Supporting the Kiwi way of life

PREVENTION. CARE. RECOVERY.
Te Kaporeihana Āwhina Hunga Whara

Annual Report 2019
Pūrongo-a-tau

Accident Compensation Corporation
Te Kaporeihana Āwhina Hunga Whara

Your ACC

Skimming stones, climbing trees, water bombs and skinned knees. They are all part of the Kiwi way of life. And as we grow we learn about taking risks, and about consequences.

Everything we do as an organisation is to support the Kiwi way of life, for all New Zealand and its visitors. But if you are injured, we contribute to the costs of rehabilitation and treatment, and provide financial support.

Your quality of life is very important to us. That is why we work with organisations and community groups to implement injury prevention programmes across the country.

When injuries do happen, we work alongside health providers who help our clients back to everyday life. We receive more than 2 million claims every year, from severe injuries to sprained ankles. Serious injuries make up less than 1% of our claims, but those with these injuries are likely to have lifelong relationships with us due to the severity of their injuries.

We know our clients need varying levels of support from us as they recover from injury. Whether you are visiting your local branch or checking in on your mobile phone, we want to give you the help you need, when you need it, to continue living your life.

Each New Zealander's journey through life is unique. Our commitment, through our partnership with you, is to be by your side on that journey when you need us.

He rākau tau matua, hei ruruhau manu.

Ngā mihi

ACC snapshot

In five years, ACC has changed substantially

IN FINANCIAL SIZE,

INVESTMENT FUND	VALUE OF $100 TODAY (invested in June 1992)	OUTSTANDING CLAIMS LIABILITY
$44b	$1,356	$53b
2014: $27b	2014: $816	2014: $28b

CREATING BETTER CUSTOMER EXPERIENCES

INJURY PREVENTION SPEND	TRUST AND CONFIDENCE	BRANCHES ACROSS NZ
$75m	61%	25
2014: $34m	2014: 54%	2014: 25

MOTOR VEHICLE LEVY	TOTAL RECORDABLE INJURY RATE (employees)*	REVIEW TIMELINESS
$114	3.1	87days
2014: $335	2014: 13.1	2014: 91 days

AND SUPPORTING MORE CLIENTS

NEW CLAIMS REGISTERED	CLIENTS RETURNED TO WORK WITHIN 10 WEEKS	LONG-TERM CLIENTS BACK TO INDEPENDENCE
2.0m	55k	3.7k
2014: 1.8m	2014: 39k	2014: 2.3k

NEW WEEKLY COMPENSATION CLAIMS	COST OF CLAIMS	BACK TO INDEPENDENCE (for clients not in workforce)
84k	$4.4b	88.9%
2014: 59k	2014: $3.0b	2014: 86.0%

** per million hours worked*

How your ACC is funded

Government

$1,274m

The **Non-Earners' Account** is for people not in the workforce, such as children and retirees

Employers

$861m

The **Work Account** is for injuries at work

Employees

$1,614m

The **Earners' Account** is for injuries outside work, eg at home or while playing sport

Motor vehicle owners and drivers

$425m

The **Motor Vehicle Account** is for all road-related injuries

Where the money comes from

Government and employees

$332m

The **Treatment Injury Account** is for injuries caused by medical treatment

Investment earnings

$5,092m

Income from our investments

Economic impacts on OCL

$10,733m

Impact of interest rate and inflation changes

Costs

$1,130m

Operating and other costs

Other changes to OCL

$1,981m

Additional funds to cover the future costs of claims

Financial compensation and vocational rehabilitation

$1,655m

Payments for people who are injured and can't return to work, and helping people back into work

How the money is allocated

Injury prevention

$75m

Helping the community understand how to stay safe and healthy

Treatment and emergency travel

$1,892m

Includes visits to GPs, X-rays, surgery and associated travel

Care and support

$789m

Helping people back to independence, eg through having carers or home alterations

Contents

An online version of this report can be found at ***www.acc.co.nz/about-us/corporate***

Overview

Mai i te Poari

Te pānga o te hekenga o ngā reiti huamoni

He tino kaha te pānga o te hekenga o ngā reiti huamoni nō te tau 2018/19 ki ngā ōwehenga pūtea o ngā pūkete ACC me te utu o ngā kerēme mō te whara āmua ake.

Ko te takarepa ā te $ 8.7 piriona mō te tau e mutu ana i te 30 o Pipiri 2019 i ngaro te $ 10.8 piriona e pā ana ki te paheketanga o te reeti utu - kei waho o te mana whakahaere o ACC - me te paanga mō te wariu o ā tātau whakapae whakahirahira (OCL).

Ahakoa te whakaitinga iho o ngā ōwehenga pūtea o ngā pūkete katoa e ai ki te hekenga o ngā reiti huamoni, ka taea e ngā tāngata o Aotearoa-Niu Tireni te noho tau i runga i te mōhio ka āhei a ACC te kawe tonu i te kapinga, i te tautoko hoki i te hunga ka whara.

Nā tētahi whakataunga wāriu kaute anō i puta ai te tarepa mō te utu o ngā kerēme e haere mai ana, i runga i ā mātou puka; ehara i te ngarotanga moni, ehara i te whakaaturanga rānei o tā ACC moni i whakapau ai, i whiwhi ai rānei.

Ko te hua o te ACC he tino aroa nui ki ngā huringa i roto i nga reiti moni mō te wā roa. Ko te pikinga iti o te moni ka piki ake te OCL. Ko te mea kē, he pono ngā kōrero ka piki haere ngā reiti.

I waho atu tā ACC whakahaere

Ehara i te mea i āhei a ACC ki te whakapae atu, ārai atu rānei, aukati ana rānei i te tarepa. Kua heke whakararo ngā reiti huamoni ki tētahi wāhi kāore anō kia kite i tōna hītori, ā, kua pāngia e ngā reiti hahaka ū roa ngā ripanga kaute o ngā kamupene ā-ao inihua maha, ngā pūtea penihana hoki kei reira hoki ētahi taumahatanga wā-roa pērā i ā ACC.

I roto i te tau pūtea 2018/19 , i kite mātou i te heke iho o te 1,09 % o te whakaheke utu whai mana kotahi – te reiti utu e whakamahia ana e mātou hei whakatau i te nama. Mai i tērā wā, tae noa ki te Māhuru 18, 2019, kua piki ake ngā hua o te here, me te huri haere i ētahi o ēnei ahuatanga. I te wero ki te matapae i ngā nekehanga ā muri ake i runga i nga reiti moni, ka puta tonu te paanga ā muri ake ki ngā rawa ā ACC me ngā taunahatanga.

TE POARI O ACC (MAI I TE TAHA MAUĪ KI TE TAHA MATAU)
John Brabazon, Leona Murphy, Dr Tracey Batten, James Miller (Heamana Tuarua Taupua), Dame Paula Rebstock DNZM (Heamana Poari), Anita Mazzoleni, David May, Kristy McDonald ONZM QC

I muringa mai i te mutunga o te tau, ka piki haere te utu o te moni pūtea me te piki ake o te OCL i te $ 5.4 piriona tae atu ki te 31 Akuhata 2019, me te paanga o te hua/moni mō te tau tahua o te tau 2019/20.

He whakahokinga whakangao kaha

Ko te mahinga motuhake ā te rōpu haumi ACC o te 12.97%, kāore i kaha ki te aukati i te kaha o te heke o te reiti utu i runga i te manaakitanga ā te Kaupapa, me ngā paanga tahua o ngā kaute kua tino heke iho.

He mōata rawa tonu te kī ake he aha ngā tūtohinga a te Poari o ACC ki te Kāwanatanga ki ngā tāke ā tērā tau. Ka whakatauria ēnei e ngā reiti huamoni, ngā ōwehenga pūtea hoki o ngā pūkete, te wheako utu kerēme, me te whakamahi me te whaihua hoki o te kaupapa here pūtea Kāwanatanga (arā, ko te Government Funding Policy) e ngāwari haere ai ngā piki me ngā heke o te tāke ā te wā. Ko te wā e whakatikatika ana te utunga, i runga i ngā Kaupapa Moni , ka kaha tonu te mea kia kore ai e roa te pāheketanga o ngā moni tahua i te tau kotahi. He keehi pea tēnei nā te heke o ngā reiti inamata tata nei ka kaha kē te aukati i ngā moni kua tōhua.

He mea nui kia mōhio, nā te mea ko ngā wheako utu, kua tohutohutia e ACC te whakapiki moni i roto i ngā Motuka Waka me ngā kaiutu pūtea hei wāhanga whakawhitiwhiti i tērā tau. Ko te Pūrongo mō te Pūtea Motuhake 2018 e whakapae ana kei te piki haere ngā reeti nama ki ngā tau kei te heke mai, tae atu ki te Kaupapa Mahi kaute.

He tuku ratonga hou, he tuku wheako hou hoki

Mō ngā tīpakotanga mahi whakahaere o te tau ka tae atu rā hoki ki te tuku i te tini kaupapa hei wāhanga o te panonitanga rōpū whakahaere, kia ngāwari ake ai mā te hunga kiritaki kia whakapā mai ki ACC, kia whiwhi ratonga i a mātou hoki – tae atu ki te ao tuihono.

I konei ka whai wāhi hoki tētahi pūnaha aunoa hou hei whakatō kerēme, he pūnaha hoki i whakahoungia hei whakahaere kerēme, he āheitanga hou hei utu nama, he pūhara tino hou rawa atu mō te tātaritanga raraunga, he atanga matihiko mā ngā kaihokohoko pakihi, ngā kiritaki pakihi (MyACC) hoki, me tētahi aronga ā-motu hou mō te whakahaere kēhi e hāngai ana ki ngā matea motuhake – hurihuri hoki – o te kiritaki takitahi.

Ko te ekenga rawa o te maha o ngā whakahokinga ārai whara, o ngā kerēme hoki

I whakarahi hoki mātou i tā mātou whakangao i ngā kaupapa ārai whara – mai i te $69 manomano ki te $75 manomano – ā, nā te kaha o ō mātou hononga i taea ai e mātou te toro atu ki te 750,000 tāngata nō Aotearoa-Niu Tireni mā ā mātou pānui ārai whara.

He $1.81 hekenga utu mō ia tāra i whakangaoa e mātou te tukunga mō ngā kerēme āmua ake ka whakapaetia – arā, ko te whakahokinga nūnui rawa atu.

Hei te mutunga o te tau 2019 e tāpae atu ana a ACC i te $40 manomano ki tā te Kāwanatanga kaupapa hoko mai i ngā pū. Kei te māia ō mātou whakaaro ka pā tōtika tēnei ki te whakaheke haere o te nama me te kino o ngā taotū nā te pū i roto i Aotearoa-Niu Tireni. Ki ō mātou whakaaro mā te tango atu i ēnei pū takahi ture i roto o Aotearoa-Niu Tireni e heke iho ai te pitomata ka tukuna he kerēme mō ngā whara nā te pū mā te $70.5 manomano hei ngā tau 20 e haere mai ana.

Kātahi te tau ko 2018/19 mō ACC i tōna whiwhi i te nama nūnui rawa atu o ngā kerēme hou, ā, mō te wā tuatahi ka hipa i te rua manomano. I piki ngā kerēme utu ā-wiki ki te 5.1%.

I kite hoki mātou i te pikinga o ngā kerēme take tūmataiti ki te 25%, he maha ngā mea tuku iho nō mua rā. Kei te whakaatu tēnei i te matea mō tētahi aronga wā-roa hei whakahaere kerēme pēnei te āhua, mā ngā kaupapa hoki pērā i Mates & Dates.

Ahakoa 83,737 ngā kerēme utu ā-wiki hou i whakahaeretia e mātou me te whakahoki atu i te 66.8% kiritaki whara ki te mahi i roto i te tekau wiki, he tino wero te pikinga o ngā rahinga kerēme e pā ana ki te whakatutuki i ā mātou whāinga mahi. Ka noho tonu te whakapai ake i ngā hua maimoatanga, ko tā te kiritaki wheako hoki, ko ngā putanga mā ngā kiritaki hoki, hei aronga mō te tau e haere mai ana. He mea tuatahitanga hoki te anga whakamua e pā ana ki tā mātou Rautaki Ratonga Hauora.

Hei kupu whakamutunga, kei te pīrangi hoki te Poari o ACC ki te mihi atu ki a Scott Pickering, ki te tīma Ārahi Matua hoki, me ngā kaimahi katoa o ACC mō tā rātou pukumahi ki te mahi mā ngā tāngata o Aotearoa-Niu Tireni i tēnei tau, me kī, whai muri mai i te parekura kino i te 15 o Maehe i Ōtautahi.

He tauira te pūmau tonu o ngā kaimahi ACC ki te tuku ratonga ki ngā kiritaki ia rā ko tō rātou manaakitanga ki ngā pārurenga me ō rātou whānau.

Dame Paula Rebstock, DNZM

Nā
Kahurangi Paula Rebstock DNZM
Heamana Poari

Nā
James Miller
Heamana Tuarua Taupua

From the Board

Impact of falling interest rates

Falling interest rates in 2018/19 had a significant impact on the funding ratios of ACC's Accounts and the future cost of existing injury claims.

The net deficit of $8.7 billion for the year ending 30 June 2019 included a loss of $10.8 billion relating to the sharp decline in interest rates – which was outside ACC's control and a corresponding effect on the valuation of our outstanding claims liability (OCL).

Despite a reduction in the funding ratios of all the Accounts due to the fall in interest rates, New Zealanders can be assured that ACC is able to continue to cover and support those who are injured.

The deficit is due to an accounting revaluation of the future cost of claims on our books, not a cash loss or reflection of what ACC has spent and received in revenue.

ACC's result is highly sensitive to changes in interest rates. A lower interest rate increases the OCL. The opposite is true when interest rates increase.

Beyond ACC's control

The deficit was not something ACC could predict, prevent or fully hedge against. Interest rates have fallen to historical lows and the sustained low rates have impacted the balance sheets of other global insurance companies and pension funds that have long-term liabilities like ACC.

In the 2018/19 financial year we saw a 1.09% decrease in the single effective discount rate – the interest rate we use to value the liability.

Subsequent to the year end, interest rates fell further and increased the OCL by $5.4 billion up to 31 August 2019, with a corresponding impact on the deficit/surplus in the 2019/20 financial year. Since then, up to 18 September 2019 , bond yields have risen, reversing some of this impact. Given the challenge to predict future movements in interest rates, the resulting future impact on ACC's assets and liabilities remains uncertain.

ACC BOARD (FROM LEFT TO RIGHT)
John Brabazon, Leona Murphy, Dr Tracey Batten, James Miller (Temporary Deputy Chair), Dame Paula Rebstock DNZM (Chair), Anita Mazzoleni, David May, Kristy McDonald ONZM QC

Strong investment returns

An exceptional performance by ACC's investment team of 12.97% could not offset the substantial impact the fall in interest rates had on the Scheme's liability and the funding ratios of the Accounts have significantly decreased.

It is too early to say what the ACC Board may recommend to the Government on levies next year. This will be determined by interest rates, the funding ratios of the Accounts, the claims costs experience and the application and effects of the Government funding policy. The period over which levies are adjusted, in accordance with the Funding Policy, will continue to be vital to ensure that the volatility in the funding ratios does not disproportionately impact one year's levy payers. This is particularly the case with recent falls in interest rates which could otherwise significantly impact recommended levies.

It is important to note that due to claims cost experience, ACC had already recommended levy increases in the Motor Vehicle and Earners' Accounts as part of consultation last year. The 2018 Financial Condition Report also projected that levy rates are expected to increase in future years, including for the Work Account.

Delivering new services and experience

Operational highlights for the year included delivering multiple initiatives as part of the organisational transformation, making it easier for customers to engage with ACC and receive our services – including online.

This included a new automated claim lodgement system, an upgraded claims management system, a new payments function, an advanced data analytics platform, a digital interface for business customers and clients (MyACC) and a new nation-wide case management approach that focuses on the specific – and often changing – needs of individual clients.

Record injury prevention returns and claim numbers

We also increased our investment in injury prevention programmes – from $69 million to $75 million – and strong partnerships allowed us to reach more than 750,000 New Zealanders with our injury prevention messages.

This investment delivered an estimated future claims' cost reduction of $1.81 for every dollar we invested – the highest return ever.

In the latter half of 2019 ACC will be contributing $40 million to the Government's firearms buyback scheme. We estimate that removing these prohibited firearms in New Zealand will reduce potential claims for firearm injuries by $70.5 million in the next 20 years.

2018/19 was a significant year for ACC as it received a record number of new claims, passing two million for the first time. Weekly compensation claims rose by 5.1%.

We also saw a 25% growth in sensitive claims, many of them historical. This demonstrates the need for a long-term approach to managing claims of this nature through prevention initiatives such as Mates & Dates.

While we managed 83,737 new weekly compensation claims and returned 66.8% of injured clients to work within 10 weeks, increasing claim volumes proved challenging in meeting our performance targets. Improving our results in rehabilitation and customer experience and outcomes will remain the focus in the year ahead. Making significant progress with our Health Services Strategy will also be a priority.

Finally, the ACC Board wants to thank Scott Pickering, the Executive team, and all ACC staff for their hard work in serving the people of New Zealand this year – particularly following the tragic events of 15 March in Christchurch.

The phenomenal care shown to the victims and their families was a demonstration of the commitment ACC staff provide to customers every day.

Dame Paula Rebstock, DNZM

Dame Paula Rebstock DNZM
Board Chair

James Miller
Temporary Deputy Chair


Nau Mai
CUBRO

Mai i te Tumu Whakarae

He tino tau mā ACC te 2018/19, he tau i kūmea te rōpū whakahaere ki roto i te rautau e rua tekau mā tahi i tāpaea mai ai ki a mātou te tūāpapa hangarau hei whakarato atu i ngā ratonga kaha tonu, whai kounga hoki ki ngā tāngata o Aotearoa-Niu Tireni.

Koinei hoki te tau i kitea ai te ekenga rawa o te nama o ngā kerēme, me te rua manomano kerēme neke atu i whakaaetia e ACC, arā, he tuatahitanga tērā, me te kaha pānga mai o te hekenga o ngā reiti huamoni.

He pānga ōhanga nō waho atu

Anō nei he hau tukituki ki a ACC ngā hekenga reiti huamoni i te tekau tau kua hipa. I tēnei tau, he tino kaha te pānga o aua reiti huamoni ki te utu o ngā kerēme āmua ake.

Nā te pānga o ērā i piki ake ai te wāriu o ngā taumahatanga kerēme o nāianei i roto i ngā moni o ēnei rā; Waihoki, ko te mataruatanga o taua pānga ko te hekenga o ngā whakahokinga whakangao i tūmanakotia. Ko te tikanga o tēnei me āta aroturuki tonu mātou i te utu o ngā kerēme e haere mai ana, i ngā whakapae whakangao hoki, me te āta whakamahere i ā mātou pūtea tuku.

I rutua te ao e tēnei pānga ki ngā kamupene inihua maha, ki ngā pūtea penihana maha hoki me te taumahatanga hiku roa, pēnei i a ACC, ka whakamahi i ngā whakapae utu whaikiko mō ngā tekau tau āmua ake.

Ahakoa te rawe o te whakahokinga 12.97% mai i tō mātou tīma whakangao, me te whakaara ake i te $5.1 piriona moni whiwhi, kāore rawa i taea te hanga arawhata i runga i te whārua o te taumahatanga rawa i puta mai ai i te hekenga o ngā reiti huamoni. Nō waho atu i tā ACC whakahaere ngā putanga o tēnei.

Ko tā mātou pūrongo tārepa i te tau mō te $ 8.7 piriona nā te nuinga o te hurihuritanga o te heke o ngā reiti moni.

Koinei te take kei te arotahi atu mātou ki tā mātou e āhei ana ki te whakahaere: ko te whakahou ake i ā mātou pūnaha, hangarau hoki, tikanga mahi hoki, kia tino eke panuku ai ngā tōtikatanga, ngā whaihuatanga hoki.

He whakangao mō āmua ake

Kei te noho tonu mātou ngā wāhanga o te pānonitanga hei awhina i te tautoko tonu i ngā mahi whakapai puta noa i te kaporeihana. I tēnei tau ka ora rawa ake ngā tini kaupapa panonitanga i raro i tā mātou kōpae whakangao panonitanga hanumi o ICIP (arā, ko te Integrated Change Investment Portfolio). He mea hou rawa atu te rahi o te panoni me ōna pānga ki tō tātou iwi, tukanga hoki, hangarau hoki, pārongo hoki.

I poua e mātou tētahi pūnaha hou mō ngā kerēme hou, he pūnaha whakahaere hou (arā, ko te EOS 8.8) hoki, he pūnaha utu hou hoki mō ngā kiritaki, he āheitanga tātaritanga raraunga hou hoki, me ngā panoni nūnui rawa atu ki tā mātou tauira whakahaeretanga i ngā tau e rua tekau – me ōna pānga ki ngā kaimahi 1800 huri noa i te motu me te hanumi ki ngā hangarau hou.

Tāpiri atu ki tēnei ko te whakawhanake tonu me te whakarākei ake i ngā ratonga pakihi e āhei ana mātou ki te tāpae atu. I konei ka whai wāhi hoki te MyACC for Business e taea ai e ngā kiritaki pakihi te utu ā-tuihono i ngā nama. Neke atu i 65% ō mātou kiritaki, āpiha hoki, kaitohutohu hoki kua whakahonoa ki MyACC.

Kei te tāpaea hoki te MyACC for Clients – me kī, neke atu i te 9,000 ngā kaiwhakamahi kua rēhitatia – ā, ka tāpaea tērā huri noa i te motu hei te tau e tū mai nei. Mā tēnei e āhei ai ngā kiritaki te puka, te whakauru hoki i ngā ratonga o ACC ki ā rātou taputapu waea – tae atu ki ngā pārongo mō ā rātou whiwhinga pūtea o ia wiki.

I roto hoki i ā mātou panonitanga ko te mahi e haere ana tonu i te taha o ō mātou tāngata ki te whakawhanake i tētahi ahurea manaaki kiritaki, arā, he ahurea e tauawhitia ai te kanorautanga, te whai wāhitanga, te whakaurunga hoki. Mā te kaupapa o Tika, o Whāia Te Tika hoki e hua ai ka pūmau tonu ō mātou tāngata ki tō mātou tirohanga whakamua, uara hoki, kia whai wheako, whai kounga hoki, i a ACC.

I kitea rawatia tēnei nō muri rawa mai i te mahi pupuhi tangata i Ōtautahi i te marama o Maehe. I mahi tata a ACC me te tini tari kia hua ai ka mōhio ngā pārurenga me ō rātou whānau, kia whiwhi hoki rātou i te tautoko e wātea ana. Hui katoa, 179 ngā kerēme i tukuna e pā ana ki ngā huakitanga.

Mai i ngā urupare i tukuna mai ki a mātou i ngā whānau o te hunga i pāngia, i ō mātou hoa tari kāwanatanga hoki, i te iwi whānui hoki, i whakaaturia mai ai ngā painga o tā mātou mahi ki te oranga o te tangata i te wā ka hia āwhina nui.

He rekoata mō te maha o ngā kerēme

Mōhio pū ana mātou ko tētahi o ā mātou tino mahi ko te whakahoki wawe atu i te hunga whara ki te mahi, ki te motuhaketanga.

I tērā tau tokomaha ake ngā tāngata, me kī, āhua 30% o te taupori o Aotearoa-Niu Tireni i tuku kerēme mō te whara. I taua wā he tokoiti te hunga kore mahi, he kaha hoki te ōhanga, tūturu nei he momo wero anō taua rahi rā hei whakatutuki i ā mātou whāinga mō te maimoatanga me te whakahokinga ki te mahi. Hei tauira, he wero nui te matakite atu i te pikinga nui o ngā kerēme tūmataiti.

I runga i ngā panoni mō te āhua o tā mātou kawe i te whakahaeretanga kēhi, ko te whakangao hoki ki ngā kaupapa ārai i te kino, i te putanga mai hoki o ngā whara, me te arotahi atu kia tata te mahi tahi, kia ihu manea hoki te mahi tahi me ngā kaiwhakarato maimoatanga i raro i tā mātou Rautaki Ratonga Hauora, ka pūmau mātou ki te mahi kia nui ngā whakapainga ki ngā reiti whakamātūtūtanga hei ngā tau e haere mai ana.

Hei kupu whakamutunga, kei te pīrangi ahau ki te mihi atu ki ngā tāngata 3,540 e mahi ana mā ACC mai i Whangārei ki Murihiku. He momo rātou: he whakaaro nui ki tangata kē atu, he atawhai, he hīkaka hoki. Mā ngā whakapainga kei te mahi e mātou e kaha ai taku whakapae kei a rātou ngā taputapu, ngā rauemi hoki kia pai ake ai te tuku ratonga ki Aotearoa-Niu Tireni.

Scott Pickering
Tumu Whakarae

From the Chief Executive

2018/19 was a landmark year for ACC, one that brought the organisation into the 21st century giving us the technological foundation to deliver consistent, high-quality services to New Zealanders.

It was also a year in which we saw record claim numbers, with ACC passing two million claims for the first time, alongside the dramatic impacts of falling interest rates.

External economic impact

Falling interest rates have been a headwind for ACC over the past decade. This year those interest rates had a significant impact on our future claim costs.

They had the effect of increasing the value of existing claims liabilities in today's money. It also had the dual effect of lowering expected future investment returns. It means we need to continue to closely monitor future claims costs and investment projections, and to carefully plan our funding.

It is a global phenomenon affecting other insurers and pension funds with long tail liabilities, like ACC, that use actuarial cost projections decades out into the future.

Even an impressive 12.97% return from our investments team, generating $5.1 billion in income, could not bridge the asset-liability gap created by falling interest rates. The effect was beyond ACC's control.

Our reported deficit this year of $8.7 billion was largely due to the uncontrollable impact of falling interest rates.

That's why we are focused on what we can control: modernising our systems, technology and ways of working to ensure maximum efficiencies and effectiveness.

Investing for the future

This year we went live with multiple transformation initiatives under our Integrated Change Investment Portfolio (ICIP). We are still only part way through a transformation that will help support continuous improvement in performance across the organisation. The scale of change impacting our people, processes, technology and information was unprecedented.

We put in place a new claim lodgement system, a new operating system (EOS 8.8), a new payments system for clients, new data analytics capabilities and the biggest changes to our case management model in 20 years, impacting more than 1,800 staff nationwide and integrating it with new technology.

Added to this was the continuing development and streamlining of business services we are able to offer. This included MyACC for business which allows business customers to pay levies online. Over 65% of our business customers, agents and advisors are now connected to MyACC.

MyACC for clients is also being offered – with more than 9,000 registered users – and will be rolled out nationwide in the coming year. This will allow clients to book and access ACC's services from their mobile devices including information on their weekly compensation.

Our transformation changes also involve the ongoing work we are doing with our people to develop a customer service culture – one that embraces diversity, inclusion and accessibility. The Tika programme and Whāia Te Tika (our Māori strategy) ensure our people live our vision and values and continue to deliver a quality ACC experience for all Kiwis.

This was evident in the aftermath of the March shooting in Christchurch. ACC worked closely alongside multiple agencies to ensure the victims and their families were aware of and received all the support available. ACC is supporting 179 clients relating to these claims.

The feedback we received from the families of those affected, our government partners and the public, showed the positive difference we make to people's lives when they need our help.

Record claim numbers

We are conscious that one of our main roles is to return the injured to work or independence as quickly as possible.

Last year more people than ever before – around 30% of the population of New Zealand – made injury claims. At a time of low unemployment and a strong economy, the record volume proved a challenge in achieving our rehabilitation and return-to-work targets. The sharp increase in sensitive claims, for example, proved challenging to predict.

With the changes in how we deliver case management, our investment in prevention initiatives that reduce the severity and incidence of injuries, and a focus on working closer and smarter with treatment providers under our Health Services Strategy, we are committed to making improvements to rehabilitation rates in the years ahead.

Finally, I would like to thank the 3,540 people who work for ACC from Whāngārei to Invercargill. They are a special breed: generous, kind and keen to help others. With the improvements we are making, I am confident they will have the tools and resources to deliver an even better service to New Zealand.

Scott Pickering
Chief Executive

Our strategic framework

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

The purpose of the Scheme is to deliver injury prevention initiatives and no-fault personal injury cover for everyone in New Zealand, including overseas visitors. Under the Scheme, individuals forgo the right to sue for compensatory damages following injury, in exchange for comprehensive accident insurance cover and compensation.

Our strategic direction reflects the Government's priorities for ACC as well as how we contribute to the long-term Government outcomes for New Zealand.

The next page summarises our strategic framework, and provides a guide on where to find the different elements of our performance in this document.

FIGURE 1: STRATEGIC FRAMEWORK, DOCUMENT NAVIGATION

Long term (Enduring)		Medium term (Four years)	Near term (One year)
Vision	**Outcomes**	**Intentions**	**Our outputs**
	Our outcomes describe, at a high level, what we are delivering to support a healthy and prosperous New Zealand.	Our intentions reflect the areas that need the most focus during the four-year period covered by our Statement of Intent. They demonstrate where we intend to concentrate our efforts to deliver our vision, our outcomes and the Government's priorities for ACC. We have strategic intentions and intentions to improve the organisational health and capability of ACC. • **48 initiatives during 2018/19** • **20 key measures**	We aim to achieve the best possible delivery of New Zealand's unique ACC Scheme through four outputs representing the core activities we deliver and the areas we invest in. • **44 performance measures for 2018/19**
To create a unique partnership with every New Zealander, improving their quality of life by minimising the incidence and impact of injury.	Reduce the incidence and severity of injury in New Zealand.	**Injury prevention** Increase the success of our injury prevention activities.	**Injury prevention** We aim to reduce the incidence and severity of injury to reduce the economic, social and personal impacts of injury on individuals and to achieve a cost-effective reduction in levy rates or government funding.
	Rehabilitate injured people in New Zealand more effectively.	**Customer outcomes and experiences** Improve our customers' outcomes and experiences.	**Levy setting and collection** In order for us to deliver services we must collect revenue. Through our levy-setting process we calculate our future revenue needs for each Account and recommend levies in line with the full funding requirements of the Scheme.
	Ensure that New Zealand has an affordable and sustainable Scheme.	**Financial sustainability** Improve the financial sustainability of the Scheme.	**Investment management** Serious injuries will require ongoing expenditure for decades into the future, so a portion of levies collected each year is set aside to provide for future costs. We invest these funds to meet the future costs of claims.
		Organisational health and capability **People** – maintain a diverse, high-performing workforce empowered to deliver great customer experiences and outcomes. **Information** – improve the way we use, protect and share information. **Technology** – support our business outcomes with modern, reliable and secure information technology.	**Claims management** We deliver effective, high-quality rehabilitation services so that injured people covered by the Scheme get appropriate medical treatment, social and vocational rehabilitation services and compensation to enable an early return to work, independence or everyday life.

Whāia Te Tika – our strategy to pursue what is right for Māori and deliver on our aspirations.

Environmental, social and governance focus – our impact on the environment, and social and governance performance.

Integrated Change Investment Portfolio – our mechanism for delivering Shaping Our Future.

Information about how we contributed to our vision and achieved our outcomes is presented in the ***From the Board*** section.

Information about how we advanced our intentions is presented in the ***From the Chief Executive*** and ***Our performance this year*** sections.

Information about our output and our performance relative to targets is presented in the ***Statement of performance and financial statements*** section.

Environmental, social and governance

“The purpose of this 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

Our approach

While last year was our first year for including a specific environmental, social and governance (ESG) section in our Annual Report, ESG issues have long been considered in the way we operate internally, how we design and deliver our services to clients and how we manage our investments.

Given that ESG themes are at the core of how we function, this section references other areas of the Annual Report where we communicate our ESG deliverables.

ACC has also committed to developing an ESG corporate policy during 2019/20. This policy will act as a statement of our acknowledgement of the importance of and our commitment to ESG.

Environmental

We recognise that we have impacts on the environment, both directly from our operations and indirectly through our value chain.

Refer to ***page 59*** for further details on where we measure our environmental impacts and some of the areas where we are working to reduce these impacts.

Social

ACC is a no-fault scheme, covering everyone, including visitors, who is injured in an accident in New Zealand.

We work closely with health providers to ensure that those who are injured receive the right treatment at the right time. We partner with organisations and community groups across the country to help prevent injuries happening, but we’re here as a safety net if they do get injured.

As a publicly administered and delivered social insurance scheme, the social value we deliver is an integral part of our business, being fundamental to our strategic intentions.

Through the delivery of our injury prevention programmes and the provision of treatment and rehabilitation services and compensation, we demonstrate the social nature and benefits of the Scheme delivered to New Zealanders.

- Estimated 11,253 claims were avoided in the current year from targeted injury prevention programmes (for more information refer to ***page 34***).
- More than two million new claims were registered during the year and 83,737 new clients received weekly compensation payments.
- During the year we helped 92.4% of our clients receiving weekly compensation to return to work within nine months and 88.9% of those not in the workforce to return to independence (for more information refer to ***page 38***).

We are committed to maintaining a diverse and high-performing workforce. Further information on what we have delivered in support of this commitment during 2018/19 can be found on ***page 50***.

Wellbeing approach

Wellbeing is giving people the capabilities to live lives of purpose, balance and meaning. The Government’s wellbeing approach is for agencies to have a whole-of-government approach, to look at intergenerational outcomes, and to move beyond narrow measures of success. Wellbeing gives us a broader and longer-term view of the impacts we have on our customers’ experiences and outcomes.

The Living Standards Framework, introduced by the Treasury, provides a common measuring and reporting approach to demonstrate how we support Ministers’ priorities and contribute to wellbeing. The outcomes embedded in the Framework also enable us to better connect with the work of our partners. This means our customers can experience wellbeing that appropriately balances customer outcomes with our requirements to be responsible stewards.

We have a unique partnership with every New Zealander. The work we do to reduce injuries and the contribution we make to the costs of rehabilitating, treating and providing financial support to injured people help to improve customer wellbeing. In the past few years we have also been making further changes to improve customer outcomes. This work has included Whāia Te Tika (our Māori strategy), strategic changes to investing in injury prevention initiatives, Next Generation Case Management (our new approach to case management) and improving how we work with levy payers and health service providers.

The work we have completed, combined with the nature of the Scheme, means we are already incorporating many aspects of a wellbeing approach. There are still opportunities for us to explore further in terms of how we:

- report on our contribution to New Zealanders' wellbeing through the Living Standards Framework
- understand the immediate and long-term customer outcomes of individuals, whānau and communities so that we can continually improve rehabilitation and treatment and successfully prevent injury
- understand our role in and contribution to improving child and youth wellbeing.

Good employer obligation

As an employer, we operate personnel policies that meet the requirements of employment-related legislation that applies to the public and private sectors in New Zealand. These policies have been developed in line with our commitment to be an equal employment opportunity (EEO) employer.

Additionally, as a Crown entity, ACC is required to be a good employer by providing safe working conditions and equal opportunities for employment and employees.

We report on ***page 53*** activities carried out this year to meet these obligations.

Governance

ACC's corporate governance is largely underpinned by legislation, which determines the structure of Board and Ministerial oversight. Within this legislated structure, ACC's governance framework includes ACC Executive and Board oversight, and risk management. Refer to the governance section on ***page 62*** for ACC's governance framework.

The NZX Corporate Governance Code (the NZX Code) promotes eight principles for good corporate governance. As a Crown entity, ACC is not required to comply with these principles; however, we continue to develop best practice in our corporate governance. This year we have reviewed ACC's corporate governance in line with the principles of the NZX Code, so far as they are relevant to a Crown entity. Refer to ***page 63*** for details on how ACC reflects the Code's principles.

Investments

We aim 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.

In accordance with the AC Act, ACC includes a statement on ethical investment in its Annual Report.

Climate change and reducing carbon emissions, is forefront in the minds of ACC and the business community both in New Zealand and overseas. ACC's ethical investment policy does not exclude investment in carbon-intensive businesses. If Parliament changed the law banning the use of fossil fuels, ACC would stop investing in the production of fossil fuels. Everyday our investment portfolio managers take account of risks such as climate change when making investment decisions. We support the transition to a lower-carbon economy and support companies heading in that direction.

Refer to the investments report on ***page 91*** for more information on our ethical investment approach, which is guided by ACC's ethical investment policy.

We participate in various industry groups that focus on ethical investment, including:

- the Principles of Responsible Investment[1] (PRI)
- the Responsible Investment Association of Australasia
- the New Zealand Corporate Governance Forum.

As a signatory to the PRI, we report on our implementation of the six principles and we are assessed on our commitment to responsible investment. For details of the six principles and ACC's latest annual filing, refer to **www.unpri.org**

1 ***unpri.org/pri/what-are-the-principles-for-responsible-investment***

Whāia Te Tika

Whāia te whanuitanga me te hōhonutanga o te mātauranga

Ko te whāinga o tā mātou rautaki Māori mō ACC, ko Whāia Te Tika, ko te waihanga wheako pai ake, putanga pai ake hoki i a ACC, i ngā ratonga ACC hoki, mō te Māori, mā Te Arotahi Kiritaki, Kia Hiranga Te Mahi Ngatahi me te Mahi Whakawhanaketia. I te tau kua hipa, nā ACC i whakamahi ēnei whainga kaupapa katoa ki ngā putanga whai mana ā roto, ā waho hoki i te Kaporeihana. Hei te mutunga, anei ngā whainga matua:

- Ko ngā iwi Māori o Aotearoa ka whakaiti iho ngā whara.
- Kua tangohia ngā aukati ki te whakauru, kia whakaiti i ngā wehenga;
- Ka whiwhi ngā kiritaki Māori i te tautoko tika ā rātou mā ratou me o rātou whānau.
- Ka whai kiko, mārama, ka aro ki te whakautu ki ngā hiahia, ngā tumanako, me ngā wawata o te Māori ka pa mai ana ki te ACC; me
- Ka mahi takitahi mātou me ngā kaiwhakarato hauora Māori me ētahi atu tari ki te hoahoa me te whakaputa i ngā hua me ngā ratonga hei whakatutuki i ngā hiahia ā ngā kiritaki Māori.

I te tau nei i takina te karakia mō tō mātou marae kei Te Whanganui a Tara, arā, ko Whare Manaaki. He wāhi motuhake a Whare Manaaki, hei whakakotahi i ō mātou tāngata me ngā manuhiri kia whai wāhi i roto i ngā tikanga me ngā kawa e whakahirahira ana ki a Ngāi Māori. Mā te hoahoatanga e āhei ai ngā tāngata katoa ka uru atu ki te whai tūranga whakaatu ai nō hea rātou, ahakoa nō te Raki, nō te Tonga rānei, nō tāwāhi rānei. I rāhiri mātou i tētahi tīma nō MIT (arā, ko Massachusetts Institute of Technology Critical Data) ki tētahi mihi whakatau i ACC i tēnei tau, he wheako e kore e wareware i a rātou, e ai ki ngā kōrero. I haere te tīma nō MIT ki konei ki te whai wāhi i roto i te huinga tuatahi o HACK Aotearoa (ko ACC tētahi tino kaitautoko), arā, ko te Artificial Intelligence in Health Conference.

Te Arotahi Kiritaki

Ko tā tātou mahi e whai ake kia pai ake ai te urunga mai o te kiritaki, ngā wheako me ngā putanga.

TE WHAKAURU I Ā MĀTOU RATONGA

He maha ngā ārai ki a Ngāi Māori kia whiwhi ratonga i a ACC. I hoahoaina tētahi rangahau hei hōpara i ngā aronga whakauru mā Ngāi Māori e toka ai, e whakarato ai, e whakakaha pūmau ai i tā Ngāi Māori whakauru mā ētahi huarahi hou. I tīkina te mātauranga Māori hei hōpara i te hiakai o te kiritaki mō ngā ratonga ka takea mai i ngā haumanutanga me ngā tikanga Māori taketake kia whakamanatia mā ACC. Mai i te 743 tāngata i rangahaua, 91% i tautuhia he Māori rātou, ā, 85% o rātou i kī ai kua whakamahi kē rātou i te rongoā Māori , waihoki, 76% i kī mai ka whakamahi rongoā mehemea ka wātea ki a rātou mā ACC.

I kī mai ngā kaiurupare ki a mātou, i te wā ka kōrero tahi me ngā kaiwhakarato hauora, he mana nui ō ngā tūtohinga nā tangata kē atu. He mea nui te wātea o ngā tikanga haumanu tuku iho a te Māori. Mō ngā mea e ārai ana i te whiwhi ratonga o tēnei wā, tae atu i konei he whakapono kore, he kōwhiringa kore hoki, he tukanga uaua hoki, he whakaaro aroha kore mō ngā piki me ngā heke whaiaro.

Kei te whakamahi mātou i ngā kitenga nā taua rangahau hei whakamōhio, hei whakapai ake hoki i ngā urupare ki a Ngāi Māori tae atu ki te hōpara i ngā ara Kaupapa Māori.

