

Briefing for the incoming Minister for ACC

25 February 2025



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1. Portfolio overview

Immediate upcoming decisions

1. Two time-sensitive decisions to address significant fiscal challenges in key parts of the ACC portfolio are coming up:
 - An independent review of ACC by consultancy firm Finity has begun. The Minister of Finance agreed to this review, along with a previous Ministers for ACC.
 - Confidential advice to Government
2. MBIE will brief you separately on each of these key actions and their time sensitivities.

Ministerial responsibilities

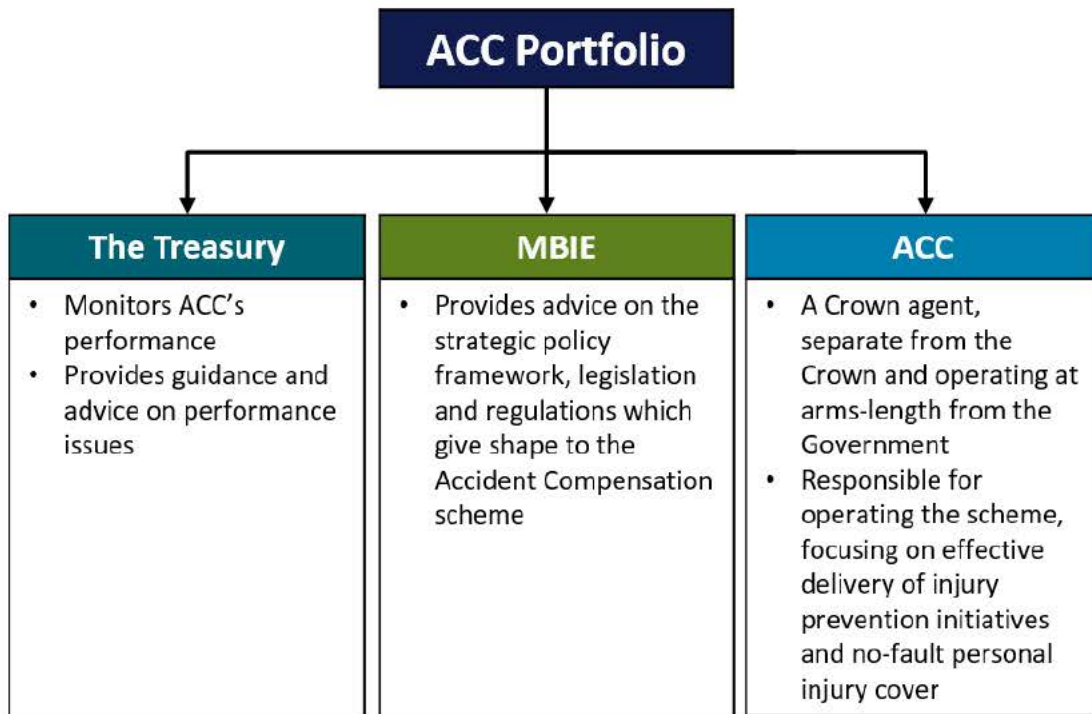
3. The Minister for ACC is responsible for the *Accident Compensation Act 2001*, the strategic policy framework, and regulations which give shape to the scheme. Key levy and entitlement regulations are regularly reviewed.
4. We look forward to discussing your priorities for the ACC portfolio and work programme.
5. This term, delegations for ACC operations relating to individual claimant concerns and statutory scheme access reporting have been given to the Associate Minister. If you wish, you can alter these via a formal letter.

ACC as a Crown Entity

6. As a Crown entity, ACC operates at an arm's length from Ministers. It is the ACC Board's role to exercise the powers and perform the functions of ACC. This structure is governed by the *Crown Entities Act 2004*.
7. It is your role to oversee and manage the Crown's interests in and relationship with ACC. You are responsible for responding to any concerns or risks arising from its activities.
8. This includes powers to appoint or remove Board members, review ACC's performance, and participate in setting ACC's strategic direction, among others. These powers do not include the ability to directly influence ACC's operations including the management of its investment funds, and individual claim decisions.

Three agencies will support you

9. You are supported by three government agencies, each with their own area of focus:



10. The MBIE Accident Compensation Policy team has a funded establishment of 7.0 FTE. All are policy staff. An ACC portfolio Private Secretary is also available in your office to support you.

11. A list of key officials from MBIE who will support you is at **Annex One**.

Funding overview

ACC Accounts

12. Most of ACC's funding comes from levies, with around \$4.2 billion in levy funding across the Accounts in 2023/24. However, some funding comes from government appropriations from general taxation.

13. Scheme funds are allocated to five Accounts. Coverage of the Accounts is based on who is injured and how, and the Accounts cannot be used to cross-subsidise each other.

Account	Criteria	Levies or appropriations	Who pays?	Outstanding Claims Liability ^{1 2}
Earners'	Claimant is considered an earner and injury was not work-related.	Levies	Employees and self-employed	\$14.9 billion
Non Earners'	Claimant is considered a non-earner.	Appropriation	General taxpayers	\$15.5 billion
Work	Injury happened at work.	Levies	Employers and self-employed	\$8.8 billion
Motor Vehicle	Injury involved a motor vehicle.	Levies	Motor vehicle owners	\$12.8 billion
Treatment Injury	Injury was the result of medical treatment.	Both (mixed)	Employees and general taxpayers	\$8.2 billion
Total (2024)				\$60.2 billion

1. The Outstanding Claims Liability (OCL) is the amount of money ACC needs to have available to pay the lifetime costs of all the claims that are currently on its books. The OCL in each Account is the amount needed for the claims in that Account.
2. Including risk margin, per ACC's 2024 Annual Report.

