

Service Agreement

2025/26

January 2026



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Service Agreement

The Service Agreement 2025/26 (January 2026) is the updated agreement between the Accident Compensation Corporation (ACC) and the Minister for ACC for the remaining half of the 2025/26 year.

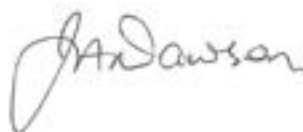
The Service Agreement is required under the Accident Compensation Act 2001 and constitutes the Statement of Performance Expectations for the purposes of the Crown Entities Act 2004 (Section 149E) — both as amended by the Crown Entities Amendment Act 2013.

This Service Agreement is an amendment to the Service Agreement dated 11 June 2025 and relates to the period 1 January 2026 to 30 June 2026.



Hon Scott Simpson
Minister for ACC

Dated 19 December 2025



Jan Dawson
Board Chair

Dated 18 December 2025



David Hunt
Deputy Board Chair

Dated 18 December 2025

Purpose of the Service Agreement

The Service Agreement is the annual agreement between ACC and the Minister for ACC. It sets out the key initiatives ACC is pursuing to achieve our strategic objectives. It also outlines the services and outputs ACC is funded to deliver, as well as the performance measures and targets we will use to assess how well we operate during 2025/26 and across the next three years.

The Statement of Intent 2026-2030 includes ACC's enterprise strategy. It summarises our strategy and includes details of how the public can evaluate our effectiveness in delivering against our strategic objectives.

The Service Agreement 2025/26 (January 2026) is an amendment to the earlier published Service Agreement 2025/26 (dated June 2025). It provides a view of our medium-term intentions and reflects ACC's latest enterprise strategy and Statement of Intent. It is also aligned to the updated Letter of Expectations (received November 2025) from the Minister for ACC and Minister of Finance.

ACC reports against the performance measures in the Service Agreement to the Minister for ACC each quarter and in the Annual Report. Our Annual Report also provides information on our progress relative to our strategic objectives and reports on our achievements during the year.

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I.

Overview

Who we are

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

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

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

The Scheme provides that individuals forgo the right to sue for compensatory damages following injury, in exchange for comprehensive accident insurance cover and compensation.

The Scheme is managed through five Accounts, with each providing cover based on the circumstances of the injury. Each Account operates independently and cannot cross-subsidise.

Each year ACC receives more than two million claims from people who rely on the Scheme when they are injured. Most claims are for relatively minor injuries, but a small proportion are serious injuries which require ongoing support for decades into the future.

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

In 2025 we developed our new enterprise strategy, building on the recommendations of the three independent reviews completed in the same year, our Turnaround Plan, and the Government’s key priorities. These strategic objectives are reflected in the Statement of Intent 2026-2030. This is the first Service Agreement delivered under this Statement of Intent.

Operating environment

Rising costs, slower rehabilitation rates, and more people needing support for longer are putting significant strain on the Scheme's long-term financial sustainability. Returning balance to the Scheme's financial position requires focus on all aspects of financial performance including rehabilitation performance. Changes are needed to ensure the Scheme is affordable and able to support future generations of New Zealanders. To address these challenges, we are committed to improving performance in the near-term, supported by excellent case management. Ambitious performance targets will demonstrate the progress we are making.

To deliver the magnitude of performance improvements required we are focusing on immediate actions to improve claims management and operational decision-making, engaging differently with health providers, and building a more positive organisational culture based on a clearer strategic direction.

ACC's operating environment is also shaped by external pressures impacting the Scheme and its performance, including:

- economic and labour market conditions
- demographic factors like an ageing population and increased prevalence of comorbidities
- Court decisions which necessitate changes to ACC's decision-making about the extent of cover and entitlements
- constant exposure to macro-economic challenges that include inflation and fluctuating interest rates impacting the cost of support, levies and investment funding
- societal expectations of the Scheme
- levy and appropriation funding settings
- pressure in the health system
- incentives on employers, providers, and clients.

We are also keeping an eye on medium-term factors that will affect the operating environment, primarily climate change and the evolution of artificial intelligence.

The Government's key priorities

The ACC Board operates in line with the Government's priorities as set in the Enduring letter of expectations dated April 2024. These priorities are as follows:

- use reprioritisation as a tool to drive greater value from the funds and public assets we manage.
- have a full understanding of ACC's cost drivers and performance against key outcomes.
- improve efficiency and responsiveness of service through a continuous improvement approach for the activities and programmes we deliver.

The Minister for ACC and Minister of Finance also provide a Letter of Expectations each year, outlining their performance expectations for the financial year. This year ACC also received an interim Letter of Expectations in March 2025, noting that a further set of expectations would be provided later in 2025.

In November 2025, ACC received the updated Letter of Expectations for 2025/26. The key priorities that the Minister expects the ACC Board to focus on are:

- Putting clients first with care that leads to lasting recovery — rehabilitation must put clients at the forefront of decision-making, providing timely, clinically sound, and cost-effective treatment.
- Getting New Zealanders back to work and independence — return to work and independence outcomes must improve through effective case management and early interventions.
- Resetting ACC and getting back to basics — restoring tight financial discipline, robust governance, and refocusing the organisation on its core purpose of rehabilitation and Scheme sustainability.

In addition, the Minister expects the Board to develop an updated Turnaround Plan. Given the scale of the turnaround required, the Board is expected to demonstrate a concentrated approach across the following areas:

- performance and transparency
- strengthening case management
- partnership and evidence-based practice
- policy and legislative alignment
- financial discipline and strategic alignment.

The Government also communicates key priorities for ACC as a Crown Financial Institution. These priorities were provided in the interim Letter of Expectations for 2025/26.

II.

**Strategic
intentions**

Strategic framework

ACC's new enterprise strategy aims to refocus our efforts on our core roles of delivering quality rehabilitation outcomes for injured people in New Zealand, while ensuring the Scheme is financially sustainable in the future. It responds to the Minister for ACC's expectations, and the external reviews of ACC completed in 2025.

ACC's strategic intentions are represented in our three strategic objectives, underpinned by a strategic enabler to ensure our people are capable, enabled, and empowered.



Care that leads to lasting recovery

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

Over 2025/26 and the next four years we will focus on achieving the following outcomes:

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

What we will have delivered in 2025/26

- We are ensuring people are getting the social rehabilitation they need, through improved and more consistent decision-making.
- We are improving elective surgery decision-making and recovery outcomes.
- We are enhancing proactive monitoring and fraud detection.
- We are working with health providers to support faster and more sustainable returns to work.

Timely return to work or independence

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

Over 2025/26 and the next four years we will focus on achieving the following outcomes:

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

What we will have delivered in 2025/26

- We are growing the capability and capacity of ACC's frontline workforce.
- We are engaging early with clients at-risk of delayed recovery.
- We are working with health providers to support faster and more sustainable returns to work.
- We are actively supporting clients at-risk of becoming dependent on support long-term.
- We are supporting clients who are no longer eligible to transition to independence.

Efficient organisation, sustainable Scheme

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

Over 2025/26 and the next four years we will focus on achieving the following outcomes:

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

What we will have delivered in 2025/26

- We have refined ACC's operating model to support long-term financial sustainability.
- We have ensured ACC is a high-performing organisation, with a safe, positive, and inclusive culture.
- We have reset ACC's strategic direction and priorities.
- We have ensured ACC's operating expenses represent value-for-money for tax and levy payers.

Enabler: Capable, enabled, empowered people

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

Over 2025/26 and the next four years we will focus on achieving the following outcomes:

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

What we will have delivered in 2025/26

- We are growing the capability and capacity of our frontline workforce.
- We have ensured ACC is a high-performing organisation, with a safe, positive, and inclusive culture.

Measuring our performance in 2025/26

Our key performance measures are aligned with our strategic objectives. The measures best reflect the aspects of performance we can control across the breadth of the Scheme. They allow us to track the financial and non-financial measures that represent the many facets of the Scheme and include organisational health and capability measures.

Each measure has a set of ambitious performance targets for 2025/26. The ambitious targets set by the Board express our commitment to take urgent action to address the operational drivers of financial pressure. We believe that achieving these targets will set us on a trajectory to return balance to the Scheme's financial position.

This Service Agreement relates to the period 1 January 2026 to 30 June 2026. The targets set here are the updated end-of-year targets and replace those in the Service Agreement (dated 11 June 2025).

Definitions of performance measures are included in the Glossary of performance measures (on page 65).

Table 1 – Key performance measures

Measure	Actual 2024/25	Actual Sep 2025	Target 2025/26
Care that leads to lasting recovery			
Actuarial movement (influenceable)	+1.6%	-0.02%	Between -5% and -2%
Timely return to work or independence			
Return to work: 28 days	35.1%	35.4%	37%
Return to work: 10 weeks	59.9%	60.2%	63%
Return to work: nine months	87.9%	88.4%	91%
Return to work: one year	90.8%	91.2%	92%
Return to independence for those not in the workforce	83.0%	82.7%	83%
Long-term claims pool volume	24,549	24,753	24,000
Efficient organisation, sustainable Scheme			
New year costs' movement	+0.9%	+0.02%	Between -5% and -2%
Investment performance (after costs) relative to benchmark	+0.42%	+0.36%	+0.15%
Return on Investment — Injury prevention	\$1.92:\$1	\$1.85:\$1	\$1.78:\$1 to \$1.98:\$1
Public trust and confidence	61%	62%	>61%
Capable, enabled, empowered people			
Employee engagement	4.14	4.01	>4.00
Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)	2	0	0
Overall operational system availability	99.9%	99.9%	99.9%

III.

Statement of performance expectations

Statement of performance expectations by output

Our performance framework

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

PBE FRS 48 Service Performance Reporting

Our approach to developing service performance information aligns with Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting (PBE FRS 48). Our performance framework and measures align with the following qualitative characteristics. This allows for the provision of useful information to our stakeholders.

1. Relevant — we select and aggregate service performance information.
2. Representative — our service performance information is complete, neutral, and free from material error.
3. Understandable — our service performance information is communicated simply and clearly.
4. Timely — our service performance information is provided in a timely manner to ensure it is useful for our stakeholders' accountability and decision-making purposes.
5. Comparable — our service performance information is provided alongside previous years.
6. Verifiable — our service performance information is capable of measurement or description in a consistent manner, capable of independent verification, and excludes unsubstantiated claims.

PBE FRS 48 acknowledges that the constraints on reporting service performance information are materiality, cost-benefit, and balance between the qualitative characteristics. We factor these constraints into the selection process for service performance information.

Our performance framework provides a clear picture of ACC's priorities and the outcomes we deliver.

It ensures that we measure, monitor, and report on our activities effectively, providing a clear link between our work and the strategic objectives we strive to achieve for our clients and the communities we serve.

Statement of performance expectations by output

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

The section includes:

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

We report quarterly against these performance measures to assess the difference our activities are making towards achieving our strategic objectives. Definitions of performance measures are provided in the Glossary of performance measures on page 63.

Measures have targets for 2025/26 that consider current performance trajectories, operating environment and ambitions for the financial sustainability of the Scheme. We will report our full year performance against the targets in this document.