RATONGA WHAKATERENGA

Kua whakamahia tētahi ratonga utu kore, motuhake hoki, hei āwhina i ngā kiritaki ki te whakatere i ngā tukanga ACC. Mā te ratonga e whakarato ai te whakaurunga, te tautoko urupare hoki hei āwhina i ō mātou kiritaki ki te uru tōtika mai ki ā mātou tukanga, ki te whakatau tautohe me te kore whai i tētahi mahi arotake. E rua o te toru wāhanga arotahi o Whāia Te Tika – Whakawhanaketia (arā, ko Developing Capability) me Te Arotahi Kiritaki (arā, ko te Customer Focus) kei te kaha tautoko ngā ratonga whakaterenga whaitake mā te tuku kōwhiringa ki ngā kiritaki ka pēhea rātou ka whakatau tautohe me ACC, mā te whakakaha hoki i te hunga kiritaki ki te whakapā atu ki a ACC i roto i ngā tikanga haumaru, tika hoki, hāngai pū hoki ki ō rātou ake ahurea, uara hoki. Ko tētahi o ngā tonotanga angitu mō te ratonga i puta mai a Whānau Ora ka āhei te tuku kōrero, me te tautoko mā ngā pakirehua, whakapae, amuamu rānei, me te awhina ki te whakatere i te whānau ki te tautoko tika i ACC, i ētahi atu ratonga Whānau Ora ranei.

Kia Hiranga Te Mahi Ngatahi

Ko tā tātou mahi he arotahi ki te whakauru rautaki me te mahi takitahi ki te whakapai ake i ngā putanga.

HE WHĀINGA MŌ TE WĀHI MAHI HAUMARU ME TE ĀRAI WHARA – HE WHAKAPĀ ATU KI A NGĀI MĀORI, HE RANGAHAU HOKI

Kua mahi ngātahi mātou rangahau ai kia whai mōhiotanga mō te mahi āmua ake ka pēhea te whakamimiti i ngā whara me ngā aituā o ngā kaimahi Māori. I roto i tēnei mahi ka whai wāhi te hoahoa tahi o ngā rawa whakapoapoa, ngā rawa utu hoki e hāngai ana ki Te Ao Māori.

NGĀ RATONGA KĀINGA HANUMI, TAUTOKO Ā-HAPORI HOKI

Ko tētahi kirimana nui i uru atu ai a ACC i te tau nei ko ngā ratonga kāinga hanumi me te tautoko ā-hapori hoki (arā, ko ngā Integrated Home and Community Support Services). Tekau tau te roa o te kirimana, he $90 manomano tōna wāriu ia tau.

Kei te mahi tahi mātou ko ngā kaituku Māori ki te hōpara i ngā ara kaupapa Māori kia hua ai ka puta tētahi urupare e tika ana mō te taha ahurea i ia wāhanga matua o te tukunga ratonga. I konei ka whai wāhi te whakauru, te aromatawai hoki, ngā momo kēhi hoki, te hoahoatanga hoki o te ara ratonga, te inetanga hoki o ngā putanga.

WHĀNGAIA NGĀ PA HARAKEKE

Hei tautoko i te whakaaetanga mahi tahi me te whānuitanga o ngā mea tuatahitanga ā-kāwanatanga, kua whai wāhi mātou i roto i ētahi kaupapa ā-pokapū maha hei whakaheke taikaha i roto i ngā whānau, tae atu ki Whāngaia Ngā Pā Harakeke (arā, ko Whāngaia) ki Te Tairāwhiti, ki Manukau hoki, me te urupare haumaru hanumi ki Ōtautahi, ki Waikato hoki, arā, ko te Integrated Safety Response. Koinei ngā kaupapa e āhei ai mātou ki te mahi tahi ā-kāwanatanga me te whakatau mea tuatahitanga mō ngā matea ā-whānau, ā-hapū, ā-iwi hoki.

HE MAHINGA TAHI HEI ĀRAI WHARA – WHAKAATA MĀORI

Mai i te tau 2016 ka mahi tahi mātou ko Whakaata Māori mō te ārai whara. I te roanga o ngā wāhanga mahi kua whakaatu mai a Whakaata Māori he hongere whai tikanga tērā e kaha ana ki te whakaaweawe i te mōhiotanga, ngā waiaro hoki, ngā whanonga hoki o Ngāi Māori, i a rātou e toko ake ana i te mōhiotanga mō ACC me te whakapono me te māia anō. He kaupapa takenga ngoi te mahi e haere ana i tēnei wā, e toko ana i ngā kōrero mō ngā whānau whai angitu me ngā uara ā-ahurea ka whakapiri i a rātou, me ngā kōrero e whakaatu ana i te ngako o te tuakiri Māori. Kua hoahoaina te kaupapa hei whakaatu ka pēhea ngā wheako whai kounga – hākinakina mai, tākaro mai hoki

IronMāori

Ka mahi tahi a ACC me te kaupapa tauwhāinga-toru o IronMāori nō Te Matau a Māui ki te tuku kōrero atu mō te kaupapa o ACC SportSmart. Tae ana tēnei ki ngā hōtaka whakangungu ka āwhina kia āraitia te whara, ka pēhea hoki te whakatau wā whakaora – he tino whakahirahira tēnei – ka pēhea hoki ka mataara mō te mātengatenga me te mahi tika mō tērā.

– ka whakakoakoa, ka whakapiki hauora hoki i te tangata, ka whakahono hapori, ā, ka whakakaha ake i a Aotearoa-Niu Tireni.

HE TAUIRA MĀORI MŌ TE ĀRAI WHARA – TAIRĀWHITI

Mai i te mutunga o te tau 2017, kua mahi tahi mātou ko ētahi kaiwhakarato ā-iwi nō Te Tairāwhiti (arā, ko Tūranga Health, ko Te Rūnanganui o Ngāti Porou, ko Te Whare Hauora o Te Aitanga a Hauiti, ko Ngāti Porou Hauora hoki) ki te hoahoa, ki te whakatauira hoki i tētahi aronga kaupapa Māori ka kōkiritia e te iwi hei ārai whara. Nā tēnei i whai taputapu ai te iwi kia hoahoa, kia whakamātau hoki i tētahi tauira kaupapa Māori me ngā uara Māori, whakapono Māori hoki, tirohanga ahurea Māori hoki, tauira ahurea Māori hoki hei tūāpapa.

Whai muri mai i tētahi wā ka mahia ngā ngohe hoahoa matarua i whanakehia tētahi tauira Kaupapa Māori hou, (arā, ko Tuārai) ka whakawāngia, ka whakamātauria hoki. Ka toka tū te tauira o Tuārai i roto i te wairua o te toiora arowhānui, ā, kei te honoa ki te whakapapa, ki te māramatanga o te tini hoki. Ko ngā mātāpono ka noho hei tūāpapa ko te: Whakapapa, te Manaakitanga, te Rangatiratanga, te ōtahitanga, te Wairuatanga. Ka whakatauiratia te tauira o Tuārai i roto i ētahi hapori tuawhenua e toru ki Te Tairāwhiti, ā, ka arotahi atu ki ngā reanga e toru o: ngā Kaumātua, Tamaiti Mokopuna, Wāhi Mahi. Ka mahia hoki tētahi aromātai hei aromatawai i ngā wāhanga o te tukanga o te wā.

Whakawhanaketia

Ko tā tātou mahi he rapu kia pai ake ai te tikanga ahurea me pēhea tā tātou tuku mō te Māori.

HŌTAKA WHAKANGUNGU Ā-WIKI MŌ TE ĀHEITANGA AHUREA

I te tau nei, i whakapakari ō mātou tāngata i ō rātou āheitanga ahurea, atamai ahurea hoki mā ētahi hui ā-wiki mō te whānuitanga o ngā take e hāngai ana ki Te Ao Māori. Nā ngā wāhanga mātauranga Māori i pūrangiaho ake ai, i mārama ake ai ngā wāhanga e whā: Whāia Te Tika (ko tā mātou rautaki Māori); Mātauranga Māori; Te Tiriti o Waitangi; me te Kapa Haka.

Ko ngā kaupapa kōrero i whai wāhi, ka tae atu ki te Kapa Haka, ko tētahi uiuitanga mō Whāia Te Tika, mō Te Hokowhitu a Tū hoki, te mahi tahi me pokapū nō waho atu, te ārahitanga o Whāia Te Tika i roto i ngā mahi whakapā atu ki te iwi, me te whakamahinga o Te Rito (ko ā mātou kōwae ako āheitanga ahurea) me Te Kōnohete. Ko ēnei ngā painga o ngā huinga ki ō mātou tāngata tae atu ki:

- te whakamahinga o ngā pūhara hangarau hei whakapiki whakaaro nui mō te mātauranga Māori ki ngā peka e rua tekau mā rima
- ngā kaikauhau nō waho atu ka whai mea angitu ki te tuari mātauranga mō ngā kaupapa e whakahirahira ana ki ō tātou hapori Māori, hei tauira, ko te ōritetanga utu me Ngāi Māori
- te haumaru o ngā huinga kia whakangā, kia whakarongo, kia ako hoki mō te whakamahinga o Whāia Te Tika i roto i ā mātou mahi.

KO NGĀ PEKA ACC I TE WHAKATINANATANGA O TE RAUTAKI WHĀIA TE TIKA

Ko te tikanga o te arotahi atu ki te hunga kiritaki kia whakatōkia e mātou a Whāia Te Tika ki roto i ngā kaupapa here, i ngā tukanga hoki kia pāngia te tuku i ngā putanga ōritetanga mā ō mātou kiritaki.

Ko ō mātou tāngata te tohu nui o tō mātou angitu ki te whakapai ake i te wheako ki a Ngāi Māori e pīrangi ana i tō mātou tautoko. I whakahaere mātou i tētahi whakatauira hei tautuhi i te ngoi, ngā mea angitu hoki, ngā mea tuatahitanga hoki o Whāia Te Tika i roto i ACC. Mā tēnei ō mātou tāngata e whakakaha ki te tīmata, ki te ārahi hoki i ā rātou ake tukanga ahurea tika tae atu ki te mihi whakatau, te whaikōrero, te whakahua tika i te reo, ngā karakia hoki, ngā waiata hoki.

HŌTAKA Ā-MOTU MŌ TE REO

Kei te whakamahia e mātou tētahi kaiwhakarato nō waho atu ki te mahi i tētahi akoranga reo Māori mā ō mātou tāngata. Kei te whakatipu tēnei i ō mātou āheitanga ahurea, kei te āwhina hoki i a mātou ki te whakahono atu, ki te whakapā tōtika atu hei whakatutuki pai i ngā wheako kiritaki mā Ngāi Māori me tāngata kē atu. Ko tō mātou wawata ka tipu haere ngā āheitanga ki ngā kupu matua, ngā kīwaha hoki, ngā rārangi kōrero o te reo Māori; te waihanga hoki tō mātou āhei ki te whakamahi i te reo Māori e hāngai ana ki ACC me te whakamahi i te reo Māori ka takea mai i ngā momo ngoi, i te rongo ā-wairua hoki kia whakapā pai ai, kia tutuki pai ake ai hoki te wheako mā Ngāi Māori me tāngata kē atu.

E waru rau ō mātou tāngata kua mahi kē i ngā kōwae ako o Te Rito. Kua hoahoaina a Te Rito hei whakakaha i ō mātou tāngata ki te whakahono atu ki ngā hoa mahi Māori, te hunga whai pānga Māori, ngā kiritaki Māori, ngā hapori Māori hoki. Kei te kaha akiaki hoki mātou i ō mātou tāngata ki te whakauru ki roto i ngā kaupapa nui pērā i a Matariki, kia whai wāhi hoki ki ngā ngohe e pā ana ki Te Wiki o Te Reo Māori.

KA WHAKATŌKIA A WHĀIA TE TIKA KI ROTO I TE NEXT GENERATION CASE MANAGEMENT

Kua whakatōkia e mātou ngā uara Māori ki roto i ō mātou mātāpono hoahoa mō te Next Generation Case Management, pērā i te manaakitanga me te whanaungatanga. Kua tīpakohia hoki e mātou te whakahirahira o te kanohi ki te kanohi hei kōkiri i tō mātou kaupapa kia hāngai pū ki te kiritaki (mō ētahi atu pārongo tirohia ***te whārangi 38***).

Whāia Te Tika

Whāia te whanuitanga me te hōhonutanga o te mātauranga

Pursue the breadth and depth of knowledge

Whāia Te Tika, our ACC Māori strategy, aims to create better ACC experiences and outcomes for Māori, through Te Arotahi Kiritaki (strong customer focus), Kia Hiranga Te Mahi Ngatahi (partnering for excellence) and Whakawhanaketia (developing capability). Over the past year, ACC has activated initiatives across each of these focus areas with the aim of building momentum towards our outcomes inside and outside of the organisation. Ultimately, ACC wants to see that:

- Māori New Zealanders are injured less often
- Barriers to access and engagement for Māori are removed, reducing disparities;
- Māori customers receive the right support delivered in the right way for them and their whānau
- We engage, understand and respond to needs, expectations, and aspirations of Māori when they engage with ACC; and
- We partner with Māori health providers and other agencies to design and deliver products and services to meet Māori customer needs.

This year, our Wellington marae – Whare Manaaki was formally blessed. Whare Manaaki is a special place where our people and visitors can unite to participate in the tikanga (traditions) and kawa (protocols) that are special to Māori. The design gives all people who enter a place to stand showing where they have come from, whether it be the North or South Island or from overseas. We welcomed a team from Massachusetts Institute of Technology's (MIT) Critical Data with mihi whakatau at ACC this year, an experience our visitors said they will never forget. The team from MIT were here to participate in the inaugural Artificial Intelligence in Health Conference – HACK Aotearoa (ACC was a major partner).

Te Arotahi Kiritaki – Customer Focus

Our actions seek to improve customer access, experience and outcomes.

ACCESS TO OUR SERVICES

Māori face a range of barriers in accessing ACC services. A study was designed to explore approaches to access for Māori that would embed, deliver and future-proof Māori access in new ways. Māori knowledge was used to explore the customer appetite for services based on traditional Māori remedies and practices to be accredited through ACC. Of the 743 people surveyed, 91% identified as Māori and 85% reported they already use rongoā (traditional Māori medicine) and 76% reported they would use rongoā if it were available through ACC.

Respondents told us that, when dealing with health providers, recommendations from others carry a lot of weight. The availability of traditional Māori healing practices is valued. Barriers to access current services included a lack of trust and choices, difficult processes, and not having personal situations taken into account.

We are using insights from the study to inform and improve ACC's responsiveness to Māori, including exploring kaupapa Māori pathways.

NAVIGATION SERVICE

We have implemented a free, independent service to help clients navigate ACC processes. The service will provide accessible and responsive support to help our clients understand and engage effectively with our processes and resolve disputes without the need to progress to reviews. Effective navigation services directly support two of the three focus areas of Whāia Te Tika – Whakawhanaketia (Developing Capability) and Te Arotahi Kiritaki (Customer Focus) – by providing clients with choice in how they resolve disputes with ACC and by empowering clients to engage with ACC in ways that feel safe, appropriate and aligned with their own cultures and values. One of the successful bids for this service came from a Whānau Ora Commissioning Agency who can provide information and advice, tautoko through enquiry, claim or complaints processes, and help navigate whānau into the right support at ACC, or into other Whānau Ora services.

Kia Hiranga Te Mahi Ngatahi– Partnering for Excellence

Our actions focus on strategic engagement and partnering to improve outcomes.

WORKPLACE SAFETY INCENTIVES AND INJURY PREVENTION – MĀORI ENGAGEMENT AND RESEARCH

We have partnered on research to inform future work on reducing injuries and fatalities among Māori workers. The work includes the co-design of incentive and levy products that embrace a Te Ao Māori view.

INTEGRATED HOME AND COMMUNITY SUPPORT SERVICES

One of the largest contracts that ACC entered into this year was Integrated Home and Community Support Services. It is a 10-year contract, worth over $90 million per year.

We are working with Māori suppliers to explore kaupapa Māori pathways to ensure a culturally appropriate response at each key point of service delivery. These include access, assessment, case mix, service pathway design and outcome measurement.

WHĀNGAIA NGĀ PĀ HARAKEKE

In support of the partnering agreement, and wider cross-government priorities, we are involved in several multi-agency family violence reduction initiatives, including Whāngaia Ngā Pā Harakeke (Whāngaia) in Tairāwhiti and Counties Manukau and the Integrated Safety Response in Christchurch and Waikato. These initiatives enable us to work collaboratively across government and to prioritise whānau, hapū and iwi needs.

INJURY PREVENTION PARTNERSHIPS – MĀORI TELEVISION

We have been in an injury prevention partnership with Māori Television since 2016. Through the various phases of work, Māori Television has proven to be a credible channel in influencing knowledge, attitudes and behaviours of Māori, while raising awareness of ACC including trust and confidence. The current phase of work is a strength-based campaign that promotes wellbeing stories of successful whānau and the cultural values that bind them, and stories that capture a sense of who Māori are. The campaign is designed to demonstrate how quality recreation and sports experiences contribute to happier, healthier people, better connected communities and a stronger New Zealand.

MĀORI INJURY PREVENTION MODEL – TAIRĀWHITI

Since late 2017, we have partnered with four Tairāwhiti iwi providers (Turanga Health, Te Rūnanganui o Ngāti Porou, Te Whare Hauora o Te Aitanga a Hauiti, and Ngāti Porou Hauora), to design and pilot an iwi-driven kaupapa Māori approach to injury prevention. This provided iwi the tools to design and test a kaupapa Māori model, that is underpinned by Māori values and beliefs, and Māori cultural paradigms and frameworks.

IronMāori

ACC works with IronMāori Triathlon in the Hawkes Bay to share the kaupapa of ACC SportSmart. This includes training programmes that help avoid injury, how to build-in important recovery time and how to be aware of concussion and deal with it appropriately.

After a significant period of co-design activities, a kaupapa Māori model (Tuārai) for a new way of working has been developed and will be trialled and tested. The Tuārai model is embedded in the notion of holistic wellbeing and is connected to whakapapa and collective understanding. It is underpinned by the principles: Whakapapa, Manaakitanga, Rangatiratanga, Kōtahitanga, and Wairuatanga. The Tuārai model will be piloted in the Tairāwhiti region, and will focus on three cohorts: Kaumātua, Tamaiti Mokopuna, and Workplace environments. An evaluation will also be undertaken to assess various components of the process along the way.

Whakawhanaketia – Developing capability

Our actions seek to improve cultural capability and how we deliver for Māori.

WEEKLY CULTURAL CAPABILITY TRAINING PROGRAMME

During the year our people built their cultural capabilities and intelligence through weekly sessions on a range of topics related to Te Ao Māori. The mātauranga Māori sessions created greater awareness and understanding in four areas: Whāia Te Tika (our Māori strategy); Mātauranga Māori; Treaty of Waitangi; and Kapahaka.

Topics included Kapahaka, a quiz on Whāia Te Tika, the Māori Battalion, collaboration with external agencies, leadership of Whāia Te Tika within our front line, and the use of Te Rito (our cultural capability learning modules) and Te Kōnohete. Benefits of the sessions for our people included:

- the use of technology platforms to build awareness of mātauranga Māori at 25 branches
- external speakers taking the opportunity to share knowledge on topics that are important to our Māori communities (e.g. Pay Equity and Māori)
- the forums providing a safe space to relax, listen and learn about how Whāia Te Tika is being delivered throughout our business.

ACC BRANCH IMPLEMENTATION OF WHĀIA TE TIKA

Being customer focused means we embed Whāia Te Tika in policies and procedures to effect the delivery of equitable outcomes for our clients.

Our people are key to our success in improving the experience of Māori who need our support. We ran a pilot to identify the strengths, opportunities and priorities of Whāia Te Tika within ACC. This will empower our people to initiate and lead their own culturally appropriate processes including, mihi whakatau, whaikōrero, correct pronunciation of te reo, karakia and waiata.

TE REO NATIONAL PROGRAMME

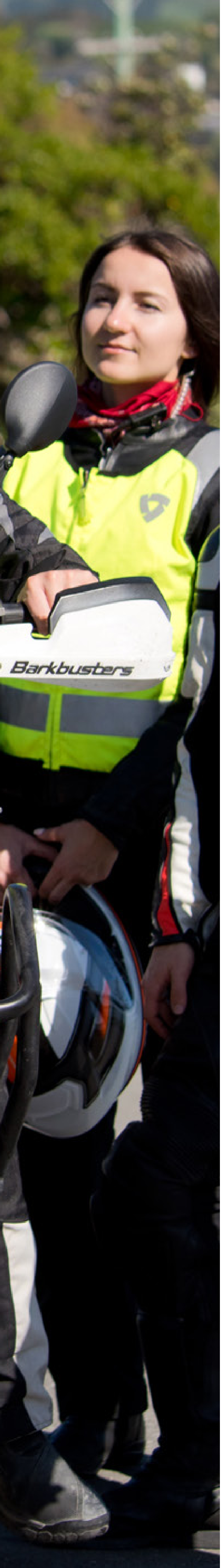
We have engaged an external provider to offer an introductory te reo Māori course to our people. This is growing our cultural capabilities and helping us to connect and engage effectively to deliver better customer experiences for Māori and others. We expect the programme to grow capabilities in basic te reo Māori words, phrases and sentences; and build our ability to apply te reo Māori that is customised to ACC and use strengths-based te reo Māori intuitively to engage with and achieve better customer experiences for Māori and others.

800 of our people have already undertaken Te Rito learning modules. Te Rito is designed to enable our people to build relationships with Māori colleagues, stakeholders, clients and communities. We also actively encourage our people to engage in significant events such as Matariki celebrations and participate in activities associated with Māori Language Week.

WHĀIA TE TIKA EMBEDDED IN NEXT GENERATION CASE MANAGEMENT

We have embedded Māori values in our design principles for Next Generation Case Management, such as manākitanga and whanaungatanga. We have also highlighted the importance of kanohi ki te kanohi (face- to- face engagement) as part of our drive to be truly customer centric (for more information see ***page 38***).


SCOYCO
RIDE FOREVER
MIL-SPEC
RRIDER
NOLAN



Our performance this year

Injury prevention

Key measures	Actual 2017/18	Target 2018/19	Actual 2018/19	Target
The portfolio of injury prevention investments will have an assessed positive return on investment	$1.72:$1	$1.80:$1	$1.81:$1	Achieved
Rate of serious injury	79.5	73.8	81.2	Not achieved

We make investments where our research shows we can improve the lives of New Zealanders by reducing the number, severity and costs of those injuries. During 2018/19, we invested a record $75 million in injury prevention activities.

This investment achieved record results as we delivered the highest-ever return on our injury prevention investment.

Our injury prevention challenge is to continue finding new and effective ways to reach all New Zealanders. We know that the best way we can spread our influence is by partnering with organisations that are part of the everyday lives of New Zealanders – and that's what we have achieved.

Investing for the future

During the year, we evolved and refocused our Injury Prevention Strategy and initiatives to have a greater impact on improving New Zealanders' quality of life. We want to pick up the pace of injury prevention by:

- exploring innovative approaches
- using data to target injury prevention programmes effectively to the right activities, to the right people, at the right time
- engaging a broader range of partners (including government and non-government organisations) to deliver shared outcomes
- broadening the range of interventions by using insights from ACC data and research to influence at a system level
- developing medium to long-term targets by focusing on root causes and the complex indirect factors that lead to injury. This will create a new focus on long-term behavioural and attitude change.

Our revised Injury Prevention Strategy is centred on addressing the barriers to long-term, sustainable reductions in injury incidence and severity across the life course[2].

We will continue to apply fund management principles to our investment processes to balance innovation, cost and, risk and return. We will take an enterprise approach to injury prevention, using existing channels such as our frontline services and relationships with providers to deliver injury prevention activities.

Supporting the healthcare sector to deliver safe treatment

People can be inadvertently harmed when they undergo medical treatments in any healthcare setting. To highlight the scale of this issue and help target prevention initiatives, we publish treatment injury information each year. This information is targeted at district health boards, hospitals run by members of the New Zealand Private Surgical Hospitals Association, and general practice settings comprising general practitioners (GPs), practice nurses, and others working in those settings.

We have partnered with health agencies, hospitals, professional groups, and others to address the challenge of reducing treatment injuries. There are several prevention initiatives underway:

- Improving the safety of surgery through surgical simulation training for operating room teams to reduce perioperative harm
- Preventing pressure injuries with a major focus on people in wheelchairs with spinal cord injuries or reduced mobility due to traumatic brain injuries

2 *We will be taking a 'whole of life' approach that considers a person's life events prior to their injury, and the impacts those events have on that person's choices. Our research has identified the key transition points in people's lives when beliefs can be challenged and behaviours can be adjusted based on significant events that cause personal reflection and change in people's lives.*

- Infection surveillance prevention; improving medication safety with a major focus on the risks of using anticonvulsants during pregnancy
- Enhancing reviews of serious adverse events using human factors expertise to contribute to a learning culture for safer treatment
- Preventing neonatal encephalopathy (brain injuries to babies during birth) through improved practice and better recognition of affected babies.

Supporting family and sexual violence prevention

We want to help reduce the incidence of family and sexual violence and the extensive personal, social and economic impacts that result from it. Family and sexual violence can cause physical and psychological harm. Addressing family violence is also one of the five priorities of the Government.

To address this important issue, we have continued to invest in a range of initiatives across all New Zealand. We have invested further in the Gandhi Nivas programme with a second site in Auckland. This programme involves early intervention work with perpetrators of family violence and supports their respective families through counselling.

Mates & Dates is our secondary school initiative to promote respectful relationships between people and an understanding of the behaviours that underpin violence. Since the pilot in 2014, more than 40,000 young people have received Mates & Dates training in 140 schools and alternative education settings. We have committed further investment for the next two and a half years to make Mates & Dates available nationwide.

Targeting safety on the roads

We have partnered with the Ministry of Transport to invest in several roads to make them more motorcycle safe through road engineering. We have also been working with our Australian counterparts to develop MotoCAP, a world leading, five-star rating system for motorcycle protective clothing.

ACC's Ride Forever programme aims to enhance riders' on-road skills to prevent injuries and reduce the severity of injuries, and to date it has shown excellent results. More than 7,500 motorcyclists have been trained in Ride Forever during 2018/19, taking the total number trained to more than 30,000. To incentivise specific groups who have yet to engage in the programme, we have launched a two-year pilot designed to reward eligible motorcyclists who complete the course. This was developed from feedback received on our 'Shape your ACC'[3] website. This website provides New Zealanders with the opportunity to contribute to proposals or change ACC is undertaking.

Recognising that the risk of a road crash is highest in the first six months of a person being licensed, we have developed a Young Driver programme in partnership with the NZ Transport Agency. It builds skills among young drivers when they start driving solo. The programme has won several international awards.

Working together to improve workplace safety

We have invested to improve workplace safety for several years and this continued to be a focus for us.

In 2018, ACC entered into a 10–year, $150 million partnership with WorkSafe to expand engagement and education programmes under the joint Harm Reduction Action Plan.

3 *www.shapeyouracc.co.nz*

Ride Forever

The Ride Forever programme gives motorcyclists the skills they need to be even better riders, so they can avoid crashes and continue to enjoy riding. A national network of providers delivers a multi-level on-road coaching course that is supplemented with online video coaching hints and tips. Discussion topics on Ride Forever's vibrant Facebook page include the benefits of wearing suitable gear as well as the latest trends in bike technology.

The initial three-year tranche of activity is centred on high priority sectors and the risks associated with working in and around vehicles and vulnerable workers.

This year we have developed and implemented a new programme of workplace injury prevention subsidies and workplace injury prevention grants. These grants support the development of new solutions to known health and safety problems that affect businesses. Through the grants, we partner with organisations to solve workplace health and safety problems that affect multiple businesses in an industry or supply chain. The subsidies are designed to support small and medium-sized businesses to invest in training and equipment that will have direct impacts on the health and safety of workplaces.

A higher proportion of Māori than non-Māori workers are employed in many of the high-risk sector groups, such as forestry (≈90% Māori), shearing (≈80% Māori) and agriculture. We have partnered with WorkSafe in prevention programmes to reduce injury rates for Māori, including co-designing the delivery of the evidenced-based Te Ao Maruiti health and safety regional intervention programmes.

Tahi Ngātahi – The New Zealand Shearing Contractors Association, in partnership with Federated Farmers, ACC and WorkSafe is leading a programme to improve the health and safety of shearers, farmers and farm workers. ACC has invested $1.2 million over three years (2017-2020).

Forest Industry Safety Council – ACC co-invests with the Council, which is a tri-partite, industry-led body in New Zealand with the mandate to work across the full plantation forestry sector. ACC has invested $1.2 million over three years (2016–2019). Through this partnership, we reach almost all forestry workers. The Council was a finalist in the leadership category at the 2019 New Zealand Workplace Health and Safety Awards.

Promoting safer communities

During the year Auckland became the 25th community to meet the required standard to be granted Safe Community accreditation. The accreditation marked a significant application process, which commenced in 2017, bringing together local and national injury, crime and violence prevention stakeholders to meet the criteria.

Staying safe at the park and on the court

Our sport-related programmes, such as RugbySmart and Fit4football, continued through 2018/19. Our partnership with the New Zealand Warriors resulted in ACC SportSmart[4] injury prevention programmes being delivered into 98 schools and 42 clubs. These SportSmart programmes, including concussion awareness, were delivered to more than 26,000 coaches and referees.

In partnership with the NZ Transport Agency and councils we launched BikeReady. BikeReady is designed to get more people biking safely on our roads, shared pathways and cycleways.

We continue to support our partnership with Water Safety New Zealand. This partnership delivers education to keep people safe in and around the water and supports the Swim Reaper summer campaign.

4 *www.accsportsmart.co.nz/*

TABLE 1: 2018/19 INJURY PREVENTION ACHIEVEMENTS

Objective	What we set out deliver	Result
We use analytics to target our injury prevention programmes and increase the impact of our efforts.	We will have understood the benefits of a re-injury prevention programme for our clients and the impacts it will have on reducing the rate of reinjury in clients.	Achieved
We design for the client, creating sustained behaviour changes.	We will have progressed the development of an experience rating system, risk sharing options and targeted financial incentives that will motivate small and large businesses to continue to improve workplace health and safety (for planned implementation in 2019/20).	Achieved
	We will have updated the vehicle risk rating system to reflect the Government's intentions for this aspect of the Scheme.	Achieved
We increase prevention effectiveness by partnering with capable, like-minded organisations.	Together with WorkSafe, we will have delivered the Harm Reduction Action Plan, which outlines all workplace injury prevention programmes that will be delivered by the two agencies (either jointly or separately).	Achieved
	We will have continued to evolve our existing injury prevention partnerships while developing new injury prevention partnerships where appropriate. Together with our partners, we will have designed and delivered initiatives in the seven areas[5] that have the greatest impact on our outstanding claims liability, including a focus on long-latency injuries where appropriate. This represents our continued commitment to applying the insurance approach to our injury prevention initiatives.	Achieved
We extend our reach by working closely with communities.	We will have embedded our new community injury prevention approach, to help deliver injury prevention programmes across New Zealand's regions and communities.	Achieved
Our injury prevention interventions contribute to a reduction in the outstanding claims liability (OCL).	We will have continued to publish treatment injury information as a key driver of sustained behavioural change. This information will have been used to reinforce existing and support the development of new prevention interventions with our health sector partners. It will also have allowed us to monitor injury prevention progress and evaluate the effectiveness of our interventions.	Achieved

5 *The seven areas are falls, sport and recreation, community, road, work, treatment injury, and violence injury prevention.*

Customer outcomes and experiences

Key measures	Actual 2017/18	Target 2018/19	Actual 2018/19	Target met?
Return to work within 10 weeks	67.4%	68.5%	66.8%	Not achieved
Return to independence for those not in the workforce	86.7%	86.0%	88.9%	Achieved
Growth rate of the Long-Term Claim Pool	+5.1%	+3.1%	+6.5%	Not achieved
Public trust and confidence	61.0%	65.0%	61.0%	Not achieved
Client net trust score	+25.0	+30.6	+24.0	Not achieved
Client net trust score for Māori	+17.0	+30.6	+25.0	Not achieved
Provider net trust score	-8.0	-10.0	-15.0	Not achieved
Business net trust score	-19.0	-14.0	-23.0	Not achieved

Our commitment to a modern approach in partnering with clients to fulfil our role to return injured people back to work or independence continues to drive significant change in our organisation.

Performance through times of change

The 2018/19 financial year has been one of transition for us as we continue to deliver our transformation investments. This year the environment has been challenging with high employment and increasing claim numbers. The number of new claims rose by 2.5% to just over two million and new weekly compensation claims rose by 5.1%, both with record volumes.

We continue to perform strongly in our return-to-independence targets for those not in the workforce. We have been delivering service consistency with an emphasis on capacity management. We have managed demand by moving work nationally depending on case manager availability. Several of the principles in the success of this service are being integrated into our new approach to case management, Next Generation Case Management.

Our return to work and public trust and confidence outcomes did not meet our targets. In a year when we managed 83,737 new weekly compensation claims and returned 66.8% of clients to work within 10 weeks, we still fell short of our overall return-to-work targets. This reflected the challenges of a record number of new claims while maintaining the momentum of our transformation programme.

The number of clients receiving weekly compensation for more than one year (known as the Long-Term Claim Pool) has risen more than we anticipated. It followed strong growth in the number of new weekly compensation claims experienced in 2018. The actual number of long-term clients returning to independence has improved throughout the year, with 3,662 people returning to independence compared with 3,285 last year. Despite missing the public trust and confidence target, we remain confident that underlying trust and confidence will improve as we complete our transformation milestones.

Improving services for injured Kiwis

Next Generation Case Management is a fundamental redesign of our case management model. It represents a unique opportunity for ACC to evolve as an organisation in response to the changing environment in which it operates, with shifts in client expectations, the healthcare eco-system and technology.

We've been trialling our new approach over the past 18 months in two test locations. Through the trial, more than 100 of our people have worked with 25,000 claims. We have seen an increase in client satisfaction levels and an improvement in health outcomes.

We are now ready to transition all frontline staff to the new model. We will take a phased approach in 2019/20 to ensure continuity of service for our customers throughout the transition.

These changes are part of wider improvements to our services, all aimed at creating a better experience for our clients. These improvements include:

- faster claim acknowledgement and acceptance, significantly reducing the time taken to accept claims
- introducing MyACC, an online portal that provides access to information about claims and services
- a new payments system that speeds up payments made to our clients, linked to a management system that holds a single source of all claims-related information (for more information see **page 57**).

"I was invited to use the new APP system (My ACC) and yeah it was fantastic. I haven't had any problems, I had a real good experience with ACC."

CLIENT

We have embedded Māori values in our design principles for Next Generation Case Management, such as manaakitanga and whanaungatanga. We have also highlighted the importance of kanohi ki te kanohi as part of our drive to be truly customer centric. As part of this we are establishing new relationships with local iwi before we welcome our people into new offices and are in the process of identifying appropriate Māori role titles and names for places where our people will work to enhance the use of te reo Māori.

Support for survivors of sexual violence

We play a key role in supporting people dealing with the effects of sexual abuse and assault. We also continue to focus our efforts to help prevent sexual violence as claim volumes continue to grow (see **page 35**).

We have created a fully funded and immediate service for people who have experienced sexual violence. It also provides support for family and whānau. Survivors of sexual abuse and violence can access these services more easily as demonstrated by the continued strong growth (25% increase in 2018/19) in sensitive claims.

Making life a little easier for businesses large and small

In the past 12 months we have continued to improve the experience our business customers receive. Our new online service for business customers, MyACC for business, has grown significantly. MyACC now provides services to more than 385,000 businesses, either directly or via accountants or advisors. Over 65% of our business customers, agents and advisors are now connected to MyACC.

The development of MyACC for business, as the main platform through which businesses can interact with ACC, will continue. New features and services are regularly added following feedback from users.

To address feedback in the biennial levy consultation in 2018, we are changing our self-employed invoices to be in arrears based on actual earnings. Historically we have invoiced in advance based on the previous year's earnings. It is expected that the invoicing calculation will be much easier to understand.

Mates & Dates

Mates & Dates is a secondary-school-based programme addressing safe, healthy and respectful relationships. It is delivered by specialist providers and aims to reduce sexual and dating violence and increase help-seeking among young people. ACC is expanding the regions covered by the programme and aims to reach 103,000 young people in the 2019 and 2020 school years.

In 2019 we launched our first round of workplace injury prevention grants and subsidies. Refer to ***page 35*** for details of the grants and subsidy programmes.

Examples to date include a subsidy for the LeadSafe Supervisors training course in the construction sector, the purchase of crush protection devices for quad bikes, and the purchase of aid equipment for moving people safely in the healthcare and social assistance sectors.

Partnering with our providers

Our Health Services Strategy is designed to help us improve recovery journeys for our clients through working more collaboratively with providers. This means we are actively engaging with providers and clients alike to ensure we are focusing on what matters most to them.

The Health Services Strategy has more than 34 active initiatives covering a wide range of areas, which are organised into three work streams:

1. Primary Healthcare
2. Specialist Care and Rehabilitation
3. Community and Independence.

Examples in the Specialist Care and Rehabilitation work stream that have been delivered are an anterior cruciate ligament pilot and general practice access to high-tech imaging. The programmes have driven better client outcomes, improved access for Māori and Pasifika and reduced the number of specialist appointments. We have also seen a reduction in the length of treatment and time on weekly compensation.

The work streams are organised around a client's journey through ACC. They have been developed based on service and provider characteristics, client needs and common change drivers.

Working with providers, we've been on an exciting journey to create ambitious, integrated pathways. Escalated Care Pathways aim to improve experiences and outcomes for patients with non-acute knee, shoulder and lower-back injuries. The Escalated Care Pathways initiative will build benefits derived from two proof-of-concept models. The pathways will put patients at the centre of a team of interdisciplinary health professionals, including surgeons and physiotherapists, to help them navigate smoothly and quickly from injury to recovery. The pathways involve patients in planning, help to streamline decisions and reduce unnecessary treatment. There will be a focus on increasing access to care for Māori and Pasifika patients, and threading cultural responsiveness into the pathway.

We're currently working with six provider groups from around New Zealand to finalise their pathways, with a view to accepting patients during 2019/20.

Easier to resolve issues

An ACC customer can review any decisions we make about their claim or levy invoices. This year we have met the targets for all three review measures. This is a result of a significant focus in the past two years on improving the review process. We have focused on working closely with our clients in the first instance to find resolutions.

"Over the years I've had dealings with them, everything's sort of easier, quicker. It's easier to communicate with them."

CLIENT

From 1 July 2019 clients have a choice of dispute-resolution suppliers for independent review and dispute-resolution services. There will be easier access to review hearings and alternative dispute resolution using video-conferencing. In-person hearings will still occur in Whāngārei, Auckland, Hamilton, Napier, Hastings, New Plymouth, Wellington, Blenheim, Nelson, Christchurch and Dunedin.

