



**Accident Compensation Corporation**  
**Personal Injury Insurance for all New Zealanders**  
**Find out how the ACC Scheme works**  
**and how you can have your say on what you pay**

**Deadline for submissions**  
**5.00 pm, 10 November 2009**

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# 1 Public consultation on 2010/11 levy rates

ACC is the Crown entity that manages New Zealand's universal, no-fault personal injury insurance Scheme.

Right now ACC is consulting on setting levy rates - the money paid by employers, self-employed people, employees and motor vehicle owners and users that provides insurance cover for personal injury by accident.

Your input is important. This year's consultation period runs for 28 days between 14 October 2009 and 10 November 2009. Please take this opportunity to send your views to ACC on any aspect of the proposed levy rates and regulations.

To get a copy of any document you wish to see or a copy of the actuarial advice upon which we have based our proposed rates, visit the ACC website [www.acc.co.nz/consultation](http://www.acc.co.nz/consultation), call 0800 ACC RATES (0800 222 728), or send an email with your request to [consultation@acc.co.nz](mailto:consultation@acc.co.nz).

## 1.1 A summary of who pays for what cover

The ACC Scheme is divided into six 'Accounts'. Each Account provides cover for specific groups:

ACC Account	Who funds it	What's covered
Work	Employers - based on the liable earnings of their employees Self-employed people and private domestic workers - based on their earnings	Work-related personal injuries affecting employees, self-employed and private domestic workers (excluding most motor vehicle injuries)
Residual Claims	Employers - based on the liable earnings of their employees Self-employed people and private domestic workers - based on their earnings	The continuing cost of work-related personal injuries (pre-1 July 1999) and non work-related personal injuries to earners (pre-1 July 1992)
Earners'	Employees, self-employed people and private domestic workers - based on their earnings	Non-work personal injuries (e.g. at home and during sport and recreation) suffered by people in the paid workforce
Motor Vehicle	Motor vehicle owners, users and motorists through an annual vehicle levy and a petrol levy	Personal injuries involving moving motor vehicles on public roads
Non-Earners'	Government contribution	Personal injuries suffered by people not in the paid workforce (such as students, beneficiaries, children, and retired people)
Treatment Injury	Earners (through the Earners' Account) and Government contribution for non-earners	Personal injuries caused by medical treatment

## 2 Having your say

We set the levy rates each year to provide enough funds to cover the lifetime costs of injuries that will occur during the upcoming year.

You have the opportunity to have a say on our proposed rates for the coming year by making a submission during our consultation process. Legislation requires us to consult levy payers about any changes we want to make to rates and regulations before we take our recommendations to the Minister for ACC.

The consultation process has four stages:

1. We publish the proposed rates in the consultation documents
2. You have until 5.00 pm on 10 November to make a written submission on our proposals
3. We consider everyone's feedback and then finalise our recommendations on the rates
4. We submit our recommendations to the Minister for ACC.

The Minister considers ACC's recommendations and then makes his recommendations to Cabinet on what the final rates should be. Once Cabinet agrees on final rates, levy regulations are passed for the new levy year.

### 2.1 What are the rates?

We have published our proposed rates for 2010/11, and the basis on which we've made those proposals, in three documents, one each for:

- work levy rates that provide cover for work-related personal injuries
- earners' levy rates that provide cover for non work-related personal injuries
- motor vehicle levy rates that provide cover for personal injuries involving moving motor vehicles on public roads.

To get a copy of any document you wish to see or a copy of the actuarial advice upon which we have based our proposed rates, visit the ACC website [www.acc.co.nz/consultation](http://www.acc.co.nz/consultation), call 0800 ACC RATES (0800 222 728) or send an email with your request to [consultation@acc.co.nz](mailto:consultation@acc.co.nz).

### 2.2 Making your submission

To make a submission, you need to write and tell us what you think. As well as commenting on the proposed levy changes for the year, you can comment on all aspects of the ACC Scheme.

Your submission must include: Your name  
Your address  
Your contact phone number(s)

You can send your submission: By post: Levy Consultation  
ACC  
PO Box 242  
Wellington 6140  
By fax: 04 918 4395  
By email: [consultation@acc.co.nz](mailto:consultation@acc.co.nz)

Deadline for submissions: 5.00 pm, 10 November 2009

Please note that all correspondence and submissions on this matter may be subject to a request under the Official Information Act 1982.

## 3 How we fund the Scheme

Each year we have to work out how much money we will need to fully fund the ACC Scheme. This means we have to estimate the funds we need to cover the lifetime costs of next year's new injuries as well as allowing for any change in funding needed for the future costs of existing claims.

