



He Kaupare. He Manaaki.
He Whakaora.
prevention. care. recovery.

2021 Levy Consultation

ACC levy rate proposals

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Have your say on proposed ACC levy rates for 2022-2025

We're recommending changes to levy rates over the next three-year period.

The proposals below describe how we manage our funding pressures and what's driving our proposed changes. We're seeking your feedback on these proposals.

Levy	Current 2021/22 levy rates	Proposed levy rate			Net change over 3 years
		2022/23	2023/24	2024/25	
Average Motor Vehicle levy rate ¹	\$113.94 per vehicle	\$120.20	\$128.83	\$138.08	↑ \$24.14
Earners' levy rate ²	\$1.21 per \$100 wages	\$1.27	\$1.33	\$1.39	↑ \$0.18
Average Work levy rate ³	\$0.67 per \$100 of payroll	\$0.63	\$0.65	\$0.67	no change

We'll review all feedback received and then make our recommendations to the Minister for ACC.

The Government will make the final decision on any levy changes.

Your views can influence the final rates set by the Government and inform future proposals to improve the levy system. This is your opportunity to have your say.

Why we collect levies

ACC is unique in the world. No other country provides a 24/7 no-fault, comprehensive accident compensation scheme. Each year we manage approximately two million claims costing nearly \$5 billion. Levies are critical in allowing us to provide New Zealand with this world-class scheme that helps protect our way of life.



¹ Including petrol component, GST excl.

² Per \$100 of liable earnings, GST excl.

³ Per \$100 of liable earnings, GST excl.

We collect levies to cover the cost of supporting people who have been injured in an accident or are the victims of sexual and physical abuse. This includes treatment and rehabilitation, as well as income support if an injury prevents a person from working.

For most people, this support lasts until they've recovered. For others, our support will continue for the rest of their lives.

Collecting what we need

Each year we're required to collect enough money to support the total costs of new injuries. In this way we don't have to pass the costs on to future generations, no matter how long a person needs our support.

To minimise the impact of injuries in our communities, we invest in:

- programmes to keep you safer and reduce the risk of injury
- ways to improve recovery from injuries, such as improving how we manage cases and work with health providers.

We consider the anticipated benefits from these investments before setting levy rates.



Current levies are below what is required to cover costs

Last year, ACC collected \$3.24 billion through levies, but the total costs of that year's injuries are expected to be \$4.63 billion. Continuing to collect levies which don't meet the cost of injuries each year is not sustainable over the long-term.

As an example the average motor vehicle levy, which comes from vehicle licensing (rego) and petrol, is currently \$117 lower than what we expected to need to cover the full cost of supporting people expected to be injured in road accidents this year when we set the levies in 2018.



Work to prevent injuries and improve the Scheme

ACC is working hard to reduce injuries in New Zealand:

- Last year we invested \$100 million in injury prevention programmes across many of the areas where New Zealanders are being harmed the most – such as in the forestry and construction sectors, rugby and football games, and motorbike riding.
- We've also been working hard to improve how we support injured people to recover well by making changes to the way we manage cases and partner with treatment providers to support them to get people better.



Rising rate of injuries and injury costs

However, despite this work, we expect the cost of supporting people to recover from injury to increase by 4-6% each year – over the next three years – due to:

- a rising number of injuries
- increases to the cost of providing support (treatment, rehabilitation and loss of income)
- longer recovery periods in some cases.

The rising costs of injuries need to be reflected in levies.

Proposed changes to levy rates

As part of managing a successful Scheme for accident prevention, care and recovery, ACC must consider the long-term nature of funding some claims (i.e. supporting injuries that impact people for a long time). We also need to provide levy payers with reasonable stability of levy rates over time.

Government guidelines for calculating levies

To support this, the government has set a funding policy statement which defines how ACC should calculate levies.

This starts with calculating the full cost of supporting people to recover from their injuries.

An adjustment to levy rates is then made based on whether we have too much or too little funding for past claims and whether we need to limit any levy increase (average increases can't be more than 5%, in addition to an allowance for expected inflation for the Motor Vehicle Account).

Funds in our Accounts

The amount of funding in our Accounts – each covering injuries sustained in different settings – is highly sensitive to economic change and is also dependent on our investment performance.

In 2019 and 2020, ACC recorded annual deficits of \$8.7 billion and \$5.9 billion respectively, largely as a result of falling interest rates. For the year ended 30 June 2021, we expect an annual surplus of approximately \$10 billion, mainly as a result of rising interest rates during the year.

Each of our levied Accounts – Motor Vehicle (road injuries), Work (work injuries) and Earners' (injuries outside of work for those employed) – currently have funds that exceed the costs of supporting existing injuries.

Our proposed changes to levies

Looking at the expected costs of injuries and the amount of surplus funds in each Account, our recommendations to levy payers include:

- lowering levy rates for the Work Account, which has a sufficient surplus of funds to allow for a further levy decrease
- increasing levy rates for the Motor Vehicle and Earners' Accounts, as neither have enough surplus of funds to allow levies to decrease further.

We take a long-term focus in setting levies and aim to collect the right amount over time, to ensure consistency and stability in the short-term. This means our recommended levy rates over the next three years will remain up to 43% below the cost of supporting injuries each year.

Proposed changes to levy rates

	Current average levy rates	2022-2023	2023-2024	2024-2025
Earners' Account - Levy rate for workers	\$1.21 per \$100 wages	\$1.27 (5.0% increase)	\$1.33 (4.7% increase)	\$1.39 (4.5% increase)
Work Account – average levy rate for businesses	\$0.67 per \$100 of payroll	\$0.63 (6.0% decrease)	\$0.65 (3.2% increase)	\$0.67 (3.1% increase)
Motor Vehicle Account – average levy rate for vehicle owners	\$113.94 per vehicle	\$120.20 (5.5% increase)	\$128.83 (7.2% increase)	\$138.08 (7.2% increase)

Examples of the impacts of the proposed increases:

- A family with a household income of \$129,000 and three vehicles (currently paying \$36.36 per week in levies) would pay \$38.24 per week in 2023; \$40.21 in 2024; and \$42.22 in 2025.
- A family with a household income of \$85,000 and two vehicles (currently paying \$24.11 per week in levies) would pay \$25.44 per week in 2023; \$26.76 in 2024; and \$28.10 in 2025.
- A small home construction business with 8 employees earning \$70,000 each and a small fleet of six vehicles (currently paying \$192.85 per week in levies) would pay \$166.05 per week in 2023; \$171.28 in 2024; and \$177.66 in 2025.



Provide your feedback

ACC would like your feedback on our proposed changes to levy rates in the 2021 Levy Consultation. It's easy to have your say. Please go to ShapeYourACC.co.nz and fill out our feedback forms, or you can email your submission to us <mailto:ShapeYourACC@acc.co.nz>

Submissions close on Tuesday 5 October 2021.

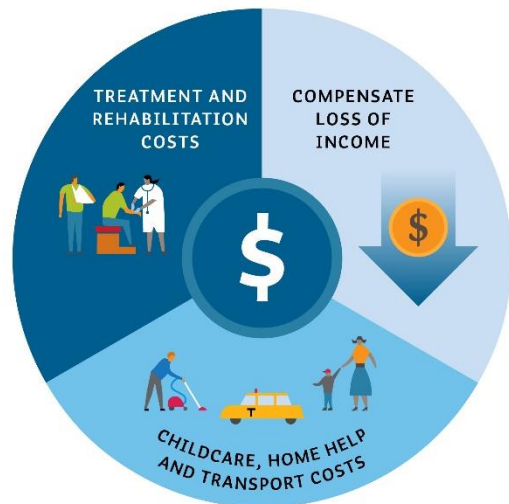
The role of ACC

A world leader for no fault accident compensation

ACC is the world's only 24/7, no-fault, comprehensive accident compensation scheme. Each year we manage approximately two million claims.

We use levies to fund a range of services to help injured people. These services include:

- treatment and rehabilitation costs
- compensation for loss of earnings if a person cannot work due to their injury
- childcare support
- home help
- transportation costs to and from appointments as required.



The levies not only provide peace of mind for workers through compensation for lost earnings, they allow employers to keep operating by freeing up funds to pay for temporary staff who cover for any injured workers.

Even people who are injured while visiting New Zealand are covered by ACC for the cost of their treatment and rehabilitation for as long as they're in the country (but not for these costs once they return home). This cover is paid for through the Non-Earners' Account which isn't covered by levies and is not part of this consultation.

Funding a lifetime of support

Most claims don't require our assistance long-term. However, some people with more severe injuries may require our support for many years. Others will need to be supported for the rest of their lives. Approximately 18,000 people who received our support last year were injured over 30 years ago.

Setting aside money for these long-term injuries means ACC can invest some of the levies it collects today until they are needed in the future.

Our investments

ACC's investment team has outperformed market benchmarks for 26 of the past 28 years. Every \$100 invested in the fund in 1992 is now worth \$1,460.

The additional funds we earn from this investment help meet the costs of claims. This helps us to maintain a low-cost Scheme and minimise how much we need to collect from levy payers.

Our investment portfolio also provides an opportunity to invest in other ways that support New Zealand. For example, ACC has launched two funds – health & safety and climate change impact – to allow us to invest in innovative initiatives in those areas. These investments will focus on companies that intend to create social or environmental change with a financial return.