Breakdown of revenue and costs by output class

Table 2 – 2025/26 budget versus forecast revenue and costs by output class

2025/26 \$M	Administration		Claims Costs		Revenue		Other		Total	
	Budget	Forecast	Budget	Forecast	Budget	Forecast	Budget	Forecast	Budget	Forecast
Output 1 Injury prevention	(80)	(60)							(80)	(60)
Output 2 Levy engagement and collection	(18)	(18)			7,330	7,246			7,312	7,228
Output 3 Investment management	(83)	(95)			2,391	4,215			2,308	4,120
Output 4 Claims management	(734)	(746)	(8,798)	(8,546)			(2,823)	(4,094)	(12,355)	(13,386)
Total	(915)	(919)	(8,798)	(8,546)	9,721	11,461	(2,823)	(4,094)	(2,815)	(2,098)
Other operating costs	(70)	(79)			1	1			(69)	(78)
Total ACC	(985)	(998)	(8,798)	(8,546)	9,722	11,462	(2,823)	(4,094)	(2,884)	(2,176)

Other Output 4: Claims management costs include movements in the OCL and Unexpired Risk Liability. These movements include both claims and economic assumptions which are not budgeted.

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

Aligning our strategic objectives with our outputs

Our functions and operations are organised to deliver against our three strategic objectives and Government expectations. We deliver them through our four core outputs, which align to the role of ACC as described by the AC Act.

There is clear alignment between our strategic objectives and our outputs as demonstrated in the following diagram.

Table 3 – Alignment of strategic objectives with outputs

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

Output 1: Injury prevention

What we intend to achieve

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

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

In 2025/26 we forecast to invest \$60 million in injury prevention activity to reduce the incidence and severity of injuries.

How will we assess our performance

Table 4 – Output 1 performance measure

Measure	Actual		Target
	2024/25	Sep 2025	2025/26
Return on investment — Injury prevention ¹	\$1.92:\$1	\$1.85:\$1	\$1.78:\$1 to \$1.98:\$1

Why this matters: We invest in injury prevention initiatives to minimise the incidence and severity of personal injury. We estimate the return on investment to ensure our initiatives achieve a cost-effective reduction in levy rates or government funding.

¹ Excluding WorkSafe New Zealand investment

Output 2: Levy engagement and collection

What we intend to achieve

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

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

How we will know we have achieved this

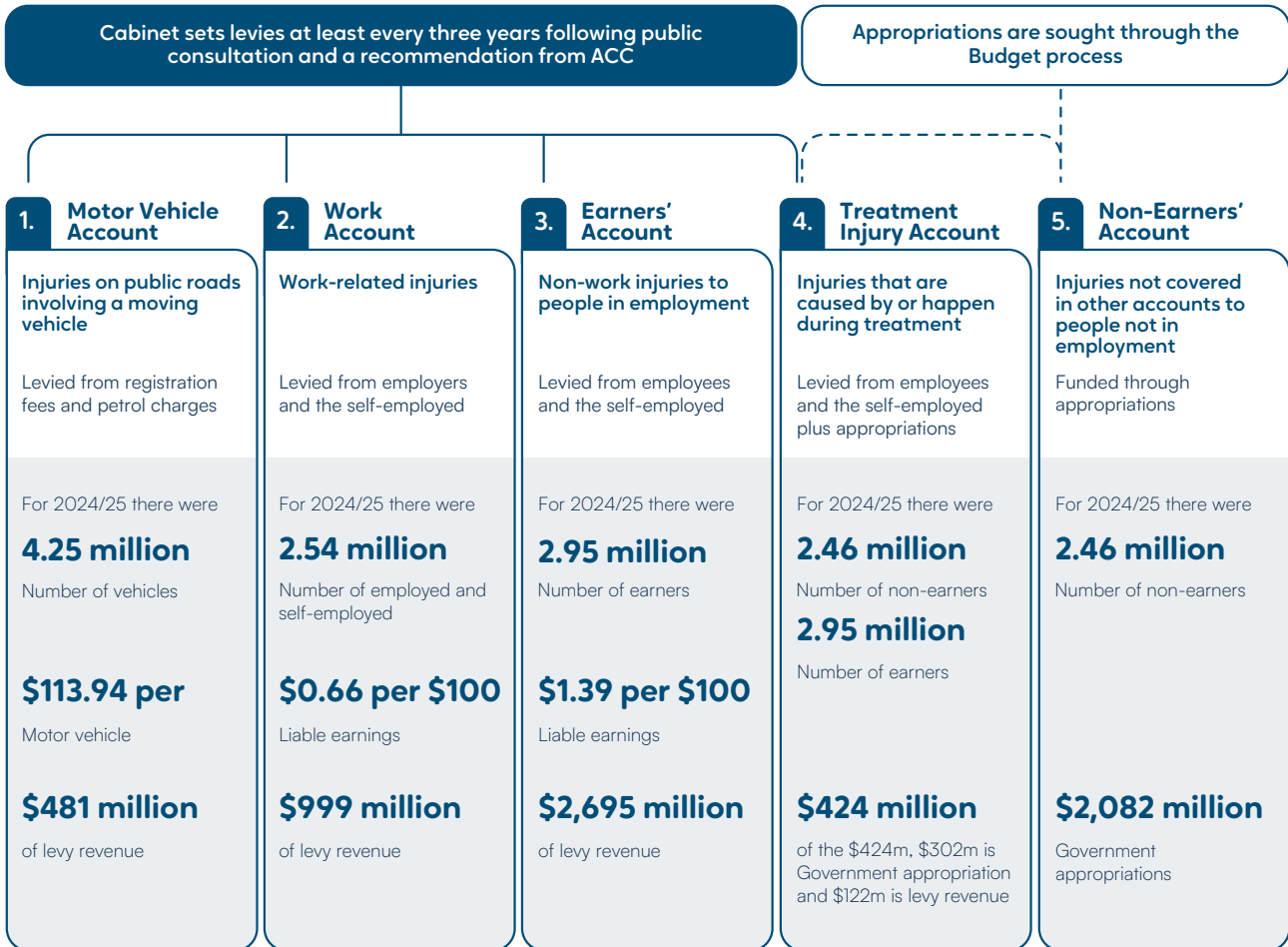
Table 5 – Output 2 performance measures

Measure	Actual		Target
	2024/25	Sep 2025	2025/26
New year costs’ movement	+0.9%	+0.02%	Between -5% to -2%
Why this matters: By effectively managing the controllable costs of the Scheme, the long-term sustainability of the Scheme is enhanced.			
Actuarial movement (influenceable)	+1.6%	-0.02%	Between -5% to -2%
Why this matters: Management action in areas such as injury prevention and claims management practices have the potential to partially mitigate the increases in the OCL.			

How we are funded

Figure 1 shows the number of funders, the levy and appropriation revenue, and the currently approved levy rates for each Account as at 30 June 2025.

Figure 1 – Sources of Account funding: 30 June 2025



Funding ratios

The financial sustainability of each Account is measured by the funding ratio. The funding ratio is the measure of the applicable assets available to cover the value of what is intended to be the fully funded portion of the liabilities in each Account, expressed as a ratio for each Account. The calculation of the applicable assets and liabilities is defined in the Funding Policy².

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

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

Table 6 – Funding ratios

Account	Actual 2024/25	Budget 2025/26	Forecast 2025/26	Funding policy target
Motor Vehicle	132.8%	121.9%	130.5%	100%
Work (including gradual process claims incurred but not yet made)	131.0%	120.5%	129.4%	100%
Earners'	83.5%	79.6%	80.5%	100%
Treatment Injury (Earners' portion)	109.9%	113.1%	106.2%	100%
Treatment Injury (Non-Earners' fully funded portion)	90.1%	84.2%	90.8%	100%
Non-Earners' (fully funded portion)	53.2%	50.8%	51.7%	100%

² Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts (Gazette No. 2021-go1226).

Output 3: Investment management

What we intend to achieve

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

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

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

How we will know we have achieved this

Table 7 – Output 3 performance measure

Measure	Actual		Target
	2024/25	Sep 2025	2025/26
Investments performance (after costs) relative to benchmark ³	+0.42%	+0.36%	+0.15%

Why this matters: The quality of our investment management can be gauged by comparing our returns net of costs with that of a blended market average benchmark. The quality of our investment management is an important factor in ensuring we have sufficient resources in the future, safeguarding the Scheme for future generations.

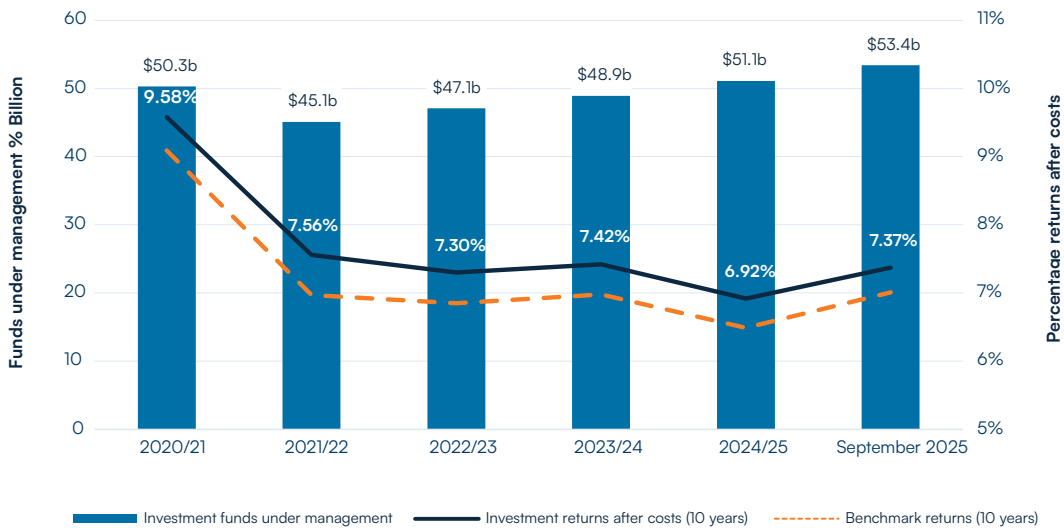
³ From 2025/26 this measure will report on the rolling 10-year performance, previously this was a single year measure.

Activity information

ACC had \$53.4 billion of investment funds at the end of September 2025 and the rolling 10-year average return after costs was 7.37%. Market returns can be volatile from year to year and ACC's investment function aims to add value over the longer term.

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

Figure 2 – Total investment funds and investment returns



Output 4: Claims management

What we intend to achieve

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

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

The Scheme is under financial pressure, with more injured people seeking our support and for longer periods. This is further exacerbated by rising costs of services, and as a result it is costing us more to support injured people to lasting recovery. Research tells us that a rapid return to work and/or independence reduces the adverse social and economic impacts of injury.

In 2025/26 we are making changes to ensure that injured people get the right level of support at the right time, while better managing our increasing costs. This will mean building on the work completed to date to scale up and accelerate improvements in claims management through our case management and service commissioning. One of the areas we will focus on is to grow the capability and capacity of ACC's frontline workforce. This is crucial to achieving the ambitious performance needed to meet our rehabilitation targets. The changes required to enable this are reflected in our delivery statements for 2025/26.

