



4 May 2026

ACC publicly released its Turnaround Plan in January 2026: www.acc.co.nz/newsroom/stories/acc-turnaround-plan

This proactive release covers key documents and correspondence created during the Turnaround Plan's development.

Key documents included in Appendix 1 below are as follows:

Doc no.	Date and title of paper	Page number in appendix
1	30 September. Board Chair letter to Minister for ACC on draft Cabinet paper.	Page 1.
2	20 November 2025. Board Chair letter to Ministers of Finance and ACC responding to updated Letter of Expectation.	From page 2.
3	27 November 2025. Board paper – Alternative Performance Scenarios.	From page 4.
4	26 November 2025. Attachment to Board paper – Review of weekly compensation targets.	From page 16.
5	27 November 2025. Board paper – Strategy, Turnaround Plan, Statement of Intent and Service Agreement.	From page 43.
6	3 December 2025. Board Chair letter to Minister for ACC with final Turnaround Plan, strategy and accountability documents.	Page 47
7	28 August 2025. Chief Actuary memo on modelled OCL savings.	From page 48.

If you have any questions about these documents, you can contact our Media team at media@acc.co.nz.



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Hon Scott Simpson
Minister for ACC
Parliament Buildings
Wellington

30 September

Dear Minister

Thank you for the opportunity to comment on your draft Cabinet paper, *Getting ACC Back on Track – Turnaround Plan to deliver better outcomes for injured New Zealanders*. ACC Management have also been consulted on the draft paper and will provide their comments, which have been shared with the Board, directly to officials at the Ministry of Business, Innovation and Employment.

On behalf of the Board, I reiterate our ongoing commitment to lifting the performance of ACC and delivering better outcomes for injured New Zealanders, supporting the Scheme's long-term financial sustainability. We see your turnaround plan, including your priority areas and the ambitious targets you have set, as a key enabler for achieving these goals.

As outlined in the Acting Chair's letter on 28 August, the Board supports the performance ambition signalled through your targets and will drive ACC to deliver operational improvements over the shorter-term. The Board stays of the view that delivering the longer-term targets will require Scheme setting changes, as highlighted by Finity in their independent advice. We would welcome the opportunity to collaborate on changes to legislation, policy, and regulations to support achieving the proposed 2030 targets.

However, as discussed, the Board has concerns about the proposed establishment of a Performance Improvement Taskforce. While we support increased strategic advice and assurance as we implement the turnaround plan, there should be clarity over the role of the Taskforce. Without clear guidelines, the Board considers the Taskforce could be disruptive, slow critical progress on implementing current and new initiatives this year, and complicate ACC's existing governance model. The Board suggests that strengthening current monitoring arrangements as proposed, or introducing a Crown Observer, may be more proper means to achieve the assurance you need.

The Board remains fully focused on ensuring ACC has a clear work programme to deliver on your targets this year, supported by strong financial discipline and organisational focus. We will continue to hold Management to account for delivering this work programme. While we are seeing further positive improvements in rehabilitation results, we know that more is needed to achieve the outcomes we have committed to.

Yours sincerely

A handwritten signature in black ink that reads 'Jan Dawson'.

Jan Dawson
Acting Interim Board Chair

Accident Compensation Corporation



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Hon Nicola Willis and Hon Scott Simpson
Minister of Finance and Minister for ACC
Parliament Buildings
Wellington

20 November 2025

Dear Ministers

RESPONSE TO UPDATED LETTER OF EXPECTATIONS

I acknowledge receipt of your Updated Letter of Expectations, dated 13 November 2025. The ACC Board is committed to working with you to deliver on these expectations.

The Board's focus for 2025/26

The ACC Board shares your commitment to securing the Scheme's long-term financial sustainability and maintaining public trust in this important national institution. The Board is focused on ensuring ACC gets back to basics by restoring rehabilitation as its core purpose, in line with findings from the Finity review.

The Board appreciates your acknowledgement of the steps we have already taken to improve rehabilitation performance, following your earlier interim Letter of Expectations. Throughout this year, ACC's proactive and targeted case management has resulted in more clients returning to work and independence, particularly those with less serious injuries.

However, we acknowledge that further improvements are required to ensure New Zealanders are getting the support they need to recover from their injuries and ultimately reduce the levy burden on households and businesses.

Turnaround Plan

The Board is working with ACC Management to finalise the development of an ambitious turnaround plan, building on the three overarching priorities identified in your letter. The turnaround plan also includes actions responding to the recommendations of the Finity review, the Board-commissioned review of ACC's organisational culture and the review of ACC's investment function commissioned by The Treasury.

This plan includes short and longer-term targets that will see ACC return to its best-ever performance level over the next five years. While it will take time to deliver the required improvements, these targets recognise that New Zealanders can and should expect to receive the appropriate service from ACC, and for the Scheme's long-term sustainability to be protected.

The Board is clear that delivering on these targets isn't about taking support away from those who need it. Rather, it is about ensuring that ACC's clients can access the right level of support, at the right time, enabling them to recover from their injuries and return to work or independence.



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The Board will be closely checking delivery on this plan, including through weekly and monthly reporting on progress and delivery of key milestones. In developing this plan, we have sought feedback from MBIE and Treasury, along with considering insights from other agencies with comparable organisational turnaround experience.

Updated accountability documents

ACC is developing a new Statement of Intent 2025-2029 and revised Service Agreement for the current financial year. These accountability documents are aligned to our turnaround plan and the revised organisational strategy that will shortly be formally approved by the Board. Collectively, these documents will support an intense focus on improving performance and ensuring ACC's clients are receiving timely, fair and effective support, in line with legislation.

ACC intends to share the Statement of Intent and Service Agreement with the Minister for ACC on 1 December. Given the short timeframes to have these documents in place by 1 January 2026, we will be seeking your feedback within five working days, rather than the 15 allowed in legislation. This timeframe is required to enable the documents to become live on 1 January 2026.

Enhanced Monitoring and Accountability

The ACC Board is committed to actively supporting Treasury to develop and deliver an enhanced monitoring framework that better enables accountability and delivery. The Board sees this monitoring as complementary to our governance role and will constructively support Treasury, including through facilitating access to required information and ACC expertise as required. ACC Management have committed their full support of this work.

The Board and I remain fully committed to improving ACC's performance and ensuring the Scheme remains affordable and able to support future generations. We will continue to hold Management to account for effective execution of our turnaround plan and embedding the new strategy to become a trusted and high-performing organisation that supports New Zealanders now and into the future.

Yours sincerely

A handwritten signature in black ink that reads 'Jan Dawson'. The signature is fluid and cursive, written over a large, light grey watermark that says 'Proactive'.

Jan Dawson
Chair
Accident Compensation Corporation



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Board Paper – Alternative performance scenarios

Prepared by	[Name removed], Chief Advisor
Approved by	Andy Milne, Executive Lead Scheme Sustainability
Meeting Date	27 November 2026

Purpose

To seek approval of the Board's preferred rehabilitation performance targets for inclusion in the amended Service Agreement 2025/26 and ACC's turnaround plan.

Key Points

- Through his recent Letter of Expectations, the Minister has set clear expectations for ACC to set ambitious short and long-term performance targets that drive a turnaround in ACC's performance.
- ACC has developed two performance scenarios that could be included in the amended Service Agreement 2025/26 and ACC's turnaround plan, subject to Board indicating their preferred option.
- Both scenarios result in the Scheme's overall financial position reaching surplus, through ACC delivering best-ever rehabilitation performance levels that 'normalise' the size of the long-term claims pool.
- The key difference between the scenarios is the pace of improvement. Scenario two sees the long-term claims pools 'normalise' by 2028, through delivering a more ambitious exit rate. As the pool will then begin to grow in-line with expected levels, both scenarios see the pool reaching 19,825 at June 2030.
- There are risks and trade-offs under both scenarios, which are heightened under scenario two, given its higher level of ambition. On balance, ACC Management's preferred option is scenario one, as we consider that this better balances the trade-offs between pace and associated risks.
- Management does not consider that further reducing the size of the long-term claims pool by 2030 is feasible without enabling legislation change. This is because it would require ACC to exceed its best-ever performance level, notwithstanding changes in our operating context over time and our constrained legislative levers to support long-term claims pool clients to return to work and independence.
- ACC has sought independent advice from Taylor Fry on proposed rehabilitation performance targets. This is currently being finalised, but their initial view based on an earlier version of the targets is that these are sufficiently ambitious and could feasibly be delivered without legislation change.

Recommendations

1. **Note** ACC has developed two scenarios for new targets for short- and long-term rehabilitation performance, following receipt of an Updated Letter of Expectations.
2. **Note** both scenarios result in the Scheme's overall financial position reaching surplus, through ACC delivering best-ever rehabilitation performance levels in the coming years.
3. **Approve** the Board's preferred option (refer scenario one and two in **table one and table two**)
4. **Note** the Board's preferred option will be included in the amended Service Agreement 2025/26 and ACC's turnaround plan (refer item 3.2).



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Background

ACC recently received an Updated Letter of Expectations (LOE) from the Ministers of Finance and ACC. The LOE highlights Ministers' expectations that ACC develops an ambitious plan to turn around performance. The plan is expected to include specific and measurable short- and long-term targets that are sufficiently ambitious to drive necessary performance shifts, including across return-to-work rates and the size of the long-term claims pool.

The Minister has been signalling his expectation that ACC further improve its rehabilitation performance for some time. Throughout this year, we have already seen material improvements in performance, with the growth rate of the long-term claims pool decreasing from a peak of 15.3% in January to 3.4% in our latest weekly results.

To deliver further improvements, we had previously understood that through the LOE, the Minister would set specific targets for 2025/26 and future years. As the LOE now only includes high-level direction around the need to improve performance, we need to develop a performance scenario for inclusion in the amended Service Agreement 2025/26 and turnaround plan.

Performance scenarios

ACC is committed to improving the Scheme's long-term financial position

As outlined in our turnaround plan, ACC is committed to improving rehabilitation performance and reducing costs where appropriate, ultimately safeguarding the Scheme's affordability long-term. While some of the drivers for declining performance over the last decade are outside of ACC's control, many can be addressed through operational improvements. In the coming years, ACC will focus on delivering our ambition to be a high-performing organisation that delivers excellent outcomes for injured New Zealanders.

As part of this, ACC is committed to securing the Scheme's long-term sustainability by returning it to a balanced financial position over the next five years. We would consider this to be represented by our net reserves improving from the current forecast deficit of \$26.4b by 30 June 2030 to at or around zero¹. This would indicate the Scheme's overall assets match its liability, in line with the expectation to be 'fully funded', so that future generations are not meeting today's costs.

Ensuring sustainability means addressing multiple cost drivers that contribute to the Outstanding Claims Liability

Over the last ten years, the OCL has grown significantly, reaching ~\$63.6b at June 2025², ~\$33.3b higher than ten years ago. Key components of the OCL include social rehabilitation, weekly compensation, support for sensitive claims, and elective surgery costs – see **figure one** for a full breakdown of the OCL.

¹ This includes some other technical exclusions, such as pre-2001 claims funded on a pay-as-you-go basis and the unearned risk liability (a provision for claims ACC can expect to incur after the end of the financial year that are funded by levies already received), where we are not required to hold funding in reserve. The deficit of \$26.4b by 30 June 2030 is based on our September 2025 forecast.

² Including the risk margin.



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Last year, the key contributors of OCL strain were social rehabilitation (\$422m for serious injury, \$206m for non-serious injury) and elective surgery (\$457m). While weekly compensation has contributed over \$3b in OCL strain over the last ten years, recent efforts to improve rehabilitation performance saw only a small (\$11m) OCL strain last year, and we have seen a release in the first three months of the current financial year. Efforts to improve the financial position of the Scheme should target these multiple areas of cost pressure.

Figure one: Breakdown of the OCL (as at June 2025, including the risk margin)

Payment type	OCL 30/06/2025	2024/25 influenceable strain	2016 – 2025 influenceable strain
Social rehabilitation	24,923	628	4,967
<i>Serious injury</i>	22,203	422	4,071
<i>Non-serious injury</i>	2,720	206	896
Weekly compensation	13,924	11	3,050
Sensitive claims	10,144	61	2,236
Elective surgery	4,668	457	-176
Other non-serious injury	4,068	95	-554
Other serious injury	3,045	-4	-4
Claims handling expenses	2,783	-262	83
Total	63,556	987	9,601

ACC has developed two performance scenarios to return the Scheme to a balanced financial position

Following earlier engagement with the Board and consideration of the targets the Minister has previously signalled, ACC has developed two performance scenarios that would see the Scheme's overall financial position return to surplus by 2030. Scenario one would see the net reserves reach a surplus of \$1.9b by 30 June 2030, while scenario two results in a surplus of \$2.2b in the same period (with some other technical exclusions as detailed in footnote one and based on our forecast as at September 2025).

Both scenarios are based on ACC delivering the following OCL reductions³ by June 2030:

- \$1.8b from social rehabilitation
- \$0.4b from elective surgery

In addition, both performance scenarios deliver approximately \$6.7b OCL reduction from weekly compensation (\$8.9b total) but with different phasing over the outyears. Further detail on the rehabilitation performance levels underpinning these scenarios is outlined below.

³ OCL figures in this paper reflect a combination of 'OCL release' and reductions in 'OCL expected increase'. These scenarios give a mathematical indication of what could happen to the projected OCL if the new targets can be achieved. It is not an endorsement from ACC actuarial that the targets are likely to be achieved. All OCL figures quoted exclude the risk margin/adjustment and include the estimated illiquidity premium. This aligns to the funding policy and the likely balance sheet reporting when ACC moves to IFRS17 from 1 July 2026. The audit of these changes under IFRS17 has not been completed yet. We have not allowed for any potential increase in OPEX to deliver these targets. Underlying changes to our economic assumptions are also not forecast. The forecast inflation and discount rates are as at June 2025. Any changes that differ compared to what the market expected at this point could significantly impact the projected OCL (including new claims). The figures also assume levy increase at cap in the next levy round.