Levy Setting

Levy consultation

ACC must consult levy payers on the required levies before recommending changes to levy rates.

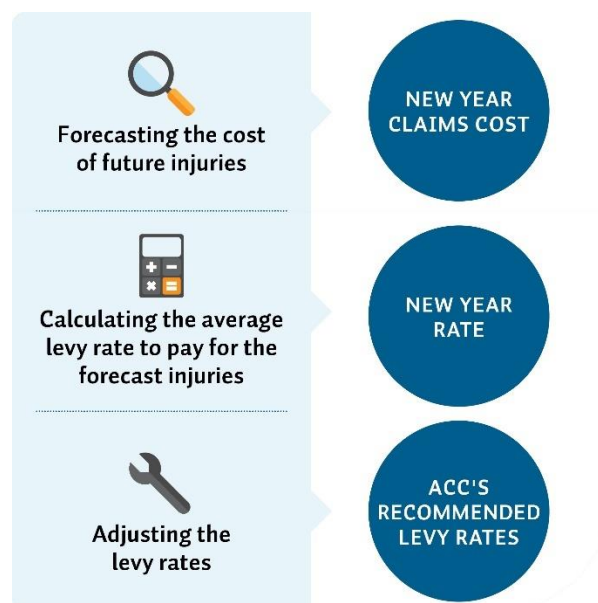
After considering the feedback we receive, we then present our recommendations to the Minister for ACC. The Government has asked for these recommendations to cover the next three years to provide you with certainty on future levies.

The Government makes the final decision on the levy rates to be set for the next three years.

How levy rates are set

We calculate the recommended levy rates in three steps:

1. Forecasting the cost of future injuries. This is the New Year Claims Cost.
2. Calculating the average levy rate to pay for the forecast injuries. This is the New Year Rate.
3. Then making adjustments based on whether we have too much or too little funding for past claims, and whether we need to limit any increase to levies, to determine our recommended levy rates.



Future challenges

How we work and play, and our priorities as a nation, will continue to change over time. We look at these patterns when estimating the nature of future injuries and how best to collect funding for them.

For example, the Government declared a climate change emergency in December 2020 and committed to taking urgent action to reduce emissions. These commitments have committed the transport system to net zero emissions by 2050. The Ministry of Transport released Hīkina te Kohupara – Kia mauri ora ai te iwi: Transport Emissions – Pathways to Net Zero by 2050 that identified opportunities to shift the transport system towards zero emissions. This work will contribute to the Government's response to the Climate Change Commission's advice and will lead to a 10-15 year action plan on how to continue to reduce transport emissions.

It is likely the coming changes in the transport sector will materially impact the Motor Vehicle Account revenue and costs in the future. ACC will continue to work closely with Waka Kotahi and the Ministry of Transport to ensure a coordinated move to the future of the transport system.

We aren't proposing any fundamental changes to how we collect levies in 2021 but continue to work at a system level to ensure our levy collection system is fit for purpose as the needs of New Zealand change. We will consult further on these opportunities in the 2024 levy round.

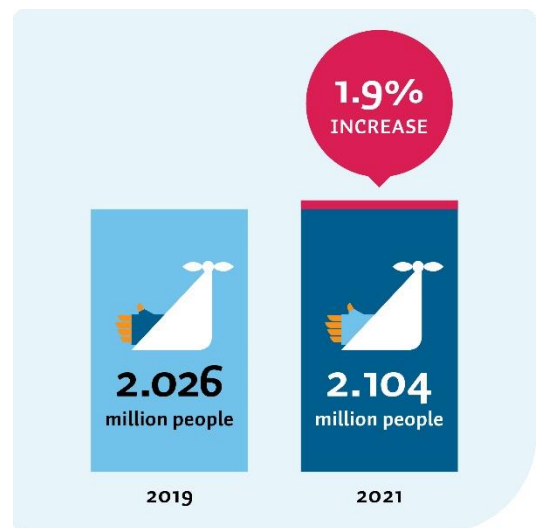
Step 1: Forecasting the cost of future injuries – the New Year Claims Cost

We know a lot about injuries, such as how and when they happened, from over 40 years of collecting data. We combine this knowledge with trends in the population and then estimate how many injuries and what type of injuries we expect to support each year.

We also use our experience in supporting injured people to estimate the types of support which will be needed and for how long. We can then calculate how much this support will cost. This cost is called the New Year Claims Cost.

Number of injuries are increasing each year

Although the COVID-19 lockdowns in 2020 reduced injuries at the time, we've seen a return to the usual number of injuries since then. In the three years since our last consultation on levies, the number of injured people needing support from ACC has grown from 2.026m in 2019 to 2.104m in 2021 (an increase of 1.9% per annum).



Forecast increase in injuries in the Work, Earners' and Motor Vehicle Accounts



To help keep levies as low as possible, we work with businesses and communities to reduce the number of people injured each year.

Minimising injuries each year has many benefits, not only to the injured person, but also to:

- the person's whānau who may have to care for them
- their employer who suddenly loses the skills of an employee
- the wider community, such as a sports club or a charity, which can also be impacted when a member or colleague is injured.

There can only be a meaningful drop in injuries and their costs when all of us are playing our part.

Investing in injury prevention

We're investing in new ways of thinking about injury prevention such as our Preventable campaign which asks us all to take a moment to think about the consequences of doing something before acting.

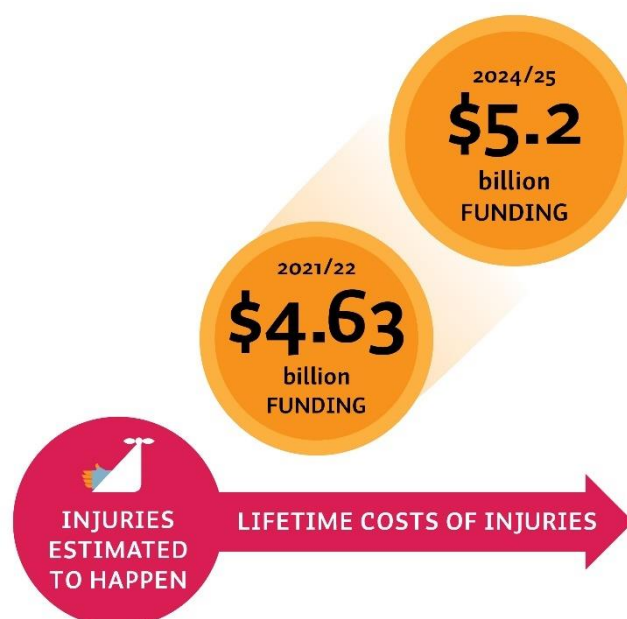
In 2019/20, we invested \$100 million in injury prevention programmes and we're achieving a reduction in injury costs of \$1.80 for every \$1 we spend.

You can see examples of our injury prevention work on our website. These efforts are seeing results. However, the overall volume and costs of injuries are still increasing.

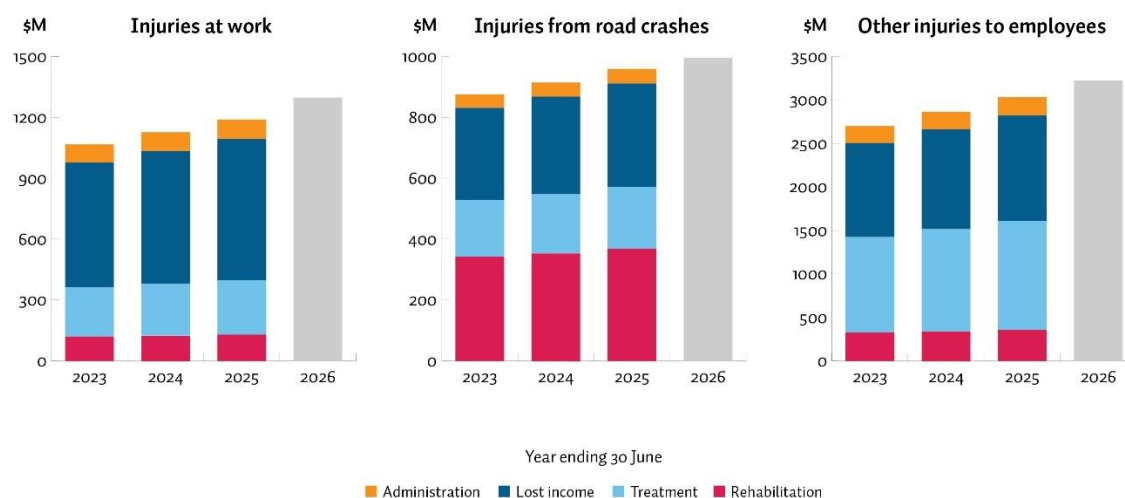
Increasing costs to support injuries

The increasing number of injuries combined with anticipated price increases has resulted in the expected costs to support injured people, over the next three years, increasing by between 4-6% per annum.

This year we're expecting \$4.63 billion will be needed from levies to support the lifetime costs of injuries that are estimated to happen in 2021/22. By 2024/25, this is estimated to increase to \$5.2 billion.