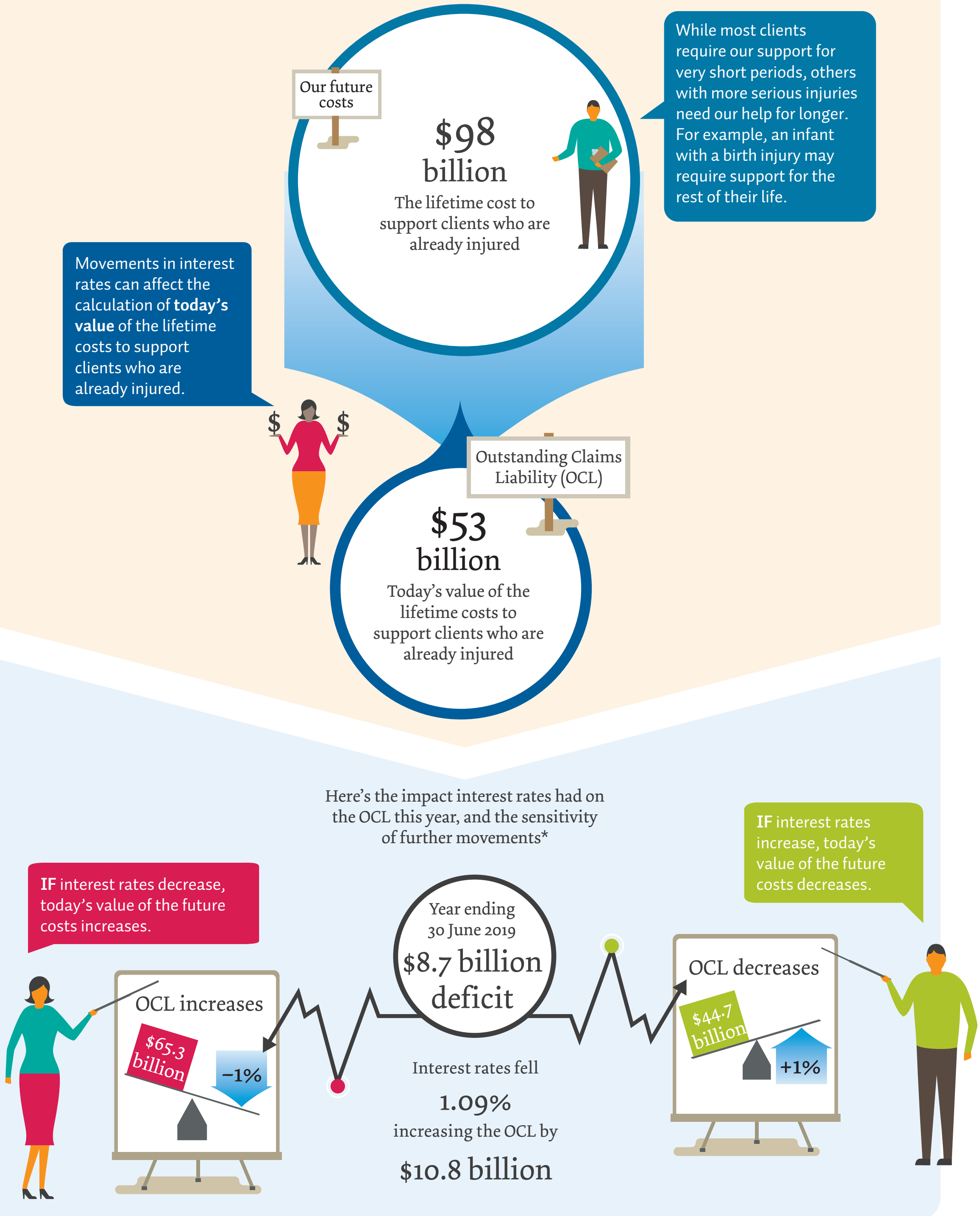
Maintaining our focus

During 2019/20 we will continue to deliver changes to our case management model and work with treatment providers under our Health Services Strategy to enable significant improvements in rehabilitation performance.

TABLE 2: 2018/19 CUSTOMER OUTCOMES AND EXPERIENCES ACHIEVEMENTS

Objective	What we set out to deliver	Result
We engage with our clients in ways that add the most value to their recovery and deliver the most appropriate client outcomes.	We will have tested our improved case management approach and demonstrated that we can better focus our resources and effort on where they can have the greatest impact in improving our clients' outcomes. The national rollout of this approach will be underway.	Achieved
	We will have collaborated with the Ministry of Business, Innovation and Employment to progress the 2018 Legislation Programme, contributing to ensuring that the AC Act is transparent and accessible.	Not achieved
We actively make it easier for others to work with us.	We will have implemented a real-time customer feedback system and used our customer advocacy network to improve our ability to understand customers' experiences and respond quickly to their changing needs.	Achieved
	By telling our story we will have ensured that we have demonstrated effectively the value we offer to New Zealand and our customers.	Not achieved
	We will have reviewed, with the Ministry of Business, Innovation and Employment, the AC Act to give effect to Government and ACC priorities and will have delivered advice on the existing and future ability of the ACC Scheme to respond to external trends and system pressures.	Not achieved
	We will have continued to increase the range of digital, telephony and self-service options for our customers. This will have given our customers more choice in selecting the options that work best for them and increased the efficiency of working with us.	Achieved
	We will have ensured that our new business levy management and invoicing system delivered the expected efficiency benefits to our customers and improved our customers' experiences.	Achieved
	We will have implemented new ways to make the client payment experience easy, including simplified weekly compensation payments, client self-service (to view and manage weekly compensation) and faster payments of reimbursements.	Achieved
	We will have established a dedicated function to improve the efficiency and effectiveness of our interactions with government, making it easier for other parts of the public sector to work with us.	Achieved
	We will have implemented the outstanding recommendations from the Independent Review of Acclaim Otago (Inc) report into Accident Compensation Dispute Resolution in a timely manner, including the establishment of a nationwide advocacy service and the resolution of issues regarding medical evidence.	Achieved
We achieve improved experiences and outcomes for Māori.	We will have designed (and be prepared to roll out) an evidenced-based cultural competency workforce development programme, enhancing our people's cultural literacy levels and lifting our ability to engage with all our customers.	Achieved
	We will have designed and started the rollout of a Māori engagement campaign, including marae-based delivery, ensuring that Māori have a better understanding of the services we offer and how those services can be accessed.	Achieved
	We will have continued the active measurement and internal reporting of Whāia Te Tika performance measures from 1 July 2018. This will have allowed us to establish a final set of leading and lagging measures for inclusion in the Service Agreement 2019/20, by March 2019. This set of measures will have represented a broad view of our Whāia Te Tika strategy including: • the breadth and adoption of our cultural capability workforce development • the effectiveness of our Māori engagement strategy • the proportion of our staff who identify as Māori • the extent to which we have te reo speakers across our staff and geographies.	Not achieved
We adopt new ways of working with providers.	We will have simplified the way we work with our providers by introducing client service pre-approvals, automated ordering and invoicing, enhanced provider self-service options and faster invoice payments. These improvements will have been supported by a technology environment that supports outcome-based purchasing consistent with our Health Services Strategy.	Achieved

Movements in interest rates significantly increased the OCL, impacting ACC's financial performance for the year



* *Further information on the sensitivity of the OCL can be found in Note 8 to the financial statements.*

Financial sustainability

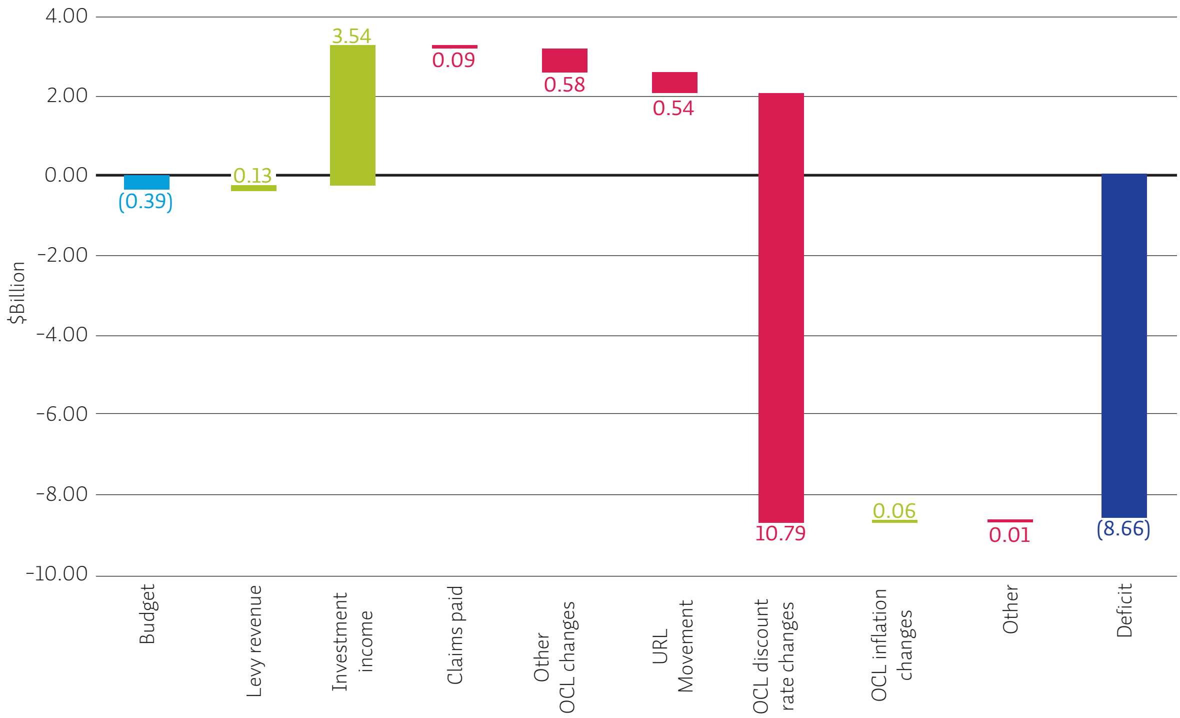
Key measures	Actual 2017/18	Target 2018/19	Actual 2018/19	Target met?
Funding ratio (solvency) of the Scheme	96.7%	95.0%	81.2%	Not achieved
Investment performance after costs relative to benchmark	-0.10%	0.30%	-0.82%	Not achieved
Change in average treatment cost per injury	+3.3%	≤5.0%	+5.7%	Not achieved
Average care hours per serious injury claim	1,363	1,406	1,350	Achieved

What happened this year

This year the Scheme recorded a deficit of $8.7 billion compared to a budgeted deficit of $0.4 billion. While this deficit is significant, it is important to note that the largest contributor to the deficit ($10.8 billion) was a fall in interest rates that impacts the value of our OCL. The fall in interest rates was outside ACC's control. In response to a softening economic outlook, central banks from around the world, including the Reserve Bank of New Zealand have lowered interest rates.

The large deficit due to the movement in the OCL is not a cash loss. Rather it is a revaluation of the future cost of claims already made.

GRAPH 1: 2018/19 FINANCIAL PERFORMANCE COMPARED TO BUDGET



Impacts of external factors on financial performance

Given the long-term nature of the Scheme, the net results for ACC are significantly affected by short-term market and economic factors external to the organisation. These factors are outside ACC's control and can cause significant volatility in the value of our OCL and on investment returns.

The presentation in the below table of net deficit before gains and losses is an "operating balance before gains and losses" (OBEGAL) equivalent view of our results as they would be reported in the financial statements of the New Zealand Government. The OBEGAL view provides a more direct indication of the underlying fiscal management than the reported net (deficit) surplus, as it more closely links to activities over which ACC has control.

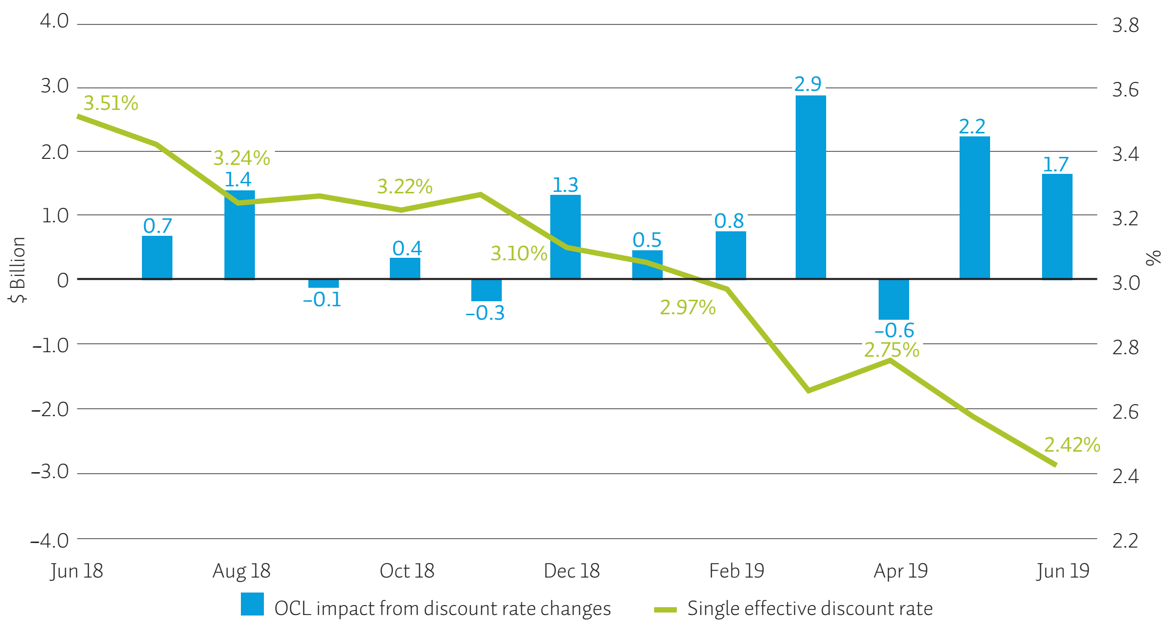
$M	2019	2018	2017	2016
Reported net (deficit) surplus	**(8,657)**	**28**	**602**	**(3,367)**
Add (deduct) impact on results from external factors				
Net gains and losses on investments	(3,793)	(2,348)	(788)	(2,014)
Net gains and losses from changes in discount and inflation rates and other factors on OCL	11,367	1,881	(387)	5,098
Net (deficit) surplus before gains and losses (OBEGAL view)	**(1,083)**	**(439)**	**(573)**	**(283)**

Falling interest rates

Movements in interest rates are outside ACC's control but have an impact on two key areas of our financial performance: the OCL and investment returns.

The **OCL** is a net present value (NPV) estimate of how much ACC needs today to support already injured clients for as long as they require it. These future costs can extend up to 100 years. The NPV is calculated using the Treasury discount rates that are generated from the underlying government bond market yields.This year the prescribed Treasury discount rates fell significantly. In addition, following a review of long-term interest rate assumptions, the Treasury reduced their long-term discount rate from 4.75% to 4.30%. These movements resulted in a decrease to the single effective discount rate[6] from 3.51% to 2.42%. This movement increased the value of our OCL by $10.8 billion. Graph 2 highlights the monthly impacts of the discount rate changes on the OCL.

GRAPH 2: MONTHLY DISCOUNT RATE IMPACTS ON OCL VALUATION



6 *The single-effective discount rate is a duration-weighted average discount rate on the undiscounted OCL.*

Our **investments** portfolio generated $5.1 billion of income before investment costs, $3.5 billion above budget. This represents a weighted average return for the year of 12.97% compared to a 3.96% budget.

A large portion (approximately 80–90%) of these higher-than-budget returns are revaluation gains from the decline in bond yields. Bond yields fell as interest rates dropped throughout the year.

Approximately two-thirds of our investment portfolio is invested in bonds and other fixed-interest instruments. These investments benefit from a decline in bond yields, providing a partial hedge against the impacts that declining interest rates have on the valuation of the OCL. Our investment strategy cannot fully protect us against these interest rate impacts on the OCL. There is a large duration mismatch between our assets and liabilities. Our OCL extends up to 100 years, and the average duration of a claim is around 20 years. This far exceeds the duration of available New Zealand dollar investments, where our average fixed-income investments have a duration of around 10 years. These are supplemented to a degree by investments in areas such as property and infrastructure, but the mismatch remains.

This year we have bond revaluation gains from falling bond yields, but the decline in interest rates significantly reduces the future returns we can expect from our bonds and other fixed-interest instruments. Investment revenue can be considered to be subsidising levies, and therefore lower investment returns over time could contribute to future levy pressures.

Why did we budget for a deficit?

We budgeted for a deficit as part of our funding policy, to target a specific funding ratio for each Account. This means we target a range of 100–110% over a 10-year period in the levied accounts, and 88% in the Non-Earners' Account. The funding ratio is an indication of the extent to which ACC has sufficient funds to meet the future costs of the Scheme.

When the funding ratios for our levied Accounts are above their target ranges, we budget (primarily through our levy recommendation process) for a deficit. The deficit allows the ratios to return gradually back to the target range. This has been the trend for the past few years, with funding ratios above target ranges.

However, with the size of this year's deficit, the funding ratios have significantly decreased; refer to ***Graph 4*** and ***Graph 5***. Under our funding policy, these levels of funding ratios would result in larger increases in recommended levies in the next levy-setting round than would otherwise have been required without such a large deficit.

OCL

During the year the OCL rose $12.7 billion from $40.6 billion to $53.3 billion. As noted earlier, the main reason for the increase this year was due to a fall in interest rates, an impact of $10.8 billion. The OCL is, however, also impacted by several other factors:

- Inflation rates
- Claim volumes and claim costs
- Maturity of the Scheme
- Legislative changes.

In general, inflation rates decreased over the year. Ordinarily this would have resulted in a $1.2 billion reduction to the OCL. However, the Treasury also changed its inflation methodology during the year. The net result of inflation rates and the Treasury methodology change was a $60 million decrease to the OCL.

The OCL also changes based on estimates of future claims costs on existing claims. The OCL models of future claim behaviour for existing claims are updated every year to reflect recent experience. This includes changes in the average amount paid per claim, the number of new claims and how long clients require assistance. This year we have experienced a $634 million increase in the OCL due to claims experience and modelling changes. The largest increases were for sensitive claims and weekly compensation.

The OCL increased by $438 million for sensitive claims, mainly due to a 25% growth in new claims. More clients are reporting sensitive claims due to the increased awareness of support provided by the Integrated Services for Sensitive Claims ISCC refer to ***page 39*** for more information.

The OCL increased by $249 million for weekly compensation as new claim volumes were higher than expected, particularly for the most recent accident periods for the Earners' and Motor Vehicle Accounts.

Each year more clients enter the Scheme than leave. The OCL also grows with inflation and population growth. The impact of the Scheme growth this year was $1.4 billion.

Unexpired risk liability (URL)

As at the end of the financial year we have received or accrued levy revenue for cover periods that extend beyond 30 June 2019, referred to as the unearned levy liability (ULL). This revenue will be used to fund claims we expect to incur during the balance of the relevant cover period in the next financial year. Where the estimated lifetime costs of these claims exceed the ULL, including a risk margin, we are required to recognise an unexpired risk liability (URL).

This year the URL increased $0.4 billion. This increase was due mostly to changes in the economic assumptions ($0.3 billion) and claims experience and modelling changes ($0.2 billion).

OCL sensitivity

As the OCL grows in size, so too does the potential movement in the OCL from changes in the key assumptions underpinning the valuation. For example, as at 30 June 2019, if discount rates were 1% lower this would have resulted in a $12.0 billion increase in the OCL. A 1% increase in discount rates would have resulted in an $8.6 billion decrease in the OCL.

Refer to the Notes to the financial statements on ***page 138*** for an analysis of the sensitivities of key valuation assumptions on the OCL.

Levy revenue

Levy revenue in the levy-payer-sourced revenue Accounts increased by $273 million (9.9%) to $3.0 billion. This was $127 million above budget. The larger revenue was a result of higher liable earnings in the Work and Earners' Accounts and an increase in liable earnings in higher-risk-rated industries. Higher economic activity than last year reflects more people in the workforce and higher salaries and wages generating the increase in liable earnings.

There was a net reduction in revenue ($11.0 million) from the decrease in the Work Account aggregate levy rate, from $0.72 to $0.67 per $100 of liable earnings.

The Motor Vehicle Account aggregate levy rate remained at $113.94 per vehicle, but revenue in this Account reduced by 2.5% to $425 million compared to last year. Revenue reductions came from both petrol volumes and licence fee revenue.

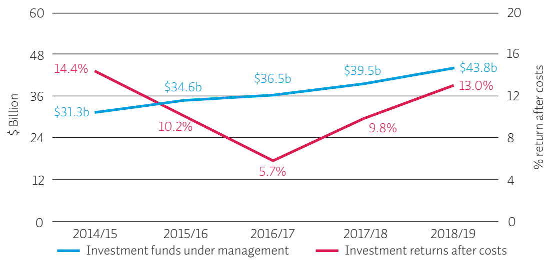
Investment returns

ACC holds investments to meet the future costs of injuries that have already occurred. ACC's reserves portfolios delivered a strong result with a weighted average return of 12.97% after costs ($5.1 billion). This was an improvement on the $3.6 billion achieved in 2017/18, but underperformed our market-based benchmarks by 0.82%.

We missed our benchmark due to underperformance in equity portfolios and a failure of our asset allocation to fully capture the gains from a decline in New Zealand long-term bond yields.

The investment result helped us to grow our investment portfolio to $43.8 billion.

GRAPH 3: HISTORICAL FUNDS UNDER MANAGEMENT AND INVESTMENT RETURNS



For more information on our investment performance, refer to the investments report on ***page 79***.

Claim volumes and costs

Claim costs increased by 9.1% to $4.38 billion (compared with a 7.9% increase in 2017/18).

Our claim costs have three main drivers:

- **Changes in claim volumes** driven by a range of economic factors, the most significant being GDP (gross domestic product) and the unemployment rate
- **Changes in the cost of goods and services** driven by wage levels, general cost inflation and medical health inflation
- **Changes in operational approach or settings** driven by a large number of factors including judicial rulings, changes in legislation or regulations, and management decisions to change a service approach, design or offerings.

We budgeted new claims to grow at 3% for 2018/19. New registered claims increased by 2.5% to 2.03 million.

Although the number of registered claims was lower than budget, in some services we saw higher growth in volumes than the new registrations' growth.

The number of clients accessing support through the ISSC and other related mental health services continues to grow strongly (25% growth over last year), ensuring that those most in need of these services are getting the support they require.

Awareness of the impacts of concussion and traumatic brain injury continues to grow through our injury prevention partnership programmes. We expect that early detection and treatment can reduce the long-term impacts, resulting in better outcomes for clients.

As a result of the ageing population of clients, there has been an increased use of residential support services compared to attendant care at home.

We budgeted new weekly compensation claims to grow at 4% for 2018/19. New weekly compensation claims actually increased by 5.1% to 83,737.

Compensation costs have grown by 12% this year caused by:

- a higher-than-expected number of new weekly compensation claims
- a decrease in rehabilitation rates, resulting in claims receiving weekly compensation for longer
- client wage rates being higher than expected resulting in a higher average daily rate.

This year there have been cost pressures beyond general cost inflation.

These include the second-year impact of the Care and Support Workers (Pay Equity) Settlement Act 2017 on Integrated Home and Community Support Services. The aim of the Pay Equity Settlement Act is to provide equitable pay rates in the sector.

The pay settlement between the New Zealand Nurses Organisation and the district health boards has resulted in pay rates above the standard inflation rates for services with nursing components.

Additional impacts are from the minimum wage increase in non-contracted attendant care and weekly compensation rates.

Other changes to legislation, policy or our approach

The implementation of a reconfigured air ambulance service continued. The goal of the new service is to improve safety, clinical and aviation standards, coordination and tasking, and the integration of the service with the wider health sector.

Free GP visits were expanded to include under-14-year-olds as well as a reduction in co-payments for Community Services Card holders.

A new Orthotics Services contract put in place during 2017/18 has resulted in a 31% increase in claims due to the removal of pre-approval for low-cost orthotic items and improved access to this support.

In November 2018 we launched the Living my Life service, replacing four existing disability services. Living my Life is a disability support service grounded in a principles-based approach that aims to build individual capabilities and skills, enabling clients to have choice and control about what they do in their everyday lives.

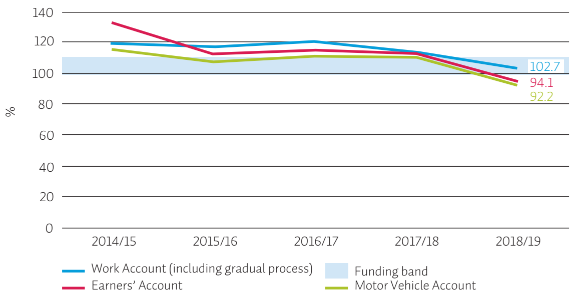
Funding ratios

Our funding ratios are an indicator of the extent to which we hold sufficient funds (our investment portfolios) to cover future costs for already incurred claims.

As noted earlier, we target funding ratios by Account in line with our funding policy. This means within a target range of 100-110% for the levied Accounts and 88% for the Non-Earners' Account. The aims of these targets will be achieved over a 10-year horizon, allowing for a gradual return of Accounts' funding ratio towards the targets and is expected to reduce volatility in levy rates.

Due to the higher-than-budgeted deficit, the funding ratios of all Accounts have fallen during 2018/19, other than the Work Account, below target ranges as at 30 June 2019.

GRAPH 4: LEVIED ACCOUNTS FUNDING RATIO



GRAPH 5: NON-EARNERS' ACCOUNT FUNDING RATIO

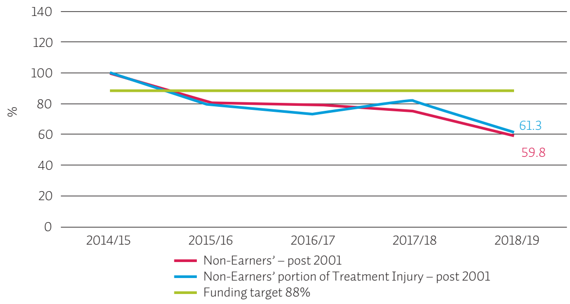


TABLE 3: 2018/19 FINANCIAL SUSTAINABILITY ACHIEVEMENTS

Objective	What we set out to deliver	Result
We carefully consider the costs of the services we offer to achieve the most appropriate client outcomes.	We will have refined the way our finance team influences our performance management approach, ensuring that we manage the dual focus on the costs and outcomes of the services we provide while increasing our overall effectiveness. In doing so we will have been able to demonstrate our performance through clear commentary and an appropriate mix of leading and lagging performance measures.	Partially achieved
	We will have provided advice to the Minister where we saw opportunities to deliver services more efficiently and effectively to New Zealanders but where legislation may have been perceived as a barrier.	Achieved
We manage cost and liability growth.	We will have completed trials of new pathways of care and started the wider rollout of these pathways with our provider partners. This will have improved the delivery of treatment and rehabilitation services to clients while supporting the management of costs and longer-term liability growth.	Achieved
	We will have identified a range of opportunities to optimise our systems, and will have decommissioned those no longer required without compromising client outcomes.	Achieved
	We will have moved to a single, integrated procurement operating model to deliver new procurement efficiencies, and a consistent approach to market and commercial opportunities.	Not achieved
	We will have effectively managed controllable cost pressures while continuing to deliver high-quality outcomes for our clients.	Partially achieved
We apply the insurance approach when making investment decisions.	We will have continued to develop a deeper understanding of changes in injury causation and associated risk factors over the life courses of individuals. This will have involved us thinking beyond the ACC client experience and used a range of factors (such as interactions with other agencies, changes in earning potential and other demographic factors) to support better prevention, treatment and rehabilitation interventions. We will have monitored health outcomes and experiences to measure the extent to which people are 'fully' rehabilitated, improved our understanding of the efficacy of our treatment and rehabilitation pathways, and supported outcomes-based commissioning with providers. Our application of the insurance approach will have taken into account the opportunities to achieve synergies between ACC's services and other publicly funded medical and disability services. Any changes made to our approach to treatment purchasing will have considered the impacts on the wider health sector and improving access and outcomes for clients.	Achieved

Continued ...

Objective	What we set out to deliver	Result
We maintain investment performance above benchmarks.	We will have increased the use of our new investment management tools, reducing risks and redirecting resources towards increasingly value-add activities. Collectively, these measures will have created the environment for better investment decisions.	Achieved
	We will have worked with the Minister of Finance's office and the Treasury to confirm communication requirements, ensuring that there is an effective line of sight.	Achieved
	We will have continued to review and, where appropriate, update our ethical investment policy as part of our wider investment framework to reflect domestic and international progress in ethical investment practice.	Achieved
Risk management is embedded across our organisation.	We will have implemented the next stages of our Risk Maturity Growth Plan: • Staff will be using consistent, high-quality risk practices, showing an improvement in the quality and impacts of risk reporting, through the development and delivery of training and guidance on risk management. The purpose of this will have been to grow a strong risk culture using consistent and leading risk management practices • This will have provided us with a clearer understanding and visibility of risks, and allowed a thoughtful consideration of those risks in decision-making. Our risk appetite will have matured, using key risk indicators and measures to support risk appetite statements • Risk management will have continued to be embedded within business groups, with support and coordination through an effective risk network and operating model. • Delivering the plan will have raised our risk maturity and improved the longer-term sustainability of the Scheme.	Achieved

Organisational health and capability

People

Key measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Target met?
Total recordable injury frequency fate	6.1	9.5	3.1	Achieved
Employee net promoter score	−6	+16	−11	Not achieved

Health and safety

We are committed to providing a safe and healthy working environment for our employees. Our injury frequency rate has shown a strong improvement during the year, with significantly fewer injuries to our employees than in previous years. This demonstrates our strong focus on health, safety and wellbeing across our organisation.

Employee engagement

Our employee engagement, as measured via the Employee Net Promotor Score (eNPS), decreased during the year and was below the target. The eNPS was strongly influenced by the amount of organisational change and restructuring occurring during the year. We saw engagement at a level consistent with our target in some parts of ACC that were less affected by organisational change. While we aim to mitigate the negative impacts of restructuring on our people, as we implement our Next Generation Case Management model there is likely to be a residual impact on eNPS in 2019/20.

We are committed to being an EEO employer through our organisation-wide EEO good employer practices relating to the recruitment and selection, development and retention of all staff.

TABLE 4: WORKFORCE PROFILE AND EQUAL OPPORTUNITIES

3,538 Permanent and temporary staff	**69%** of our workforce are women
63% of our Board members are women	**47%** of our Senior managers (Tier 3 and 4) are women
41 is the average age of our people	**83%** European **12%** Māori **10%** Asian **6%** Pasifika **10%** Other Ethnicity profile of our people via survey[7]
14% of our people indicated a disability via survey	
17.6% Median gender pay gap[8]	**38%** of our Executive (Tier 1 and 2) are women

7 *Ethnicity sums to more than 100% as employees were able to select more than one ethnicity.*
8 *This measure is based on the Ministry for Women's methodology.*

Ensuring health, safety and wellbeing

ACC's health, safety and wellbeing continue to be strong. They have been further strengthened during the year with our adoption of the SafePlus framework, which further challenges us to be exemplars in relation to our leadership, risk management and employee engagement.

As in previous years, we have benefited from strong engagement with and the involvement of our people – in workplace committees, with wellbeing initiatives and in celebrating great outcomes. We have also continued to partner with our third-party providers to support their health and safety improvements.

Changing to meet our customer needs

This year has seen the most significant impact of our ongoing transformation on our people. As we prepared to roll out our Next Generation Case Management approach across New Zealand, we consulted 1,800 of our people about the impacts it would have on their roles and ways of working. While we know that such a change is challenging for our people, we have received positive feedback from them about the support we have provided, the transparency with which we have communicated and our genuine preparedness to make changes to our proposal in response to their feedback.

Our remarkable people at ACC have faced this change with a strong commitment to supporting our customers. They have also engaged in numerous local initiatives to support the wellbeing, engagement and resilience of themselves and their colleagues.

Developing our people

Through 2018/19 we have invested strongly in the development of our people. We have launched our new learning portal, Grow@ACC, which allows our people to prepare their own development plans then access a large range of curated learning materials on diverse topics.

We've replaced our core leadership programmes to ensure we are building our leadership capability effectively, among our emerging leaders and through to those who are established and experienced in their roles. We've refreshed several of our inductions for new frontline employees, so that we are supporting even better customer experiences and reducing the time it takes for our people to be proficient in their roles.

Ensuring that we have sufficient capable leaders in the future has been another focus during the year. Our talent management and succession planning across ACC has allowed us to identify and invest in leaders who would benefit from additional targeted leadership experiences.

Live Stronger for Longer

Live Stronger for Longer is aligned with the Healthy Ageing Strategy led by the Ministry of Health. Falls can have devastating physical and emotional costs for older people, and financial impacts on the health system. District health boards, local health systems and communities are working collaboratively to improve falls and fracture outcomes for older people. In each local area, Fracture Liaison Services help to coordinate: osteoporosis treatment for seniors with fragility fractures; in-home strength and balance to support recovery at home; and community group strength and balance classes to enable social connections as well as build core strength.

A workforce that reflects our customers

We are passionate about diversity and inclusion at ACC. We aim to be a leader in accessibility, to be a culturally capable organisation, to be an inclusive workplace and to have our workforce representative of New Zealand's diversity. Our employees have embraced our focus on diversity and inclusion with four employee networks forming during the year: Pride@ACC Te Whānau Uenuku ki ACC, Ability@ACC Te Whānau āhei ki ACC, Cross-Cultural network and Women's Network Te Aka Wāhine. The networks have organised celebratory events and contributed to our diversity activities.

800 of our people have undertaken our Te Rito learning modules. We've had healthy participation in lunchtime learning sessions run by our Māori and Cultural Capability team. We have incorporated te reo Māori into our learning portal and employee communication so that we are continuing to embed our cultural capabilities.

We continue to focus on hiring employees from diverse backgrounds and we are building our employment brand to reflect this. This year we have expanded our summer intern programme, which provides opportunities for Māori and people with disabilities to gain experience at ACC. We have also been recognised for our commitment to accessibility with the Accessibility Tick from Access Advisors.

TABLE 5: 2018/19 PEOPLE ACHIEVEMENTS

Objective	What we set out to deliver	Result
Our workforce reflects New Zealand's diversity.	We will have increased the availability, range and visibility of flexible work arrangements to support diversity.	Partially achieved
	We will have created an environment and employment brand that increase the representation of Māori and employees with disabilities within our workforce.	Achieved and ongoing
We have highly motivated, capable leaders.	We will have enhanced our leadership capability by increasing the pool of future leaders and mitigating risks through deliberate succession planning.	Achieved
We make our environments and those we have influence over injury-free.	We will have implemented the SafePlus framework to improve leadership, engagement and risk management in workplace health and safety and wellbeing.	Achieved
Our people are capable and are proud to be part of ACC.	We will have implemented our leadership and employee development portals to embed a culture of continual learning and development for all our people.	Achieved
	We will have improved employee engagement by building a 'Voice of the Employee' measurement suite to gain regular and insightful feedback, allowing us to take advantage quickly of opportunities to improve engagement and experiences.	Achieved
Our organisation design and our practices facilitate high performance now and into the future.	We will have developed a refined five-year workforce plan to describe clearly our changing workforce capability and capacity requirements, allowing us to ensure we have the right capabilities and capacity now and into the future.	Achieved

Our activities under the seven elements of being a 'good employer' are set out below:

TABLE 6: 2018/19 'GOOD EMPLOYER' ACTIVITIES

Element	Our activity this year
Leadership, accountability and culture	• Refreshed our diversity and inclusion approach and facilitated the set-up of a number of employee diversity networks • Embedded our leadership framework, describing the competencies required of leaders at all levels linked to development opportunities through our Grow@ACC learning portal • Refined our talent management approach and toolkit aligned to the State Services Commission framework, which facilitates the identification of future leaders and successors for targeted development • Continued to support change initiatives with a 'Leading Through Change' suite of offerings and micro programmes for our leaders as they supported change within their teams • Refreshed our core leadership development programmes • Good participation in our online cultural capability programme, Te Rito • Our Tika programme continues to develop our culture and customer experience • Responded to feedback from our annual engagement and Pulse surveys
Recruitment, selection and induction	• Robust recruitment and selection processes are in place to attract a diverse range of applicants and to ensure consistent decision-making • Refreshed our leader induction and on-boarding programmes • Use of broad assessment and selection tools to encourage diversity of age, ethnicity, gender and disability • Partnerships with TupuToa and Workbridge to support our focus on Māori and those with disabilities, including an internship programme • Diversity statement on our careers website and in job advertisements
Employee development, promotion and exit	• Transparent performance development and remuneration framework in place with tools and resources to support employees and leaders • Graduate and postgraduate qualifications offered in business and management/leadership in partnership with AUT • Comprehensive range of training programmes available to employees, provided by both in-house and external providers • Grow@ACC portal allows employees to create their own development plans and access curated learning content on a large range of relevant topics • Accessibility guidelines in place with our learning team to ensure employee development programmes are accessible to all employees • Significant internal promotion opportunities, with roles and secondment opportunities advertised internally
Flexibility and work design	• Organisation-wide flexible working policy • Parent rooms in key locations • Implementing a new case management approach, with work being carefully designed to maximise both customer outcomes and employee experiences • Strong focus on diversity and inclusion, including inclusive work practices
Remuneration, recognition and conditions	• Our people have access to a range of recognition options through our recognition system • Transparent and equitable job evaluation practices • Actively enabling staff participation in contractual arrangements as part of collective bargaining with the Public Service Association and the Association of Salaried Medical Specialists • Monitoring gender pay equity and ensuring equity within pay bands

Continued …

Element	Our activity this year
Harassment and bullying prevention	• Employee Code of Conduct and relevant policies available at all times and feedback encouraged from employees • We actively seek and encourage employee participation in all EEO-related matters, particularly as part of collective bargaining • One of ACC's four core behaviours is 'inclusive', which sets an expectation of a respectful and collaborative work environment • Celebration of 'Pink Shirt Day' at various sites across ACC to promote a positive workplace culture and the prevention of bullying • Our guidelines align with State Services Commission guidelines on harassment and sexual harassment
Safe and healthy environment	• Strong employee representation and involvement in health and safety committees and initiatives • Strong culture of reporting near misses and incidents so that learning and prevention can occur • Health and safety learning modules for all employees with ongoing safety alerts, recognition and initiatives to support a safe and healthy environment • Management of key health, safety and wellbeing risks through a structured approach to identification, control and monitoring • Comprehensive wellbeing and wellness programme including: – 'Thrive' resilience programme, available to all employees to support them in their professional and personal lives – dedicated workplace wellness programme including the provisioning of onsite health checks, flu vaccinations, wellbeing survey and activity-based programmes – Employee Assistance Programme – professional supervision support programme – ergonomic workstation assessments and sit/stand desks across ACC – support for employees with disabilities and other needs

Information

Key measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Target met?
The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer's privacy matrix)	0	< 5 per year No category 5 privacy breaches	2	Achieved

Managing the privacy of our customers

We handle nearly 90,000 pieces of information every work day. In every instance, our people aim to respect and protect that information as if it were their own. To support them, we have processes and systems designed to minimise the possibility of privacy breaches and improve our privacy performance.

We have a robust reporting process for recording breaches and near misses and we complete a root cause analysis of any breach to understand what improvements can be made to prevent further occurrences. Breaches are also assessed against the Government Chief Privacy Officer's privacy matrix to assess impact. This year we have had two breaches at the category 3 impact score. We also closely monitor the number of privacy complaints that are made to the Office of the Privacy Commissioner. During 2018/19 we received 12 privacy complaints. This is a similar level to that of the past two years. Six of the complaints received in 2018/19 were dismissed, five were upheld and one is still under investigation.

This year we have improved our overall privacy maturity by implementing a Privacy Assurance Framework. The Framework helps us to better identify and monitor risk, and to ensure that our 'privacy by design' approach is embedded throughout the organisation.

We have taken a privacy-by-design approach to the development of the Next Generation Case Management model, so that systems and processes are designed in a way that minimises the risk of breaches occurring, and fosters good privacy practices.

We also modified our privacy-by-design approach so that we no longer have a one-size-fits-all approach. Instead we have a range of approaches to ensure that engagement with the Privacy team and the documentation of key artefacts, such as Privacy Impact Assessments, are fit for purpose. We have also broadened the risk assessment process to include a consideration of ethics and Treaty of Waitangi implications.

A Transparency Report[9] (which provides the public with information on how ACC shares information) was published on our external website in May 2019.

9 *www.acc.co.nz/assets/corporate-documents/99c93bdebd/transparency-report-2018.pdf*

Shiny Side Up

Shiny Side Up events around the country bring the motorcycling community together with experts to discuss safety issues. Topics cover everything from the reasons why crashes happen to the benefits of wearing protective gear. Attendees can sign up for a local Ride Forever on-road coaching course. Shiny Side Up is a joint initiative between Ride Forever and the NZ Transport Agency.

ACC has part of its website dedicated to how we use data[10]. This enables us to be transparent with New Zealanders on how we use their information. For example, the site hosts information about the claim decision-making algorithm that was implemented in September 2018.

TABLE 7: 2018/19 INFORMATION DELIVERY ACHIEVEMENTS

Objective	What we set out to achieve	Result
We enable safe and appropriate sharing of information.	We will have further protected our customers' information by rolling out important updates to our systems, and invested to ensure our systems have the capacity to meet predicted future demands.	Achieved
We are custodians of customer information.	We will have implemented our Privacy Assurance Framework, helping us to both better identify areas of privacy risk and carefully target activities to reduce those risks.	Achieved
We enable the appropriate sharing of information across government.	We will have refined our 'privacy-by-design' approach, ensuring that it continues to reflect leading privacy management practices while supporting the need to share information appropriately across the sector.	Achieved
	We will have increased our transparency with our clients on how their personal information is used and stored, increasing their confidence and trust in our information management processes and capabilities.	Achieved
We have an organisation-wide strength in analytics.	We will have implemented new business analytics technologies to improve the way we use data, influencing the ways we deliver our services and improving our clients' outcomes and experiences.	Achieved

10 ***www.acc.co.nz/privacy/privacy-notice-your-personal-and-health-information***

Technology

Key measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Target met?
Overall operational system availability	99.9%	99.5%	99.6%	Achieved

This year we have implemented complex and significant technology changes that will help improve our customer service and the outcomes and experiences of our clients and enable faster ways of working for our people.

Platform stability during times of change

System availability and stability is crucial in the delivery of services to our customers. This year our system availability was 99.6%.