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

How we will know we have achieved this

Table 8 – Output 4 performance measures

Measure	Actual		Target
	2024/25	Sep 2025	2025/26
Return to work: 28 days	35.1%	35.4%	37%
Cover decision timeliness: non-complicated claims	0.84 days	0.84 days	< 1 day
Cover decision timeliness: complicated claims	47.0 days	47.6 days	<70 days
Weekly compensation setup timeliness	8.7 days	8.6 days	<9 days
Return to work: 10 weeks	59.9%	60.2%	63%
Return to work: nine months	87.9%	88.4%	91%
Return to work: one year	90.8%	91.2%	92%
Return to independence for those not in the workforce	83.0%	82.7%	83%
Why this matters: Research tells us that a rapid return to work and/or independence reduces the adverse social and economic impacts of injury. We make cover decisions and payments promptly to reduce uncertainty for our clients. These performance measures evaluate how timely we are and how effectively we are supporting clients to return to work or independence, and whether their returns are sustained.			
Long-term claims pool volume	24,549	24,753	24,000
Why this matters: Minimising the incidence and impacts of injury is a primary responsibility for ACC. Long-term claims represent more complex injuries. A low growth in long-term claims is an indication of the effectiveness of injury prevention and rehabilitation.			
Public trust and confidence	61%	62%	>61%
Why this matters: The way the public views ACC is a useful indicator of how effectively we have demonstrated the value we deliver in our interactions with levy payers, clients, providers, and stakeholders.			
Percentage of total expenditure paid directly to or for services to clients	90.8%	90.8%	90.4%
Why this matters: Maximising the proportion of spending that goes directly to addressing the incidence and impacts of injury ensures we are best serving our existing clients to enhance the long-term sustainability of the Scheme.			
Proportion of ACC reviews upheld in favour of ACC (in favour of ACC at hearing or resolved before hearing)	94.7%	93.9%	>86%
Average time to resolution for claims with a review	108.6 days	112.5 days	<130 days
Why this matters: If most independent reviews are found in our favour, this suggests that we usually make a correct and fair decision the first time around. This is supported by communicating effectively with our clients during the process. When a client asks for a review of an ACC decision, early resolution is important to reduce uncertainty for them.			
Claim lodgement rate for Māori	TBC	—	Greater than previous year
Why this matters: We seek to reduce the severity of injury by ensuring timely access to ACC support for all injured people.			

Claim lodgement rate for Māori

From 2025/26 onwards we have changed the methodology for this measure to align it with the annual Access Reports we publish. In the first Access Report it was identified that the ACC claim rate for Māori was low compared to that for non-Māori, with barriers to access likely to be a key driver of the variance.

Currently the actual injury prevalence rate is unknown due to a gap in the data. This means that it is not possible to define a target access rate. We expect to collect injury prevalence data in 2025/26 and report findings in late 2027 or early 2028, at which point we will be able to reconsider access-related measures and targets.

In the interim, a target of a year-on-year increase is a suitable proxy for determining whether the claim rate identified in the Access Report is changing.

Activity information

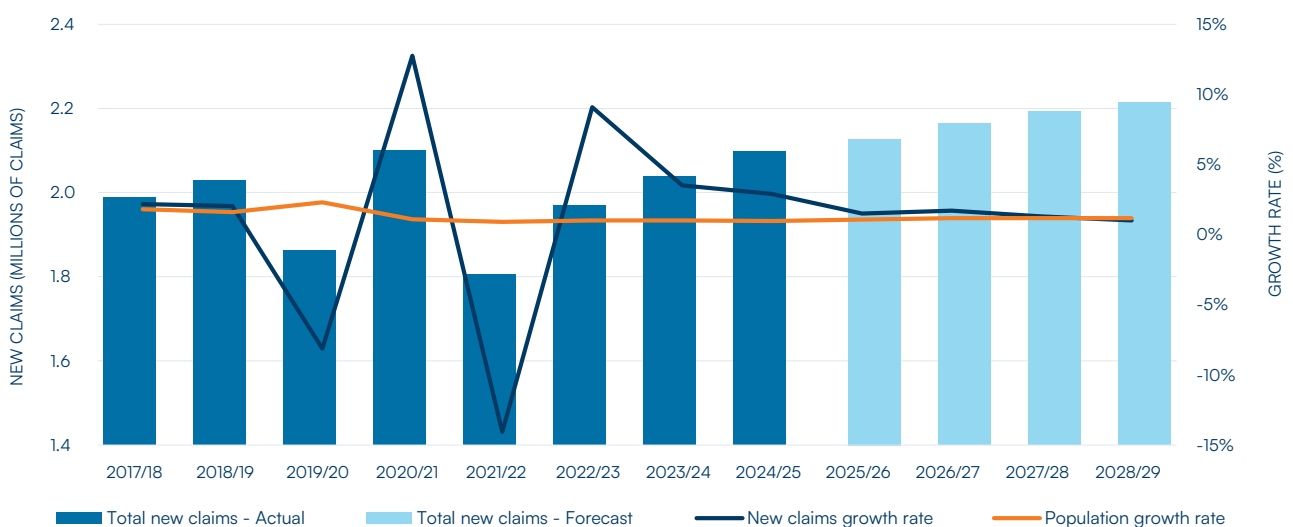
Claims activity

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

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

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

Figure 3 – Total new registered claims verses rate of new claims growth, by year (actual and forecast⁴)



⁴ As at 28 February 2025

Table 9 shows recent trends in the types of claims that we receive and accept. In recent years, the unusual peaks and troughs in claim volumes is largely due to the impact of COVID-19 and the related lockdowns. These temporarily distorted normal growth rate patterns. The Scheme is based on legislation, and each claim is evaluated to determine whether it meets the requirements of the AC Act. We do not ration our services. Demand is determined by the number of covered injuries that occur and the service types and amounts that those who have covered injuries are eligible to receive.

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

Table 9 - Historical claim volumes, by type

Claim type	Definition	2022/23	2023/24	2024/25	Sep 2025 year-to-date
Registered claims	Total number of registered claims in the period.	1,968,101	2,037,157	2,098,089	518,604
Medical fees only claims	Total number of new medical fees only claims in the period.	1,631,654	1,688,245	1,743,340	422,354
Other entitlement claims	Total number of entitlement claims (excluding weekly compensation) that received payments in the period.	175,661	191,366	208,456	101,403
Weekly compensation claims	Total number of claims that received weekly compensation payments in the period.	149,053	159,366	167,639	87,038
Long-term weekly compensation claims	Number of clients receiving weekly compensation for more than 365 days as at 30 June.	19,993	22,593	24,549	24,753
New serious injury claims	Total number of new serious injury claims in the period.	316	439	240	83
Fatal claims	Total number of fatal claims in the period.	1,681	1,550	1,570	261

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

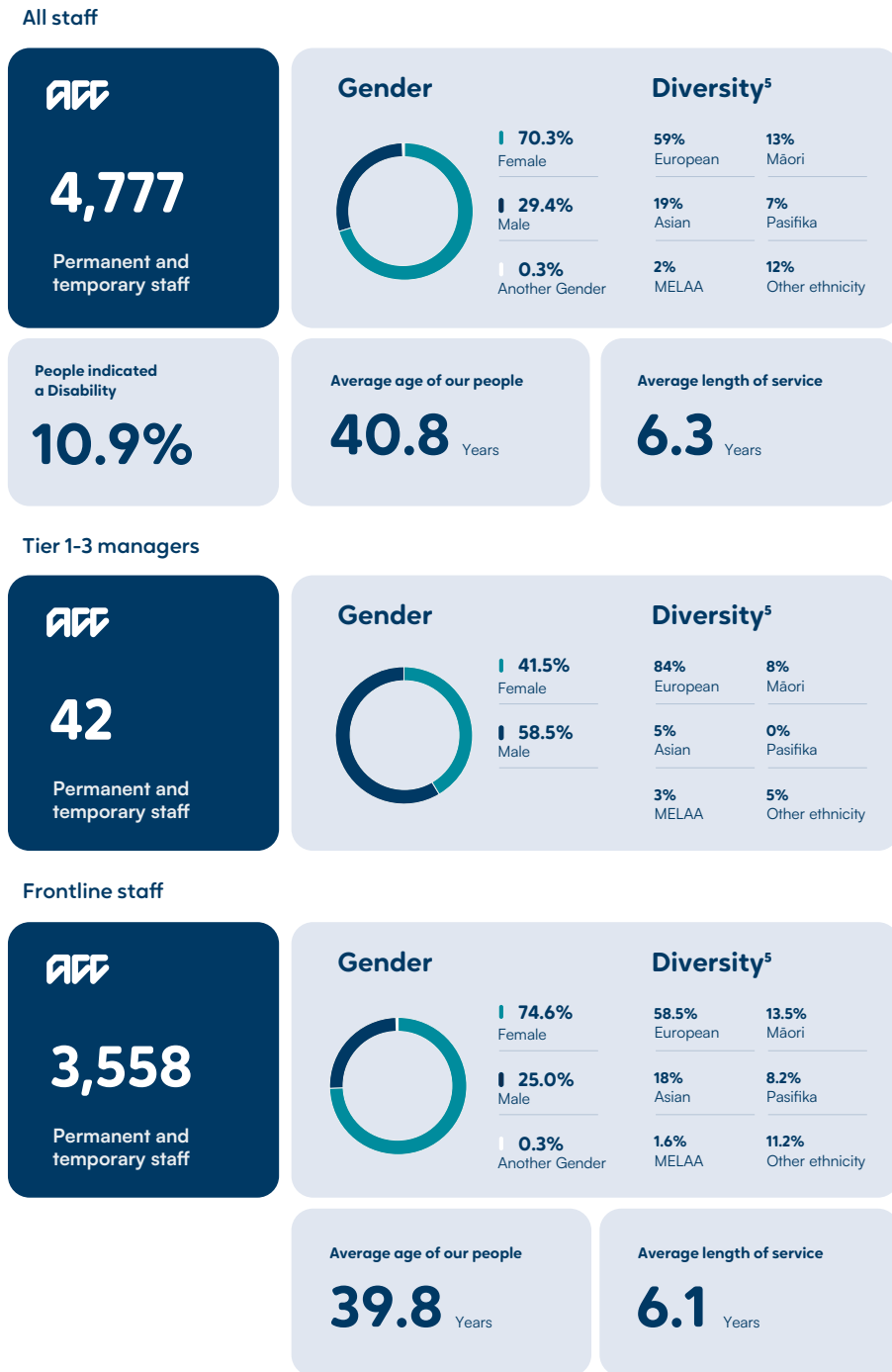
Table 10 - Expenditure for key claim costs

\$M	Actual 2023/24	Actual 2024/25	Budget 2025/26	Forecast 2025/26
Weekly compensation	2,474	2,855	3,083	2,992
Social rehabilitation	1,402	1,551	1,664	1,551
Medical treatment	1,207	1,324	1,498	1,476
Public health acute services	815	974	1,031	1,029
Elective surgery	566	671	678	673

Organisational health and capability

Performance and culture are intrinsically linked; ensuring ACC's people are highly engaged and that the organisation has a positive culture is key to delivering improved outcomes for clients. ACC is committed to responding to the recommendations of the culture review, including acknowledging where changes are needed to support high performance. While people will always remain our most important resource, we recognise that this alone is not a sustainable long-term approach. Resetting ACC requires a forward-looking mindset, one that ensures we remain efficient and effective over time, by leveraging new technology and continuously improving how we operate.