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Figure two: ACC's reserves position at June 2030, scenario one

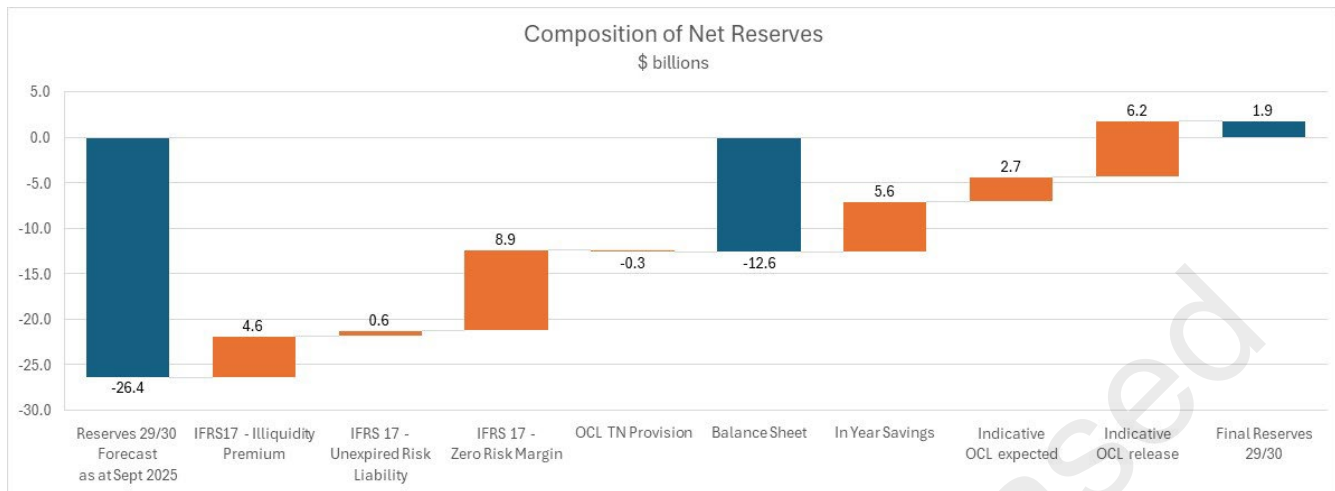
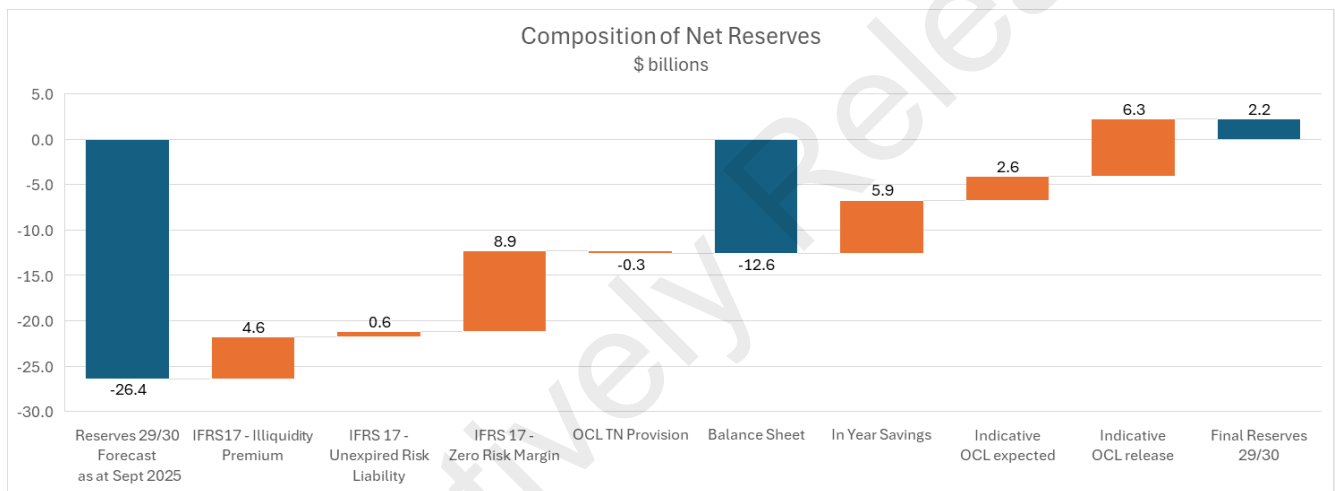


Figure three: ACC's reserves position at June 2030, scenario two



Rehabilitation targets included in these scenarios see ACC returning to 'best-ever' performance levels

ACC generally considers that performance levels from 2016/17 are an appropriate proxy for excellent performance. While individual return-to-work rates have been higher in some other years, this generally reflects periods when ACC was targeting improvements at specific durations (see **appendix one** for a summary of key performance indicators over time).

Overall, we consider that returning to 2016/17 rehabilitation performance levels over the next five years is highly ambitious and would result in the long-term claims pool returning to a 'normal level'. This would see the cohort of non-serious injuries currently in the long-term claims pool reduce to historic proportions and the pool begin to increase in-line with population growth.

ACC considers performance levels under both scenarios could be delivered within current operational settings, however the feasibility of scenario two is less certain. Our previous advice on the long-term targets (2028 and 2030) signalled by the Minister is that delivering on these would require legislation change.



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While both scenarios deliver the same long-term outcome, scenario two sees the long-term claims pool 'normalise' faster

Rehabilitation rates included under each scenario are outlined below in **table one and two**. Key assumptions that have informed both sets of targets include:

- Return-to-work rates return to 2016/17 levels by 30 June 2028 (anchored from the headline 365-day return-to-work rate).
- That return-to-work performance, which is comparable to ACC's 'best-ever', is then generally held to 2030.
- From this year, we reach and then maintain very high levels of long-term claims pool returns to independence for the next five years.
- This would see the non-serious injury cohort (excluding sensitive claims) 'normalise' from around 18,900 (79%) to around 14,500 (70%), through record exit performance.
- Proposed 2025/26 performance levels are consistent with the rates ACC previously provided to the Minister's office, in earlier feedback on the draft Cabinet paper and Letter of Expectations.
- The scenario is based on Half-Year Economic and Fiscal Update economic assumptions, adjusted for more recent decreasing new claims volumes.
- Our ability to deliver these performance levels could be impacted positively or negatively by changing economic conditions and other factors outside ACC's control, like court decisions.

For scenario two, we have modelled a more ambitious long-term claims pool exit rate, which sees the pool 'normalise' by June 2028. Under this scenario, ACC would deliver a historically high exit rate⁴ over the next two years (an average of 3.1% per month, compared to the historic best average rate achieved over a year of 2.94%), resulting in the non-serious injury cohort returning to a 'normal' level and the pool reducing to 19,396. Exit rates would then decrease to just under 2.0% from 2028/29, resulting in the pool beginning to grow in-line with expected levels.

In addition, under both scenarios, we have assumed a reduction in the weekly compensation conversion rate. Since 2014, the rate of claims that go on to receive weekly compensation (the conversion rate) has increased from 3.3% to just over 5% today. While some of this increase is outside ACC's control (eg societal attitudes and economic factors), recent analysis suggests other drivers likely reflect changes in ACC's operational practice and decision-making.

For example, this analysis shows that the increasing conversion rate doesn't appear to be explained by a change in the claims mix, such as more serious injuries. Rather, the increase is mostly due to an increase in the propensity to claim or accept weekly compensation, likely reflecting greater awareness of entitlements amongst claimants and ACC being more likely to approve weekly compensation cover. The biggest increases are seen in clients with soft-tissue injuries and sedentary work.

⁴ This 'average exit rate' is calculated as the returns to independence from the long-term claims pool divided by the size of the pool at the start of the financial year. This calculation aims to provide context and perspective to the returns to independence volumes with a decreasing long-term claims pool volume.



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While further analysis is required to better understand the drivers of increases within ACC's control, the scenarios include a reduction in the conversion rate to 4.5% by 2028, which would then be held at that level to 2030. This compares to the 5.8% conversion rate that was previously forecast. In 2030, this equates to ~23,000 fewer new weekly compensation claims and ~900 fewer entries to the long-term claims pool (based on a return-to-work rate of 95.4%).

Table one: Alternative performance scenario 1 (including comparison to targets previously signalled by Minister)

Year end	Active LTCP	New Entries	Return to independence	Net Entries	365 RTW Rate	273 RTW Rate	70 RTW Rate	28 RTW Rate
Jun-24	22,593	8,878	6,278	2,600	91.3%	87.9%	60.3%	35.4%
Jun-25	24,549	9,906	7,950	1,956	90.8%	87.9%	59.9%	35.1%
Jun-26	24,000 (24,000)	8,410	8,959	- 549	92.5%	89.5% (91%)	62.2% (63%)	36.7% (37%)
Jun-27	23,553	6,910	7,356	- 447	93.7%	91.0%	64.9%	38.6%
Jun-28	22,091 (18,000)	5,400	6,862	- 1,462	95.0%	92.5% (93%)	67.5% (69%)	40.4% (42%)
Jun-29	20,872	4,754	5,973	- 1,219	95.4%	93.0%	68.4%	41.0%
Jun-30	19,825 (15,000)	4,709	5,756	- 1,047	95.4%	93.0% (95%)	68.4% (75%)	41.0% (45%)

Table two: Alternative performance scenario 2 (including comparison to targets previously signalled by Minister)

Year end	Active LTCP	New Entries	Return to independence	Net Entries	365 RTW Rate	273 RTW Rate	70 RTW Rate	28 RTW Rate
Jun-24	22,593	8,878	6,278	2,600	91.3%	87.9%	60.3%	35.4%
Jun-25	24,549	9,906	7,950	1,956	90.8%	87.9%	59.9%	35.1%
Jun-26	24,000 (24,000)	8,410	8,959	- 549	92.5%	89.5% (91%)	62.2% (63%)	36.7% (37%)
Jun-27	21,860	6,910	9,050	- 2,140	93.7%	91.0%	64.9%	38.6%
Jun-28	19,396 (18,000)	5,400	7,864	- 2,464	95.0%	92.5% (93%)	67.5% (69%)	40.4% (42%)
Jun-29	19,610	4,754	4,541	+ 213	95.4%	93.0%	68.4%	41.0%
Jun-30	19,825 (15,000)	4,709	4,493	+ 216	95.4%	93.0% (95%)	68.4% (75%)	41.0% (45%)



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There are risks and trade-offs associated with both scenarios

Under either scenario, ACC's rehabilitation performance improves from a historic low to rates in-line with our best-ever levels over a two-and-a-half-year period. Reversing a decade of performance decline in a relatively short period, without the support of enabling legislation change, is a significant challenge that brings risks and trade-offs. While ACC remains committed to improving the long-term financial sustainability of the Scheme, and supporting improved outcomes for our clients, we note the following:

- **Public trust and confidence in ACC could be undermined:** increased media attention on changes to ACC's approach, particularly criticism that financial targets are being prioritised over sustainably rehabilitating clients, could lead to a loss of public trust and confidence in ACC.
- **Overly ambitious targets could incentivise inappropriate decision-making:** this could include denying legitimate claims and making higher-risk decisions that are overturned at review or result in negative outcomes for clients.
- **Increased pressure on staff:** workload pressure and increased risk of threats and abuse could result in health and safety implications, and lead to staff disengagement and a loss of focus on ACC's performance turnaround.
- **Increases in ACC's operating expenditure may be required:** delivering these targets could require increased investment in FTE and enabling tools and technology and/or require significant reprioritisation of current operating expenditure.
- **ACC's 2026 BEFU submission may differ from both scenarios:** this submission is required to meet Treasury guidelines and requirements, meaning they must reflect professional judgement on what performance improvements can credibly be delivered through operational activity.

These risks and trade-offs are heightened under scenario two, given this reflects a more ambitious scenario.

On balance, ACC Management's preferred option is scenario one

Overall, ACC Management considers that scenario one reflects a more sustainable and achievable performance trajectory, which better balances the trade-offs between pace and associated risks. As both scenarios are designed to 'normalise' the long-term claims pool, through ACC returning to best-ever performance levels, the key choice for the Board is around the pace of improvement.

On balance, Management does not consider that the benefits of delivering faster improvements in scenario two (more returns to work and independence from the long-term claims pool, resulting in greater in-year cash savings) outweigh the increased associated risks - particularly given both scenarios result in a long-term claims pool of the same size in 2030.

Management also notes that the outyears trajectory could be revised in future Service Agreements to reflect ACC's actual performance and as we learn more, particularly around our ability to influence the weekly compensation conversion rate, which is a relatively new area of focus.



