consent of the Minister and the Board if at any time during its term the work or environment of ACC is materially altered, and the contents of this Service Agreement are no longer appropriate. Any subsequent changes must be signed by the Minister and the Board and attached to this Service Agreement. Both parties will hold copies of the original and any amendments to this Agreement.

Payment

The Minister, on behalf of the Crown, will pay ACC up to the amount authorised by Parliamentary Appropriations for 2026/27. The Ministry of Business, Innovation and Employment (MBIE), acting as the administering agency responsible for Vote Labour Market will action payments to ACC in accordance with the Public Finance Act 1989. Payments will be made monthly by direct credit from MBIE to ACC, coinciding with MBIE's receipt of funding from the Treasury.

Interpretation

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

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

This Service Agreement constitutes the Statement of Performance Expectations for ACC for the purposes of sections 149E to 149G of the Crown Entities Act 2004.

Reporting

ACC will provide quarterly reports on its performance against this Service Agreement. Quarterly reports are to be read alongside this Service Agreement and prior quarters' reports to provide context for 2026/27 performance.

Each quarterly report will include:

- performance commentary against targets including explanation and analysis of performance trends
- proposed actions to improve performance
- progress in implementing key initiatives
- financial performance commentary
- analysis of risks, critical issues, and opportunities.

ACC will also provide information and commentary to the Minister's officials, as appropriate, to support monitoring of and improve understanding of Scheme performance. This may include insights and analysis, other supporting measures, and historical information.

Where performance does not meet target, ACC will provide further information that may include:

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

As necessary, ACC will provide the Minister with:

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

Timeframes for 2026/27 quarterly reporting:

Quarterly report	Timeframe
Quarter one	31 October 2026
Quarter two	31 January 2027
Quarter three	30 April 2027
Quarter four	31 July 2027

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

Cost of capital disclosure

For the purposes of section 271(3A) (c) (i) of the AC Act, ACC does not assess a cost of capital and does not rely on assumptions in relation to assessing the cost of capital.

Appendix 3 — Letter of Expectations

Hon Scott Simpson

Minister for ACC
Minister of Statistics
Deputy Leader of the House

2 3 APR 2026

Jan Dawson
Chair
Accident Compensation Corporation
[redacted]

Dear Jan,

LETTER OF EXPECTATIONS FOR THE ACCIDENT COMPENSATION CORPORATION (ACC) – 2026/27

I am writing to outline my expectations for the Accident Compensation Corporation (ACC) as it works towards planning for the 2026/27 financial year. This letter builds upon previous letters of expectation to you, in particular the letter sent in November last year.

Firstly, I want to acknowledge the progress ACC has made since developing the Turnaround Plan and the renewed focus on rehabilitation. I am pleased to see that our direction on the following priority areas in the last Letter have been reflected:

- Putting clients first with care that leads to lasting recovery;
- Getting New Zealanders back to work and independence; and
- Resetting ACC and getting the organisation back to basics.

ACC must now ensure a continued push for improved performance and that every action is taken with these priorities in mind. I am encouraged by the promising results seen recently, particularly the improvement of return-to-work rates across the 28-days, ten-weeks, nine-months, and one-year timeframes, and reduction in Long-Term Claims Pool growth rates to the lowest levels since 2014. However, there is still a significant amount of work required to see a sustained improvement in ACC's performance. Over the next year, I expect ACC to have an increased focus on lifting capability and delivering the care that New Zealanders expect.

Delivering on the Turnaround Plan in 2026/27

This upcoming year is important as it is the first full year of the Turnaround Plan being in effect. I expect the Board to maintain the momentum I am currently seeing, and push beyond this for further improvements. To achieve this, I expect that the Board holds the Executive Leadership Team to account by rigorously monitoring progress against targets set out in the 2026-2030 Statement of Intent.

The Board must ensure that progress against these targets is measurable, visible and ambitious. I am encouraged by the ongoing weekly and monthly reporting received by my office, and the newly implemented public-facing monthly reports. This reporting ensures accountability and transparency for the organisation and is something that I expect to continue into the future.

