



PREVENTION. CARE. RECOVERY.

Te Kaporeihana Āwhina Hunga Whara

Briefing to the Incoming Minister

November 2020

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Overview

The role of ACC: a Scheme for all New Zealanders

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 purpose of the Scheme is to deliver injury prevention initiatives and no-fault personal injury cover for everyone in New Zealand. This includes children, beneficiaries, students, and people who are working, unemployed or retired. It also includes visitors to New Zealand if they are injured while they are here. Under the Scheme, individuals forgo the right to sue for compensatory damages following injury, in exchange for comprehensive accident cover and compensation. This universal social contract is unique and avoids some of the litigation costs faced by other jurisdictions, both in terms of financial costs and impacts on risk-taking and incident reporting. Consistent with the social contract, and at the centre of the Scheme, is ACC's relationship with New Zealanders in the form of individual rights and responsibilities. ACC has a legislated liability to compensate individuals for losses incurred as a result of injury, and New Zealanders pay levies and taxes to cover these costs.

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:

- earnings-based weekly compensation (income replacement) for earners, at 80 percent of their annual earnings, up to \$2,066.58 per week if they are injured and do not return to work within a week
- weekly compensation for loss of potential earnings, at 80 percent of the minimum wage for a 40-hour week, for people injured before the age of 18, or while in full-time study that commenced before the age of 18
- 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**.

A snapshot of key information about ACC and the Scheme is set out overleaf.

The Role of the Minister for ACC

Maintaining the effective management of the ACC Scheme

ACC is unique among statutory Crown Entities as it is both a Crown agent and a Crown Financial Institution.

As a Crown agent under the Crown Entities Act 2004, ACC must give effect to Government policy when directed by the responsible Minister. Legislation of particular relevance to ACC is the Crown Entities Act 2004, the Accident Compensation Act 2001, the Public Finance Act 1989, and the Public Service Act 2020.

ACC carries out its day-to-day functions at arm's length from Ministers and government departments but is still expected to observe the 'no surprises' convention in its dealings with the Minister and advisors. ACC Board members are accountable to the Minister for performing their collective duties. Crown Entities can also be required to report on performance to Parliament and to appear before Select Committees.

Crown Financial Institution describes 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 (for example, the National Provident Fund). As such, the Minister of Finance is responsible for overseeing ACC's risk and return objectives, as well as monitoring fund and Board performance.

Your responsibilities

As Minister for ACC, you oversee and manage the Crown's interests in, and relationship with, ACC. You also exercise statutory responsibilities including functions and powers:

- to appoint and remove Board members to ensure an effective Board is in place
- to determine the remuneration of Board members
- to give directions to the entity
- to review the operations and performance of the entity
- to request information from the entity
- to participate in the process of setting the entity's strategic direction and performance expectations and monitoring the entity's performance; and
- in relation to other matters in the Crown Entities Act, the Accident Compensation Act or another Act.

You are also responsible for managing any issues of concern, or risks to the Crown, arising from the activities of the entity.

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

Annual Letters of Expectations are an opportunity for you to convey to the Board your expectations of ACC for the forthcoming year. These Letters inform the Board, at a high policy level, what the Government's key priorities are. Of late, Letters of Expectations have focused on issues such as

improving the wellbeing of New Zealanders and their families, value for money, and reporting. In addition, you have the ability to modify or set additional expectations from time to time.

A Statement of Intent is produced periodically, representing a medium-term outlook for ACC's strategic direction. The next Statement of Intent is due in April 2021.

How ACC supports you

ACC supports you by:

- communicating, with no surprises, supported by regular meetings with you
- providing information and advice relating to Ministerial correspondence, Official Information Act 1982 requests and parliamentary questions
- seconding a private secretary to support you, who provides a valuable link to the ACC business to assist with the provision of information and support to you
- working with MBIE and the Treasury in their respective roles as advisors on Scheme policy and ACC's monitoring agency
- advising you on the operational implications of Scheme settings or judicial decisions affecting the Scheme
- advising you and the Minister of Finance on matters relating to ACC's funding and investment functions
- working 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.

Who we are

The ACC Board

ACC is governed by a Board of up to eight members appointed by the Minister for ACC¹.

Board members are accountable to the Minister for performing their collective duties. 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 Board members is provided in **Appendix 2**.

ACC staff and Executive

ACC has approximately 3,800 staff at 26 locations across New Zealand.

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: Governance, Customer, Risk and Actuarial, Finance, Operations, Investments, Technology and Transformation, and Talent.

More information on the Chief Executive and Executive is provided in **Appendix 3**.

¹ Note: Treasury provides advice to the Minister for ACC on Board Appointments.

Delivery of the Scheme: how ACC delivers its functions

Reduce the incidence and severity of injury

ACC helps to reduce the number and severity of injuries across the lifespan by investing with partners in a diverse range of prevention programmes, including sports, workplace and roading initiatives.

ACC forms partnerships across government and the broader health and social system to co-design and deliver initiatives. ACC's injury prevention partners include Safekids Aotearoa, Plunket, St John, New Zealand Football, New Zealand Police, WorkSafe, District Health Boards, Paralympics New Zealand, and the New Zealand Transport Agency.

Injury prevention investment

ACC invests approximately \$80 million a year in injury prevention initiatives. Under the AC Act, ACC can only fund injury prevention interventions if they are likely to result in a reduction in levy rates, or Non-Earners' Account expenditure. Return on investment calculates the expected claim savings from an investment; it is a key measure for ACC under the Service Agreement.

ACC applies an investment approach that balances benefits, costs and risks and, where appropriate, assess both the claim and social economic returns from our investment. For example, this allows ACC to invest in sexual violence injury prevention, which aims to result in social benefit, but may not show an immediate return on investment.

Injury prevention partnerships

Examples of injury prevention initiatives

Le Va: is an innovative Pasifika organisation who are specialists in the field of Pasifika youth mental health and wellbeing. They aim to support Pasifika families and communities through research, resources, tools, information, knowledge and support services. ACC partners with Le Va because of their deep connection and understanding of our Pasifika communities. Le Va has developed the Atu-Mai violence prevention programme to equip Pasifika young people and their families with the knowledge and tools to live violence-free.