Simple injuries, such as a sprained wrist, involve estimating the costs for only a few months. We can be more certain of these costs. For something more serious, such as a permanent disability, we may have to estimate the costs 30 to 40 years into the future. These costs are less certain.

### 3.1 Fully funded

To be fully funded we need to collect enough money during the levy year to pay for all costs over the life of every claim that occurs in that year. Some seriously injured clients will incur costs for the next 30 to 40 years, so we need to hold reserves to cover all these future payments.

ACC moved to a fully funded basis in 1999. Before this, ACC levies were 'pay-as-you-go', meaning that levies only covered the claim costs that were to be paid out that year and no reserves were collected to fund the future costs of existing claims. As a result, today we still need to collect levies to pay for the ongoing costs of claims for injuries that happened before 1999. These are called pre-1999 (or residual) levies. The law requires these to be charged until 30 June 2014. The rationale for this is that by 2014 the future costs of these claims will be fully funded.

### 3.2 Levies

All payments to ACC are called levies and the rates for these levies are set each year. About 85% of the levy pays for the costs of claims. The rest funds the cost of injury prevention programmes and operating the ACC Scheme (including levy collection).

To work out what we need to collect, we look back at the claims we've received in the past from each levy payer group. Based on this information we predict how many claims ACC will get next year and what they will cost (not just the next year but until each claim is closed).

Levies cover:

- **claims for the year ahead** - provide funds for the estimated lifetime costs of injuries that will occur during the coming year
- **claims for injuries suffered before 1999 (called pre-1999 or residual claims)** - provide funds for the estimated ongoing costs of work, non-work and motor vehicle injuries suffered before 1 July 1999, when the Scheme changed to a fully funded basis.

We also include a funding adjustment to allow for any surplus or shortfall in our prior estimates of the ongoing costs of claims for injuries that happened after 1999.

### 3.3 Funding policy

Our funding policy aims to ensure each ACC Account has enough funds. The two key elements that make up our funding policy are:

- **our funding target** - this is the total value of the ongoing future costs of new and existing claims. The target must ensure that enough funds are accumulated to be quite sure that these funds adequately cover future costs. Our estimate of future costs therefore includes a risk margin that allows additional funding to cover the uncertainty in the estimates
- **timeframe** - the time over which we will restore funds to the funding target, if the target is not being achieved. We currently adjust annual levy rates to restore the funding target over a maximum 10-year timeframe.

The funding target is affected by the economic assumptions we use in our estimates of future claim costs (e.g. inflation rates on medical costs), the rate of return on our investments and the margins we allow for forecasting uncertainty.

## 4 Who pays for personal injury insurance?

Personal injury insurance is paid by employers, self-employed, employees and motor vehicle users. Generally:

- Employers pay a work levy to cover work-related personal injuries affecting your employees. The amount of your work levy is based on how much you pay in wages (your payroll) and what type of industry your business is in (your industrial classification unit).
- Self-employed people pay a work levy to cover your own work-related personal injuries. You also pay a non-work levy to cover your non-work related personal injuries (except where you are paid income that is subject to PAYE). The amount is based on your liable earnings and what type of work you do (your industrial classification unit).
- Employees pay a non-work levy to cover non-work related personal injuries (e.g. those that occur at home and during sport and recreation). The amount is based on what you earn and is deducted by the Inland Revenue (via PAYE) from your salary. This includes self-employed people who are paid income that is subject to PAYE.
- Motor vehicle owners and users pay a motor vehicle levy which covers all personal injuries involving moving motor vehicles on public roads. The amount is a proportion of your annual renewal of motor vehicle licensing fee. If you use a petrol-powered vehicle, you pay a lower levy on your annual vehicle licensing fee than diesel-powered vehicles, as you also pay a levy on each litre of petrol you buy.

Non-earners' insurance (including students, beneficiaries, children and retired people) is paid for by the Government contribution. This covers personal injuries if you are not in the paid workforce.

Find more about how we calculate what you pay on page 8.

## 5 What you have to pay

We set separate levies to cover the costs of work-related personal injuries, non-work related personal injuries, and personal injuries involving moving motor vehicles on public roads.

### 5.1 Work-related levies

All employers and self-employed people purchase personal injury insurance from ACC to provide for the costs of work-related personal injuries. We charge these work-related levies against every \$100 of liable earnings.

For employers and self-employed people, we set a work levy rate for different types of business, based on:

- how much you pay your workers or your liable earnings (payroll)
- the number and cost of injury claims your industry has had in the past
- the number and cost of injury claims your industry is projected to have in the coming year.

