



Briefing to the Incoming Minister

26 October 2017



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Message from the Board Chair

Dear Minister Lees-Galloway,

The ACC Board and management look forward to working with you to ensure the continued good governance and responsible stewardship of the accident compensation scheme New Zealanders have entrusted us with.

For the last 43 years, ACC's purpose has remained the same – to deliver a fair and sustainable scheme responsible for preventing injury in the first instance, and rehabilitating and compensating New Zealanders, and visitors to New Zealand, when injury does occur. The way we deliver these core functions must progress and evolve in line with the public's expectations.

This briefing outlines ACC's role as the agency responsible for delivering New Zealand's accident compensation scheme and how we propose to support you in your role as Minister for ACC. The briefing includes information on ACC's role, our core outcomes, how we work across government, and an overview of how we are changing to ensure our services meet the expectations of New Zealanders.

ACC has made good progress in recent years in delivering better service to New Zealanders – trust and confidence in the Corporation has increased; we have more than doubled our investment in injury prevention in the past three years; and we remain in a strong financial position, which has supported levy reductions for three years in a row. We are also building constructive, effective and ongoing partnerships across government and in the community.

However, more work is required to improve the experience and outcomes New Zealanders receive from their accident compensation scheme. We hope this briefing introduces you to the key areas of the work we do through the administration of the accident compensation scheme, and the work of Government more broadly.

I look forward to meeting with you at your earliest convenience, and working with you over the coming months as we supplement this initial briefing with more detailed information on ACC and the accident compensation scheme.

I also extend an invitation to you to visit our offices to learn more about our organisation and our people.

Dame Paula Rebstock DNZM
ACC Chair

1. The role of the Accident Compensation Corporation

The Accident Compensation Corporation (**ACC**) is the Crown entity set up under the Accident Compensation Act 2001 (**the AC Act**) to deliver New Zealand's accident compensation scheme (**the Scheme**). The Scheme provides no-fault personal injury cover for everyone in New Zealand, including overseas visitors. Under the Scheme individuals forgo the right to sue for compensatory damages following injury, in exchange for comprehensive accident cover and compensation.

The AC Act states the purpose of the Scheme 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 (including economic, social, and personal costs)..."

As such, the Scheme has three core functions:

Injury prevention – ACC is responsible for promoting measures that reduce the incidence and severity of injuries.

Rehabilitation – ACC provides entitlements for personal injury, as prescribed in legislation, with the goal of restoring independence to the maximum extent practicable. Entitlements include contributions to the costs of treatment and rehabilitation (help with getting back to work or independent living).

Compensation – ACC provides financial compensation to people for losses they incur because of their injuries. This includes:

- weekly compensation (income replacement) for earners, at 80% of their annual earnings if they are injured and do not return to work within a week
- lump-sum compensation (one-off payments) for people whose injuries have left them significantly and permanently impaired
- entitlements for fatal injuries, such as funeral grants, survivors' grants and weekly compensation for their spouse or partner, children and other dependants.

Details of the types of injury covered by the Scheme and entitlements provided by legislation are contained in **Appendix 1**.

ACC's core outcomes

ACC touches the lives of all New Zealanders: those who are injured; health and rehabilitation professionals who provide services to injured people; the businesses, vehicle owners, workers and tax payers who financially contribute to the Scheme; and those who participate in injury prevention activities.

The *Statement of Intent 2015-2019* outlines the three outcomes that we aim to deliver for New Zealanders:

- Reduce the incidence and severity of injury in New Zealand
- Rehabilitate injured people in New Zealand more effectively
- Ensure New Zealand has an affordable and sustainable scheme.

How ACC uses its core activities (injury prevention, levy setting and collection, investment management and claims management) to deliver on these outcomes is discussed more in **Section 4**.

Maintaining the effective management of the ACC Scheme

ACC's Board and Management works with you to agree performance objectives (through key accountability documents) and regularly reports to you on performance. ACC also works closely with the Ministry of Business, Innovation and Employment (**MBIE**), your principal policy advisor, and the Treasury, which monitors ACC's performance on your behalf, to ensure the effective delivery of the Scheme.

In addition to the priorities you set, ACC supports you by:

- providing straightforward and simple communication, with no surprises, supported by regular meetings with you. This includes monthly meetings with the Board Chair, along with the Chief Executive, to discuss ACC's performance against the Statement of Intent and any other matters that may have arisen
- providing information and advice relating to Ministerial correspondence, Official Information Act 1982 requests, parliamentary questions and select committee appearances
- seconding private secretaries to support you and the Associate Minister for ACC, who provide a valuable link to the ACC business to assist with the provision of information and support to you
- working constructively with MBIE and the Treasury in their respective roles as advisors on Scheme policy and ACC's monitoring agency
- working constructively with other agencies on cross-government work, including taking a positive and active role in all-of-government initiatives, and working with the health sector to drive continuing improvement in health outcomes for New Zealanders.

ACC has three accountability documents, which link to the Letter of Expectations you provide:



In addition, ACC's Chief Risk and Actuarial Officer prepares an annual Financial Condition Report for the ACC's Board on ACC's operations, financial condition, liabilities, and funding requirements. The report also highlights known or emerging risks that may affect the long term financial condition of the Scheme.

Copies of the 2016 Financial Condition Report, Statement of Intent 2015-2019 and the 2017/18 Service Agreement are attached for your information.

In May 2017, ACC also underwent a Performance Improvement Framework Follow-up Review (**the Review**). The original review was undertaken in 2014. A copy of the Review is attached.

2. Assessing performance

ACC works to achieve the best possible delivery of services to New Zealanders, while ensuring the Scheme remains financially sustainable.