Expected New Year Claims Costs



Cost of supporting new injuries – New Year Claims Cost

Cost to support	2022-2023	2023-2024	2024-2025
Injuries at work	\$1,115 M	\$1,168 M	\$1,224 M
Injuries from road crashes	\$872 M	\$905 M	\$946 M
Other injuries to workers	\$2,734 M	\$2,884 M	\$3,043 M
Total	\$4,721 M	\$4,957M	\$5,213 M

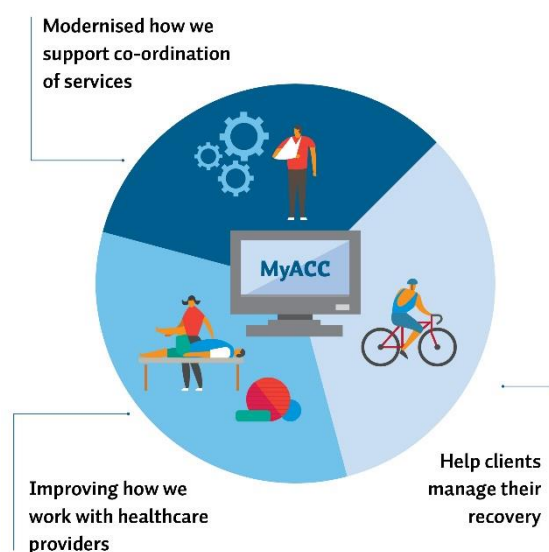
Improving the Scheme

We're always seeking ways to be more efficient in how we deliver better health outcomes for our clients while managing our costs.

Over the past three years, ACC has invested in an online option – MyACC – for clients with less complex needs to manage their recovery. This can provide them with faster access to services and help support a quicker recovery.

To support people to get well sooner, we've also:

- modernised how we support the co-ordination of services around injured people and their families
- continued to work with providers of health care services to make it easier for them to work with us and to support their client's recovery.



After all these benefits have been taken into account, we still forecast that the total number and costs of injuries will continue to increase.

Step 2: Calculating the average levy rate - the New Year Rate

Once we've forecast the cost of supporting injuries, we then calculate the levy rate required to cover those costs. This is the amount we need to charge each levy payer.

This is called the New Year Rate.

Injuries are grouped into different Accounts.

- The Motor Vehicle Account pays for injuries to people in/on motor vehicles travelling on public roads. This is collected through vehicle licensing fees (registration) and in the price of petrol.
- The Work Account pays for injuries to workers that happen at work. This is collected from employers and self-employed people through an annual levy, based on the risk of their main business activity (i.e. the risk of getting injured a business's type of work has on workers) and the size of their business.
- The Earners' Account pays for non-work injuries. This is collected from employees in their tax deductions and self-employed people in their annual levy payment. This levy also contributes to the Treatment Injury Account.
- The Non-Earners' Account pays for injuries to people who don't work (children, people not in the workforce e.g. retirees and the unemployed) and visitors to New Zealand. It is funded by the Government from taxes.
- The Treatment Injury Account pays for injuries to people that occur while receiving medical treatment. This is funded by workers through the Earners' Account and by the Government from taxes.

ACC is only consulting on the proposed changes to the three levied Accounts: Work, Earners' and Motor Vehicle.

For the Work and Earners' Accounts, collected per \$100 of liable earnings, we calculate the average levy by taking the New Year Claims Cost and dividing it by the amount workers are expected to get paid. For self-employed people, we use the income liable for ACC levies – after expenses – they will earn.

For the Motor Vehicle Account – collected from petrol and vehicle registrations – we take the funding we require to cover projected injuries and divide it by the number and type of vehicles we expect to be licensed each year.

Motor Vehicle Account New Year Rate

	Vehicle Owners (average per vehicle)		
	2022-2023	2023-2024	2024-2025
New Year Claim Cost	\$872 M	\$905 M	\$946 M
Vehicles	4.11 M	4.19 M	4.26 M
New Year Rate	\$212.15	\$216.25	\$221.96

Earners' Account New Year Rate

	Workers (average per \$100 of earnings)*		
	2022-2023	2023-2024	2024-2025
New Year Claim Cost	\$2,734 M	\$2,884 M	\$3,043 M
Employee earnings	\$167,884 M	\$176,827 M	\$185,795 M
New Year Rate	\$1.63	\$1.63	\$1.64

*Capped at the maximum liable earnings for each year

Work Account New Year Rate

	Businesses (average per \$100 of liable earnings)*		
	2022-2023	2023-2024	2024-2025
New Year Claim Cost	\$1,115 M	\$1,168 M	\$1,224 M
Employee earnings†	\$126,221 M	\$133,261 M	\$140,149 M
New Year Rate	\$0.88	\$0.88	\$0.87

*Capped at the maximum liable earnings for each year

† excludes workers for businesses in the Accredited Employer Programme as they choose to self-insure for a 1 to 5-year period

Step 3: Our recommendations for the levy rates

In this final step, we consider whether the Account has sufficient funds to pay for the support of injuries that have already occurred before the new levy rates apply.

We can then adjust levy rates to return towards the funding target of 100% i.e. where funds in the Accounts are equal to the lifetime costs of injury, over ten years. This approach helps to avoid large changes in levies.

If there is more than we need (a surplus of funds), then we set levies at a level lower than required to fund the new year claim cost.

If the Account does not have sufficient funds to support existing injuries (a deficit of funds), we need to collect additional levy to make up the shortfall.

If levies have to increase, the Government's policy is that we limit the increase of the average levy rate to 5% each year (in addition to an allowance for expected inflation for the Motor Vehicle Account). There is no limit to the amount levies can reduce each year.

How we approach this step is set out in the Government's [funding policy statement](#) for ACC.

The combined effect of considering the current funding position and the limit on any proposed increases is called the funding adjustment.

Our goal is for levy rates to be as stable and predictable as possible. This means they'll be more resilient to shocks and will provide certainty for levy payers on how much they'll pay year-to-year. We therefore propose gradual adjustments over the next few years.

Motor Vehicle Account proposed levy rates

Vehicle Owners (average per vehicle) – Motor Vehicle Account			
Average Levy Rate for	2022-2023	2023-2024	2024-2025
New Year Rate	\$212.15	\$216.25	\$221.96
Funding adjustment	-\$91.95	-\$87.42	-\$83.88
Proposed levy rate	\$120.20 (a \$6.26 increase)	\$128.83 (a \$8.63 increase)	\$138.08 (a \$9.25 increase)

Earners' Account proposed levy rates

Workers (average per \$100 liable earnings) – Earners' Account			
Average Levy Rate for	2022-2023	2023-2024	2024-2025
New Year Rate	\$1.63	\$1.63	\$1.64
Funding adjustment	-\$0.36	-\$0.30	-\$0.25
Proposed levy rate	\$1.27 (a \$0.06 increase)	\$1.33 (a \$0.06 increase)	\$1.39 (a \$0.06 increase)

Work Account proposed levy rates

Businesses (average per \$100 liable earnings) – Work Account			
Average Levy Rate for	2022-2023	2023-2024	2024-2025
New Year Rate	\$0.88	\$0.88	\$0.87
Funding adjustment	-\$0.25	-\$0.23	-\$0.20
Proposed levy rate	\$0.63 (a \$0.04 decrease)	\$0.65 (a \$0.02 increase)	\$0.67 (a \$0.02 increase)

Applying the funding policy statement's principles relating to use of surplus funds in Accounts and the capped levy increase (the funding adjustment in the table above) has resulted in recommended levy rates that are up to 43% lower than the levy rates required to fully collect the cost of injuries over the next three years.

For households and businesses in New Zealand, the proposed levy rates mean the following changes to their weekly costs compared to their current levy.

Examples of the weekly impact of the recommended levies

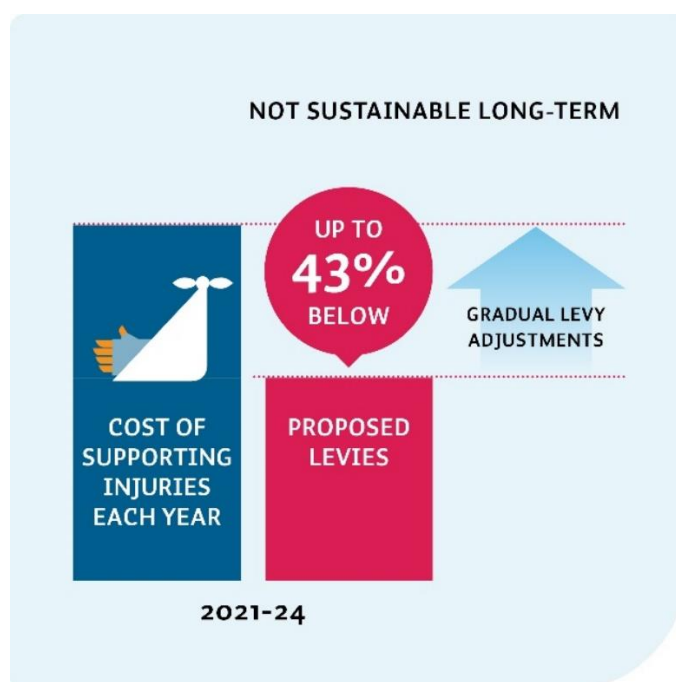
Situation	Additional cost per week compared to 2022		
	2023	2024	2025
A household with an income of \$129,000 and 3 vehicles (2x petrol driven car/SUV; 1 x diesel driven ute)	\$1.88	\$3.85	\$5.85
A household with an income \$85,000 and 2 diesel driven vehicles (1 car or SUV and 1 ute)	\$1.33	\$2.65	\$3.99
Single parent with an income of \$31,000, caring for 2 dependents, and 1 car	\$0.40	\$0.90	\$1.42
Retired couple with one car (petrol-driven, hybrid or EV)	Less than \$0.01	\$0.16	\$0.34
Small house construction business with 8 employees each earning \$70,000 and a small fleet (3 x diesel driven ute/van, 3 x petrol driven car)	Decrease \$26.80	Decrease \$21.57	Decrease \$15.19
Medium sized architect business with 35 employees (average income of \$81,000 each) and 5 petrol driven cars	Decrease \$16.16	Decrease \$15.42	Decrease \$9.18

We want to hear from you

ACC levies are currently set \$1.38 billion below the true cost (\$4.63 billion) of injuries each year.