The appointment of a new Chief Executive is vital in progressing ACC's turnaround. The Chief Executive role is the Board's primary lever to drive sustained improvement in organisational performance, culture, and delivery against the Turnaround Plan's priority

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areas. Accordingly, it is critical that the recruitment process identifies a candidate with the capability to lift performance at pace and to provide clear, accountable leadership. I expect you and the Board to prioritise this recruitment and keep me informed at each step in the process.

Returning to best-ever performance

I support the Turnaround Plan's overarching goal to "return ACC to best-ever performance in the coming years". I expect you and the Board to maintain and build momentum towards achieving this goal, and to hold the Executive Leadership Team accountable for any deterioration in performance.

Alongside this, I support ACC's ambition to operate as a high-performing organisation; delivering timely and effective support to clients, ensuring people receive the right care when they need it, enabling staff to deliver on ACC's objectives, and maintaining a strong and financially sustainable scheme that provides value for levy payers now and into the future.

I also encourage the Board to identify further opportunities to improve Scheme efficiency beyond those set out in the Turnaround Plan. In doing so, I would like to see you and the Board strengthen engagement with providers, clients, and the wider sector. This will assist the Board in obtaining an external perspective and a practical, on-the-ground understanding of ACC's performance and service delivery, in addition to the information provided through formal reporting. I am undertaking this engagement and have found it both valuable and informative. I also encourage you and the Board to increase engagement with ACC staff, particularly those in frontline roles, who offer unique and valuable insights into the work of ACC and the Board.

Improved Client Outcomes

ACC must continue to deliver on its statutory obligations under the Accident Compensation Act 2001. In particular, ACC must ensure that, where injuries occur, its primary focus is rehabilitation through the provision of services to restore clients back to health, independence, and participation. As such, supporting clients to return to work and independence must remain central to ACC's purpose and decision-making.

I expect clients to be at the heart of ACC's decision-making. I also expect ACC to take a long-term view of value, recognising that timely and appropriate investment in rehabilitation can improve outcomes and reduce the likelihood of longer-term cost and complexity for the Scheme. As part of this, I expect ACC have a more robust claims triaging process to ensure that injured New Zealanders receive timely and fair decisions. To this end, it is imperative for the Board, Executive Leadership team, and other team leads to support frontline staff in their decision making.

To support this, I encourage ACC to prioritise early intervention and to make well-targeted upfront investments where these are likely to help clients return to work and independence sooner. This includes ensuring spending decisions are made consistently and on the basis of evidence about what works, with a clear focus on achieving sustainable recovery outcomes. I will look for this to be reflected in performance measures and reporting over 2026/27.

Delivering improved outcomes for clients while supporting long-term Scheme sustainability can be achieved by ACC making use of the wider rehabilitation system. This includes external and private providers, which I encourage ACC to work with to ensure capacity is available where it is most needed. Services that are timely, evidence-based, and focused on a long lasting recovery are imperative to reduce delayed recovery times and prevent New Zealanders with less serious injuries from entering the Long-Term Claims Pool.

Helping injured New Zealanders regain independence and re-engage in work and community life is a shared endeavour across ACC and its provider network. I encourage ACC to lead and enable that collective effort, drawing on the full breadth of system capability where appropriate, to deliver consistently better outcomes for clients.

Communication and Engagement

I expect communications between the Board, myself, and ACC to remain straightforward and timely. All priorities should be delivered through a "no surprises" approach. As such, you should inform us of any significant events or circumstances, whether positive or negative, that could be considered contentious, attract wide public attention, and/or affect the financial position of ACC.

In undertaking its business, I expect ACC to continue working constructively and collaboratively with both our offices, the Ministry of Business, Innovation and Employment, and the Treasury to achieve the Government's objectives.

I will continue to monitor progress closely as the Board drives this important work. Thank you for your efforts to date; with your leadership, I am confident ACC can sustain improved performance over the year ahead and deliver better outcomes for New Zealanders.

Yours sincerely,

Hon Scott Simpson
Minister for ACC

Appendix 4 — Investment statement

This Investment statement should be read alongside our Annual Report[16] and our Investments website[17]. Together these describe our investment portfolio, investment objectives, and how we measure performance.