Figure 4 – Workforce profile as at 30 June 2025



⁵ Diversity can add to more than 100% as employees were able to select more than one ethnicity. All percentages are calculated based on the respondents who disclosed their diversity. All unknown diversity responses are excluded from the percentage calculations.

Our people

Our people remain central to achieving our vision and outcomes. To achieve the goals of our strategy we will invest in our people by effectively responding to the independent review recommendations, including the ACC Board commissioned Culture review. We will strengthen our culture by ensuring it is positive, safe, and inclusive where people are supported in their roles and understand how their work contributes to client outcomes.

We will actively grow the capability of our workforce to support high performance and professional growth, with clear understanding of their role and responsibilities. We will upskill our people so that they are supported with the right tools, freeing up staff-time to focus on client interactions and high-value work.

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

How we will know we have achieved this

Table 11 – Performance measure – Our people

Measure	Actual		Target
	2024/25	Sep 2025	2025/26
Employment engagement	4.14	4.01	>4.00
Why this matters: Equipping our staff with the right tools and capabilities enables them to be high-performing employees, engaged in their organisation and work.			

Our information and systems

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

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

How we will know we have achieved this

Table 12 – Performance measures – Our information and systems

Measure	Actual		Target
	2024/25	Sep 2025	2025/26
Number of privacy breaches (notifiable to the Office of the Privacy Commissioner)	2	0	0
Why this matters: We care for the personal and health information of New Zealanders, applying the principles of stewardship. Should a privacy breach occur, we aim to reduce resulting harm.			
Overall operational system availability	99.9%	99.9%	99.9%
Why this matters: Our systems need to be available so we can deliver the services our customers expect.			

IV.

**Financial
information**

Forecast financial information

Introduction

The information that follows sets out:

- 2025/26 budget for ACC, as prepared for the Budget Economic and Fiscal Update 2025 prepared as at 28 February 2025.
- 2025/26 forecast for ACC, incorporating actual results up to 30 September 2025 and for the Half Year Economic and Fiscal Update 2025 which was authorised for issue by the Board on 20 October 2025.
- Comparative financial performance based on audited actual results from the Annual Report for the year to 30 June 2025.

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

These prospective financial statements (2025/26 budget) were prepared on the basis of assumptions as to future events that we reasonably expect to occur as at the date the information was prepared. The 2025/26 forecast will be updated again in the Service Agreement 2026/27.

The prospective financial statements (2025/26 forecast) are revised to incorporate the 2024/25 actual results and include the latest 2025/26 forecast as per Half Year Economic and Fiscal Update 2025. This forecast was completed prior to this Service Agreement. Therefore on additional performance ambition signaled in the Statement of Performance Expectations is not included in the forecast.

Drivers of the Scheme's financial performance

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

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

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

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

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

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

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

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

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

Forecast financial statements

Statement of forecast comprehensive revenue and expense

For the years ended 30 June		2024/25	2025/26	2025/26
\$M	Note	Actual	Budget	Forecast
Levy revenue and Government appropriations	4	6,681	7,330	7,246
Claims paid	5	8,148	8,798	8,546
Claims handling costs	6	664	734	746
Increase in outstanding claims liability		3,336	2,885	4,083
Total claims incurred		12,148	12,417	13,375
Increase (decrease) in unexpired risk liability		207	(62)	11
Other underwriting costs	6	159	168	157
Deficit from underwriting activities		(5,833)	(5,193)	(6,297)
Investment revenue	8	4,457	2,391	4,215
Investment costs	6	(107)	(83)	(95)
Other revenue		1	1	1
Net deficit		(1,482)	(2,884)	(2,176)
Total comprehensive revenue and expense for the year		(1,482)	(2,884)	(2,176)

Statement of forecast changes in reserves (equity)

For the years ended 30 June		2024/25	2025/26	2025/26
\$M		Actual	Budget	Forecast
Total Account reserves				
Balance at the beginning of the year (deficit)		(12,367)	(14,236)	(13,849)
Total comprehensive revenue and expense for the year		(1,482)	(2,884)	(2,176)
Balance at the end of the year (deficit)		(13,849)	(17,120)	(16,025)

Statement of forecast financial position

As at 30 June		2024/25	2025/26	2025/26
\$M	Note	Actual	Budget	Forecast
Account reserves				
Motor Vehicle Account		1,998	812	1,844
Work Account		1,988	1,291	1,759
Earners' Account		(5,415)	(6,020)	(6,530)
Treatment Injury Account		(2,378)	(2,655)	(2,553)
Non-Earners' Account		(10,042)	(10,548)	(10,545)
Total Account reserves (deficit)		(13,849)	(17,120)	(16,025)
Represented by:				
Assets				
Cash and cash equivalents		48	200	200
Assets supporting collateral		22	31	87
Receivables		723	666	572
Accrued levy revenue		3,835	4,310	4,239
Investments		54,490	52,923	56,084
Derivative financial instruments		801	690	876
Property, plant and equipment, and intangible assets		62	34	40
Total assets		59,981	58,854	62,098
Less liabilities				
Collateral received		357	153	216
Payables and accrued liabilities		4,087	3,271	3,841
Derivative financial instruments		507	710	831
Employee entitlements and provisions		113	42	47
Unearned levy liability		3,253	3,633	3,581
Unexpired risk liability	9	1,957	1,818	1,968
Outstanding claims liability	7	63,556	66,347	67,639
Total liabilities		73,830	75,974	78,123
Net liabilities		(13,849)	(17,120)	(16,025)

Statement of forecast cash flows

For the years ended 30 June	2024/25	2025/26	2025/26
\$M	Actual	Budget	Forecast
Cash flows from operating activities			
Cash was provided from:			
Levy revenue and Government appropriations	6,657	7,207	7,048
Interest	683	1,220	1,262
Dividends	380	505	445
Revenue from investment properties and other investments	30	16	20
Other revenue	1	1	1
	7,751	8,949	8,776
Cash was applied to:			
Payments towards claims	8,146	8,798	8,577
Payments towards injury prevention and other operating costs	828	947	973
	8,974	9,745	9,549
Net cash outflows from operating activities	(1,223)	(796)	(773)
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of investments	88,483	65,823	104,976
Proceeds from sale of collateral	4,246	-	-
Proceeds from sale of property, plant and equipment, and intangible assets	-	-	-
	92,729	65,823	104,976
Cash was applied to:			
Payment for investments	87,698	65,020	104,032
Payment for collateral	3,814	-	-
Payment for property, plant and equipment, and intangible assets	14	7	19
	91,526	65,027	104,051
Net cash inflows from investing activities	1,203	796	925
Net (decrease) increase in cash and cash equivalents	(20)	-	152
Cash and cash equivalents — opening balance	68	200	48
Cash and cash equivalents — closing balance	48	200	200

Reporting and funding by Account

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

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

Sections 166A and 166B of the AC Act require the Government to issue a funding policy setting out the criteria for fully funding the levied Accounts, including the earners' portion of the Treatment Injury Account. Under section 331 (1) and 331 (3) of the AC Act, ACC must make levy rate recommendations in accordance with that funding policy. The current funding policy was gazetted on 6 April 2021 (Gazette No. 2021-go1226).

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

The risk margin included in the OCL for each levied Account, which allows for the relative uncertainty in liability estimates, is not funded.

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

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

Statement of forecast comprehensive revenue and expense – Budget 2025/26

For the year ended 30 June 2026

\$M	2025/26 Budget				
	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Levy revenue and Government appropriations	500	1,133	3,005	454	2,238
Claims paid	1,131	1,566	3,350	521	2,230
Claims handling costs	64	142	314	60	154
Increase in outstanding claims liability	511	443	1,071	393	467
Total claims incurred	1,706	2,151	4,735	974	2,851
Increase (decrease) in unexpired risk liability	-	2	(64)	-	-
Other underwriting costs	20	69	35	5	39
Deficit from underwriting activities	(1,226)	(1,089)	(1,701)	(525)	(652)
Investment revenue	667	532	591	301	300
Investment costs	(25)	(18)	(21)	(10)	(9)
Other revenue	-	1	-	-	-
Net deficit	(584)	(574)	(1,131)	(234)	(361)
Total comprehensive revenue and expense for the year	(584)	(574)	(1,131)	(234)	(361)

Statement of forecast changes in reserves (equity) – Budget 2025/26

For the year ended 30 June 2026

\$M	2025/26 Budget				
	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Account reserves — opening balance (deficit)	1,396	1,865	(4,889)	(2,421)	(10,187)
Total comprehensive revenue and expense for the year	(584)	(574)	(1,131)	(234)	(361)
Account reserves — closing balance (deficit)	812	1,291	(6,020)	(2,655)	(10,548)

Statement of forecast financial position – Budget 2025/26

As at 30 June 2026

\$M	2025/26 Budget				
	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Account reserves (deficit)	812	1,291	(6,020)	(2,655)	(10,548)
Represented by:					
Assets	16,340	13,421	15,959	6,875	6,259
Less liabilities	15,528	12,130	21,979	9,530	16,807
Net assets (liabilities)	812	1,291	(6,020)	(2,655)	(10,548)

Statement of forecast comprehensive revenue and expense – Forecast 2025/26

For the year ended 30 June 2026

\$M	2025/26 Forecast				
	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Levy revenue and Government appropriations	499	1,103	2,960	446	2,238
Claims paid	956	1,418	3,333	506	2,333
Claims handling costs	68	144	314	62	158
Increase in outstanding claims liability	706	598	1,399	590	790
Total claims incurred	1,730	2,160	5,046	1,158	3,281
Increase (decrease) in unexpired risk liability	9	25	(23)	-	-
Other underwriting costs	16	75	31	4	31
Deficit from underwriting activities	(1,256)	(1,157)	(2,094)	(716)	(1,074)
Investment revenue	1,132	948	1,004	551	580
Investment costs	(30)	(21)	(25)	(10)	(9)
Other revenue	-	1	-	-	-
Net deficit	(154)	(229)	(1,115)	(175)	(503)
Total comprehensive revenue and expense for the year	(154)	(229)	(1,115)	(175)	(503)

Statement of forecast changes in reserves (equity) – Forecast 2025/26

For the year ended 30 June 2026

\$M	2025/26 Forecast				
	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Account reserves — opening balance (deficit)	1,998	1,988	(5,415)	(2,378)	(10,042)
Total comprehensive revenue and expense for the year	(154)	(229)	(1,115)	(175)	(503)
Account reserves — closing balance (deficit)	1,844	1,759	(6,530)	(2,553)	(10,545)

Statement of forecast financial position – Forecast 2025/26

As at 30 June 2026

\$M	2025/26 Forecast				
	Motor Vehicle Account	Work Account	Earners' Account	Treatment Injury Account	Non-Earners' Account
Account reserves (deficit)	1,844	1,759	(6,530)	(2,553)	(10,545)
Represented by:					
Assets	17,438	14,184	16,640	7,287	6,549
Less liabilities	15,594	12,425	23,170	9,840	17,094
Net assets (liabilities)	1,844	1,759	(6,530)	(2,553)	(10,545)

Notes to forecast financial statements

For the years ended 30 June 2025 and 30 June 2026

1. Statement of accounting policies

Reporting entity

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

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

The forecast financial statements were authorised for issue by the Board on 20 October 2025. The Board is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other disclosures.