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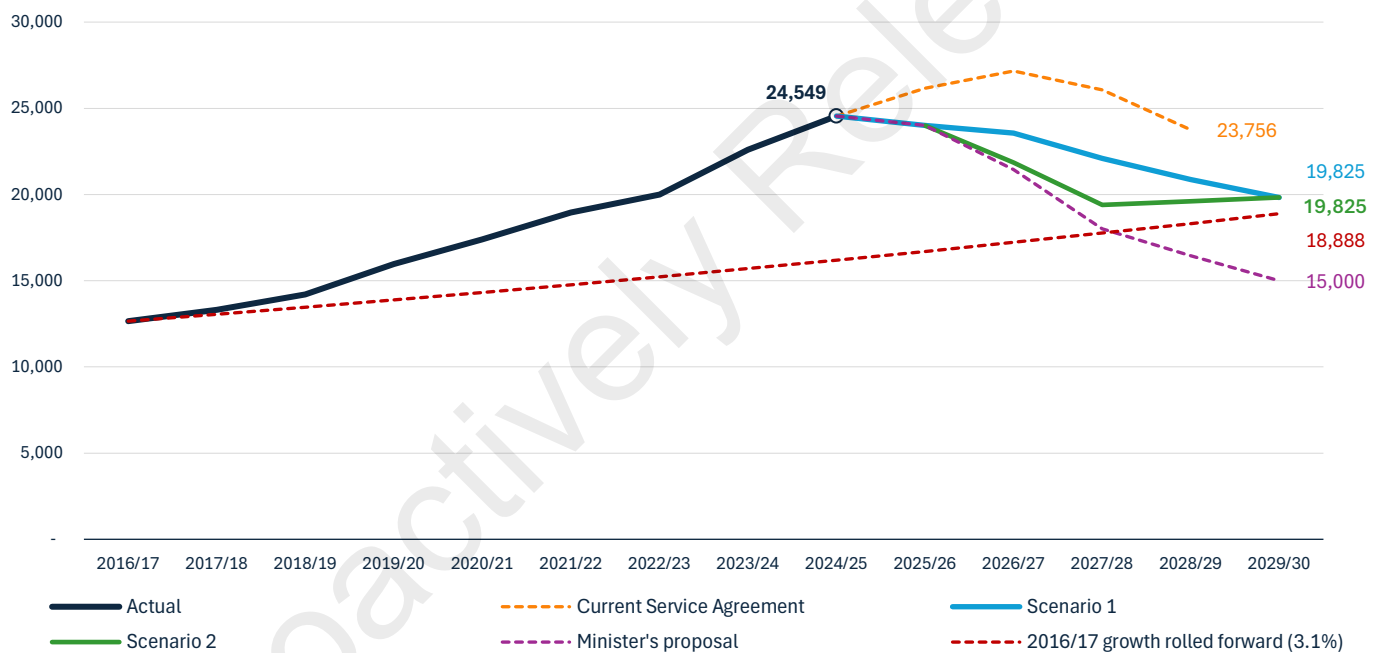
These targets recognise changes in ACC's operating environment over time

Figure four below shows the size of the long-term claims pool across scenario one and two, compared to ACC's current Service Agreement, the targets previously signalled by the Minister, and a simplistic performance counterfactual based on rolling forward the 2016/17 growth rate of 3.1%⁵ to today and outyears.

While we have used this counterfactual, as it was previously referenced by the Minister, we have also developed a more detailed counterfactual projection by using the long-term claims pool at June 2017 and applying best-ever entry rates, best-ever exit rates, the number of new weekly compensation claims received since 2017 and the modelled improvement in the conversion rate. This results in an estimated long-term claims pool of 20,121 at June 2030.

Figure four shows that while the size of the long-term claims pool is targeted to be smaller than under the current Service Agreement trajectory and ACC's more detailed projection, it remains larger than under the Minister's scenario and 2016/17 performance counterfactual.

Figure four: Comparison of different trajectories for the long-term claims pool



Management does not consider that reducing the size of the long-term claims pool to less than 19,825 by 2030 is feasible without enabling legislation change. This is because it would require ACC to exceed its best-ever performance level, notwithstanding changes in our operating context overtime. **Appendix two** provides additional detail and key changes include:

- Wider health sector pressure impacting the timeliness of rehabilitation outcomes.** For example, the rolling 12-month wait time for surgery has increased from 57 days in 2016 to over 73 days today. Pressure in the primary sector has also impacted certification behaviour, with increases in the average duration of medical certificates (from 22.5 days in July 2019 to 24.7 days currently) and a decrease in the ratio of clients deemed 'fit-for-selected work' (from 36.7% in July 2019 to 34.7% currently).

⁵ This counterfactual should be considered indicative only, as it does not account for any external factors that can impact performance, such as changes in Scheme boundaries, macro-economic factors, and demographics.



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- **More sensitive claimants staying on the Scheme for longer.** The number of sensitive claims clients in the long-term claims pool has grown from 492 in June 2017 to 2,129 in October 2025 (331% growth), and return-to-work rates for this cohort have deteriorated, with the 365-day rate reducing from 25.6% in June 2017 to 8.8% in June 2025.
- **Expanding Scheme boundaries.** Changes following the TN Court of Appeal ruling have had a significant impact. Over the last six months, an average of 25 TN claims have entered the long-term claims pool per month.
- **Growing prevalence of comorbidities impacting a client's ability to return to work.** For example, 2022 analysis by Taylor Fry showed a growing prevalence of claims with mental health conditions, and lower likelihood of returns to work for this cohort. This trend is seen across Schemes internationally.
- **A significant loss of case management capability following NGCM, which will take time to rebuild.** The average tenure of ACC's front-line has reduced from 6.6 years in June 2017 to 4.6 years in June 2025. The median tenure has also reduced over the same period from 3.4 years to 2.4 years.

While we are actively supporting clients to return to work and independence, our ability to reduce the size of the long-term claims pool is constrained by our limited legislative levers

Through the turnaround plan, ACC has a range of initiatives underway to address drivers of performance decline within our control and support more clients to return to work and independence. These include:

- Growing the capability and capacity of ACC's frontline workforce
- Engaging early with clients at risk of delayed recovery
- Working with health providers to support faster and more sustainable returns to work
- Actively supporting clients at risk of entering the long-term claims pool
- Supporting clients who are no longer eligible to transition to independence.

However, ACC's ability to support increase exits from the long-term claims pool at-scale is constrained by the limited legislative pathways available – see below⁶. Decisions on whether clients remain eligible for weekly compensation support also need to be made on an individual, case-by-case basis and typically require specialist clinical assessments and other information that can be time consuming and onerous to collect.

- **Section 103 – Review of incapacity:** Establishing evidence that a client is no longer incapacitated for usual employment. There were 410 exits through this pathway in the 12 months to 31 October 2025.
- **Section 117(1) and (3) - Review 'causal link' and Review compliance:** Suspending or cancelling an entitlement if the client's current need for support is not causally linked to the covered injury, or because a client is not complying with reasonable rehabilitation requirements (noting this can be reinstated if client subsequently complies). There were 1,994 exits through this pathway in the 12 months to 31 October 2025.
- **Alternative employment and vocational independence:** For clients who remain incapacitated for their usual employment, and that incapacity is still due to the covered injury, entitlement can end if clients are assessed as being able to perform suitable employment for 30 hours or more a week. There were 260 exits through this pathway in the 12 months to 31 October 2025.

⁶ 1,354 exits in the 12 months to 31 October 2025 were also due to a client turning 65.



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Independent assessment of proposed rehabilitation performance rates indicates they are highly ambitious

ACC has commissioned Taylor Fry to provide independent advice on whether proposed rehabilitation performance targets are sufficiently ambitious and whether it is reasonable to assume they could be delivered without changes to legislation. In this context, 'sufficiently ambitious' means the targets meet MBIE's definition of a 'stretch target'⁷.

This advice is currently being finalised, and we intend to provide it to the Board tomorrow. Taylor Fry's initial view, based on an earlier version of these targets that didn't include scenario two, is that proposed rehabilitation targets are sufficiently ambitious and could feasibly be delivered without legislation change.

Next steps

We will update the turnaround plan and revised 2025/26 Service Agreement to reflect the Board's preferred scenario. We will also consider how to reflect this scenario within ACC's 2026 BEFU submission.

⁷ An ambitious goal set beyond the standard or expected level of performance. It should challenge ACC to go beyond its comfort zones and achieve exceptional results. Unlike regular targets, which are usually based on historic data or regular forecasts, stretch targets are intentionally difficult but not impossible.



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Appendix 1: historic Performance

ACTUAL

Measure	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Return to work: 28 days	39.1%	39.6%	39.0%	38.3%	37.1%	35.5%	36.7%	36.3%	35.4%	35.1%
Return to work: 10 weeks	66.6%	67.4%	66.3%	65.7%	63.4%	61.8%	62.5%	61.8%	60.4%	59.8%
Return to work: 9 months	92.7%	92.9%	92.8%	92.3%	90.7%	90.1%	89.5%	89.6%	87.9%	87.9%
Return to work: 365 days	94.9%	95.0%	95.0%	94.5%	93.5%	92.8%	92.4%	92.5%	91.3%	90.8%
LTCP exits to work/independence	2,796	3,340	3,285	3,661	3,590	4,971	5,470	6,184	6,608	7,950
Total size of the LTCP	12,269	12,653	13,317	14,201	15,971	17,403	18,959	19,993	22,593	24,549
New registrations claims	1,931,733	1,944,813	1,987,152	2,027,406	1,862,459	2,100,087	1,804,359	1,968,118	2,037,188	2,097,735
New WC claims	71,946	75,975	79,899	84,084	80,893	95,540	89,067	100,222	104,160	107,494
Conversion rate	3.7%	3.9%	4.0%	4.1%	4.3%	4.5%	4.9%	5.1%	5.1%	5.1%
LTCP total	12,269	12,653	13,317	14,201	15,971	17,403	18,959	19,993	22,593	24,549
LTCP other	5,050	5,297	5,771	6,523	8,011	9,177	10,330	11,160	13,646	15,571
LTCP Sensitive claims	416	492	618	676	747	860	1,042	1,221	1,503	1,934
LTCP Serious injury	2,611	2,682	2,681	2,695	2,738	2,733	2,712	2,722	2,728	2,748
LTCP Long-term service claim	4,192	4,182	4,247	4,307	4,475	4,633	4,875	4,890	4,716	4,296



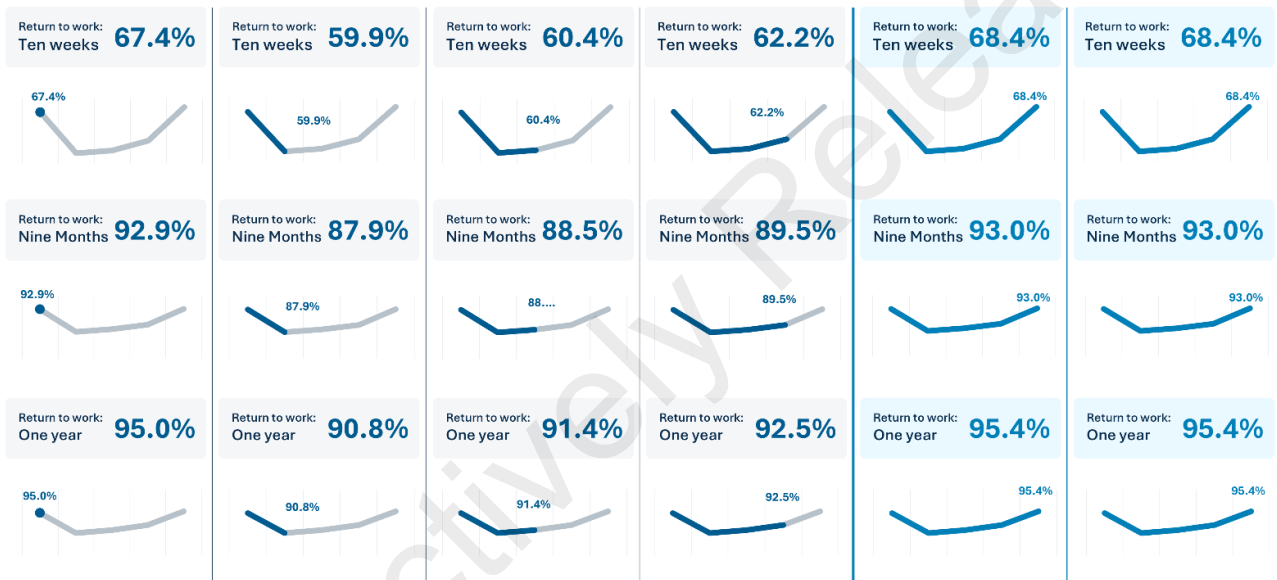
He Kaupare. He Manaaki. He Whakaora.
Prevention. Care. Recovery.

Appendix 2: Key Differences Between 2016/17, Today and 2030: Scenario 1 and 2

Claim Volumes

2015/16	2024/25	October 2025	2025/26	SCENARIO ONE 2029/30	SCENARIO TWO 2029/30
New Weekly compensation claims ~76k	New Weekly compensation claims ~107k	New Weekly compensation claims ~106k	New Weekly compensation claims ~110k	New Weekly compensation claims ~101k	New Weekly compensation claims ~101k
New registrations 1.94m	New registrations 2.09m	New registrations 2.10m	New registrations 2.13m	New registrations 2.26m	New registrations 2.26m
Conversion Rate 3.9%	Conversion Rate 5.1%	Conversion Rate 5.0%	Conversion Rate 5.2%	Conversion Rate 4.5%	Conversion Rate 4.5%

Return to Independence



Long Term Claims Pool

Volume of the long term claims pool	Volume of the long term claims pool	Volume of the long term claims pool	Volume of the long term claims pool	Volume of the long term claims pool	Volume of the long term claims pool
12,653	24,549	24,740	24,000	19,825	19,825
New entries 3,718	New entries 9,906	New entries 9,330	New entries 8,410	New entries 4,709	New entries 4,709
Returns to independence 3,334	Returns to independence 7,950	Returns to independence 8,241	Returns to independence 8,959	Returns to independence 5,756	Returns to independence 4,493
Ave return to independence rate 2.3%	Ave return to independence rate 2.9%	Ave return to independence rate 2.9%	Ave return to independence rate 3.0%	Ave return to independence rate 2.3%	Ave return to independence rate 1.9%



Review of weekly compensation targets – Round 2



26 November 2025

We find the patterns that matter



01



Executive Summary

Proactively Released

LTCP Scenario – ACC alternative performance targets

Scope

We review two alternative performance scenarios prepared by Richard Korte (Head of Performance and Analytics).