#### How we calculate work-related levies

For employers and self-employed people, your levies are based on the type of work you do. We give every business an ACC 'industrial classification unit' based on its main business activity - the type of work it does. In grouping businesses this way we aim to make the levies you pay equitable and to ensure the costs of claims are shared fairly among the industries responsible for those costs.

There are 535 separate classification units in our system, based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 system. A classification unit can have a large number of businesses or just a few. This means there is sometimes not enough information for us to accurately estimate the cost and frequency of future injury claims. So when it comes to levy setting we combine classification units into larger 'levy risk groups' or pricing pools. There are 117 levy risk groups in total. All of the industrial classification units in a levy risk group are involved in similar industrial activities and have similar claim histories.

Depending on the actual number and cost of injury claims made each year, industrial classification units can move into a higher-rated or lower-rated levy risk group with a higher or lower levy rate.

### 5.2 Non work-related levies

Employees (i.e. wage earners), self-employed people and motor vehicle owners and users are required to pay levies to cover the costs of non work-related personal injuries.

#### (a) Earners' levies

Earners' levies fund ACC cover for the non work-related personal injuries of employees and the self-employed, for example injuries that happen at home or on the sports field. Earners' levies also contribute to the funding required for personal injuries to earners caused by medical treatment.

You pay earners' levies through PAYE or your annual ACC invoice if you are self-employed. The amount of your levy is based on how much you are paid.

#### (b) Motor Vehicle levies

Motor Vehicle levies fund ACC cover for most personal injuries involving moving vehicles on public roads in New Zealand (unless they are deemed to be covered by the Work Account). You pay these levies through your annual renewal of motor vehicle licence fees and through a levy on each litre of petrol you buy.

The amount of your motor vehicle levy is based on the type of vehicle you own and the type of fuel you use.

### **5.3 Other cover**

The Government provides for the costs of personal injury cover for non-earners, such as children and retired people. In addition, the Government contributes to the funding required for personal injuries to non-earners caused by medical treatment.

### **5.4 Residual pre-1999 claims levies**

In addition to funding the costs of the current year's injuries, there is also a requirement to fund pre-1999 claims that still have ongoing payments.

ACC still needs to collect levies to pay for the ongoing cost of claims for injuries that occurred before July 1999, when not enough was collected to cover the full cost of the claims, and for gradual process injuries related to employment before July 1999. Levies are set with the goal of building up sufficient assets to ensure that pre-1999 claims are fully funded by 30 June 2014.

## 6 Optional products and programmes

We offer a number of products and programmes through which some businesses and self-employed people can earn discounts on levies and/or gain greater certainty of compensation.

### 6.1 ACC CoverPlus Extra

Self-employed people are required by law to have ACC cover. Our standard compulsory insurance product - called ACC CoverPlus - provides you with access to weekly compensation for lost earnings (up to 80% of the previous year's income). You receive an invoice based on these earnings and the levy you pay varies with what those earnings were.

ACC CoverPlus Extra gives you pre-agreed weekly compensation cover based on what you decide you will need, not just last year's income. If you're injured you get 100% of that agreed amount. Because you know exactly how much lost earnings compensation you'll get, you can plan ahead with more confidence, knowing you're assured of an adequate income stream. If you are injured, there's less paperwork and payments are prompt, because it has all been pre-agreed. Other entitlements, such as medical care and rehabilitation help, remain the same as for the standard insurance product.

ACC CoverPlus Extra is a great option for people:

- whose income from self-employment changes from year to year
- whose income can be at risk, such as a farmer who might suffer a loss in income one year due to a drought.

To find out more detail on ACC CoverPlus Extra, visit the ACC website [www.acc.co.nz/cpx](http://www.acc.co.nz/cpx).

### 6.2 ACC Workplace Safety Discounts for high-risk industries

ACC Workplace Safety Discounts are available in the agriculture, forestry, construction, motor trades, road transport, fishing, and waste management sectors. They are available to self-employed people and businesses that have an annual payroll of less than \$450,000, or 10 or fewer full-time staff. The programme offers 10% off the standard work levy if you can show sound health and safety practices.

The total amount of the discount will depend on the levies you pay. The discount applies for the tax year in which the application is accepted, and two further tax years, as long as you continue to meet the eligibility criteria.

To apply for ACC Workplace Safety Discounts you need to show you have relevant capability in managing health and safety. In most cases this means attending a free industry-specific training course or providing evidence of prior experience. To show this you would need to have at least 12 months' experience in implementing health and safety procedures relevant to your current workplace and industry, including:

- identifying and managing hazards
- investigating incidents
- training employees (as applicable)
- setting up emergency response procedures.

