

## Minister's Press Conference Statement

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Firstly, can I put these announcements today into the context of ACC's immediate history. When National came to Government in late 2008, ACC was financially haemorrhaging with losses of \$2.4 billion in 2007/08 and \$4.8 billion in 2008/09.

Our immediate focus was on getting ACC back in the black. We made governance changes, reversed entitlement extensions, put increased emphasis on improved rehabilitation and containing costs, and increased levies. This work also uncovered fraud which is now the subject of corruption charges against a former ACC manager.

This difficult work has got ACC back onto a path of financial sustainability albeit it is expected to take a decade to close the current \$10 billion deficit. Today I am releasing the first Financial Condition Report now required by our legislative changes that gives a good overall account of the state of the Corporation's finances, both historically and into the future.

The Government's attention has now shifted to our longer term plans for ACC. Today's announcements advance the three key initiatives National campaigned on in the 2008 Election, notably the Stocktake, investigating competition in the work account and providing greater independence in resolving claimant disputes.

The first announcement today is that the Government has declined ACC's recommendations for further increases in ACC's levies. We do not wish to add to the financial pressures on households and businesses while a fragile economic recovery is under way. We are also encouraged by the huge improvement in ACC's finances and want to keep maximum pressure on the Corporation to continue to improve its performance rather than just passing additional costs onto levy payers.

The second announcement is the introduction of experience rating on 1 April 2011. This is about fairness and providing strong incentives for workplace safety. It will involve larger employers with approximately 30 employees or more receiving loadings or discounts up to a maximum of 50% based on their claims history. Smaller employers will be eligible for no-claim bonuses of 10% where they have had no fatal or income compensation claim for three years. It is expected that 240,000 small businesses will receive a discount next year as a consequence of this policy as compared to 7,000 who will receive a loading.

The third announcement relates to the Accredited Employers Programme (AEP). The AEP, which enables larger employers to take responsibility for managing their own claims, is to be extended next year. The Stocktake work showed claims cost savings of 15% due to a stronger focus on safety and more effective rehabilitation. We will be consulting publicly next year on the specific steps of reducing the barriers to entering, allowing high cost claims cover from private insurers, reducing compliance costs and more actively promoting the programme.

The fourth announcement is on the Disputes Resolution Services Ltd, a subsidiary of ACC. We are addressing claimants concerns about ACC's dual role as judge and jury by providing greater independence to the process of resolving disputes over claims. Detailed work is being done on Disputes Resolutions Services Ltd to enable it to become an independent and separate entity next year and to improve the dispute resolution process.

The final announcement today is about choice. The Government has made an in-principle decision to enable employers to choose either to continue purchasing workplace accident insurance from ACC or from a registered insurer. This policy of choice is the best way to put pressure on ACC to provide effective and efficient workplace accident cover. This is a significant and complex reform that we will be advancing in a careful and considered way.

This decision varies from the advice of the Stocktake, which recommended ACC exiting workplace cover and leaving it solely to other insurance providers. The Government found the advice somewhat contradictory in saying ACC would have difficulty competing because it does not provide other insurance products but also saying it would be able to compete unfairly as it does not have to provide a return on capital. There are lots of domestic examples where public and private provision work quite satisfactorily alongside each other. Nor is this arrangement unusual internationally.

We will be publicly consulting on the detail of this policy with a discussion paper next year on the important details over solvency and registration requirements for insurers, clearing house models to minimise compliance costs for health providers, measures to ensure ACC does not cross-subsidise or compete unfairly, and protections to ensure all workers receive cover entitlements. Final decisions and legislation on introducing choice will occur after the 2011 election and will be subject to a mandate from the public.

We have also asked officials to do work on considering choice in other ACC accounts. It is noteworthy that the work account, which has been subject to

some competitive pressure in the 1990s and through the AEP, has seen far more improvements in safety and rehabilitation than the other accounts. We want to explore whether there is potential for better performance by offering choice in other areas of ACC like the earners and motor vehicle accounts, albeit we acknowledge this is more complex.

These next steps on ACC are carefully timed and interconnected. ACC needs to move to experience rating and to provide risk sharing options like the AEP for it to be able to compete in a more open workplace insurance market. The system of disputes resolution also needs to be made more independent with provision for other insurance providers. The avoidance of levy increases is connected to the decisions to increase the pressure on ACC to contain costs.

National is proud of its heritage in creating the original ACC scheme with its underlying principles of universal and no-fault cover. These reforms provide a fair and balanced way forward where accident claimants get proper care, rehabilitation and compensation, and costs to levy payers are minimised while ensuring ACC is not a fiscal risk for the Government.