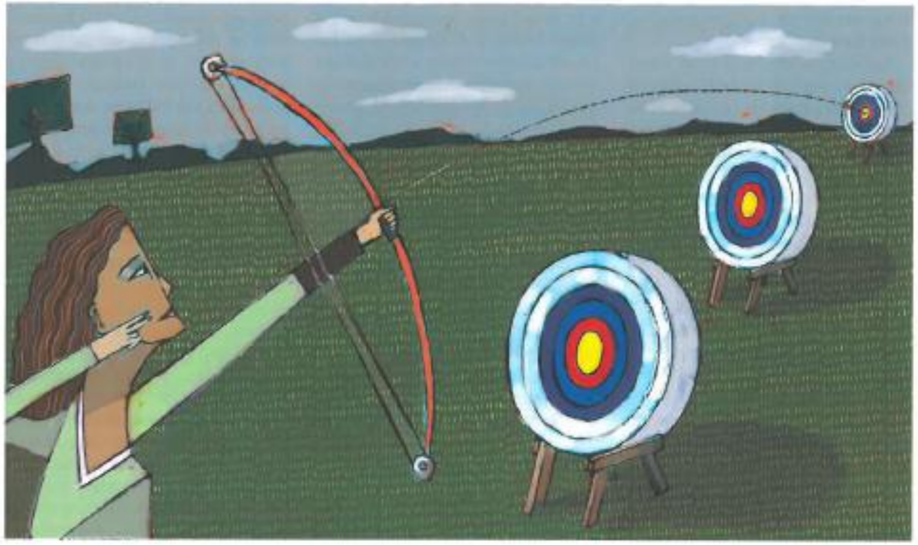
Responding to change and challenge

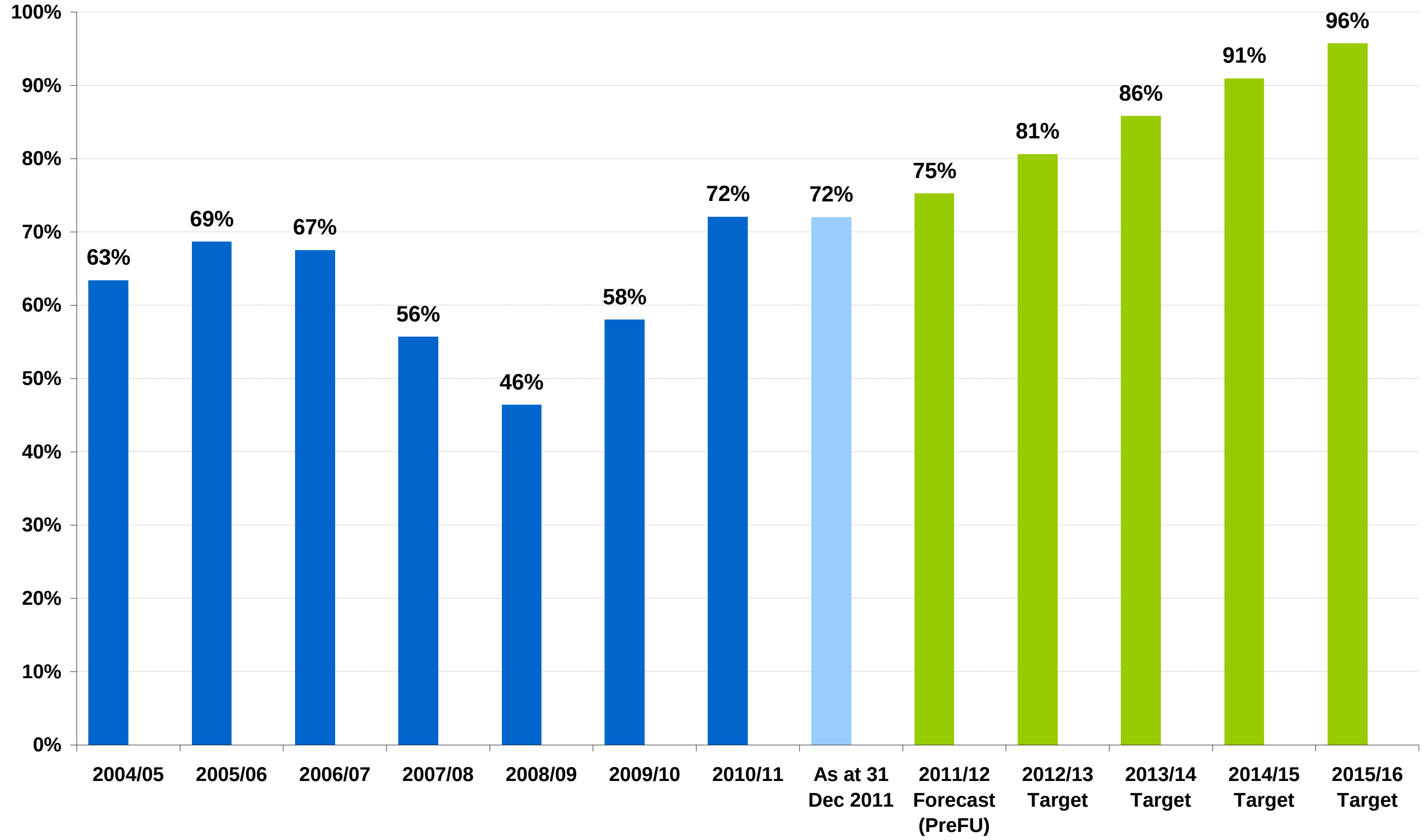


NZMA General Practice Conference & Medical Exhibition

Ralph Stewart
ACC Chief Executive

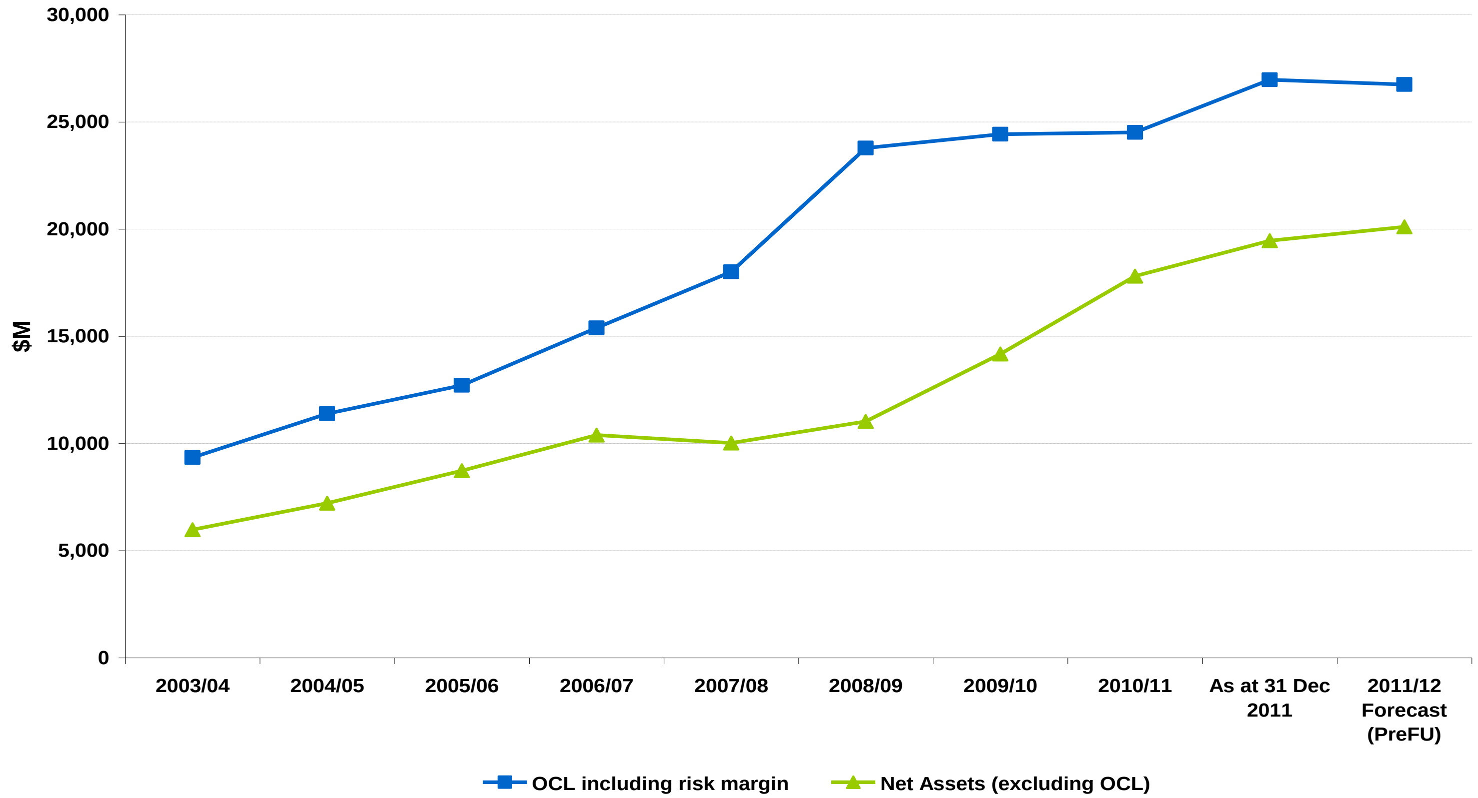
17 August 2012

Scheme solvency



- 2008/09 Scheme solvency was 46%
- 2010/11 Scheme solvency has increased to 72%

Sustainability: OCL v Net Assets



- 2008-09 $12B gap between assets and liabilities
- 2010-11 $6.7B gap between assets and liabilities

Relative performance

	Travellers Group	Chubb Commercial	IAG	SUN GI	TWR GI	ACC FY11 Levies
FY ended	**Dec-11**	**Dec-11**	**Jun-11**	**Jun-11**	**Sep-11**	**Jun-11**
	$US	**$US**	**A$m**	**A$m**	**NZ$m**	**NZ$m**
Net earned premium	22090	4945	7238	6277	167	**3,539**
Expense ratio	14.9%		18.6%	11.3%	25.6%	**10.8%**
Commission ratio	17.5%		8.7%	14.5%	4.8%	**1.4%**
Loss ratio	73.1%	68.1%	70.3%	75.7%	60.0%	**73%**