'Full funding' and the Funding Policy Statement

14. ACC must collect sufficient money for each levied Account each year to cover the full lifetime costs of every claim occurring in that Account that year. This is called 'full funding'. Actual levies collected may differ, depending on factors like the Account being in surplus.
15. The Funding Policy Statement sets out how the government intends to fund the Accounts. The current policy was agreed by Cabinet in April 2021, and sets a funding target of 100% over a 10-year horizon. Any annual increase to the levy rate for an Account is generally limited to 5%.
16. The Non-Earners' Account is not legally required to be fully funded, but has historically been operated as though it is. Annual cost pressure increases in appropriation are limited to 7.5%.

ACC government appropriation

17. For 2024/25, the government appropriation for ACC is as follows:

Appropriation (via Vote: Labour Market)	Amount
Non Earners' Account	\$2,068.8 million
Non-earners' claims in the Treatment Injury Account	\$302 million
Access to treatment, referrals to further services and obtaining forensic evidence for victims of sexual abuse	\$13.5 million
Policy advice to the Minister for ACC	\$2 million
Regulatory services from the competitive accident insurance market in 1999/2000.	\$0.1 million
ACC portfolio total	\$2,386.4 million

2. Opportunities for action

Declining rehabilitation performance and cost increases

18. Over the past 10 years, ACC has seen an ongoing deterioration in claim performance. This has resulted in a decline of ACC's financial performance, namely:
 - a falling funding ratio (the ratio between assets and liabilities for claims that have already occurred), and
 - a widening new year cost gap (the deficit between funding collected by levies and appropriations and the cost of new claims each year).
19. While this has been a trend for an extended time, ACC's financial indicators were particularly strongly affected in the last financial year. ACC's liabilities for existing claims increased from \$52 billion in 2022/23 to \$60 billion in 2023/24. ACC data shows that the last time that the Scheme experienced such a significant increase was in 2008/09.
20. Claim performance is driven by how effectively and efficiently injured clients are rehabilitated by ACC. This is affected by a mix of factors, some (but not all) of which are within ACC's control or ability to influence. Poor claim performance directly impacts New Zealanders through higher levy costs.
21. Recent steps taken in response to declining financial performance include stronger performance monitoring and key initiatives outlined below.
22. We will brief you separately on each of these initiatives.

Independent Review of ACC

23. In late 2024, the Minister of Finance and the then Minister for ACC agreed to an independent review of ACC by consultancy firm Finity. This review under section 132 of the Crown Entities Act, is to ensure ACC can improve its claims management performance, cost-effectiveness and efficiency. Finity has deep experience and knowledge of both ACC and comparable Australian schemes.
24. The review will be completed by the end of June 2025.

Levy setting

25. ACC levies are required to be set every three years. Updated levy settings have passed through all stages of the regulation-making process, and will come into effect on 1 April 2025 and 1 July 2025, depending on the Account.
26. Cabinet is expecting a report back on a review of the Funding Policy Statement before the end of 2025 [CAB-24-MIN-0471 refers]. This could change the basis on which officials provide their levy setting advice during future levy rounds. Planning for this review will begin in the first half of 2025.

Confidential advice to Government

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Confidential advice to Government

[Redacted text block]

31. Confidential advice to Government

[Redacted text block]

34. Confidential advice to Government

Regulations updates

35. Confidential advice to Government

This work is split into two tranches on two different timelines.

Work	Description	Current status
Tranche one		
Schedule 2	Reviewing the list of occupational diseases in Schedule 2 of the AC Act.	MBIE will provide you with advice in Q1 2025.
Confidential advice to Government		
Tranche two		
Cost of Treatment Regulations	Updating payment rates for treatment providers.	MBIE will provide you with advice later in Q1 2025.
Definitions Regulations	Updating which professions are registered health professionals and treatment providers for the purposes of ACC.	
Confidential advice to Government		

Other work programme items

36. A number of other initiatives are underway to ensure scheme settings are fit-for-purpose or to respond to all-of-government priorities.

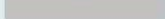
37. These are:

Work	Description	Current status
Royal Commission of Inquiry into Abuse in Care	The Royal Commission of Inquiry into Abuse in Care made recommendations relating to ACC, and the Minister for ACC is part of an Abuse in Care Response Ministerial Group. Confidential advice to Government [Redacted] [Redacted] [Redacted] [Redacted]	MBIE will provide you with advice in Q1 2025.
Constitutional conventions		

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Work	Description	Current status
Confidential advice to Government		
Access reporting	ACC has a statutory requirement to report on access to the scheme by Māori and identified population groups.	ACC undertaking first report.
Review of Maternal Birth Injury cover	A review of the cover provided under the <i>Accident Compensation (Maternal Birth Injury and Other Matters) Amendment Act 2022</i> is required as soon as practicable after 1 October 2025.	Work not started, required later this year.

Annex One: Key MBIE officials

Contact	Role	Contact details
Carolyn Tremain 	Chief Executive, Ministry of Business, Innovation and Employment	Privacy of natural persons 
Nic Blakeley 	Deputy Chief Executive, Labour, Science and Enterprise The Labour, Science and Enterprise (LSE) Group helps boost the New Zealand economy by developing New Zealand's skills system, science and innovation systems and labour market policy. It does this through advising on labour market, immigration, industry, investment, science, tourism, health and safety at work, and accident compensation policy. LSE supports major events, just transitions, leads the science and innovation system, and invests significant public funds. LSE works through international partnerships in its trade remedies, innovation, and space regulation functions.	Privacy of natural persons 
Hayden Fenwick 	Acting General Manager, Workplace Relations and Safety Policy The Workplace Relations and Safety Policy Branch provides policy and regulatory advice in relation to employment relations and standards, health and safety, international labour, and accident compensation.	Privacy of natural persons 