Sexual Violence Prevention: ACC is investing approximately \$9.3 million in sexual violence prevention in 2020/21. ACC supports a range of initiatives to prevent sexual violence. One is Mates & Dates, a programme for secondary school students aimed at reducing sexual and dating violence through teaching young people the knowledge and skills to engage in safe, healthy and respectful relationships. It has been delivered to more than 130 schools, with 40,500 students having received the programme.

Live Stronger for Longer: A programme targeted at over 65 year olds to prevent and better manage falls and injury. This is a national programme delivered in partnership with District Health Boards.

Rehabilitate injured people effectively

ACC helps injured people covered by the Scheme receive the appropriate 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 supports people

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 to help the injured person 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 clients with significant impairments or disabilities as a result of injuries, who require lifelong services (including social and vocational rehabilitation and weekly compensation).

In 2019/20, ACC registered 1.86 million new claims. Of these claims, 1.54 million required a contribution to medical costs, and 248 were classified as serious injury claims.

ACC ensures injured people who may take longer to recover or, have more complex needs, get the support they need and are entitled to, through case management. For those clients who do need additional support, ACC makes decisions to ensure timely delivery of entitlements.

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 whānau, communities and New Zealand.

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.

Further details and commentary on ACC's rehabilitation performance can be found in the *Annual Report 2020* and the *Fourth quarterly report 2019/20*.

Transforming ACC

The following summarises four of our key priority areas.

Shaping our Future

The Shaping our Future programme - a strategy delivering change to improve customers' outcomes and experience and improve overall trust and confidence in ACC - continues to be implemented through the Integrated Change Investment Portfolio (ICIP). In response to customer and stakeholder feedback, ACC has redesigned its services to put customers at the centre of everything it does, and is committed to creating a more transparent, modern, and efficient organisation.

Under ICIP, ACC is working on several initiatives to support improved service experience and outcomes for the following groups:

- **Customers:** shifting from a claim focus to a customer focus. ACC is changing how it works, and streamlining its processes and systems to make it easier for customers to get the support they need
- **Business Customers:** making it quicker and easier for business to deal with ACC, with greater online and mobile capability
- **Providers:** trusting providers to make the right clinical decisions to help their patients, ACC customers, towards rehabilitation.

A key ICIP deliverable is the transformation of ACC's case management approach, Next Generation Case Management, enabling ACC to engage with customers in ways that add the most value to their recovery. The new model gives customers greater control over their own recovery and directs more targeted support to those who need it most. Simplified, efficient and automated processes enable ACC staff to spend more time on high quality conversations and decision-making with customers, and less time on administrative tasks.

Additionally, ACC has implemented transformation initiatives, through:

- automatically approving 62 percent of claims which are straightforward and have all the correct claim information - customers receive these approvals by text (or whatever method they prefer) within minutes, rather than waiting up to a week for notification of their claim acceptance to be received in the post
- expanding its online customer service, MyACC, enabling customers to be more actively involved in managing their claims information, and to apply for entitlements such as weekly compensation, reimbursements or home help
- working with providers on pilots to support customers to recover more quickly from injury
- upgrading IT systems, so that customers receive their weekly compensation entitlements faster
- a new levy management system, which provides business customers with flexibility over how they pay their levies.

Having achieved good progress to date, ACC will continue to support its staff to embed the new ways of working, streamline the Next Generation Case Management model to maximise intended outcomes and work with providers to support clients to recover faster from injury through the Health Sector Strategy (discussed further at page 11).

The advent of COVID-19 has reset the landscape for the short and medium term and has introduced several challenges that make the road to achieve the targeted benefits in the timeframe more difficult. In response to this challenge, ACC is developing various scenarios to recover lost time and to achieve our benefits targets as quickly as possible.

The Minister for ACC provides regular reports to the Government Administration and Expenditure Review Committee on ICIP progress. The next update is due by December 2020.

Whāia Te Tika

ACC's vision 'to create a unique partnership with every New Zealander' is central to the aspirations of ACC's Māori Strategy Whāia Te Tika, 'pursue what is right'. As a Crown Entity, ACC is responsive to Māori as an expression of the Crown's commitment to the Treaty of Waitangi, and New Zealand's role as a signatory to the United Nations Declaration of Indigenous Rights.

Some whānau Māori face disparities and barriers which make ACC's services difficult to access. Māori are more likely than non-Māori to sustain a serious life changing injury but are less likely to

access ACC services. ACC is committed to partnering with Māori and their whānau, ensuring that the incidence and impact of injury for Māori is minimised, and Māori aspirations for safety and wellbeing are realised. Whāia Te Tika outlines three central pou for improving Māori customers' outcomes and experiences of ACC. The pou are:

- Te Arotahi Kiritaki (customer focus): actions seek to improve Māori access, experience and outcomes
- Kia Hiranga Te Mahi Ngātahi (Partnering for excellence): actions focus on strategic engagement and partnering to improve outcomes, and
- Whakawhanaketia Te Kaha (Developing capability): actions seek to improve cultural capability and how ACC delivers to Māori.

Through these pou, Whāia Te Tika aims to achieve the following aspirations:

Ngā Hua Tautika – Māori customers achieve improved outcomes.

Māori New Zealanders are injured less often, barriers are removed and disparities are reduced. When Māori are injured, they receive the right support because they and their whānau are at the centre of decision-making about the services they need and how to access them.

Ngā Wheako Tautika - Māori customers have an improved experience with ACC.

We engage with, understand and respond to the needs, expectations and aspirations of Māori when they interact with us. We partner with Māori and collaborate with other agencies and providers to design and deliver products and services to Māori customers.

Mātauranga Māori – Māori knowledge is a source of innovation and creativity at ACC.

The different outcomes between Māori and non-Māori are one of New Zealand's complex problems, so we take a fresh approach to get better outcomes. We draw from Māori knowledge to inform innovation and design in significant parts of our work programme.