This *Round 2* review is in response to our *Round 1* review (dated 21 November 2025) which identified conversion as an important unmitigated driver of growth. For completeness, we include our *Round 1* review as an appendix.

For *Round 2*, we focus on a package of changes to:

- Weekly compensation conversion rates
- 365 RTW rate target
- Active LTCP target
- Assumed LTCP exit rates.

In making our assessment, we consider:

- the 2030 targets (are these consistent with ‘best-ever’ level performance?)
- The 2026 targets (as an indicator of timeframe)
- The risks/inhibitors to ACC success

Level of Ambition?

Are the targets, including proposed timeframes, **sufficiently ambitious**?

- In this context ‘sufficiently ambitious’ means that targets are in-line with an expectation that ACC’s performance returns to best-ever levels and meet the MBIE definition of a stretch target.
- MBIE defines a stretch target as: *An ambitious goal set beyond the standard or expected level of performance. It should challenge ACC to go beyond its comfort zones and achieve exceptional results. Unlike regular targets, which are usually based on historic data or regular forecasts, stretch targets are intentionally difficult but not impossible.*

Legislative change required?

Is it reasonable to assume ACC could deliver on these targets without any changes to legislation?

Key ACC assumptions

The Round 2 ACC alternative scenarios assume:

- The conversion rate of ACC claims to weekly compensation claims reduces to 4.5% by 30 June 2028
 - This is the key change since *Round 1* review
- The 365 RTW rate at 30 June 2028 and beyond is comparable to 2016 levels ('best-ever levels')
- Annual exit rates to increase to:
 - **Scenario 1:** Best-ever level in 2026 and then return to rates just below recent average levels for future periods beyond 2028
 - **Scenario 2:** Best-ever levels in 2027 and remain high in 2028 resulting in all surplus claims being exited from the LTCP by 2028.

ACC alternative performance targets – Scenario 1

Year ending	LTCP	Conversion rate	365 RTW rate	Annual exit rate
Jun-24	22,593	5.1%	91.3%	31.4%
Jun-25	24,549	5.1%	90.8%	35.2%
Jun-26	24,000	5.2%	92.6%	36.5%
Jun-27	23,553	4.9%	93.7%	30.7%
Jun-28	22,091	4.5%	95.0%	29.1%
Jun-29	20,872	4.5%	95.4%	27.0%
Jun-30	19,825	4.5%	95.4%	27.6%

ACC alternative performance targets – Scenario 2

Year ending	LTCP	Conversion rate	365 RTW rate	Annual exit rate
Jun-24	22,593	5.1%	91.3%	31.4%
Jun-25	24,549	5.1%	90.8%	35.2%
Jun-26	24,000	5.2%	92.6%	36.5%
Jun-27	21,860	4.9%	93.7%	37.7%
Jun-28	19,396	4.5%	95.0%	36.0%
Jun-29	19,610	4.5%	95.4%	23.4%
Jun-30	19,825	4.5%	95.4%	22.9%

Findings

The 2030 targets are sufficiently ambitious, notwithstanding the drivers of the increased conversion rate are largely unknown

Are the 2030 targets sufficiently ambitious?

Taking the projected number of initial accepted claims to the ACC as a given, the 2030 targets are a stretch and appear to **meet the criteria of 'sufficiently ambitious'**. Scenario 2 is more ambitious than scenario 1.

Our analysis reveals:

- Weekly compensation growth rates (actual and assumed) contribute materially to the size of the LTCP. This may account for much of the difference between the original Turnaround Plan and the Alternative Scenarios.
- The mix by **account is similar** to the mix at 2015/16, implying the underlying claims profile is comparable to when 'best ever levels' were achieved.
- The target exit rates imply the full surplus of claims built up over 'best-ever level' are able to be exited.

Is legislative change required?

No

Is the timing of target sufficiently ambitious?

The 2026 targets appear to be **sufficiently ambitious**.

Our analysis reveals:

- RTW rates are already improving toward the 2026 target, even after controlling for the impact of sensitive claims and serious injuries on the LTCP
- Exit numbers for FY26 YTD are broadly on-track, but the same exit rate is required over the remainder of the year which might be difficult to achieve over the December/January period
- The faster exits in scenario 2 increase the claims process and claims management risks discussed on the next slide.

Recommendation

Reducing (or limiting) the intake of weekly compensation claims was added as a lever in *Round 2*. The **likelihood of beating the target LTCP would increase markedly** if the intake of weekly compensation claims was reduced.

We recommend ACC investigate the causes of growth in weekly compensation, including analysing claimant characteristics, processing times and barriers to entry. Understanding these drivers is important if reduced conversion is to be achieved.

Risks / inhibitors to success

Claims process risks

- **Due process for exits** – ACC will follow due process for exits which we are advised can take nine months to complete. While this approach reduces the risk of ‘negative publicity’, it means the 2026 target appears ambitious (although ACC is currently tracking in line with target).
- **External market for assessments** – ACC relies on the timely access to external markets for:
 - Assessments required to facilitate exit (vocational independence)
 - The qualification bar (for assessments) has been lowered but will take time for market capacity to flow through.

Claims management risks

- **Low tenure of current staff** – Experienced claims managers achieve better RTW outcomes. The current workforce are relatively new and need to build capability.
- **Retention of current staff** – If staff are driven too hard or disillusioned by failure to meet unrealistic interim targets, they may leave ACC, jeopardising longer-term targets.
- **Disputation** – The level of reviews will likely increase which could slow down progress towards target.

Claim profile

- **Sensitive claims** form a larger portion of the LTCP stock – exit rates are much lower for sensitive claims, and it is not reasonable to assume past rehab rates are applicable to them
 - Partially offsetting this is a marginally lower proportion of **serious injuries** in the current stock of LTCP participants

Drivers of increased weekly compensation conversion rate

- The Round 2 scenarios assume a reduction in the conversion rate, that will reduce the number of new weekly compensation claims over the next three years. The drivers of the increase in the conversion rate in recent years are not fully understood. If these drivers are fully external (e.g. an increased willingness to claim within society), ACC will find it difficult to influence these rates.

External factors

- **Other pressures in the Health sector**
 - E.g. Surgery wait times
- **Publicity** – ACC may have to endure a period of ‘negative publicity’ as it attempts to exit claims through due process. Potential upside from this publicity is that it may help reduce conversion rates.

02

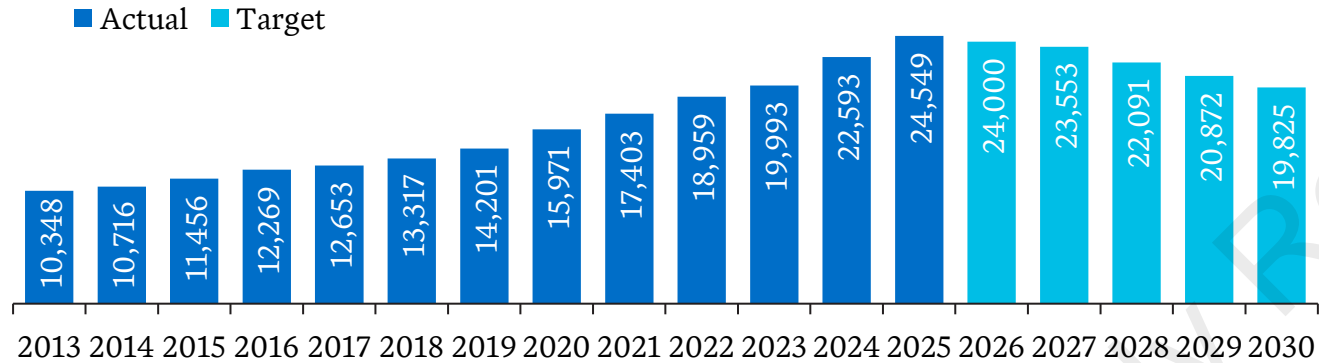


Analysis

Proactively Released

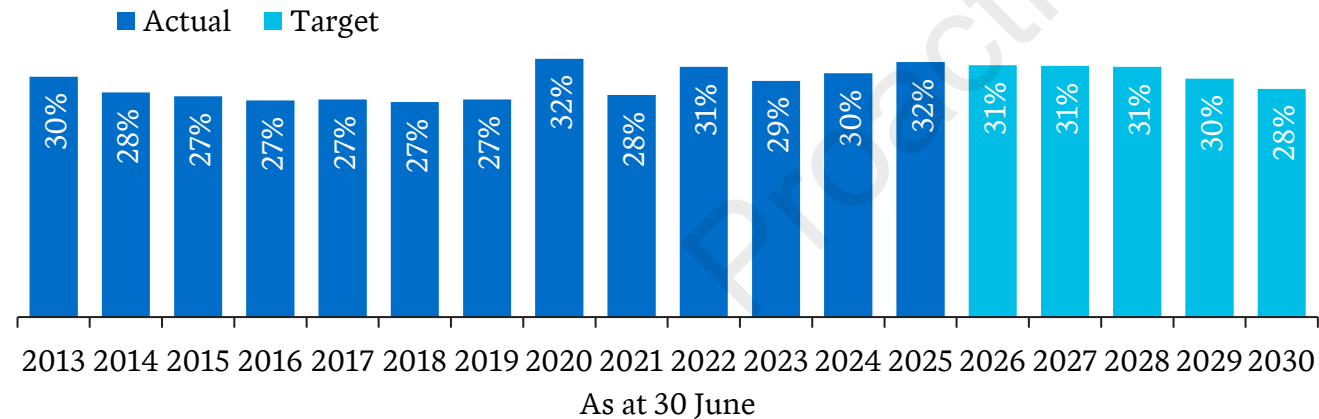
2030 performance target

Number of claims in the LTCP – Scenario 1



- The LTCP is 24,549 claims as at 30 June 2025
- The growth in in the LTCP has accelerated since 2019
- The headline performance target is 19,825 claims in the LTCP at 30 June 2030 under both scenarios
 - The number of claims in the LTCP falls at a faster rate under Scenario 2 (not shown), but is still 19,825 claims at 30 June 2030.

Proportion of active weekly claims in LTCP – Scenario 1



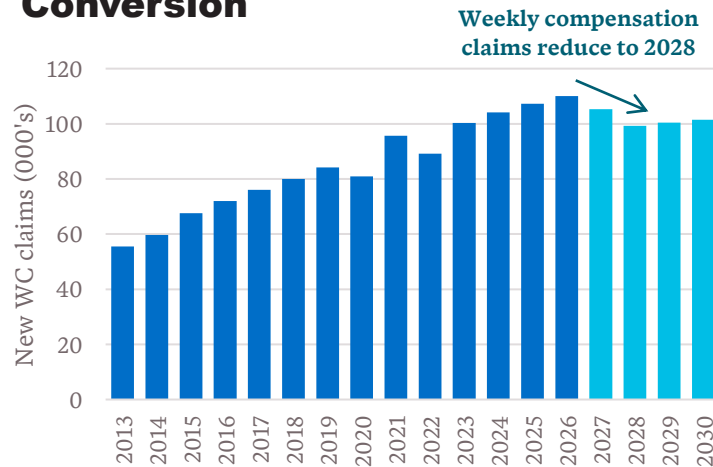
- The LTCP has been generally growing as a proportion of all weekly claims since 2019
- The 2030 LTCP size performance target is broadly consistent with the LTCP size relative to the weekly claimant population during the ‘best ever’ years.

Drivers of performance

The deterioration in performance is a function of conversion, entry and exits from the LTCP

There are three elements of performance for the long-term claimant pool which ACC forecasted in their performance target development

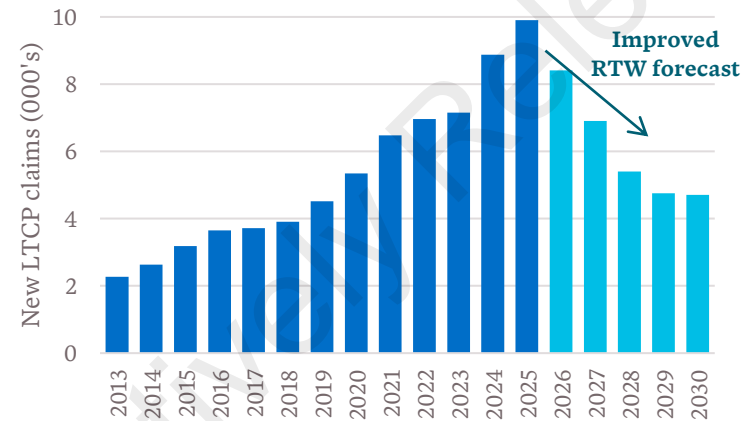
Conversion



Conversion to new weekly compensation claims create the pool that supplies entries into the LTCP.

The number of new weekly claimants has increased from 76,000 to 110,000 since 2017 – materially outpacing population growth.

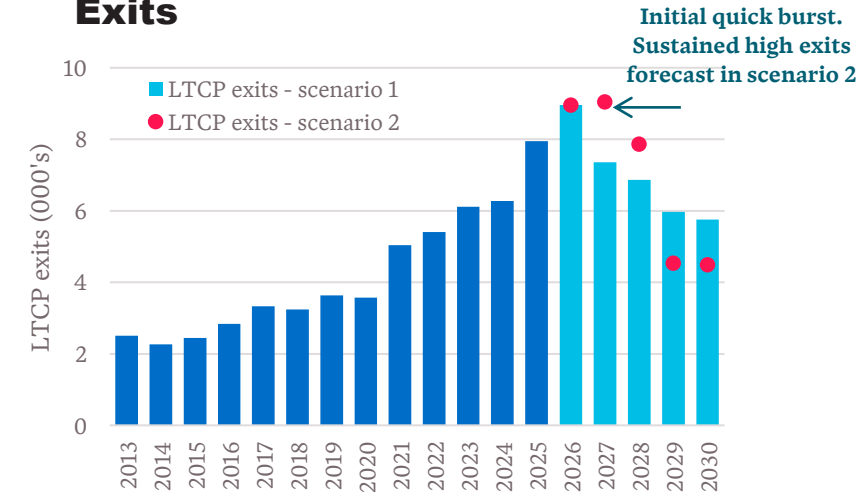
Entry



Entry of weekly compensation claimants to LTCP happens when the claimant remains continuously off work for 365 days.

