

**Minutes of a meeting of the Board of the Accident Compensation Corporation held via videoconference on Wednesday, 29 January 2020 at 1.00 pm.**

**Present**

Dame Paula Rebstock	Chair	
Mr James Miller	Temporary Deputy Chair	(until 2.55 pm)
Ms Anita Mazzoleni	Member	
Ms Kristy McDonald QC	Member	(until 2.55 pm)
Dr Tracey Batten	Member	
Mr John Brabazon	Member	
Mr David May	Member	(from 1.20 pm)

**In attendance**

Mr Mike Tully	Chief Operating Officer
Mr Peter Fletcher	Chief Technology & Transformation Officer
Mr Herwig Raubal	Chief Actuarial and Risk Officer
Mr John Healy	Chief Financial Officer
Ms Emma Powell	Chief Customer Officer
Ms Sharon Champness	Chief Talent Officer
Ms Ainsley Simmonds	Acting General Counsel and Company Secretary
9(2)(a)	Manager Corporate Secretariat
9(2)(a)	Senior Associate Company Secretary

# 1 Procedural Business

## 1.1 Apologies

An apology was received from Mr Pickering. The Board Chair noted that the Board had received a letter from Mr Pickering setting out some comments.

## 1.2 Register of Members' Conflicts of Interest Arising

**CONFIRMED:** The Board reviewed the Register of Members' Conflicts of Interest Arising and confirmed that it was not aware of any other matters (including matters reported to, and decisions made by, the Board at this Meeting) which would require disclosure.

# 2 Board Only Session

# 3 Operational Reporting

## 3.1 Second Quarterly Report

Mr Healy briefed the Board on the Report, highlighting the following:

- An increase in bond yields had resulted in a surplus of \$1.9 billion as at 31 December 2019. Yields had since fallen significantly in response to the coronavirus, and this was likely to result in a deficit by the end of January.
- The December results recorded an OCL strain of \$199 million.
- There was a potential additional cost to ACC to fund care resulting from the Whakaari/White Island eruption. The DHBs were still collecting information on the cost, but it was expected to be \$20-25 million.
- Trust measures (NTS) remained relatively stable for the second quarter. Business and Māori net trust had improved. It was a challenge to predict the third and fourth quarters.

The Board queried the sample size of the NTS, given the volatility. Ms Powell would review this.

Mr Healy referred to forthcoming 2020/21 budget discussions with the Board. The levers available to ACC to address claims costs growth variances in counselling, radiology and physio (which were

significantly above budget) included legislative or policy changes which should be considered and tested. The Board would need to assess the trade-offs for managing the claims costs growth. Mr Healy would discuss the options with the Board Chair before presenting them to the Board.

The Board queried the 17% treatment injury weekly compensation (WC) growth rate. Mr Healy would investigate it. Ms Powell suggested providing a future breakdown for the Board identifying from where the volume was coming. The Board noted that it was important for both Management and the Board to understand this, as soon as possible. After Board discussion about what might lie behind the 17% growth, the Board asked to have the treatment injury rate at DHB level provided, as well as the growth rate, given that it was a high percentage on a small number. The Board asked that Dr Batten work with Ms Powell on understanding the growth rate.

The Board noted that the 10-week/70-day rehab rate had stabilised and queried the impact on the Long-Term Claims Pool. Mr Healy responded that the 70-day rate should be on target by year-end and it should flow through to the longer durations, although it was not showing yet.

In response to a question from the Board, Mr Healy reported that claims processed per FTE were unlikely to be on target by year-end. ACC was using more resource than budgeted, due to the NGCM rollout. The Board asked that it be made clear in the report that the rollout of NGCM impacted the meeting of the target for this year. The Board suggested linking the work, following the LEK report, to get the right number of claims managed per FTE, with meeting the rehab targets, so as to set the right target for the next financial year. The Board cautioned against pushing to have ICIP targets met at the expense of meeting rehab rates (as had been identified in the LEK report). Mr Tully acknowledged that forecasting appropriate targets would be a challenge, but early indications of NGCM performance were encouraging. Mr Tully would be reporting on NGCM results for the February 2020 Board meeting.

In response to a Board query regarding the meaning of 'child prevention programme' in the number of claims avoided reporting, Ms Powell explained the programme, which included St John's prevention work in schools and Safe Kids Aotearoa. The description in the Report would be clarified.

The Board asked Mr Tully to pass on the Board's congratulations to the Business Continuity Team on its Australasian 'Continuity and Resilience Team' of the year award.

In response to a Board query on the rate of serious injury, Ms Powell explained that it included fatality claims and that, as had been reported in December 2019, there had been a change in

claiming patterns rather than an increase in the number of fatalities. The Board queried the effectiveness of injury prevention for falls in the over-65 age group. Ms Powell reported on the work being done. The Board requested a deep dive on the connection between the rate of serious injury and injury prevention, showing what should be targeted. The Board also requested a deep dive on the rising costs of physio. Mr Tully would report on this issue in a contract extension paper coming to the Board in the first half of the year.

Mr Tully would report back to the Board on the increase in the volume of reviews as a percentage of decline decisions.

The Board requested clarification of the way the OCL increase and the WC days paid were presented.

Mr Healy took the Board through the solvency rates. The Board referred to the recent fluctuations in investment returns and suggested noting the economic factors as a subsequent event to the current figures. Mr Healy explained that this sat behind putting the economic factors below the return from insurance operations in the P&L.

Mr Healy explained the shift from the former funding policy's 100% – 110% including risk margin, to the new 100% without a risk margin, the equivalent of which was 88%. In response to a Board query as to whether the budget had been adjusted, Mr Raubal noted that it would be adjusted for future years because of the forecast. The Board suggested that the funding ratio for the Non-earners' and Earners' Accounts portion of treatment injury, presented as being budgeted at 100%, should be presented as a target, not budget. Mr Healy agreed to make this clearer.