For more detail on ACC Workplace Safety Discounts, visit [www.acc.co.nz/wsd](http://www.acc.co.nz/wsd).

## 6.3 ACC Workplace Safety Management Practices

The ACC Workplace Safety Management Practices programme was developed to encourage employers to create and maintain safer workplaces. There are no fixed rules regarding who can apply but it is generally suited to medium to large businesses.

In return for putting in place systems and processes for managing and improving workplace safety, you may be eligible to receive discounts on your standard work levy.

With ACC Workplace Safety Management Practices you can be awarded one of three levels of ACC levy discount, depending on an audit of the overall health and safety standards of your workplace.

- Primary level: A 10% discount recognises that your business meets the minimum performance standards across all aspects of workplace health and safety management.
- Secondary level: A 15% discount recognises high standards of performance and good practice across all aspects of workplace health and safety management.
- Tertiary level: A 20% discount recognises best practice across all aspects of workplace health and safety management and a commitment to continuous improvement.

ACC Workplace Safety Management Practices is a programme you can use to strengthen your safety systems and turn good safety intentions into real achievements.

To find out more detail on the ACC Workplace Safety Management Practices visit the ACC website at [www.acc.co.nz/wsmp](http://www.acc.co.nz/wsmp).

## 6.4 ACC Workplace Safety Evaluation

ACC's Workplace Safety Evaluation programme helps employers improve their health and safety processes and procedures.

Each year we identify employers with more ACC claims than other similar businesses and require them to join our ACC Workplace Safety Evaluation programme. These businesses have a higher number and cost of claims than their industry average.

By taking part in the programme, businesses learn about what they need to do to meet the required health and safety standards. The business is then audited, and if the required standard isn't met, ACC must increase their levies. We also have the ability to increase levies if a business refuses to take part in this programme.

## 6.5 ACC Partnership Programme

Employers who are willing and able to take responsibility for their own workplace health and safety and the management of workplace injuries can be eligible for significant levy discounts.

There are two ACC Partnership Programme plans - the Partnership Discount Plan and the Full Self-Cover Plan.

Generally both of these plans are only suitable for New Zealand's largest employers. There are stringent criteria around entering and maintaining participation in these plans. This information is available on the ACC website at [www.acc.co.nz/pp](http://www.acc.co.nz/pp).

### (a) Partnership Discount Plan

Under this plan you agree to accept injury management and financial responsibility for employees who suffer work-related injuries for either one or two years after the end of the cover period following their injury.

Current levy discounts average 51.5% and 58.8% of the standard work levy for the one- and two-year Partnership Discount Plan options respectively.

**(b) Full Self-Cover Plan**

Under this plan you agree to take full financial and injury management responsibility for:

- work-related injuries for a set time
- your continuing financial liability for the life of a claim to a pre-selected limit.

Current levy discounts are up to 90.5% of the standard work levy.

To find out more detail on the ACC Partnership Programme, visit the ACC website at [www.acc.co.nz/pp](http://www.acc.co.nz/pp).

## 7 ACC's strategic direction

### 7.1 ACC's Statement of Intent

The Statement of Intent focuses on the key operational activity where ACC can exert some control to achieve a balance between the needs of our injured clients and levy payers.

**GOVERNMENT PRIORITIES:** In addition to the Government's priorities for all Crown entities, delivering value for money and demonstrating performance, the Government has outlined a number of key areas of focus for the ACC portfolio in 2009/10. These are to:

- undertake a detailed stocktake of the various components of the Scheme (ACC to participate)
- analyse and contain cost pressures
- improve dispute resolution (ACC to participate)
- improve rehabilitation duration performance
- maintain leadership of the New Zealand Injury Prevention Strategy
- maintain liaison with other government agencies.

Taken together, these areas of focus form the basis of the Government's priority for ACC in 2009/10 'to improve operational performance and manage costs to ensure the Scheme remains financially viable in the long term'.

**ACC'S OUTCOMES:** The three outcomes show what ACC is trying to achieve in the medium term, and are the overarching goals for the Scheme:

1. Ensure the Scheme is financially sustainable and represents value for money
2. Rehabilitate injured people in New Zealand
3. Reduce the incidence and severity of injury.

While they are outcomes in their own right, outcomes 2 and 3 also contribute to outcome 1. To deliver a sustainable Scheme with affordable levies requires the prevention of injuries and the delivery of effective rehabilitation services at a sustainable cost. Through the achievement of these three outcomes, ACC will support the achievement of the Government's priorities.