The RTW rate within 365 days has decreased from 95.0% to 92.5% since 2017.

Exits



Exits from the LTCP means the claimant has returned to work or ceased receiving weekly benefits by other means.

The annual exit rate has increased from 27% to 35% since 2017. However, this increase has not kept pace with increase in new entries over the same period.

Drivers of performance – Conversion

Features of the weekly compensation initiation include:

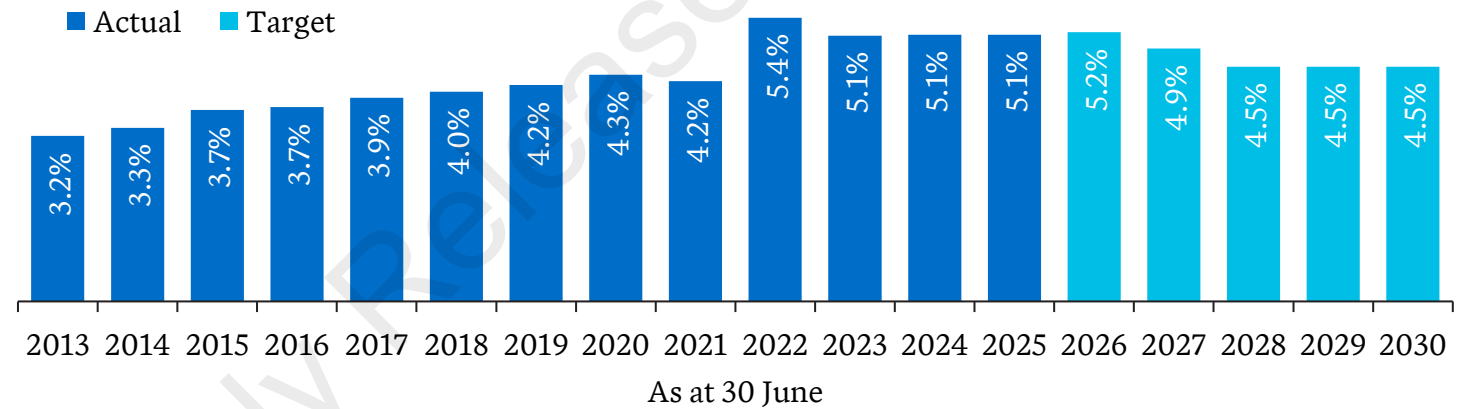
- **Conversion** – the proportion of the total ACC claims that require weekly compensation payments – has consistently grown over the past decade
- The **growth rate** is similar for the Earners' account and the Workers account

ACC's forecasts assume the conversion rate of weekly compensation claims will reduce to 4.5% by 2030.

While we do not know the causes of the underlying growth in conversion, we assess that the comparable growth across accounts implies the cause of growth is likely systemic. This systemic cause may be:

- **External**, such as an increased willingness to claim within society (ACC could not easily influence)
- **Internal**, such as a deteriorating early claim management process (ACC could potentially influence).

Conversion – Number of new weekly compensation claims as a proportion of total claims



Recommendation

We recommend ACC investigate the causes of weekly compensation initiation, including:

- Claimant characteristics
- Processing times
- Barriers to entry.

Identifying actionable insight may provide more opportunity for further improvement in the LTCP.

Assessment of targets

The ACC target for the conversion of weekly compensation claims is lower than current levels, but higher than the pre-2022 levels.

We assess this target is sufficiently ambitious, given the uncertainty of the drivers of past deterioration in conversion rates.

Resolving the underlying cause of deteriorating RTW (entries and exits) may lower conversion rates if the causes include mistaken eligibility or unmeritorious claims.

Drivers of performance – Entries

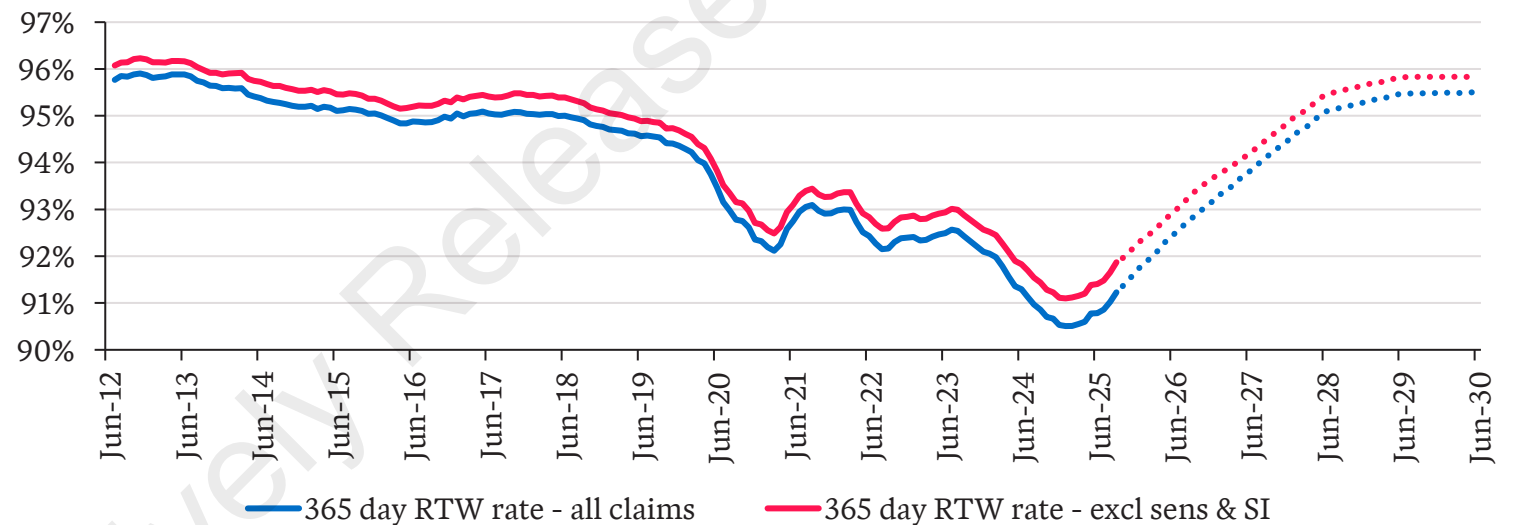
Features of entries to the LTCP include:

- Sensitive claim numbers entering the LTCP have **grown 153%** since 2017, now representing 8% of claims in the LTCP
- Serious claims numbers have been flat, now representing 11% of claims in the LTCP
- Other claims entering the LTCP have **grown 26%** more than population growth since 2017, now representing 81% of the population
- The trajectory of the RTW rates are similar by account

The 365-day return to work rate:

- Deteriorated by 4% between 2016/17 and 2024/25
- Is mostly *unaffected* by the change in mix between sensitive/serious/other claims because the growth in sensitive claims is offset by the flatness of serious claims.

365 day return to work rates (12 month rolling average) - adjusted for sensitive claims and SI



Assessment of targets

The ACC target for RTW is set at a point ~0.5% higher than the ‘best ever’ level.

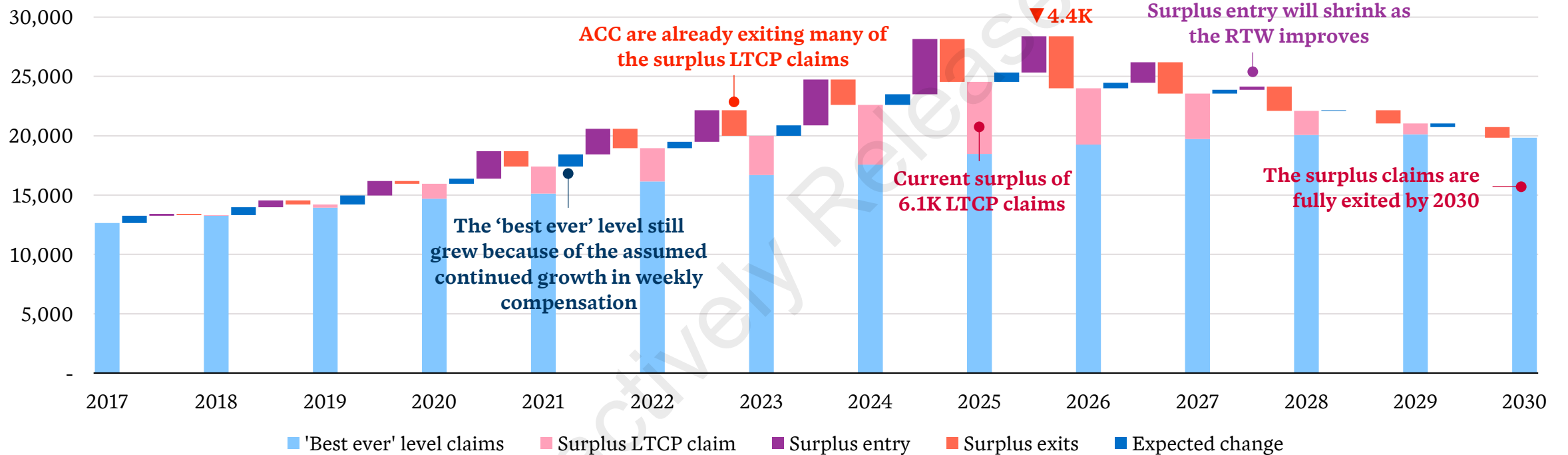
We assess this target is sufficiently ambitious, all else equal.

We assess the timing is sufficiently ambitious, noting:

- The 30 June 2026 result is the most ambitious as the runway to intervene is past the early intervention phase for many claims (e.g. within the first months of compensation), but
- The trajectory has already improved.

Drivers of performance – Exits – Scenario 1

LTCP numbers – Movement in surplus over 'best level' levels, including the build-up to 30 June 2025 and the release of the net exits to 30 June 2030



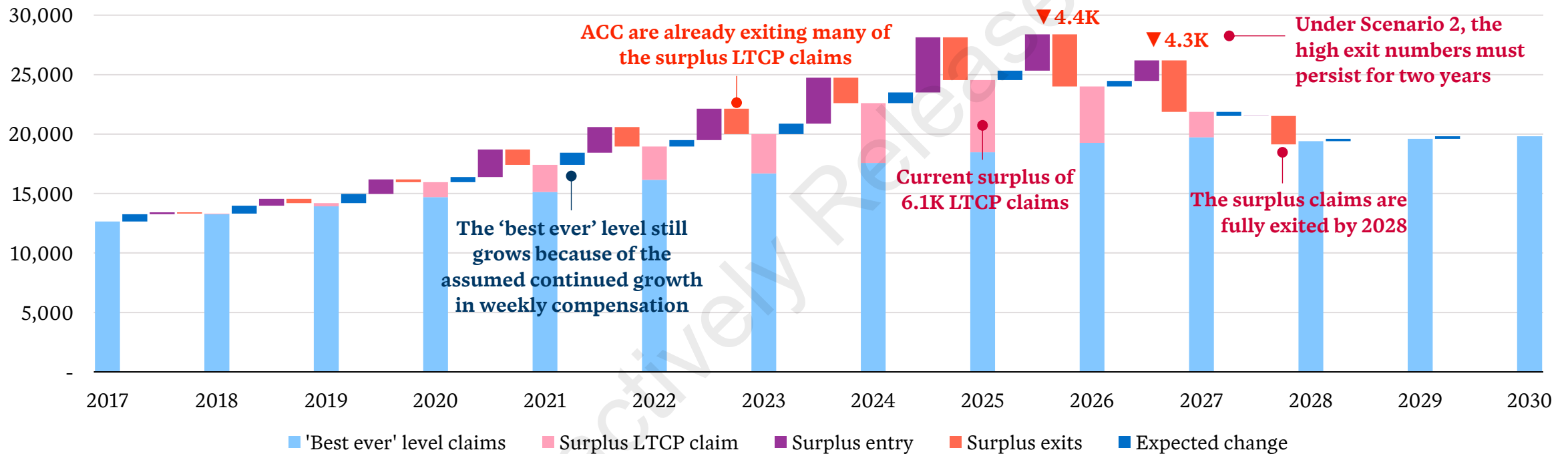
Assessment of targets

The ACC exit targets implies that 100% of the surplus 6,100 LTCP claims built up since 2017 are exited by 2030. **We assess this target is sufficiently ambitious** as it will be difficult to exit all surplus LTCS claims from the pool having now been receiving benefits in excess of 365 days.

To meet target, 4,400 surplus exits are required before 30 June 2026 (on top of 4,600 baseline exits). ACC is at 31% of the target 4 months (33%) into 2025/26. The January/December period is likely to contribute lower exits, which will make the remainder of the year more challenging.

Drivers of performance – Exit – Scenario 2

LTCP numbers – Movement in surplus over 'best level' levels, including the build-up to 30 June 2025 and the release of the net exits by 30 June 2028



Assessment of targets

ACC exit targets imply that 100% of the surplus 6,100 LTCP claims built up since 2017 are exited by 2028. **We assess this target is sufficiently ambitious and clearly more ambitious than scenario 1.** Without knowing the composition of the LTCP we are unable to opine on whether scenario 2 is overly ambitious. At face value, surplus exits required in 2027 are *fewer than in 2026*. However, there is a general expectation that exiting claimants will become increasingly difficult as ACC works through the surplus (noting scenario 2 also increases identified risks).