Basis of preparation

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

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

Standard issued and not yet effective and not early adopted

PBE IFRS 17 Insurance Contracts

The public sector modified version of PBE IFRS 17 *Insurance Contracts* was issued in June 2023 and is effective for periods beginning on or after 1 January 2026. It supersedes PBE IFRS 4 *Insurance Contracts*. ACC will adopt PBE IFRS 17 for the year ending 30 June 2027 and will apply the standard retrospectively with restatement of comparatives for the year ending 30 June 2026.

PBE IFRS 17 sets out new recognition, measurement, presentation and disclosure requirements for insurance contracts.

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

Summary of significant accounting policies

The significant accounting policies are included in the notes that they relate to in the financial statements within the Annual Report 2024/25.

2. Significant accounting judgements, estimates and assumptions

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

Outstanding Claims Liability

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

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

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

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

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

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

The general sources of uncertainty include:

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

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

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

Gradual process claims

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

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

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

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

Sensitive claims

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

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

Accrued levy revenue

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

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

Accrued levy revenue for the Work and Earners' Accounts is estimated using their respective expected liable earnings and average levy rates.

Investments

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

Climate Change Risk

ACC recognises that climate change poses potential risks to its operations and financial performance. ACC is committed to monitoring and reporting on climate related risks and opportunities in its other public disclosures when appropriate. ACC acknowledges that climate change is an ongoing and evolving issue and will continue to take appropriate steps to identify and manage potential impacts on its operations, financial performance and assets.

Going concern assumption

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

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

3. Financial risks

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

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

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

4. Levy revenue and Government appropriations

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

Table 13 – Budget levy rates by levy year

Account	2024/25	2025/26
Motor Vehicle	\$113.94 per vehicle through licensing fees and petrol levies	\$122.84 per vehicle through licensing fees and petrol levies
Work	\$0.63 per \$100 liable earnings	\$0.66 per \$100 liable earnings
Earners'	\$1.39 per \$100 liable earnings	\$1.45 per \$100 liable earnings

The total levy and appropriation revenue forecast of \$7,246m for 2025/26 is \$565 million higher than the actual 2024/25 result. The budget for total levy revenue incorporates:

- Levy rates for the 2025/26 levy year (including an increased earners' levy rate) and increases in the Work and Earners' Account levy rates effective from 1 April 2026
- The Non-Earners' Account appropriation, including the non-earners' portion of the Treatment Injury Account which increased \$179 million or 7.5% to \$2,563 million
- Growth in liable earnings which are expected to increase by 4.52% in 2025/26, when compared to 2024/25
- Licensed vehicle volumes increasing 1.28% and a forecast reduction in petrol-consumption of 1.13%.

Table 14 – Levy revenue and Government appropriations

\$M	2024/25 Actual	2025/26 Budget	2025/26 Forecast
Levy revenue	4,297	4,767	4,683
Government appropriations	2,384	2,563	2,563
Total levy revenue and Government appropriations	6,681	7,330	7,246

Non-Earners' Account appropriations

The Minister for ACC purchases outputs from ACC consistent with the provisions of the AC Act in respect of claims in the Non-Earners' Account and the Non-Earners' portion of the Treatment Injury Account. This funding is appropriated within Vote Labour Market.

Table 15 – Budget Non-Earners' Account output expenses

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

5. Claim costs

Claim costs are forecast to increase by \$398 million (4.90%) to \$8,546 million from the 2024/25 actual to 2025/26 forecast. Claim costs are derived from the forecasts of new registered and new weekly compensation claims' growth, expected rehabilitation duration performance, the health labour cost index, and ordinary time weekly earnings assumptions.

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

Table 16 – Budget claim costs

	2024/25	2025/26	2025/26
\$M	Actual	Budget	Forecast
Rehabilitation (including treatment) costs			
Vocational rehabilitation	96	112	113
Social rehabilitation	1,551	1,664	1,551
Medical treatment	1,324	1,498	1,476
Hospital treatment	671	678	673
Public health acute services	974	1,031	1,029
Other treatment	350	390	377
Total rehabilitation (including treatment) costs	4,966	5,373	5,219
Compensation costs			
Income maintenance	2,855	3,083	2,992
Other compensation and benefits	262	269	262
Total compensation costs	3,117	3,352	3,254
Other costs	65	73	73
Total claims paid	8,148	8,798	8,546

6. Operating costs

Operating costs are forecast to increase by \$68 million (7.31%) to \$998 million from the 2024/25 actual to the 2025/26 forecast as we continue to invest in our frontline workforce.

Table 17 – Operating costs by function

	2024/25	2025/26	2025/26
\$M	Actual	Budget	Forecast
Claims handling costs	664	734	746
Other underwriting costs	159	168	157
Investment costs	107	83	95
Total operating costs	930	985	998

Table 18 – Operating costs by nature

\$M	2024/25	2025/26	2025/26
	Actual	Budget	Forecast
Personnel costs			
Salaries and wages	439	471	482
Employer contributions to defined contribution schemes	41	44	45
Contractors and temporary staff	3	2	3
Training and professional development	2	3	2
Termination benefits and other personnel restructuring costs ⁽ⁱ⁾	(6)	-	-
Other personnel costs	16	9	12
Total personnel costs	495	529	544
Other operating costs			
Computer and telecommunication costs	96	105	105
Strategic change programmes	69	68	89
Rental and operating lease costs	26	35	34
Injury prevention and other programmes	65	86	59
External levy collection	8	8	7
External investment costs	46	40	38
Direct investment costs	33	14	13
Consulting and other professional services	9	14	21
Depreciation, amortisation, impairment and losses/gains on disposal of property, plant and equipment and intangibles	41	33	33
Other operating costs	42	53	55
Total other operating costs	435	456	454
Total operating costs	930	985	998

Notes:

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

7. Outstanding Claims Liability

The liability is forecast to increase from \$63,556 million in 2024/25 to \$67,639 million by end of 2025/26. This incorporates the valuation and adjustments from economic assumptions as at 30 September 2025.

Table 19 – Budget movement in the OCL

\$M	2024/25	2025/26	2025/26
	Actual	Budget	Forecast
Opening balance at 1 July	60,220	63,462	63,556
Expected increase in the outstanding claims liability	3,924	2,885	2,524
Impact of change in claims experience and modelling	1,469	-	49
Impact of change in economic assumptions	(2,057)	-	1,510
Closing balance at 30 June	63,556	66,347	67,639

8. Investment revenue and net investment assets

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

Investment revenue in the 2025/26 year has been calculated by Account. The projected rate of return range in 2025/26 is 4.47% to 5.19% per annum, depending on the Account.

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

Table 20 – Budget net investment assets

	2024/25	2025/26	2025/26
\$M	Actual	Budget	Forecast
Operational cash	48	200	200
Investments	54,449	52,781	56,960
Receivables (including unsettled transactions, and dividend and interest receivables)	471	413	254
Payables (unsettled transactions)	(3,908)	(3,145)	(3,703)
Investment reserves portfolio	51,060	50,049	53,512

9. Unexpired risk liability

The unexpired risk liability is the difference between the unearned levy liability and the present value of the lifetime costs of the claims associated with that levy. It is forecast to increase by \$11 million (0.56%) from 1,957 million in 2024/25 to \$1,968 million in 2025/26.

Table 21 – Budget movement in unexpired risk liability

	2024/25	2025/26	2025/26
\$M	Actual	Budget	Forecast
Opening balance at 1 July	1,750	1,880	1,957
Increase (decrease) in unexpired risk liability	207	(62)	11
Closing balance at 30 June	1,957	1,818	1,968

Capital expenditure

Computer equipment costs are those for the IT infrastructure expenditure and the cyclical replacement cost of mobile devices. Leasehold improvements spend is the annual spend necessary to ensure that our property is fit for purpose. The leasehold improvements spend in 2024/25 is mainly for the fit-out costs of the new office building in Dunedin. The 2025/26 spend on leasehold improvements is also mainly for the fit-out costs of the new office building in Dunedin, which is expected to be completed in 2025/26, along with the modernisation of the Greymouth and Gisborne worksites.

Table 22 – Budget capital expenditure

	2024/25	2025/26	2025/26
\$M	Actual	Budget	Forecast
Property, plant and equipment			
Computer equipment	5	3	4
Leasehold improvements	6	6	4
Motor vehicles and other property, plant and equipment	3	1	2
Total property, plant and equipment	14	10	10
Intangible assets			
Intangible assets	-	-	-
Total capital expenditure	14	10	10
Depreciation and amortisation costs included in the Forecast statement of comprehensive revenue and expense	41	33	33

10. Summary of other important assumptions

Our forecast financial statements are underpinned by a range of assumptions. In addition to those noted earlier in this section, we adopt a range of forecasts for those indices that drive aspects of our financial performance.

Table 23 – Important Assumptions

Index (year to 30 June)	2025	2026	2027	2028	2029
Claim volume growth	2.90%	1.50%	1.70%	1.30%	1.00%
Entitlement claim volume growth	2.50%	5.40%	4.00%	3.70%	3.80%
Population growth	0.96%	1.08%	1.18%	1.18%	1.18%
Consumer price index	1.97%	1.93%	1.93%	1.93%	1.93%
Labour cost index	2.17%	2.13%	2.13%	2.13%	2.13%
Ordinary time weekly earnings	2.90%	1.94%	2.45%	2.63%	2.73%

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Appendices

Appendix 1 – Alignment of the Service Agreement

How the Service Agreement aligns with our other accountability documents

We have three accountability documents. These can all be found at www.acc.co.nz/about-us/corporate.

Purpose of the Statement of Intent

The Statement of Intent summarises our enterprise strategy from 2026 to 2030. It includes our purpose, our vision, our areas of focus and how we assess our performance overall. It also outlines how we maintain our organisational excellence: our people, our information and systems, and our risk-management framework.

Purpose of the Service Agreement

The Service Agreement is between the Minister for ACC and ACC.

This Agreement outlines for the remainder of the 2025/26 year:

- what we will have delivered by 30 June 2026 to demonstrate progress against our strategic objectives
- the quality and quantity of services to be provided by ACC
- the expected cost of those services
- the performance measures, targets and related information necessary for the Minister to assess our performance
- the nature and frequency of the reporting requirements against the Service Agreement
- how we will deliver our outputs: injury prevention, levy engagement and collection, investment management, and claims management.

The Service Agreement outlines the initiatives and outcomes that ACC will deliver. It does not impose corresponding obligations on the Minister.



Statement of Intent

Covers a four-year period and outlines our medium-term strategic intentions



Service Agreement

Annual agreement with the Minister for ACC setting out the services we will deliver and the expected performance standards



Annual Report

Annual report that enables stakeholders to compare our actual performance with expected performance

Purpose of the Annual Report

The Annual Report highlights our achievements throughout the year and outlines our financial and non-financial performance. It provides a summary of actual results against performance measures included in the Service Agreement.