Continuing to collect levies below the cost of injuries is not sustainable over the long-term.

Although ACC is recommending small adjustments to levy rates over the next three years, the proposed levy increases would still be set up to 43% below the cost of supporting injuries each year. We'd like to hear your thoughts on these recommendations.



Have your say

- Let us know what you think of the proposed increases which maintain levies 15%-43% below the true cost of injuries.

We are also interested in improving how we explain how we arrived at our recommendations.

- Is it clear how ACC has reached its recommendations?
- Do you understand what this means for you? If not, how could we tell our story better?

Applying the Funding Policy Statement

Accident compensation is by nature a long-term activity with costs of supporting injuries (liabilities) that stretch over decades. In setting levies, it's necessary to consider the long-term nature of the claims they will fund as well as provide levy payers with reasonable stability of levy rates over time.

Funding policy statement

In 2016, the Government introduced the funding policy statement (later updated in 2021) to govern the funding of ACC's levied Accounts. The statement is intended to improve:

- transparency around funding decisions, by making it clear how today's funding decisions will impact the ACC scheme over future periods
- consistency and stability in decisions about levies over time by having a longer-term focus.
- In 2019, the Government updated the Funding Policy Statement to:
 - remove the use of a risk margin when assessing the lifetime cost of injuries (applying a risk margin increases the estimate of the lifetime cost of injuries)
 - lower the targeted funding position to 100% (the funds we have in the Accounts should equal the assessed lifetime cost of injuries).

This is the first levy consultation since the Funding Policy Statement was updated.

Funding policy requirements

The funding policy requires ACC to consult on levy rates that:

1. **Ensure levies meet the lifetime cost of injuries.** Our levies each year should pay for the entire cost of supporting injured people to recover well from their injuries, regardless of how long the recovery takes.
2. **Meet the government's funding target for ACC.** Each Account should have equal funds (assets) and costs (liabilities) over the long term, to reflect the lifetime impact of some injuries i.e. how long an injury will impact a person's ability to return to work. When an Account has a surplus or deficit of funds, the average levy rate must be adjusted to return the Account to the target funding position of 100%.
3. **Spread necessary changes over ten years.** Our long-term approach provides more levy stability. We adjust the average levy rates by small amounts over 10 years to return each Account to its target funding position. This requirement means only a fraction of any surplus funds can be used in any year to lower the average levy rate because we need to spread the surplus over 10 years. This also applies if the Account has a deficit of funds i.e. we can only collect a fraction of the deficit each year of the 10-year period to avoid big levy increases.
4. **Cap annual increases.** The average levy rates are limited in how much they can increase each year to 5% for the Earners' (workers) and Work (businesses) Accounts. The average Motor Vehicle Account (vehicle owners) levies can increase by 5%, in addition to an allowance for expected inflation adjustments each year.

Calculating levy rates for each Account

All three Accounts (Earners', Work, and Motor Vehicle) currently have a surplus of funds and already have their current average levy rates set well below the New Year Rate to correct this.

Continuing to collect levies below the cost of injuries each year is not sustainable over the long-term.

ACC's strong investment performance allows us to slow the growth of the levy rates but isn't enough to keep levies at the current level. We need to start closing this funding gap to avoid future generations having to pick up the bill for today's injuries.

We start by forecasting the cost of future injuries (the New Year Claims Cost) to calculate the New Year Rate required to fully pay for the cost of injuries for the year.

As our Accounts have surplus funds, we're able to use part of that surplus to fund the costs of new injuries.

If the New Year Rate minus the adjustment for surplus funds is still higher than the current average levy rate, we'd have to recommend an increase in levies. This is where the cap on annual increases, limiting how much the average levy rate can increase, comes into play.

	2023	2024	2025
Levy for Vehicle Owners (average per vehicle) - Motor Vehicle Account			
New Year Rate	\$212.15	\$216.25	\$221.96
Funding adjustment from use of the Account's surplus of funds	-\$91.95	-\$86.51	-\$81.83
Funding adjustment due to capped levy increase	\$0.00	-\$0.91	-\$2.05
Proposed average levy	\$120.20	\$128.83	\$138.08
Levy for Businesses (average per \$100 liable earnings) - Work Account			
New Year Rate	\$0.88	\$0.88	\$0.87
Funding adjustment from use of the Account's surplus of funds	-\$0.25	-\$0.23	-\$0.20
Funding adjustment due to capped levy increase	\$0.00	\$0.00	\$0.00
Proposed average levy	\$0.63	\$0.65	\$0.67
Levy for Workers (average per \$100 liable earnings) - Earners' Account			
New Year Rate	\$1.63	\$1.63	\$1.64
Funding adjustment from use of the Account's surplus of funds	-\$0.17	-\$0.15	-\$0.14
Funding adjustment due to capped levy increase	-\$0.19	-\$0.15	-\$0.11
Proposed average levy	\$1.27	\$1.33	\$1.39

Applying the funding policy statement has meant \$2.80 billion of the surplus funds across the Accounts will be used to lower levies over the next three years.

After applying the surplus funds, the adjusted New Year Rate for the Earners' and Motor Vehicle Accounts is still higher than the maximum increase allowed under the funding policy statement. However, the cap on annual levy increases has reduced levies below the New Year Rate by a further \$801 million.

Combined, this levy adjustment means our proposed levy rates for the next three years will remain up to 43% below the cost of injury for the different levied Accounts.

The Motor Vehicle Account

We propose increasing the average Motor Vehicle levy from \$113.94 to \$120.20 in 2022/23, \$128.83 in 2023/24 and \$138.08 in 2024/25.

The levy collected for the Motor Vehicle Account is used to support injuries from motor vehicle crashes that happen on public roads.

Recovery from injuries that result from motor vehicle accidents generally take longer with a higher proportion of injuries requiring support for ten or more years.

Some people's injuries are so severe a full recovery will never be possible. In these cases, our work is focused on supporting the best life possible.

Road safety initiatives

To help reduce the number and severity of motor vehicle related injuries, we've created road safety programmes for new drivers, motorcyclists, cyclists and people on scooters. These include:

- Te Ara ki te Ora | Road to Zero
- Supporting young Kiwi drivers with DRIVE
- RideForever
- Scooter Survival

These initiatives have had an impact on injury rates and costs. Highlights include:

- ACC's RideForever rider skills course which develops new skills that are effective at lowering the risk of having a crash by 27% and the associated claims cost by 45%
- ACC's partnership with Waka Kotahi (NZTA) to support young drivers which has saved \$7.6m in costs over the past three years by preventing crashes that would have otherwise resulted in injuries.

Drivers for proposed levy increase

The key drivers behind the proposed increase in the average motor vehicle levy rate has been:

lengthening recovery periods for workers injured in road crashes

the increasing cost of caring for those who are seriously injured (e.g. brain and spinal trauma).

The impact of these cost pressures has been partially offset by the changes to the Funding Policy Statement in 2019 which removed the use of a risk margin when assessing the lifetime cost of claims (a risk margin increases the estimate of these costs). Changes in economic factors (inflation, risk free discount rates and investment returns) have had a negligible impact on the levy rates.

How much does it cost to support injuries on public roads?

A breakdown of the costs we expect for the 2023 to 2025 levy years are set out below.

Cost of supporting road crashes in the Motor Vehicle Account

Cost (\$millions)	2022-2023	2023-2024	2024-2025
Rehabilitation	366.4	379.2	393.5
Treatment	197.5	207.3	218.6
Compensation	324.6	342.5	362.9
<i>Subtotal for supporting recovery</i>	<i>888.5</i>	<i>929.0</i>	<i>975.0</i>
Savings from injury prevention	-9.1	-9.2	-9.0
ACC's operating costs	9.6	9.9	10.0
Savings from management actions	-17.0	-24.5	-30.0
New Year Claim Cost	872.0	905.2	946.0

Dividing the above figures by the estimated number of vehicles we expect to be licensed each year results in the levy we must charge each vehicle on average each year. Table 6 shows how we have calculated the recommended levy rates to collect enough money to provide the support needed for people injured in road crashes.

Calculating the recommended levy rate

Levy for	2022-2023	2023-2024	2024-2025
Supporting recovery	\$216.17	\$221.95	\$228.77
Investment to prevent injuries	-\$2.21	-\$2.20	-\$2.12
ACC's running costs (including savings)	\$2.33	\$2.37	\$2.35
Savings from management actions	-\$4.14	-\$5.87	-\$7.04
New Year Rate	\$212.15	\$216.25	\$221.96
Funding adjustment	-\$91.95	-\$87.42	-\$83.88
Recommended levy	\$120.20	\$128.83	\$138.08

The recommended Motor Vehicle levies next year are 43% (\$378 million) lower than the full cost of supporting the new injuries. The use of the Account's surplus funds reduced motor vehicle levies by a total of \$1,089 million and the cap in the maximum levy rate change lowered the levy by a further \$12.5 million over the three years.