**OUTPUT CLASSES:** The output classes are the services through which ACC will deliver its outcomes for New Zealanders. These are:

- levy setting and collection
- investment management
- claims management
- injury prevention.

**WORK PROGRAMME:** In the medium term, ACC will deliver a number of key work programmes to make the Scheme more efficient and effective. This includes ACC's strategic change programme, which constitutes the basis of ACC's capital change programme.

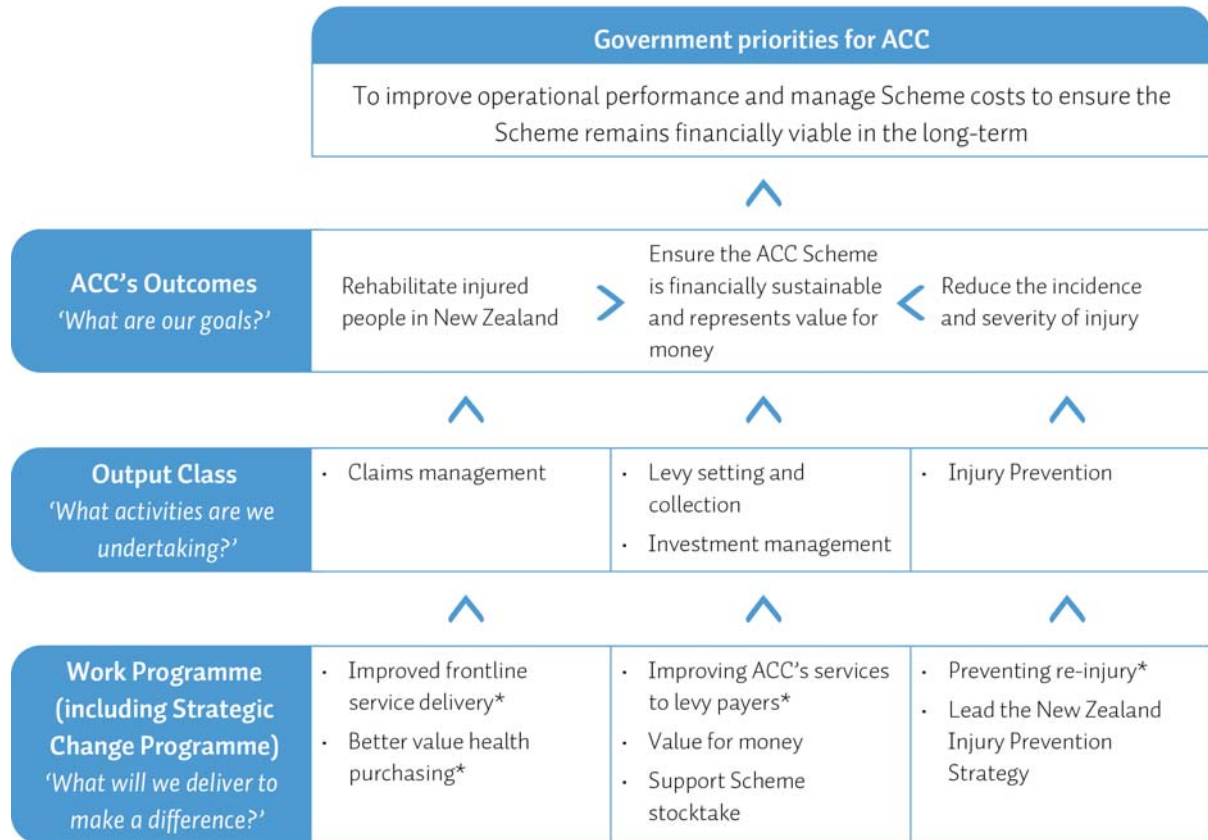
**ACC'S VALUES:** ACC recognises that managing the Scheme is not just about what it does but how it does it. As such, ACC's organisational values underpin decisions about what it does, how it operates and how it behaves. These values are:

- Honour people as People
- Freedom to succeed
- Pride in what we do.

## 7.2 Our strategic priorities

ACC's strategic direction is encapsulated in the following outcomes framework.

### Outcomes Framework



\* These initiatives are part of the Strategic Change Programme.

## 7.3 ACC's workplan and how we measure success

For full details of ACC's strategic direction and how we are evaluating success across all aspects of our business, go to [www.acc.co.nz](http://www.acc.co.nz) and click on [About ACC](#) and [Reports and Strategy](#).