We have maintained and upgraded many of our technology platforms alongside introducing many new features and capabilities.

We have been increasing our footprint in the cloud, improving both agility and resilience. Maintaining, upgrading or replacing older technology is important to managing operational risk.

We have continued essential technology maintenance alongside new technology changes to ensure that our systems remain available. This has included security enhancements and firewall upgrades to further protect our customer information.

A faster way of working

The new claim lodgement system went live in September 2018. The system was one of the first efficiencies for our clients where we replaced our paper-based processes. The new system assesses claims as soon as we receive them, and in some cases approves them immediately. Clients can now receive text messages or emails letting them know their claims have been approved much faster. Previously, they had to wait for letters in the post.

EOS, our claims management system, was upgraded to make it easier for our people to manage client information.

MyACC, a self-service portal channel for our clients, now has the capability to allow our clients to view and update their own client information and apply for payments, reimbursements or home help.

The new functionality and features we have implemented will improve the experiences of customers, employers and health providers who work with us.

Improving how our clients receive payments

We have made improvements to our client payments system as part of our transformation journey. The new system allows our clients to tell us when and how they want to be paid, as well as how they want payment notifications – by post, email or none, as self-service is available on MyACC.

We can now fast-track payments. If an urgent payment is needed, we can make it within a few hours if we have all the information we need. MyACC and payment notifications also display future payments. In most cases employers no longer need to fill out ACC03 forms for injured employees. We can get earnings information directly from Inland Revenue.

The new system means more customisation for our clients, less paperwork for employers and faster processing for us.

Helping our people to deliver the right service at the right time

We have also rolled out Skype for Business and Windows 10 across ACC and are gradually introducing the Enterprise Data Records Management System, making it easier for our people to communicate and collaborate, leading to improved service delivery.

We continue to develop our new business analytics platform. It will provide improved analytics capabilities to assist in decision-making. Our technology continues to evolve to support efficient investment and financial management.

Cross-government collaboration

We continue to work closely with other agencies to identify, deliver and support information and technology initiatives. This includes system integration with Inland Revenue to support faster weekly compensation payments and levy collections. We continue to work with the Government Chief Digital Officer on Government digital priorities and with the Government Chief Privacy Officer to ensure the appropriate management of cloud technology and predictive analytics and the use of data.

TABLE 8: 2018/19 INFORMATION TECHNOLOGY ACHIEVEMENTS

Objective	What we set out to achieve	Result
We maintain safe, secure and stable information technology.	We will have continued to maintain the stability and security of our information technology by implementing an appropriate maintenance programme and ensuring that our suite of technologies remains well integrated.	Achieved
Our technology empowers our people.	We will have rolled out minor enhancements to our systems, allowing our operational teams to deliver services efficiently to our customers and improving our clients' experiences and outcomes.	Achieved
Our technology enables our digital aspirations.	We will have continued to enhance our digital environment, allowing us to have: • piloted a broad programme of innovative ideas to inform how our customers interact with us • automated manual tasks and processes to remove friction and improve the quality of payments, data and services • increased the range of assisted and self-service options so that our customers can choose the best options to suit their needs • worked collaboratively with our providers to ensure that our solutions integrate seamlessly with their ways of working.	Achieved
We create and maintain an adaptive technology environment.	We will have continued to develop our adaptive technology environment by: • implementing a range of modern technologies, supporting ACC to deliver an increased speed of change • investing in 'on-demand', outcome-based services • removing the legacy customisation of our core systems to provide more flexibility and agility, allowing us to upgrade or change more easily and delivering a better return on investment.	Achieved

Environmental

We are actively integrating our environmental aspirations with our corporate activities. The new Government Rules of Sourcing introduce a set of broader outcomes that agencies should use to support wider social, economic and environmental outcomes that go beyond the immediate purchase of goods and services. For more information on broader outcomes, refer to **www.procurement.govt.nz/broader-outcomes**. ACC already works to the Government Rules of Sourcing and has completed a range of work in line with the broader outcomes over recent years, particularly living standards and greenhouse emissions for the corporate operations.

We have worked closely with the Ministry of Business, Innovation and Employment and other agencies to incorporate the new broader outcomes in our procurement approach and planned activities across the business.

Table 9 details the greenhouse emissions for the corporate activities of ACC. They have been calculated in accordance with the guidance provided in ISO 14064-1:2006.

Vehicles

We have almost halved our carbon emissions from fleet vehicles compared with last year. Our carbon emissions were 431t in 2017/18, and are now 254t. We have a programme of work to reduce our environmental impacts through:

- replacing our fleet vehicles with smaller and more efficient vehicles
- reducing the number of vehicles, from 219 to 184
- replacing older vehicles with electric or hybrids vehicles.

We have completed a pilot trial of different electric vehicles to ensure that these will meet our business needs. We have an accelerated plan to shift to these vehicles in the next few years.

Travel

We have significantly reduced our business travel emissions through the implementation of alternative options to travel and improved processes and commercial arrangements. Less air travel means our volume of car rentals has also reduced. We are also utilising more technology solutions where appropriate. We have recently rolled out Skype for Business to make it easier for our people to communicate and collaborate (for more information see **page 57**).

Waste

During 2019/20 we will be retendering for our cleaning services. Through this procurement process we plan to improve our recycling where appropriate at all 32 of our sites and improve health and safety within these services.

Looking to the future

In 2019/20 we will develop an ESG corporate policy to further define our approach to our environmental performance and development of our environmental targets. We are taking a deliberate and coordinated approach in all environmental aspects that ensure ACC is an active contributor. We plan to increase the energy efficiency of all our leased buildings. We will develop appropriate targets and introduce these targets in guidelines for our leased buildings.

TABLE 9: ENVIRONMENTAL PERFORMANCE

		2018/19		2017/18	
Source	**Measure**	**Quantity**	**CO_2**	**Quantity**	**CO_2**
Paper	tonnes	88.3	9.1t	107.5	10.5t
Car rental	kms	26,568	4.4t	77,979	12.3t
Air travel (staff)	kms	9,029,779	2,661.9t	9,765,041	2,682.7t
Fleet vehicles	kms	1,789,583	254t	2,435,488	431t
Waste to landfill avoided (paper)	tonnes	159.9	64.0t	152.0	60.8t

Governance and managing risk

Governance

ACC Board and governance framework

ACC is governed by a Board of up to eight non-executive members, each appointed by the Minister for ACC for up to three years. The Minister can reappoint a Board member, or shorten their term.

GOVERNANCE STRUCTURE

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

Board members are accountable to the Minister and also to ACC for the performance of their duties. The Board's governance role is largely governed by the provisions of the:

- Crown Entities Act 2004
- AC Act
- State Sector Act 1988
- Public Finance Act 1989
- Health and Safety at Work Act 2015.

These Acts include the following elements:

- Maintaining appropriate relationships with the Minister, Parliament and the public
- Ensuring ACC's compliance with the law, ACC's accountability documents and relevant Crown expectations
- Ensuring that ACC is a good employer and creates a supportive environment that promotes the highest standards of safety and wellbeing, both for its employees and for the communities it serves
- Setting strategic direction and developing policy on the operation and implementation of the legislation
- Maintaining the financial viability and security of ACC and its investments
- Appointing the Chief Executive of ACC
- Monitoring the performance of ACC and its Chief Executive
- Exercising due diligence to ensure that ACC complies with its obligations and primary duties.

All decisions relating to the operation of ACC must be made by, or under the authority of, the Board.

The Board delegates to the Chief Executive the day-to-day management and leadership of ACC. In particular, this includes matters relating to ACC's responsibilities as an employer.

ACC Board committees

RISK ASSURANCE AND AUDIT COMMITTEE

The Risk Assurance and Audit Committee assists the Board to fulfil its responsibilities for risk assurance and audit activities relating to ACC and its wholly owned subsidiary, Shamrock Superannuation Limited (Shamrock). The Board can delegate to the Committee responsibilities associated with the sign-off and publication of the ACC Annual Report and financial statements.

INVESTMENT COMMITTEE

The Board Investment Committee assists the Board to monitor ACC's investment responsibilities. The Board has delegated to the Committee authority for investment decisions.

GOVERNANCE AND REMUNERATION COMMITTEE

The Governance and Remuneration Committee assists the Board to fulfil its responsibilities for Board and Executive succession planning, Executive remuneration and monitoring ACC's Talent Strategy.

REMUNERATION

Board members are remunerated under the Cabinet Fees Framework (the Framework), at a rate approved by the Minister. The ACC Board's fees were last increased on 1 July 2017. The remuneration of the Board committees' external members is also subject to the Framework.

The Board Governance and Remuneration Committee reviews the performance and remuneration of the Chief Executive, senior management and other critical roles at ACC.

DISCLOSURE OF INTERESTS

Section 63 of the Crown Entities Act requires Board members who have interests in matters relating to the entity to disclose details of the interests as soon as practicable after becoming aware of them. The Board of ACC has a conflict of interest process under which Board members disclose their interests at least monthly. Under section 66 of the Crown Entities Act, a member who is interested in a matter relating to the entity is prohibited from acting with the Board on the matter. Nor can the member form part of a Board or committee quorum for any discussion or decision in relation to the matter.

Section 68 of the Crown Entities Act provides a process under which the Chair (or Deputy Chair or Minister in certain circumstances) may, by prior written notice to the Board, permit a Board member to act on a matter in respect of which the member would otherwise be prohibited by section 66. No such permissions have been given during the reporting period.

GOVERNANCE CODE

The NZX Code promotes eight principles for good corporate governance. As a Crown entity, ACC is not required to comply with these principles; however, we continue to develop best practice in our corporate governance. This year we have reviewed ACC's corporate governance in line with the principles[11] of the NZX Code, so far as they are relevant to a Crown entity.

1. **Code of ethical behaviour**

   Through ACC's codes and policies, the Board sets out the expected standards of ethical behaviour. These are included within our:

   - Code of Conduct (staff policy) and Code of Conduct (Board policy). Both Codes annex the State Services Commissioner's Standards of Integrity and Conduct, which focus on state services organisations being fair, impartial, responsible and trustworthy
   - Conflict of Interest policy (staff policy). The Board's policy and practice for conflicts of interest are covered by the Board Code of Conduct and by the Board Governance Manual
   - Protected Disclosure policy (staff – this deals with how to make a protected disclosure) and Complaints policy (Board – this deals with how Board members should respond to complaints they receive about the operation of the ACC Scheme)
   - Sensitive Expenditure policy (staff) and Gifts and Hospitality policy (Board)
   - Personal Trading policy (staff).

2. **Board composition and performance**

   - Information regarding each Board member can be found on ***page* 65**.
   - The Board's governance role is articulated in the Board Governance Manual which sets out the roles and responsibilities of the Board. As a Crown entity, many aspects of the governance role are set out in legislation. These Acts are noted on ***page* 62**.
   - The Board has a Training and Development Policy that sets out an expectation to self-identify training needs.
   - Every one to two years the Board completes a comprehensive self- evaluation process.
   - Board appointments are made by the Minister for ACC, as noted on ***page* 62**, and members' terms are set by the Minister.

11 ***www.nzx.com/regulation/nzx-rules-guidance/corporate-governance-code***

3. **Board committees**

ACC has three Board committees to enhance the Board's focus in key areas. These are noted on ***page 62***. Each committee operates under its own Terms of Reference, which set out the roles and responsibilities of the committee and its members. Attendance at meetings is reported on ***page 68***.

4. **Reporting and disclosure**

ACC's reporting requirements are largely governed by legislation. Our quarterly and annual reports combine financial and non-financial reporting with the aim of being balanced, clear and objective and linking back to our strategic intentions.

ACC continues to develop its ESG reporting. Refer to ***page 22***.

5. **Remuneration**

ACC discloses the fees paid to members of the Board, Board committees and the Executive. Remuneration of employees within specific bands is reported as required under the reporting standards. Refer to ***page 68***, ***page 162*** and ***page 163*** for details.

6. **Risk management**

For details on our risk management practices, refer to 'Managing risk' on ***page 70***.

7. **Auditors**

The Board ensures that the ability of the external auditors to carry out their statutory audit role is not impaired or perceived to be impaired and would seek guidance from the Office of the Auditor–General if this were a possibility.

8. **Shareholder rights and relations**

While ACC does not have shareholders, ACC's website (***www.acc.co.nz***) gives access to all key corporate documents including our accountability documents.

The ACC Board

Dame Paula Rebstock, DNZM

APPOINTED SEPTEMBER 2012 – CHAIR

Dame Paula is an Auckland-based economist with extensive governance experience in the public and private sectors.

She was made a Dame Companion of the New Zealand Order of Merit in 2015.

She has a Bachelor of Science (Economics) from the University of Oregon, and a Diploma and a Master of Science (Economics) from the London School of Economics.

Dame Paula is a member of the ACC Board Investment Committee and the ACC Board Governance and Remuneration Committee.

Her other governance roles include:

- Kiwi Group Holdings Limited – Chair
- Vector Limited – Board member
- Auckland Transport – Board member
- Ngāti Whātua Ōrākei Whai Maia – Chair
- Auckland District Health Board – Chair of Finance Risk and Assurance Committee
- Tonkin & Taylor – Chair of Audit and Assurance Committee.

James Miller

APPOINTED MARCH 2013 – TEMPORARY DEPUTY CHAIR AND CHAIR INVESTMENT COMMITTEE

James is an experienced company director. He holds a Bachelor of Commerce from the University of Otago.

James is a graduate of the Advanced Management Program, Harvard Business School (USA). He brings to the ACC Board many years' experience in the capital markets, including having been a member of the Financial Markets Authority.

James is a member of the ACC Board Governance and Remuneration Committee.

His other Board roles include Chair of NZX Limited and director/board member of The New Zealand Refining Company Limited, Mercury NZ Limited and St Cuthbert's Trust Board.

Dr Tracey Batten

APPOINTED FEBRUARY 2019

Tracey is a medical doctor, having qualified through the University of Melbourne. She later acquired a Master in Health Administration from the University of New South Wales and a Master of Business Administration from Harvard University. She is a Fellow of the Australian Institute of Company Directors.

Tracey is a member of the ACC Board Governance and Remuneration Committee.

Her other governance roles include:

- Director of Medibank Private Limited (Australia)
- Director of Abano Healthcare Group Limited
- Director of the National Institute of Water and Atmospheric Research.

John Brabazon

APPOINTED FEBRUARY 2019

John has a Bachelor of Commerce and is an Accredited Fellow of the Institute of Directors in New Zealand and a Fellow of the Financial Services Institute of Australasia. John is also an Associate Chartered Accountant of Chartered Accountants Australia and New Zealand.

John's background includes investment banking, mergers, acquisitions, capital raisings and due diligence.

John is a member of the ACC Board Investment Committee.

His other governance roles include:

- Executive Director of Clavell Capital merchant bankers
- Director of Dairy Farms NZ Limited.

David May

APPOINTED JANUARY 2018

David is an actuary by training. He was Chairman of the New Zealand Superannuation Fund from 2002 to 2012. Other past directorships include Southern Cross Healthcare, Southern Cross Hospitals, Sovereign Assurance and the Government Superannuation Fund.

He is a director of Save the Children New Zealand.

David is a member of the ACC Board Risk Assurance and Audit Committee and the ACC Board Investment Committee.

Anita Mazzoleni BCom, FCA, LLB, Solicitor

APPOINTED JULY 2014 – CHAIR, RISK ASSURANCE AND AUDIT COMMITTEE

Nō Waikato ia. Ko Venetian Navy te waka, ko Adriatic rāua ko Waitematā ngā moana, ko Waikato te awa, ko Rangitoto te maunga. Ko Ngāti Pākehā te iwi.

Anita is based in Waikato and was appointed a member of the ACC Board in July 2014.

She has been an independent company director since 2004. She has a Bachelor of Commerce and Bachelor of Laws, is a Fellow of Chartered Accountants Australia and New Zealand and is a solicitor (New Zealand).

Kristy McDonald, ONZM, QC

APPOINTED SEPTEMBER 2012 – CHAIR, GOVERNANCE AND REMUNERATION COMMITTEE

Kristy is a Queen's Counsel and has practised law for nearly 40 years.

Kristy was made an Officer of the New Zealand Order of Merit in 2019.

She has extensive experience as a barrister, specialising in litigation and strategic legal risk management, with a particular interest in public and commercial law.

Kristy holds a number of governance roles and has undertaken or been involved in a range of government and organisational inquiries and reviews, including the Pike River Inquiry, the NZ Defence Afghanistan Inquiry and the NZ Transport Agency organisational review. Kristy has served on a number of Ministerial advisory groups. Kristy is a member of the Institute of Directors in New Zealand. Her governance roles include:

- Chair of Kiwifruit New Zealand
- Chair of the Ministry of Social Development Audit and Risk Committee
- Deputy Chair of the Wairarapa Building Society.

Leona Murphy

APPOINTED JUNE 2017

Leona has a strong background in large-scale transformation, strategy, business line management, digital information technology and insurance claim management.

She has more than 24 years of experience in the insurance and risk industry. She has held senior executive roles for listed insurers for more than 10 years.

Leona earned her Bachelor of Commerce (Accounting and Law) degree from Griffith University. She was also recognised as one of Australia's 100 Women of Influence for 2015 in the Global category.

Leona is a member of the ACC Board Risk Assurance and Audit Committee. Her other governance roles include directorships of Liberty Financial Pty Limited, RACQ Limited and Stone & Chalk, a not-for-profit FinTech hub.

Members of the Board who served during the year

TREVOR JANES

Appointed September 2012 – Deputy Chair and Chair, Investment Committee

Retired January 2019

PROFESSOR DES GORMAN, NGĀPUHI

Appointed September 2012

Retired September 2018

For further information about our Board members and ACC's Executive, go to:
www.acc.co.nz/about-us/who-we-are/acc-board

TABLE 10: BOARD AND SUB-COMMITTEE ATTENDANCE AND FEES[12]

Board members	ACC Board	Risk Assurance and Audit Committee	Investment Committee	Governance and Remuneration Committee	2018/19 remuneration
Dame Paula Rebstock (DNZM)	12/12		7/9	5/5	$100,450
Dr Tracey Batten[13]	5/5			2/2	$20,927
Mr John Brabazon[14]	5/5		5/5		$20,927
Mr David May	12/12	4/4	9/9		$50,225
Ms Anita Mazzoleni	12/12	4/4			$55,248
Ms Kristy McDonald (ONZM, QC)	11/12			3/5	$55,248
Mr James Miller	12/12		9/9	3/5	$54,410
Ms Leona Murphy	10/12	4/4			$55,248
Mr Trevor Janes[15]	7/7		4/4	2/3	$36,623
Professor Des Gorman[16]	2/2			1/2	$11,133
Mr Pat Duignan[17]			9/9		$30,000
Mr David Hunt[17]			8/9		$30,000
Mr Fred Hutchings[17]		3/4			$30,000

12 *Attendance at committee meetings is recorded for committee members only. If a Board member is not a member of a committee but attended a meeting as an observer, their attendance has not been noted here.*
13 *Dr Batten's term began on 1 February 2019.*
14 *Mr John Brabazon's term began on 1 February 2019.*
15 *Mr Janes' term ended on 31 January 2019.*
16 *Professor Gorman's term ended on 2 September 2018.*
17 *External committee member.*

ACC corporate responsibility

The Board recognises that ACC's activities and investments affect New Zealand communities, and therefore it seeks to avoid activities that would be regarded as unethical by a substantial majority of the New Zealand public. The ACC Board is guided by New Zealand and international laws, Treaty of Waitangi obligations, global ethical practices, and its roles in the public sector and investment community. The Board commits to:

- conducting ACC's investment and procurement activity in a lawful manner
- considering ESG issues when making decisions on investment and/or procurement activities
- providing overall guidance as to the types of activity that are considered unethical, and setting ACC's ethical investment policy to ensure that ACC meets its ethical investment objectives and fiduciary responsibilities as a trustee in a manner that is transparent
- avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

Our Code of Conduct specifies business standards and ethical considerations, as well as the expectation that all employees will promote the principles of equal opportunity in employment.

Whole-of-government directions

On 22 April 2014, the Minister of State Services and the Minister of Finance issued directions to apply whole-of-government approaches to information and communications technology (ICT), property and procurement. A further direction was issued in 2016 for the New Zealand Business Number.

Whole-of-government area	Date applies from
ICT	19 June 2014
Property	1 July 2014
Procurement	1 February 2015
New Zealand Business Number	1 January 2018

Subsidiary company

Shamrock, a wholly owned Crown entity subsidiary of ACC, was established in 1991 to act as the corporate trustee for the ACC Superannuation Scheme. Shamrock's role is to act in the interests of members by being an independent supervisor and custodian of the Scheme's assets. Shamrock is bound by the ACC Superannuation Scheme's Trust Deed.

Te Tiriti o Waitangi

E mōhio ana mātou ko te Tiriti o Waitangi te pepa whai tikanga o te kāwanatanga, i noho pūmau ai tātou i te motu nei o Aotearoa. Ko ta mātou whāinga ki te tautoko i te Karauna ki ngā kaupapa whanaungatanga o te Tiriti. Na tēnei ka taea te tuku a mātou ratonga hei whakamana ki a tōkeke ai ngā tukunga iho mo te iwi Māori.

Treaty of Waitangi

We recognise that the Treaty of Waitangi is a founding document of government in New Zealand, and established the country as a nation. We aim to support the Crown in its Treaty of Waitangi relationships and deliver our services in ways that enable equitable outcomes for Māori.

Managing risk

Our risk environment

ACC is exposed to a range of external risk factors. These include the macroeconomic and geopolitical landscape, changing societal trends and customer expectations, developments in treatment technologies, and risks to our workplace such as cyberattacks and events that may affect our people's health and safety.

Effective risk management facilitates achieving our objectives, our operational effectiveness, the protection of our people and assets, informed decision-making and compliance with relevant legal obligations. We are committed to embedding risk management in everything we do at ACC.

Risk management is embedded in our culture and systems

Taking risks is a normal and a necessary part of doing business. Our risk framework outlines the responsibilities, processes and practices that enable our staff to manage risk as part of their day-to-day decision-making. All staff members take responsibility for identifying and managing risk on behalf of ACC. The Board sets the risk appetite for ACC.

Our risk maturity initiatives for 2019/20 include: optimisation of risk appetite statements and reporting; incident reporting; internal control testing; ongoing risk culture activity; and updated employee training.

Our risk framework is aligned to AS/NZS ISO 31000:2009 Risk management – principles and guidelines and the COSO Enterprise Risk Management – Integrated Framework. We have adopted the five lines of assurance model as our risk environment.

The five lines of assurance model has been applied in ACC in the following manner:

OUR PEOPLE – FIRST LINE OF ASSURANCE

Our people need to be in control of their day-to-day business activity and to recognise risks for proactive management. Managers have responsibility for managing the risks that relate to business objectives for their business unit and group.

ENABLING FUNCTIONS – SECOND LINE OF ASSURANCE

These functions provide oversight and specialist subject matter expertise across the business (for example: Enterprise Risk and Compliance, Health and Safety, Privacy, Cyber Security, Integrity, Communications and Legal Services).

ASSURANCE SERVICES AND EXTERNAL ASSURANCE PROVIDERS – THIRD LINE OF ASSURANCE

Assurance Services and its co-sourced and outsourced assurance providers independently review the overall reliability of our risk management processes and performance to help ACC to achieve its strategic intent. Services include performance audit, efficiency and effectiveness reviews, assessments of soft and hard control adherence, strategic health checks, in addition to management requested special reviews.

In addition, ACC has commissioned a programme of Independent Quality Assurance over its change programme.

Assurance Services and external auditors provide independent advice on the risk and controls environment and the effectiveness of risk management at ACC.

CEO AND CHIEFS – FOURTH LINE OF ASSURANCE

The CEO and the Executive have overall responsibility for monitoring the effectiveness of and maintaining, a robust risk management environment.

ACC BOARD – FIFTH LINE OF ASSURANCE

The Executive and the Board Risk Assurance and Audit Committee monitors and evaluates the effectiveness of our risk management framework, maturity and internal control system. The Board actively and regularly reviews and challenges risks and mitigations.

Our risk strategy

This year we have delivered the following activities designed to implement ACC's risk strategy.

Initiative	Achievements
Enterprise risk management	Second line entity risk oversight has been increased with allocation of additional resource.
	Risk culture diagnostic has commenced. This is designed to assess ACC's current-state risk culture and its propensity to undertake business activities in a manner consistent with modern conduct risk practices (customer centric).
	Combination of the Enterprise Risk Management and Compliance policies.
	Simplification of the Enterprise Risk Management Framework and alignment with current better practice standards.
	Risk support has been embedded in the change programme in addition to second line risk oversight, challenge and advice.
	Established a revised enterprise risk reporting process incorporating risk themes and internal, external and emerging risks.
	The implementation of documented process risk and controls in addition to the incident management standards continues.
Risk appetite	Risk appetite statements are now explicitly considered as part of material decision proposals to the Board.
Compliance	The reset of the compliance maturity roadmap and completion of the annual compliance plan.
	A legislative obligations portal has been implemented to strengthen ACC's compliance environment and enable business groups to have a view of their obligations.
	The annual legislative compliance review is complete and found some positive improvement in enterprise legislative compliance maturity.
	Work on the construction of a compliance risk assessment is ongoing. This work is designed to improve our legislative compliance.

Priority risks

We understand and manage risks through regular engagement between the Executive and the Board. The Executive determines and prioritises enterprise-level risks. The Board focuses on the key risks and considers the actions management take (or are planning to take) to mitigate the risks within our risk appetite.

The Board is regularly presented with ACC's entity level risks for challenge and discussion. This provides opportunities for the Board and the Executive to identify the value creation (upside) and value protection (hygiene and compliance) aspects of risks, and to assess the current (residual) risk for each strategic intention. This strengthens the links between organisational risk appetite, strategy, performance, risk management and independent assurance.

We regularly review our enterprise risks via a three-step process:

- Monitoring emerging risks (domestically and globally) identified by benchmarking organisations
- Performing an analysis of our own internally identified risks and themes
- Engaging with and getting feedback from business group representatives, the Executive and the Board on the proposed changes

There are currently nine risks residually rated 'high' or 'very high'. These are the priority risks for ACC.

TABLE 11: TOP NINE PRIORITY RISKS

Strategic intention	Risk	Management activity
Injury prevention	**Injury Prevention** We fail to have material impact on reducing the severity and incidence of injuries.	• Injury Prevention Strategy 2.0 • Establishing a balanced investment portfolio • Developing new design and engagement methods as part of the Strategy (for example, social marketing and human-centred design) • Implementing advanced analytics to support injury prevention • Updating the Reducing Harm in New Zealand Workplaces Action Plan
Improve customers' outcomes and experiences	**Delivering change** We fail to deliver the Integrated Change Investment Portfolio and/or the change delivered is not successfully embedded, reliable and sustainable.	• Embedding our integrated change governance • Implementing the change delivery model and embedding the Delivery Integration function • Maturing change impact, achievement and benefit assessments
	Customer expectations and outcomes We have not balanced customer expectations, experiences and outcomes.	• Developing our customer-centric Strategy and embedding the customer-centred design approach • Using customer feedback to improve our services • Delivering on the client and business customer change programme • Developing priority service imperatives for priority clients, including Māori
	Effective stakeholder engagement Our stakeholder relationships are not strong enough to achieve our mutual objectives.	• Strengthening our relationships with all central agencies and other government departments • Implementing entity's external communication strategy • Focusing on the priority stakeholder groups
	Trust and confidence New Zealanders do not have trust and confidence in ACC.	• Improving our claims experience by implementing Next Generation Case Management and other Integrated Change Investment Portfolio initiatives • Building stronger relationships and proactively engaging with our external stakeholders • Improving our services for Māori
Improve financial sustainability of the Scheme	**Scheme delivery** We fail to maintain the financial sustainability of the Scheme while delivering outcomes and meeting the expectations of our customers.	• Continuing management of the controllable drivers of the OCL • Delivering our Integrated Change Investment Portfolio (including Next Generation Case Management and Health Services Strategy delivering improved rehabilitation performance)
	External environment Unexpected external policy or legislative or economic event may significantly affect our OCL and investment performance, with an impact on trust and confidence.	• Monitoring and managing regulatory changes that may require an operational response • Strengthening our relationships with all central agencies and other government departments

Continued …

Strategic intention	Risk	Management activity
Maintain a diverse, high-performing workforce	**People and culture** We do not have the organisational leadership, capabilities or capacity in our workforce to deliver business performance and transformative change effectively.	• Managing the people aspects of our organisational changes and transformation to ensure that culture and workforce capabilities are maintained or improved • Increasing workforce diversity • Increasing flexible work arrangements • Managing succession risk in key roles and increasing the pool of future leaders • Developing a strategic five-year workforce plan for ACC • Implementing workforce management tools to manage capacity and workload • Managing collective bargaining in a changing legislative organisational change environment
Support business outcomes with modern, reliable and secure information technology	Cyber security. Our systems and information are vulnerable to attack.	• Using threat modelling, prioritising our cyber risk activities • Increasing cyber risk awareness among all employees and contractors

In addition, risks in relation to protecting customer information, leveraging information assets and business interruption are closely monitored.

The ACC Executive

Scott Pickering

CHIEF EXECUTIVE

Scott started his role as Chief Executive of ACC on 1 May 2013. He's a seasoned chief executive and insurance professional. He gained his global leadership and governance experience through a career in many countries and cultures. Scott has also represented ACC as a shareholder-director on the Board of Kiwibank since 2016.

Scott was previously Regional Chief Executive for Willis International Limited (Central and Eastern Europe, the Middle East and Africa) and Regional Chief Executive for the Royal & Sun Alliance Insurance Group (Asia and the Middle East). He also held chief executive roles for ACE Insurance and CIGNA P&C (South Africa, Japan, Hong Kong, Philippines, Thailand, Indonesia, Australia and New Zealand).

Emma Powell

CHIEF CUSTOMER OFFICER

Master of Communication Disorders (University of Canterbury).

The Chief Customer Officer has responsibility for:

- designing our customer-focused activities
- acting as the voice of the customer for our organisation.

Emma joined ACC in 2010. Emma is passionate about supporting genuine engagement between ACC and its customers and stakeholders, allowing us to achieve positive outcomes for all New Zealanders. As the Chief Customer Officer, Emma is responsible for approximately 200 staff.

John Healy

CHIEF FINANCIAL OFFICER

The Chief Financial Officer (CFO) provides financial leadership and supervision across ACC. The CFO focuses on:

- financial accounting and control
- performance management (budgeting, forecasting and planning)
- procurement and property, decision support and investment.

John joined ACC in 2017. John has more than 20 years of senior financial experience in the energy and natural resources sectors in the UK, Australia and Russia. He also spent 11 years with one of the large global accounting firms, working in New Zealand, Russia and the UK.

Member of Chartered Accountants Australia and New Zealand since 1994.

Deborah Roche

CHIEF GOVERNANCE OFFICER

Master of Science (London School of Economics), Master of Applied Science (University of South Australia).

The Chief Governance Officer has responsibility for:

- governance and Board relevant functions
- public sector relationships and legal
- stakeholder management and privacy.

Deborah joined ACC in 2018 and previously held the role of Deputy Director-General, Policy and Trade at the Ministry for Primary Industries. Deborah also held senior roles with the Department of the Prime Minister and Cabinet, the Ministry of Health in New Zealand and the Department of Health in the United Kingdom.

Mike Tully

CHIEF OPERATING OFFICER

The Chief Operating Officer focuses on:

- leading ACC's operational performance and ensuring delivery against the Service Agreement, including the alignment of Group business plans with the Service Agreement
- leading the Operations Group to provide effective and efficient multi-channel operations across all three customer groups – Client, Business Customer and Provider
- ACC's Client, Business Customer and Provider transformation programme.

Mike joined ACC in 2009. He previously held the roles of Chief Customer Officer and Head of Client Service Delivery at ACC and has worked in banking and insurance for more than 20 years.

Herwig Raubal

CHIEF RISK AND ACTUARIAL OFFICER

Herwig is the Chief Risk and Actuarial Officer for ACC. In that capacity, he advises the Executive and Board on all aspects of operational, financial and strategic risks. He has oversight of the actuarial, risk management, assurance and integrity functions.

Herwig is also the Chief Actuary for the Ministry of Social Development and Oranga Tamariki – Ministry for Children, where he advises on the impacts of policy and operational settings on the social outcomes of clients.

Herwig joined ACC in February 2012. Prior to this he was Chief Actuary at Farmers Mutual Group, and Chief Actuary for Tower Limited.

Sharon Champness

CHIEF TALENT OFFICER

The Chief Talent Officer is in charge of all employee-related matters and supporting effective change management across ACC.

Sharon combines all areas of talent management and change, including:

- developing and leading the people strategy
- culture, diversity and engagement
- health, safety and wellbeing
- organisational change and effectiveness.

Sharon joined ACC in 2017. She previously held the role of Director People and Workforce Strategy at the University of Newcastle and a number of senior human resources roles across the education, mining and manufacturing sectors in Australia.

Peter Fletcher

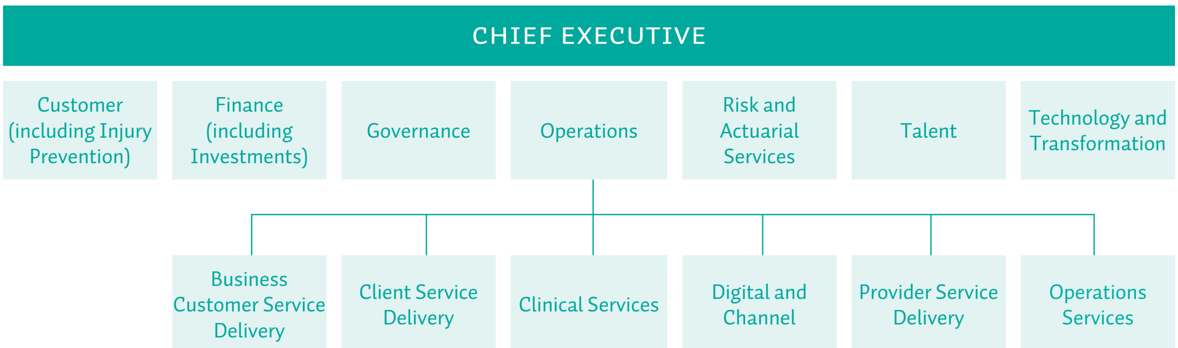
CHIEF TECHNOLOGY AND TRANSFORMATION OFFICER

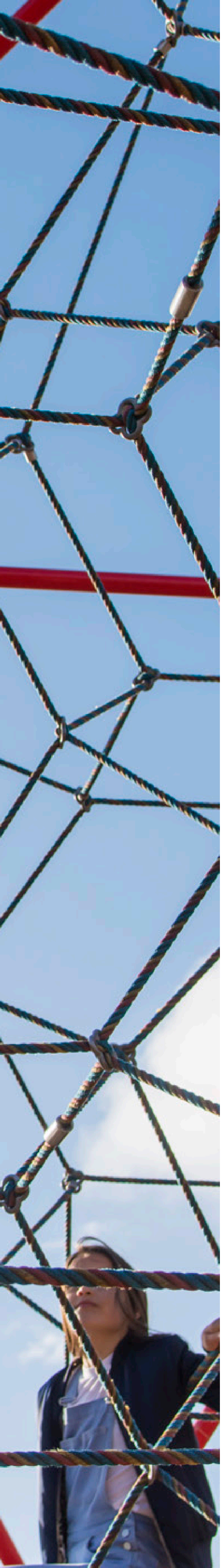
The Chief Technology and Transformation Officer has end-to-end accountability for technology strategy development and delivery and for the successful delivery of our transformation programme.

Peter joined ACC in 2018. Peter is an experienced technology executive, with over 25 years' experience in leading technology change, mainly in financial services. Peter was Group Manager, Technology for New Zealand Post for three years and held Chief Information roles with Westpac New Zealand and BNZ. Peter also spent six years with Barclays in the UK and Singapore.

For more information about our Executive members, go to **www.acc.co.nz/about-us/who-we-are/minister-ceo-executive**

Organisational chart





Investments report

Why ACC invests

ACC holds investments to meet the future costs of injuries that have already occurred. ACC aims to maintain a fully funded position (other than for some pre-2001 injuries that are funded by the Government), which means we aim to hold sufficient investment funds to pay all the future costs of the injuries that have already occurred. The calculation of the funds required to meet the future costs of these injuries works on the assumption that we will earn an investment return that matches the yields available on long-term government debt. We aim to achieve returns that are at least as high as this over time, in order to ensure that we can continue to fund past claims without placing any burden for the cost of these injuries on future generations of levy payers.

On an ongoing basis, we fully fund all new injuries by collecting sufficient levies to provide for all the immediate and future costs.

For most future years, we now expect the funds that we would need to take out of the investment portfolio to pay for the ongoing costs of past injuries will be slightly less than the amount of levies we collect to pay for the future costs of newly incurred injuries. In practice, we try to avoid unnecessary costs by netting off fund inflows and fund outflows. The reason we now expect levies to exceed expenditure is that the policy of full funding means that the size of ACC's reserves portfolio needs to grow as fast as ACC's OCL, but lower interest rates mean that investment income alone is no longer expected to be sufficient to keep pace with the growth in ACC's OCL.

Overview of the past year

Global equity markets delivered healthy overall returns of about 6.7% (including dividends, and measured in local currency terms). Taking into account currency movements, this translated into a 7.2% return in unhedged New Zealand dollar terms.

The New Zealand share market was one of the strongest equity markets in 2018/19, returning 17% for the year.

New Zealand long-term government bond yields declined by about 1.2% during the year, which boosted short-term returns from investments in the New Zealand bond market, such that the bond markets that we focus on, delivered stronger overall returns than equity markets during the year. Offsetting this beneficial effect on short-term investment performance, lower bond yields increased the actuarial value of the OCL.[18]

Investment returns for 2018/19

ACC's reserves portfolios delivered a weighted average return of 13.09% (12.97% if adjustments are made for investment costs and taxes) [19], significantly exceeding budgeted expectations. The 13.09% return[19] was higher than the long-run return assumptions implicit in the valuation of our claims liability. In large part, the higher-than-projected return was due to the impact of revaluation gains from declines in bond yields, as we maintain a portfolio that is designed to benefit from declines in bond yields, in order to provide a partial hedge against the impacts that lower bond yields can have on the valuation of our claims liability.

While we achieved a stronger than budgeted return; we did underperform our market-based benchmarks by 0.70% (0.82% if adjustments are made for investment costs and taxes)[19]. We aim to outperform our benchmarks over time by a margin that is significantly higher than the costs of managing our investments.

ACC's longer-term outperformance remains significantly higher than investment costs. The ACC investment team has been extremely successful in earning investment income that has reduced the cost of levies Kiwis have had to pay for accident cover. Every $100 that ACC invested 27 years ago, has effectively grown to be worth more than $1,350 today.

Our overall portfolio return was lower-than-benchmark in 2018/2019 because our equity portfolios achieved lower returns than the benchmark indices and because our allocation between investment markets did not fully capture the gains from a decline in New Zealand long-term bond yields. Our returns were lower-than-benchmark in the following areas:

18 *The OCL increases by lower interest rates when expressed in terms of the amount that ACC needs to hold in present-day dollars to be able to meet the future compensation and rehabilitation costs of injuries that have already occurred (i.e. the 'actuarial value of outstanding claims liabilities'). Lower interest rates imply an expectation of lower future investment income, which means that ACC needs to invest more money today in order to provide for those costs that we expect to be funding years in the future.*

19 *Specifically, the reported return of 13.09% is expressed after deducting some direct costs such as broker commissions and property expenses, but is calculated prior to the deduction of 0.15% of other investment-related costs (such as investment staff remuneration and fees paid to external managers). Conversely, ACC's reported investment return is affected by the deduction of 0.03% of offshore withholding taxes paid by ACC, whereas our benchmarks are calculated on the basis of 'gross' indices, which make no deduction for withholding taxes. Hence, to measure our relative performance on a net-of-cost basis that is fully adjusted for taxes, we must subtract the 0.15% of costs, and add back the 0.03% of taxes.*

- Our actual allocation between investment markets delivered slightly lower returns than benchmark, as the gains that we achieved from declines in bond yields were slightly lower than we would have achieved if we had invested exactly in line with our benchmark asset allocation. Our performance was also adversely affected by holding a lower-than-benchmark exposure to listed property and infrastructure, which showed strong (29%) returns during the year.
- Our investments in New Zealand listed equities underperformed the benchmark index. Investments that detracted from relative performance included Metlifecare and Michael Hill. Relative performance also suffered due to the fact that we held a lower-than-benchmark investment in Auckland International Airport, which delivered a strong sharemarket return during the year.
- Overall, our investments in global equities underperformed the benchmark index. A quarter of the measured underperformance was due to offshore withholding taxes that ACC paid on offshore dividend income (whereas our benchmark assumes that we do not pay withholding taxes). The rest of the underperformance was 'real' – due to the shares we invested in performing not quite as well as the overall global equity market. Our internally managed global equity portfolio and two externally managed global portfolios significantly underperformed their benchmarks, while three externally managed portfolios and one smaller internally managed portfolio significantly outperformed their benchmarks. Two other externally managed portfolios performed roughly in line with benchmark.
- At a high level, the overall mix of ACC's equity portfolios has tended to skew slightly towards 'value investing' – investing in companies that are numerically cheap – which did not help relative performance this year, as 'value investments' significantly underperformed the broader market in New Zealand and offshore equity markets during 2018/19.