Performance drivers

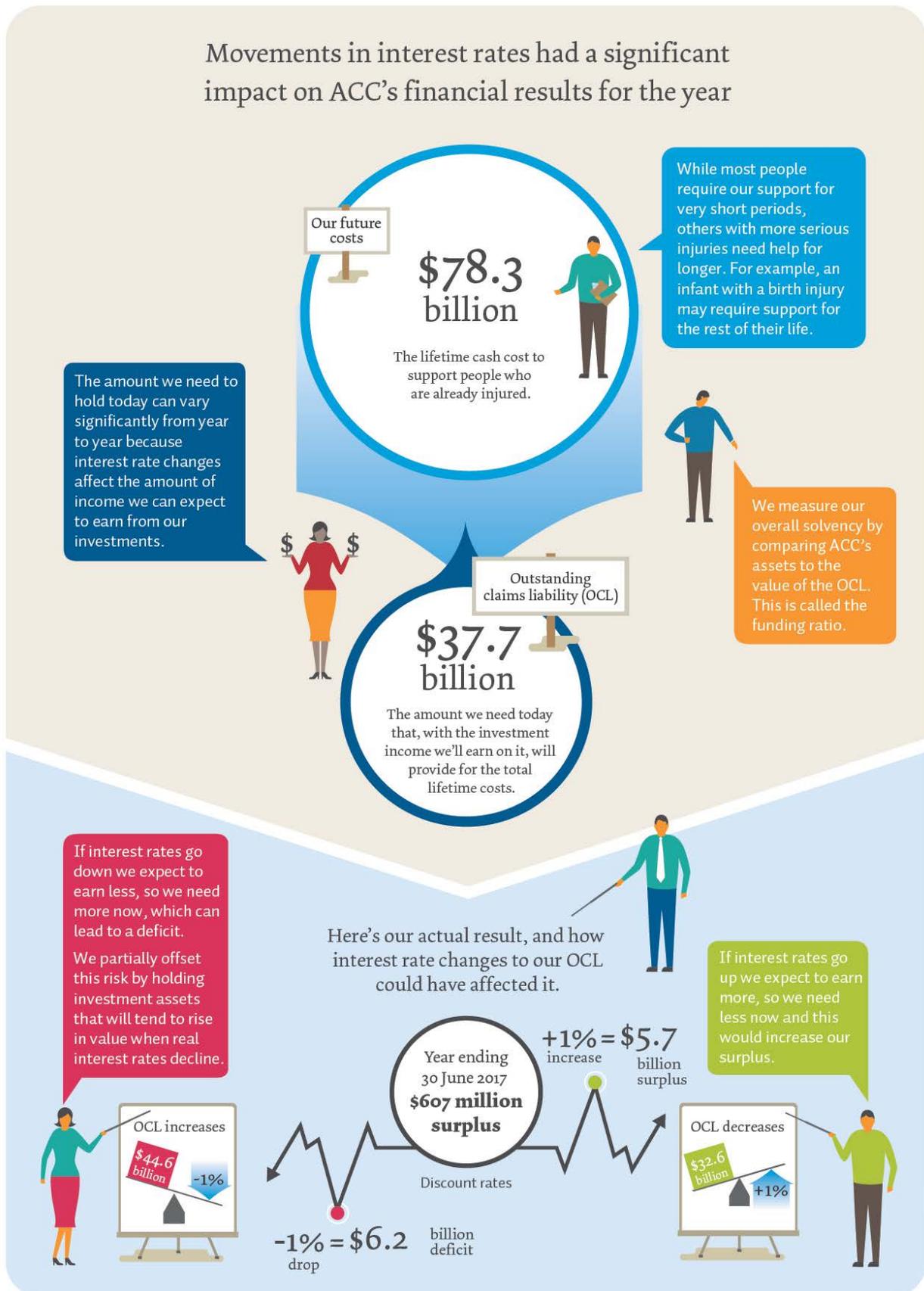
To effectively manage both customer and financial outcomes, ACC needs to have a good understanding of the drivers of performance. This understanding allows us to regularly forecast the drivers' potential impact and to manage the Scheme in a way that mitigates the impact of these drivers. The table below summarises the five main performance drivers and outlines how ACC manages the associated pressure on the Scheme.

Five main performance drivers

PERFORMANCE DRIVERS	MITIGATIONS
Claim volume – Growth in the number of new claims is driven by a range of factors, including population growth, gross domestic product growth, the unemployment rate and the total vehicle distance travelled.	While these factors are largely out of ACC's control, it offsets some of the claim volume growth through injury prevention activities, and it actively monitors the way treatment and rehabilitation costs change as its claim volumes change, allowing ACC to take early actions where it sees cost pressures from claim volume growth.
Inflation – Inflation increases the costs of the services provided and the nature of services ACC purchases exposes it to additional cost inflation that is specific to treatment and rehabilitation services (super-imposed inflation).	The way ACC contracts for services with providers (such as elective services) aims to mitigate the impacts of inflation on the costs of services, and ACC constantly monitors average treatment costs.
Service offerings – The set of services ACC offers changes through time to reflect the availability of new and improved services, and the need to support the rehabilitation and meet the expectations of clients who have suffered injuries (such as recent increased investment in vocational rehabilitation services to help clients return to work earlier).	ACC closely monitors rehabilitation performance of the services it offers, ensuring that those services offer the best balance between client rehabilitation outcomes and financial sustainability. ACC tests this balance by monitoring return to work rates and average cost per claim.
Legislative changes – Additions to the Scheme (such as the introduction of free medical care for children aged 12 and under from 1 July 2015) can increase the number of claims ACC accepts and push up overall costs of providing treatment and rehabilitation services.	ACC engages closely with the Ministry of Business, Innovation and Employment and the Treasury to understand and predict the impact of proposed changes.
Economic factors – Given the size of ACC's assets and liabilities relative to underlying costs, small movements in interest rates and investment earning can have a material impact on the solvency of the Scheme.	ACC employs active strategies to ensure assets and liabilities are matched so, where possible, the impacts of movements in key economic factors are hedged. The current funding policy set for the levied accounts also ensures that any impacts are spread over a 10-year period.

Impact of economic factors – Interest rates

Movements in interest rates had a significant impact on ACC's financial results for the year



Performance measures

ACC monitors a balanced set of measures that reflect the aspects of Scheme performance that are controllable. These measures are set in the Statement of Intent and annual Service Agreement. Below is a summary of how ACC performed against its key measures in 2016/17. More information on our performance is available in the *2017 Annual Report*.

ACC performance: 2016/17

More than **500,000**
New Zealanders reached by our injury
prevention programmes

\$55 million invested in injury
prevention. For every dollar invested,
we project a return of **\$1.63**

62% of New Zealanders have trust
and confidence in ACC, a significant
improvement on prior years and
in line with our target

One category 3 privacy breach
and a **21%** reduction in all
privacy breaches

78% of our clients were satisfied
with the service we provided, **2%**
higher than last year

Levied accounts
(Earners', Work and Motor Vehicle)
are now **121.7%** funded

1.2 days average to decide on cover
on **1.95** million new claims received

Investments team beat benchmark
for **22nd** year, and generated
\$2.1 billion of income

Seven days to make first
weekly compensation payments,
16% quicker than last year

Our reserves portfolio returned
5.7% this year, **1.4%** better
than benchmark

80% of clients surveyed were
still back at work nine months after
being rehabilitated. This durable result
is **1%** better than last year

Surplus of
\$607 million
to support the Scheme

85.8% of clients not in the
workforce were no longer requiring
support from ACC after 12 months

Levy reductions in the three levied
accounts of more than
\$2 billion
in the past five years

68.4% of clients were back
at work within 10 weeks, **0.9%**
ahead of target

Seven engaged employees for
every disengaged employee, **17%**
better than last year

3. Shaping ACC's future as a customer-centred agency

For the past 20 years, ACC has remained relatively unchanged as an organisation in the way that it has delivered its core services to New Zealanders.

While making incremental changes to improve service delivery, ACC has never taken a fully customer-focused approach to the way it delivers the Scheme, or looked closely at how it can best meet customer needs and expectations now and into the future.

To understand what needed to change, ACC asked 5,500 clients, providers, business customers and employees what they thought and felt about the Corporation, and what they would like it to do better. They told ACC it needed to be:

- more responsive
- more transparent
- easier to deal with.

This feedback confirmed that, despite improvements in recent years, ACC was not effectively delivering core services to, and for, New Zealanders. Its processes had become complex. It was organised around practices and products, developing technology solutions that suited itself rather than its customers.