Appendix 2 – Conditions of the Service Agreement

Roles and responsibilities

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

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

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

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

Parties

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

Term

This Service Agreement is an amendment to the Service Agreement dated 11 June 2025 and aligns with the Updated Letter of Expectations for ACC (received November 2025). This Service Agreement replaces the Service Agreement updated 11 June 2025. This Service Agreement is entered into pursuant to section 271 of the AC Act and relates to the period from 1 January 2026 to 30 June 2026.

ACC's functions and duties

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

- injury prevention — we have a key role in promoting a reduction in the incidence and severity of personal injury. ACC-funded injury prevention activity is expected to be cost-effective and to lead to reductions in levies and appropriations
- rehabilitation — we aim to restore an injured person's independence to the maximum extent practicable. Specific provisions in the AC Act prescribe the entitlements that clients can access
- compensation — the Scheme provides financial compensation to clients for certain losses owing to personal injury.

ACC delivers the Scheme through four core activities (outputs). These are injury prevention, levy engagement and collection, investment management and claims management.

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

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

Amendments to this Service Agreement

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

Payment

The Minister, on behalf of the Crown, will pay ACC up to the amount authorised by Parliamentary Appropriations for 2025/26. MBIE (the Ministry, acting as the administering agency responsible for Vote Labour Market) will action payments to ACC in accordance with the Public Finance Act 1989.

Payments will be made monthly by direct credit from MBIE to ACC, coinciding with MBIE's receipt of funding from the Treasury.

Interpretation

The appendices to this Service Agreement form part of this Agreement, as do any amendments to those appendices signed by the Minister and the Board. The parties agree to discuss and seek to resolve any differences of opinion between them under this Service Agreement, and any matter not covered by this Service Agreement relating to the supply of outputs.

Reporting

ACC will provide quarterly reports on its performance against this Service Agreement. Quarterly reports are to be read in conjunction with this Service Agreement and the reports of any preceding quarters to provide a context for the reporting of ongoing performance for the financial year 2025/26.

Each quarterly report will include commentary on performance against the performance targets, progress in implementing key initiatives and, where necessary, an explanation of performance trends, an analysis of those trends, and proposed actions to improve performance. It will also include commentary on our financial performance and an analysis of risks, critical issues and opportunities arising from our performance to date.

Alongside the quarterly reports, we will provide information and commentary as appropriate to the Minister's officials to support the monitoring of, and further understanding of Scheme performance. The information and commentary may include results for supporting measures, historical information, and related commentary.

Where our performance does not meet targets, we will provide further information that may include:

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

As necessary we will provide the Minister with:

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

The timeframes for quarterly reporting for the remainder of the 2025/26 year are:

Quarterly report	Timeframe
Quarter three	30 April 2026
Quarter four	31 July 2026

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

Appendix 3 – Letter of Expectations

Hon Scott Simpson

Minister for ACC
Minister of Commerce and Consumer Affairs



Jan Dawson
Chair
Accident Compensation Corporation
[REDACTED]

Dear Jan,

UPDATED LETTER OF EXPECTATIONS FOR THE ACCIDENT COMPENSATION CORPORATION (ACC)

We are writing to outline our expectations for the Accident Compensation Corporation (ACC) as it works towards setting targets and priorities for the remainder of the 2025/26 financial year. This letter confirms and builds on the expectations set out in our Interim Letter of Expectations delivered in March.

We expect that the priorities and performance ambition set out in this letter are embedded in the development of ACC's updated Service Agreement and Statement of Intent for 2025/26.

THE BOARD'S FOCUS FOR 2025/26

Right now, too many clients are languishing on the Accident Compensation Scheme (the Scheme), rehabilitation outcomes have deteriorated, and costs have escalated to levels that are simply unsustainable. As a result, these costs have been pushed onto New Zealand households and businesses. This trajectory, if left unchecked, threatens both ACC's financial sustainability and public trust in one of our most important national institutions.

Due to our significant concerns around the operational performance of ACC, the Minister for ACC commissioned an external review of ACC by Finity Consulting Ltd (the Finity review). The Finity review identified a number of areas for improvement across the organisation, including:

"The organisation has good intent and foundational elements in place, but until recently, efforts have been fragmented, slow to be embedded, and undercut by a lack of focus on core claims management. Without urgent and disciplined action, the trajectory will not improve meaningfully, and claimants, levy payers, and taxpayers will continue to bear the cost."

"Key operational challenges for ACC are claims management inefficiencies and a decline in the effectiveness of rehabilitation support provided to injured people. This means that some injured people are taking longer to recover than is necessary, and the cost of these claims is therefore more than the funding obtained. It is also clear that it is socially and economically beneficial for injured people to return to work and/or their usual daily activities as soon as recovery is possible."

We acknowledge that the Board and ACC have already taken important steps in addressing this poor performance; including a refocused strategy to better align with ACC's core purpose of delivery for clients, and a move away from activities that have distracted the

organisation away from its core rehabilitation focus. Other steps towards improved performance have included

- tightening decisions on social rehabilitation costs for low-complexity injuries,
- using data to benchmark recovery times across providers and promote best-practice outcomes,
- strengthening case management through a continued shift back to a one-to-one case management model, and
- building workforce capability with additional case managers, clinical advisors, and work-focused practitioners.

These early actions are welcome and have shown promising results with improved rehabilitation outcomes in the short-term. We are confident you can build on this to achieve a long-term sustained turnaround in performance, with every decision actively safeguarding the Scheme's long-term sustainability without compromising on care and recovery for clients.

In order to see further progress, and drawing on the findings and recommendations of the review, the three overarching priorities that we expect the Board to focus on are:

- **Putting clients first with care that leads to lasting recovery** – rehabilitation must put clients at the forefront of decision making, providing timely, clinically sound, and cost-effective treatment.
- **Getting New Zealanders back to work and independence** – return-to-work and independence outcomes must improve through effective case management and early intervention.
- **Resetting ACC and getting back to basics** – restoring tight financial discipline, robust governance, and refocusing the organisation on its core purpose of rehabilitation and Scheme sustainability.

Turnaround Plan

We expect that the ACC Board develop, in response to this letter, an ambitious turnaround plan to turn around the performance of ACC and address the aforementioned priority areas. This should build on the work already underway at ACC and supersede the current organisational turnaround that is in place.

The plan should include specific and measurable targets that are sufficiently ambitious to drive the necessary shift in performance at ACC. We ask that the Board sets targets across a range of meaningful indicators to ensure adequate transparency around progress. As noted in the Finity review and in subsequent discussions between the Board, the Chair and the Minister for ACC, some specific indicators have been identified as areas of focus going forward. These include return-to-work rates, reductions in the number of people in the long-term claims pool, and reductions in the current and future cost of social rehabilitation and elective surgery. We would also encourage the board to look beyond these indicators to find other areas of focus for organisational improvement.

The scale of the turnaround ahead means a concentrated effort will be needed over the coming years. To provide assurance to Ministers, the plan will need to include clear and measurable milestones to ensure there are adequate feedback loops that allow for early

identification of issues. It should also include long term targets that ensure that the organisation can stay on track and not lose focus, as has been the case in years past.

In developing the plan, we ask that you pay particular attention to the recommendations of the Finity review. The turnaround plan should also address:

- Performance and transparency,
- Strengthening case management,
- Partnership and evidence-based practice,
- Policy and legislative alignment, and
- Financial discipline and strategic alignment.

We also expect you will actively engage with MBIE (as the policy agency) and the Treasury (as the monitor) throughout the plan's development, including providing opportunities to comment on the draft plan at key milestones. We expect the turnaround plan to be underpinned by credible actions and detailed implementation milestones.

We would also encourage the Board to look at the approach taken by Kāinga Ora in its recent organisational turnaround, as well as the approach taken by Health NZ in its updated Health Delivery Plan. These examples may provide valuable insight on initiatives that ACC and the Board could adopt to drive performance within the organisation.

Updated Accountability Documents

We are encouraged by the Board's efforts to refocus the strategy within ACC to ensure it is aligned with its core statutory purpose. We understand the Board is currently working through a process to replace the current strategy, *Huakina Te Rā*, with a strategy that better aligns with the refocus on performance and delivery both within the organisation, and externally to clients.

Under section 139A of the Crown Entities Act 2004, we request the Board to prepare an updated Statement of Intent to apply for the remainder of the current financial year and the following three years (ideally in place from 1 January 2026). We understand the Board also intends to review and update the 2025/26 Service Agreement to reflect the updated context.

Enhanced Monitoring and Accountability

While we appreciate that there have been failings in Treasury's monitoring, we expect continued engagement between ACC and Treasury as we continue to look at the monitoring arrangement going forward.

We understand that Treasury is actively developing an enhanced monitoring framework to enable accountability and delivery. This framework aims to restore ACC's focus on financial prudence, improve client outcomes, and strengthen key Ministerial confidence in ACC.

It is our expectation that the Board engages constructively, where required, in developing this framework going forward. Effective monitoring is an essential accountability mechanism that will ensure ACC succeeds in meeting these targets.

Communication and Engagement

Communications between the Board, the Minister for ACC, and ACC should be straightforward and timely. We expect all priorities to be delivered through a “no surprises” approach. As such, you should inform the Minister for ACC of any significant events or set of circumstances, whether positive or negative, that could be considered contentious, attract wide public attention and/or affect the financial position of ACC.

In undertaking its business, we expect the ongoing commitment of ACC to continue to work constructively and collaboratively with the Minister for ACC’s office (and as needed, the Minister of Finance’s office), MBIE and the Treasury to achieve the Government’s objectives.

Next steps

Our overarching expectation is that ACC’s focus will be on getting back-to-basics by restoring rehabilitation as its core purpose and securing the Scheme’s long-term financial sustainability.

In your Strategic Issues Letter, (expected as soon as possible), we are seeking your assessment of ACC’s performance against the above expectations to date, including actions taken, and results achieved for specific expectations and broader Government priorities.

The task ahead is demanding, but it is vital. ACC must once again become an institution New Zealanders can trust to support recovery, independence, and dignity without compromising the affordability of levies or the sustainability of the Scheme. We will be actively monitoring as the Board drives this important work, and with your leadership, we are confident that this turnaround can be achieved.

Yours sincerely,



Hon Scott Simpson
Minister for ACC



Hon Nicola Willis
Minister of Finance

Appendix 4 – Investment statement

The Government's expectations

The Government's expectations for ACC's investment function are outlined in the interim Letter of Expectations (received March 2025) to ACC from both the Minister for ACC and the Minister of Finance. A summary of the Government's expectations for ACC's investment function, included in the Letter, can be found in *The Government's key priorities*.

Investment context

The Scheme was created in 1974 and in 1999 the government legislated the Scheme's accounts to become fully funded. This means ACC needs to collect enough money during each year to fund all future costs of any injuries that occur in that year.

Intergenerational equity is an underlying objective of the Scheme. In essence, this means that each population cohort should bear the costs of accidents that happened during the period when it was paying levies. Unanticipated rising costs, rising incomes and the introduction of effective but expensive new medical treatments could otherwise mean that future levy payers would contribute to the cost of previous years' accidents.