Collecting the Motor Vehicle levy

Motor Vehicle levies are paid in two different ways:

- petrol at the pump – currently at 6 cents per litre
- part of the vehicle licence (registration) fee.

For petrol-powered vehicles, in 2022/23 ACC is proposing to collect on average 47% of the levy from petrol use and the rest through vehicle licensing.

Vehicle registration is cheaper for owners of petrol-powered vehicles than owners of diesel vehicles because they also pay a petrol levy. The average levy collected for an equivalent vehicle is the same whether it is petrol or diesel powered.

For example, a VW Golf is available as a petrol or diesel model and for levying purposes may be classed as a petrol-driven passenger vehicle or a non-petrol driven passenger vehicle. However, when average petrol consumption is factored in, they're both likely to pay a similar amount over a year.

Motor Vehicle levies only cover accidents on public roads. We don't include a levy in the price of diesel because diesel is often used in vehicles used exclusively on farms or for different purposes entirely, such as electricity generators or marine engines.

Different rates for different vehicle classes

We don't charge a standard or 'flat' levy rate for every vehicle on the road. We group vehicles into 'vehicle classes' ranging from vintage cars to heavy goods vehicles. We believe it's fairer that owners pay an amount that reflects the risk of their class of vehicle.

When recommending levy rates for each motor vehicle, we take the last seven years of data from the Police crash analysis system and:

- match it to our injury data
- then determine the risk of each motor vehicle class, compared to the risk of other vehicle classes.

The updated crash and injury data has shown that we need to update the relativities (the factor that compares the relative risk between classes of vehicles) for:

- vintage, veteran and tractors (classes 3 and 6)
- light goods service vehicles (classes 5L and 9L)
- heavy goods service vehicles (classes 5H and 9H).

These classes of vehicles will experience a larger than average increase in 2022/23, as we adjust for new relativities as well as the increase in average levy.

Risk is determined by looking at the frequency of an injury and the average cost of supporting that injury (including compensation for lost wages) for each vehicle class.

This allows us to collect the funds required to support recovery from motor vehicle injuries more fairly.

Motorcycles

Motorcyclists have little protection in a crash, which contributes to the cost of supporting recovery from injuries for riders and their passengers.

We require \$374 million (equivalent to \$1,360 per motorbike) to support injured motorcycle riders and their passengers to recover from the injuries we expect over the next three years.

Over several consultation periods, we have sought a levy contribution from motorcycle owners that is not prohibitively expensive.

The current levy rates for motorcyclists mean they contribute 27% towards the costs of supporting injuries sustained by riders and their passengers. We're recommending this contribution level remains the same which means we'll collect \$102 million from motorcycle owners over the next three years.

The remaining costs of motorcycle rider and passenger injuries are funded by other road users. For example, the owner of a Ford Focus will contribute \$20 to subsidise the cost of motorcycle injuries.

Electric vehicles and plug-in hybrid electric vehicles

Light electric vehicles are levied through vehicle registration at the same rate as petrol-driven vehicles.

For the 2022-25 levy period, electric vehicles and plug-in hybrid electric vehicles will continue to be classified as petrol vehicles for levying purposes. This results in a 57% lower levy in 2022/23 for pure electric vehicles compared to other non-petrol powered light vehicles. This is to help incentivise the uptake of electric vehicles.

Our recommended levy rates

The recommended motor vehicle class rates are set out below. The petrol-powered vehicle classes have been set using the recommended 6 cent per litre petrol levy (unchanged from the current year).

Recommended Motor Vehicle Class Rates

	Current	2023	2024	2025
Average levy	\$113.94	\$120.20	\$128.83	\$138.08

Motor Vehicle Class Levies payable when the vehicle is relicensed each year

2	Petrol driven passenger vehicles	\$46.04	\$46.16	\$54.52	\$63.56
2A	Light electric vehicles (EV, PHEV, Hybrid)	\$46.04	\$46.16	\$54.52	\$63.56
3	Petrol driven tractors, vintage and veteran vehicles, and specified vehicles	\$16.40	\$25.41	\$30.02	\$34.99
4A	Petrol driven mopeds*	\$99.33	\$104.78	\$112.31	\$120.37
4B	Petrol driven motorcycles 600cc or less*	\$297.91	\$314.27	\$336.83	\$361.01
4C	Petrol driven motorcycles over 600cc*	\$397.18	\$418.99	\$449.07	\$481.31
5L	Petrol driven goods vehicles 3,500kg or less	\$62.13	\$80.23	\$90.70	\$101.99
5H	Petrol driven goods vehicles over 3,500kg	\$224.22	\$257.72	\$277.63	\$298.98
6	Non-petrol driven passenger vehicles	\$104.65	\$106.73	\$114.37	\$122.54
7	Non-petrol driven tractors, vintage and veteran vehicles, and specified vehicles	\$36.91	\$58.76	\$62.97	\$67.47
8A	Non-petrol driven mopeds*	\$113.98	\$118.77	\$126.12	\$133.99
8B	Non-petrol driven motorcycles 600cc or less*	\$312.56	\$328.25	\$350.65	\$374.63
8C	Non-petrol driven motorcycles over 600cc*	\$411.83	\$432.97	\$462.89	\$494.93
9L	Non-petrol driven goods vehicles 3,500kg or less	\$120.75	\$136.90	\$146.69	\$157.17
9H	Non-petrol driven goods vehicles over 3,500kg	\$241.80	\$275.41	\$295.11	\$316.21

* excludes the Motorcycle Safety Levy

	Current	2023	2024	2025
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Motor vehicle levy on holders of trade plates

Holders of trade plates for trailers	Nil	Nil	Nil	Nil
Holders of trade plates for vehicles not classified elsewhere	\$46.04	\$46.16	\$54.52	\$63.56
Holders of trade plates for mopeds and motorcycles 60 cc or less*	\$99.33	\$104.78	\$112.31	\$120.37
Holders of trade plates for mopeds and motorcycles over 60 cc*	\$397.18	\$418.99	\$449.07	\$481.31

* excludes the Motorcycle Safety Levy

		Current	2023	2024	2025
Goods vehicles over 3,500 kg in the FleetSaver programme					
5H	Petrol driven goods vehicles over 3,500kg				
	Bronze level achieved	\$200.04	\$230.18	\$248.12	\$267.36
	Silver level achieved	\$163.77	\$188.87	\$203.85	\$219.93
	Gold level achieved	\$127.50	\$147.56	\$159.59	\$172.50
9H	Non-petrol driven goods vehicles over 3,500kg				
	Bronze level achieved	\$217.62	\$247.87	\$265.60	\$284.59
	Silver level achieved	\$181.35	\$206.56	\$221.33	\$237.16
	Gold level achieved	\$145.08	\$165.25	\$177.07	\$189.73

The Motorcycle Safety Levy

The Minister for ACC has confirmed that the Motorcycle Safety Levy will continue to be collected at the current rate of \$25 each year, per motorbike or moped, to allow further targeted funding in motorcycle safety.

The Motorcycle Safety Levy is therefore not being reviewed in this consultation.

The Motorcycle Safety Levy supports delivery to ACC's Motorcycle Safety Strategy through funding motorcycle safety related initiatives, such as the RideForever Programme or partnering with Waka Kotahi on roading improvements.

RideForever is aimed at giving riders sound information and access to training to encourage safer riders. RideForever coaching is working well.

Comparing a sample of approximately 3,000 riders, against a similarly matched control sample, one RideForever course reduced the incidence of having a crash by 27% and the associated claims cost by 45%. In other words, RideForever trained riders crashed less often, and any crashes they did have were less severe on average.

ACC has subsidised the bronze, silver, and gold RideForever courses by \$249 and \$125 for the urban and scooter courses. Riders that have completed the course may be eligible for a \$200 rebate spread over two years, as part of the registration cashback programme, to reflect their status as a safer, trained rider. The cashback programme is currently under review.

Have your say

- We propose increasing the average levy rate for motor vehicles from \$113.94 to \$120.20 next year and then gradually increasing it to \$138.08 over the following two years. Let us know what you think about the proposed increases.
- Do you think the balance between collecting levies for petrol-driven vehicles from petrol use (currently 33%) and collecting them when vehicles are licensed (registration) is right?
- Our recommended levies have motorcycle owners contributing 27% towards the cost of motorcycle accidents with the remaining costs spread across other road users (approximately \$20/year per vehicle). Do you support this? Is there a fairer proportion?
- Do you have any specific feedback on the proposed levy rates for the different vehicle classes?

The Work Account

We propose decreasing the average Work levy rate for employers and self-employed from \$0.67 to \$0.63 per \$100 of payroll for 2022/23, increasing this to \$0.65 in 2023/24, and \$0.67 in 2024/5

The levy collected for the Work Account is used to support injuries to workers that occur at work.

Over the past five years, there's been good progress made in reducing the risks of a fatal injury at work. However, the overall risk of injury while working is increasing over time.

Workplace injury prevention

In response to this, we've increased our investment in workplace injury prevention by \$12m per annum since 2017. An example of our new injury prevention investment includes the Workplace Injury Prevention Grants which provide \$22 million over five years to help business groups:

establish harm reduction programmes targeting their sectors

grow innovation across the health and safety system.