With the insights from the engagement with New Zealanders, ACC developed a programme of work to deliver better services by integrating and aligning its people, processes, information and technology.

Shaping Our Future is ACC's strategy to put customers at the heart of everything it does. ACC is looking holistically at everything it does, from technology to how staff are trained for the challenges of the future. ACC is building a more customer-centred and transparent organisation that supports a sustainable Scheme and improves the experience of all its customer groups.

Shaping Our Future is underpinned by the need for ACC to:

- improve the public's trust and confidence
- respond to our customers' requests for better service quality
- improve outcomes for our clients
- enhance productivity and claims performance
- deliver more effective public services.

As an organisation, ACC is changing to make it quicker, easier and simpler to work with its customers. But different customers have different needs. ACC is working to meet these needs in the following ways:

- **Clients** – The focus is shifting from looking at claims to looking after clients. ACC is changing how it works and streamlining some of its processes and systems to make it quicker and easier for clients to get the support they need.
- **Business customers** – ACC is making it quick and easy for businesses to deal with it with greater online, and mobile, capability.
- **Providers** – ACC trusts its providers to make the right clinical decisions to help their patients, our clients, towards rehabilitation.

The objectives and benefits for key elements of the transformation component of the Shaping Our Future strategy are outlined in the table below.

Transformation Programme investment objective	Related benefit measures
FINANCIAL BENEFITS	
Improve the productivity of ACC.	Claims processed per Full Time Equivalent
	Technology savings
	Savings from postage and mail cost reduction
Reduce total weekly compensation days paid.	Average weekly compensation days paid
Improve Levy Collection through better quality information, reducing time to payment and lowering bad debt.	Savings through a better levy cash flow and levy debt reduction
NON-FINANCIAL BENEFITS	
Improve Customer Trust and Confidence in ACC.	Improved Client Net Trust Score
	Improved Business Customer Net Trust Score
	Improved Provider Net Trust Score
Empower and Engage ACC Staff to deliver ACC's core services more effectively.	Improved Employee Net Promoter Score
Reduce the exposure to operational failures through improving the operational resilience of our people, processes and technology.	The extent to which ACC is able to withstand and respond to business challenges and shocks expressed as a score against 14 metrics

Our progress

ACC has already implemented a number of successful changes that are making a difference for customers as part of the Shaping Our Future strategy:

- Weekly compensation processes have been streamlined to make it faster for clients to access compensation, and to allow case managers to focus on client rehabilitation.
- Improved access to services. ACC knows business customers want to deal with us online, so we are improving digital services for business customers and the processes and systems that sit behind it.
- ACC's website has been upgraded to be intuitive and customer-friendly. The new website makes navigation simpler and allows people to find what they want much more easily.
- Levy invoices have been redesigned. The new version was rolled out throughout this year meaning all business customers are now receiving a new, shorter and simpler invoice. Positive feedback has been received on the simplicity and clarity of the information.

Working with clients

ACC wants to help New Zealanders recover from their injuries as quickly and as best they can. Most injured clients do not need direct support from ACC through their recovery, but for those that do, the relationship with ACC may be long term and sometimes for the rest of their life.

The case management model ACC uses to deliver services to clients has not fundamentally changed for 20 years. This is why, as part of the Shaping Our Future strategy, ACC is redesigning the way it delivers case management. The focus of this work is to provide a better outcome and experience for clients by providing a more consistent, streamlined and simplified service that focuses time and resources on the customers that need it most.

The first stage in this work commenced in September 2017 with a project testing and refining the new model. ACC has started with a small volume of low complexity claims and will slowly increase the volume. By early 2018 ACC expects to be managing a greater variety of claim profiles through the new model.

Working with providers

ACC's providers are key partners in, and critical to, the successful delivery of the Scheme. They are also key influencers of client trust and confidence. Every client's first interaction with ACC and the Scheme is through providers, and 92% of our clients' only interaction with ACC is through providers, such as general practitioners and specialist treatment providers.

Over the next few years ACC will work with the health sector and its providers to fundamentally change the way they work together to deliver better client experience and outcomes in the future. A stronger relationship with providers will:

- improve client rehabilitation outcomes by ensuring ACC effectively uses its data and service commissioning model to drive clinical insights and encourage adoption of proven treatment protocols
- improve the delivery of provider services, and create greater collaboration around client outcomes
- lead to greater efficiency of spend through increased rigour around provider performance management and a shift towards alternative methods of purchasing.

Working with businesses

ACC's next big milestone for business customers is the launch of a new policy and levy management system in February 2018. This will mean business customers will be able to manage their levy accounts more easily, and with much greater online and mobile capability.

As ACC implements change, it is ensuring it plans carefully and keeps a close eye on how it is doing, especially when looking to maintain accuracy and privacy.

Another focus of the transformation is the ability, over time, to integrate what ACC is doing with other government departments, such as Inland Revenue and the Ministry of Social Development. This is so ACC can continue to make it easier for New Zealanders to deal with government as a whole.

Strategic integration

The Shaping our Future Strategy aims to achieve better outcomes and experience for all of ACC's customers. The full realisation of Shaping our Future will happen when all of the changes and improvements for our customers are working together across the system. Having made good progress in each of our customer areas, work is now underway to ensure optimal integration for delivery of our major initiatives; the redesign of our case management system, how we work with providers to deliver the best treatment and rehabilitation outcomes and the modernisation of ACC as an organisation that can evolve with its customers changing needs and expectations.

4. How ACC delivers its outcomes

ACC has three outcomes that it aims to deliver for New Zealanders:

- Reduce the incidence and severity of injury.
- Rehabilitate injured people more effectively.
- Ensure New Zealand has an affordable and sustainable Scheme.

How ACC uses its core activities (injury prevention, claims management, levy setting and collection, and investment management) to deliver on its outcomes is discussed in the following sections.

Reduce the incidence and severity of injury – Injury Prevention

ACC helps to reduce the number and severity of injuries across the lifespan by investing with partners in a range of programmes and initiatives. These span from the individual to the community, across settings such as the sports field and work place and environments like our roading network.

The success of ACC's injury prevention portfolio relies on its ability to connect with a large number of New Zealanders through a range of programmes and in a range of environments. To do this, ACC has built a number of partnerships with government and community agencies.

Through government agencies such as WorkSafe, NZ Police, the NZ Transport Agency and the Ministry of Health, and relationships with community partners such as St John, the New Zealand Rugby Union, Plunket and District Health Boards (**DHBs**); ACC can access a range of delivery channels that help it reach target communities.

More information on ACC's partnerships is in **Section 6: Working in Partnership**.

As required by ACC's legislation, it 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' Account appropriation. As such, ACC focuses its efforts in the areas of: falls, work, road, treatment injury, sexual and family violence, sport, and the community. Injuries from these seven areas account for about 85% of new costs to the Scheme.

ACC takes a balanced portfolio approach to its injury prevention activities, which means it invests in a wide range of injury prevention activities with a mixture of higher and lower expected returns across the individual activities.