Following a national Māori hui at Waatea Marae in Auckland in March 2020, ACC developed an action plan reflecting the key themes raised by hui participants. The action plan builds on ACC's progress to date and sets prioritised actions that include:

- increasing access and services to Māori by presenting new opportunities for Māori providers, and testing new approaches. This includes adopting a kaupapa Māori approach to commissioning services for Māori, and partnering with Māori providers for design and delivery
- Focusing on Māori with the most significant and ongoing needs, particularly those with serious injury, those impacted by sexual violence, and those with other high and complex needs
- Creation of a Māori-specific Injury Prevention investment portfolio
- Improving Māori client experience of frontline claims management, through internal workforce recruitment, capability development and recognising the need for greater engagement face-to-face with whanau, and
- Delivering kaupapa Māori and rongoā Māori guidelines for ACC staff to improve understanding and access.

Health Sector Strategy

In 2019/20 ACC spent \$2.9 billion on rehabilitation and treatment services, including \$846 million on medical treatment, \$555 million on public health acute services, \$839 million on social rehabilitation and \$375 million on elective surgery.

ACC's Health Sector Strategy aims to deliver better health outcomes for New Zealanders. It takes an evidence-driven approach, working in collaboration with providers and the broader health sector, to improve rehabilitation outcomes and maintain a sustainable Scheme. One of the key components of the Strategy is to improve equity of access and outcomes for Māori, and the principles of ACC's Māori strategy, Whāia Te Tika, are woven through all components of the Strategy.

While ACC does well for most New Zealanders, some people face barriers to recovery through complex health and social needs. The Strategy seeks to work with others across the health and welfare system, shifting ACC's function from acting primarily as a funder to becoming a more active and collaborative partner.

Ninety-three percent of ACC's clients only interact with ACC through the services they receive from providers, which means that a core component of the Health Sector Strategy is to work with providers in new ways, including introducing a client-centred commissioning approach to planning, purchasing and monitoring. Some providers will increasingly be incentivised to deliver integrated services that improve client outcomes by shifting to models and measures that recognise value, rather than volume, of care delivered.

Making the shift to this new way of working has started and will continue over the coming years. ACC has worked with some providers to successfully trial new integrated care pathways. Both ACC and providers will build on these experiences to learn new ways of planning, delivering and monitoring services together, and look for new opportunities to collaborate across government to deliver better value of care for our customers. Implementation of the Health and Disability System Review will provide additional opportunities for ACC to work with others to progress shared priorities, including Health Sector Strategy initiatives.

Climate Change

In 2020, the ACC Board approved a climate change framework. The framework sets out ACC's position on climate change and actions that have been undertaken to date, as well as areas of opportunity that have been identified for the short-to medium-term. ACC's aim is to be proactive in leading New Zealand's commitment to net zero emissions by 2050, including supporting efforts to limit average temperature rise to less than 1.5°C above pre-industrial levels. To achieve this aim, ACC will adopt a dual pathway approach:

- **Corporate:** ACC is aiming for a 60 percent reduction in Scope 1, 2 and 3 emissions by 2025 from 2019 levels. Offsetting residual corporate emissions from 2021 will be explored, subject to Board endorsement.
- **Investments:** ACC will be aligned with the Climate Change Response (Zero Carbon) Amendment Act. This means reducing the carbon intensity of the investment team's global equity portfolio by at least 50 percent by 2030 compared to 2019 levels.

The framework will be used to guide the development of climate change related policies. It is intended to be part of ACC's wider environmental, social and governance (ESG) policy. The ESG policy, which will be based on and benchmarked against the existing New Zealand and international framework, will recognise the public good role of ACC and its legislation, and will build on its long-standing Ethical Investment Policy.

ACC will be informed by Māori perspectives on climate change in its approach, policies, and climate change actions. This includes the procurement of health services to ensure the best health outcomes for Māori, and bringing a Māori perspective to ACC's ESG policy decisions, of which climate change is a key aspect. ACC intends to establish a Māori advisory group to formalise engagement with Māori

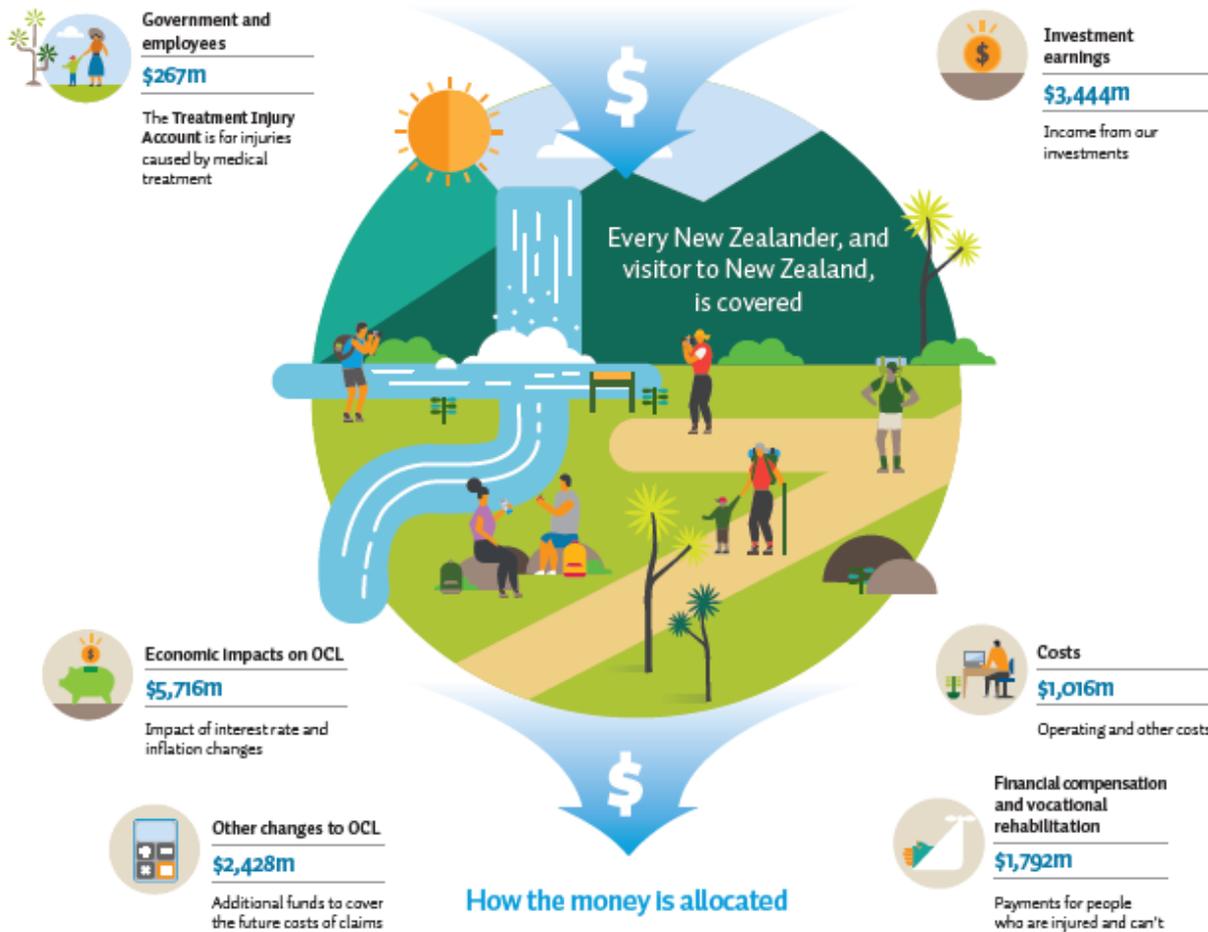
on ESG matters, including climate change. The terms of reference, including charter, purpose, accountability expectations and reporting lines for this group are still to be confirmed.