To meet target, 4,400 surplus exits are required by 30 June 2026 (on top of 4,600 baseline exits) and a further 4,300 surplus exits (on top of 4,700 baseline exits) are required over the year to 30 June 2027.



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Appendix

Review of weekly compensation targets – Round 1

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01



Executive Summary

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LTCP Scenario – ACC alternative performance targets

Scope

We have reviewed the *Executive Paper – Alternative performance scenarios* prepared by Richard Korte (Head of Performance and Analytics) dated 6 November 2025.

Our review, as agreed, has focussed on:

- 365 RTW rate target
- Active LTCP target
- Assumed LTCP exit rates.

In making our assessment, we consider:

- the 2030 targets (are these consistent with ‘best-ever’ level performance?)
- The 2026 targets (as an indicator of timeframe)
- The risks/inhibitors to ACC success

Level of Ambition?

Are the targets, including proposed timeframes, **sufficiently ambitious**?

- In this context ‘sufficiently ambitious’ means that targets are in-line with an expectation that ACC’s performance returns to best-ever levels and meet the MBIE definition of a stretch target.
- MBIE defines a stretch target as: *An ambitious goal set beyond the standard or expected level of performance. It should challenge ACC to go beyond its comfort zones and achieve exceptional results. Unlike regular targets, which are usually based on historic data or regular forecasts, stretch targets are intentionally difficult but not impossible.*

Legislative change required?

Is it reasonable to assume ACC could deliver on these targets without any changes to legislation?

Key ACC assumptions

The ACC alternative scenario assumes:

- Weekly compensation claims grow at between 4.0% in 2026 reducing to 3.6% in 2029
- The 365 RTW rate at 30 June 2028 and beyond is comparable to 2016 levels
 - While not ‘best-ever’ observed level, this is considered by ACC to be ‘best-ever and sustainable’ level
- Annual exit rates to increase to a best-ever level in 2026 and then return to recent average levels in future periods.

ACC alternative performance targets

Year ending	LTCP	365 RTW rate	Annual exit rate
Jun-24	22,593	91.3%	31.4%
Jun-25	24,549	90.8%	35.2%
Jun-26	24,000	92.6%	36.5%
Jun-27	23,680	93.7%	31.2%
Jun-28	22,554	95.0%	29.7%
Jun-29	21,492	95.4%	29.7%
Jun-30	20,860	95.4%	29.9%

Findings

The 2030 targets are sufficiently ambitious within the context of a growing number of weekly claims, although we recommend that ACC review the drivers of the growing number of weekly claims

Are the 2030 targets sufficiently ambitious?

Taking the projected number of initial accepted claims to the ACC as a given, the 2030 targets are a stretch and appear to **meet the criteria of ‘sufficiently ambitious’**.

Our analysis reveals:

- Growth rates (actual and assumed) in weekly compensation contribute materially to the size of the LTCP. This may account for much of the difference between the original Turnaround Plan and the Alternative Scenarios.
- The mix by **account is similar** to the mix at 2015/16, implying the underlying claims profile is comparable to when ‘best ever levels’ were achieved.

Recommendation

Reducing (or limiting) the intake of weekly compensation claims is a potential lever not examined in the scenarios presented to Taylor Fry but is a potential lever for reducing the LTCP over time.

The **likelihood of beating the target LTCP would increase markedly** if the intake of weekly compensation claims was reduced.

We recommend ACC investigate the causes of growth in weekly compensation, including analysing claimant characteristics, processing times and barriers to entry.

Is legislative change required?

No

Is the timing of target sufficiently ambitious?

The 2026 targets appear to be **sufficiently ambitious**.

Our analysis reveals:

- RTW rates are already improving toward the 2026 target, even after controlling for the impact of sensitive claims and serious injuries on the LTCP
- Exit numbers for FY26 YTD are broadly on-track, but the same exit rate is required over the remainder of the year which might be difficult to achieve over the December/January period.

Risks / inhibitors to success

Claims process risks

- **Due process for exits** – ACC will follow due process for exits which can take nine months to complete. While this approach reduces the risk of poor publicity, it means the 2026 target appears overly ambitious.
- **External market for assessments** – ACC relies on the timely access to external markets for:
 - Assessments required to facilitate exit (vocational independence)
 - The qualification bar (for assessments) has been lowered but will take time for market capacity to flow through.

Claims management risks

- **Low tenure of current staff** – Experienced claims managers achieve better RTW outcomes. The current workforce are relatively new and need to build capability.
- **Retention of current staff** – If staff are driven too hard or disillusioned by failure to meet unrealistic interim targets, they may leave ACC, jeopardising longer-term targets.

Claim profile

- **Sensitive claims** form a larger portion of the LTCP stock – exit rates are much lower for sensitive claims, and it is not reasonable to assume past rehab rates are applicable to them
 - Partially offsetting this is a marginally lower proportion of **serious injuries** in the current stock of LTCP participants

External factors

- **Other pressures in the Health sector**
 - E.g. Surgery wait times

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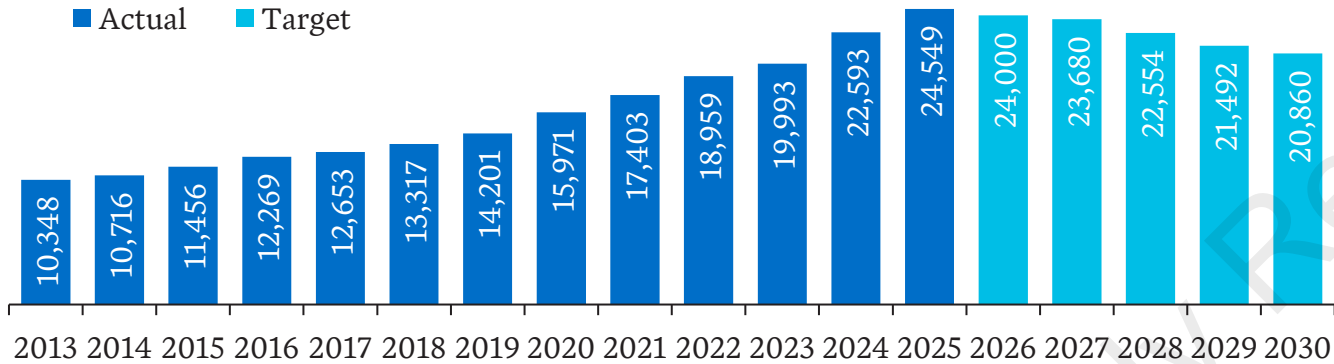


Analysis

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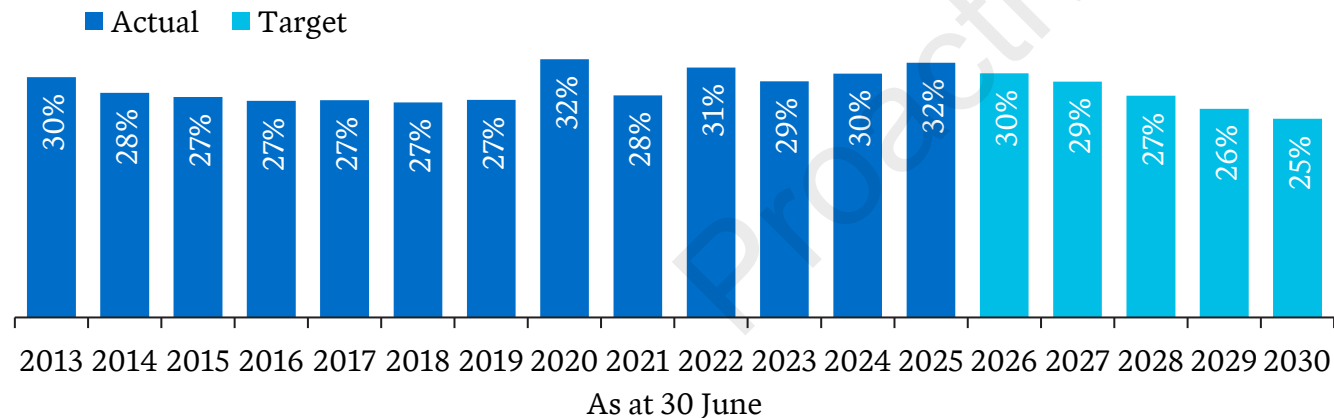
2030 performance target

Number of claims in the LTCP



- The LTCP is 24,549 claims as at 30 June 2025
- The headline performance target is 20,860 claims in the LTCP at 30 June 2030
- The growth in in the LTCP has accelerated since 2019

Proportion of active weekly claims in LTCP



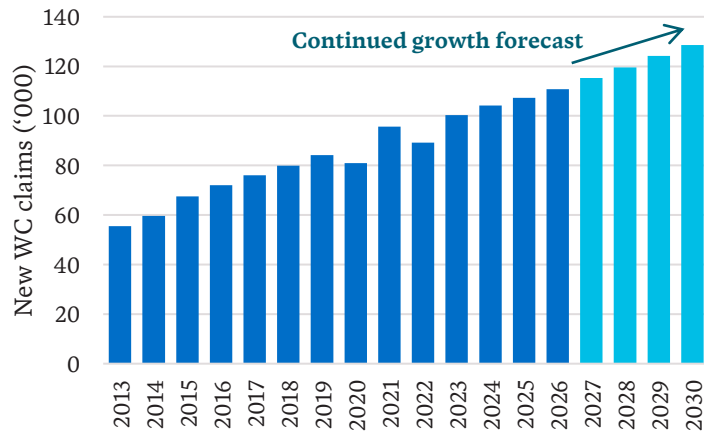
- The LTCP has been generally growing as a proportion of all weekly claims since 2019
- The 2030 LTCP size performance target is slightly lower than the LTCP size relative to the weekly claimant population during the 'best ever' years.

Drivers of performance

The deterioration in performance is a function of supply, entry and exits from the LTCP

There are three elements of performance for the long-term claimant pool which ACC forecasted in their performance target development

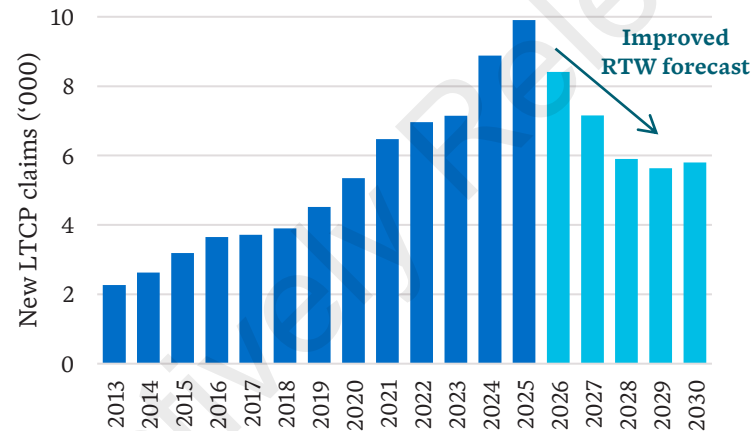
Supply



Initiation of new weekly compensation claims create the pool that supplies entries into the LTCP.

The number of new weekly claimants has increased from 76,000 to 110,000 since 2017 – materially outpacing population growth.

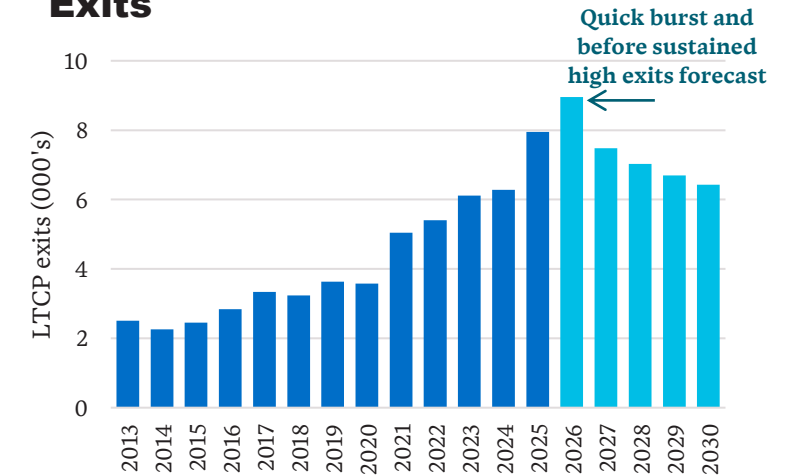
Entry



Entry of weekly compensation claimants to LTCP happens when the claimant remains continuously off work for 365 days.

The RTW rate within 365 days has decreased from 95.0% to 92.5% since 2017.

Exits



Exits from the LTCP means the claimant has returned to work or ceased receiving weekly benefits by other means.

The annual exit rate has increased from 27% to 35% since 2017. However, this increase has not kept pace with increase in new entries over the same period.