Investment in injury prevention has increased from \$30 million in 2014/15 to a budgeted \$70 million in 2017/18. ACC uses a range of measures to assess whether its investments are having a meaningful impact on reducing the incidence and severity of injury. These include reach (programmes reached over 500,000 people in 2016/17); return on investment (in 2016/17 ACC returned \$1.63 for every dollar spent); injury claims avoided; and the reduction in severity of injury in the population groups we target.

Some examples of ACC's injury prevention work include:

Treatment Injury: In April 2017, for the first time, ACC published data on treatment injuries (injuries that occur during or as a result of health care) from all DHBs. This will be updated every six months, and will include private surgical hospitals in the next iteration.

This was part of another, broader collaboration with the DHBs and other clinical providers, the Ministry of Health and the Health Quality & Safety Commission (**HQSC**). The aim is to help reduce the number and the impact of injuries that occur as a result of treatment. We have specific initiatives that will run for several years to reduce harm from surgery, prevent health-care-acquired infections, improve medication safety, reduce pressure injuries, and reduce birth injuries (neonatal encephalopathy).

For example, ACC partners with the Auckland University medical school to deliver a simulation-based team training programme called MORSim (Multidisciplinary Operating Room Simulation). This is for staff across all 20 DHBs who work in operating rooms. The programme aims to improve patient safety during an operation and efficiency of care.

Violence: ACC continues to invest in a range of programmes, such as its work with the New Zealand Union of Students' Association to prevent sexual violence on and around student campuses. This provides continuity with the secondary schools initiative Mates & Dates, which promotes respectful relationships between people, as well as an understanding of behaviours that underpin violence.

Workplace: On top of seven generic workplace programmes for health and safety, ACC has 13 that target specific industries, and three creating new channels for health and safety information. These all support the joint Harm Reduction Action Plan ACC has with WorkSafe.

Falls: Last year, along with the Ministry of Health, HQSC and DHBs, ACC made a commitment of \$30 million to reduce the number of falls and fractures amongst the older population. This programme is ACC's single largest injury prevention investment.

ACC is continuing to work with its partners to develop and deliver new initiatives in the current financial year, and beyond. Key areas of focus will be treatment injury, the SportSmart programme, motorcycle injuries and workplace safety.

ACC is committed to developing more partnerships that will reduce the incidence and severity of injuries, while continuing to deliver a positive return on investment.

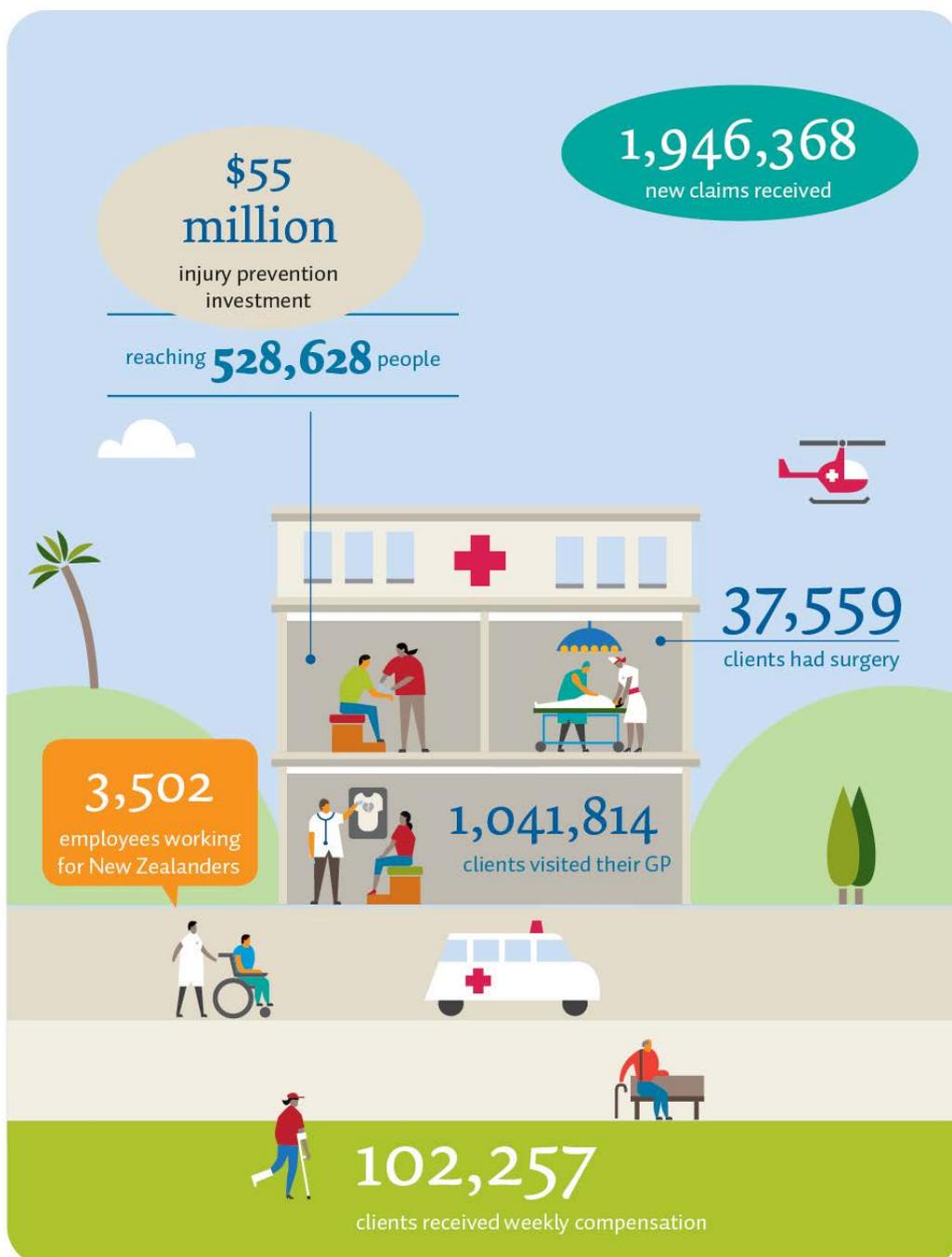
Rehabilitate injured people more effectively – Claims Management

ACC helps injured people covered by the Scheme receive the appropriate medical treatment, social and vocational rehabilitation services and compensation to enable a return to work, independence and everyday life.

The majority of claims for ACC cover are lodged through a medical practitioner at a general practice, emergency department or accident and medical centre. To establish eligibility for cover, ACC determines whether a client has suffered a personal injury, the cause of the injury and where the injury occurred.

Details of the types of injury covered by the Scheme and entitlements are contained in **Appendix 1**.

How ACC supported New Zealanders in 2016/17



When ACC accepts a person’s claim, it must provide entitlements to the level prescribed in legislation, with the goal of restoring the person’s independence to the maximum extent practicable. Entitlements include contributions to the costs of treatment and rehabilitation that helps them get back to work or independent living.