Combined ratio	105.5%	99.4%	97.6%	101.5%	90.4%	**85.3%**
Underwriting margin	-5.5%	0.6%	2.4%	-1.5%	9.6%	**14.7%**
Insurance margin				6.6%	1.2%	**na**

- Divisional break up made little difference to outcomes
- The underlying expense ratio suggests ACC is ~ comparable
- Even after tax, ACC underwriting margins look reasonable (F&G impact acknowledged)

ACC Accounts

PREVENTION. CARE. RECOVERY.
Te Kaporeihana Āwhina Hunga Whara

The account plans are detailed and published in the Statement of Intent. ACC's financial position and long term solvency is published annually in the Financial Conditions Report. ACC has established account targets to deliver improved solvency, and stability to levy rates by 2019.

	Earners Account	**Work Account**	Motor Vehicle Account	Treatment Injury Account
Levies in 2009	$1.70	**$1.31**	$287	-
Levies in 2012	$1.70	**$1.15**	$335	-
2019 Target Levies	**$1.70**	**0.84**	**$190**	**-**
Solvency in 2009	58%	**64%**	39%	35%
Solvency in 2012	99%	**95%**	64%	55%
2019 Target Solvency	116%	**118%**	118%	85%

A two(ish) stage strategy…

Minimising the cost of comprehensive accident insurance	Getting New Zealanders back to work and normal life as quickly as possible	Making a real contribution to making New Zealand a safer place

Our immediate challenges

Customer Centricity ⟷ **Enterprise Capability**

- Our challenge is to treat every customer as though they have a choice
- We do not manage a process, we deliver an experience that is valued by our customers
- How customers rate the ACC experience is a key measure of our success

Our challenge is to measure every thing we do against our ambitions;

- To operate with financial confidence
- To be a world leader in rehabilitation
- To be simple and easy to deal with
- To lead injury prevention innovation

ACC Vision

To be leading the world in injury prevention, care and recovery

PREVENTION. CARE. RECOVERY.