We think about returns on a risk-adjusted basis, as we believe we should require a higher return if we are taking a higher level of risk, but should also be willing to accept a lower return if we are taking a lower-than-normal risk. In our assessment, our reserves portfolios took less risk than the benchmark position for most of 2018/19 (principally due to a decision to hold a lower-than-benchmark allocation to equity markets). Taking account of this lower risk position, ACC's investments underperformed their benchmarks by a lesser margin on a risk-adjusted basis than they did on a simple un-adjusted basis.

$M		2018/19 financial year Portfolio	Benchmark	Average past 3 years Portfolio	Benchmark
Cash portfolio	**332**	**2.5%**	**2.0%**	**2.6%**	**2.0%**
Reserves portfolios by asset class:					
Reserves Cash	1,651	2.4%	1.9%	2.4%	1.9%
New Zealand Inflation Indexed Bonds	11,959	16.7%	15.4%	7.8%	7.4%
New Zealand Bonds	12,674	12.5%	12.5%	6.5%	5.6%
New Zealand Equity	3,452	15.2%	16.8%	15.2%	15.1%
New Zealand Listed Property and Infrastructure	984	27.1%	29.5%	14.9%	13.8%
Unlisted Property, Infrastructure and Private Equity[20]	1,510	14.0%		13.0%	
Australian Equity	1,841	4.1%	5.3%	12.4%	13.2%
Global Bonds	1,929	9.2%	8.4%	6.6%	5.4%
Global Equity	7,547	6.5%	7.2%	14.4%	14.4%
Interest Rate Derivative Overlay[21]	220	0.6%	0.9%	0.2%	0.3%
Equity Futures Overlay[20, 21]	85	0.1%		0.0%	
Bond Futures Overlay[20, 21]	4	0.0%			
Foreign Currency Overlay [21,22]	111	0.2%	0.1%	0.0%	-0.2%
Total reserves	**43,966**	**13.1%**	**13.8%**	**9.6%**	**9.3%**
By Account:					
Earners'	10,729	12.5%	13.3%	9.5%	9.3%
Motor Vehicle	13,670	13.9%	14.6%	9.5%	9.2%
Work	10,469	12.0%	12.6%	8.9%	8.5%
Non-Earners'	4,199	13.8%	14.6%	10.7%	10.5%
Treatment Injury	4,899	13.9%	14.6%	10.2%	10.0%
Total reserves	**43,966**	**13.1%**	**13.8%**	**9.6%**	**9.3%**

Please note: *For the purpose of this table, traded investments are valued at last sale price (or at valuation in the case of unlisted investments). The values of investments recorded in the financial statements are measured at fair value under IAS 39 requirements.*

This table shows investment returns after the deduction of some direct costs such as commissions (brokerage) and costs directly relating to the management of specific property investments. However, returns are shown prior to the deduction of other investment management costs of $55.2 million (including fees paid to external fund managers and the remuneration of ACC's investment staff), which detracted 0.15% from investment returns in 2018/19. ACC's investment returns are shown net of tax, whereas the benchmarks make no allowance for tax. However, as ACC is not liable for tax in New Zealand, offshore withholding taxes paid by ACC reduced the calculated return by just 0.029%.

Future investment returns

The decline in bond yields in the past two years has significantly reduced the returns we can anticipate from bonds in the future. This is reflected in a lower discount rate, which has contributed to an increase in the valuation of our claims liability. Bond yields are much lower than they have been for most of the past 50 years. This means we should expect lower returns than we have historically earned on the approximately two-thirds of ACC's investment portfolio that is invested in bonds and other fixed-interest instruments.

Equity markets have risen to valuation levels from which we believe it is unlikely equities could continue to deliver returns in the next several years that are as strong as investors have experienced in the past decade.

20 *Benchmark returns are not shown, as there is no benchmark allocation for these asset classes.*

21 *The percentages shown in the 'Portfolio' columns show the contributions that these overlays made to the aggregate reserves portfolio return, rather than as a return on the funds physically invested in these derivative strategies. The percentages shown in the 'benchmark' columns show the contribution that a 'benchmark neutral' application of these strategies would have made to the benchmark for the aggregate reserves portfolio.*

22 *Foreign Currency Overlay shows the effect of foreign exchange derivatives used to adjust the foreign currency exposures of ACC's reserves portfolios. The benchmark return is calculated as the currency hedging that would have been required to maintain the currency exposures built in to ACC's reserves portfolio benchmarks.*

Nonetheless, ACC continues to hold significant investments in equity markets because low bond yields mean that the alternative of investing in bonds is also unappealing, and because equity investments may provide diversification against some risks that could affect bond investments.

Objectives and risks

We manage our investments with the objective of obtaining the best possible balance of return and risk. Higher investment income over time would contribute to levy reductions, but we need to balance our pursuit of higher returns with an objective of limiting downside risks, as a poor financial outcome could result in levy increases higher than would otherwise be required.

We think about risk from the perspective of ACC's overall financial position, rather than just focusing on the investment portfolios in isolation. This perspective on risk has both long-term and short-term aspects to it:

- The long-term perspective on risk is that ACC could have insufficient funds to pay the future costs that its reserves portfolios were intended to cover, either because long-term investment returns could prove to be lower than expected, or because inflation could prove to be higher than expected. When ACC puts funds aside to meet future costs, our actuaries use government bond yields to derive an estimate of the return that we might expect ACC to earn on those funds.
- The short-term perspective on risk is that we are keen to avoid the large increases in levy rates that could be required if ACC were to stray significantly 'off course' in terms of its ability to meet future obligations. Specifically, we measure whether we are 'on course' for funding our future claims obligations by comparing the value of ACC's assets (mainly investment assets) to the value of our claims liabilities (which we must value at risk-free discount rates, under New Zealand accounting standards), for the levied Accounts that have a policy of full funding.

Both perspectives encourage us to minimise the risk of large adverse movements in the gap between the assessed value of claims liabilities and the market value of ACC's investment portfolios. This means that we need to think not only about financial risks that could affect the value of ACC's investment portfolios, but also about risks that could affect the actuarial value of ACC's claims liabilities. Some of the key risks that could adversely affect the balance of ACC's assets and liabilities (and therefore levy rates) are listed below.

- Poor returns from equity markets. Weak equity markets would be likely to result in a reduction in the value of ACC's investment portfolios without a corresponding reduction in the value of our claims liabilities.
- Declines in real long-term interest rates[23]. If interest rates declined without a corresponding decrease in the inflation outlook, this would lead to an increase in the assessed value of our claims liability, and a decrease in our long-term expectations for investment returns. We aim to offset this risk by holding investment assets that tend to rise in value when real interest rates decline. However, ACC's investment portfolios only provide a partial offset to this risk.
- An increase in the inflation outlook. Our claims liability is sensitive to inflation, but a significant portion of ACC's fixed-interest investments do not provide protection against inflation. If the inflation outlook increases and bond yields show a corresponding increase, this would have an adverse impact on the value of ACC's fixed-interest portfolios. Conversely, if the inflation outlook increased but nominal bond yields did not increase, this would lead to a significant rise in the assessed value of our outstanding claims liabilities.
- Poor investment returns for reasons that are unrelated to either claims liabilities or the general performance of equity markets. This could occur due to widespread credit defaults, due to a strengthening in the New Zealand dollar against foreign currencies, or if our investment performance were worse than market benchmarks.

ACC's claims liability can also be significantly affected by actuarial factors that have little to do with interest rates, the general level of inflation or other clearly identifiable economic variables. For example, estimates of ACC's future costs could increase because of new, more costly ways of treating injuries. There is little that investment policy can do to offset these non-economic actuarial risks. The presence of these non-economic risks means that there is a natural limit to how far the investment policy can be used to reduce uncertainty about ACC's future funding position.

23 'Real' long-term interest rates refers to 'nominal' long-term interest rates minus the anticipated impact of inflation on investment returns.

Our objective of protecting ACC against declines in long-term interest rates or increases in the inflation outlook means that we tend to look favourably at long-term investments that we can expect to deliver relatively certain New Zealand dollar cash flows that are protected against inflation.

Allocation of funds

Our allocation of funds among different investment markets is directly linked to the objectives and risks discussed in the preceding section.

While it is not possible to offset fully all the long-term risks, we allocate funds between investment markets and set investment policy with an aim of keeping each of these risks at a manageable level. We also need to strike an appropriate balance between reducing these risks and enhancing returns.

The way we think about risk has a significant influence on how we allocate funds between markets. We tend to invest a relatively large percentage of ACC's funds in New Zealand investment markets, particularly fixed-interest instruments with a long time to maturity. The main reasons for this are:

- New Zealand investment markets match our claims liabilities better than offshore markets, as our claims liabilities are sensitive to real New Zealand bond yields
- the internal management costs of ACC's New Zealand investments are much lower than the external management costs of offshore investments.

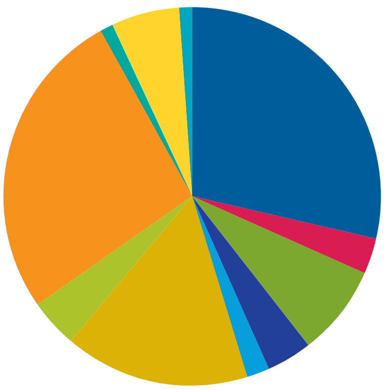
Consequently, ACC makes a significant contribution to New Zealand's capital markets, and is one of the largest investors in New Zealand companies. We own about 2.6% of the market capitalisation of the New Zealand sharemarket, which equates to 3.6% of the available shares if we exclude strategic shareholding blocks (such as the Government's shares in the gen-tailers) from the calculation.

ACC holds an even greater proportion of New Zealand dollar investment-grade bonds. For example, ACC owns 59% of the inflation-indexed bonds that have been issued by the New Zealand Government, and 11% of the regular (not inflation-indexed) New Zealand government bonds.

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

The investment allocations of the reserves portfolios differ by Account, reflecting the different funding positions, different projected growth rates and the different claims liability characteristics of the various ACC Accounts. Generally, rapidly growing Accounts

GRAPH 6: COMPOSITION OF RESERVES PORTFOLIOS



- New Zealand bonds 29%
- New Zealand equity 8%
- Listed infrastructure and property 2%
- Global bonds* 4%
- Other <1%
- Foreign currency contracts overlay <1%
- Private (unlisted) investments 3%
- Australian equity* 4%
- Global equity* 16%
- New Zealand inflation indexed bonds 27%
- Reserves cash 6%

* *The Global Equity, Australian Equity and Global Bonds slices include effective exposure to equity and bond markets obtained through futures contracts. However, this pie chart has not been adjusted for the effective exposure to bond markets arising from the use of Interest Rate Derivatives as an asset allocation overlay. Interest rate derivative overlays provided further effective exposure to the bond market of 5% of total reserves at the end of June 2019.*

have a higher percentage of their assets invested in equities than those Accounts that have slower projected growth in investment assets.

As ACC's Accounts have investment portfolios that are several times as large as their annual levy income, we must limit these Accounts' exposure to equity markets to avoid investment results causing excessive variability in levy rates.

The Board's Investment Committee regularly reviews long-term benchmark investment allocations for each Account's reserves portfolio, based on the advice of the Investment Unit. These benchmark allocations take account of both our long-term expectations for the returns from the various investment markets and the need to limit the Accounts' various risk exposures. Setting benchmark asset allocation involves striking an appropriate balance between the objective of enhancing returns and the objective of reducing risk. ACC aims to maintain a high level of consistency in how it evaluates this trade-off from one year to the next, as an inconsistent approach over time would probably lead to worse long-term investment results.

Our investment staff may make short- or medium-term decisions to vary from the benchmark allocations, within risk control parameters set by the Investment Committee.

How ACC's investments are managed

Practically, we allocate funds between distinct investment portfolios that are focused on different investment markets. We aim to add value both in how we allocate funds between different investment markets and in how the portfolios perform within each investment market.

Our internal Investment Unit directly manages almost all of ACC's investments in New Zealand investment markets, the majority of ACC's investments in Australia, and about one-fifth of ACC's investments in global equities. The manager of each portfolio aims to identify and take advantage of situations where some sectors or securities within their market are being mis-priced in relation to their risks and prospects. We aim for consistent outperformance and seek to avoid exposing ACC to an above-average degree of market risk.

Most of ACC's foreign assets (and a significant proportion of ACC's private equity investments) are outsourced to external fund management companies, as this provides more diversity to ACC's portfolio and allows our internal funds management team to focus on those areas where they have the greatest 'edge'. However, we balance this diversification against the fact that external management is significantly more expensive for ACC than internal portfolio management. Over time, ACC has achieved strong results from both internal and external fund management.

Overlay strategies

Our Investment Unit also actively uses 'overlay strategies' to manage ACC's exposure to different investment markets. These are listed below.

- We run a New Zealand interest rate derivatives overlay to obtain greater protection against declines in long-term interest rates than could efficiently be achieved through physical allocation alone. We want to ensure that ACC's investment returns will be strong in situations where long-term interest rates decline, as declines in long-term interest rates would result in increases in the assessed value of ACC's claims liabilities.
- We regularly buy or sell global equity futures to re-adjust ACC's overall exposure to equity markets on a daily basis, as this is transactionally cheaper than buying or selling equities. However, when we make a long-term decision to allocate funds in or out of equity markets, we ultimately implement this through the purchase or sale of physical equities.
- We use foreign exchange forwards and cross-currency interest rate swaps to manage ACC's foreign exchange exposures. ACC's benchmarks specify a neutral level of unhedged foreign exchange exposure, which is significant but is less than our total allocation to overseas markets. Our Investment Unit may vary the extent to which ACC uses currency hedging (within predefined limits), such that ACC may have net unhedged foreign exchange exposures that are either higher or lower than this neutral position.
- We use global bond futures to adjust our overall exposure to interest rates. This can be transactionally cheaper than either allocating funds in or out of bond portfolios or making changes to our New Zealand interest rate derivative position.

We are conscious that ACC incurs credit exposure to counterparties when undertaking derivative transactions such as foreign exchange forwards or interest rate swaps. We aim to only use derivatives when there is no equally good alternative, or when the alternative would be significantly more expensive for ACC. We also have limits and controls governing derivative use and credit exposures, and have implemented collateral arrangements to better control our credit exposures.

Long-term investment performance

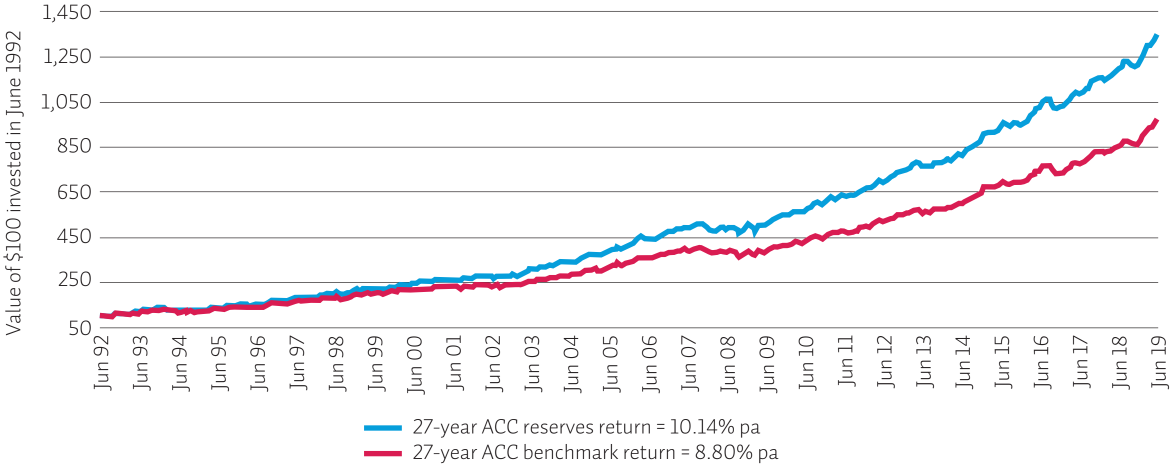
ACC has now been measuring the performance of its investment portfolios on a market-value basis for 27 years.

- The New Zealand bond portfolio has outperformed its benchmark in 25 of the past 27 years.
- The combined New Zealand equity portfolio has outperformed its benchmarks in 22 of the past 27 years.
- **ACC's overall reserves portfolio has outperformed its composite benchmarks for 25 of the past 27 years, including 23 consecutive years of outperformance from June 1995 to June 2018** (but note that in two of these 23 years, ACC's outperformance of the benchmark did not exceed investment costs).

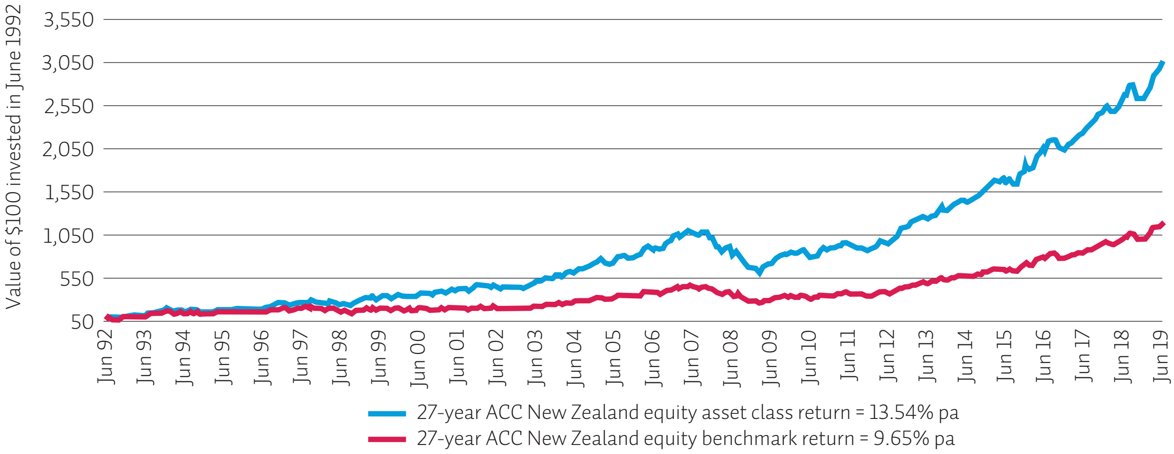
We are not aware of any other large diversified fund anywhere in the world that can match the run of out-performance that ACC's reserves portfolio achieved between 1995 and 2018. Unfortunately, this long run of outperformance has now been broken with our underperformance of investment benchmarks in 2018/19, but we will continue to aim for consistent performance by spreading our risks across several areas where we think we are likely to achieve outperformance, rather than taking large risk exposures based on bold investment views.

The consistency of ACC's historical investment performance has helped ACC's reserves portfolio to achieve compound returns of over 10% per annum for the past 27 years, which is higher than the returns that ACC could have achieved by passively investing in any feasible combination of significant investment markets over that 27-year period. Through the returns that ACC has achieved, every $100 that ACC had invested 27 years ago has effectively grown to be worth $1,356 today. However, we do not expect returns to be so strong in the future.

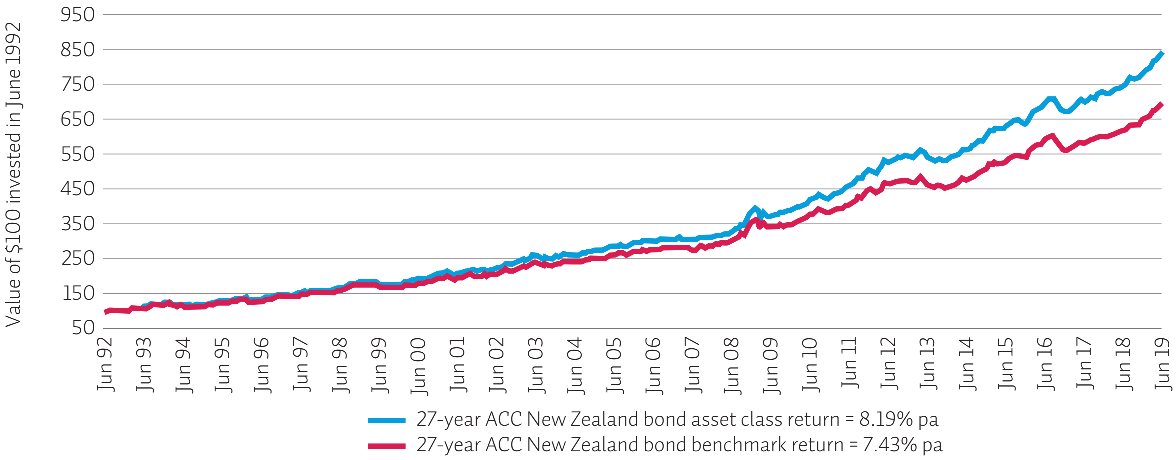
GRAPH 7: ACC 27-YEAR RESERVES PORTFOLIO RETURNS



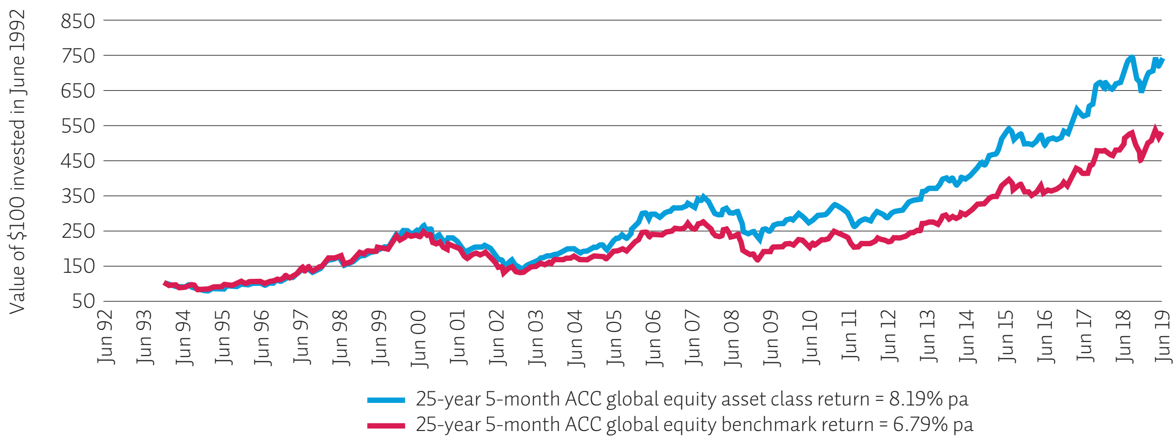
GRAPH 8: ACC 27-YEAR NEW ZEALAND EQUITY RETURNS



GRAPH 9: ACC 27-YEAR NEW ZEALAND BOND RETURNS

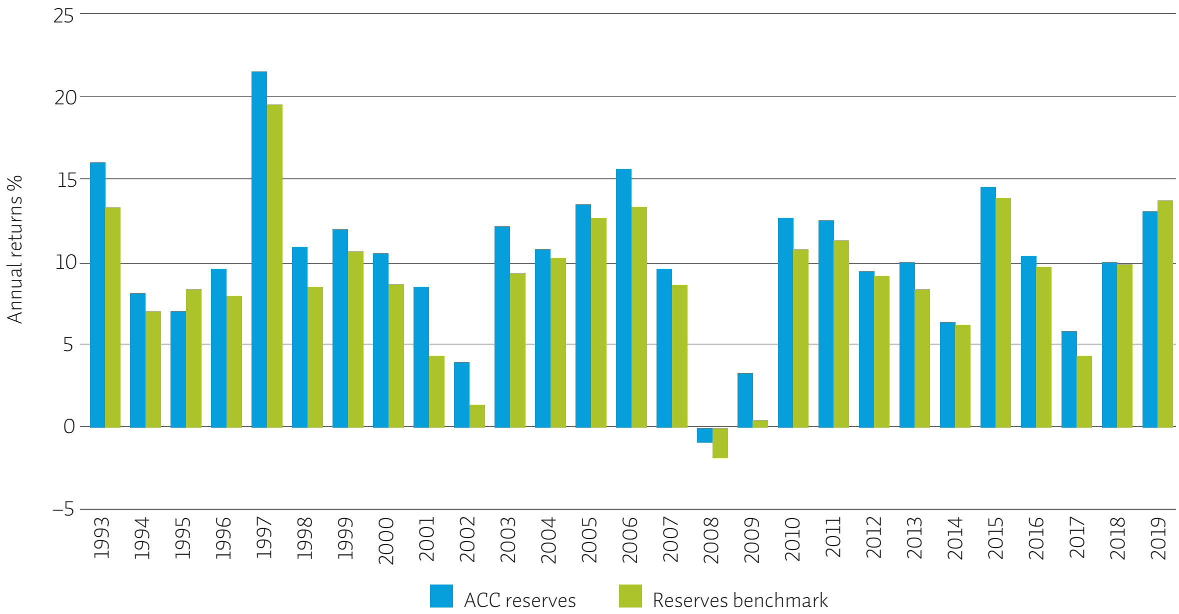


GRAPH 10: ACC 25-YEAR 5-MONTH GLOBAL EQUITY RETURNS



Note: Global equity returns are shown on a partially hedged basis up to 30 June 2001, and unhedged after this date. The period of 25 years and five months reflects the full period in which ACC has invested in global equities.

GRAPH 11: ACC FINANCIAL YEAR RETURNS AGAINST BENCHMARK



ACC's unusually strong investment performance in the past 27 years may be partly explained by the fact that ACC's internal management avoids many of the distortions caused by poorly aligned objectives that are often inherent in traditional models of funds management. Further, ACC has been able to retain a stable and experienced fund management team (with very low staff turnover), and ACC's fund management team has generally managed to focus on making investments where they believe they understand something that other market participants do not, while avoiding large risk exposures to investments where ACC's understanding is no greater than that of other investors.

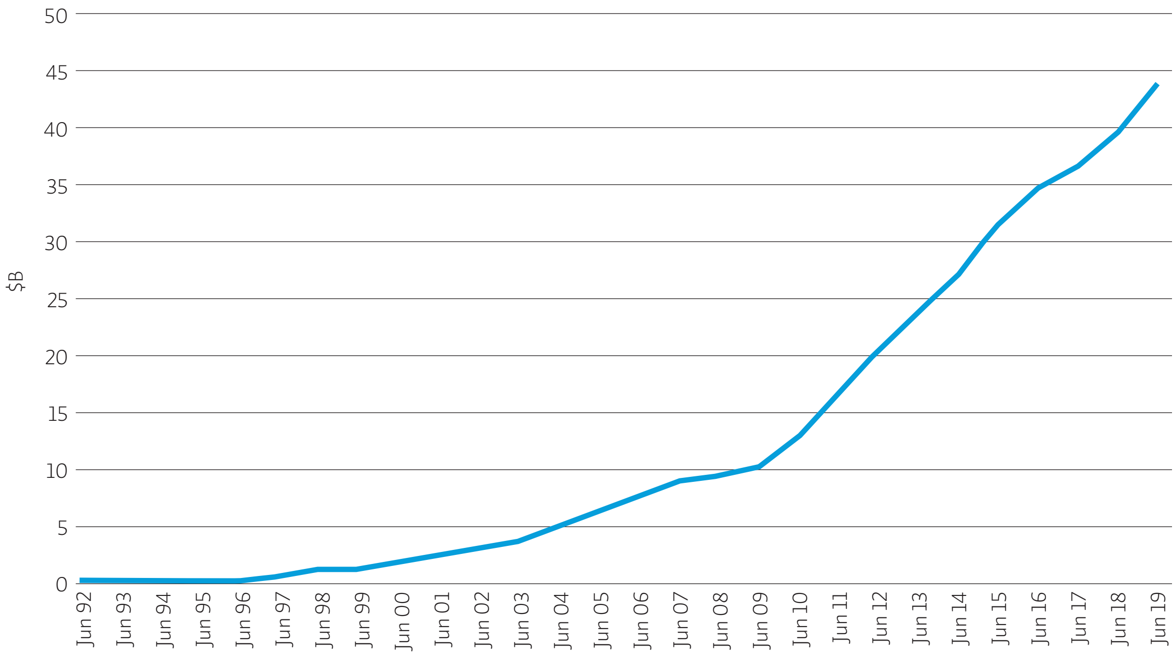
Growth in ACC's investment portfolios

ACC's reserves portfolio increased in value by 10.9% from $39.64 billion last year to $43.97 billion at the end of June 2019. All of this growth came from investment returns. ACC withdrew $805 million (net) from this portfolio during the 2018/19 year.

To maintain ACC's Accounts in a fully funded position, we need the reserves portfolio to grow as fast as ACC's OCL over time. If investment returns are higher than the rate of growth in the OCL, we would be able to withdraw funds from the investment portfolio over time, and use these funds to pay for a portion of ACC's costs.

But if future investment returns are lower than the rate of growth in the OCL, then ACC would need to collect more levies in order to 'top up' the investment portfolio and maintain the full funded position. Unfortunately, this scenario is looking more likely, as low interest rates create a significant risk that future investment returns will be insufficient to keep pace with the growth in ACC's OCL. Our best guess is that future investment returns will average about 4% per annum (less than half what they have been in the past), and our best guess is that ACC would need to grow its reserves portfolios by between 4% and 5% per annum in order to 'keep pace' with growth in ACC's OCL (due to factors such as inflation in medical costs and an increasing population). Hence, it seems likely that future investment income may be insufficient to match the long-term growth in ACC's claims liabilities.

GRAPH 12: TOTAL SIZE OF ACC'S RESERVES PORTFOLIO



Investment benchmarks

Like most other fund managers, we compare the make-up and performance of ACC's investment portfolios to market-based benchmark indices. These benchmarks indicate how we would expect to invest ACC's funds if we did not have any views on the likely relative performance of different securities within a market. Accordingly, it is important that the benchmarks represent sensible starting points for the construction of portfolios that meet ACC's needs. In many cases a commonly used market benchmark is appropriate for ACC, but in other cases we manage ACC's portfolios against a different benchmark that better reflects objectives or market focus. For example, the high interest-rate sensitivity of our claims liabilities means that ACC needs a highly interest-rate-sensitive bond portfolio, so we manage the New Zealand bond portfolio against a benchmark index that only includes bonds with more than five years remaining to maturity.

As well as indicating a neutral starting point for the management of our portfolios, benchmark indices are useful for assessing portfolio performance, as they allow us to differentiate the element of a portfolio's returns that is due to generalised market conditions from the relative value that has been added or subtracted in the management of that portfolio.

The returns achieved on the reserves portfolios belonging to ACC's various Accounts are measured against composite benchmarks, which represent a weighted composite of the benchmarks for the various investment markets in which those reserves portfolios may invest. The benchmark weightings used for calculating the reserves portfolios' benchmarks are reviewed twice a year, and are intended to reflect a sensible starting point for the allocation of each Account's funds, based on the financial positions of these Accounts and the pricing of investment markets at the time of each review. Benchmark allocations between investment markets have changed in most of the past 27 years.

It could be argued that changes in ACC's composite benchmarks over time make it more difficult to measure performance than would be the case if ACC had always compared itself to the same unchanging 'reference portfolio', an approach that is taken by many other funds. However, ACC aims to encourage its investment team to think about allocating between markets based on the factors that are relevant today, and to avoid having allocation decisions distorted by a reference portfolio that had been based on factors that may have changed since the reference portfolio was fixed. This has been particularly important for ACC, as large changes in ACC's funding position in the past decade have had significant impacts on the appropriate benchmark for ACC's investment activities. For these reasons, we have elected not to adopt a fixed 'reference portfolio'.

We believe that our changing asset allocation benchmarks have represented a tougher hurdle for measuring performance than any fixed reference portfolio that we might have adopted in the past. This is supported by the fact that **the 27-year returns from ACC's reserves portfolio benchmarks have been stronger than the returns that would have been achieved by passively investing in New Zealand cash, New Zealand bonds, global bonds or global equities over the 27-year period**[24].

Probability of negative returns

A typical risk analysis based on the past performance of investment markets, current bond yields and the current composition of ACC's portfolio would suggest that there is now roughly a one-in-four chance that we could record negative returns. In reality, we have had just one financial year of negative returns in the past 27 years (2007/08, when the reserves portfolio returned -0.8%). Negative returns are now more likely than they have been in the past, as the 'buffer' provided by the interest rate that we earn on our bond portfolios has got a lot smaller.

Statistical analysis based on current interest rate levels and the variability of investment markets in the past two decades would suggest that in any given year there is about a 0.8% probability that ACC will record returns of -10% or worse. However, we believe that it is wise to assume that the probability of negative returns of this magnitude could be higher than suggested by this analysis.

There are two primary factors that contribute to the risk of negative returns:

- All else being constant, a rise in bond yields of about 0.7% could result in ACC recording negative investment returns. However, ACC's overall funding position would improve as a result of a rise in bond yields, as the claims liability would decrease by an even greater amount than the decline in investment income.
- Based on current policy, ACC's Accounts will typically have an average of 33% of their reserves funds effectively invested in equity markets. This means that, all else being constant, a generalised decline in foreign and domestic equity markets of approximately 6% or more would tend to result in ACC recording negative overall investment returns.

Diversification/Size of largest investments

ACC's investments in individual companies or securities are generally too small to significantly endanger total investment returns in a single financial year. Excluding one investment in a diversified global equity fund, ACC holds just six equity investments that individually represent more than 0.5% of the reserves portfolio (i.e. $198 million).

Note that in Table 12, the largest holding is an unlisted investment, Kiwi Group Holdings, the parent company of Kiwibank. ACC and the New Zealand Superannuation Fund jointly made this investment in Kiwi Group Holdings in October 2016, and contributed further capital to Kiwi Group Holdings in April 2017. ACC views Kiwi Group Holdings as a long-term investment.

Aside from the investment in Kiwi Group Holdings and ACC's equity investments in Wellington Gateway Partnership (which is building the Transmission Gully motorway north of Wellington) and NX2 (which is building the Puhoi-to-Warkworth motorway), all of ACC's top-50 equity investments are held in companies or trusts that are listed on public stock exchanges, which allows us to be very certain about the current market value of these investments.

The only individual credit exposures representing more than 1% of the reserves portfolio (i.e. $397 million) are to the New Zealand Government, the Australian Government, the Local Government Funding Agency, three banking groups with strong credit ratings and a New Zealand banking licence and Auckland Council, as well as aggregate exposure of over 1% of reserves to the most senior-ranking (AAA rated) securities issued by loan securitisation vehicles associated with an Australian-based loan originator.

None of ACC's direct property investments represents more than 0.5% of the reserves portfolio. ACC's largest property investment is a Wiri property leased to The Warehouse for its North Island distribution centre. This property is valued at $188 million.

24 *With the benefit of hindsight, we can calculate that an allocation of close to 100% of the portfolio to New Zealand equities would have produced higher returns than ACC's actual benchmarks. However, such an allocation would not have suited ACC's risk tolerance, and would not have been practical (as ACC could not invest 100% of its funds in the New Zealand equity market without exceeding takeover thresholds).*

TABLE 12: ACC'S 50 LARGEST EQUITY INVESTMENTS

ACC's 50 largest equity investments	$NZm[25]
Kiwi Group Holdings (holds Kiwibank)	347.0[26]
a2 Milk Company	288.4
Contact Energy	245.6
Auckland International Airport	236.9
Spark New Zealand	208.6
Fisher & Paykel Healthcare Corporation	202.7
Kiwi Property Group	196.0
Meridian Energy	188.3
Infratil	184.8
Goodman Property Trust	148.9
Z Energy	145.4
BHP Billiton	140.6
Fletcher Building	138.4
Precinct Properties New Zealand	137.9
Alphabet	117.1
Chorus	108.3
Wellington Gateway Partnership (Transmission Gully PPP)	107.3[26]
CSL	105.8
SKYCITY Entertainment Group	103.5
Mercury NZ	97.5
Mainfreight	97.2
Transurban Group	96.4
Ryman Healthcare	93.8
Samsung Electronics Co	89.5
Mastercard	84.4
EBOS Group	83.9
Nestlé	83.0
Microsoft Corp	75.2
Apple Inc	70.9
Rio Tinto	69.7
Genesis Energy	67.7
Stride Stapled Group	65.8
Visa	62.2
Argosy Property	60.7
Property for Industry	60.7
Comcast Corp	57.0
Taiwan Semiconductor Manufacturing Company	56.6
Wells Fargo & Co	55.8
Facebook	55.3
Vital Healthcare Property Trust	55.2
Roche	54.1
NX2 (Puhoi to Warkworth PPP)	53.3[26]
Anthem	51.8
PayPal	51.7
Service Corp International	51.5
Metlifecare	50.4
Air New Zealand	48.8
The Procter & Gamble Company	48.7
AIA Group	48.1
Intel Corporation	47.4

Note that Table 12 does not attempt to aggregate any known indirect investment exposures incurred through pooled investment vehicles with the direct investments in the various companies shown in the table. ACC has $923.6 million invested in four pooled investment vehicles that invest in listed equity markets. The bulk of this investment ($864.5 million) is invested in an unlisted global equity fund managed by Orbis Investment Management.

Ethical investment

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

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

In addition to carrying out its own investment activities in an ethical manner, ACC avoids directly investing in entities that are engaged in activities that would be regarded as unethical by a substantial majority of the New Zealand public. ACC takes the laws of New Zealand to be a reflection of those principles that are widely held by the New Zealand public. Hence, ACC seeks to avoid investing in entities that engage in activities that would be illegal if they occurred in New Zealand. ACC also avoids investing in companies involved in the production of tobacco, recognising that while tobacco is still legal in New Zealand, it is greatly discouraged by New Zealand public policy.

Specifically, ACC will not directly invest in entities that are involved in the following activities:

- Production of tobacco or cannabis based products
- Production or sale of anti-personnel land mines that are not compliant with the Anti-Personnel Mines Prohibition Act 1998
- Production, design, testing, assembly or refurbishment of nuclear explosive devices
- Production or development of cluster munitions
- Processing of whale meat

25 *ACC's investment value ($New Zealand million, market value).*
26 *The values shown for Kiwi Group Holdings, Wellington Gateway Partnership and NX2 are based on external valuations, as no observable market values exist for these untraded investments. In addition to these equity investments, ACC has loans valued at $128.5 million lent to Wellington Gateway Partnership and $74.9 million to NX2.*

- Production of automatic or semi-automatic firearms for civilian use.

Note that the last item on this list is a new addition, reflecting amendments to the Arms Act 1983 that generally made it illegal for civilians to own semi-automatic firearms.

ACC has a legal requirement to invest as a trustee, which implies a fiduciary responsibility to achieve the best possible mix of long-term return and risk on its investment funds. So while ACC recognises that significant numbers of New Zealanders may believe that various other activities are unethical (for example, involvement in gambling, fast food, sugary soft drinks, alcoholic beverages, factory farming or the production of fossil fuels), ACC would be unlikely to impose a blanket exclusion on investing in these activities unless New Zealand's Parliament passed laws to ban these activities in New Zealand. When New Zealand's democratically elected Parliament does ban an activity, ACC will likely presume that Parliament's decision reflects the majority view of the New Zealand public. In addition to avoiding investments in companies that engage in activities that are contrary to New Zealand law, we will never make any form of investment that is in itself illegal under New Zealand law.

In addition to excluding investments in specific types of activity, ACC will occasionally exclude companies that it believes are behaving in an unethical manner, if there seems to be little chance that the companies will change their behaviour. In these cases, ACC will typically discuss its concerns with the companies before we make final decisions to add them to our exclusion list. We hope that in many cases, the board or senior management of a company will seek to improve their company's behaviour when they recognise that some aspect of how they have been conducting their business is attracting unfavourable attention from large investors such as ACC.

Statement of performance and financial statements

Statement of responsibility

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

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

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

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

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of ACC for the year ended 30 June 2019.

Signed on behalf of the Board:

Dame Paula Rebstock DNZM

Dame Paula Rebstock DNZM
Board Chair

James Miller
Temporary Deputy Chair

Statement of performance

The statement of performance reports against the measures contained in ACC's Service Agreement 2018/19. It is divided into two sections: the public value scorecard and performance against output delivery.

Section 1: Public value scorecard

This section summarises our performance against ACC's public value scorecard. Public value is an organising principle of public sector organisations that is equivalent to shareholder value for private companies. It has been adopted by public sector organisations worldwide.