ACC’s involvement in the rehabilitation process ranges from ACC paying for a visit to a provider (such as a visit to a general practitioner or physiotherapist), to intensive support for seriously injured clients who require lifelong services (including social and vocational rehabilitation and weekly compensation).

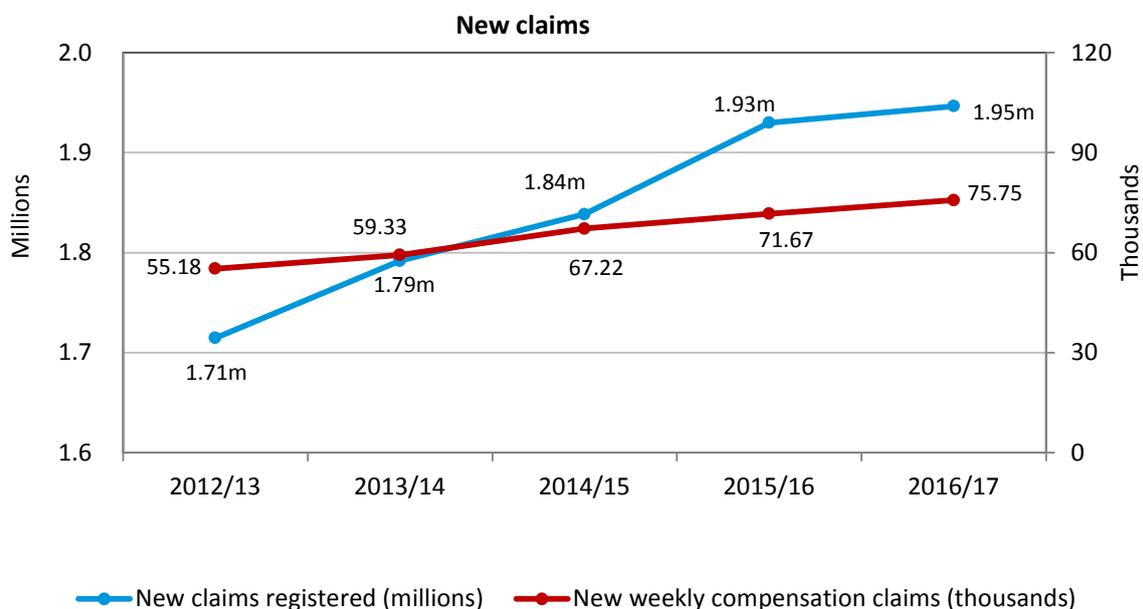
Of the 1.9 million claims ACC registered in 2016/17, 1.6 million only required a contribution to medical costs, and 161 were classified as serious injury claims¹.

Through case management ACC ensures people with injuries that may take a bit more time to recover or have more complex needs get the support they need and are entitled to.

Research demonstrates that a return to independence as quickly as possible after injury makes a significant improvement to people’s overall health and wellbeing, while reducing the adverse social and economic impacts of their injuries on their families, communities and New Zealand.

For those clients who do need additional support, ACC’s staff based throughout New Zealand in its short term claims centres, branches and service centres make decisions to ensure timely delivery of entitlements.

In 2016/17, new claims rose 0.9% to 1.9 million and claims costs increased by 6% to \$3.7 billion. The growth in claims volumes was driven by the strength of economic activity, more vehicles on the road, more kilometres driven, a growing population and an ageing population.



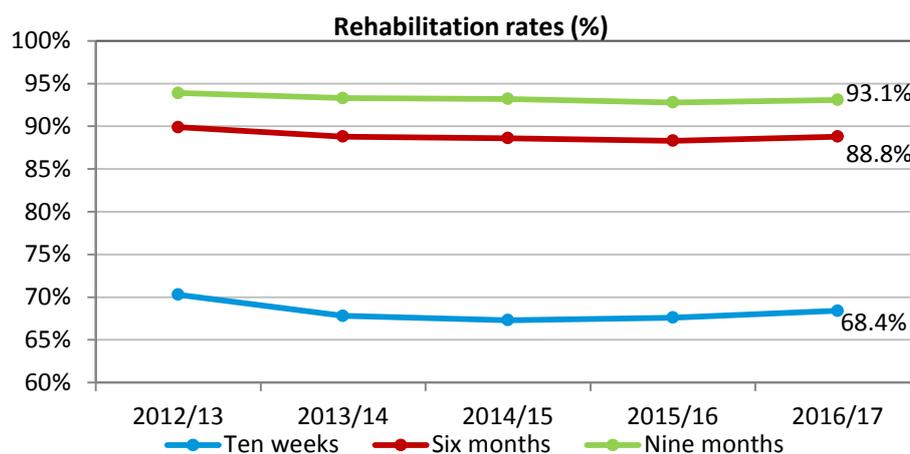
¹ Significant impairments or disabilities as a result of injuries (eg spinal injury, traumatic brain injury and other catastrophic injuries).

ACC has also seen an increase in the average cost per claim, largely driven by inflation as well as the demand to broaden our service offerings, such as:

- better support for those people who had suffered injury as a result of violence or sexual abuse, following the findings of internal and external reviews of sensitive claims
- the introduction of payments to care workers for in-between travel and more regular guaranteed hours
- increased investment in vocational rehabilitation services to help clients return to work earlier; over the past three years this investment has increased by 9.7% or \$8 million
- increased our funding of the road ambulance service to ensure they are double crewed nationwide and invest further in the service.

The effectiveness of claims management is measured by the rate at which clients return-to-work and gain independence, timeliness measures and client satisfaction. ACC measures its return-to-work rates at a number of points in time based on the percentage of clients returning to work.

ACC's continuing focus on rehabilitation, aimed at getting its clients back to work or independence as soon as possible, is working and in 2016/17 ACC saw improvement in its rehabilitation performance for all durations, particularly for long-term clients.



Further details and commentary on ACC's rehabilitation performance can be found in the *2017 Annual Report*.

As part of the Shaping Our Future strategy, ACC is redesigning the way it delivers case management. The focus of this work is to provide a better outcome and experience for its clients by providing a more consistent, streamlined and simplified service. ACC is also thinking about how it can work better with its partners. See **Section 3: 'Shaping ACC's future as a customer-centred agency'** for more detail.

Ensure New Zealand has an affordable and sustainable Scheme

How ACC was funded in 2016/17



Government

\$1,088m

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



Employers

\$791m

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



Employees

\$1,397m

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



Motor vehicle owners and drivers

\$552m

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

Where the money comes from



Government and employees

\$278m

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



Investment earnings

\$2,052m

Income from our investments



Costs

\$737m

Operating and other costs



Outstanding claims liability

\$1,076m

Additional funds to cover the future costs of claims



Injury prevention

\$55m

Helping the community understand how to stay safe and healthy



Treatment and emergency travel

\$1,659m

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



Care and support

\$647m

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



Surplus

\$607m

The surplus helps support the Scheme



Financial compensation and vocational rehabilitation

\$1,377m

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

How the money is used

Levy setting and collection

ACC must have a strong platform from which it can provide the right balance of quality, efficiency and effectiveness of services to clients and levy payers while improving its financial position. A consistent focus on the rehabilitation of clients, prudent cost management and good investment performance underpins this financial position.