As required by its legislation, ACC invests funds as if it were a trustee. The investment portfolio cannot be used for anything other than meeting the cost of claims in each of the Accounts. One Account cannot cross-subsidise another. If ACC could invest to fully 'match' its liabilities, the changes in value of its assets would offset the valuation changes for its liabilities. In practice, ACC's assets can only partially match its liabilities given their long-term nature and the limited supply of equivalent assets.

ACC is close to being fully funded across all Accounts, but this assessment relies on forecasts of returns achievable on ACC's investment portfolios. If forecasts of returns reduce due to interest rates declining or claim costs rising unexpectedly, catch-up contributions would be required.

In such a situation, ACC aims to reduce the impacts that it may have on levy rates and on the contribution that the Government is required to make to the Scheme. Thus, ACC favours long-term investments that are expected to deliver relatively certain income streams for long periods of time. Such investments match the long-term cash flow requirements and tend to provide an offset against the risk of declining interest rates.

ACC's investment objectives

ACC invests to meet the future costs of outstanding claims. ACC's investment objectives seek to maximise investment returns over the long term while minimising unexpected mismatches between investment income and growth in the Outstanding Claims Liability. To this end, ACC aims to:

- achieve a suitable balance between return and risk (being the potential for unexpected declines in the ability of investment assets to meet future liability payments)
- maximise long-term investment returns, for the level of risk taken
- achieve long-term investment returns that exceed the benchmark by 0.15% (15 basis points) after investment-related costs
- mitigate risks through appropriate levels of diversification, effective risk management and a strong and efficient operational control environment
- incorporate Environmental, Social and Governance factors or considerations into investment decision-making
- support the spirit and content of New Zealand's health and safety legislation.

Governance

The ACC Board Investment Committee (BIC) is responsible for ensuring the development of, and approving, our investment strategy, policies and guidelines, and for approving the appointment of any external fund manager, investment consultant or custodian. The BIC reports to the full Board on a regular basis.

The ACC Board determines the membership of the BIC, which consists of members of ACC's Board plus expert external appointees.

The BIC operates within the delegated authority and risk appetite provided by the ACC Board. The BIC determines the investment policies, while the implementation of the policies is undertaken by ACC's in-house investment managers or by external fund managers (within the requirements and constraints of an Investment Management Agreement). In delegating investment decisions to internal investment staff, the BIC seeks to ensure that these investment decisions are made in a manner consistent with ACC's investment beliefs and objectives by:

- specifying the investment policies that must be complied with by ACC Investment Group staff
- specifying the investment benchmarks that are to be used to measure investment performance
- specifying how the Investment Group should measure and take account of risk when measuring investment performance
- setting various limits and controls governing the scale and nature of the investment decisions
- ensuring there is clear accountability for the various aspects of investment performance
- making sure the Investment Group has a strong control environment to ensure the limits and controls are enforced and conflicts of interest are minimised.

Key decisions the BIC **does not** delegate include the:

- approval of asset-allocation benchmarks and the establishment of the default allocation between investment markets for each of ACC's Accounts
- approval of policy documents discussing how we will approach various aspects of our investment operation (such as how we set the Strategic Asset Allocation and the approach that we will take to managing a particular investment portfolio)
- approval of changes to our Investment Guidelines, which specify limits to, and controls of, all aspects of the investment operation

- approval of the Investment Risk Management Policy, which specifies ACC's investment risk tolerance and how investment risk is to be managed
- appointment of external fund managers or custodians
- approval of any investment transactions that fall outside the limits and controls specified in the Investment Guidelines.

The Chief Investment Officer ensures the investment portfolio is managed relative to the investment risk tolerances set out in the restrictions and limits of the Investment Guidelines and the Investment Risk Management Policy. The Chief Investment Officer reports to the BIC on a regular basis.

ACC's Investment Beliefs

The ACC Board has approved ACC's Investment Beliefs recommended by the BIC.

ACC's Investment Beliefs are clear statements of how we think investment markets work and ensure alignment, a shared understanding and accountability. The beliefs are designed to stand the test of time and improve the innovative adaptability of the organisation.

1. Governance matters

The role of governance is to define desired investment outcomes, set risk tolerances, establish and maintain clear lines of accountability, define suitable processes and establish and maintain an active role in monitoring and reporting.

2. Fund purpose should be clear

The fund should be clear about its purpose in terms of cash flows, time horizon, tolerable risks and the desire for intergenerational equity.

3. Asset allocation is the key investment decision

Asset allocation is the key driver and has the largest impact on both risk and return.

4. Diversification is beneficial

Diversification reduces risk and should be applied to asset allocation, manager selection and active positions.

5. Markets are imperfectly efficient

While markets tend towards being efficient, we believe inefficiencies can arise in different markets at different times.

6. Markets are partially predictable over the long term

Prospective returns are partially predictable and tend to be more so over longer periods. Investors with a long-time horizon can benefit from this.

7. Active management is difficult

We will tend to focus on areas of active management where we have an advantage and have demonstrable ability to add value.

8. Private markets

The business economics and risk of private and public assets are broadly similar over time. However, the skillsets required to manage private assets differ from public assets.

9. Ethical considerations are important

ACC's ethical position, including on climate change, responds to, and is driven by, our stakeholders' expectations and our commitments.

10. People are paramount

Organisations with knowledgeable, skilled staff perform better over time than those without.

11. Manager styles do not consistently add value over time

Managers tend to exhibit investment styles. We believe that manager styles are not rewarded, nor consistently add value, all the time.

12. Costs matter

Costs are almost certain and erode returns. We should take account of all costs including fees, transaction costs, market impact costs and taxes.

Investment strategies and policies

Investment strategy

The highest layer of investment strategy involves the setting and review of the Strategic Asset Allocation, which sets out the asset class allocation percentages for each Account.

Each asset class is described by a market benchmark that is considered the best representation of its risk and return characteristics. The asset allocation of weightings, together with the asset class benchmarks, are referred to as the Strategic Asset Allocation and are used by the Investment Group as the basis for implementing the investment portfolio. The BIC reviews the asset allocation benchmarks on both an annual and an interim basis.

Management strategy

ACC aims for continued investment success by employing the best investment professionals in the market and encouraging them to manage ACC's investment portfolios in an environment that:

- emphasises individual accountability, but also encourages individuals to work together as a team
- encourages open discussion and debate, without requiring team members to buy in to an artificial 'consensus'
- encourages investment professionals to think about risk as well as long-run returns, and more generally to align their behaviours with ACC's objectives
- empowers investment professionals to make decisions that could add real value for ACC, while recognising that some misjudgement is inevitable.

The Investment Group is focused on ensuring that ACC's investment infrastructure and operational control environments are robust, and that the strategy delivers outcomes that are aligned with our vision and our fiduciary responsibility.

Investing in New Zealand

ACC is a large investor in New Zealand sovereign bonds and New Zealand companies.

ACC has a dedicated Governance Manager who works with our New Zealand listed equity team to actively exercise our corporate governance responsibilities. This has the dual benefits of driving sustainable value creation by holding issuers to account for their performance and lifting New Zealand's corporate governance standards.

ACC plays particular attention to the effective representation of shareholders' interests where conflicts exist (eg a large holder or an external manager). We focus on clear disclosure by issuers of strategies, the consequent skills that are required by boards, and improving the alignment and disclosure of executive remuneration.

The team also interacts energetically with regulators, exchanges, issuers and other investors regarding governance issues as they arise — with particular attention to director duties, and issues arising from the NZX Corporate Governance Code review.

Iwi partnerships

Iwi have many characteristics in common with the ACC Investment Group. Iwi are focused on New Zealand, represent a broad part of our community, and often have long investment horizons and a broad mandate to invest. This makes us natural co-investment partners where there is a demonstrable commercial return.

Examples of our investments with iwi to generate commercial returns include:

- joint ventures for commercial property developments
- funding to assist iwi into ownership of land leases to government departments.

Risk management

The taking of compensated risk is core to investing. The BIC seeks to ensure that the accepted level of risk aligns with the objectives of the investment portfolio and is consistent with the Board's risk appetite. The BIC manages risk through the Investment Risk Management Policy and Investment Guidelines.

The Strategic Asset Allocation is also a primary tool in helping the BIC to manage the risk profile of the investment portfolio. It establishes the financial risk profile of the investment portfolio through a set of market benchmarks and exposures that best meet the long-term investment objectives of the portfolio while ignoring short-term fluctuations in market conditions. The Investment Guidelines limit how much risk the Investment Group can take by placing constraints on the exposure to different categories of risk. The BIC sets rules to govern the types of investment that can be entered into, the way in which the Investment Group invests and the ways in which the Investment Group manages performance. The Investment Group measures investment risks from a number of perspectives to give as broad a picture of risk as possible. Risk measures are reported to the BIC monthly.

The investment portfolio is subject to many types of risks by investing in financial markets. The significant risks include, but are not limited to:

- interest rate risk — changes in interest rates will affect the value of investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations
- inflation risk — inflation affects the value of investments and the future costs of claims through higher rehabilitation costs and wage prices. The value of fixed income securities in the investment portfolio, particularly those with long durations and fixed cash flows, typically decreases if expected inflation increases interest rates (the mechanism being as described under 'interest rate risk' above). The values of other investments, like equity and inflation-linked securities and, or property assets, may increase with inflation
- general market risk — the value of the investment portfolio will fluctuate as the equity and bond markets fluctuate. The value of the investment portfolio may decline because of economic changes (including but not confined to the specific interest rate risks and inflation risks detailed above) or other changes including developments and trends in any particular industry, the financial condition of issuers of such assets, and national and international political events and policy developments

- counterparty risk — we enter derivative contracts with banking counterparties and futures exchanges as part of the investment process. If a counterparty is unable or unwilling to make timely payments to honour its obligations under a contract, ACC may incur a full or partial loss on the derivative. The values of derivative contracts can also change quickly as market conditions change, which in turn means the exposure to counterparties can change quickly. ACC uses cash collateral and margining to offset this exposure
- liquidity risk — the investment portfolio requires exposure to liquid assets to both meet the claim costs of the Scheme and take advantage of opportunities in investment markets. Liquidity risk exists when investments are difficult to sell, possibly forcing us to sell at disadvantageous prices. Derivatives involving substantial market risk also tend to involve greater liquidity risks. Liquidity risks can arise from the need to post large amounts of cash collateral or margin to counterparties of derivatives trades as market conditions change, and if sizeable funding activity from the Scheme requires the sale of securities to meet unexpected liquidity requirements
- climate change risk — the impacts of climate change, such as higher temperatures, rising sea levels, more frequent extreme weather events and adverse health impacts, present current and emerging risks to ACC. ACC's investment portfolio is exposed to the physical risks that result from climate change and transition risks that arise from attempts to combat climate change.

Investment Risk Tolerance

Approving ACC's investment risk tolerance is a matter the Board reserves for itself with input and endorsement from the BIC. The Board and BIC review ACC's investment risk tolerance every 5–10 years. The decision to review this infrequently reflects ACC's long investment horizon and the importance of sustaining the agreed tolerance through market cycles.