The two most significant levers for ACC to achieve its aim are its corporate functions and the investment portfolio, its largest lever. ACC has already been decarbonising and reweighting the investment portfolio, and has made steady progress in reducing corporate emissions. Carbon intensity in ACC's global equities portfolio has fallen 19 percent over the past 10 years. On the Corporate side, in 2019 ACC nearly halved its carbon emissions from fleet vehicles compared with 2018 and significantly reduced its business travel emissions through reducing activity, improving processes and commercial arrangements.

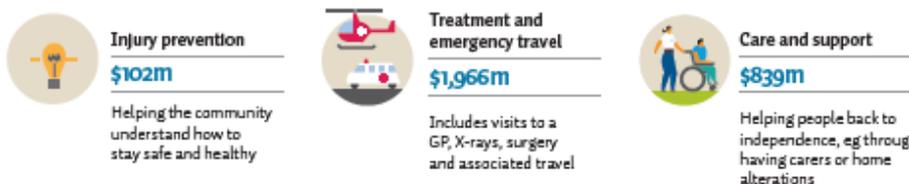
How ACC is funded



Where the money comes from



How the money is allocated



(The data in the above table represents finalised information for the 2019/20 year).

Ensuring New Zealand has an affordable and sustainable Scheme

Funding for the Scheme comes from levies and government appropriations, depending on the nature of injuries and injured people's earner status.

The Scheme is split into five accounts covering specific sets of injuries, to ensure an equitable balance between individual and community responsibility for funding entitlements. Within each account, levy rates do not increase with age or individual health status. This is consistent with one of the original Scheme principles of community responsibility, namely that as society benefits from the productivity of its members, the costs of rehabilitation and compensation should be spread broadly across society.

The table below provides a summary of the different accounts:

Summary of accounts

| Account | Funded by | Pays for |
|------------------|---|---|
| Work | Levies on employers and the self-employed | Work-related injuries |
| Earners' | Levies on earners through PAYE (or invoiced directly by ACC for self-employed people) | Earners' non-work injuries (not including motor vehicle and treatment injuries) |
| Motor Vehicle | Levies on motor vehicle users through registration fees and users at the petrol pump | Accidents on public roads involving moving vehicles |
| Non-Earners' | Government appropriation | Non-earners' injuries (not including motor vehicle and treatment injuries) |
| Treatment Injury | Levies from the Earners' Account and appropriation from the Non-Earners' Account | People injured as a result of medical treatment |

Levies are only required for the Work, Earners' and the Motor Vehicle Accounts and are charged to motorists, employers, the self-employed and employees to fund their entitlements. Entitlements for children, retired New Zealanders, and others who are not in employment including overseas visitors, are funded via a government appropriation. The appropriation for the Crown-funded Non-Earners' Account is treated as a forecast adjustment as part of the Budget process each year, while the Treatment Injury Account is funded through the Earners' and Non-Earners' Accounts.

Levy and tax payers are responsible for funding their own rehabilitation, compensation, and preventative measures to the extent that some account levy rates reflect risk (motorcycle levy), and some reflect potential benefits (high earners pay higher levies to reflect the levels of compensation they would receive in the case of an accident that prevented them from working).

Accounts cannot be cross-subsidised. This means that, if there is a shortfall in one account, it is not possible to cover the shortfall using funds from another account or from the government appropriation. Taxpayers are not expected to subsidise levy payers, and shortfalls must be met by

increasing the relevant levy. Similarly, any surplus in one of the accounts must be returned to levy-payers through a reduction in future levies, and cannot be used to cross-subsidise other accounts or to settle Crown liabilities.

Levy and tax payers, as well as the Government, are kept informed about the cost of ACC claims, and the predicted impacts of changes to volume and services, through public reporting. The Chief Risk and Actuarial Officer prepares an annual Financial Condition Report for the Board in relation to levy rates. The Minister for ACC submits this to Parliament and it is subsequently published. This reporting ensures there is transparency about the cost drivers and risks to ACC's liability arising from factors such as external economic fluctuations, policy changes, and Court decisions.