ACC is funded by a combination of levies, investments and government appropriation (for the Non-Earners' Account). ACC's 2016/17 funding sources are shown below.



ACC allocates its claims received into five accounts, each covering a specific group of injuries. Each account operates independently, with its own source of funds, and cannot cross-subsidise another. The table below sets out the key features of ACC's five accounts, how they are funded and what they cover.

ACC's five accounts

The account and who funds it	What's covered	2014/15	2015/16	2016/17	2017/18
 <p>Work Account Employers: Based on wages paid to staff Self-employed: Based on income earned</p>	Work-related injuries	\$0.95 per \$100 liable earnings	\$0.90 per \$100 liable earnings	\$0.80 per \$100 liable earnings	\$0.72 per \$100 liable earnings
 <p>Earners' Account Employers: Based on income earned Self-employed: Based on income earned</p>	Non-work injuries to people in employment	\$1.26 per \$100 liable earnings	\$1.26 per \$100 liable earnings	\$1.21 per \$100 liable earnings	\$1.21 per \$100 liable earnings
 <p>Motor Vehicle Account Vehicle owners: Funded through petrol use and the motor vehicle licensing fees</p>	Injuries that involve moving motor vehicles on public roads	\$329.93 per motor vehicle	\$194.25 per motor vehicle	\$130.26 per motor vehicle	\$113.94 per motor vehicle
 <p>Non-Earners' Account The Government: Funded by general taxation</p>	Injuries that happen to people not in the workforce				
 <p>Treatment Injury Account The Government and employees: Funded by the Earners' and Non-earners' Accounts</p>	Injuries caused by medical treatment				

The Non-Earners' Account, and part of the Treatment Injury Account relating to non-earners, is funded from general taxation through Vote Labour Market. This is discussed further in MBIE's Briefing to the Incoming Minister.

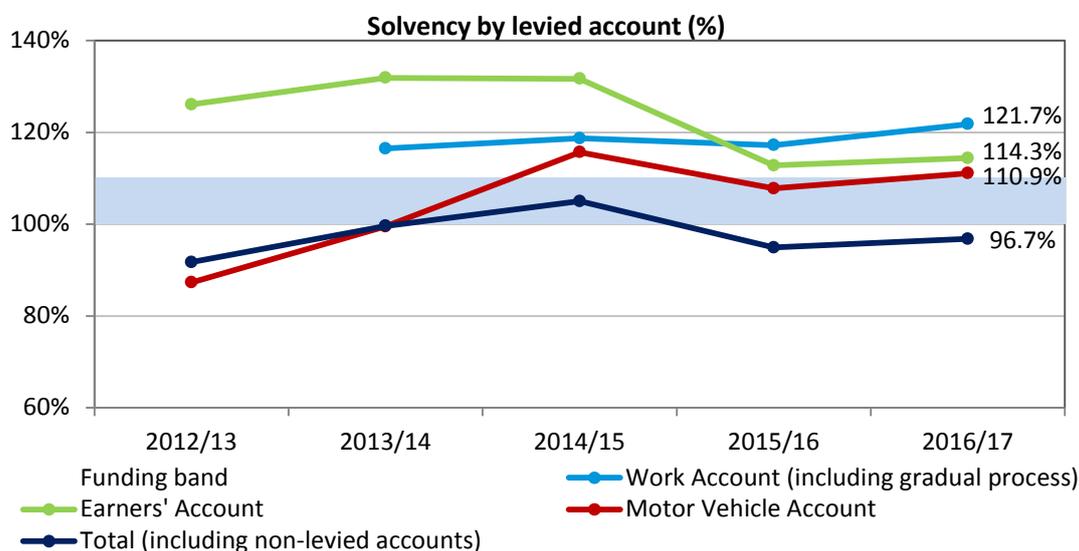
ACC funding is collected on a fully funded basis, which means that it collects enough money during each levy year to cover the full lifetime costs of every claim that occurs in that year.

Through ACC's biennial levy setting process it calculates future revenue needs for each Account. ACC recommends levies that are sufficient to cover the forecast costs of claims incurred in that year. The recommendations are consulted on with levy payers and provided to you for consideration. Cabinet makes the final decision on levy rates, based on your recommendation.

In 2016 ACC moved to biennial levy rounds as a result of legislative change, which means the next levy consultation will take place in 2018.

Solvency

Solvency is the ratio of ACC's assets to its liabilities (ie, the Outstanding Claims Liability, which is discussed further below) and indicates whether the Scheme has sufficient assets to meet the Outstanding Claims Liability. The graph below shows solvency by levied account, since 2012/13.



For 2016/17, all the levied accounts were above the target solvency range of 100% and 110%, and levy rates in each of the accounts were reduced for the third consecutive year. Levies have reduced in-line with the Government Funding Policy (attached in **Appendix 2**) because of the financial position of the levied accounts above the target of 105%. For 2017/18, the average Work and Motor Vehicle levies decreased again, while the Earnings' levy remained unchanged.

The Outstanding Claims Liability (OCL)

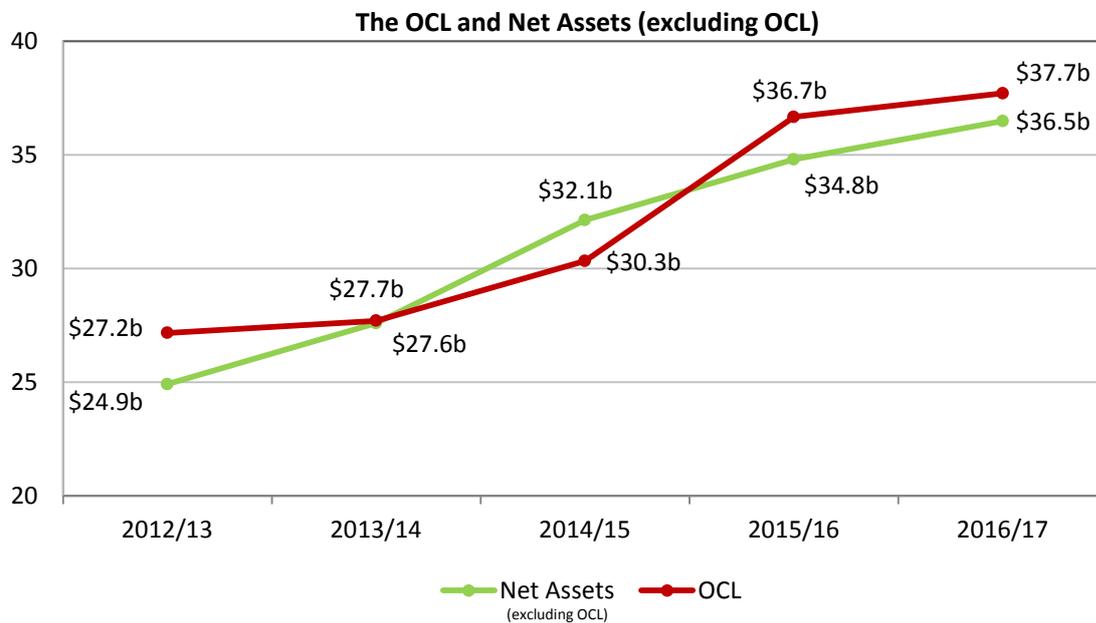
The Outstanding Claims Liability, or OCL, is an actuarial estimate of the future cost of all existing ACC claims (including an allowance for claims incurred but not yet reported), which is discounted to present day dollars. In order to do this, estimated future costs are discounted using a long-term interest rate. If interest rates increase, the value of the OCL decreases and vice versa.