Our public value scorecard framework recognises that our activities should:

- create economic or social value for clients as individuals or society at large
- enjoy sufficient support from politicians and the wider public to attract the necessary resources
- be achievable given the capabilities available from ACC and external suppliers.

We use three categories of measure that enable us to assess our overall performance in delivering public value:

- Customer – the quality and effectiveness of services provided
- Impact – how effective we are at delivering the desired outcomes
- Cost-effectiveness – value for money and financial sustainability.

We have provided explanations for performance measures where we did not achieve the targeted performance levels.

Section 2: Performance against output delivery

Section 2 of the statement of performance includes a brief explanation of what is intended to be achieved within each output, and ACC's performance against all other output measures included in the Service Agreement 2018/19, excluding those already reported in the public value scorecard.

Again, we have provided explanations for performance measures where we did not achieve the targeted performance levels.

Section 1: Public value scorecard

The measures included in our public value scorecard represent our key performance measures. These are our most important performance measures and best reflect the aspects of performance we can control.

TABLE 13: PUBLIC VALUE SCORECARD – CUSTOMER

Category	Measuring our contribution to New Zealand	Actual 2017/18	Target 2018/19	Actual 2018/19	Target met?
CUSTOMER Did we meet expectations?	Public trust and confidence	61.0%	65.0%	61.0%	Not achieved Refer note 1
	Client net trust score	+25.0	+30.6	+24.0	Not achieved Refer note 2
	Client net trust score (Māori)	+17.0	+30.6	+25.0	Not achieved Refer note 2
	Provider net trust score	-8.0	-10.0	-15.0	Not achieved Refer note 3
	Business net trust score	-19.0	-14.0	-23.0	Not achieved Refer note 4

NOTE 1 – PUBLIC TRUST AND CONFIDENCE

Public trust and confidence increased by 1% in the fourth quarter, to 62%. The full-year result remained consistent with 2017/18 at 61%. The relative position of ACC compared to other agencies increased to 14th equal this quarter with the Department of Corrections and the Environment Protection Authority.

The level of trust the public has in ACC, and the degree to which they perceive there to be value in the organisation, influence their interactions with us. Increased trust should increase the public's willingness to engage proactively with injury prevention initiatives and recovery or care pathways. This in turn will deliver better outcomes for customers and for New Zealand. Research suggests that trust is linked with feeling informed. We are currently developing improved engagement approaches to increase awareness.

NOTE 2 – CLIENT NET TRUST SCORE

The client net trust score was relatively stable for most of 2018/19. The result of +24 is lower than the targeted +30.6. There continue to be positive signs (higher net trust scores) within the pilot of our new claims management model (Launch Pad). We expect performance to improve once the new claims management model is fully embedded. The Māori client net trust score is very similar to that of the client at +25.

NOTE 3 – PROVIDER NET TRUST SCORE

The provider net trust score fell in the fourth quarter to -15, from -9 in the third quarter. All provider types apart from specialists dropped in net trust scores in the fourth quarter. Most year end results were at levels similar to those in the second quarter.

We have identified the key levers that will improve the interactions that providers have with ACC. These include better-quality decision-making, more effective communication and making it simpler to manage claims through the ACC process. We are working to be clearer on these opportunities for improvement and shift them into development. Current initiatives planned include making it easier to lodge a claim, improving communications and simplifying processes related to client care.

NOTE 4 – BUSINESS NET TRUST SCORE

The business net trust score has remained relatively stable since the second quarter, at -23. Results for both medium and large businesses improved significantly in the third quarter, but dropped back to previous levels in the fourth quarter. This was offset by an improved result for self-employed.

Our research indicates there is a lack of awareness and knowledge of ACC and the purpose of levies. We are working to provide clarity for self-employed business customers on how levies are calculated. We are changing our invoices to be in arrears based on actual earnings. Historically, we have invoiced in advance based on the previous year's earnings. It is expected that the invoicing calculation will be much easier for business customers to understand.

Research also indicates that the return-to-work journey for injured employees is a critical experience for business customers. We are working to gain clarity on the opportunity to improve this journey for both business customers and clients.

TABLE 14: PUBLIC VALUE SCORECARD – IMPACT

Category	Measuring our contribution to New Zealand	Actual 2017/18	Target 2018/19	Actual 2018/19	Target met?
IMPACT Did we meet expectations?	Rate of serious injury	79.5	73.8	81.2	Not achieved Refer note 5
	Return to work within 10 weeks	67.4%	68.5%	66.8%	Not achieved Refer note 6
	Return to independence for those not in the workforce	86.7%	86.0%	88.9%	Achieved
	Growth in the Long-Term Claim Pool	+5.1%	+3.1%	+6.5%	Not achieved Refer note 7

NOTE 5 – RATE OF SERIOUS INJURY

The rate of serious injury did not meet the target. Main contributors were higher than expected number of motor vehicle and work-related serious injuries, as well as higher than expected fatal claims from falls in older adults. This result was also affected by the Christchurch terror attacks.

NOTE 6 – RETURN TO WORK WITHIN 10 WEEKS

This year we received record new claim volumes, which translated to a record number of clients receiving weekly compensation. We also supported a growing number of clients to independence within the first 10 weeks of them receiving weekly compensation.

Despite this, we did not achieve the target. This reflected the pressure of managing the high claim volumes, alongside the development of our new claims management model. During 2019/20 we will be rolling out the model nationwide. This will cause some disruption in the short term, but is expected to deliver improved outcomes for clients. We expect to see performance benefits once the new model has been fully embedded.

NOTE 7 – GROWTH IN THE LONG-TERM CLAIM POOL

With the increase in new claim volumes, there is also a growing number of clients who have received weekly compensation for more than 12 months. This is predominantly due to a higher number of clients entering the Long-Term Claim Pool for the first time. Growth in new Long-Term Claim Pool entries is 15%. The number of first-time exits and re-exits is 10% higher than last year. However, this has not been sufficient to counter the increased number of entries.

TABLE 15: PUBLIC VALUE SCORECARD – COST EFFECTIVENESS

Category	Measuring our contribution to New Zealand	Actual 2017/18	Target 2018/19	Actual 2018/19	Target met?
COST EFFECTIVENESS Did we meet expectations?	The portfolio of injury prevention investments will have a positive return on investment	$1.72:$1	$1.80:$1	$1.81:$1	Achieved
	Change in average treatment cost	3.3%	≤5.0%	5.7%	Not achieved Refer note 8
	Average care hours per serious injury client	1,363	1,406	1,350	Achieved
	Funding ratio (solvency) of the Scheme	96.7%	95.0%	81.2%	Not achieved Refer note 9
	Investment performance (after costs) relative to benchmark	-0.10%	0.30%	-0.82%	Not achieved Refer note 10

NOTE 8 – CHANGE IN AVERAGE TREATMENT COSTS

The change in average treatment cost per injury is higher than both the target and that in 2017/18. The key areas of growth are our Integrated Services for Sensitive Claims (ISSC) and to a lesser extent Pain Management Services. The strong growth of sensitive claims accessing the higher-costing ISSC has increased the average treatment cost per claim. An uplift of clients accessing Pain Management Services is also contributing to the growth.

NOTE 9 – SCHEME FUNDING RATIO

This year large movements in external economic factors have seen our financial performance deteriorate. The 109-basis-point reduction in the single-effective discount rate this year increased the OCL by $10.8 billion. This is the key driver of a lower-than-expected Scheme funding ratio, and is outside of ACC's control.

NOTE 10 – INVESTMENT PERFORMANCE (AFTER COSTS) RELATIVE TO BENCHMARK

ACC's reserves portfolios delivered a return of 12.97% after costs, underperforming the market-based benchmarks by 0.82%. ACC's returns were adversely affected by a decision to hold a lower-than-benchmark position to bond markets, and our security selection in the global equities and New Zealand listed equities asset classes.

Section 2: Performance against output delivery

The breakdown of our revenue earned and costs incurred compared with expected revenue and costs reported in the Service Agreement 2018/19 is as follows:

TABLE 16: ACTUAL VS EXPECTED REVENUE AND COSTS

	Administration		Claims paid		Revenue	
$M	Actual	Budget	Actual	Budget	Actual	Budget
Output class 1 – Injury prevention	75	80	–	–	–	–
Output class 2 – Levy setting and collection	40	38	–	–	4,505	4,374
Output class 3 – Investment management	55	57	–	–	5,092	1,549
Output class 4 – Claims management	479	463	4,377	4,291	–	–
Total	**650**	**638**	**4,377**	**4,291**	**9,597**	**5,924**
Other operating costs	82	88	–	–	–	–
Total ACC	**732**	**726**	**4,377**	**4,291**	**9,597**	**5,924**

Output 1: Injury prevention

ACC is one of a number of government agencies with a responsibility to reduce the incidence and severity of injury in New Zealand.

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 requirement means that we focus our efforts on high-cost and high-volume injuries that affect claim costs, the OCL and ultimately levies.

We work with non-government organisations, community groups and other government agencies so that the activities we fund are effective. This coordination role is as important as directly funding injury prevention activities.

The public value measures relating to this output class are:

- rate of serious injury
- the portfolio of injury prevention investments will have a positive return on investment.

Refer to ***Section 1: Public value scorecard*** for performance against public value measures.

TABLE 17: OTHER OUTPUT MEASURES – INJURY PREVENTION

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Performance against target
Number of claims avoided through our injury prevention investments	New measure	11,000	11,253	Achieved

Output 2: Levy setting and collection

The Scheme is managed through five Accounts, each providing cover for a specific category of injuries.

In order for us to deliver services, we must collect revenue. Through our levy-setting process we calculate the future revenue needs for each Account. We recommend levies that are sufficient to cover the future costs of claims incurred in that year and result in achieving our target funding range for each Account as per the funding policy. We consult on these recommendations with levy payers. The results of consultation and our final recommendations are provided to Cabinet for consideration.

TABLE 18: LEVY RATES 2016/17 – 2019/20

The Account and who funds it	What's covered	2016/17	2017/18	2018/19	2019/20
Work Account					
Employers: Based on wages paid to staff **Self-employed:** Based on income earned	Work-related injuries	$0.80 per $100 liable earnings	$0.72 per $100 liable earnings	$0.72 per $100 liable earnings	$0.67 per $100 liable earnings
Earners' Account					
Employees: Based on income earned **Self-employed:** Based on income earned	Non-work injuries to people in employment	$1.21 per $100 liable earnings	$1.21 per $100 liable earnings	$1.21 per $100 liable earnings	$1.21 per $100 liable earnings
Motor Vehicle Account					
Vehicle owners: Funded through petrol use and the motor vehicle licensing fees	Injuries that involve moving motor vehicles on public roads	$131.00 per motor vehicle	$113.94 per motor vehicle	$113.94 per motor vehicle	$113.94 per motor vehicle
Non-Earners' Account					
The Government: Funded by general taxation	Injuries that happen to people not in the paid workforce				
Treatment Injury Account					
All New Zealanders: Funded by the Earners' and Non-Earners' Accounts	Injuries caused by medical treatment				

The public value measure relating to this output class is:

- solvency (funding ratio) of the Scheme.

Refer to ***Section 1: Public value scorecard*** for performance against public value measures.

Activity information

The table below shows the number of funders, and the levy and appropriation revenue, for each Account.

TABLE 19: FUNDERS AND REVENUE, BY ACCOUNT

		Actual 2017/18	Actual 2018/19
Levy-funded Accounts			
Work Account	Number of employed and self-employed (million)	2.6	2.7
	Levy revenue ($million)	745	861
Earners' Account	Number of earners (million)	2.6	2.7
	Levy revenue ($million)	1,442	1,614
Motor Vehicle Account	Number of vehicles(million)	3.8	3.9
	Levy revenue ($million)	436	425
Government-funded Account			
Non-Earners' Account	Number of non-earners (million)	2.3	2.3
	Government appropriation ($million)	1,178	1,274
Mixed-funded Account			
Treatment Injury Account	Number of non-earners (million)	2.3	2.2
	Government appropriation ($million)	176	193
	Number of earners (million)	2.6	2.7
	Levy revenue ($million)	143	139

TABLE 20: OTHER OUTPUT MEASURES – LEVY SETTING AND COLLECTION

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Performance against target
Ratio of this year's total levies to the total claims incurred for this year's accidents over time	0.7	0.7 – 0.9	0.7	Achieved
Actuarial movement	New measure	Within +/– 2.0%	+1.56%	Achieved

Scheme funding ratio is presented as a percentage and calculated as the total value of net assets excluding the outstanding claims liability held in an Account divided by the outstanding claims liability for that Account. This provides an indication of funding adequacy in relation to the funding policy. Year-on-year changes in Scheme funding ratios are the measures of ACC's performance against the full funding target for each levied Account.

Each Account operates independently and cannot cross-subsidise another. For this reason we also monitor forecast funding ratios by Account for the year.

ACCOUNT FUNDING RATIOS

TABLE 21: FUNDING RATIOS AS AT 30 JUNE

%	Actual 2017/18	Actual 2018/19	Funding policy target
Levied Accounts:			
Work Account	135.4%	123.2%	
Including gradual process claims incurred but not yet made	114.0%	102.7%	100.0% – 110.0%
Motor Vehicle Account	110.4%	92.2%	100.0% – 110.0%
Earners' Account	112.4%	94.1%	100.0% – 110.0%
Non-levied Accounts:			
Non-Earners' Account	43.4%	35.7%	
Fully funding portion	76.1%	59.8%	88.0%
Treatment Injury Account	78.7%	65.5%	
Earners' portion	145.8%	145.2%	100.0% – 110.0%
Non-Earners' fully funded position	81.0%	61.3%	88.0%

The AC Act requires the government to issue a funding policy setting out the criteria on how to fully fund the levied Accounts including the Earners' portion of the Treatment Injury Account. ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was gazetted on 12 May 2016 (Gazette No.42).

The Non-Earners' and Treatment Injury Accounts' funding ratios appear low. The funding policy for the Non-Earners' Account and the Non-Earners' portion of the Treatment Injury Account is set by the Government. The lifetime costs of post-2001 claims are fully funded using central estimates. The risk margin, which allows for relative uncertainty and is included in the outstanding claims estimate, is not funded. Pre-2001 claims are funded on an annual pay-as-you-go basis.

There is no ability to cross subsidise any of the Accounts. The financial statements are prepared on a going concern basis, reflecting the government's on-going obligation to fund the Scheme and the long-term nature of its funding policy.

Output 3: Investment management

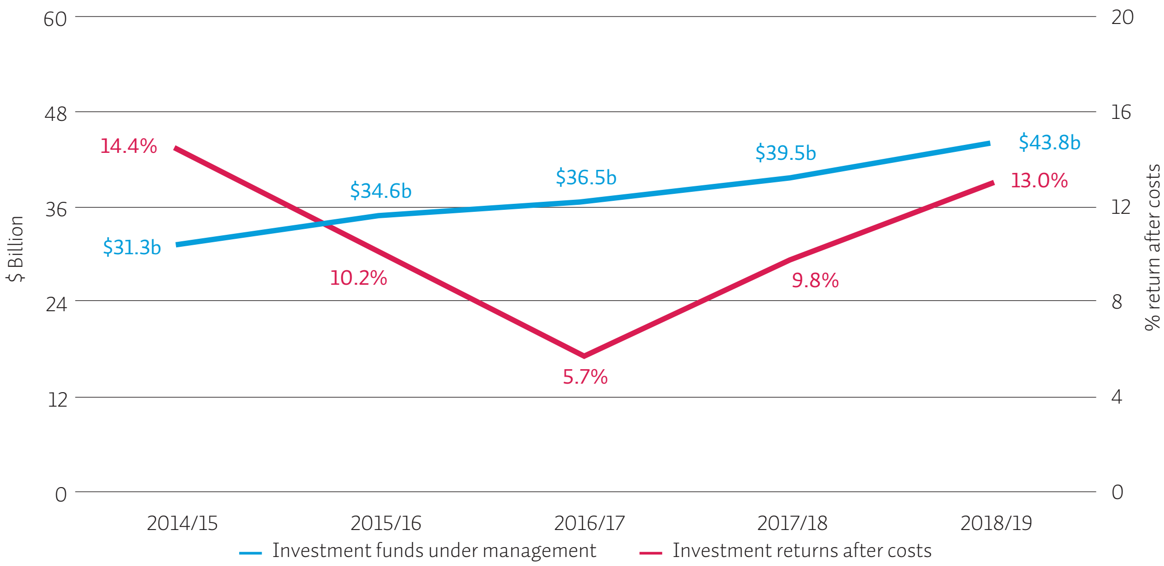
The purpose of our investment portfolio is to meet the future costs of incurred claims from long-term injuries without the need for any catch-up contributions from future levy payers. To meet this purpose, we tend to favour long-term investments that we expect to deliver relatively certain income streams for long periods of time. Such investments match our long-term cash flow requirements and provide a partial offset against the risk of declines in interest rates.

We manage our investments with the objective of obtaining the best possible balance of return and risk. To this end, we:

- review strategic asset allocations to ensure that the benchmark asset allocations provide the best possible balance of risk and expected returns for our objectives
- actively manage our investment portfolios with the objective of obtaining better risk-adjusted returns from those portfolios than would be achieved from passive investment.

Activity information

GRAPH 13: TOTAL INVESTMENT FUNDS AND INVESTMENT RETURNS



The public value measure relating to this output class is:

- investment performance (after costs) relative to benchmark.

Refer to ***Section 1: Public value scorecard*** for performance against public value measures.

TABLE 22: OTHER OUTPUT MEASURES – INVESTMENT MANAGEMENT

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Performance against target
Investment management costs as a proportion of total funds under management	0.14%	0.15%	0.12%	Achieved

Output 4: Claims management

We help injured people covered by the Scheme to get the appropriate medical treatment, social and vocational rehabilitation services and compensation to enable a return to work or to independence.

We manage claims from the relatively minor, where clients only require primary health services (such as a one-off visit to a GP), to claims from individuals who suffer serious injuries requiring lifelong services and support.

Activity information

The following table shows the recent trends in the number and types of claims we received and accepted. 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 types and amounts of services that those who have covered injuries are eligible to receive. Please note that historical claim activity values in the table below may differ from values presented in previous annual reports. This is due to the timing of claim lodgements and claim decisions.

TABLE 23: CLAIMS ACTIVITY

Measure	Definition	2015/16	2016/17	2017/18	2018/19
Registered claims	Total number of registered claims in the period	1,930,559	1,943,374	1,977,846	2,027,789
Medical-fee- only claims	Total number of medical-fees-only claims in the period	1,658,268	1,667,827	1,689,300	1,670,151
Other entitlement claims	Total number of entitlement claims (all entitlement claims excluding weekly compensation) that receive payments in the period	110,674	116,002	129,572	138,437
Weekly compensation claims	Total number of weekly compensation claims that receive payments in the period	106,953	113,430	119,408	126,077
Long-term weekly compensation claims	Number of clients receiving weekly compensation for more than one year as at 30 June	12,290	12,691	13,333	14,200
New serious injury claims	Total number of new serious injury claims in the period	288	229	248	237
Fatal claims	Total number of fatal claims in the period	1,266	1,290	1,347	1,292

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

EXPENDITURE AGAINST KEY COST DRIVERS

TABLE 24: EXPENDITURE AGAINST KEY COST DRIVERS

$M	Actual 2017/18	Budget 2018/19	Actual 2018/19
Weekly compensation	1,200	1,292	1,328
Medical treatment	756	830	833
Social rehabilitation	740	801	789
Public health acute services	492	515	514
Elective surgery (hospital treatment)	347	361	371

The public value measures relating to this output class are:

- return to work within 10 weeks

- return to independence for those not in the workforce
- public trust and confidence
- client net trust score
- client net trust score (Māori)
- provider net trust score
- business net trust score
- growth in the Long-Term Claim Pool
- change in average treatment cost per claim
- average care hours per serious injury claim.

Refer to **Section 1: Public value scorecard** for performance against public value measures.

Other output measures – claims management

The costs and associated liability from this output class have the largest bearing on overall Scheme financial sustainability. We must provide quality services to clients in an efficient manner. This requires the responsible management of controllable costs, ensuring that all expenditure is necessary and cost effective.

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

These measures align with the measures reported against the customer experience strategic intention, but provide greater detail with which to assess our performance during the year.

TABLE 25: OTHER OUTPUT MEASURES – CLAIMS MANAGEMENT

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Performance against target
Return to work within nine months	92.9%	93.3%	92.4%	Not achieved Refer note 1
Proportion of clients who go ahead with surgery and are successfully rehabilitated 12 months after being approved for surgery	84.0%	85.0%	80.0%	Not achieved Refer note 2
Durable return to work	80%	1% higher than Australia (last year)	73%	Not achieved Refer note 3
Reduction in weekly compensation days paid	−2.0 days[27]	+0.5 days	−3.2 days	Not achieved Refer note 1
Speed of cover decisions	1.15 days	1.10 days	1.71 days	Not achieved Refer note 4
Reviews as a percentage of decline decisions	7.2%	<7.1%	7.1%	Achieved
Average time to resolution for claims with reviews	99.5 days	<96.5 days	87.0 days	Achieved
Proportion of ACC reviews upheld (in favour of ACC)	81.3%	≥82.0%	82.4%	Achieved
Long-Term Claim Pool returns to independence	3,285	3,729	3,662	Not achieved Refer note 5
Rate of long-term clients in part-time work	11.8%	12.0%	11.8%	Not achieved Refer note 6
Administration costs per active claim	$2,662	$2,395	$2,629	Not achieved Refer note 7
Percentage of total expenditure paid directly to clients, or for services to clients	85.9%	86.2%	86.6%	Achieved
Claims processed per full-time equivalent (FTE)	593	585	605	Achieved

27 *2017/18 result is restated (from **Annual Report 2018**) to reflect change in measurement methodology.*

NOTE 1 – RETURN TO WORK

This year we received record new-claim volumes, which translated to a record number of clients receiving weekly compensation.

Despite a record number of clients returning to work, we did not achieve these targets. This reflected the pressure of managing the high claim volumes, alongside the development of our new claims management model. During 2019/20 we will be rolling out the model nationwide. This will cause some disruption in the short term but is expected to deliver improved outcomes for clients. We expect to see performance benefits once the new model has been fully embedded.

NOTE 2 – PROPORTION OF CLIENTS WHO GO AHEAD WITH SURGERY AND ARE SUCCESSFULLY REHABILITATED 12 MONTHS AFTER BEING APPROVED FOR SURGERY

The proportion of clients who go ahead with surgery and are successfully rehabilitated remains below the target and the 2017/18 performance. This is in part related to the fewer number of arthroscopies we are funding as these simpler surgeries often have shorter rehabilitation durations than others. Since 2017 performance deterioration in this measure has been in line with our other rehabilitation trends.

NOTE 3 – DURABLE RETURN TO WORK

Our durable-return-to-work result of 73% did not exceed the Australian workers' compensation schemes result from 2017/18. The Australians do their survey every two years and their next survey will be conducted in 2020.

We run the survey once each year for people who were injured at work between seven and nine months previously, and who received five or more days of weekly compensation. Our result in 2018 was 80%, or just 63 people in the sample not at work. This year 77 people, or 27% of the sample, were not back at work at the time of the survey. Participants in this year's survey were older than those in previous years, and this may be the impact of an aging workforce. The rehabilitation of older people does take longer than it does for others, therefore we expect a slower return-to-work rate. We have research underway to help us understand the impacts of an aging population on the Scheme.

NOTE 4 – SPEED OF COVER DECISIONS

In September 2018 we implemented a new automated claim-lodgement model to streamline the electronic registration of claims and cover decision processes through a combination of business rules and predictive modelling. The benefits of this to our clients are that claim decisions are made quickly and they are advised straight away. With the initial implementation of the model we experienced some teething problems that increased the time taken to make some cover decisions. We resolved these issues, and in June we were able to make cover decisions on non-complicated claims (98% of all claims) in 0.36 days. We expect to see further positive results in 2019/20 from efficiencies in the automation process.

NOTE 5 – LONG-TERM CLAIM POOL RETURNS TO INDEPENDENCE

We returned 11% more Long-Term Claim Pool clients to independence than in 2017/18, but fewer than targeted. Over the course of the year, the number of clients returning to independence has gradually improved. We expect the delivery of our new claims management model to have a positive future impact on long-term rehabilitation rates.

NOTE 6 – RATE OF LONG-TERM CLIENTS IN PART-TIME WORK

The rate of long-term clients in part-time work remained close to the target for most of the year. In the summer holiday period there is a seasonal decline in this measure as less part-time work is available.

NOTE 7 – ADMINISTRATION COSTS PER ACTIVE CLAIM

The average administration cost per active claim did not meet the target but improved on 2017/18. Administration costs were higher than expected. We invested more to ensure our system improvements were well supported, and we provided appropriately for alterations to our organisational structure.

NEW MEASURE

In our Service Agreement 2019/20 we have included a new measure via client survey to support our existing client net trust score: ACC is focused on getting the best possible outcomes for clients given their situations.

This measure is not included in our Service Agreement 2018/19, but we believe it to be an important measure. If we see each client as an individual with unique circumstances, we can deliver tailored support and care to strive for the best possible outcome for that client, reducing the impacts of injury. This result will be included as a comparator in the 2020 Annual Report.

Measure	Actual 2018/19
ACC is focused on the best possible outcomes for clients given their situations	77.0%

Other performance measures

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

Our organisational health and capability performance measures

TABLE 26: PERFORMANCE MEASURES – MAINTAIN A DIVERSE, HIGH-PERFORMING WORKFORCE EMPOWERED TO DELIVER GREAT CUSTOMER EXPERIENCES AND OUTCOMES

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Performance against target
Key measure Employee net promoter score	-6	+16	-11	Not achieved Refer note 1
Supporting measure Proportion of staff who identify as Māori	New measure	10.0%	12.0%	Achieved
Supporting measure Proportion of staff who identify as having a disability	New measure	8.0%	14.0%	Achieved
Key measure Total recordable injury frequency rate	6.1	9.5	3.1	Achieved
Supporting measure Lost-time injury frequency rate	1.4	1.4	0.9	Achieved

NOTE 1 – EMPLOYEE NET PROMOTER SCORE

This year our employee net promoter score did not meet the target. However, this result is an increase on mid-year performance. Results were significantly affected by the organisational change occurring within our Client Service Delivery. The net promoter score for this group was -26 compared to +3 for the rest of the organisation. Feedback from the front line in relation to the way that change is being managed was positive. We expect that engagement will start to lift as our significant organisational change is embedded in 2019/20.

TABLE 27: PERFORMANCE MEASURE – IMPROVE THE WAY WE USE, PROTECT AND SHARE INFORMATION

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Performance against target
Key measure The number of category 3, 4 and 5 privacy breaches and near misses (as defined by the Government Chief Privacy Officer's privacy matrix)	0	<5 per year No category 5 privacy breaches	2	Achieved

TABLE 28: PERFORMANCE MEASURE – SUPPORT ACC BUSINESS OUTCOMES WITH MODERN, RELIABLE AND SECURE INFORMATION TECHNOLOGY

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Performance against target
Key measure Overall operational system availability	99.9%	99.5%	99.6%	Achieved

Asset performance measures

Cabinet Office Circular CO(15)5 introduced expectations for agencies to report on investment performance.

To address this requirement, we selected the following asset performance measures aligned with our two largest asset portfolios: property and ICT.

TABLE 29: ASSET PERFORMANCE MEASURES

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Performance against target
ICT				
Utilisation: Average claims management system transaction time	370ms	≤500ms	262ms	Achieved
ICT				
Condition: Percentage of time key applications and network were able to perform required functions	99.9%	99.5%	99.4%	Not achieved Refer note 2
ICT				
Functionality: Total operational ICT spend per FTE	$19,173	$24,300	$23,508	Achieved
Property				
Utilisation: Square metres (m^2) of leased area per FTE	$17.3m^2$	$12–16m^2$ per FTE	$16.2m^2$	Not achieved Refer note 3
Property				
Condition: Percentage of total leased area with a current code compliance certificate/building warrant of fitness	100%	100%	100%	Achieved
Property				
Functionality: Percentage of total leased area that meets or exceeds the ACC security standards	100%	100%	100%	Achieved

NOTE 2 – ICT CONDITION

This measure covers five key ICT applications (EOS, Juno, MFP, Pathway and Oracle Financials) and the network. It looks at the total time an application was able to perform its required function (measured as a percentage of the available time over agreed time period of availability). This year the target of 99.5% availability has not been met due to incidents affecting core systems in July 2018 and March and May 2019.

NOTE 3 – PROPERTY UTILISATION

Our area per FTE has improved over the previous 12 months from 17.3 square metres per person to 16.2 square metres per person. This is due to our plan for and focus on optimising space per person with new leases. During the prior period it was estimated that our utilisation would reduce slightly as we transitioned between a number of sites.

Financial statements

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2019

$M	Notes	Actual 2019	Actual 2018	Budget 2019
Net levy revenue	5	4,505	4,119	4,374
Other revenue		1	1	1
Total net levy and other revenue		**4,506**	**4,120**	**4,375**
Interest, dividend and rental income		1,299	1,219	1,332
Net gains on investments		3,793	2,348	217
Less investment management costs		55	52	57
Net investment income	**6**	**5,037**	**3,515**	**1,492**
Claims paid		4,377	4,011	4,291
Expected increase in outstanding claims liability	4 & 8(C)	1,347	985	1,401
Net losses from changes in discount and inflation rates and other factors on outstanding claims liability	4 & 8(C)	11,367	1,881	-
Movement in unexpired risk liability	8(F)	432	92	(108)
Total claim costs		**17,523**	**6,969**	**5,584**
Injury prevention costs	7	75	69	80
Enterprise change costs	7	85	91	87
Operating costs	7	510	473	502
Other costs	7	7	5	–
Net (deficit) surplus		**(8,657)**	**28**	**(386)**
Total comprehensive revenue and expense for the year		**(8,657)**	**28**	**(386)**

Consolidated statement of changes in reserves (equity)

For the year ended 30 June 2019

$M	Actual 2019	Actual 2018	Budget 2019
Total Account reserves			
Balance at the beginning of the year (deficit)	(1,356)	(1,384)	(1,672)
Total comprehensive revenue and expense for the year	(8,657)	28	(386)
Balance at the end of the year (deficit)	**(10,013)**	**(1,356)**	**(2,058)**

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2019

$M	Notes	Actual 2019	Actual 2018	Budget 2019
Account reserves				
Motor Vehicle Account		(1,123)	1,135	1,287
Non-Earners' Account		(7,632)	(4,913)	(4,953)
Earners' Account		(645)	1,049	607
Work Account		1,979	2,527	3,199
Treatment Injury Account		(2,592)	(1,154)	(2,198)
Total Account reserves (deficit)		**(10,013)**	**(1,356)**	**(2,058)**
Represented by:				
Assets				
Cash and cash equivalents	11	86	115	183
Cash pledged as collateral	9(D)	–	53	–
Receivables	12	784	462	784
Accrued levy revenue	13	2,400	2,179	2,558
Investments	9	45,084	40,111	40,289
Derivative financial instruments	10	957	385	–
Property, plant and equipment, and intangible assets	15	169	156	181
Total assets		**49,480**	**43,461**	**43,995**
Less liabilities				
Cash collateral received	9(D)	851	233	–
Payables and accrued liabilities	16	1,866	822	1,769
Derivative financial instruments	10	57	268	–
Provisions	17	108	180	–
Unearned levy liability	8(E)	2,088	1,937	2,202
Unexpired risk liability	8(F)	1,204	772	722
Outstanding claims liability	8(C)	53,319	40,605	41,360
Total liabilities		**59,493**	**44,817**	**46,053**
Net assets (liabilities)		**(10,013)**	**(1,356)**	**(2,058)**

For and on behalf of the Board, which authorised the issue of these financial statements on 18 September 2019:

Dame Paula Rebstock DNZM
Board Chair
Date: 18 September 2019

James Miller
Temporary Deputy Chair
Date: 18 September 2019

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2019

$M	Note	Actual 2019	Actual 2018	Budget 2019
Cash flows from operating activities				
Cash was provided from:				
Levy revenue		4,320	4,135	4,234
Investment income		1,306	1,246	1,333
Other revenue		1	1	1
Goods and services tax (net)		(7)	3	–
		5,620	5,385	5,568
Cash was applied to:				
Payments towards injury treatment and prevention		5,050	4,658	4,970
		5,050	**4,658**	**4,970**
Net cash movement from operating activities		**570**	**727**	**598**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		58,872	61,770	56,648
Proceeds from sale of property, plant and equipment, and intangible assets		–	1	–
		58,872	**61,771**	**56,648**
Cash was applied to:				
Payment for investments		59,411	62,398	57,169
Payment for property, plant and equipment, and intangible assets		60	78	77
		59,471	**62,476**	**57,246**
Net cash movement from investing activities		**(599)**	**(705)**	**(598)**
Net (decrease) increase in cash and cash equivalents		**(29)**	**22**	–
Cash and cash equivalents – opening balance		**115**	**93**	**183**
Cash and cash equivalents – closing balance	**11**	**86**	**115**	**183**

The accompanying notes form part of these financial statements.

Reconciliation of the net cash inflow from operating activities with the reported net (deficit) surplus

$M	Note	Actual 2019	Actual 2018	Budget 2019
Net (deficit) surplus		**(8,657)**	**28**	**(386)**
Add (less) items classified as investing activities:				
Realised (gains) on sale of investments		(1,480)	(1,132)	–
Add (less) non-cash items:				
Depreciation and amortisation		46	37	46
Property, plant and equipment, and intangible assets impairment (write-back)		–	(1)	–
Unrealised (gains) losses on investments		(2,303)	(1,209)	(215)
Movement in provisions		(72)	7	–
Change in provision for impairment of levy debtors		8	(6)	–
Movement in unexpired risk liability		432	92	(108)
Increase in outstanding claims liability	4	12,714	2,866	1,401
Add (less) movements in working capital items:				
Receivables and accrued levy revenue		(286)	(71)	(406)
Payables and accrued liabilities		17	49	–
Unearned levy liability		151	67	266
Net cash inflow from operating activities		**570**	**727**	**598**

The accompanying notes form part of these financial statements.

ACC Accounts

The Accident Compensation Scheme (as required through the Accident Compensation Act 2001 'the AC Act') comprises five separate Accounts, being the Motor Vehicle, Non-Earners', Earners', Work and Treatment Injury Accounts. Each Account receives individual funding and is maintained for a separate purpose.

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

The basis of setting levies is a full funding basis for all levy payers other than the Government in respect of the Non-Earners' Account.

The ACC Board recommends sustainable levies to achieve the full funding of the Motor Vehicle, Earners' and Work Accounts, but final levy rates are set by the Government. Claims incurred from 1 July 2001 in the Non-Earners' Account are fully funded by the Government. Claims before that date continue to be funded on a pay-as-you-go basis.

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

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

MOTOR VEHICLE ACCOUNT

For the year ended 30 June 2019

$M	Notes	Actual 2019	Actual 2018	Budget 2019
Levy revenue[i]		425	436	422
Total net levy and other revenue		**425**	**436**	**422**
Interest, dividend and rental income		400	374	410
Net gains on investments		1,270	713	36
Less investment management costs		17	15	18
Net investment income		**1,653**	**1,072**	**428**
Claims paid[ii]		596	547	601
Expected increase in outstanding claims liability	4 & 8(C)	287	479	200
Net losses from changes in discount and inflation rates and other factors on outstanding claims liability	4 & 8(C)	3,278	343	–
Movement in unexpired risk liability	8(F)	99	42	7
Total claim costs		**4,260**	**1,411**	**808**
Injury prevention costs		10	10	11
Operating, enterprise change and other costs		66	54	55
Net (deficit) surplus		**(2,258)**	**33**	**(24)**
Total comprehensive revenue and expense for the year		**(2,258)**	**33**	**(24)**
Account reserve – opening balance		1,135	1,102	1,311
Total comprehensive revenue and expense for the year		(2,258)	33	(24)
Account reserve – closing balance (deficit)		**(1,123)**	**1,135**	**1,287**
Outstanding claims liability		**14,455**	**10,890**	**10,579**
Net assets excluding OCL		**13,332**	**12,025**	**11,866**

Notes:

(i) The Motor Vehicle Account derives its funds from:

- levies on motor vehicle ownership
- the levies portion of the excise duty on petrol
- the motorcycle safety levy on moped and motorcycle owners.

(ii) These funds are applied in accordance with the AC Act in respect of motor vehicle injuries suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

NON-EARNERS' ACCOUNT

For the year ended 30 June 2019

$M	Notes	Actual 2019	Actual 2018	Budget 2019
Funds appropriated by Parliament(i)		1,467	1,354	1,466
Less funding of Treatment Injury Account		(193)	(176)	(193)
Total net levy and other revenue		**1,274**	**1,178**	**1,273**
Interest, dividend and rental income		121	109	120
Net gains on investments		380	274	52
Less investment management costs		5	5	5
Net investment income		**496**	**378**	**167**
Claims paid(ii)		1,170	1,091	1,163
Expected increase in outstanding claims liability	4 & 8(C)	401	63	234
Net losses from changes in discount and inflation rates and other factors on outstanding claims liability	4 & 8(C)	2,791	582	–
Total claim costs		**4,362**	**1,736**	**1,397**
Injury prevention costs		20	20	25
Operating, enterprise change and other costs		107	116	127
Net (deficit)		**(2,719)**	**(316)**	**(109)**
Total comprehensive revenue and expense for the year		**(2,719)**	**(316)**	**(109)**
Account reserve – opening balance (deficit)		(4,913)	(4,597)	(4,844)
Total comprehensive revenue and expense for the year		(2,719)	(316)	(109)
Account reserve – closing balance (deficit)		**(7,632)**	**(4,913)**	**(4,953)**
Outstanding claims liability		**11,865**	**8,673**	**8,738**
Net assets excluding OCL		**4,233**	**3,760**	**3,785**

Notes:

(i) The Non-Earners' Account derives its funds from appropriations by Parliament.

(ii) These funds are applied in accordance with the AC Act in respect of personal injuries (other than motor vehicle injuries) to non-earners, suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

EARNERS' ACCOUNT

For the year ended 30 June 2019

$M	Notes	Actual 2019	Actual 2018	Budget 2019
Levy revenue[i]		1,752	1,584	1,701
Less funding of Treatment Injury Account		(139)	(143)	(151)
Other revenue		1	1	1
Total net levy and other revenue		**1,614**	**1,442**	**1,551**
Interest, dividend and rental income		319	304	324
Net gains on investments		880	579	75
Less investment management costs		14	13	14
Net investment income		**1,185**	**870**	**385**
Claims paid[ii]		1,574	1,412	1,493
Expected increase in outstanding claims liability	4 & 8(C)	338	595	508
Net losses from changes in discount and inflation rates and other factors on outstanding claims liability	4 & 8(C)	2,148	136	–
Movement in unexpired risk liability	8(F)	213	3	(81)
Total claim costs		**4,273**	**2,146**	**1,920**
Injury prevention costs		12	12	14
Operating, enterprise change and other costs		208	191	206
Net (deficit)		**(1,694)**	**(37)**	**(204)**
Total comprehensive revenue and expense for the year		**(1,694)**	**(37)**	**(204)**
Account reserve – opening balance		1,049	1,086	811
Total comprehensive revenue and expense for the year		(1,694)	(37)	(204)
Account reserve – closing balance (deficit)		**(645)**	**1,049**	**607**
Outstanding claims liability		**10,970**	**8,484**	**8,939**
Net assets excluding OCL		**10,325**	**9,533**	**9,546**

Notes:

(i) The Earners' Account derives its funds from:

- levies payable by earners on their earnings
- levies from the purchase of weekly compensation by non-earners.

(ii) These funds are applied in accordance with the AC Act in respect of personal injuries to earners (other than work injuries or motor vehicle injuries) suffered on or after 1 July 1992.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

WORK ACCOUNT

For the year ended 30 June 2019

$M	Notes	Actual 2019	Actual 2018	Budget 2019
Levy revenue[i]		861	745	786
Total net levy and other revenue		**861**	**745**	**786**
Interest, dividend and rental income		321	309	339
Net gains on investments		820	506	16
Less investment management costs		13	13	14
Net investment income		**1,128**	**802**	**341**
Claims paid[ii]		823	764	795
Expected increase in outstanding claims liability	4 & 8(C)	37	9	110
Net losses from changes in discount and inflation rates and other factors on outstanding claims liability	4 & 8(C)	1,344	895	–
Movement in unexpired risk liability	8(F)	120	47	(34)
Total claim costs		**2,324**	**1,715**	**871**
Injury prevention costs		24	20	19
Operating, enterprise change and other costs		189	180	169
Net (deficit) surplus		**(548)**	**(368)**	**68**
Total comprehensive revenue and expense for the year		**(548)**	**(368)**	**68**
Account reserve – opening balance		2,527	2,895	3,131
Total comprehensive revenue and expense for the year		(548)	(368)	68
Account reserve – closing balance		**1,979**	**2,527**	**3,199**
Outstanding claims liability		**8,516**	**7,135**	**6,530**
Net assets excluding OCL		**10,495**	**9,662**	**9,729**

Notes:

(i) The Work Account derives its funds from levies payable by employers and earners who are self-employed.