Te Kaporeihana Āwhina Hunga Whara

ACC Values

Honour People as People – Pride in what we do – Freedom to Succeed

ACC Statement of Intent

Our role in helping New Zealanders

ACC Strategic Framework

KEY RESULTS AREAS

MEASURES

STRATEGIC GOALS

- Quality results for the injured — **Denise Cosgrove**
- Better support and service for levy payers — **Debbie Barrott**
- Improving health sector outcomes — **Denise Cosgrove**
- World class operating performance — **Mark Dossor**
- Enterprise strategy development — **Ralph Stewart**

CHANGE INITIATIVES

ACC AT WORK

MAINTENANCE

Pod Measures

Quality results for the injured

	Measure	2012/13	2013/14	2014/15
Improvement in the percentage of clients satisfied with ACC's service experience from the baseline	SOI	+1.0%	+3.0%	+5.0%
	POD	+1.0%	+3.5%	+6.0%
Increase in the percentage of NSIS client goals attained	SOI	69.0%	71.0%	73.0%
	POD	69.0%	71.3%	73.6%
Reduction in the number of claims in the long-term claims pool	SOI	-253	-63	-25
	POD	-291	-72	-29
Reduction in the average duration of weekly compensation	SOI	86.0 days	85.5 days	85 days
	POD	86.0 days	85.4 days	84.9 days

Pod Measures

Better support and service for levy payers

	Measure	2012/13	2013/14	2014/15
Increase in percentage of transactions (set up or renewal) and fulfilled no-touch or online	**SOI**	55.0%	60.0%	65.0%
	POD	55.0%	60.8%	66.5%
Levy payer satisfaction (top 2500 employers)	**SOI**	+1.0%	+3.0%	+5.0%
	POD	+1.2%	+3.5%	+5.6%
Levy payer satisfaction (other employers and the self-employed)	**SOI**	67.0%	69.0%	72.0%
	POD	67.0%	69.3%	72.8%
***Decrease in levy payer customer effort** – a measure of customer perceptions of the effort required to interact with ACC as measured by customer survey*	**SOI**	4.5	4.0	3.0
	POD	4.3	3.9	2.8

Pod Measures

Improving health sector outcomes

	Measure	2012/13	2013/14	2014/15
Quality treatment outcomes	**SOI**	100.0	98.0	96.0
	POD	100.0	97.7	95.4
Provider engagement	**SOI**	+1.0%	+3.0%	+5.0%
	POD	+1.0%	+3.3%	+5.6%
Management of healthcare expenditure	**SOI**	$347M	$444M	$561M
	POD	$359M	$459M	$579M
Improved management of treatment costs *- Front end medical and treatment cost per claim*	**SOI**	$458.00	$470.00	$483.00
	POD	$458.00	$472.00	$487.00

Pod Measures

World class operating performance

	Measure	2012/13	2013/14	2014/15
Improve ACC's solvency position	**SOI**	82.6%	88.1%	93.4%
	POD	82.6%	88.9%	95.0%
Increase returns from insurance operations	**SOI**	$1,362M	$1,412M	$1,476M
	POD	$1,362M	$1,420M	$1,493M
Administration cost management	**SOI**	$495M	$517M	$527M
	POD	$480M	$480M	$480M
Investment returns against benchmark	**SOI**	0.5% (above benchmark)	0.5% (above benchmark)	0.5% (above benchmark)
	POD			

Pod Measures

Enterprise strategy development

	Measure	2012/13	2013/14	2014/15
Privacy review recommendations	**POD**	Completed		
Staff engagement	**POD**	5.22:1	6:1	7:1
	SOI	5.22:1	5.5:1	6.1:
Injury prevention strategy	**POD**	Developed	Implemented	Implemented
Public perception	**POD**	Increased	Increased	Increased
Policy based business model	**POD**	Developed	Developed	Implementation underway

Knowing what success looks like is very important

Definition of quality

One of the most influential quality assessment frameworks is provided by the Institute of Medicine (IOM) – it sets out six aims for the healthcare system:

Safe:	Avoiding harm to patients from the care that is intended to help them
Effective:	Providing services based on scientific knowledge to all who could benefit and refraining from providing services to those not likely to benefit.
Patient Centred:	Providing care that is respectful of and responsive to individual patient preferences, needs and values and ensuring that patient values guide clinical decisions.
Timely:	Reducing waits and harmful delays for both those who receive and those who give care.
Efficient:	Avoiding waste, including waste of equipment, supplies, ideas and energy
Equitable:	Providing care that does not vary in quality because of personal characteristics such as gender, ethnicity, geographic location and socioeconomic status.

Summary

- Future generations
- Intelligent funding
- Client and quality focus
- Commercial discipline
- Self sustaining

Questions & Answers