The Board queried the deficit reporting in the statements of financial performance and financial position (+\$1.9 billion *cf* -\$8.1 billion). Mr Healy explained that this presentation was a government reporting requirement. The Board requested that the significant changes in investment income be made clearer in the report.

The Board queried the reporting of investment income in cashflows from operating activities rather than investment activities, and then backing it out, indicating a subsidy on levies from investment income. Mr Healy would check as to whether presenting this way was required by the accounting standards.

The Board asked Mr Healy to make the changes outlined in its discussion and delegated final approval of the report to the Chair of the Board Risk Assurance and Audit Committee (RAAC).

**ACTIONS:** Management to—

- provide a deep dive on the link between the rate of serious injury and injury prevention, showing what should be targeted, for a future Board meeting.
- provide a deep dive on rising physio costs for a future Board meeting (potentially in conjunction with the physio contract extension).
- report at a future Board meeting on the reasons for increase in reviews as a percentage of decline decisions.

**RESOLVED:** The ACC Board resolved to:

- (a) **Delegate authority** to the Chair of the Risk Assurance and Audit Committee to approve the presentation of the second quarterly report 2019/20 to the Minister by 31 January 2020, following final changes to the report requested by the Board.
- (b) **Approve** the publication of the second quarterly report 2019/20 on ACC's external website following acceptance of the report by the Minister for ACC.

### **3.2 December 2019 Additional Information**

Mr Fletcher confirmed to the Board that no data had been lost in the reported phishing incidents, and that he would have brought it to the Board's attention if any had been. Fuller information would be included in future reports.

The Board asked for plainer English to be used for the action areas described in the December 2019 OCL strain table, and asked that the table also include a column for the objective for each action, to show the potential cost savings. The Board also suggested that the target areas should be those on which the greatest impact could be made.

**RESOLVED:** The ACC Board resolved to:

**Note** the additional information for December 2019.

## **4 Performance Reports**

### **4.1 Health, Safety and Wellbeing Report**

Ms Champness highlighted the following from the Report:

- Overall injury performance continued to be good, including no increase in injury rates on return to work after the Christmas break.
- Appendix 1 showed last year's external SafePlus review recommendations, aligned to the plan that was already in place that the Board had endorsed. This gave a line of sight between the recommendations and the plan.
- Appendix 2 provided a summary of the HS&W Innovation Pilot. It showed that a number of the initiatives were relatively minor. This indicated that the big things were already taken care of.
- Appendix 3 provided the quarterly site summary. A number of the sites were showing red on turnover. As had been explained previously to the Board, the sites that have high turnover are sites where resources were to be reduced under NGCM.

Board discussion focused on the following:

- The morale of staff in the offices for the next NGCM rollout. Mr Tully explained that they were excited and ready. The lessons learned from Tranche 1 were being applied to the February rollout.
- A comparison between actual site turnover and the expected turnover, noting that Porirua's, with 48%, appeared to be of concern. Ms Champness explained that Appendix 3 indicated voluntary turnover which, by definition, was not expected. The figures showed that people were taking the initiative, knowing the sites were to be downsized under NGCM. The Board referred to the 20% turnover at Dunedin house and queried whether it was of concern. Ms Champness agreed that anything over 15% needed to be looked at. Under NGCM, there was weekly monitoring of turnover rates at each site and tracking of overall resourcing levels to ensure that workload was being managed.
- Whether staff in Porirua were being reduced under NGCM. Mr Tully explained that there was not to be a significant reduction in numbers there, but there would be a change in roles. The Board requested more information, to enable it to understand whether it was a concern or not.
- Whether, following the NGCM rollout this financial year, Management expected turnover to return to under 15% across ACC. Ms Champness explained that it was now 16.1%, down from the high of 17%. In future, Ms Champness would include the long-term turnover rate in Appendix 3.

- Whether, in relation to NGCM, any changes had been made in relation to health and safety risk. Ms Champness explained that the most significant change was managing through site-lead roles, instead of through a Branch Manager. It was an opportunity to clarify all roles and ensure all controls had an owner and were working.

**RESOLVED:** The ACC Board resolved to:

- (a) **Note** progress toward becoming a leader in health, safety and wellbeing.
- (b) **Note** there were no notifiable events in December 2019.
- (c) **Note** the health, safety and wellbeing performance indicators.

## 5 Board Administration

### 5.1 Minutes of Meeting held on 19 December 2019

**APPROVED:** the ACC Board approved the minutes of the meeting held on 19 December 2019.

### 5.2 Schedule of Matters Arising

The Board **noted** the Schedule of Matters Arising.

### 5.3 Confirmation of Decisions Made Out of Cycle

**RESOLVED:** The ACC Board resolved to **note** that there were no decisions made out of cycle for the period of 13 December 2019 to 22 January 2020.

### 5.4 Annual Work Programme

**NOTED:** The ACC Board **noted** the annual work programme.

## 6 General Business

The Board Chair reported that the paper on the levy setting process considered by the Board before Christmas warranted further discussion by the full Board, and that the Board had discussed the proposals for consultation outlined in the paper during Board only time. The Board had a strong preference to not split the consultation but to do it all after the election. The Board requested

Management to provide advice as to whether this would be feasible on the basis of the consultation items for which the Board had previously indicated its approval.

## 7 Confirmation of Next Meeting

To be held at the ACC Boardroom, Level 7, Justice Centre, 19 Aitken Street, Wellington on Friday, 28 February 2020 at 9.00 am.

### Closure

The meeting closed at 3.00 pm.

Approved

Chair ..... Date .....

RELEASED UNDER THE OFFICIAL INFORMATION ACT