ACC's investment objectives

ACC invests to help ensure there is enough money available to meet the long-term costs of serious injuries, as measured by the liability for incurred claims. To achieve this, ACC aims to:

- achieve a suitable balance between return and risk
- maximise long-term investment returns, for the level of risk taken
- achieve long-term investment returns that exceed the benchmark by 0.15% (15 basis points) after investment-related costs
- mitigate risks through appropriate diversification, effective risk management, and a strong operational control environment
- incorporate ethical considerations into investment decision-making
- support the spirit and content of New Zealand's health and safety legislation.

Hedging ACC's liability for incurred claims is a core objective of the Investment Fund. To that extent, ACC is a significant investor in long-dated New Zealand government bonds. Long-dated New Zealand government bonds provide the closest available match to the duration and cash-flow profile of ACC's long-term liabilities. Full liability matching is extremely difficult due to the very long-term nature of ACC's liabilities and the limited availability of equivalent assets.

Governance

The Board Investment Committee

The ACC Board (the Board) sets the overall investment risk tolerance, but delegates responsibility for investment governance to the Board Investment Committee (BIC). The Board determines BIC's membership, which consists of two or more ACC Board members plus expert external appointees. The BIC reports to the Board regularly.

Reserved decisions: Board Investment Committee

The following decisions are reserved for BIC and are not delegated to management:

- approval of asset-allocation benchmarks and the default investment market allocation for each of ACC's Accounts
- approval of policy documents governing how ACC approaches specific aspects of investment management
- approval of Investment Guidelines, specifying limits and controls across all aspects of the investment operation
- approval of the Investment Risk Management Policy
- appointment of external fund managers and custodians
- approval of investment transactions that fall outside the limits and controls specified in the Investment Guidelines.

Delegated authority: Investments Group

The Chief Investment Officer (CIO) is responsible for ensuring the investment portfolio is managed within the risk tolerances, restrictions, and limits set out in the Investment Guidelines and the Investment Risk Management Policy. The CIO reports to the BIC on a regular basis.

The BIC delegates day-to-day investment decision-making to ACC's CIO, who in turn sub-delegates to members of the Investment Group (internal investment managers) and, for global mandates, to external fund managers operating under Investment Management Agreements.

16 www.acc.co.nz/about-us/corporate-documents
17 www.acc.co.nz/about-us/our-investments

BIC ensures these decisions reflect ACC's investment beliefs and objectives by:

- specifying the investment policies that ACC Investment Group (the Group) staff must comply with
- specifying investment benchmarks used to measure investment performance
- specifying how the Group should measure and account for risk
- setting limits and controls governing the scale and nature of the investment decisions
- establishing clear accountability for investment performance
- ensuring a strong operational control environment that enforces limits and manages conflicts of interest.

Code of Conduct

The ACC Investments Code of Conduct establishes rules to ensure that investment staff comply with the Financial Markets Conduct Act 2013 and manage personal investments, conflicts of interest and offers of gifts and hospitality appropriately.

ACC's policy is that the investment portfolio is managed to strong ethical standards consistent with its position as a Crown Agent.

This requires investment staff to:

- be fully aware of and comply with all applicable legal obligations and internal policies and guidelines
- identify and appropriately address any instances of non-compliance (actual or potential) to eliminate or minimise ACC's exposure to legal or reputational risk.

Investment policies and standards

Investment strategy

The Strategic Asset Allocation (SAA) is the highest-level investment strategy decision. The SAA sets the asset class allocation percentages for each of the Scheme's five accounts and defines the market benchmarks that best represent the risk and return characteristics of each asset class.

BIC reviews the asset allocation benchmarks on both an annual and an interim basis. The SAA is BIC's primary tool in managing the risk profile of the investment portfolio.

Active management

Active portfolio management is central to ACC's investment beliefs and strategy, allowing the investment team to identify and exploit market opportunities, enhance returns, and manage risks.

Most of ACC's investments are managed internally, although external fund managers are engaged for some investment mandates, ensuring that external expertise is used where appropriate.

Management standards

ACC believes that its consistent outperformance is largely because it employs highly-skilled investment professionals and places them in an environment conducive to success, by:

- emphasising individual accountability while encouraging team collaboration
- encouraging open discussion and debate without imposing artificial 'consensus'
- promoting consideration of risk as well as long-run returns, aligning behaviours with ACC's objectives
- empowering investment professionals to make decisions that add value, while recognising that some misjudgement is inevitable.