The Government Funding Policy Statement and levy-setting process

The AC Act requires that the cost of all claims under the accounts be fully funded². To achieve the principles of financial responsibility outlined in the AC Act, ACC must recommend levy rates for each of the levied accounts to give effect to the Funding Policy Statement issued under the AC Act. The Funding Policy Statement specifies the target level for the funding of each account and approach to returning to target funding levels over time, when those account balances are under- or overfunded. A new Funding Policy Statement was issued, in 2020, by the previous Minister for ACC.

ACC consults with the public on rates that are consistent with the Funding Policy Statement. Following public consultation, ACC recommends levy rates to the Minister for ACC. Cabinet then makes final levy decisions based on a recommendation from the Minister for ACC. In reaching a decision on levy rates, Cabinet may take into account the wider public interest, including the interests of levy payers, claimants and potential claimants. Cabinet's decision in relation to levies does not need to align with ACC's recommendation.

Amendments to the Funding Policy Statement were approved by Cabinet in December 2019. Cabinet agreed to set the funding target for the levied accounts at 100 percent of the outstanding claims liabilities excluding the risk margin. This is a reduction from the previous ratio of between 100 and 110 percent of the outstanding claims liability including risk margin, targeting the midpoint of 105 per cent. The updated Funding Policy Statement was published in July 2020 at the same time as the decision to maintain current levy rates through to 2021/22.

Maintaining rates through to 2021/22

In 2020, ACC was due to consult on levies for 2021/22, however, at the beginning of July, the Government made the decision to continue the current levies for the 2021/22 year. Continuing current levy rates for a further year removes the requirements for ACC to undertake a public consultation process at this time, in recognition of the impacts of COVID-19 on levy payers and the volatility of economic factors in ACC's performance.

² Until 1999 ACC operated on a 'pay-as-you-go' basis, collecting only enough levies each year to cover the cost of claims for that particular year. In 1999 the Government decided to change the Scheme to a fully funded way of operating. That means we should now collect enough money during each levy year to fund all the future costs of any injuries that occur in that year.

This means levy rates for 2020/21 will continue for the 2021/22 levy year at:

| Earners' Account | Work Account | Motor Vehicle Account |
|--|--|--------------------------|
| Average levy rate per \$100 of liable earnings (excl. GST) | Average levy rate per \$100 of liable earnings (excl. GST) | Average levy per vehicle |
| \$0.67 | \$1.21 | \$113.94 |

Given levies were only set for a further 12 months, there will be an opportunity to address any risks to the Scheme in the next levy round in 2021, once further consideration can be given to any longer-term factors affecting the Scheme's solvency.

One exception to continuing current levy rates is the experience rating system, as current experience rating regulations specifically apply only to the 2020/21 levy period. However, Cabinet agreed to continue the experience rating system in its current form in the 2021/22 levy year, and effected a legislative amendment to the AC Act to apply the Accident Compensation (Experience Rating) Regulations 2019 to the 2021/22 levy years, without needing to comply with consultation requirements in the AC Act.

Before the impacts of COVID-19 on the economy and the performance of ACC became clear, prior analysis by ACC predicted that most levied accounts would remain under target funding ratios (100 percent) if there is no change in levy rates.

Investments

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 Outstanding Claims Liability.

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. In short, ACC invests so Kiwis pay less in levies for accident cover.

As of October 2020, ACC's investment portfolio is worth approximately \$48.6 billion (a similar amount to the New Zealand Superannuation Fund).

In 1998, legislation was passed to move ACC's accounts towards full funding. Under this arrangement, the accounts are intended to have enough investment assets to cover the lifetime costs (which can go many years into the future) of accidents that have already occurred.

Inter-generational equity is an underlying objective. The pressures of an ageing population, the future of work, labour market pressures, and the introduction of effective but expensive new treatments may otherwise mean increasing costs would need to be met by a workforce that looks quite different to current levy-payers.

The Minister for ACC has no involvement in the decision-making process for ACC investments. This is an important feature of the Crown Entity model which creates an arms-length relationship between Ministers and Crown entities. This is stipulated under the Crown Entities Act (section 27 "Responsible Minister's role" and section 113 "Safeguarding independence of Crown entities") and is further explained in Chapter 3 of the Cabinet Manual.

The responsibility for managing ACC's investment fund resides with the ACC Board. The Board has delegated this function to a specific subcommittee, and investment decisions are subject to ACC's ethical investment policy.

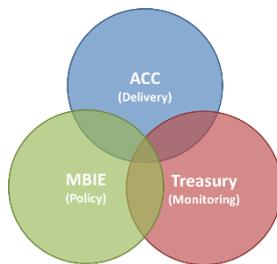
The Minister of Finance approves procedures in order that ACC can borrow money and give security.

Working in partnership

ACC's relationship with MBIE and the 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 maintain a close working relationship in order to deliver Scheme outcomes effectively. This means that you will often receive joint briefings (including with Treasury, from time to time) on matters relating to the Scheme. Your primary point of contact with ACC remains with the ACC Board Chair.

Relationship with the Treasury

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

- advises the Minister for ACC 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 the Minister for ACC and Investment Ministers on 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.

ACC's boundary with the health and welfare systems

The existence in New Zealand of separate health and disability, accident, and welfare systems can lead to boundary issues when access, services, or support differ between institutions. The boundary between ACC and the rest of the health and welfare system is determined by causation and is roughly split along injury: illness lines. ACC's coverage of injuries or health conditions is largely consistent with the social contract and aligns with those conditions for which a person in another jurisdiction could sue. These include accident-related injuries, treatment injury, and work-related diseases. The social contract foundation of the ACC Scheme establishes the compensatory nature of entitlements, compensating a person for the loss they have experienced, compared to the public health system provision of needs-based service to ensure an equitable base standard of care.

The existence of different institutions and funders, each with overlapping but distinct functions, results in perceived and real differences in levels of service and support. This can cause confusion about which institution should be providing support, or lead to disputes when decisions seem unfair to affected individuals. For a person to be covered by the ACC Scheme, there must be a causal relationship between a specific accident and a resulting injury. For most people, the cause of their condition is clear. For some though, the cause of the symptoms is either not clear or is the consequence of both injury and illness.