(ii) These funds are applied in accordance with the AC Act in respect of:

- work injuries suffered on or after 1 April 2000 by employees of employers who are insured by ACC, and for all employees' work injuries incurred on and after 1 July 2000
- work injuries suffered on or after 1 July 1999 and before 1 July 2000 by self-employed persons who were insured by ACC, and for self-employed work injuries incurred on and after 1 July 2000
- accidents prior to 1 July 1999, that are non-work injuries (other than motor vehicle injuries) suffered by earners on or after 1 April 1974 and before 1 July 1992
- accidents, prior to 1 July 1999 that are work injuries, other than motor vehicle injuries, suffered on or after 1 April 1974.

The accompanying notes form part of these financial statements.

Non-Compliers Fund

Included in the Work Account is the Non-Compliers Fund (the Fund). The Fund was set up to cover employees who were injured while working for employers who had not taken out accident insurance during the time when the workplace accident insurance market was opened up for competition. The Fund was transferred to ACC following the restoration of ACC as the sole provider of workplace accident insurance. The net surplus for the year ended 30 June 2019 for the Fund was $54,200 (2018: $42,800). The Fund's reserve as at 30 June 2019 was $0.5 million (2018: $0.4 million).

CoverPlus Extra

There were 42,132 (2018: 41,829) CoverPlus Extra policies purchased as at 30 June 2019. CoverPlus Extra is an optional product that lets self-employed people and non-PAYE shareholder employees negotiate pre-agreed levels of lost earnings compensation. Payments of $11.4 million (2018: $10.6 million) in weekly compensation relating to work-related injuries were made to clients who had purchased weekly compensation under CoverPlus Extra policies from the Work Account during the year.

Non-work injury payments of $17.9 million (2018: $15.4 million) were made from the other Accounts.

The accompanying notes form part of these financial statements.

Statement of comprehensive revenue and expense and changes in Account reserves (equity)

TREATMENT INJURY ACCOUNT

For the year ended 30 June 2019

$M	Notes	Actual 2019	Actual 2018	Budget 2019
Levy revenue[(i)]		332	319	343
Total net levy and other revenue		**332**	**319**	**343**
Interest, dividend and rental income		138	123	139
Net gains on investments		443	276	38
Less investment management costs		6	6	6
Net investment income		**575**	**393**	**171**
Claims paid[(ii)]		214	197	239
Expected increase (decrease) in outstanding claims liability	4 & 8(C)	284	(161)	349
Net losses (gains) from changes in discount and inflation rates and other factors on outstanding claims liability	4 & 8(C)	1,806	(75)	–
Total claim costs		**2,304**	**(39)**	**588**
Injury prevention costs		9	7	11
Operating, enterprise change and other costs		32	28	32
Net (deficit) surplus		**(1,438)**	**716**	**(117)**
Total comprehensive revenue and expense for the year		**(1,438)**	**716**	**(117)**
Account reserve – opening balance (deficit)		(1,154)	(1,870)	(2,081)
Total comprehensive revenue and expense for the year		(1,438)	716	(117)
Account reserve – closing balance (deficit)		**(2,592)**	**(1,154)**	**(2,198)**
Outstanding claims liability		**7,513**	**5,423**	**6,574**
Net assets excluding OCL		**4,921**	**4,269**	**4,376**

Notes:

(i) The Treatment Injury Account derives its funds from allocations from the Earners' Account (in the case of earners) and the Non-Earners' Account (in the case of non-earners).

(ii) These funds are applied in accordance with the AC Act in respect of personal injuries arising from medical misadventure suffered on or after 1 July 1992, and personal injuries arising from treatment on or after 1 July 2005.

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2019

1. Summary of significant accounting policies

(A) REPORTING ENTITY

The Accident Compensation Corporation (ACC) is designated as a Crown Agent under the Crown Entities Act 2004.

ACC provides comprehensive 24-hour, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand. ACC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

(B) BASIS OF PREPARATION

The financial statements of ACC have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements comply with Tier 1 PBE accounting standards and have been prepared in accordance with the Accident Compensation Act 2001 (AC Act) and the Crown Entities Act 2004.

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

The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are unaudited.

New and amended standards and interpretations

FINANCIAL INSTRUMENTS

In line with the financial statements of the Government, ACC has elected to early adopt PBE IFRS 9 *Financial Instruments*. This supersedes parts of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

In accordance with the transitional provisions of PBE IFRS 9, ACC has elected not to restate the information for previous years to comply with PBE IFRS 9. All assets held in investment portfolios are designated as 'asset backing insurance liabilities', with fair value through surplus or deficit remaining the appropriate designation. The measurement categories and carrying amounts for financial assets and liabilities have not changed between the closing 30 June 2018 and opening 1 July 2018 dates as a result of the transition to PBE IFRS 9. The impairment of levy receivables is now determined by applying an expected credit loss model.

Standards and interpretations issued but not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to ACC are:

INSURANCE CONTRACTS

In August 2017 the External Reporting Board (XRB) issued NZ IFRS 17 *Insurance Contracts*. This replaces NZ IFRS 4 *Insurance Contracts*.

NZ IFRS 17 is effective for annual periods beginning on or after 1 January 2021. In November 2018 the International Accounting Standards Board (IASB) decided to defer the effective date to 1 January 2022.

In December 2018 the XRB issued a proposed PBE standard based on IFRS 17. ACC has not yet assessed the effects of the new standard.

PBE IPSAS 41 *FINANCIAL INSTRUMENTS*

The XRB issued PBE IPSAS 41 *Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 *Financial Instruments* which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although ACC has not assessed the effect of the new standard, it does not expect any significant changes as requirements are similar to those of PBE IFRS 9.

PBE FRS 48 *SERVICE PERFORMANCE REPORTING*

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. ACC has not yet determined how the application of PBE FRS 48 will affect its statement of performance.

There are no other standards or amendments that have been issued, but are not yet effective, that are expected to have a significant impact on ACC.

2. Critical accounting judgements, estimates and assumptions

ACC makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually 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 critical estimates are applied are described below.

(A) OUTSTANDING CLAIMS LIABILITY (OCL)

In estimating the OCL, a central estimate is adopted. This means there is no deliberate over- or under-statement of any component of the liability. Due to the uncertainty in the OCL estimate, and the number of assumptions required in its determination, it is highly likely that the actual experience will differ from the stated estimate. Standard actuarial techniques are used to formulate the central estimate, taking into account trends in historical claims data, reviewing current conditions that may impact future trends, and scanning the horizon for possible changes that may affect trends in the future.

Where possible, both the number of claims 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
- Payment decay method
- Individual claim projection method.

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

The general sources of uncertainty include:

- actual future claim costs that differ from those expected due to unanticipated changes to Scheme utilisation, inflationary trends and claim durations
- the actual timing of claim payments differs from those expected
- unanticipated changes in operational processes that affect claim payments

- future advances in medicine and treatment that may impact recovery periods, cost structures and Scheme utilisation
- periodic review of ACC legislation and court decisions can result in entitlements that are not anticipated.

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

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

(B) 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 asbestosis (due to prolonged exposure to asbestos dust in the atmosphere) and hearing loss (due to prolonged exposure to excessive noise).

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

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

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

However, in order to highlight the potential payments related to persons who may have suffered exposure to conditions of harm but have not yet suffered incapacity or made a claim on ACC, an assessment of the potential payments under such future claims has been made. The present value of the obligation for all future gradual process claims not yet made is estimated at $1,705 million (2018: $1,338 million). This is only for claims arising due to noise-induced hearing loss and exposure to asbestos, being the types of gradual process claims where sufficient data is available to permit a reasonable estimate of the obligation.

(C) GOING CONCERN ASSUMPTION

The financial statements have been prepared on a going concern basis.

The Board has considered a combination of circumstances, and the likelihood these could create uncertainty over the going concern assumption. We are particularly mindful that as interest rates continue to fall to historically low levels the OCL increases to historically high levels. This requires increased levels of funding in order to meet the future costs of current claims. In addition, the regulatory scheme contemplates periods when funding of some Accounts will be inadequate and catch up funding will occur at a later stage. In the circumstances where the Crown has elected for a period to not fund the deficit in the Crown funded accounts – the Non-Earners' Account and the Non-Earners' portion of the Treatment Injury Account – and / or not approve the levy changes recommended to the Crown by the Board, a financial deficit results. Were this to continue for some years, a combination of these circumstances will result in an increasing significant deficit. The financial statements are 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 166 A and B of the AC Act.

3. Funding of Accounts

Sections 166A and 166B of the AC Act require the Government to issue a funding policy setting out the criteria on how to fully fund the levied Accounts including the earners' portion of the Treatment Injury Account. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was gazetted on 12 May 2016 (Gazette No. 42).

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

As of 30 June 2019, ACC's total liabilities exceeded its total assets by $10.013 billion, a significant increase compared to 2018: $1.356 billion. The change is largely due to $10.8 billion arising from the fall in the single effective discount rate from 3.51% in 2018 to 2.42% in 2019. There is no ability to cross subsidise any of the Accounts. The financial statements are 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. The overall 2019 net liability position is comprised of a surplus (deficit) in the following accounts:

	2019		2018	
	Net assets (liabilities) $M	Funding ratio (% of OCL)	Net assets (liabilities) $M	Funding ratio (% of OCL)
Levied Accounts:				
Work	1,979	123.2%	2,527	135.4%
Motor Vehicle	(1,123)	92.2%	1,135	110.4%
Earners'	(645)	94.1%	1,049	112.4%
Non-levied Accounts:				
Non-Earners'	(7,632)	35.7%	(4,913)	43.4%
Treatment Injury	(2,592)	65.5%	(1,154)	78.7%

The funding ratio is presented as a percentage and calculated as the total value of net assets excluding the outstanding claims liability held in an Account divided by the outstanding claims liability for that Account. An Account is considered fully funded if the funding ratio percentage is greater than, or equal to, 100%.

4. Underwriting result

Underwriting in terms of ACC relates to the core business of collecting levies and paying for accident compensation and rehabilitation, excluding any investment activities. The below underwriting result is extracted from the statement of comprehensive revenue and expense:

$M	2019 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	2018 Total
Net levy revenue	**4,505**	**425**	**1,274**	**1,613**	**861**	**332**	**4,119**
Rehabilitation (including treatment) costs							
Vocational rehabilitation	109	10	1	63	33	2	103
Social rehabilitation	789	226	251	119	99	94	740
Medical treatment	833	29	341	339	112	12	756
Hospital treatment	371	24	84	180	58	25	347
Public health acute services	514	51	322	104	34	3	492
Dental treatment	31	1	16	11	3	–	29
Conveyance for treatment	143	22	75	33	11	2	127
	2,790	**363**	**1,090**	**849**	**350**	**138**	**2,594**
Compensation costs							
Income maintenance	1,328	176	20	659	422	51	1,200
Independence allowances	79	13	34	15	13	4	48
Lump sums	47	7	9	8	13	10	45
Death benefits	92	32	7	31	16	6	87
	1,546	**228**	**70**	**713**	**464**	**71**	**1,380**
Miscellaneous costs	41	5	10	12	9	5	37
Claims paid	**4,377**	**596**	**1,170**	**1,574**	**823**	**214**	**4,011**
Claims handling costs	479	60	102	172	116	29	427
Expected increase in outstanding claims liability							
Expected change	1,363	287	252	427	113	284	1,228
Effect of model recalibration	(16)	–	149	(89)	(76)	–	(243)
	1,347	287	401	338	37	284	985
Net losses (gains) from changes in discount and inflation rates and other factors on outstanding claims liability							
Effect of claims experience and modelling	634	233	54	304	95	(52)	(241)
Effect of changes in economic assumptions	10,733	3,045	2,737	1,844	1,249	1,858	2,615
Effect of legislative and policy changes	–	–	–	–	–	–	(493)
	11,367	3,278	2,791	2,148	1,344	1,806	1,881
Increase in outstanding claims liability	12,714	3,565	3,192	2,486	1,381	2,090	2,866
Total claims incurred	**17,570**	**4,221**	**4,464**	**4,232**	**2,320**	**2,333**	**7,304**
Movement in unexpired risk liability	432	99	–	213	120	–	92
Other underwriting costs	198	16	25	48	97	12	211
(Deficit) surplus from underwriting activities	**(13,695)**	**(3,911)**	**(3,215)**	**(2,880)**	**(1,676)**	**(2,013)**	**(3,488)**
Net investment income	5,037	1,653	496	1,185	1,128	575	3,515
Other revenue	1	–	–	1	–	–	1
Net (deficit) surplus	**(8,657)**	**(2,258)**	**(2,719)**	**(1,694)**	**(548)**	**(1,438)**	**28**

5. Net levy revenue

All levy revenue is recognised in the levy period to which it relates. Levy revenue relating to levy periods that have commenced prior to balance date is accrued if not yet invoiced. This accrual is estimated based on expected liable earnings at the applicable levy rate, with the assumption that the levy revenue is earned evenly over the levy period. The proportion of levies not earned at the reporting date is recognised in the statement of financial position as unearned levy liability.

$M	2019	2018
Government appropriations	1,467	1,354
Levy revenue	3,052	2,795
(Less):		
Levy debts written off	(6)	(36)
Change in provision for credit losses	(8)	6
Total net levy revenue	**4,505**	**4,119**

Levy revenue is from exchange transactions.

6. Investment income

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

- Dividends on equity securities are recorded as revenue on the ex-dividend date (date security starts trading without the value of its next dividend payment).
- Interest revenue is recognised as it accrues.
- Investment gains (losses) represent the realised and unrealised movements in the investment values. Realised gains (losses) occur at the time of disposal of an investment asset and are calculated as the difference between the proceeds received and their carrying value. Unrealised gains (losses) represent the difference between the carrying value of the investment assets at the beginning of the year and at year end.

Each of ACC's Accounts 'owns' a portion of different investment portfolios. These ownership proportions are adjusted whenever an Account places additional funds into, or withdraws funds from, an investment portfolio. Investment income from each investment portfolio is allocated between the Accounts daily based on the Accounts' daily proportionate 'ownership'. Some derivative positions are allocated directly between Accounts rather than to investment portfolios, with all associated income from these positions directly allocated to the relevant Accounts.

$M	2019	2018
Interest, dividend and rental income		
Rental revenue from investment properties	17	18
Revenue from concession rights arrangement	5	5
Dividend income	435	350
Interest revenue		
Financial assets classified as fair value through surplus or deficit	767	765
Financial assets classified as held for trading	105	109
	872	**874**
Gross interest, dividend and rental income	**1,329**	**1,247**
Direct investment costs		
Foreign withholding tax	11	10
Investment property costs	1	2
Other direct investment costs	18	16
Total direct investment costs	**30**	**28**
Interest, dividend and rental income	**1,299**	**1,219**
Gains (losses) on investments		
Change in fair value of financial assets classified as fair value through surplus or deficit	3,225	2,368
Change in fair value of financial assets classified as held for trading	568	(20)
Net gains on investments	**3,793**	**2,348**
Investment income	**5,092**	**3,567**
Investment management costs	55	52
Net investment income	**5,037**	**3,515**

Investment income is net of direct investment costs, such as trading costs, to be consistent with the calculation of investment performance. The other costs excluding direct investment costs are classified as investment management costs.

7. Analysis of operating expenses

Total expenses comprising investment management, injury prevention, enterprise change and operating costs are allocated to Accounts using an activity-based costing methodology.

(A) EXPENSES BY FUNCTION:

$M	2019	2018
Investment management costs	55	52
Injury prevention costs	75	69
Enterprise change costs	85	91
Operating costs	510	473
	725	**685**
Other costs	7	5
Total expenses	**732**	**690**

(B) INCLUDED IN THE ABOVE ARE:

$M	2019	2018
Computer expenses	54	42
Professional expenses	13	13
Rental of office premises and equipment	22	21
Travel and accommodation	5	6
Depreciation and amortisation	46	37
Personnel expenditure	341	331
Property, plant and equipment, and intangible assets impairment (write-back)	–	(1)
Restructuring costs	7	5
Other expenditure	244	236
	732	**690**

Personnel expenditure

Personnel expenditure includes salaries, superannuation, contractors' costs, ACC levies paid and movement in the provision for employee benefits, but excludes termination benefits, which are included in restructuring costs. Defined contribution superannuation expense for the group was $27.0 million (2018: $26.6 million).

Auditor remuneration

Included in other operating expenses are fees paid to ACC's auditors (EY) of:

$000	2019	2018
Audit fee	670	632
Independent IT quality assurance services	1,008	375
Accounting advice	3	20
Probity and assurance for actuarial tender	–	17
Two-year checkpoint – IT maturity assessment	–	50
Actuarial survey	2	2
EY Procurement Excellence Awards	–	1
	1,683	**1,097**

Enterprise change costs

$M	Actual 2019	Actual 2018	Budget 2019
Capital expenditure	60	78	77
Operating expenditure	85	91	87
Total	**145**	**169**	**164**

ACC is in the process of replacing and upgrading major information technology systems as part of its transformation programme.

Other costs

Other costs relate to restructuring costs arising from organisational changes that were not budgeted for. This budget overspend has been approved by the Board.

8. Insurance disclosures

(A) CLAIMS INCURRED

The below table relates to the claims incurred this financial year that includes the valuation of the OCL and claim payments during the year. Current year claims relate to injuries suffered in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions, risk margin and claims experience) made in all previous financial years, and include the effects of discounting caused by changes in the discount rate and natural unwinding of the discount as the claims move one year closer to settlement.

	2019			2018		
$M	Current year	Prior years	Total	Current year	Prior years	Total
Undiscounted	10,018	(601)	9,417	9,159	696	9,855
Discount movement	(3,424)	11,577	8,153	(3,819)	1,268	(2,551)
Total claims incurred	**6,594**	**10,976**	**17,570**	**5,340**	**1,964**	**7,304**

(B) ACTUARIAL RESULT

The actuarial view of the underwriting result is summarised as follows:

$M	2019	2018
Net levy revenue	**4,505**	**4,119**
Claims incurred		
Lifetime cost of new claims anticipated over the year	5,172	4,762
Effect of model recalibration	(16)	(243)
Effect of discount unwind	692	734
Effect of claims experience and modelling	634	(241)
Effect of changes in economic assumptions	10,733	2,615
Effect of legislative and policy changes	–	(493)
Effect of payments experience	(124)	(257)
Claims handling costs	479	427
Total claims incurred	**17,570**	**7,304**
Movement in unexpired risk liability	432	92
Other underwriting costs	198	211
(Deficit) from underwriting activities	**(13,695)**	**(3,488)**
Net investment revenue	5,037	3,515
Other revenue	1	1
Net (deficit) surplus	**(8,657)**	**28**

(C) OUTSTANDING CLAIMS

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

The outstanding claims liability 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 (incurred but not yet reported) claims.

The outstanding claims liability is the central estimate of the present value of expected future payments on claims occurring on or before the balance date, 30 June 2019, plus a risk margin to ensure the liability is sufficient to meet all the costs of future claim payments 75% of the time.

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

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

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

(a) Outstanding claims liability (discounted)

The future claim payments are brought to present value as at the valuation date using a risk-free discount rate.

$M	30 June 2019 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	30 June 2018 Total
Central estimate of present value of future claims payments	44,638	11,976	9,950	9,324	7,049	6,339	33,856
Present value of the operating costs of meeting these claims	**2,553**	**726**	**476**	**506**	**582**	**263**	**2,095**
	47,191	12,702	10,426	9,830	7,631	6,602	35,951
Risk margin	6,128	1,753	1,439	1,140	885	911	4,654
Outstanding claims liability	**53,319**	**14,455**	**11,865**	**10,970**	**8,516**	**7,513**	**40,605**
As at beginning of year	40,605	10,890	8,673	8,484	7,135	5,423	37,739
Movement during the year	**12,714**	**3,565**	**3,192**	**2,486**	**1,381**	**2,090**	**2,866**
Current	4,598	888	773	1,618	782	537	3,486
Non-current	48,721	13,567	11,092	9,352	7,734	6,976	37,119
Total outstanding claims liability with risk margin	**53,319**	**14,455**	**11,865**	**10,970**	**8,516**	**7,513**	**40,605**

(b) Reconciliation of movement in discounted outstanding claims liability

The following analysis reconciles the year on year movement of the actuarially assessed outstanding claims liability by the key drivers of the movement.

The broad definition of each movement category is:

(i) Model recalibration – the valuation actuary (Taylor Fry) has modelled sensitive claims separately as of 30 June 2019. A recalibration valuation as at 30 June 2018 was carried out in order to compare the 2019 results on a consistent basis.

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

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

(iv) Claims experience and modelling – changes to actuarial assumptions and/or methods to reflect actual experience and/or future events that may have an impact on the number and size of claims.

(v) Payments experience – the difference between actual and projected payments.

(vi) Legislative and policy changes – there have been no significant legislative or policy changes explicitly modelled in the OCL this year. Smaller changes will come through in (iv) as experience emerges.

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

(viii) Claims anticipated over the year – the expected claim and claims handling costs arising from new accidents in the year to 30 June 2019. The cost is the present value of projected payments post 30 June 2018 plus the expected payments to be made in the year ended 30 June 2019.

(ix) Claims payments and handling costs – the actual claims paid and the actual claims handling costs incurred during the year ended 30 June 2019.

$M	30 June 2019 Total	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Work Account	Treatment Injury Account	30 June 2018 Total
Outstanding claims brought forward	**40,605**	**10,890**	**8,673**	**8,484**	**7,135**	**5,423**	**37,739**
Effect of model recalibration	(16)	–	149	(88)	(77)	–	(243)
Effect of changes in inflation assumptions	(60)	(18)	(24)	(4)	5	(19)	(109)
Effect of changes in discount rates	10,793	3,063	2,761	1,848	1,245	1,876	2,724
Effect of claims experience and modelling	634	233	54	304	95	(52)	(241)
Effect of payments experience	(124)	(31)	(19)	2	(34)	(42)	(257)
Effect of legislative and policy changes	–	–	–	–	–	–	(493)
Effect of discount unwind	692	189	152	139	118	94	734
Claims anticipated over the year	5,651	785	1,391	2,031	968	476	5,189
Incurred claims recognised in the underwriting result	**17,570**	**4,221**	**4,464**	**4,232**	**2,320**	**2,333**	**7,304**
Claims payments and handling costs	(4,856)	(656)	(1,272)	(1,746)	(939)	(243)	(4,438)
Outstanding claims carried forward	**53,319**	**14,455**	**11,865**	**10,970**	**8,516**	**7,513**	**40,605**

(c) Claims development table

The following table shows the development of undiscounted claim cost estimates for the seven most recent accident years.

	Accident year							
$M	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim costs:								
At end of accident year	6,794	7,264	7,192	6,884	7,914	8,038	8,828	
One year later	6,608	6,547	6,682	7,272	7,160	7,738	–	
Two years later	5,762	5,823	7,062	7,230	7,430	–	–	
Three years later	5,007	6,252	7,382	7,518	–	–	–	
Four years later	5,180	6,316	7,261	–	–	–	–	
Five years later	5,633	6,229	–	–	–	–	–	
Six years later	5,465	–	–	–	–	–	–	
Current estimate of cumulative claim costs	**5,465**	**6,229**	**7,261**	**7,518**	**7,430**	**7,738**	**8,828**	**50,469**
Cumulative payments	(1,751)	(1,914)	(2,052)	(2,059)	(2,036)	(1,966)	(1,222)	(13,000)
Outstanding claims – undiscounted	**3,714**	**4,315**	**5,209**	**5,459**	**5,394**	**5,772**	**7,606**	**37,469**
				Discount				(18,478)
				Claims handling costs				2,881
				Prior to 2013 and other claims				31,434
				Short tail outstanding claims				13
				Outstanding claims – per statement of financial position				**53,319**

(d) Key assumptions

An independent actuarial estimate by Taylor Fry, consulting actuary, has been made of the future expenditure relating to accidents that occurred prior to balance date, whether or not the claims have been reported to or accepted by ACC. The Taylor Fry actuarial report is signed by Mr Alan Greenfield, Fellow of The Institute of Actuaries of Australia and Mr Ross Simmonds, Fellow of the New Zealand Society of Actuaries. Mr Ross Simmonds is also a Fellow of the Institute and Faculty of Actuaries (UK).

The actuarial estimate has been made based on actual experience to 30 June 2019. The calculation of the outstanding claims liability has been made in accordance with the standards of the New Zealand Society of Actuaries' Professional Standard No.4 *General Insurance Business* and PBE IFRS4 *Insurance Contracts*.

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

The table in Note 8 (C), Outstanding claims liability (discounted), shows the actuarial estimate of the present value of the outstanding claims liability that will be payable in future years. The actual outcome is likely to range about this estimate and, like any such forecast, is subject to uncertainty.

The main long-term assumptions used in the above estimates are:

	2019		2018	
%pa	Year 1	Beyond Year 1	Year 1	Beyond Year 1
Discount rate	1.26%	1.03% to 4.30%	1.78%	1.90% to 4.75%
Inflation rates:				
weekly compensation(i)	2.0%	1.9% to 2.2%	1.9%	1.9% to 2.2%
impairment benefits	1.5%	1.7% to 2.0%	1.7%	1.7% to 2.0%
social rehabilitation benefits	1.9%	1.9% to 2.2%	1.9%	1.9% to 2.2%
hospital rehabilitation benefits	1.9%	1.9% to 2.2%	1.9%	1.9% to 2.2%
short-term medical costs	1.9%	1.9% to 2.2%	1.9%	1.9% to 2.2%
other medical costs	1.9%	1.9% to 2.2%	1.9%	1.9% to 2.2%
Superimposed inflation:				
social rehabilitation benefits (care packages)(ii)	1.4%	0.0% to 2.0%	0.2%	0% to 3.2%
social rehabilitation benefits (serious injury capital expenditure)(iii)	0.7%	0.8% to 3.2%	0.7%	0.8% to 3.2%
hospital rehabilitation benefits(iv)	3.0%	3.0%	3.0%	3.0%
short-term medical costs (general practitioners)	2.0%	2.0%	3.0%	3.0%
short-term medical costs (radiology)	2.0%	2.0%	2.0%	2.0%
short-term medical costs (physiotherapists)	2.0%	2.0%	2.0%	2.0%
other medical costs	2.0%	2.0%	2.5%	2.5%
Weighted average risk margin	13.0%		13.0%	
Weighted average claims handling costs ratio	5.7%		6.2%	

Notes:

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

(ii) Growth in liability due to increases in carer wages and residential care above LCI. Note this does not include increases in the hours of care provided or the effect of clients moving between care providers.

(iii) Capital expenditure: motor vehicle and housing modifications, along with other capital expenditure provided to those seriously disabled due to an accident, have been increasing significantly over the past years.

(iv) Predominantly elective surgery costs.

(i) Process used to determine assumptions

DISCOUNT RATE

The risk free rates are prescribed by the Treasury and based predominantly on the yield curve of the New Zealand government bond rates. The longest term of a current non inflation-indexed New Zealand government bond is approximately 20 years from now. Discount rates beyond 20 years are smoothed over a minimum of 10 years to eventually attain the long-term risk-free discount rate of 4.30%. This long-term rate is based on an examination of average New Zealand government bonds over an extended period of time. This discounting methodology is consistent with that applied by the Treasury in valuing the liabilities on all Crown accounts.

The projected claim cash flows were discounted using a series of forward discount rates at balance date derived from the Treasury's risk-free rates. The equivalent single effective discount rate, taking into account ACC's projected future cash flow patterns, is 2.42% (2018: 3.51%).

INFLATION RATES

Short term Consumer Price Index (CPI) inflation rates are prescribed by the Treasury. Assumptions for the Labour Cost Index (LCI) and Average Wage Earnings (AWE) are based on their historic relationship to the CPI. Long term inflation is determined by using an assumption about the gap between inflation and interest rates.

SUPERIMPOSED INFLATION

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

RISK MARGIN

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

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

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

CLAIMS HANDLING COSTS

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

(ii) Sensitivity to changes in key assumptions

The below sensitivity analysis shows the impact as at 30 June 2020, 30 June 2019 and 30 June 2018 (with comparatives) of a movement higher and lower at the beginning of the financial year and held constant throughout the year. Each sensitivity has been calculated in isolation to other changes so an effect could be compounding.

The effect of the sensitivity for the OCL, the net surplus (deficit) and the net assets (liabilities) position, to key assumption changes are detailed below.

One of the more volatile assumptions for the OCL is the interest rate. There is a partial hedge to interest rate movements through the interest rate exposure of the investment portfolios. The impacts of changes in interest rate assumptions on the forecast OCL balance of $55.5 billion, net liabilities $11.7 billion and net deficit $1.7 billion as at 30 June 2020 are shown in the following table. The asset sensitivity only includes the impact of interest rate changes on fixed interest assets. There may also be some impact on equities, property, etc however these impacts are indeterminant.

Levy rates and appropriations for the 2019/20 year have been set by the Government and there is no intention to review these. Under section 331(1)(3) of the AC Act, ACC must make levy rate recommendations in accordance with the funding policy statement issued by the Government under section 166B.

The forecast is prepared based on the claims valuation as at 30 June 2019. The forecast figures are un-audited.

	2020 Forecast		
$M	OCL	Net assets (liabilities)	Net surplus (deficit)
Forecast as at 30 June 2020	55,526	(11,689)	(1,699)

		2020 Forecast		
Assumption	Movement	Increase (decrease) in OCL $M	Impact on net assets (liabilities) $M	Impact on net surplus (deficit) $M
Interest rates	+1.0%	(8,877)	6,720	6,720
	-1.0%	12,356	(9,694)	(9,694)
Inflation rate	+1.0%	12,820	(12,820)	(12,820)
	-1.0%	(9,455)	9,455	9,455
Long term gap between discount rate and inflation rates	+0.75%	(189)	189	189
	-0.75%	214	(214)	(214)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	2,021	(2,021)	(2,021)
	-1.0%	(1,457)	1,457	1,457
Discounted mean term	+1 year	(54)	54	54
	-1 year	58	(58)	(58)
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	5,893	(5,893)	(5,893)
	-1.0%	(5,245)	5,245	5,245
Long term continuance rates for non-fatal weekly compensation	+1.0%	1,157	(1,157)	(1,157)
	-1.0%	(983)	983	983

The impact on the surplus (deficit) and net assets (liabilities), had changes in the key assumptions occurred at the end of the reporting period, is summarised as follows.

$M	2019 OCL	2019 Net assets (liabilities)	2019 Net surplus (deficit)
Actual	53,319	(10,013)	(8,657)

Assumption	Movement	2019 Increase (decrease) in OCL $M	2019 Impact on net assets (liabilities) $M	2019 Impact on net surplus (deficit) $M
Interest rates	+1.0%	(8,594)	6,059	6,059
	-1.0%	11,977	(8,919)	(8,919)
Inflation rate	+1.0%	12,059	(12,059)	(12,059)
	-1.0%	(8,575)	8,575	8,575
Long term gap between discount rate and inflation rates	+0.75%	(166)	166	166
	-0.75%	187	(187)	(187)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	1,874	(1,874)	(1,874)
	-1.0%	(1,292)	1,292	1,292
Discounted mean term	+1year	(41)	41	41
	-1year	44	(44)	(44)
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	5,465	(5,465)	(5,465)
	-1.0%	(4,922)	4,922	4,922
Long term continuance rates for non-fatal weekly compensation	+1.0%	1,181	(1,181)	(1,181)
	-1.0%	(821)	821	821

$M	2018 OCL	2018 Net assets (liabilities)	2018 Net surplus (deficit)
Actual	40,605	(1,356)	28

Assumption	Movement	2018 Increase (decrease) in OCL $M	2018 Impact on net assets (liabilities) $M	2018 Impact on net surplus (deficit) $M
Interest rates	+1.0%	(5,791)	3,702	3,702
	-1.0%	7,624	(5,281)	(5,281)
Inflation rate	+1.0%	7,781	(7,781)	(7,781)
	-1.0%	(5,859)	5,859	5,859
Long term gap between discount rate and inflation rates	+0.75%	(480)	480	480
	-0.75%	359	(359)	(359)
Superimposed inflation (excluding social rehabilitation for serious injury claims)	+1.0%	1,494	(1,494)	(1,494)
	-1.0%	(1,206)	1,206	1,206
Discounted mean term	+1year	(470)	470	470
	-1year	479	(479)	(479)
Superimposed inflation for social rehabilitation for serious injury claims after two years	+1.0%	3,272	(3,272)	(3,272)
	-1.0%	(2,555)	2,555	2,555
Long term continuance rates for non-fatal weekly compensation	+1.0%	852	(852)	(852)
	-1.0%	(783)	783	783

(D) RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operations of ACC are affected by a number of key risks including insurance risk, credit risk (refer to Notes 12 and 14), liquidity risk (refer to Note 14), compliance risk and operational risk. ACC's approach to managing risk is set out in the governance and managing risk section in the Annual Report. ACC's policies and procedures in respect of managing these risks are set out below.

(i) Risks arising from Scheme's operations and the policies for mitigating those risks

ACC has an objective to manage insurance risk in order to maintain fair and stable levies over time to allow the business to plan with certainty. The key aspects of the process established in the risk management framework to mitigate risk include:

- the maintenance and use of information management systems that provide up-to-date, reliable data relevant to the risks to which the business is exposed
- actuarial and business management reporting models, using information from the management information systems are used to monitor claims patterns. Past experience, relevant industry benchmarks, and statistical methods are used as part of the process
- the financial consequences of catastrophic events (e.g. earthquake, tsunami) which are estimated each year. The cost of purchasing reinsurance and the effect on levy rates of post-funding such events are considered. At this time, ACC does not hold any catastrophe reinsurance cover. Should such an event occur, the impact on levies to post-fund this is not expected to be significant.

(ii) Terms and conditions of accident cover

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

(iii) Concentration of risk

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

(iv) Credit rating

ACC is not required to have a credit rating.

(E) UNEARNED LEVY LIABILITY

ACC recognises levy revenue that is earned for the financial year for the three levy-funded Accounts. The levy year runs from 1 April to 31 March for the Earners' and Work Accounts and from 1 July to 30 June for the Motor Vehicle Account. This means that as of 30 June 2019 ACC has received unearned levies for the period 1 July 2019 to 31 March 2020 for both the Earner's and Work Accounts.

For the Motor Vehicle Account ACC recognises a proportion of vehicle registration levies for vehicle registrations that expire after 30 June 2019, and a proportion of petrol levies that can be expected to be received after 30 June 2019 based on the number and expiry dates of vehicle registrations purchased up to 30 June 2019 but which expire after 30 June 2019.

$M	2019 Total	Motor Vehicle Account	Earners' Account	Work Account	2018 Total
Opening balance at 1 July	1,937	138	1,229	570	1,870
Unearned levies received in the year	2,088	145	1,331	612	1,937
Levies received in previous years now recognised	(1,937)	(138)	(1,229)	(570)	(1,870)
Closing balance at 30 June	**2,088**	**145**	**1,331**	**612**	**1,937**
Current	2,088	145	1,331	612	1,937
Non-current	–	–	–	–	–
Total unearned levy liability	**2,088**	**145**	**1,331**	**612**	**1,937**

(F) UNEXPIRED RISK LIABILITY

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

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

The expected future claims are determined as the present value of the expected future cash flows relating to future claims. ACC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the claims liability (refer to Note 8(C)(d)(i)).

$M	2019 Total	Motor Vehicle Account	Earners' Account	Work Account	2018 Total
Opening balance at 1 July	772	125	457	190	680
Recognition of additional unexpired risk liability in the period	1,204	224	670	310	772
Release of unexpired risk liability recorded in previous periods	(772)	(125)	(457)	(190)	(680)
Closing balance at 30 June	**1,204**	**224**	**670**	**310**	**772**
Calculation of deficiency					
Unearned levy liability as reported in the statement of financial position	2,088	145	1,331	612	1,937
Adjustment[(i)]	(55)	–	(55)	–	(111)
Adjusted unearned levy liability	**2,033**	**145**	**1,276**	**612**	**1,826**
Central estimate of present value of expected future cash flows arising from future claims	2,908	325	1,748	835	2,334
Risk margin[(ii)]	329	44	198	87	264
Present value of expected future cash flows for future claims	**3,237**	**369**	**1,946**	**922**	**2,598**
Total unexpired risk liability	**1,204**	**224**	**670**	**310**	**772**
Current	1,204	224	670	310	772
Non-current	–	–	–	–	–
Total unexpired risk liability	**1,204**	**224**	**670**	**310**	**772**

Notes:

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

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

A liability adequacy test was not performed for the Non-Earners' Account as there was no unearned levy liability as at 30 June 2019 for this Account.

9. Investment assets

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

All investment assets, other than concession rights, are classified as financial assets recognised at fair value through surplus or deficit. Concession rights are carried at cost less accumulated amortisation.

Fair value for investment assets is determined as follows:

- Listed shares and unit trusts are valued at the quoted prices on established markets.
- Non-listed equity investments (private equity and venture capital) are valued at fair value, as determined using the most appropriate valuation technique. The valuation techniques include discounted cash flow analysis, capitalisation of earnings and prices observed from recent market transactions associated with a particular investment. This is consistent with the International Private Equity and Venture Capital Valuation Guidelines.
- Unlisted unit trust investments are valued based on the exit price (the value ACC would receive if the units were sold).
- Bonds and other fixed interest investments are valued using quoted yield curves.
- For investments without active markets or quotable inputs, fair value is determined using the most appropriate valuation technique. These techniques include reference to substantially similar investments with quotable prices, discounted cash flow analysis and option pricing models that incorporate as much supportable market data as possible and keeping judgemental inputs to a minimum.
- Investment properties are revalued by independent registered property valuers.

$M	2019	2018
New Zealand deposits at call	790	958
Overseas deposits at call	368	336
New Zealand government securities	19,561	15,082
Other New Zealand debt securities	2,655	3,709
Overseas debt securities	7,108	7,175
New Zealand equities	4,583	4,072
Australian equities	3,128	2,942
Overseas equities	6,444	5,423
Other investments	29	31
	44,666	**39,728**
Investment properties	377	339
Concession rights	41	44
Total investments	**45,084**	**40,111**
Current	2,654	4,120
Non-current	42,430	35,991
Total investments	**45,084**	**40,111**

(A) INVESTMENT PROPERTIES

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

$M	2019	2018
Opening balance as at 1 July	339	305
Additions	6	–
Net gains from revaluations	32	34
Closing balance as at 30 June	**377**	**339**
Current	–	–
Non-current	377	339
Total investment properties	**377**	**339**

The investment properties are revalued annually. The market valuations have been determined by members of the New Zealand Institute of Valuers, who are independent valuers of Colliers International New Zealand Limited. The properties are valued under a combination of the capitalisation approach, the discounted cash flow method and direct comparison with prices for properties of a similar nature.

(B) CONCESSION RIGHTS

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

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

$M	2019	2018
Year ended 30 June		
Opening net carrying amount	44	46
Amortisation charge	(3)	(2)
Closing net carrying amount	**41**	**44**
At 30 June		
At cost	56	56
Accumulated amortisation	(15)	(12)
Net carrying amount at 30 June	**41**	**44**

(C) REPURCHASE AGREEMENTS

Securities dealt under repurchase agreements are included within investments classified as financial assets at fair value through surplus or deficit. These securities are subject to fully collateralised security lending transactions. Cash collateral received of $1,016 million (2018: $322 million) from these transactions is invested, and the liability to repurchase the investments is accrued in unsettled investment transactions (refer to Note 16).

	2019		2018	
$M	Value of transferred assets	Value of associated liabilities	Value of transferred assets	Value of associated liabilities
Nature of transaction				
New Zealand government securities – repurchase agreements	1,016	1,016	322	322
	1,016	**1,016**	**322**	**322**

(D) COLLATERAL

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

Cash pledged as collateral

ACC is required to pledge part of its deposits at call in order to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to ACC when the underlying transaction has been settled, but in the event of default the counterparty is entitled to apply the collateral in order to settle the liability. The fair value of the amount pledged was $nil as at 30 June 2019 (2018: $53 million).

Cash collateral received

ACC has received cash deposits as collateral to meet obligations under the CSAs for derivative positions. ACC has an obligation to repay the deposits to the counterparties upon settlement of the underlying transaction, but in the event of default ACC is entitled to apply the collateral received in order to settle the liability. The fair value of the deposits at call received by ACC was $851 million as at 30 June 2019 (2018: $233 million).