Stewardship

ACC has a dedicated Governance Manager who works with the New Zealand-listed equity team to actively exercise our corporate governance responsibilities. This serves the dual purpose of driving sustainable value creation and raising New Zealand's corporate governance standards. ACC pays particular attention to:

- the effective representation of shareholders' interests where conflicts exist (e.g. where a large holder or an external manager has outsize influence)
- clear disclosure by companies of strategies and the board skills required to execute them
- the alignment and disclosure of executive remuneration.

ACC also interacts proactively with regulators, exchanges, issuers and other investors regarding governance issues, with particular attention to director duties, and issues arising from the NZX Corporate Governance Code review.

Ethical Investment Policy

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

ACC is legally required to invest as a trustee, which carries a fiduciary duty to achieve the best possible mix of return and risk. ACC is committed to fulfilling its fiduciary duty while also fully considering the ethical implications of its investment decisions. Ethical considerations are integrated into investment decision-making across all asset classes, including due diligence for new investments and ongoing monitoring of existing holdings.

ACC avoids investing in entities that engage in activities that are illegal in New Zealand or that a substantial majority of New Zealanders would regard as unethical. Because ethical positions can be subjective and diverse, ACC uses New Zealand law as the primary reference for the principles widely held by New Zealanders.

ACC's full Ethical Investment Policy[18] is available on the website.

Exclusions

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

ACC will also occasionally exclude companies that behave in an unethical manner where there appears to be little prospect of change. Standard procedure is to engage with the company before any exclusion decision is made.

ACC's full Exclusions List[19] is updated periodically and is available on the website.

Climate change commitment

ACC recognises the importance of climate change and is committed to supporting climate-related objectives. ACC Investments achieved its 2025 interim target of a 60% reduction in the carbon intensity of its listed equity portfolio by 2025 (compared to a June 2019 baseline). It is on track for a 65% reduction in the carbon intensity of its listed equities by 2030.

ACC's policy for achieving its carbon reduction targets includes:

- divesting from thermal coal mining companies
- adopting low-carbon benchmarks for listed equity portfolios
- implementing a gradually decreasing carbon cap across listed equity portfolios
- actively engaging with companies on climate change and emission reduction strategies through collective action with other Crown Financial Institutions.

Risk management policies

Taking compensated risk is core to investing. The BIC ensures that accepted investment risk levels are consistent with the ACC Board's risk appetite and aligned with investment objectives. Risk is governed through two primary instruments: the Investment Risk Management Policy and Investment Guidelines.

Investment Risk Tolerance

The ACC Board, with BIC's input and endorsement, approves ACC's investment risk tolerance. This is reviewed every 5-10 years, which reflects ACC's long investment horizon and the importance of sustaining the agreed tolerance through market cycles.

Essentially, the review assesses how much risk ACC is willing and able to take in pursuit of higher returns and the trade-offs involved in doing so. The agreed risk tolerance is expressed as an overall weighting for equities and sets the baseline for the SAA.

The risk tolerance statement is made public to enhance the institutional stability, transparency, and accountability of this decision.

18 *www.acc.co.nz/assets/corporate-documents/ethical-investment-policy.pdf*
19 *www.acc.co.nz/assets/corporate-documents/Investments/Direct-Exclusions-List-effective-31-December-2025.pdf*

Investment Guidelines

The Investment Guidelines are set by BIC to control how much risk the Investment Group can take. The guidelines specify restrictions and exposure limits to set boundaries within which the investment portfolio must operate.

The investment portfolio is exposed to many types of risks. This includes but is not limited to:

- **macroeconomic risk** — changes in interest rates and inflation expectations impact the investment portfolio and affect the valuation of the liability for incurred claims. The investment portfolio can only partially match changes in the liability for incurred claims arising from movements in interest rates and inflation expectations given the longer duration of the liabilities.
- **market risk** — the value of investments will fluctuate due to price changes in equity, bond and currency markets. Economic and business cycles, industry trends, and geopolitical events all influence financial markets and, in turn, the value of the investment portfolio.
- **credit risk** — ACC invests in debt securities and deposits cash with banks. The investment portfolio will incur loss if an issuer of debt securities or a bank where ACC deposits cash defaults on its contractual obligations.
- **counterparty risk** — ACC uses bank and exchange-traded derivatives to manage exposure to equity, interest rate, credit and currency risks. This creates an exposure to the bank or exchange that could result in portfolio losses if they fail to deliver on their contractual obligations.
- **liquidity risk** — the portfolio needs exposure to liquid assets to cover claim costs, meet derivative obligations and capitalise on opportunities. Liquidity risks arise when investments assets need to be sold to generate cash, but are difficult to sell, which means having to accept lower-than-expected prices.