There are both legislative frameworks and operational policies that seek to smooth the boundary between ACC and the rest of the health system in certain instances. A good example is emergency travel and acute treatment, where it is not practical or appropriate to make cover decisions when someone needs immediate examination and treatment. The AC Act provides for joint purchasing of emergency travel, such as ambulances, with the Ministry of Health. This is a legislated exemption to the anti-competitive provisions in the Commerce Act 1986 that prohibit ACC and the Ministry of Health from joint purchasing. There is also a shared arrangement with the Ministry of Health, established through the AC Act and supporting regulations, to provide hearing aids to those who have suffered work-related hearing loss, acknowledging that, for most people, hearing loss is a combination of work and age-related causes.

There may be further opportunities to work collaboratively with the Ministry of Health or the Ministry of Social Development to smooth the boundary where there are shared clients, shared workforces, or overlapping services.

Other key relationships across government

ACC has an ongoing commitment to work effectively with its 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 its core business.

Some of ACC's core relationships with other government agencies include:

- a. **Ministry of Social Development (MSD), including the Office for Disability Issues:** 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.
- b. ACC is a member of the **Chief Executives' Group on Disability Issues**. This group leads and coordinates the implementation of the Ministerial Committee's priorities on disability issues.
- c. **Joint Venture on Family Violence, Sexual Violence (the Joint Venture)**^[1]: ACC is a member of the Joint Venture, established by Cabinet in September 2018, to lead a whole-of-government response to family violence and sexual violence (FVSV). The Joint Venture creates a single point of responsibility and leadership, that has a shared commitment to eliminate FVSV and champion improved wellbeing, through a system view across government. The wellbeing approach is strengthened by taking a community-led, whānau-centred approach that involves those affected by FVSV in shaping the decisions that impact on their lives.

^[1] The Joint Venture includes Chief Executives who currently sit on the Social Wellbeing Board: The Department of the Prime Minister and Cabinet, Oranga Tamariki, Health, Te Puni Kōkiri, Social Development, Education and Justice, with the addition of Police, Corrections and ACC.

The Joint Venture is mandated to partner with Māori to deliver these shared goals, as underpinned by Te Tiriti o Waitangi/ the Treaty of Waitangi, and the Crown's obligations to uphold mana motuhake.

- d. **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 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.

- e. **Health and Disability System Review:** The final report of the Health and Disability System Review (the Review) was publicly released on 16 June 2020. Cabinet has accepted the case for reform, and the direction of travel outlined in the final report.

The ACC Scheme was out of scope for the Review, although the Review considered the relationship between ACC and the rest of the health system.

- f. **Carers' Strategy Action Plan:** ACC supports and has a joint lead role on a number of actions under the Carers' Strategy Action Plan 2019-2023, which is a cross-government strategy for all carers, recognising the valuable contribution they make to society.

- g. **WorkSafe New Zealand (WorkSafe):** ACC and WorkSafe both have responsibilities for workplace injury and harm prevention and are required to deliver on this through the joint *Harm Reduction Action Plan*. The current Plan was published in July 2019.

- h. **Government Chief Digital Officer (GCDO) and the Government's Chief Privacy Officer (GCPO):** ACC works closely with the GCDO, the GCPO and Stats NZ on government digital priorities, and to help ensure ACC is appropriately managing risk and social licence around cloud technology, predictive analytics and innovative uses of data. Engagement with the GCDO and the GCPO is essential to deliver ICIP. ACC also meets regularly with the Office of the Privacy Commissioner and keeps them informed on its change programme.

- i. **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. ACC also works with NZTA on the national Road Safety Strategy and the Drive programme.

- j. **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 improve the trust and confidence in ACC and NZ Police.

Customer Advisory Panels

ACC supports six Customer Advisory Panels that provide input and insights about services and policies. These panels are comprised of a wide range of sector and community representatives, including ACC clients, advocates and providers.

The **Scheme Customer Advisory Panel** is a joint stakeholder reference group of ACC and MBIE. This Panel contributes to continuous improvement of the design of the Scheme and provides input into policy development for the Scheme, by identifying Scheme-related issues and opportunities. It also reflects ACC's and MBIE's responsibilities for developing policy advice on Scheme settings.

The **Māori Customer Advisory Panel** supports Māori customers and their whānau to:

- access their full entitlement of support, service and independence
- be engaged by ACC in a mana-enhancing and respectful way
- share, advocate and promote mātauranga Māori as a source of innovation and creativity at ACC.

The **Serious Injury, Sexual Violence, Older Persons Customer Advisory, and Legal Representatives Panels** support ACC's engagement with customers and other stakeholders. ACC improves its services and policies using insights from these panels, as well as research and analytics, staff feedback, and customer-centered design.

Referendums

End of Life Choice referendum

This referendum asked voters whether they supported the End of Life Choice Act coming into force. If the final result of votes counted shows a majority of voters supported this, the Act will come into effect 12 months after official results are released.

Preliminary results released on 30 October 2020 indicate strong support for the Act's implementation. ACC is therefore considering interactions between the End of Life Choice Act and provisions in the AC Act, in particular, disentitlement provisions in the AC Act for wilfully self-inflicted injury. The key issue concerns clients with a terminal illness covered by ACC (for example, a cancer covered as a work-related gradual process condition) who choose the End of Life Choice process. Although their death would be covered by ACC, disentitlement provisions would mean that a funeral grant and other fatal claim entitlements (for example weekly compensation for surviving dependants) would not be available.

Therefore, it may be appropriate to consider options for a targeted legislative amendment to address this potential anomaly.

Cannabis Legalisation and Control referendum

This referendum asks voters whether they support the Cannabis Legalisation and Control Bill coming into force. Preliminary results released on 30 October 2020 indicate a majority of voters do not support the Bill. However, if a majority of voters support this when final results are released, the Bill would still need to be introduced into the House, and continue through the legislative process. This would include the opportunity for the public to further share their thoughts and ideas on how the law might work. In this situation, ACC would consider the implications of the Bill on the Scheme, ACC clients, ACC's investments, and any injury prevention opportunities.