The size of the OCL is influenced by a range of factors, including the maturity of the Scheme, claim volumes and claim costs, interest rates and inflation, and legislative changes.

At the end of 2016/17, the OCL was valued at \$78.3 billion, discounted to \$37.7 billion, compared with assets and investments of \$37 billion. In 2016/17, ACC experienced more claims and an increase in

average cost per claim. As a result of this, ACC's independent actuaries increased the value of the OCL by \$830 million.

The following graph shows the growth of the OCL and net assets (excluding the OCL) since 2012/13.



Investment management

Seriously injured clients may require on-going support for decades into the future, therefore a portion of the levies collected each year is set aside to provide for future costs and to offset what ACC has to collect today. ACC invests these funds to contribute to the future cost of claims effectively balancing its investment fund against the OCL.

The purpose of ACC's investment portfolio is to meet the future costs of incurred claims from long-term injuries without the need for any catch-up contributions from future levy payers. To meet this purpose, 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 also tend to provide an offset against the risk of declines in interest rates. Interest rate declines mean that ACC needs to put aside more money in the present to fund every dollar of future claim costs.

ACC's investment function is a very significant undertaking and it has grown considerably over the last 10-15 years. ACC has nearly \$37 billion in investments, the largest investment portfolio in the country. Nearly two-thirds of all its investments are in New Zealand, and it is a diverse portfolio, from cash to bonds, shares to property. Investment income is a significant portion of ACC's annual income.

The ACC Board Investment Committee is responsible for ensuring the development, and the approving, of ACC's investment strategy, policies and guidelines, and for approving the appointment of any external fund manager. The Investment Committee includes ACC Board members and external members.

ACC has an ethical investment policy to avoid prejudice to New Zealand's reputation as a responsible member of the world community.

5. Who we are

ACC's Board

ACC is governed by a Board of up to eight members appointed by you, as the Minister for ACC².

The Board has authority to exercise ACC's statutory powers and perform its functions, and may only act for those purposes, which include:

- maintaining appropriate relationships with the Minister, the House of Representatives and the public
- ensuring ACC's compliance with the law, ACC's accountability documents and relevant Crown expectations
- ensuring that ACC is a good employer and creates a supportive environment that promotes the highest standards of safety and wellbeing, both for its staff and for the communities it serves
- setting strategic direction and developing policy on the operation and implementation of the legislation
- maintaining the financial viability and security of ACC and its investments
- appointing the Chief Executive of ACC
- monitoring the performance of ACC and of its Chief Executive.

All decisions relating to the operation of ACC must be made by, or under the authority of, the Board. The Board delegates responsibility to the Chief Executive for the day-to-day management and leadership of ACC, which includes matters relating to ACC's responsibilities as an employer.

More information on ACC's Board is provided in **Appendix 3**.

ACC's staff

ACC has more than 3,500 staff at locations across New Zealand. We have an interesting workforce profile. Our people are younger than the public service average, and stay with us for longer.

ACC is led by Chief Executive, Scott Pickering and the Executive. The Executive is responsible for the leadership and management of the organisation and accountable for ensuring ACC achieves its goals.

ACC's Executive is made up of the senior managers from each of ACC's business groups: Customer, Operations, Governance, Risk and Actuarial, Finance, Change Integration and Talent.

More information on the Chief Executive and Executive is provided in **Appendix 4**, along with some key facts and figures about ACC staff.

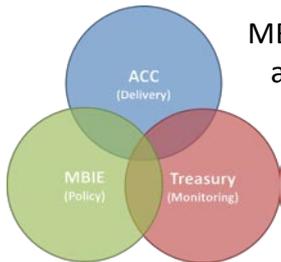
² Note: Treasury provides advice to the Minister for ACC on Board Appointments.

6. Working in partnership

ACC's relationship with MBIE and Treasury

Relationship with MBIE

The division of responsibility between MBIE and ACC reflects ACC's institutional set-up as a Crown agent and allows ACC to focus on the effective delivery of the Scheme. MBIE's focus is on the Scheme's legislative framework and broader direction.



MBIE is the policy advisor to the Minister for ACC on the Scheme and its administration by ACC. MBIE advises on both the primary legislation and the regulations governing the Scheme, the setting of levy rates, and the Scheme's performance on the delivery of its policy objectives. MBIE also administers the appropriation for the Crown-funded Non-Earners' Account. MBIE and ACC have a close working relationship in order to deliver the Scheme outcomes effectively.

Relationship with the Treasury

The Treasury represents the Crown's ownership interests in ACC. The Treasury:

- advises you on ACC's performance and governance
- advises the Minister of Finance on the performance and governance of ACC's investment function
- supports the Board appointment and evaluation process, the annual performance cycle and strategic and performance analysis
- monitors and reports to you and Investment Ministers on the ACC's transformation projects.

The Treasury also provides a more traditional role in providing fiscal, policy and scheme setting advice to the Minister of Finance.

Other key relationships across government

ACC has an ongoing commitment to work effectively with our partners, and to continue developing and improving mutually beneficial relationships to work collaboratively across government, the wider health sector and all New Zealanders.

ACC has a broad range of interactions with external parties and managing these relationships and expectations is integral to our core business.

Some of our core relationships with other government agencies:

- **WorkSafe New Zealand (WorkSafe)** – we both have responsibilities for workplace injury and harm prevention and are jointly delivering on this through the *Reducing Harm in New Zealand Action Plan 2016-2019* that was published in July 2016.
- **Ministry of Health (MOH)** – ACC and MOH administer the Public Health Acute Services Annual Service Agreement, which is an agreement at the start of each financial year for the purchase of acute and other services for ACC personal injury clients.

ACC and MOH jointly govern and fund the National Ambulance Sector Office, which oversees emergency ambulance services (both road and air).

ACC also collaborates with the MOH with regards to injury prevention, including the implementation of a joint programme of work to improve falls and fracture services in New Zealand and initiatives to reduce treatment injury.

- **Inland Revenue (IR)** – IR passes registration and earnings information for employers, self-employed and shareholders to ACC for collection of levies and assessment of weekly compensation.

IR also collects the ACC Earners' levy for employees on behalf of ACC. For employees, this levy has been built into the PAYE tables and is deducted along with the tax.

