Q & A

What are ACC levies based on?

ACC levies are reviewed each year. They are based on forecasts of several factors including injury rates, ACC performance, health care costs, wage inflation, long-term discount rates, the wider public interest and investment returns. ACC carries out a public consultation process before making recommendations to the Minister. The Ministry of Business, Innovation and Employment also provides advice to the Minister following an independent actuarial review. Final decisions are made by Cabinet.

Why has the Government agreed to levy cuts?

As we start to see consistency in ACC's performance we become more confident agreeing to levy cuts. ACC's financial position is more robust particularly in two areas:

- Improved rehabilitation performance means more people are back to independence and as close as possible to living the lives they led before the accident.
- Its investment team has consistently outperformed industry benchmarks even through the financial crisis and market volatility.

We have focussed levy cuts on the fully funded Work and Earners' Accounts. For the 2014/15 levy year the Work levy paid by businesses will decrease by 17 per cent or $151 million and the Earners' levy paid by employees will decrease by 15 per cent or $236 million.

Not making any cuts whatsoever would have meant 183,000 businesses (36 per cent of businesses) would have had an increase in their levy bill.

We decided not to reduce Motor Vehicle Account levies because this Account is the least funded.

Why is there no decrease in Motor Vehicle Account levies?

While the Work and Earners' Account are now fully funded, the Motor Vehicle Account is only at 91% solvency (as of 30 September 2013). This means ACC has not yet reached its target level of funding.

How many businesses will get a decrease in ACC levies?

Most of New Zealand’s 500,000 businesses will get a decrease in ACC levies.

Work Account levies also reflect how many ACC claims were made by businesses in different sectors, known as claims experience. The aim of this is to retain incentives for firms to keep their workplaces safe and rehabilitate their workers.

Individual rates for industry groups will vary from the average, but ACC expects 99 per cent of the 500,000 businesses to see a decrease. Only eight classification units out of the 539 are expected to increase. Without the $151 million reduction in the Work Account levy, their increase would have been higher.

Why is the maximum loading for the experience rating programme increasing?

Under the experience rating programme, businesses can save on their industry levy amount or be charged an extra ‘loading’ amount based on their experience rating (claims history). Loadings are aimed at incentivising businesses with worse-than-average claims experience to improve their workplace health and safety and rehabilitate injured worker/s as effectively and efficiently as possible.

The maximum loading for businesses in the experience rating programme will increase from 50 per cent to 75 per cent of their industry levy. This will prevent poor performing businesses, who are currently sitting at the highest end of the loading scale (50 per cent), from receiving the full benefit from the reduction in levy rates.

Why are the maximum and minimum liable earnings for the Work and Earner’s Accounts increasing?

This is a standard adjustment in line with minimum wage changes and changes in average wage rates. As the maximum cap increases so too does the levy and the compensated earnings.

Why is Cabinet proposing to introduce risk rating of cars for motor vehicle levy payers in 2015?

Cabinet has agreed in principle to introduce risk rating based on crash safety rating in the following levy year so that the costs of levies more closely reflect the level of risk associated with a car.

This proposal would mean that levies paid by car owners would be aligned with the safety of their vehicles, reinforcing the message that it is better to own a safer car. ACC consulted on splitting the passenger vehicle class (cars) into four groups based on safety. The safer groups will pay less; the less safe groups will pay more. They would also introduce an unrated group which would pay the average levy for cars because some of the newest vehicles will not yet have a safety rating.

This will not be until 1 July 2015 to align with any changes in the average Motor Vehicle levy for the 2015/16 levy year. Decisions on the final shape of the programme can be made next year as part of the 2015/16 levy round, following further consultation with stakeholders on the details of the proposal.

What is happening to the Fleet Saver programme?

Cabinet has agreed to expand this to include businesses that rent out trucks. Under the programme which starts on 2 December, truck fleets receive levy discounts if their safety management practices meet ACC's audit standards.

When will the review of ACC funding policy and overall rules for levy setting be concluded?

It is expected to conclude in mid-2014. The review aims to improve the governance and transparency of the levy-setting process, while ensuring that it reflects the Government's objectives for the ACC scheme. It will include whether there should be any changes to funding targets.

What is happening to the Health and Safety in Employment (HSE) levy?

ACC collects the HSE levy on behalf of WorkSafe New Zealand. This levy will be increasing from 5c per $100 of liable earnings to 8c per $100 of liable earnings. This was previously announced last August.

When does the Goods Service Vehicles (GSV) levy reduction split come into effect?

The levy reduction for light GSVs (commercial vans, utes and light trucks) come into effect on 2 December. This will put money back into the pockets of New Zealand small to medium business owners and is especially good news for the many small-to-medium business owners involved in the Canterbury rebuild. There were nearly 2,200 new utes registered in the region last year.