If final results confirm a majority of voters do not support the Bill coming into force, recreational cannabis would remain illegal, as is the current law, and there will be no direct implications for ACC.

The control and use of medicinal cannabis will not be affected by the outcome of the referendum. ACC receives requests for cannabis-based medicines for clients experiencing pain which are considered on a case-by-case basis.

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 directly experiencing or 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. Complexity and likely needs for support are considered at the front end of a claim, and triaged accordingly. Simple claims with little to no required support may be automatically accepted. More complex injuries are considered by specialist teams within ACC in order to determine eligibility.

Once cover 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 |
| Car and home modifications | Contribution to the purchase of a car (and/or modification) and home modifications such as ramps, widening doorways |
| AT WORK | |
| 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 |
| COMPENSATION | |
| Weekly compensation | Payment of a weekly amount (usually up to 80% of the client's average weekly income) while they are unable to work because of an injury |
| Lump sum payment | A tax-free, one-off payment for permanent impairment resulting from an injury |
| 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: ACC's Board

Chair – Dame Paula Rebstock, DNZM

Member of the ACC Board Investment Committee, Governance and Remuneration Committee and Health Sector Strategy Advisory Committee

Dame Paula was appointed as Chair in September 2012.

Chair:

- NZ Police Women's Advisory Network
- Ngāti Whātua Ōrākei Whai Maia
- NZ Defence Force Governance Board
- Auckland District Health Board's Finance, Risk and Assurance Committee.

Member:

- Auckland District Health Board's Human Resource Committee
- On Being Bold
- Auckland Transport Board
- Vector Limited
- Sealink.



Temporary Deputy Chair – James Miller

Chair of ACC Board Investment Committee and Member of the ACC Board Governance and Remuneration Committee

James was appointed to the Board in March 2013.

James chairs the NZX. James is also a Director of:

- Mercury Energy
- NZ Refining.

James has 15 years' experience in capital markets and is also a:

- Fellow of the Institute of Finance Professionals New Zealand Inc.
- Fellow of the Institute of Chartered Accountants of New Zealand
- Certified Securities Analyst Professional
- Accredited Director of the Institute of Directors in NZ Inc.
- Qualified chartered accountant.

Before this, James was:

- A member of the Financial Markets Authority Board
- Director of Auckland International Airport
- Director of Craigs Investment Partners in Auckland
- Head of Equities at ABN AMRO
- Head of Research at ABN AMRO
- Research Analyst at Barclays de Zoete Wedde (BZW).



Dr Tracey Batten

Chair of the ACC Board Health Sector Strategy Advisory Committee and Member of the ACC Board Governance and Remuneration Committee

Dr Tracey Batten was appointed a Member of the ACC Board in February 2019.

Dr Batten is:

- a Fellow of the Australian Institute of Company Directors
- a Chartered Member of the New Zealand Institute of Directors
- a director of Medibank Private Limited (Australia)
- a director of Abano Healthcare Group Limited
- on the Board of NIWA.

Dr Batten's previous roles include:

- Chief Executive of Imperial College Healthcare NHS Trust (UK)
- Chief Executive of St Vincent's Health, the largest charitable hospital group in Australia.



John Brabazon

Member of the ACC Board Investment Committee and Risk Assurance and Audit Committee

John was appointed to the ACC Board in February 2019.

John is:

- an Executive Director of Clavell Capital merchant bankers
- a Director of Dairy Farms NZ Ltd.

John's previous directorship roles include:

- Auckland International Airport
- Hilton Haulage
- Manukau City Investments.

John is also a Chartered Fellow of the NZ Institute of Directors and is an Associate Chartered Accountant, Chartered Accountants Australia & New Zealand. John's background includes investment banking at Banque Indosuez, Brierley Investments and Bancorp. He has had involvement in all aspects of mergers, acquisitions, capital raisings and due diligence assignments in New Zealand and internationally for over 30 years.



David May

Member of the ACC Board Risk Assurance and Audit Committee and Investment Committee

David was appointed to the ACC Board in January 2018.

David is a director of Save the Children NZ.

David's previous roles include:

- Chair of Guardians of New Zealand Superannuation Fund
- Deputy Chair Government Superannuation Fund
- Director Southern Cross Hospitals and Southern Cross Health Insurance
- Director Sovereign Insurance
- CEO Colonial NZ
- Acting CEO ACC.



Anita Mazzoleni

Chair of ACC Board Risk Assurance and Audit Committee

Anita was appointed a Member of the ACC Board in July 2014.

Anita was a Commissioner at the Commerce Commission and has previously been a director of:

- Ngāti Whātua o Kaipara & Ngāti Whātua o Ōrākei
- Civil Aviation Authority & Aviation Security Service
- Deloitte Corporate Finance
- Industrial Research Ltd.

Anita has chaired the Audit, Risk and Finance Committees for each of her governance roles.

Anita has previously held management roles as General Counsel, Contact Energy and Corporate Finance Manager, Citibank.



Kristy McDonald, ONZM QC

Chair of the ACC Board Governance and Remuneration Committee

Kristy was appointed to the Board in September 2012.

Kristy is currently Chair of:

- Kiwifruit New Zealand – a primary industry regulator
- Ministry of Social Development Audit and Risk Committee
- Deputy Chair of the Wairarapa Building Society
- Director of the Racing Industry Transition Agency
- Member of the NZ Markets Disciplinary Tribunal
- Member of the Racing Industry Establishment Board.