- **Ministry of Social Development (MSD) and Ministry for Vulnerable Children, Oranga Tamariki** – ACC's Chief Risk and Actuarial Officer is also the Chief Actuary for MSD, and is responsible for the actuarial services provided from within MSD. ACC's Actuarial team and MSD's Actuarial Services work very closely together.
- **New Zealand Transport Agency (NZTA)** – NZTA collects ACC's Motor Vehicle levies as part of its collection of vehicle licensing (New Zealand Customs collects the ACC Petrol levy), along with administering the Motor Vehicle Register, which ACC relies on for vehicle classification information (and Vehicle Risk Rating).

We also work together on road safety as part of Safer Journeys, the Drive programme, and the National Road Safety Committee.

- **New Zealand Police** – In 2016, ACC and NZ Police entered a 10 year injury prevention partnership, with core objectives to promote strong families and resilient communities; reduce crime and victimisation; meet ACC's objectives for injury prevention; reduce incidence and severity of personal injury; and maintain and, if possible, improve the trust and confidence in ACC and NZ Police.

Appendices

Appendix 1: Cover and Entitlements

Cover

To establish eligibility for cover, ACC determines:

1. whether the client has suffered a personal injury
2. the cause of the injury
3. where the injury occurred.

We can provide cover for a claim for personal injury if the injury was:

- caused by an accident that results in a physical injury to the client
- caused by treatment
- caused by a work-related gradual process, disease or infection
- a cardiovascular or cerebrovascular episode that is work-related or treatment-related
- a mental injury suffered by a client because of covered physical injuries
- a mental injury caused by witnessing a traumatic event in the course of employment
- a mental injury caused by certain criminal acts
- a hearing loss injury
- damage, other than wear and tear, to dentures or prostheses that replace a part of the human body
- the death of the client
- a pregnancy as the result of sexual violation or treatment injury.

In most cases, determining eligibility is relatively straightforward; specialist teams within ACC determine eligibility for more complex injuries.

Once Scheme eligibility is established, ACC also determines what entitlements a client is eligible for. The following table summarises the different entitlements available.

Summary of entitlements

TREATMENT	
Treatment costs	Contribution to a range of treatment costs, including visits to general practitioners and other health professionals, for example physiotherapists, dentists, specialists, surgeons, radiologists
Prescription medicine	Reimbursement of the costs of certain pharmaceuticals
Ambulance and emergency care	Full payment of ambulance service fees and emergency care at a public hospital
MANAGING AT HOME	
Home help	Help with general housework such as cleaning, vacuuming, laundry
Attendant care	Help with personal care such as showering, bathing, getting dressed
Childcare	Help with care of children, including taking them to and from school
Equipment	Personal aids to help a client cope better at home, for example, shower stool, kitchen trolley
AT WORK	
Weekly compensation	Payment of a weekly amount (usually up to 80% of the client's average weekly income) while they are off work because of an injury
Rehabilitation plan	This can include a fitness programme, guidance on gradually returning to work, workplace equipment and retraining if necessary
TRANSPORT	
Travel subsidy	Payment towards public or private transport costs to and from work or treatment
Accommodation	Help with accommodation costs for out-of-town treatment
SERIOUS INJURY	
Lump sum payment	A tax-free, one-off payment for permanent impairment resulting from an injury
Car and home modifications	Contribution to the purchase of a car (and/or modification) and home modifications such as ramps, widening doorways
DEATH AS A RESULT OF AN INJURY	
Funeral grant	A fixed amount to help cover burial, cremation and related ceremonies
Survivor's grant	One-off payment to the surviving partner, children and other dependants
Weekly compensation for the family	Weekly payments based on the deceased person's average weekly income, shared between the surviving partner and dependants for a fixed period
Childcare payments	A contribution towards childcare costs, paid to the surviving partner for a fixed period

Appendix 2: Government Funding Policy

Funding Policy Statement

Consistent with the principles of financial responsibility, ACC must recommend levies for each levied Account according to the following requirements:

- a. ACC must base the average levy rate on the expected lifetime cost of claims in relation to injuries occurring in the period for which ACC is recommending levies (“expected lifetime injury costs in the levy period”).
- b. Each Account must target a funding band of between 100% and 110% of reported liabilities (including additional liability for work-related gradual process claims not yet made).
- c. ACC must include an adjustment to the average levy rate that takes the Account’s funding position to the funding band midpoint (105%) smoothly over a 10-year horizon. This is to be achieved by setting the adjustment at a fixed proportion of expected lifetime injury costs in the levy period, and for each such period, over the 10-year horizon.
- d. Any increase to the average levy rate for each Account must not exceed 15% (in addition to inflation adjustments for the Motor Vehicle Account).

<https://gazette.govt.nz/notice/id/2016-go2680>

Appendix 3: ACC's Board

Dame Paula Rebstock, DNZM – Chair

APPOINTED CHAIR: SEPTEMBER 2012

CHAIR, GOVERNANCE AND REMUNERATION COMMITTEE

Chair, Vulnerable Children's Board, Insurance and Financial Services Ombudsman Commission, Auckland District Health Board's Finance, Risk and Assurance Committee.

Deputy Chair, KiwiRail Holdings Ltd.

Member, Auckland District Health Board's Human Resource Committee, University of Auckland Business School Advisory Board, Synergia Limited Advisory Board, Auckland Transport Board, New Zealand Defence Force Governance Board.

Lead reviewer, State Services Commission's Performance Improvement Framework.



Trevor Janes – Deputy Chair

APPOINTED DEPUTY CHAIR: SEPTEMBER 2012

CHAIR, INVESTMENT COMMITTEE

Chair, KiwiRail Holdings Ltd, Abano Healthcare Ltd, Certus Solutions.

Member, New Zealand Markets Disciplinary Tribunal, Postal Network Access Committee, International Development Commercial and Advisory Panel, Tokelau International Investment Fund.



Professor Des Gorman, Ngāpuhi

APPOINTED: SEPTEMBER 2012

Professor of Medicine and Associate Dean, University of Auckland's Faculty of Medical Health and Sciences.

Executive Chair, Health Workforce New Zealand.

Member, National Health Board, Health Capital Investment Committee.



Anita Mazzoleni

APPOINTED: JULY 2014

CHAIR, RISK ASSURANCE AND AUDIT COMMITTEE

Chair, Ngā Maunga Whakahii o Kaipara Investments Ltd.

Member, Board of the Royal New Zealand College of General Practitioners.



Kristy McDonald, QC

APPOINTED: SEPTEMBER 2012

Chair, Kiwifruit New Zealand.

Deputy Chair, Wairarapa Building Society, Electoral Commission.



James Miller

APPOINTED: MARCH 2013

CHAIR, SHAPING OUR FUTURE COMMITTEE

Chair, NZX Ltd.

Director, Mighty River Power, Auckland International Airport, St Cuthbert's College.



Leona Murphy

APPOINTED: JUNE 2017

Chair, Royal Brisbane and Women's Hospital Foundation.

Director, Liberty Financial Ltd, Stone & Chalk Ltd.



Jill Spooner

APPOINTED: APRIL 2011

Member, Nominating Committee for the Guardians of the New Zealand Superannuation Fund.



Appendix 4: ACC's Executive team

Executive members



ACC staff and office locations



* This information is voluntarily reported by staff.