Investment valuation policy

ACC's valuation policy ensures that non-traded investments, such as directly-held property, infrastructure and private equity, are valued accurately, consistently and without bias. The policy requires strict independence between those responsible for managing investments and those responsible for valuing them.

For material investments where no observable market prices are available, independent third-party valuations must be obtained. Valuer selection must comply with ACC's Procurement Policy and all third-party valuers are subject to a rotation policy to maintain independence.

ACC manages its financial statements in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), complying with Tier 1 Public Benefit Entity accounting standards. Investment assets are measured in accordance with these standards.

Cost management

ACC uses the Management Expense Ratio (MER) as its standard measure of investment cost management. The MER includes all investment costs for portfolio management, including manager fees, transaction costs and other investment-related expenses.

ACC undertakes best-practice cost benchmarking against peer funds and other Crown Financial Institutions to evaluate costs and efficiency. BIC monitors ACC's MER on a quarterly basis.

Measuring performance

One of BIC's primary functions is overseeing investment performance, via independent reporting provided by the Investment Risk and Performance team.

ACC's overall investment return is measured against a composite benchmark. ACC's performance target is outperformance of the composite benchmark by 0.15% (15 basis points) after investment-related costs.

ACC believes investment performance[20] is best evaluated over a long timeframe, which more accurately reflects whether investment decisions have added value. Short-term performance results may reflect market noise and 'luck' rather than investment skill.

Procedures

Operational standards and procedures sit outside this document. They are maintained and monitored centrally by the Investment compliance team and are reviewed and reported to BIC on an ongoing basis.

[20] From 2025/26 the investment performance measure reports on the rolling 10-year performance, previously this was a single year measure.

Appendix 5 — Glossary of terms

Accident Compensation Act 2001 (AC Act)

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

Accredited Employers Programme

The Accredited Employers Programme allows eligible employers to manage work-related injuries for their employees and provide entitlements under the AC Act. Accredited Employers receive considerable levy reductions depending on the product options they have chosen.

Client

A person who makes a claim under the Accident Compensation Scheme.

Crown entity

An organisation in which the Government has a controlling interest, as defined in the Crown Entities Act 2004. ACC is also a designated Crown Agent under this Act.

Crown Financial Institution

A Crown entity that manages and invests significant financial assets that are held to pre-fund future expenditure, either for specific liabilities (as is the case with ACC) or expected future expenditure.

Earners' Account

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

Entitlement claim

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

Funding ratio

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

Gradual process claims

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

Health provider

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

Labour cost index

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

Levies

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

Motor Vehicle Account

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

Non-Earners' Account

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

Pay-as-you-go basis

Funding the costs of injuries as costs are incurred.

Sensitive claim

A claim for a mental injury caused by a criminal act of a sexual nature as defined under the Accident Compensation Act 2001.

Treatment Injury Account

The Account for injuries arising from medical treatment.

Weekly compensation

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

Work Account

The Account for injuries arising from paid work.

Appendix 6 — Glossary of performance measures

Actuarial movement (influenceable)

The percentage growth in the liability for incurred claims (balance at the start of the year) from actuarial gains or losses, which arise from claim volumes, types, and costs differing from expectations where the drivers are at least partially influenceable by ACC. Presented as a point-in-time measure.

Average time to resolution for claims with a review

The average time (in working days) taken to resolve a dispute on a claim that is under review. Presented as a year-to-date result.

Claim lodgement rate for Māori

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

Cover decision timeliness: complicated claims

Average number of calendar days between lodgement date and time, and date and time of first cover decision (accept or decline) for complicated claims. Presented as a rolling 12-month average result.