Kristy is a:

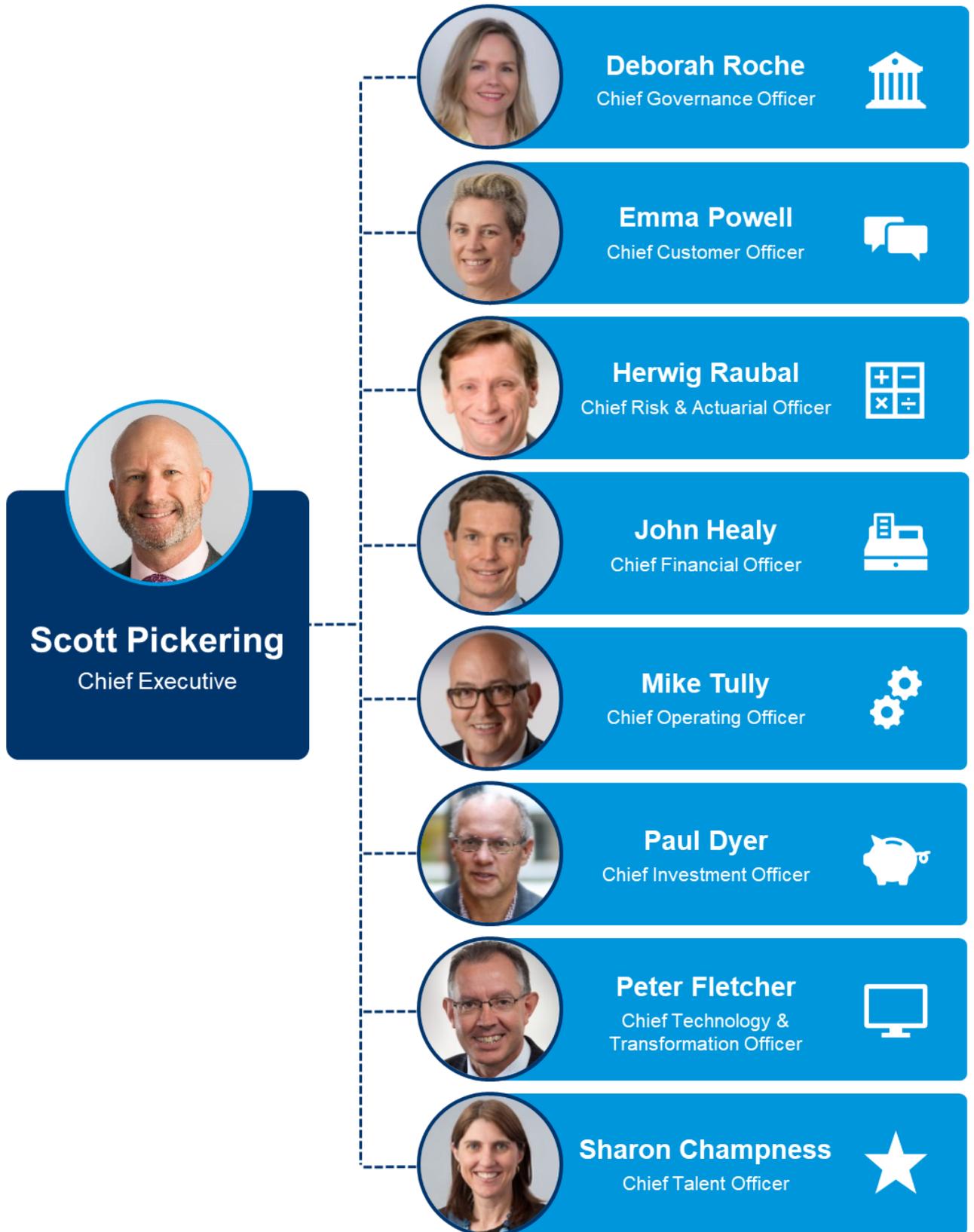
- a Queen's Counsel
- a LEADR qualified mediator.

Kristy has undertaken and assisted with a number of independent Ministerial and other inquiries and has chaired and advised a number of statutory bodies and tribunals.



Appendix 3: ACC's Executive team and staff profile

Executive members



Appendix 4: Impact of the COVID-19 pandemic on ACC

COVID-19 presented a number of challenges for ACC's customers, providers, and levy-payers. New Zealanders and businesses are facing unprecedented financial pressures as a result of COVID-19. ACC has worked through a number of challenges due to the COVID-19 pandemic, some which are ongoing.

The economic outlook for the next two years is uncertain. ACC is taking practical steps to support levy payers throughout these difficult times. The Government has agreed to hold ACC levies at current levels until 2022. Holding levy rates provides some certainty to businesses and other levy payers and gives ACC more time to reliably assess the impact of COVID-19 on its finances.

ACC is continuing to work through the following issues:

Provider sustainability: COVID-19 has negatively impacted provider revenue in the health and disability sector, due to a reduction in elective surgeries, and treatment and rehabilitation services over the lockdown period. Over the lockdown period, ACC saw a significant decline in claims volumes (in April 2020 claims were at approximately 29 percent of normal claims volumes). As of June 2020, these volumes returned to normal levels.

For most provider types, ACC enabled telehealth provisions to allow clients to continue to access treatment and rehabilitation services during the lockdown period. These were extended across all Alert Levels.

In addition, some providers, such as those providing Home and Community Support Services (HCSS), experienced significant cashflow pressures. ACC provides payments for HCSS suppliers' services to ACC clients, and does not have the statutory power to make payments to suppliers that are unrelated to the provision of services. This includes when services cannot be provided, as occurred during the COVID-19 period. While ACC was legally unable to provide additional funding, other government support administered by the Ministry of Health was designed to maintain service capacity and protect job security for support workers.

Wage subsidy payments to self-employed: The various Wage Subsidy Schemes provided during the COVID-19 response presented some novel issues in respect of the collection of levies on wage subsidies paid to self-employed people. ACC has agreed not to collect levies on these payments and has confirmed that wage subsidy payments will be included as "earnings as an employee" for the purpose of calculation of entitlements for the self-employed.

Integrated Change Investment Portfolio:

COVID-19 has impacted the timing of delivering targeted benefits. This impact along with the current performance against the planned benefits, indicates without intervention to bring the delivery of targeted benefits forward, it could take until 2037 (seven years longer than prior projections) to realise these targeted benefits. However, ACC is developing responses to significantly reduce the delay of benefits delivery. These responses do not require additional ICIP investment and could achieve the \$300 million NPV target by 2031.