We're also supporting WorkSafe NZ to expand their ability to develop and deliver additional education programmes by providing up to \$15m per annum in additional injury prevention funding.

Increasing injury costs

The cost of injuries is expected to rise due to an increase in the:

numbers of injuries requiring time off work

length of the recovery period required before the worker can return to work.

For the Work Account, these cost pressures have been offset by the impact of economic changes on the Account and the lower funding position target introduced in 2019. The result is the proposed average levy reducing in 2022/23 and then slowly increasing.

How much does it cost to support work-related injuries?

A breakdown of the costs we expect for the 2023 to 2025 levy years are set out below.

Cost of supporting workplace injuries

Cost (\$millions)	2022-2023	2023-2024	2024-2025
Rehabilitation	133.1	138.0	143.2
Treatment	269.3	282.0	295.9
Compensation	678.9	722.8	767.7
<i>Subtotal for supporting recovery</i>	<i>1,081.3</i>	<i>1,142.8</i>	<i>1,206.8</i>
Savings from injury prevention	-16.4	-16.7	-18.9
ACC's operating costs	44.5	62.8	64.4
Savings from management actions	5.8	-20.5	-28.6
New Year Claim Cost	1,115.2	1,168.4	1,223.7

Dividing the above numbers by our estimated liable earnings for each year results in the average levy rates for businesses. Table 9 shows how we have calculated the recommended levy rates to provide the necessary support for injured workers.

Calculating the recommended levy rate

Levy for	2022-2023	2023-2024	2024-2025
Supporting recovery	\$0.86	\$0.86	\$0.86
Investment to prevent injuries	-\$0.01	-\$0.01	-\$0.01
ACC's running costs (including savings)	\$0.03	\$0.05	\$0.04
Savings from management actions	\$0.00	-\$0.02	-\$0.02
New Year Rate	\$0.88	\$0.88	\$0.87
Funding adjustment	-\$0.25	-\$0.23	-\$0.20
Recommended levy	\$0.63	\$0.65	\$0.67

The recommended Work Account levies are 29% lower than the full cost of supporting the new injuries we expect in 2022/23. The use of the Account's surplus funds has reduced work levies by \$907 million over the next three years.

Setting levies for individual businesses

Businesses pay different levy rates depending on how risky their primary business activity is (i.e. what the risk of injury is in relation to the type of work employees are doing).

After assessing this risk, ACC allocates all businesses into one of 539 'classification units' (CU). These CUs are grouped into one of 142 'levy risk groups' (LRG) based on their injury risk profiles (i.e. the frequency and severity of injuries, as well as how long it takes for injured workers to return to work - represented by the estimated total cost of claims, compared to wages paid).

ACC sets the levy rates for businesses at the LRG level.

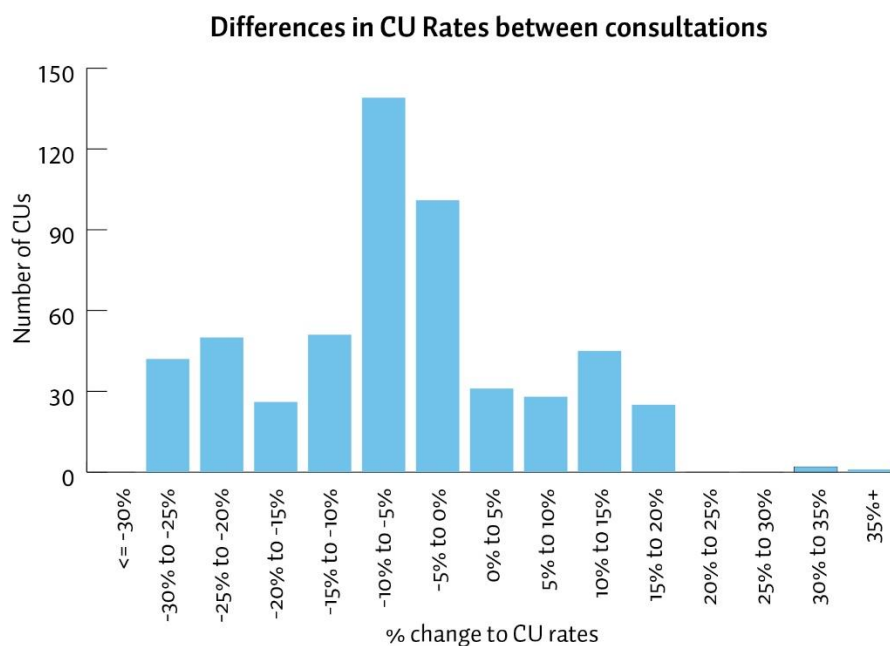
While we're recommending that the average Work levy is decreased next year with small increases in the following two years, levy rates for each CU are also updated to reflect any changes in their claims patterns. This will mean levy rates for some businesses will increase when the average rate is decreasing or decrease when the average rate is increasing to avoid large changes in levies but allow CUs to move towards a fair rate and better reflect their risk profile over time.

The following business rules have been applied to the Work Account for the 2021 levy round:

- If the aggregate rate decreases then:
 - any CU levy rate increases are capped at 15%, or \$0.04 if greater, per annum; and
 - CU levy decreases are capped at a decrease of 25% per annum in addition to the decrease in the aggregate rate.

- If the aggregate rate increases then:
 - any CU levy rate increases are capped at 15% in addition to the increase in the aggregate levy rate, or \$0.04 if greater, per annum; and
 - any CU levy decreases are capped at 25%, per annum.
- If the aggregate rate is not proposed to change then:
 - any CU levy rate increases are capped at 15%, or \$0.04 if greater, per annum; and
 - any CU levy rate decreases are capped at 25%, per annum.
- These rules apply to changes in the risk relativity for a CU within an LRG. The exception is where this change requires the CU to move to a different Levy Risk Group.
 - If the CU moves to a higher Levy Risk Group, the above rules will apply, and levy rate increases will be capped at 15%, or \$0.04 if greater. These rates may be subject to further correction in the next levy period (2025-2028).
 - If the CU moves to a lower Levy Risk Group that requires a total movement of more than 25% per annum for three years, it will move towards the true levy rate in even steps over the three-year levy period.

The impact of this is showing in the following graph:



The Working Safer Levy

We also collect a levy on behalf of the Ministry of Business, Innovation and Employment (MBIE) for supporting WorkSafe's enforcement, education and engagement activities across the country.

This is currently a flat rate of \$0.08 per \$100 of liable earnings and is not part of this consultation.

ACC Levy products for business

Businesses in the Accredited Employers Programme act on behalf of ACC for their employees' work-related injuries, including managing and paying the costs of claims and rehabilitation. Accredited employers can qualify for reductions of up to 90% in their Work levies.

We're always making small adjustments to the Accredited Employers Programme to ensure it keeps up with changes in workplaces.

Our [co-designed vision for AEP](#) was developed by bringing together unions, accredited employers, industry associations, treatment providers and other interested parties in 2019. The vision places AEP as a leader in injury prevention and injury and claims management. Operational improvements are well underway, and we will be engaging you further on Phase Two changes in 2022.

There are no proposed changes to the AEP Framework in this consultation. However, the review of the Work Account levy may have flow on effects to the Partnership Discount Plan discounts and AEP fees. These impacts are outlined at the end of this document.

The Experience Rating Programme is for medium to larger businesses who have paid more than \$10,000 in annual Work Account levies in each of the last three years.

We are also consulting on changes to the Experience Rating Programme over at ShapeYourACC.co.nz.

Have your say

- Due to the large surplus of funds in the Work Account, we propose decreasing the average levy rate for businesses to \$0.63 per \$100 of liable earnings next year with small increases over the following two years. What do you think?
- Applying the Funding Policy Statement means ACC must recommend the Work Account decreases next year with small increases in out-years. The Minister can consider other factors when confirming final rates. Is there anything you'd like her to consider?
- Do you have any specific feedback on the proposed levy rates for the different CUs for businesses?

The Earners' Account

We propose increasing the Earners' levy rate for workers from from \$1.21 per \$100 wages to \$1.27 in 2022/23, \$1.33 in 2023/24 and \$1.39 in 2024/25.

The levy collected for the Earners' Account is used to support injuries to workers that occur outside of work, but not in road crashes.

For example, a worker injured while riding a trail bike on a farm, playing sport or doing some DIY around the house would be paid from the Earners' Account. The Non-Earners' Account – not part of this consultation – covers similar injuries for those who are not currently employed.

Injury prevention programmes and partnerships

We're investing in a range of programmes to help prevent injuries from happening and reduce costs to the ACC Scheme.

We partner with communities to support what they're doing on injury and violence prevention.

- Our [ACC SportSmart](#) initiative helps everyone from competitive athletes to weekend warriors get the most out of their game and stay injury free.
- We lead and support prevention programmes such as [Mates and Dates](#) to support young people and the people around them experience safe, healthy and respectful relationships.
- We partner with the Health Quality and Safety Commission, Ministry of Health, local community health providers, home carers and community groups across the country to provide the [Live Stronger for Longer](#) movement programme to help older people with their fitness and flexibility in order to prevent injuries from falls.
- We're working with a range of government agencies to carry out [our strategy](#) for reducing traumatic brain injuries.

Increasing injury costs

The increasing injury costs is mainly driven by increases in injuries requiring time off work to recover and increases in the number of sensitive claims (mental injury caused by certain criminal acts). Recovery period for injuries have been increasing which is also increasing costs.