Drivers of performance – Supply

Features of the weekly compensation initiation include:

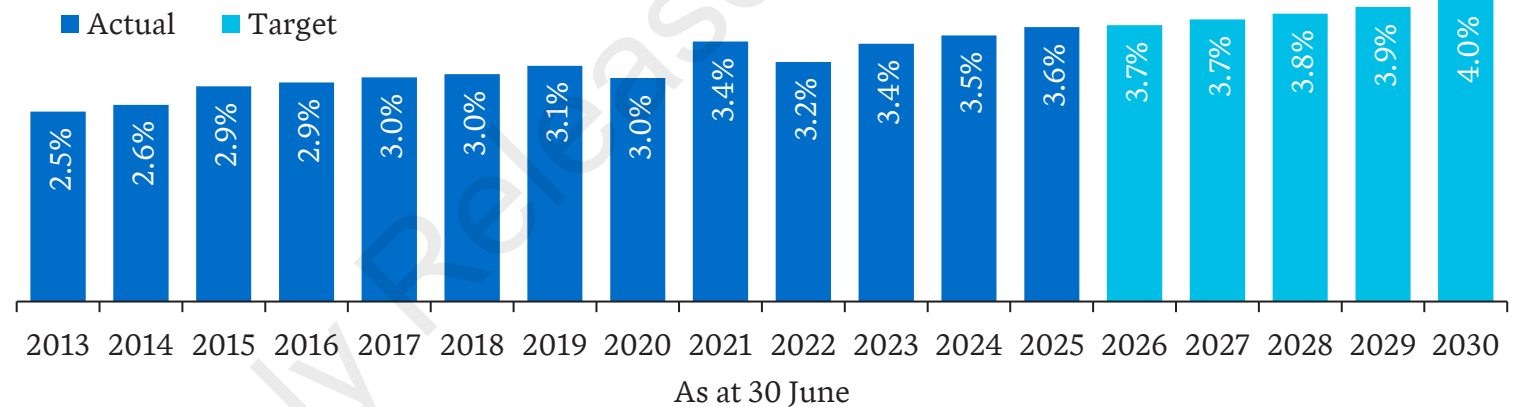
- **Utilisation** – the proportion of the earning population making a weekly compensation claim – has consistently grown over the past decade
- The **growth rate** is similar for the Earners' account and the Workers account

ACC's forecasts assume a *continued growth* in the utilisation of weekly compensation.

While we do not know the causes of the underlying growth in utilisation, we assess that the comparable growth across accounts implies the cause of growth is likely systemic. This systemic cause may be:

- **External**, such as an increased willingness to claim within society (ACC could not easily influence)
- **Internal**, such as a deteriorating early claim management process (ACC could potentially influence)

Utilisation – Number of new weekly compensation claims as a proportion of earners' population



Recommendation

We recommend ACC investigate the causes of weekly compensation initiation, including:

- Claimant characteristics
- Processing times
- Barriers to entry.

Identifying actionable insight may provide more opportunity for further improvement in the LTCP.

Assessment of targets

ACC do not explicitly set target utilisation. A lower 'supply' would contribute to a smaller LTCP. As such, reviewing and managing utilisation may improve the feasibility of the target LTCP numbers.

Resolving the underlying cause of deteriorating RTW (conversion and exits) may lower utilisation if the causes include mistaken eligibility or unmeritorious claims.

Drivers of performance – Entries

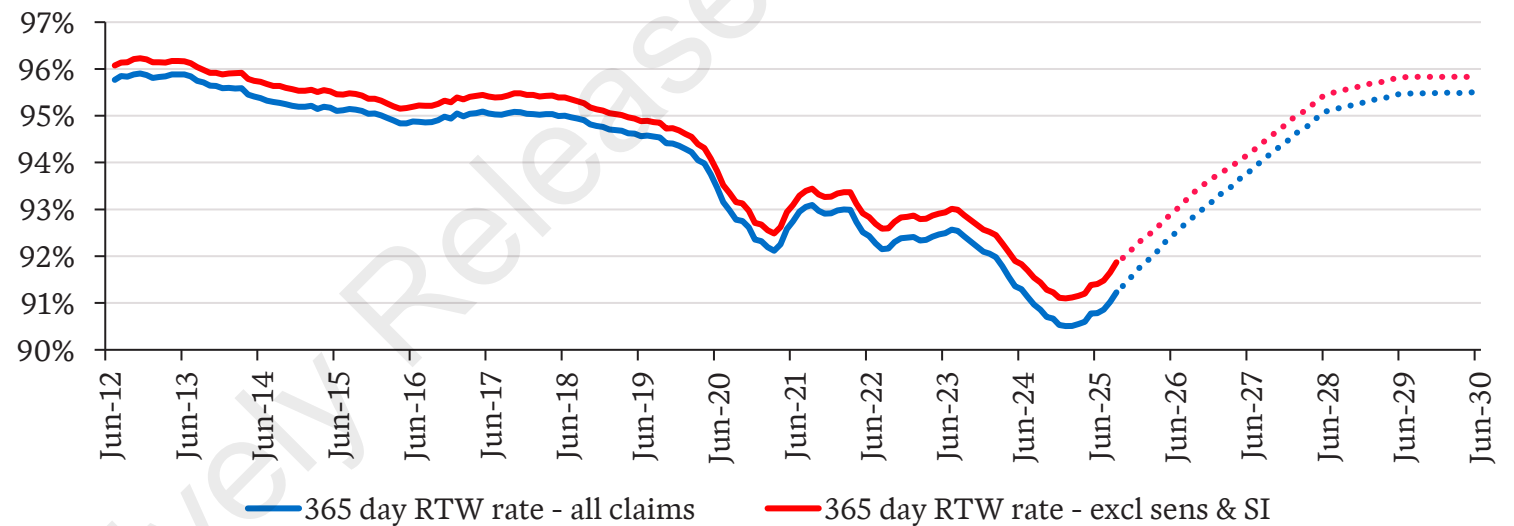
Features of entries to the LTCP include:

- Sensitive claims numbers entering the LTCP have **grown 153%** since 2017, now representing 8% of claims in the LTCP
- Serious claims numbers have been flat, now representing 11% of claims in the LTCP
- Other claims entering the LTCP have **grown 26%** more than population growth since 2017, now representing 81% of the population
- The trajectory of the RTW rates are similar by account

The 365-day return to work rate:

- Deteriorated by 4% between 2016/17 and 2024/25
- Is mostly *unaffected* by the change in mix between sensitive/serious/other claims because the growth in sensitive claims is offset by the flatness of serious claims.

365 day return to work rates (12 month rolling average) - adjusted for sensitive claims and SI



Assessment of targets

The ACC target for RTW is set at a point ~0.5% higher than the 'best ever' level.

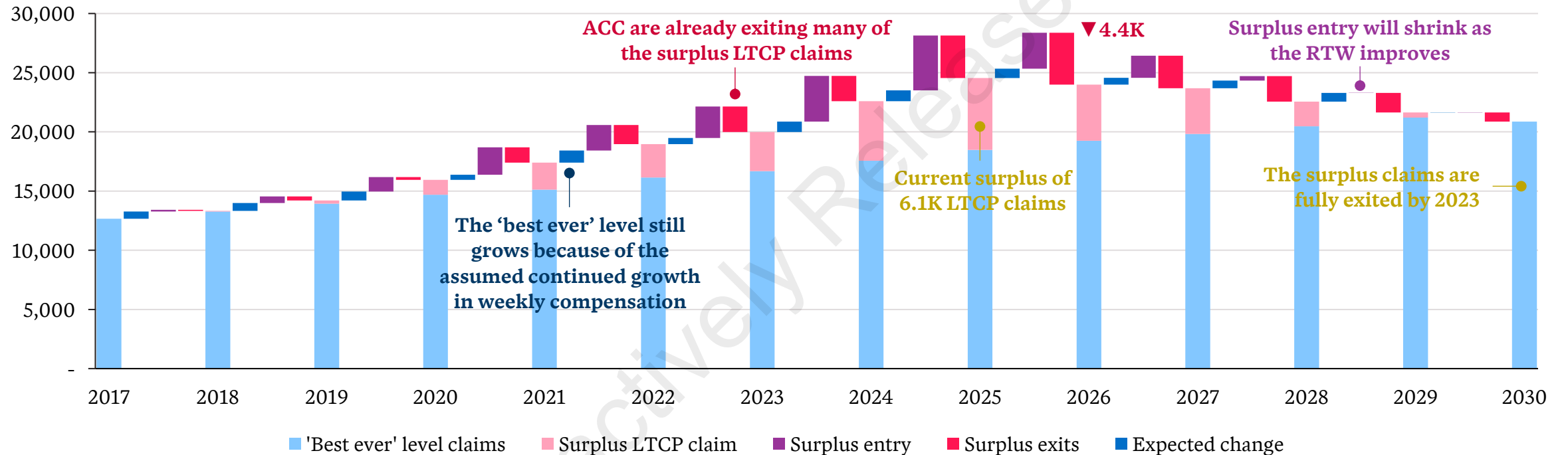
We assess this target is sufficiently ambitious, all else equal.

We assess the timing is sufficiently ambitious, noting:

- The 30 June 2026 result is the most ambitious as the runway to intervene is past the early intervention phase for many claims (e.g. within the first months of compensation), but
- The trajectory has already improved.

Drivers of performance – Exits

LTCP numbers – Movement in surplus over 'best level' levels, including the build-up to 30 June 2025 and the release of the net exits to 30 June 2030



Assessment of targets

The ACC exit targets implies that 100% of the surplus 6,100 LTCP claims built up since 2017 are exited by 2030. **We assess this target is sufficiently ambitious** as it will be difficult to exit all surplus LTCS claims from the pool having now been receiving benefits in excess of 365 days.

To meet target, 4,400 surplus exits are required before 30 June 2026 (on top of 4,600 baseline exits). ACC is at 31% of the target 4 months (33%) into 2025/26. The January/December period is likely to contribute lower exits, which will make the remainder of the year more challenging.



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Board Paper – Strategy, Turnaround Plan, Statement of Intent and Service Agreement

Prepared by	[Name removed], Chief Advisor
Approved by	Andy Milne, Executive Lead Scheme Sustainability Renee Graham, DCE Strategy Engagement and Prevention
Meeting Date	27 November 2025

Purpose

To seek approval for several key documents that form ACC's strategic framework over the coming years. This paper should be read in conjunction with the paper 'Alternative performance scenarios' (item 3.1), as the final targets included in the Turnaround Plan and Service Agreement will depend on decisions made on that paper.

Key Points

- Following receipt of the Updated Letter of Expectations and earlier feedback from the Board, ACC has finalised several key documents that collectively form our strategic framework for the coming years.
- These include a new strategy, Statement of Intent, Service Agreement and Turnaround Plan.
- The Board has considered earlier versions of these documents, which have been updated to reflect your feedback.
- These documents are inter-related and have standardised content and information where possible. There are some differences that reflect their different audiences and intent.
- We will update the targets in the Turnaround Plan and Service Agreement to reflect the Board's preferred performance scenario (refer item 3.2).
- Following Board approval, these documents will be provided to the Minister for ACC, including seeking feedback on the draft Statement of Intent and Service Agreement.
- We will seek Board approval of the final Statement of Intent and Service Agreement in December.

Recommendations

1. **Approve** ACC's new strategy for 2026 – 2029.
2. **Approve** ACC's draft Statement of Intent 2025-2029 and 2025/26 Service Agreement for submission to the Minister for ACC, which will be updated to reflect the Board's preferred performance scenario.
3. **Approve** ACC's Turnaround Plan 2025/26, which will be updated to reflect the Board's preferred performance scenario.
4. **Delegate** to the Board Chair to approve final versions of these documents, if required.



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Background

ACC has developed several new strategy, planning and accountability documents that will guide our strategic focus and priorities over the coming years. These documents respond to findings from external reviews completed throughout 2025, along with the Minister's Updated Letter of Expectations (LOE), and are intended to support a strengthened focus on improving rehabilitation performance and protecting the Scheme's long-term financial sustainability.

These documents are inter-related and collectively form ACC's strategic framework. While we have standardised content and information where possible, there are some differences across the documents that reflect their different audiences and intent. For example, the Turnaround Plan is framed around the Minister's priorities as set out in the LOE, which have been slightly reframed in the strategy given this is an internal document that needs to resonate with our people. Key content in our accountability documents (SOI and Service Agreement) also reflects legislative requirements.

Strategy

- A final version of ACC's new strategy for 2026-2029 is attached at **appendix one**.
- Replacing Huakina Te Rā has provided the opportunity to revisit how ACC responds to Te Tiriti o Waitangi | The Treaty of Waitangi. The Board directed us to work with [REDACTED] to develop the proposed statement, which included analysing three options: our current Huakina Te Rā statement, a statement developed by staff, and the 2015 statement. Following that discussion, the *About ACC* section now includes a proposed statement that reflects ACC's position as a Crown entity.
- The strategy-on-a-page has also been updated to include ACC's three new organisational values. These were informed by a staff engagement process throughout October and November, along with considering the Finity report, Culture Review, and wider strategy.
- Other amendments have been made following feedback from the Board in November, and to ensure the wording aligns with the Statement of Intent and Service Agreement.
- We intend to begin discussing the new strategy with ACC's Enterprise Leaders cohort in December, ahead of commencing our annual planning process.
- The strategy will formally launch in January 2026, and we will update the Board on our proposed communications approach ahead of this.
- There will be further internal engagement on our new values, including how these are brought to life, early next year.

Statement of Intent

- The latest draft of the Statement of Intent 2025-2029, which is a legislatively required accountability document, is attached at **appendix two**.
- The Statement of Intent and Service Agreement are aligned to the strategy and Turnaround Plan. However, there are some differences that reflect legislative requirements:
 - The priorities from the strategy are referred to as strategic objectives in the accountability documents.
 - The Statement of Intent includes reference to Information and Systems, to meet legislative requirements around referencing how ACC will "manage its organisational health and capability".
 - There are some differences between measures in the Statement of Intent and the strategy, reflecting the difference in how the two documents will be used. The key difference is the use of claims costs to measure success in the strategy, which we have not included as an outcome measure in the Statement of Intent as it is transactional. We report on claims costs and trends regardless.



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- Most of the content in the Statement of Intent is legislatively required¹. The *Our Governance and Risks* section could be considered optional however this has been included to address the requirement to give detail “on any other matters reasonably necessary to understand entities intentions and capability”.
- This version of the Statement of Intent includes a new Appendix 3, *Our Performance Framework*, which responds to feedback from the Board requesting a one-page summary. We have also revised the narrative to reflect the updated LOE and context for updated rehabilitation targets.