Cover decision timeliness: non-complicated claims

Average number of calendar days between lodgement date and time, and date and time of first cover decision (accept or decline) for non-complicated claims. Presented as a rolling 12-month average result.

Employee engagement[21]

A single, aggregated engagement score based on five engagement questions from the 2025 Public Service Commission Te Kawa Mataaho Census. The measure is calculated as the average percentage of positive responses across the five questions, where a positive response includes very satisfied/satisfied or strongly agree/agree. This is measured annually using a survey tool.

Investment performance (after costs) relative to benchmark

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

Long-term claims pool volume

The number of clients who have received weekly compensation for more than 365 days. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a point-in-time result.

Long-term claims pool volume (excluding Sensitive claims)[21]

The number of clients who have received weekly compensation for more than 365 days, excluding claims identified as a Sensitive claim. It also excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a point-in-time result.

New year costs' movement

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

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

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

Operating costs as a percentage of levy and appropriation revenue[21]

The proportion of levy and appropriation revenue spent on operating costs excluding external revenue generating costs. Presented as a year-to-date result.

Overall operational system availability

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

[21] New measure for 2026/27 onwards.

Proportion of reviews upheld in favour of ACC[22]

The proportion of all review outcomes, where the decision was in favour of ACC at a hearing or was withdrawn or settled before a review hearing. It excludes reviews found in favour of the client at a review hearing or overturned before a review hearing. Presented as a rolling 12-month percentage result.

Public trust and confidence

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

Return on investment — injury prevention

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

Return to independence for those not in the workforce

The proportion of clients (who have never received weekly compensation) who have returned to independence (ceased receiving any entitlement payments) in 12 months. Excludes serious injury claims and claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a rolling 12-month result.

Return to work: 28 days

The percentage of clients receiving weekly compensation who return to work within 28 days. A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a 52-week rolling average result.

Return to work: 10 weeks

The percentage of clients receiving weekly compensation who return to work within 10 weeks (70 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a 52-week rolling average result.

Return to work: nine months

The percentage of clients receiving weekly compensation who return to work within nine months (273 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a 52-week rolling average result.

Return to work: one year

The percentage of clients receiving weekly compensation who return to work within one year (365 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Excludes claims managed by an Accredited Employer, unless they have been handed back to ACC for management. Presented as a 52-week rolling average result.

Weekly compensation setup timeliness

The average calendar days from a claim being eligible for weekly compensation until the first weekly compensation payment is made. Presented as a rolling 12-month result.

[22] New methodology for 2026/27 onwards.

Appendix 7 — Performance framework

Statement of Intent measures

Strategic objectives

Care that leads to lasting recovery

1 Actuarial movement (influenceable)

Timely return to work and independence

2 Return to work: 28 days

3 Return to work: 10 weeks

4 Return to work: nine months

5 Return to work: one year

6 Return to independence for those not in the workforce

7 Proportion of other claims[23] in the long-term claims pool

Efficient organisation, sustainable Scheme

8 New year costs' movement

9 Investment performance (after costs) relative to benchmark

10 Return on investment — injury prevention

11 Public trust and confidence

Organisational health and capability

Capable, enabled, empowered people

12 Employee engagement

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

14 Overall operational system availability

Service Agreement measures

Levy engagement and collection

1 Actuarial movement (influenceable)

8 New year costs' movement

Investment management

9 Investment performance (after costs) relative to benchmark

Injury prevention

10 Return on investment — injury prevention

Organisational health and capability

12 Employee engagement

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

14 Overall operational system availability

Claims management

2 Return to work: 28 days

2.1 Weekly compensation setup timeliness

3 Return to work: 10 weeks

4 Return to work: nine months

5 Return to work: one year

6 Return to independence for those not in the workforce

7.1 Long-term claims pool volume (excluding Sensitive claims)

7.2 Long-term claims pool volume

11 Public trust and confidence

11.1 Cover decision timeliness: non-complicated claims

11.2 Cover decision timeliness: complicated claims

11.3 Proportion of reviews upheld in favour of ACC

11.4 Average time to resolution for claims with a review

11.5 Claim lodgement rate for Māori

11.6 Operating costs as a percentage of levy and appropriation revenue

[23] Other claims include injured people with claims that have not been identified as a serious injury claim, sensitive claim, or long-term service claim.

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