The impact of economic changes and the updated Funding Policy Statement have not fully offset these cost pressures which has resulted in the proposed increase in the average levy rate.

How much does it cost to support workers injured through recreational activities?

A breakdown of the costs we expect for the 2023 to 2025 levy years are set out below.

Cost of supporting recreational, sporting and leisure injuries in the Earners' Account

Cost (\$millions)	2022-2023	2023-2024	2024-2025
Rehabilitation	358.9	375.6	393.0
Treatment	1,208.7	1,292.2	1,375.0
Compensation	1,186.4	1,256.4	1,331.9
<i>Subtotal for supporting recovery</i>	<i>2,754.0</i>	<i>2,924.2</i>	<i>3,099.9</i>
Savings from injury prevention	-23.4	-23.9	-23.6
ACC's operating costs	29.8	42.6	44.0
Savings from management actions	-26.5	-58.9	-76.9
New Year Claim Cost	2,734.0	2,884.0	3,043.3

The next table shows how ACC calculated the recommended levy rates to collect enough money to provide the support needed.

Calculating the recommended levy rate

Levy for	2022-2023	2023-2024	2024-2025
Supporting recovery	\$1.64	\$1.65	\$1.67
Investment to prevent injuries	-\$0.01	-\$0.01	-\$0.01
ACC's running costs (including savings)	\$0.02	\$0.02	\$0.02
Savings from management actions	-\$0.02	-\$0.03	-\$0.04
New Year Rate	\$1.63	\$1.63	\$1.64
Funding adjustment	-\$0.36	-\$0.30	-\$0.25
Recommended levy	\$1.27	\$1.33	\$1.39

The recommended Earners' Account levies are 22% (\$602 million) lower than the full cost of supporting the new injuries in 2022/23. The use of the Account's surplus of funds has reduced levies by a total of \$806 million and the cap in the maximum levy rate change lowered the levy by a further \$789 million over the next three years.

Our recommended levy rates

The recommended levy rate for earners is \$1.27 per \$100 of liable earnings for 2022/23, \$1.33 for 2023/24 and \$1.39 for 2024/25.

Have your say

- We propose increasing the average levy rate for earners from \$1.21 per \$100 of liable earnings to \$1.27-\$1.39 per \$100 liable earnings over the next three years. Let us know what you think about the proposed increases.

2022-2025 liable earnings (Work and Earners' levies)

Your 'liable earnings' as a business or an individual will determine the amount you pay in ACC Work and Earners' levies.

The term 'liable earnings' describes the income you pay your ACC levies on. 'Liable' refers to any income that does not fall below the minimum, or go above the maximum, thresholds.

- For employees, liable earnings are wages or salaries you earn in a financial year.
- For employers, liable earnings are the wages or salaries you pay your employees in a financial year. This amount is shared with us from your payroll department or Inland Revenue.
- For self-employed people, liable earnings are the income you earn in a financial year as declared on your end-of-year tax returns.

You don't need to pay levies on earnings from investments or trusts, as these are considered 'passive income'. This is income you'd still receive if you couldn't work due to an accident.

Why maximum and minimum liable earnings are set

Every year maximum (currently \$130,911) and minimum (currently \$36,816) amounts are set for the earnings that people working full-time – more than 30 hours – are liable to pay ACC levies for. If you earn over the maximum amount, you don't pay anything beyond this limit – you just pay a levy on your earnings up to that point.

Why maximum amounts are set

- The amount of weekly compensation is capped at 80% of the maximum liable earnings. Nobody gets paid more weekly compensation than this, so it would not be fair to charge a levy beyond this.
- This means high earners contribute an amount proportional to the weekly compensation they would receive if they were injured and couldn't work.

Example: Someone with an income of \$200,000 would only pay levies based on the maximum liable earnings (currently \$130,911). If they are injured and unable to work, their weekly compensation entitlements would be 80% of the maximum liable earnings and not their full income.

Why minimum amounts are set

- A minimum level of earnings is set to ensure self-employed people who work full-time and earn less than this amount can still receive the support they need if they're injured. For example, if you're newly self-employed you may not be making a profit straight away. Paying a Work Account levy on the full-time minimum ensures that if you have an accident and can't work, you'll still receive weekly compensation even though you haven't been earning at that level. In this case, the amount of weekly compensation is up to 80% of the full-time minimum amount.
- The minimum level of earnings is also applied to the eligibility criteria in the No Claims Discount programme for small businesses and self-employed people.

We're proposing to increase both the maximum and minimum amount

We propose to update the maximum amount in line with changes in the labour cost index and the minimum amount in line with the labour cost estimate and current minimum wage changes.

Based on this, we're proposing the following changes to the maximum and minimum liable earnings that you pay your ACC levies from.

	From (current amount)	Proposed for 2022-2023 levy period	Proposed for 2023-2024 levy period	Proposed for 2024-2025 levy period
Maximum for everyone	\$130,911	\$136,544	\$139,384	\$142,283
Minimum for everyone	\$36,816	\$42,465	\$43,349	\$44,250

Note: Employees include private domestic workers. A private domestic worker is a person who works for another person (an employer) in the employer's home. Private domestic workers include home-helpers, caregivers, nannies and gardeners. They're specifically mentioned in the legislation alongside employees. You're not a private domestic worker if you provide an ACC client with attendant care.

Have your say

- What do you think of our proposal to increase the maximum liable earnings?
- What do you think of our proposal to increase the minimum liable earnings?

Accredited Employer Programme

Good health and safety performance leads to safer workplaces

The Accredited Employers Programme (AEP) is best suited to large employers who:

- pay ACC levies of more than \$250,000 per year
- are able to manage claims and pay for the costs of treatment and rehabilitation for their employees' work-related injuries (i.e. act on behalf of ACC).

Accredited employers can qualify for reductions of up to 90% in their Work levies. They can choose to join one of two plans:

- the Partnership Discount Plan
- the Full Self-Cover Plan.

Partnership Discount Plan

Employers on the Partnership Discount Plan (PDP) manage and accept financial responsibility for employees who suffer work-related injuries for a nominated claims management period.

A claims management period is the time selected by employers during which they manage and pay for an injured employee's treatment, rehabilitation and compensation. In return for providing this cover, the employer receives a discount on the standard Work levy they pay.

Claims that are still active beyond the claims management period return to ACC and we manage them from then on.

Full Self-Cover Plan

Employers in the Full Self-Cover Plan (FSC) take full financial and injury management responsibility for:

- work-related injuries for the management period selected by the employer
- the lifetime costs of all claims up to pre-selected financial limits.

At the end of the selected management period, ACC resumes the role of managing claims while the employer remains responsible for any unpaid claims costs up to the pre-selected limits. Employers pay for certain claims costs as a one-off payment at the end of the management period.

You can find out more about the AEP and the plans in the For Business section of our website.

Work to enhance the AEP

As we implement changes to the programme that we co-designed with employers and unions, our current focus is improving how we collect data from Accredited Employers and how we then use this data to identify opportunities for further improvement.

The next phase requires revising the AEP framework before we can implement any of the proposed policy changes to give effect to these improvements. We will continue to work directly with accredited employers, third party administrators, and with workers and their representatives on these changes.

The 2021 levy consultation does not include any of the proposed policy changes from the co-design work undertaken over the past few years.

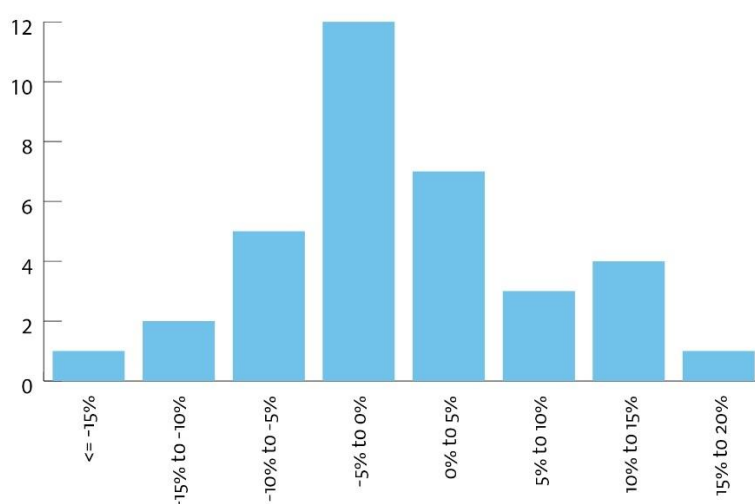
Our proposed changes for the 2022– 25 levy period

As a result of the proposed changes to the Work levy for businesses, we propose the following updates to fees and discounts to the AEP for the 2022/2023 – 2024/2025 levy period:

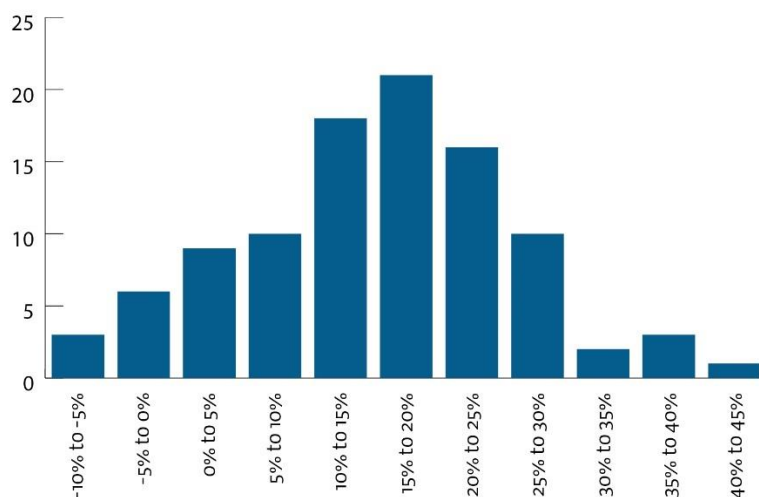
Proposed change	Plans impacted	Impact on levy paid
Decrease the administration fee from 2.5% to 2.2% of the Work levy	PDP and FSC	Decrease
Decrease the unallocated primary health care cost fee from 1.4% to 1.3% of the Work levy	PDP and FSC	Decrease
Increase the bulk-funded public health care cost fee from 3.8% to 4.5% of the Work levy	FSC only	Increase
Decrease the average discount in the PDP one-year claim management option from 53.0% to 50.0% of the Work levy	PDP only	Increase
Decrease the average discount in the PDP two-year claim management option from 60.6% to 57.8% of the Work levy	PDP only	Increase

Combining the proposed changes and assuming no change in liable earnings, we estimate the following distribution of change to the levies proposed for 2022/23 compared to the current levy year (2021/22).