Service Agreement

- The Service Agreement 2025/26 (January 2026) is proposed to amend the existing Service Agreement for the remainder of the current financial year (i.e. from 1 January – 30 June 2026). It is aligned to the strategy, Turnaround Plan and draft Statement of Intent.
- The draft Service Agreement 2025/26 (January 2026) is attached at **appendix three**. Key content in this document also reflects legislative requirements².
- We have discussed the Statement of Intent, amended Service Agreement 2025/26 and our current environment with EY and the Office of the Auditor General (OAG), who are supportive of our approach.
- Specifically, we sought advice on the inclusion of four-year targets in the Service Agreement. While this is not a legislative requirement, our advice is to retain the outyear targets because:
 - it is considered good practice, is transparent and demonstrates a commitment to ongoing improvement by showing our longer-term performance turnaround trajectory
 - it is aligned with the LOE, which specifically requests that the Board sets “long-term targets that ensure that the organisation can stay on track and not lose focus”
 - reflects our current approach to include outyears since the first Service Agreement, developed for 2014/25
 - it is encouraged and considered good practice by EY, OAG and Treasury.
- The Letter of Expectations refers to Kainga Ora and Health NZ as models. You can see examples of accountability documents from Kainga Ora here for optional reading:
 - [Statement of Performance Expectations: Kāinga Ora – Homes and Communities](#)
 - [Statement of Intent: Kāinga Ora – Homes and Communities](#)

¹ Specific requirements on what must be included in a Statement of Intent include: the nature and scope of functions and operations; how functions and operations will be managed; how organisational health and capability will be managed; how performance will be assessed; any other matters reasonably necessary to understand entities intentions and capability.

² The Service Agreement is required to cover: what we will have delivered by 30 June 2026 to demonstrate progress against our strategic objectives; the quality and quantity of services (outputs) to be provided by ACC; the expected cost of delivering those services; the performance measures, indicators, targets and related information necessary for the Minister to assess our performance; how we will deliver our outputs: injury prevention, levy setting and collection, investment management, and claims management; forecast financial statements; our Investment Statement.



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Turnaround Plan

- A final version of ACC's Turnaround Plan 2025/26 is attached at **appendix four**.
- This plan responds to expectations in the Updated LOE that ACC develop an ambitious plan to turn around performance, which includes specific and measurable short- and long-term targets sufficiently ambitious to drive necessary performance shifts.
- Last month, the Financial Sustainability Sub-committee approved an earlier version of this plan, subject to any changes to reflect the Updated LOE.
- Key changes in the final version of the plan include:
 - revising the introduction to align with language in the LOE
 - strengthening the description around the targets to highlight that they support returning the Scheme to a balanced financial position, through ACC delivering 'best ever' performance levels
 - including reference to ACC's new strategy.
- Once confirmed, the plan will also be updated with the Board's preferred rehabilitation performance scenario and associated financial savings.
- The actions in the plan have not changed from the previous version the Sub-committee considered.
- Development of a new strategy, Statement of Intent and Service Agreement are included as action 10.1 in ACC's Turnaround Plan.
- We understand that the Minister's Office may wish to release the Finity report and Updated LOE later this year, and that the final Turnaround Plan could be included in that package of announcements.
- We are developing an internal communication approach to support sharing the Turnaround Plan and new targets with staff and will keep the Board updated on this work.

Next steps

The key next steps for the Statement of Intent and Service Agreement are detailed below.

Date	Action
27/11	Board meeting to approve draft SOI and SA
(2 working days)	Board amendments
1/12	Provide draft to Minister – starts legislative timeframes
8/12	Feedback received from Minister – allowing 5 days for feedback (noting 15 working days legislatively allowed is up on 23/12)
9/12	Executive discussion
11/12	Final documents provided to Board
18/12	Board meeting
19/12	Finalise and send to Minister
After 19/12	Minister signs Service Agreement. SOI should be final once provided (no signing required)



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Hon Scott Simpson
Minister for ACC
Parliament Buildings
Wellington

3 December 2025

Dear Minister

I write as a follow up to my letter of 20 November 2025, where I provided an initial response to your Updated Letter of Expectations.

Working with Management, the Board has now finalised the development of an ambitious turnaround plan, building on the three overarching priorities identified in your letter (attached). The plan outlines work ACC will progress this financial year to deliver on our ambition for ACC to be a high-performing organisation that delivers excellent case management support, and ultimately ensures the Scheme is financially sustainable long-term.

For your information, I have also attached ACC's new strategy for 2026-2029, which was recently approved by the Board. You will see that there is strong alignment between the focus areas of this strategy and your overarching priorities. Alongside the turnaround plan, this new strategy will support a focus on ACC getting back to the basics of timely, fair and effective case management that supports people to return to work and independence, in line with our legislative mandate.

Following your Updated Letter of Expectation, the Board has developed a draft Statement of Intent 2026-2030 and amended Service Agreement for the current financial year (attached). These accountability documents are aligned to our turnaround plan and the new organisational strategy and include short and long-term targets intended to drive a shift in ACC's performance, which would see it return to best-ever levels in the coming years.

Given the short timeframes to have these documents in place by 1 January 2026, we are seeking your feedback by 10 December 2025. ACC Management will shortly provide a briefing with further details on these accountability documents and key next steps.

I would like to reinforce the Board's ongoing focus on improving ACC's performance and ensuring the Scheme remains affordable and able to support future generations. These key strategic and accountability documents will be key enablers for this focus in the coming years.

Yours sincerely

A handwritten signature in black ink that reads 'Jan Dawson'.

Jan Dawson
Chair
Accident Compensation Corporation



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Memorandum

To	[Name removed], Ministry of Business and Innovation
CC	[Name removed], Chief Advisor to the Chief Executive, ACC
From	[Name removed], Chief Actuary & Head of Actuarial Services, ACC
Date	28 August 2025
Subject	Actuarial estimates of turnaround plan scenario

Background

MBIE have requested actuarial estimates of the impact on the outstanding claims liability (OCL) of specified weekly compensation targets out to 2030. This is subsequent to prior work that was done to give estimates of the impact of social rehabilitation and elective surgery initiatives as well as an earlier version of weekly compensation targets.

Scope, intended use and limitations

These estimates have been prepared according to the New Zealand Society of Actuaries Professional Standard No 90: General Actuarial Practice. The results presented in this memo are a modelled scenario of what could happen to the projected OCL if the new targets for the long-term claims pool (LTCP), weekly compensation rehabilitation rates, social rehabilitation spend, and elective surgery can be achieved. This report is being provided for use by MBIE to inform a set of performance targets for ACC. This cannot be considered actuarial advice to support this as a plausible or achievable scenario for ACC.

The estimates represent just one scenario of many that could generate a similar performance pattern to the proposed targets. What is actually delivered, and the actual timing of the delivery, could significantly change the OCL estimate.

Where these actuarial estimates are used or distributed to other parties, this memo should be included in full to accompany them.

Data used

The targets for weekly compensation have been provided to us by MBIE and are the following:



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Target	By 30 June 2026	By 30 June 2028	By 30 June 2030
Return to work – 28 days	37%	42%	45%
Return to work – 70 days	63%	69%	75%
Return to work – 273 days	91%	93%	95%
Reducing the overall size of the long-term claims pool	22,000 AND 23,000	18,000	15,000

We have also relied on analysis performed by the ACC Performance & Analytics team that indicates the 273-day return to work rate of 95% implies a 365-day return to work (RTW) rate of 97.5%.

We have compared the targets provided with historical information on past performance. These targets far exceed any historical performance achieved by ACC and are likely unachievable without legislative change.

1. These targets would require LTCP exits in each of the next five years to be greater than the exits ever achieved in any multi-year period. They represent average annual net exits to the pool of 1,900 (9.4%) per annum for the five years. The last time there was a sustained reduction in the LTCP there was an average net reduction of 1,000 claims (7.8%) per year over the four years from June 2009.
2. The targets would also require a 365-day rehabilitation rate of 97.5% in 2030, significantly higher than the historical maximum rehabilitation rate of 96.0%. If this rate is restated as an LTCP entry rate, it represents a 2.4% entry rate compared to the best achieved historical level of a 4.0% entry rate. This requires a 40% reduction in the LTCP entry rate from the best historically achieved.
3. The lowest the LTCP has been in recent history was approximately 10,400 in June 2013. Based on a simple projection forward to June 2025, and using actual new claim volumes, that would mean a 30 June 2025 LTCP of approximately 20,000. While this is



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significantly lower than the actual 30 June 2025 LTCP, it is also significantly higher than the target of 15,000 for 2030. Additionally, if the next five years of population growth were added then that would give an estimate of 22,000 at June 2030.

4. The make-up of the LTCP has changed substantially since 2013. In particular, the number of sensitive claims in the LTCP has increased from 300 claims at June 2013 to 1,900 at June 2025, and is projected to continue to grow. Improvements in rehabilitation rates are unlikely to have a material impact on sensitive claims.
5. In their quality assurance report Finity have noted that the 10-week and 9-month RTW targets are higher than all similar Australian overseas schemes and will be extremely difficult without significant legislative changes. The targeted 28-day rate is similar to better performing schemes, however this rate has little impact on the LTCP and the OCL.

All other data used is consistent with the June 2025 OCL valuation. More detail on the data used, the checks performed, and the reliability of the data, is included in the report *Valuation of outstanding claims liabilities as at 30 June 2025* dated 19/08/2025 (the 'Valuation Report'). This report is available on request.

Methodology and assumptions

The baseline that has been used to produce this scenario is the June 2025 OCL valuation. More detail on the methodology and assumptions used in the valuation is in the Valuation Report. This work was performed by Alan Greenfield, Paul Driessen and Ross Simmonds of Taylor Fry and has been relied on for this scenario.

Outside of the adjustments set out below, the projected OCL has been unchanged from this valuation and includes the estimates made for new claims and economic assumptions. Actual changes to these assumptions can have a material impact on the OCL and result in a significantly different OCL forecast.

The adjustments made for this scenario are:

1. Weekly compensation:
 - The OCL valuation uses continuance rates, which are correlated with RTW rates but not exactly the same. Under the modelled scenario, the continuance rate assumptions have been adjusted to bring them, by June 2028, to the levels they were in 2017, when the RTW rate was approximately 95%. As the current rate is 90%, this represents an improvement of approximately 5%. To align with the June



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2030 365-day RTW target of 97.5%, a further 2.5% improvement is needed. This has been modelled by applying 50% of the above adjustment again but between June 2028 and June 2030. These adjustments are applied across all claim durations, with the most pronounced impacts observed for accident dates from 2020 onwards.

- These continuance rate assumptions are assumed to continue at this level forever post 2030.
- Exits for claims exceeding one year are broadly aligned with the targets. As we don't explicitly model the LTCP, approximations have been applied to ensure consistency. Exit rates were significantly increased for accidents commencing after 2015, with no changes for accidents commencing before 2005. A small reduction was made for accident years 2005-2015. A reduced exit rate also applies for new accidents between 2025 and 2029, in addition to the assumed improvement in rehabilitation rates.
- This represents just one of many potential scenarios capable of producing a pattern consistent with the Service Agreement targets. The actual outcomes and timing of delivery could materially alter the OCL forecast. We have not allowed for any potential increase in operating expenses to deliver these targets.
- A small adjustment was made to weekly compensation amounts for elective surgery initiatives. These are only those initiatives that have a focus on reducing volumes on specific surgery types and the subsequent weekly compensation from these surgeries not occurring. The adjustments have been calculated to be consistent with those determined in the Rehabilitation & Treatment Group business case benefit realisation plan. There was one initiative that we did not include as this was about returning to work rates post-surgery. This was excluded to avoid double-counting from the improvement in rehabilitation rates.

2. Social rehabilitation:

- A reduction has been made to payments for serious injury claims in line with the three specific serious injury initiatives from the original turnaround plan. These were for savings in provider travel, residential care, and home and community support.
- A further reduction has been made for the 10% savings target from social rehabilitation for the 2027 financial year. Adjustments have been made in line



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with the services set out in the business case approved by the Rehabilitation & Treatment Group. The focus of the secondary savings target has changed from the original turnaround plan to have less weight on serious injury claims.

3. Elective surgery:

- This comes from the same initiatives that are reflected in the weekly compensation savings from elective surgeries. These are expected to result in a reduced spend on elective surgery and the adjustments made have been calculated to be consistent with those determined in the Rehabilitation & Treatment Group business case benefit realisation plan.

The OCL is calculated by projecting the next 100 years of expected payments for accidents that have already occurred. Projecting over such a long timeframe means there is significant inherent uncertainty in the projections that are made. The Valuation Report contains sensitivity analysis on key assumptions to give an indication of the uncertainty present in the estimates.

Results

The total OCL reduction estimated for this scenario is **\$11.53b** at June 2030. Note this is **not** all an 'OCL release', some will come through as an 'OCL release' in a given year, whilst the remainder will reduce the 'OCL expected increase' the following year.

This amount can be broken down into:

1. Weekly compensation – \$9.18b total OCL reduction at June 2030.
 - a. \$8.91b from improved rehabilitation and reduced LTCP.
 - b. \$0.27b from lower volumes via elective surgery initiatives
2. Social rehabilitation – \$1.98b total OCL reduction at June 2030.
3. Elective surgery – \$0.36b total OCL reduction by June 2030.

All OCL figures quoted exclude the risk margin/adjustment. This aligns to the funding policy and the likely balance sheet reporting when ACC moves to IFRS17 from 1 July 2026. We have not allowed for any other potential changes from moving to IFRS17.

[Name removed]

Chief Actuary and Head of Actuarial Services, ACC

FIA FNZSA