Essentially, the review is to assess how much risk ACC is willing and able to take in pursuit of higher returns and what trade-offs are involved in doing so. The agreed risk tolerance sets the baseline for the Strategic Asset Allocation. It is expressed as an overall weighting for equities, calibrated to the case where ACC accounts are fully funded and the market reward for risk is 'normal'. The review considers various factors, such as the expected funding ratios, levy rates, the volatility of outcomes, and liquidity requirements.

The Investment Risk Tolerance Statement⁶ is intended to encapsulate the Boards appetite for Investment Risk and is informed by the risk tolerance setting process outlined above. The Board makes the risk tolerance statement public to enhance institutional stability, transparency, and accountability of the decision.

Active management

Active portfolio management is an integral part of ACC's investment beliefs and is important in achieving ACC's investment objectives. Active portfolio management allows ACC to identify and exploit market opportunities, enhance returns and manage risks.

ACC continues to actively manage all its investment portfolios. The majority of ACC's investments are actively managed by the in-house investment managers. ACC manages most of its Australasian funds internally and uses external fund managers for all its global investment mandates.

ACC Investments Code of Conduct

The ACC Investments Code of Conduct establishes rules to ensure that the Investment Group complies with the Financial Markets Conduct Act 2013 and that investment staff manage personal investments, conflicts of interest and offers of gifts or hospitality appropriately. The investment portfolio is managed to the highest ethical standards. The Investment Group maintains a culture of compliance that is consistent with its position as a Crown Agent and as a leading investment fund. This means:

- being fully aware of, and complying with, all applicable legal obligations and internal policies and guidelines
- readily identifying and appropriately addressing any instances of non-compliance (actual or potential) to eliminate or minimise ACC's exposure to legal or reputational risk.

⁶ www.acc.co.nz/about-us/our-investments/investment-risk-tolerance-statement

Ethical Investment Policy

ACC's Ethical Investment Policy⁷ requires ACC to consider the ethical implications of ACC's investments as well as ACC's fiduciary responsibilities. ACC seeks to avoid investing in entities involved in activities that would be considered unethical by a substantial majority of the New Zealand public. ACC uses New Zealand law as a reflection of the principles widely held by the New Zealand public. ACC also draws on international conventions such as the United Nations Global Compact and the Principles for Responsible Investment. ACC also aims to avoid investing in entities that exhibit corporate behaviour that seriously breaches ethical/responsible investing standards.

The ACC Board provides overall guidance on the types of activity that are considered unethical. The ACC Board has highlighted activities that are considered unethical. These include: tobacco companies; cannabis companies; companies involved with the development and/or production of anti-personnel mines, cluster munitions, nuclear explosive devices and automatic or semi-automatic guns for civilian use; companies involved in hunting or processing of whales; and companies generating more than 30% of their revenue from thermal coal. ACC aims to continue earning strong investment returns for levy payers and reduce the costs that New Zealanders pay for accident cover, while also meeting our ethical responsibilities.

In 2019 ACC committed to a 50% reduction in the carbon intensity of the global equity portfolio by 2030 compared to 2019 levels. The ACC Board revised the targets in 2021, committing to a 60% reduction by 2025 and a 65% reduction by 2030. Significant progress has been made towards these targets, with a commitment to review them on an iterative basis.

Principles for Responsible Investment

ACC became a signatory to the Principles for Responsible Investment in March 2008. These principles provide investors with a framework to incorporate environmental, social and governance issues in their investment decision-making and ownership practices. As a signatory ACC is committed to adopting and implementing the principles where consistent with our fiduciary responsibilities.

Crown Financial Institutions – Responsible Investment Framework

ACC takes into account its role and responsibilities as one of New Zealand's Crown Financial Institutions. This role was reaffirmed under the Crown Responsible Investment Framework, announced in October 2021.

ACC, alongside the NZ Super Fund, Government Superannuation Fund and National Provident Fund, has committed to making reductions in the portfolio carbon footprint in line with achieving net-zero global emissions by 2050, and reporting on these reductions using common metrics.

As part of this, the Crown Financial Institutions will seek to invest in climate solutions consistent with their respective investment strategies and commercial mandates. They will also use their collective influence as asset owners to engage with companies on climate change and emission reductions.

Investment valuations

We have an investment valuations policy that governs how ACC values non-traded investments such as property and private equity, the timeframes for changing valuation managers and the specific requirements in doing so.

ACC manages its financial statements in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and complies with Tier 1 Public Benefit Entity accounting standards. To ensure assets are measured accurately and without bias, ACC maintains independence between those responsible for managing the investments and those responsible for valuing the investments. For material investments where no observable market prices are available, the Investment Group obtains independent third-party valuations. Independent third-party valuers must be managed on a rotation policy. The policy requires ACC to ensure it follows ACC's Procurement Policy, which ensures independence within ACC on the selection of valuers.

Cost management

ACC uses a market-recognised measure of cost management — the management expense ratio (MER). It includes all the investment costs for the management of the portfolios. ACC undertakes best-practice cost benchmarking to ensure cost transparency and efficiency. The BIC monitors ACC's investment MER on a quarterly basis and reviews it against peer funds and other Crown Financial Institutions.

⁷ www.acc.co.nz/assets/corporate-documents/ethical-investment-policy.pdf

Measuring performance

The oversight of investment performance is a primary function of the BIC, with independent reporting provided by the Investment Risk and Performance team.

Investment performance should ultimately be evaluated according to the extent to which ACC's investments have achieved the objectives of enhancing returns and reducing risk, and how that performance compares with global investment markets' performance.

The Investment Group measures the performance of each portfolio against a relevant benchmark, and measures ACC's overall investment return against a composite benchmark.

Inherently, most investment decisions involve a considerable degree of uncertainty, and the outcomes of a few investment decisions in a short period of time could be regarded as being due more to luck than skill. But with enough time and enough distinct investment decisions to consider, ACC expects that any unpredictable positive or negative results will average out. Therefore, investment performance over a longer timeframe is more likely to reflect mainly the quality of the investment decisions rather than the 'noise' of relatively unpredictable fluctuations in investment markets.

Standards and procedures

The investment strategy and policies are implemented through standards and procedures that sit outside this document. Standards and procedures are monitored and controlled centrally by the ACC Investment Compliance team and are reviewed and reported to the BIC on an ongoing basis.

Appendix 5 – Glossary of terms

Accident Compensation Act 2001 (AC Act)

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

Client

A person who makes a claim under the Scheme.

Consumer price index

A measure of the price change of goods and services purchased by private New Zealand households.

Crown entity

An organisation in which the Government has a controlling interest, as defined in the Crown Entities Act 2004.

Crown Financial Institution

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

Earners' Account

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

Entitlement claim

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

Funding ratio

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

Gradual process claims

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

Gross domestic product (GDP)

The standard measure of the value added through the production of goods and services in a country during a certain period.

Health provider

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

Labour cost index

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

Levies

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

Long-term claims pool

A long-term claim pool client has received weekly compensation for more than 365 days.

Motor Vehicle Account

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

New claims registered

Total number of new claims registered. Presented as a rolling 12-month result.

Non-Earners' Account

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

Outstanding Claims Liability (OCL)

An estimate of the present value of expected future payments on all existing ACC claims.

Pay-as-you-go basis

Funding the costs of injuries as the costs are incurred.

Return on investment

The return or benefit obtained from an investment over and above the original investment, commonly expressed as a percentage or ratio.

Scheme

New Zealand's no-fault accident insurance scheme that provides cover to all New Zealanders and visitors to our country.

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 (2026—2030).

Treatment Injury Account

The Account for injuries arising from medical treatment.

Weekly compensation

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

Work Account

The Account for injuries arising from paid work.

Appendix 6 – Glossary of performance measures

Actuarial movement (influenceable)

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

Average time to resolution for claims with a review

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

Claim lodgement rate for Māori

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

Cover decision timeliness: complicated claims

Average number of calendar days between lodgement date and time, and date and time of first cover decision (accept or decline) for complicated claims on rolling 12-month basis.

Cover decision timeliness: non-complicated claims

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

Employee engagement

Employee engagement is the grand mean (average of averages) of results across 12 questions. The questions cover aspects of engagement on a scale of 1 to 5, including basic needs, management support, teamwork and belonging, and growth. This is measured annually using a survey tool.

Investment performance (after costs) relative to benchmark

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

Long-term claims pool volume

The number of clients who have received weekly compensation for more than 365 days. Presented as a point-in-time result.

New year costs' movement

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

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

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

Overall operational system availability

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

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 in favour of ACC (in favour of ACC at hearing or resolved before hearing)

The proportion of all review outcomes where the decision was in favour of ACC at a hearing or was resolved by ACC before a review hearing. Outcomes resolved before a review hearing includes overturned, withdrawn, or settled reviews. Presented as a rolling 12-month percentage.

Public trust and confidence

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

Return on investment — injury prevention

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

Return to independence for those not in the workforce

The proportion of clients (who have never received weekly compensation) who have returned to independence (ceased receiving any entitlement payments) in 12 months. Excludes serious injury claims. Presented as a rolling 12-month result.

Return to work: 28 days

The percentage of clients receiving weekly compensation who return to work within 28 days. A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Return to work: 10 weeks

The percentage of clients receiving weekly compensation who return to work within 10 weeks (70 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Return to work: nine months

The percentage of clients receiving weekly compensation who return to work within nine months (273 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Return to work: one year





The percentage of clients receiving weekly compensation who return to work within one year (365 days). A client is considered to have returned to work five weeks after the cessation of weekly compensation payments. Presented as a 52-week rolling average result.

Weekly compensation setup timeliness

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

Appendix 7 – Performance framework

Statement of Intent Measures

Strategic Objectives			Organisational Health and Capability
			
Care that leads to lasting recovery	Timely return to work or independence	Efficient organisation, sustainable Scheme	Capable, enabled, empowered people
1 Actuarial movement (influenceable)	2 Return to work: 28 days	8 New year costs' movement	12 Employee engagement
	3 Return to work: 10 weeks	9 Investment performance (after costs) relative to benchmark	13 Number of privacy breaches (notifiable to the OPC)
	4 Return to work: nine months	10 Return on investment — Injury prevention	14 Overall operational system availability
	5 Return to work: one year	11 Public trust and confidence	
	6 Return to independence for those not in the workforce		
	7 Proportion of other claims in the long-term claims pool		

Service Agreement Measures

Levy engagement and collection  	Claims management   
1 Actuarial movement (influenceable)	2 Return to work: 28 days
8 New year costs' movement	7a Long-term claims pool volume
Investment management 	11 Public trust and confidence
9 Investment performance (after costs) relative to benchmark	11.1 Percentage of total expenditure paid directly to or for services to clients
Injury prevention 	11.2 Proportion of reviews upheld in favour of ACC (in favour of ACC at hearing or resolved before hearing)
10 Return on investment — Injury prevention	11.3 Average time to resolution for claims with a review
Organisational Health and Capability 	11.4 Claim lodgement rate for Māori
12 Employee engagement	
13 Number of privacy breaches (notifiable to the OPC)	
14 Overall operational system availability	

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



**Te Kāwanatanga
o Aotearoa**
New Zealand Government