Changes in estimated levy between consultations – Partnership Discount Plan



Changes in estimated levy between consultations – Full Self Cover plan



The levies payable for the PDP plans generally reduce in line with the recommended decrease in the average Work Account levy. For the FSC plan, there is an average increase of 15% in levy charged driven by an expected increase in claims hitting stop loss cover and high cost claims cover limits which has increased the cost of those components of the levy.

We want to hear your feedback on our proposed changes to the AEP.

In these proposals, the 'Work levy' refers to the Work levy before any discounts or penalties are applied. It's the rate employers pay if they're not in the AEP.

What's driving the need for change?

When we review levy rates, we always assess the implications for the AEP. This includes a review of the cost to treat and care for those who have claims for injuries and the administration costs of supporting the programme.

These changes have often been small in the past but with the time between levy reviews extending to three years, it's possible that larger movements in fees and discounts could occur.

What's the impact of the proposed changes?

Proposed decrease to administration fee

We propose to decrease the administration fee to 2.2% for 1 April 2022.

	2019/21 Levy (\$000's)	2022/25 Consultation (\$000's)
Administration expenses	4,793	4,850
Standard levy	189,000	219,500
Admin fee	2.5%	2.2%

Proposed increase to unallocated primary health care cost fee

From 1 April 2022, we propose decreasing this fee from 1.4% to 1.3% of the Work levy for accredited employers. A decrease in work claims that cannot be attributed to individual employers has led us to make this proposal.

Why is there an unallocated primary health care cost?

Some of the workplace injury costs we pay are short-term medical costs that can't be attributed to individual employers. This is because some workers don't or can't provide employer-specific information when they seek treatment or other support for work-related injuries.

Although these claims are rare, we still need to collect money to cover these costs. We do this through the unallocated primary health care cost fee, which is included in accredited employers' total Work levies.

Proposed decrease to bulk-funded public health care cost (BHC) fee

From 1 April 2022, we propose to increase the BHC fee from 3.8% to 4.5% of the Work levy for accredited employers. BHCs are expected to increase from an average \$40 million a year in 2019/20 – 2021/2022 to \$48 million a year in 2022-25. This is consistent with an overall increase in the expected cost of bulk-funded health care. The pool of liable earnings to pay for these BHCs is also increasing but not as much as the BHCs, which increases the amount required to cover these costs.

Below you'll see our calculations for the proposed BHC fee:

Fee: $BHC = (C / LET) * (100 / APR)$

Where:

C = Estimated average annual bulk health care costs for the 2022 – 2025 levy year/s (\$48 million)

LET = Estimated average annual liable earnings of all employers (\$166,500 million)

APR = Average Work levy rate for employers (\$0.65 per \$100 liable earnings)

So:

$BHC = (\$48 \text{ million} / \$166,000 \text{ million}) * (100 / 0.65) = 4.5\%$ of the proposed standard work levy⁴

⁴ Differences may exist due to rounding of figures in this report.

What is BHC?

The BHC fee is a payment we make to district health boards (DHBs) to cover acute treatment for accident-related injuries. We pay this as a bulk amount based on the expected cost of the services the DHBs will provide as part of ACC cover. A portion of levy funding in ACC's Accounts is used to cover the BHC fee. Accredited employers are charged this amount as a percentage of their Work levies.

Proposed changes to stop loss limits

The maximum stop loss limit is currently 250%, and the minimum 160%, of an employer's expected claims costs. We calculate these expected costs using the employer's standard Work levy before any discounts are applied. We review the limits (which we set as a percentage of the Work levy) every year so they reflect changes in the Work levy.

The table below shows the calculated maximum and minimum stop loss limits as percentages of the Work levy. The proposed decrease to the Work levy means the percentages increase.

	Partnership Discount Plan 1 year (PDP1)		Partnership Discount Plan 2 years (PDP2)		Full Self-Cover Plan	
	2019/20- 2021/22	2022/23 – 2024/25	2019/20- 2021/22	2022/23 – 2024/25	2019/20 – 2021/22	2022/23 – 2024/25
160% of expected claims costs	73.60%	82.70%	86.40%	97.10%	140.00%	163.20%
250% of expected claims costs	115.00%	129.20%	135.00%	151.70%	218.80%	255.00%

PDP employers who opt for stop loss cover pay for claim-related costs during:

- the cover period
- a selected management period of either one additional year (PDP1) or two additional years (PDP2), up to their stop loss limit.

FSC employers are responsible for claim-related costs for the lifetimes of the claims. As a result, they're expected to pay more claim-related costs (as a percentage of the standard Work levy) than PDP2 employers. PDP2 employers are expected to pay more claim-related costs as a percentage of the standard Work levy than PDP1 employers.

This means the stop loss limits (as percentages of the Work levy) for PDP1 employers should be lower than those for PDP2 employers. These limits will also be lower than those for FSC employers.

What is stop loss cover?

Stop loss cover protects accredited employers against unexpectedly high total injury costs during a cover period (e.g. if there are a high number of work-related accidents within a very short timeframe).

Stop loss cover is compulsory for employers in the FSC and optional for those in the PDP.

Accredited employers select a stop loss limit from a range of expected claims. They pay all claim costs up to the nominated amounts, with ACC covering any additional costs.

The levy for stop loss cover is based on the expected variability in claims history, which depends on:

- the size of the business – smaller employers generally have more variable claims experiences
- the average cost of a business's claims – employers with relatively low average claim costs tend to have less variable claims histories e.g. an employer expected to have 100 claims of \$5,000 will have a more stable claims history than an employer expected to have 10 claims of \$50,000
- the likelihood of a high-cost, serious injury claim.

Proposed discount changes to the PDP

The total levies employers in the PDP pay depends on their relevant industry classification unit and whether they choose the one or two-year plan. Currently the average levy discounts are:

- 53.0% of the Work levy for the one-year plan
- 60.6% of the Work levy for the two-year plan.

We propose, from 1 April 2022, to decrease the average levy discounts for the PDP to:

- 50.0% of the Work levy for the one-year plan
- 57.8% of the Work levy for the two-year plan.

This decrease is caused by changes in claims payment patterns. We expect a smaller proportion of claims payments to fall within the claims management period compared to 2018. Therefore, employers should receive a lower discount on the Work levy.

As the severity of accidents varies by industry, PDP discounts depend on each employer's levy risk group e.g. an industry with a high percentage of low-cost claims will receive a larger discount because it will have contributed a higher proportion of payments during its claims management period.

Proposed 2022/23 – 2024/25 Partnership Discount Plan discounts

	Standard Employers	Claims Management period subsequent to cover period	
		1yr	2yrs
Direct claim costs ⁵	0.0068	0.0034	0.0028
Bulk-billed claim costs ⁶	0.0004	0.0004	0.0004
Claims handling expense	0.0006	0.0003	0.0002
Administration expense	0.0001	0.0000	0.0000
Levy collection costs	0.0001	0.0000	0.0000
Provision for doubtful debts	0.0002	0.0002	0.0002
Risk margin on claim costs	0.0000	0.0000	0.0000
Funding adjustment	-0.0023	-0.0011	-0.0009
Performance pricing discount funding ⁷	0.0005	0.0000	0.0000
Net average employer work levy rate	0.0064	0.0032	0.0027
Total variable costs	0.0051	0.0026	0.0021
Total fixed costs	0.0008	0.0006	0.0006
Total average employer work levy rate ⁸	0.0064	0.0032	0.0027
Partnership Discount Plan discount ⁹		50.0%	57.8%
2021/22 discounts		53.0%	60.6%

There are no changes proposed to high-cost cover for the FSC.

Have your say

- What do you think of our proposed changes to fees for the Accredited Employers Programme?
- What do you think of our proposed decreases to the discounts available under the Partnership Discount Plan?

⁵ Based on 12-month accident period

⁶ Acute BHC levy

⁷ Partnership Discount Programme employers are not required to contribute to the funding of the performance pricing discounts.

⁸ Excludes self-employed people

⁹ Discount on standard levy