10. Derivative financial instruments

Derivative financial instruments form part of the actively managed investment portfolio. ACC uses various derivative financial instruments such as foreign currency contracts, interest rate swaps and futures to manage its exposure to movements in exchange rates, interest rates and equity market prices. Refer to Note 14 for further explanation of ACC's investment risks and how these are addressed.

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

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

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

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

	2019		2018	
$M	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Interest rate swaps	760	16	324	21
Credit default swaps	2	3	2	1
Cross-currency interest rate swaps	54	8	9	70
Forward foreign currency contracts	122	8	24	175
Futures contracts	19	22	26	1
Total derivative instruments	**957**	**57**	**385**	**268**
Current	140	24	50	176
Non-current	817	33	335	92
Total derivative instruments	**957**	**57**	**385**	**268**

At balance date, the notional amounts outstanding were:

$M	2019	2018
Interest rate swaps	9,317	6,639
Credit default swaps	158	166
Cross-currency interest rate swaps	2,587	2,067
Forward foreign currency contracts	10,888	12,355
Futures contracts – long	2,035	1,006
Futures contracts – short	(4,040)	(1,636)
Options	179	125

11. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, current accounts with banks, deposits held on call with banks, and other short-term highly liquid investments net of outstanding bank overdrafts. These make up the operational cash balances used to meet operational needs such as paying claims and expenses. Cash and cash equivalents exclude items held for investment purposes within the reserves portfolio and not used for short-term cash needs. The carrying values of these items are equivalent to their fair values.

$M	2019	2018
Cash (overdraft) at bank	(4)	(4)
Investment operational cash		
Overnight call deposits	4	70
Deposits at call	86	49
Total cash and cash equivalents	**86**	**115**

The effective interest rate at 30 June 2019 on overnight call deposits was 1.9% (2018: 2.1%) and on deposits at call was 2.0% (2018: 2.3%).

12. Receivables

Receivables are recognised at fair value, which is approximated by taking the initially recognised amount and including allowance for expected credit losses as appropriate.

$M	2019	2018
Levy debtors	114	99
Motor vehicle levy receivable(i)	22	27
Earners' levy receivable	30	–
Total levy receivables	**166**	**126**
Client debtors(ii)	3	2
Unsettled investment transactions	553	288
Dividends receivable	29	28
Prepayments	26	11
Sundry debtors	7	7
Total non-levy receivables	**618**	**336**
Total receivables	**784**	**462**
Current	779	459
Non-current	5	3
Total receivables	**784**	**462**

Notes:

(i) Motor vehicle levy receivable consists of:

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

(ii) Client debt results when an overpayment on a claim has been recognised and is unable to be immediately repaid.

At 30 June, the ageing analysis of the levy receivables is as follows:

$M	2019	2018
Current	120	87
Past due 1–30 days	20	30
Past due 31–60 days	4	2
Past due > 60 days	22	7
Total	**166**	**126**

Levy receivables above are presented net of provision for credit losses. Movement in the provision for credit losses during the reporting period was as follows:

$M	2019	2018
Levy receivables	266	218
Less provision for credit losses	(100)	(92)
	166	**126**
Provision for credit losses		
Opening balance	92	98
Provision made (used) during the year	8	(6)
Closing balance	**100**	**92**

Customer credit risk is managed subject to ACC's policy, procedures and control relating to customer credit risk management. An analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings for various customer segments with similar loss patterns. This is similar to the previous accounting policy for measuring credit losses.

		Days past due			
At 30 June 2019	**Current**	**<30 days**	**31-60 days**	**>60 days**	**Total**
Expected credit loss rate %	0.66	2.80	23.57	81.37	
Estimated total gross carrying amount at default $M	121	21	5	119	266
Expected credit loss $M	1	1	1	97	100

		Days past due			
At 1 July 2018	**Current**	**<30 days**	**31-60 days**	**>60 days**	**Total**
Expected credit loss rate %	4.24	9.30	8.40	92.25	
Estimated total gross carrying amount at default $M	91	33	2	92	218
Expected credit loss $M	4	3	–	85	92

The changes in the provisions for credit losses for levy debtors have been charged against levy revenue.

All non-levy receivables that are financial assets are considered to be current and not impaired. The total of current non-levy receivables is $588.8 million (2018: $321.9 million).

All receivables are from exchange transactions.

13. Accrued levy revenue

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

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

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

$M	2019	2018
Motor Vehicle Account	65	63
Earners' Account	1,478	1,344
Work Account	857	772
Total accrued levy revenue	**2,400**	**2,179**
Current	2,400	2,179
Non-current	–	–
Total accrued levy revenue	**2,400**	**2,179**

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

The accrued levy revenue at 30 June 2019 therefore includes revenue for the period 1 July 2019 to 31 March 2020 for the Earners' and Work Accounts as well as uninvoiced revenue for levy periods up to 30 June 2019.

14. Financial risk management

(A) FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments held by ACC are categorised as follows:

$M	2019	2018
Financial assets designated as at fair value through surplus or deficit		
Cash and cash equivalents (Note 11)	86	115
Cash pledged as collateral (Note 9(D))	–	53
Receivables (Note 12)	755	448
Investments (Note 9)	44,666	39,728
Financial assets at fair value through surplus or deficit held for trading		
Derivative financial assets (Note 10)	957	385
Financial liabilities at fair value through surplus or deficit held for trading		
Derivative financial liabilities (Note 10)	57	268
Financial liabilities measured at amortised cost		
Cash collateral received (Note 9(D))	851	233
Payables (Note 14(E))	1,815	766

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

ACC consciously chooses to be exposed to many of these risk exposures through the investment portfolios. These risks either provide a natural offset to risks inherent in the outstanding claims liability or because ACC expects to enhance returns through prudent exposure to market risks. When ACC does not wish to incur the above risks in the reserves portfolio it will seek to reduce exposure to these risks using a variety of methods. These methods include disposing of investments currently exposed to these risks, purchasing investments with offsetting risk exposures, and using derivative financial instruments. Market risk (which comprises interest rate, foreign exchange and other price risk) is managed for all portfolios through the investment guidelines. This ensures that portfolio managers maintain their portfolios within defined market exposure limits. These limits include limits on the percentage weight of any particular company in the portfolio relative to its benchmark weight; limits on aggregate investment in companies not represented in the benchmark; limits on the maximum percentage shareholding in any individual company; ratings-related credit limits on both a per-issuer and aggregate basis; duration limits relative to the duration of the benchmark; and maximum exposure limits to single entities. Compliance with the investment guidelines is reviewed by ACC's Investment Risk and Compliance group on a daily basis, and by the internal auditors on a half yearly basis.

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

(C) MARKET RISK

(i) Interest rate risk

The interest rate exposures of the investment portfolios and the operational cash portfolio are managed through asset allocation between asset classes; through the selection of physical securities within the asset class sub-portfolios; through the use of interest rate swaps within portfolios; and through the use of interest rate swaps as an 'asset allocation overlay'. Other derivative financial instruments may also be used to manage the interest rate exposures of the investment portfolios and the operational cash portfolio.

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

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

INTEREST RATE SENSITIVITY ANALYSIS

As at 30 June 2019, if the interest rate at the end of the financial year had been 1% higher/lower and held constant throughout the year with all other variables remaining constant, the consolidated net surplus (deficit) would have moved as per the table below. Any change in the net surplus (deficit) for the period would result in a corresponding movement in net assets (liabilities).

Fair value interest risk	Change in interest rate %	2019 Impact on net surplus (deficit) $M	2018 Impact on net surplus (deficit) $M
New Zealand dollar interest rates	+1.0	(2,535)	(2,089)
New Zealand dollar interest rates	-1.0	3,058	2,343

The above only shows the impact of changes in interest rates on ACC's investment portfolios. Changes in interest rate also have an impact on the outstanding claims liability. Refer to Note 8(C)(d)(ii) for this sensitivity analysis.

(ii) Foreign exchange risk

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

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

All foreign exchange contracts held by ACC have remaining terms of 12 months or less. While the cross currency interest rate swaps have maturities out to seven years, the floating interest rates on these swaps are reset every three months.

SENSITIVITY ANALYSIS

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

	2019							
$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Impact on net surplus (deficit)								
10% increase	(82)	(167)	(11)	(22)	(14)	(26)	(20)	(59)
10% decrease	101	204	14	27	17	31	24	71

	2018							
$M	AUD	USD	EUR	GBP	KRW	JPY	HKD	Other
Impact on net surplus (deficit)								
10% increase	(70)	(130)	(19)	(12)	(11)	(13)	(22)	(47)
10% decrease	86	159	23	14	13	15	27	58

(iii) Other price risk

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

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

SENSITIVITY ANALYSIS

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

$M	Movement %	2019 Impact on net surplus (deficit)	2018 Impact on net surplus (deficit)
Global equities	+10	643	542
	-10	(643)	(542)
New Zealand equities	+10	410	361
	-10	(410)	(361)
Private equities	+10	57	54
	-10	(57)	(54)
Australian equities	+10	306	287
	-10	(306)	(287)

(D) CREDIT RISK

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

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

Transactions involving derivative financial instruments are undertaken with authorised banks and executed in accordance with International Swaps and Derivatives Association (ISDA) documentation.

The maximum exposure to credit risk at 30 June 2019 is the carrying value of each class of financial assets disclosed below and the cash flows for derivative instruments noted in the liquidity table in Note 14(E).

As all financial assets, except concession rights, are recognised at fair value through surplus or deficit, there is no expected credit loss recognised in respect to those financial assets. This is due to credit risk being factored into the fair value of those financial assets. Any movement in this value is recognised in the consolidated statement of comprehensive revenue and expense, as part of the investment gains (losses) within investment income.

Given the short-term nature of cash and cash equivalents, and collateral pledged, no expected credit loss has been recognised. The expected credit loss in respect to concession rights is deemed to be immaterial and therefore no expected credit loss has been recognised. Refer to Note 12 for the expected credit loss on receivables and accrued levy revenue.

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

	2019						
$M	AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	–	27	–	59	–	–	86
Deposits at call	–	687	341	–	100	30	1,158
Other New Zealand debt securities	435	1,161	279	459	–	321	2,655
Overseas debt securities	4,385	955	550	959	195	64	7,108
New Zealand government securities	–	19,561	–	–	–	–	19,561
Interest rate swaps	–	786	22	–	1	5	814
Forward foreign currency contracts	–	90	11	–	14	7	122
Other derivatives	–	–	–	–	–	21	21
Receivables	–	–	572	–	–	183	755
Accrued levy revenue	–	–	–	–	–	2,400	2,400
	4,820	**23,267**	**1,775**	**1,477**	**310**	**3,031**	**34,680**

ACC has an additional exposure of $158.0 million with regard to the credit default swaps. This is the potential liability faced if the underlying entity defaults on its contractual obligations, which ACC will then be obligated to pay (2018: $165.6 million). Under PBE IFRS 9 *Financial Instruments*, ACC continues to recognise credit default swaps at fair value through surplus or deficit, rather than at amortised cost as a financial guarantee. This is due to the current measurement basis which significantly reduces accounting mismatch that would arise from measuring credit default swap assets or liabilities or recognising the gains and losses on them on a different basis.

	2018						
$M	AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	–	25	1	34	55	–	115
Deposits at call	–	809	292	–	145	48	1,294
Other New Zealand debt securities	456	1,615	488	795	–	355	3,709
Overseas debt securities	4,342	1,288	736	585	189	35	7,175
New Zealand government securities	–	15,082	–	–	–	–	15,082
Interest rate swaps	–	330	1	–	–	2	333
Forward foreign currency contracts	–	6	14	–	–	4	24
Receivables	–	–	310	–	–	138	448
Accrued levy revenue	–	–	–	–	–	2,179	2,179
	4,798	**19,155**	**1,842**	**1,414**	**389**	**2,761**	**30,359**

(E) LIQUIDITY RISK

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

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

At 30 June 2019 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Payables	1,815	–	–	–
Uncalled private equity commitments	33	33	49	16
Collateral – received	851	–	–	–

At 30 June 2018 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Payables	766	–	–	–
Uncalled private equity commitments	37	37	55	18
Collateral – received	233	–	–	–

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

At 30 June 2019 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Net settled derivatives – inflows (outflows)	119	123	280	263
Gross-settled derivatives – cash inflows				
Forward foreign exchange contracts	10,947	–	–	–
Cross currency interest rate swaps	46	46	122	58
Gross-settled derivatives – cash outflows				
Forward foreign exchange contracts	(10,834)	–	–	–
Cross currency interest rate swaps	(54)	(54)	(148)	(84)

At 30 June 2018 $M	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Net settled derivatives – inflows (outflows)	130	105	267	228
Gross-settled derivatives – cash inflows				
Forward foreign exchange contracts	12,207	–	–	–
Cross currency interest rate swaps	43	43	106	86
Gross-settled derivatives – cash outflows				
Forward foreign exchange contracts	(12,359)	–	–	–
Cross currency interest rate swaps	(46)	(46)	(116)	(93)

(F) FAIR VALUE HIERARCHY

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

The three levels of fair value measurement are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2019			
$M	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	–	760	–	760
Credit default swaps	–	2	–	2
Cross currency swaps	–	54	–	54
Forward foreign currency contracts	–	122	–	122
Futures	19	–	–	19
	19	**938**	**–**	**957**
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	3,989	–	594	4,583
New Zealand government securities	–	19,561	–	19,561
New Zealand debt securities	–	2,334	321	2,655
Australian equities	3,038	23	67	3,128
Overseas equities	6,429	–	15	6,444
Overseas debt securities	–	7,108	–	7,108
Other investments	–	–	29	29
	13,456	**29,026**	**1,026**	**43,508**
	13,475	**29,964**	**1,026**	**44,465**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	(16)	–	(16)
Credit default swaps	–	(3)	–	(3)
Cross currency swaps	–	(8)	–	(8)
Forward foreign currency contracts	–	(8)	–	(8)
Futures	(22)	–	–	(22)
	(22)	**(35)**	**–**	**(57)**

$M	2018 Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Interest rate swaps	–	324	–	324
Credit default swaps	–	2	–	2
Cross currency swaps	–	9	–	9
Forward foreign currency contracts	–	24	–	24
Futures	26	–	–	26
	26	**359**	**–**	**385**
Financial assets designated at fair value through surplus or deficit				
New Zealand equities	3,525	–	547	4,072
New Zealand government securities	–	15,082	–	15,082
New Zealand debt securities	–	3,354	355	3,709
Australian equities	2,842	25	75	2,942
Overseas equities	5,423	–	–	5,423
Overseas debt securities	–	7,175	–	7,175
Other investments	–	–	31	31
	11,790	**25,636**	**1,008**	**38,434**
	11,816	**25,995**	**1,008**	**38,819**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	(21)	–	(21)
Credit default swaps	–	(1)	–	(1)
Cross currency swaps	–	(70)	–	(70)
Forward foreign currency contracts	–	(175)	–	(175)
Futures	(1)	–	–	(1)
	(1)	**(267)**	**–**	**(268)**

Reconciliation of Level 3 fair value movements

$M	2019	2018
Opening balance	1,008	845
Total gains (losses) recognised in surplus (deficit)	73	77
Purchases	110	184
Sales	(127)	(122)
Settlements	(42)	(7)
Transfers into Level 3	4	31
Closing balance	**1,026**	**1,008**
Total gains stated on Level 3 instruments still held at balance date	**69**	**81**

Transfers between levels

During the year there was a transfer of $4 million into Level 3 from Level 1.

There were no significant transfers into or out of Level 2.

Level 3 sensitivity analysis

The following sensitivity analysis shows the impact on the consolidated net surplus (deficit) of reasonably possible changes in one or more of the significant unobservable inputs into the fair values of investments in Level 3, holding other inputs constant. Any change in the net surplus (deficit) for the period would result in a corresponding movement in net assets (liabilities).

	2019		2018	
	Impact on net surplus (deficit)		Impact on net surplus (deficit)	
$M	Increase	Decrease	Increase	Decrease
Private equity holdings				
Changes in the calculated share price of private equity investments (10% movement)	57	(57)	54	(54)
Convertible notes				
Change in discount rate (50 basis points movement)	(4)	4	(7)	7
Other investments				
Change in discount rate (50 basis points movement)	(16)	16	(12)	12

All other securities in Level 3 are considered not to have a material effect on fair value if alternative reasonable assumptions were used to obtain their fair values.

15. Property, plant, and equipment and intangible assets

MEASUREMENT

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

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

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

DEPRECIATION AND AMORTISATION

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

The estimated useful lives are as follows:

Leasehold improvements	Lower of remaining life of lease, or 10 years
Furniture, fittings and equipment	4 years
Mainframe computer and network equipment	5 years
Personal computer equipment	3 years
Computer software	5–7 years
Other assets	5–10 years

$M	Leasehold improvements	Computer equipment	Internally generated software	Other fixed assets	Total
At 1 July 2017					
At cost and valuation	41	77	473	43	634
Accumulated depreciation/amortisation	(31)	(67)	(384)	(35)	(517)
Accumulated impairment	–	–	(1)	–	(1)
Net carrying amount at 1 July 2017	**10**	**10**	**88**	**8**	**116**
Year ended 30 June 2018					
Opening net carrying amount	10	10	88	8	116
Additions	1	5	71	1	78
Depreciation/amortisation charge	(2)	(5)	(27)	(3)	(37)
Impairment losses and other (including disposals)	–	–	–	(1)	(1)
Closing net carrying amount	**9**	**10**	**132**	**5**	**156**
At 30 June 2018					
At cost and valuation	43	81	535	41	700
Accumulated depreciation/amortisation	(34)	(71)	(403)	(36)	(544)
Net carrying amount at 30 June 2018	**9**	**10**	**132**	**5**	**156**
Year ended 30 June 2019					
Opening net carrying amount	9	10	132	5	156
Additions	2	5	50	3	60
Depreciation/amortisation charge	(2)	(5)	(36)	(3)	(46)
Impairment losses and other (including disposals)	–	–	–	(1)	(1)
Closing net carrying amount	**9**	**10**	**146**	**4**	**169**
At 30 June 2019					
At cost and valuation	44	85	586	42	757
Accumulated depreciation/amortisation	(35)	(75)	(440)	(38)	(588)
Net carrying amount at 30 June 2019	**9**	**10**	**146**	**4**	**169**

Impairment and write-offs

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

16. Payables and accrued liabilities

Payables and accrued liabilities are carried at amortised cost and due to their short-term nature are not discounted.

$M	2019	2018
Payables under exchange transactions		
Unsettled investment transactions	1,697	671
Claims expenditure	9	21
WorkSafe New Zealand	4	5
Sundry creditors	18	3
Other accrued expenditure	126	64
Total payables under exchange transactions	**1,854**	**764**
Payables under non-exchange transactions		
Goods and services tax	(2)	5
PAYE and earnings-related deductions	14	12
Earners' levy payable	–	41
Total payables under non-exchange transactions	**12**	**58**
Total payables and accrued liabilities	**1,866**	**822**
Current	1,866	822
Non-current	–	–
Total payables and accrued liabilities	**1,866**	**822**

17. Provisions

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

$M	2019	2018
Employee benefits	47	45
Leasehold restoration	1	1
Restructuring	7	3
Levy refunds to business customers	53	131
Total provisions	**108**	**180**
Current	87	161
Non-current	21	19
Total provisions	**108**	**180**

MOVEMENTS IN PROVISIONS

Movements for each material class of provision is set out below.

(a) Employee benefits

Employee benefits that are expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. This includes salaries and wages accrued to balance date, annual leave earned but not yet taken at balance date, and long-service leave entitlements expected to be settled within 12 months.

Entitlements that are payable beyond 12 months, such as long-service leave and retirement benefit, are recognised at the best estimate of the expected future cash outflows, discounted using the discount rate applied in determining the actuarial estimate of the outstanding claims liability.

ACC operates a defined contribution plan. Contributions to this are expensed when incurred.

$M	2019	2018
Opening balance	45	45
Paid out during the year	(39)	(43)
Additional provision made during the year	44	46
Reversal of unused provision	(3)	(3)
Closing balance	**47**	**45**

(b) Leasehold restoration

Under certain lease agreements at the end of the lease term, ACC is required to restore leasehold properties to the condition as at the commencement of the lease. A provision of $1 million (2018: $1 million) for the costs of doing this has been made accordingly.

(c) Restructuring

A provision for costs was made arising from the restructuring of business groups to deliver better customer experiences and outcomes.

$M	2019	2018
Opening balance	3	1
Paid out during the year	(2)	(4)
Additional provision made during the year	6	6
Closing balance	**7**	**3**

(d) Levy refunds to business customers

A provision was made for refunds to business customers in relation to two historical issues with levy invoicing.

$M	2019	2018
Opening balance	131	126
Paid out during the year	(96)	–
Additional provision made during the year	18	5
Closing balance	**53**	**131**

18. Commitments

CAPITAL COMMITMENTS

$M	2019	2018
Investment-related	265	262
Total capital commitments	**265**	**262**

ACC has committed to provide a $123.1 million term debt facility to the Wellington Gateway Partnership SPV (SPV). As at 30 June 2019, ACC had an undrawn commitment to the SPV of $9.5 million (2018: $21.3 million).

ACC has also committed a $134.6 million debt facility to NX2 LP. As at 30 June 2019 there was an undrawn commitment to NX2 LP of $59.5 million (2018: $94.0 million).

In addition, ACC has a commitment to provide a $60.2 million term debt facility to Milldale Infrastructure LP. As at 30 June 2019, there was an undrawn commitment of $51.5 million (2018: $nil).

The private equity portfolio includes investments in several venture capital/private equity funds. In these investments, funds seek commitments from investors, and only 'call' for the committed funds as they are required. ACC has committed to invest up to a total of $372.6 million (2018: $351.1 million) in these funds. As at 30 June 2019, ACC had undrawn commitments to these funds totalling $131.4 million (2018: $146.5 million).

ACC has underwritten rights issues of $13.0 million (2018: $nil).

OPERATING LEASES

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

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

$M	2019	2018
Non-cancellable operating leases		
Within one year	24	25
After one year but not more than five years	62	70
More than five years	28	39
Total non-cancellable operating leases	**114**	**134**

19. Contingent liabilities

Litigation involving ACC arises almost exclusively from challenges to operational decisions made by ACC through the statutory review and appeal process. No accrual has been made for contingent liabilities which could arise, as these disputes are issue based and ACC's active management of litigation means that it will be either settling or defending, depending on the merits of the issue in dispute. ACC's Board believes the resolution of outstanding appeals will not have any material effect on the financial statements of ACC except for as set out below.

Cover is not available in the Treatment Injury Account for injuries arising as an 'ordinary consequence' of treatment. The term 'ordinary consequence' in legislation previously had no established legal or clinical meaning. In a case decided on 2 November 2018, the High Court found that 'ordinary consequence' means a consequence that has more than a 50% chance of occurring (i.e. more likely than not). Therefore, any injury from treatment that has a 50% or less chance of occurring is not 'ordinary' and is covered. While ACC did not rely on any precise percentage in determining whether a consequence was 'ordinary', in broad terms if all relevant factors put the likelihood of injury at 10% or more, claims would commonly be declined on the grounds of 'ordinary consequence'. ACC has appealed the High Court's decision which is expected to be heard by the Court of Appeal in November 2019. ACC considers the High Court's decision is inconsistent with Parliament's intention when the treatment injury provisions were enacted. Only when the Court of Appeal has ruled on this matter will it be possible to make a meaningful assessment of the financial impact of the outcome. The range of potential outcomes is wide, and could have a material effect on the financial statements of ACC.

20. Related parties

(A) INVESTMENT IN SUBSIDIARIES

ACC owns 100% (2018: 100%) of Shamrock Superannuation Limited which acts as the corporate trustee for the ACC Superannuation Scheme. Shamrock Superannuation Limited is a non trading New Zealand entity that does not have a material impact on the financial position of ACC. The investment ACC holds in Shamrock Superannuation Limited is valued at $100 (2018: $100).

(B) RELATED PARTY TRANSACTIONS

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

(C) KEY MANAGEMENT PERSONNEL

The compensation for key management personnel is set out below:

	2019	2018
Board members		
Remuneration ($000)	460	487
Full-time equivalent members	7.6	8.9
Executive team		
Remuneration ($000)	4,210	4,540
Defined contribution plans ($000)	323	320
Full-time equivalent members	10.3	10.9
Total key management personnel remuneration ($000)	**4,993**	**5,347**
Total full-time equivalent personnel	**17.9**	**19.8**

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2018: $nil)

ACC did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2018: $nil). ACC did not provide any loans to key management personnel or their close family members.

(D) REMUNERATION OF EMPLOYEES

The number of employees whose remuneration was within specified bands is as follows:

$000	2019	2018
$100 – $110	282	273
$110 – $120	186	189
$120 – $130	108	107
$130 – $140	69	77
$140 – $150	67	63
$150 – $160	53	38
$160 – $170	33	36
$170 – $180	28	29
$180 – $190	23	19
$190 – $200	20	20
$200 – $210	18	16
$210 – $220	14	9
$220 – $230	8	7
$230 – $240	7	7
$240 – $250	5	5
$250 – $260	2	1
$260 – $270	5	4
$270 – $280	4	5
$280 – $290	–	1
$290 – $300	1	2
$300 – $310	4	4
$310 – $320	1	2
$320 – $330	4	1
$330 – $340	3	3
$340 – $350	1	1
$350 – $360	1	3
$360 – $370	1	1
$370 – $380	2	1
$380 – $390	–	1
$390 – $400	3	1
$400 – $410	1	1

$000	2019	2018
$410 – $420	1	–
$420 – $430	1	–
$430 – $440	–	–
$440 – $450	2	–
$450 – $460	1	–
$460 – $470	2	1
$470 – $480	–	–
$480 – $490	–	–
$490 – $500	–	2
$500 – $510	1	1
$510 – $520	1	2
$520 – $530	2	–
$530 – $540	1	–
$540 – $550	–	–
$550 – $560	1	–
$560 – $570	–	1
$570 – $580	1	–
$580 – $590	–	–
$590 – $600	4	2
$600 – $610	–	–
$610 – $620	–	3
$620 – $630	–	–
$640 – $650	1	–
$660 – $670	–	1
$670 – $680	1	–
$710 – $720	–	1
$730 – $740	–	1
$810 – $820	–	1
$820 – $830	–	1
$830 – $840	2	–
$850 – $860	–	1
	976	**945**
Average remuneration of above employees	**$147,529**	**$146,339**

79 staff received redundancy payments or settlement payments in 2019, totalling $2,448,324 (2018: 145 staff $3,885,509), which is not included in the above table.

The above table reflects all employee remuneration paid during the financial year.

21. Events after balance sheet date

Government bond yields have fallen since 30 June 2019. Government bond yields are used as a proxy for the risk free rate and applied in arriving at the present value of our Outstanding Claims Liability (OCL). The estimated impact on the OCL of the fall in the risk free rate is an increase of $5.4 billion with a corresponding impact on the statement of comprehensive revenue and expense for the 2019/20 financial year, which is partially offset by an increase in the fair value of fixed interest investment assets of $1.3 billion. Since then, up to 18 September 2019, bond yields have risen, reversing some of this impact.

There were no other significant events after balance date that require separate disclosure.

22. Explanation of significant variances against budget

The budget figures are those in ACC's Service Agreement 2018/19. The Service Agreement 2018/19 was prepared based on the claims valuation as at 31 December 2017, using discount rates at 28 February 2018.

The budget figures are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are un-audited.

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

(A) STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Net levy revenue

Increased levy revenue is the result of increased liable earnings in the Work and Earners' Accounts.

Investment income

Investment income can be highly variable as it is dependent on movements in equity, bond and foreign exchange markets. ACC budgets for investment income based on a projected 20 year median rate of return. This means that ACC expects to exceed budget for 10 out of the next 20 years, and similarly to achieve lower returns than budget for 10 out of the next 20 years.

Investment income was substantially higher than budget due to movements in investment markets. Investment returns were 0.82% lower than market benchmarks.

Claims paid

Claims costs paid were 2.0% higher than budget.

Treatment services had unfavourable variances driven mainly from higher than budgeted surgical treatment volumes. Rehabilitation costs had a favourable variance mostly from personal support payments for non-acute rehabilitation and attendant care being lower than expected.

Weekly compensation costs were above budget due to a higher increase in claims volume of 5.1% compared to budget expectations of 4.0%, higher than expected wage inflation and deterioration of rehabilitation durations for both early and longer-term claims.

Increase in outstanding claims liability

The approved budgeted change in OCL was based on the December 2017 actuarial valuation of claims liability and economic factors (such as interest rates) at 28 February 2018. The actual change in OCL was based on the June 2019 actuarial valuation of claims liability using economic factors at 30 June 2019.

The actual increase in the OCL was higher than the budgeted increase. Interest rates decreased significantly, which were not anticipated at the time the budget was approved, increased the OCL by $10.6 billion over the year. A change in the discount rate methodology added $0.2 billion to the OCL. Other significant factors impacting the OCL were the impact of changes in claims experience and modelling, including increased sensitive claim costs mainly due to significantly higher than expected growth in the number of new claims, (mainly for counselling and weekly compensation), increased weekly compensation due to higher new claim volumes than anticipated, increased social rehabilitation due to increased claim numbers and higher than expected care hours. These increases are partly offset by decreased elective surgery costs (lower claim numbers and lower superimposed inflation), lower medical treatment costs (lower superimposed inflation assumptions), lower gradual process hearing loss costs (lower claim payments than expected in recent years) and lower independence allowance costs (lower than expected claims experience).

Actual inflation being lower than expected resulted in a reduction of $40 million to the OCL.

Movement in unexpired risk liability

The unexpired risk liability (URL) is the shortfall, if any, by Account between the levy income that ACC will earn for a future period where the rate of levy income has been fixed and the actuarially calculated costs of claims arising over the same future period. The forecast increase in URL was the difference between the forecast calculation of the URL at 30 June 2018 and the forecast calculation of the URL at 30 June 2019.

The actual increase in URL was higher than the budgeted increase in URL primarily because the unanticipated future cost of claims impacting the OCL (refer comments above). This factor increased the shortfall between future levy income and claims costs.

(B) STATEMENT OF FINANCIAL POSITION

Investments

The net investment asset balance is higher than budget reflecting the higher than budgeted investment income earned over the financial year due to the movements in investment markets.

Payables and accrued liabilities

The payables and accrued liabilities balance is higher than budgeted. The major movement in payables and accrued liabilities is money owed by ACC for unsettled investment transactions such as the purchase of equities and bonds. Investment market conditions resulted in higher investment purchases in the days immediately before 30 June 2019 and therefore a higher short term payables balance than anticipated when the budget was approved.

Outstanding claims liability

The actual OCL based on the June 2019 actuarial valuation of the claims liability using economic factors at 30 June 2019, is higher than the budgeted OCL based on the December 2017 actuarial valuation of the claims liability and economic factors at 28 February 2018.

The most significant factor impacting the OCL is the reduction in interest rates between February 2018 and June 2019. Other factors affecting the OCL are identified in the ***Increase in outstanding claims liability*** commentary.

Unexpired risk liability

The URL is the shortfall between the expected future levy income and future costs.

The actual increase in URL was higher than the budgeted increase primarily because of the unanticipated future cost of claims impacting the OCL (refer comments above). As a result, there was a larger shortfall than budgeted between future levy income and future costs which increased the URL above the approved budget.

(C) STATEMENT OF CASH FLOWS

Net cash inflow from operating activities was lower than budget mainly due to higher cash claim and operating costs than anticipated and lower investment income from interest receipts. These lower cash inflows are partly offset by levy revenue cash received which was above expectations due to higher exposures (liable earnings) in the Work and Earners' Accounts.

Higher investment income realised through net purchases and sales of investments also contributed to the cash inflow.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ACCIDENT COMPENSATION CORPORATION'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Accident Compensation Corporation group (the Group). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of EY, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 113 to 166, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 34 to 59 and 97 to 111.

In our opinion:

- the financial statements of the Group on pages 113 to 166:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 34 to 59 and 97 to 111:
    - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2019, including:
        - for each class of reportable outputs:
            - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and

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- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and

- what has been achieved with the appropriations; and

- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.

- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 18 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

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Responsibilities of the auditor for the audit of the financial statements and the performance information

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

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's service agreement.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

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

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

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

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 30, 62 to 92, 96, 112, and 172 to 179, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

In addition to the audit we have carried out Independent quality assurance services related to information technology projects being undertaken by the Corporation, IT Quality assurance review, Accounting advice and Provision of market data for actuarial remuneration, which are compatible with those independence requirements. A small number of Corporation management attended an executive education programme provided by EY. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Grant Taylor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

Glossary

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

Accident Compensation Act 2001 (AC Act)
The major piece of legislation under which ACC is governed.

Business customer
A business that pays a levy under the Scheme.

Client
A person who makes a claim under the Scheme.

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

Crown entity
An organisation in which the Government has a controlling interest.

Customer
A client, provider or business customer.

Earners' Account
The Account for non-work injuries for 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 additional support such as weekly compensation or social or vocational rehabilitation for a covered injury, as well as any funded medical treatment required.

Full-time equivalent
The hours worked by one employee on a full-time basis, generally considered to be 35–40 hours per week.

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

Labour cost index
A measure of the increased cost of salaries and wages paid to workers, commonly expressed as an annual percentage.

Levies
Amounts charged, separate from general taxation, and used to cover the cost of injuries caused by an accident within the Motor Vehicle, Earners' and Work Accounts.

Motor Vehicle Account
The Account for all road-related injuries.

Non-Earners' Account
The Account for injuries of people not in the workforce, such as children and retirees.

Outstanding claims liability (OCL)
An estimate of the present value of expected future payments on all existing ACC claims.

Pay-as-you-go basis
Funding the costs of injuries as the costs are incurred.

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

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

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

Shaping Our Future
Our overarching strategy to look at how we operate, from our technology to how we train our people, while putting the customer at the centre of everything we do.

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

Strategic intentions
The areas that ACC has identified as needing the most focus during the period of the Statement of Intent (2018-2022).

Superimposed inflation
Increase in costs over and above baseline inflation.

Transformation programme
A series of projects that were focused on improving our systems, processes and employee capabilities.

Treatment Injury Account
The Account for injuries arising during medical treatment.

Weekly compensation
Payments to a client who cannot work because of an injury, based on 80% of weekly income (capped) before the injury occurred.

Whāia Te Tika
Our strategy to pursue what is right for Māori and deliver on our aspirations.

Work Account
The Account for injuries that occur in the workplace.

Glossary of performance measures

Actuarial movement
The percentage growth in the OCL (balance at the start of the year) from actuarial gains/losses. Actuarial gains/losses arise from claim volumes, types and costs differing from expectations.

Average administration cost per active claim
The average administration cost per active entitlement claim. Administration costs exclude investment and injury prevention costs. Presented as a year-to-date measure.

Average care hours per serious injury claim
The average annual hours of attendant care, home help and child care per serious injury claim. Presented as a rolling four-quarter result.

Average time to resolution for claims with reviews
The average time (in working days) for resolution of a review after being sent to a third-party resolution services provider. Presented as a rolling 12-month result.

Change in average treatment cost per injury
The percentage growth in the average cost of medical treatment and elective surgery per claim. Presented as a rolling 12-month result.

Claims processed per FTE
The average number of new claims registered per FTE. The number of new claims registered is 12-month rolling and FTE is a point in time.

Durable return to work
The percentage of clients in the Work Account who have returned to work and have remained at work.

Employee net promoter score
A measure of how likely our employees are to recommend ACC as a place to work. Respondents rate themselves on an 11-point scale, with 0 being 'not at all likely' and 10 being 'very likely'. The net promoter score is the proportion of 'promoter' respondents (score 9-10) less the proportion of 'detractor' respondents (score 0-6). Total scores can range from –100 to +100.

Funding ratio (solvency)
This measure was previously referred to as solvency. The funding ratio is presented as a percentage and calculated as the total value of net assets excluding the outstanding claims liability held in an Account divided by the outstanding claims liability for that Account.

Growth rate of the Long-Term Claim Pool
The percentage growth in the number of Long-Term Claim Pool clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

Investment management costs as a proportion of total funds under management
Investment costs excluding costs associated with trading as a percentage of average funds under management. Presented as a year-to-date result.

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

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

Lost-time injury frequency rate
The number of lost-time incidents per million hours worked.

Net trust score

A measure of the extent to which respondents have trust and confidence in ACC on a 0-10 scale grouped into four categories (low trust and confidence, medium trust and confidence, high trust and confidence, and don't know/refused). The net trust score is the proportion of respondents with high trust and confidence (score 9-10) less the proportion of respondents with low trust and confidence (score 0-6). Overall scores can range from -100 to +100. Four groups of our customers are included; clients, Māori clients, providers and businesses

Number of category 3, 4 and 5 privacy breaches and near misses

The year-to-date number of category 3, 4 and 5 privacy breaches and near misses. The category of a breach or near miss is determined using the Government Chief Privacy Officer's definition of a privacy breach.

Number of claims avoided through our injury prevention investments

The number of claims avoided in the areas where we have targeted injury prevention programmes. Presented as a year-to-date result.

Overall operational system availability

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

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

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

Proportion of ACC reviews upheld

The proportion of all review outcomes where the decision was in favour of ACC. Reviews in favour of ACC include all reviews dismissed at an external review hearing, as well as any reviews that have been withdrawn or settled. Presented as a rolling 12-month percentage.

Proportion of ACC staff who identify as having a disability

The proportion of FTEs who identify as having a disability, self-reported in a six-monthly survey. Presented as a point-in-time result.

Proportion of ACC staff who identify as Māori

The proportion of FTE who identify as Māori, self-reported in a six-monthly survey. Presented as a point-in-time result.

Proportion of clients who go ahead with surgery who are successfully rehabilitated 12 months after being approved for surgery

A measure of clients who are successfully rehabilitated 12 months after being approved for surgery. A client is considered to be successfully rehabilitated after the cessation of ACC support. Presented as a rolling 12-month result.

Public trust and confidence

The proportion of general public surveyed (who felt they had a reasonable understanding of ACC) who reported having full trust and confidence in ACC. Presented as a rolling four-quarter result.

Rate of long-term clients in part-time work

The proportion of Long-Term Claim Pool clients with part-time earnings (abated weekly compensation payments). In this context, Long-Term Claim Pool clients are those who have received weekly compensation for more than 365 days. This is a point-in-time measure.

Rate of serious injury

The number of new serious injury and fatal claims per 100,000 new registered claims. Presented as a rolling 12-month result.

Ratio of this year's total levies to the total claims incurred for this year's accidents over time

A measure of the levy income received in a year and the investment income from those levies as a proportion of the cost of claims incurred in that year and the future estimate of those claims liability. Presented as a point-in-time result.

Reduction in weekly compensation days paid

The difference between the average number of weekly compensation days paid when a client exits the Scheme (rolling 12-month basis) relative to a benchmark average number of weekly compensation exit days. A negative number represents an increase in average weekly compensation days over the benchmark.

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 entitlements) in 12 months. Presented as a rolling 12-month result.

Return to work within 10 weeks

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

Return to work within nine months (273 days)

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

Reviews as a percentage of decline decisions

The number of client reviews lodged as a percentage of the number of cover and entitlement decline decisions, presented as a rolling 12-month result.

Speed of cover decisions

The average number of calendar days between the registration date and date of first cover decision (accept or decline). Presented as a rolling 12-month result.

The portfolio of injury prevention investments will have an assessed positive return on investment

The total 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. Presented as an evaluation of the costs and savings at a point in time.

Total recordable injury frequency rate

The number of lost-time incidents, restricted work incidents and medical treatment incidents per million hours worked.

Directory

Directory

Claims	Business	Providers
0800 101 996	0800 222 776	0800 222 070
claims@acc.co.nz	business@acc.co.nz	providerhelp@acc.co.nz

Our three main call centres are open Monday to Friday, 7am to 7pm.

Claims	0800 101 996	claims@acc.co.nz
From overseas	+64 7 848 7400	**claims@acc.co.nz**
Sensitive claims	0800 735 566	**sensitiveclaims@acc.co.nz** Sensitive Claims PO Box 1426 Wellington 6140
Treatment injury centre	0800 735 566	Treatment Injury Centre PO Box 430 Dunedin 9054
Deaf services		**deaf@acc.co.nz**
Language and cultural services	0800 101 996	

Business	0800 222 776	business@acc.co.nz
Employers	0800 222 776 +64 7 859 8675	ACC Business Service Centre PO Box 795 Wellington 6140
Self-employed	0508 426 837 +64 7 859 8676	
Agents and advisors	0800 222 991 +64 7 859 8677	
Injury management (for employers)	0800 101 996	**returntowork@acc.co.nz**
Collections and recoveries	0800 729 538 +64 4 805 4296	**collections@acc.co.nz** ACC Collections and Recoveries PO Box 3248 Wellington 6140

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

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

More contact information, including branch details, Official Information Act requests and reviews, is available at ***www.acc.co.nz/contact***

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