MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Carmel Sepuloni	Portfolio	ACC
Title of Cabinet paper	Consultation on 2022/23 – 2024/25 ACC levies	**Date to be published**	11 October 2021

List of documents that have been proactively released		
Date	**Title**	**Author**
25 August 2021	Consultation on 2022/23 – 2024/25 ACC levies	Office of the Minister for ACC
1 September 2021	Cabinet Minute of Decision, Consultation on 2022/23 – 2024/25 ACC Levies [CAB-21-MIN-0338.02 refers]	Cabinet Office

Information redacted **YES / ~~NO~~**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld to protect confidential advice to Government.

In Confidence

Office of the Minister for ACC

Cabinet Economic Development Committee

Consultation on 2022/23 - 2024/25 ACC levies

Proposal

1 This paper seeks:

a. to inform Cabinet that the Accident Compensation Corporation (ACC) will publicly consult on its proposed levy rates for 2022/23 – 2024/25 (the levy period) and Experience Rating proposals, as required under the Accident Compensation Act 2001 (the AC Act)

b. Cabinet approval for ACC to publicly consult on Classification Unit and Credit Interest proposals on my behalf, as required under the AC Act.

Relation to government priorities

2 Public consultation on ACC's proposed levy rates is a routine process to set levies for the upcoming levy period, and is not related to a specific Government priority.

Executive Summary

3 ACC levies in any given year are intended to be equivalent to the discounted value of the lifetime cost of all claims it receives and agrees to cover in that year, excluding claims made by non-earners (as these are government-funded) and investment returns. This cost may be spread over a long period of time, given the nature of some injuries covered by ACC.

4 ACC's levied Accounts have more funds than are required to cover the lifetime cost of all claims made to date. However, current levy rates are below the lifetime costs of claims that ACC receives each year.

5 ACC considers that, without changes to levy rates, the levied Accounts' surpluses will be drawn down over time and the balance of the accounts will not be sufficient to cover the lifetime cost of all claims. This deficit would then need to be addressed via higher levies on future generations of New Zealanders and their businesses.

6 ACC intends to publicly consult on proposed levy rates for 2022/23, 2023/24, and 2024/25 as well as a number of levy-related policy proposals between 1 September and 5 October 2021 (the levy consultation period). This is to ensure that Cabinet can approve levy rates before the end of the year, so that any changes can be implemented before 1 April 2022 (Earners' and Work Accounts) and 1 July 2022 (Motor Vehicle Account).

7 In light of the above, ACC is proposing to consult on increases to the average levy rates charged to motorists and earners over the next three years, and an initial decrease followed by increases to the average levy rates charged to employers and the self-employed over the next three years.

8 ACC's proposed levy rates are set out in the following **Table 1**. These align with the requirements of the Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts (FPS).

Table 1: Proposed ACC average levy rates for public consultation[1]

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 per vehicle[2]	$113.94 per vehicle	$120.20	$128.83	$138.08	**$24.14** ⬆
Earners' levy rate[3]	$1.21 per $100 wages	$1.27	$1.33	$1.39	**$0.18** ⬆
Average Work levy rate[4]	$0.67 per $100 of payroll	$0.63	$0.65	$0.67	**no change**

8 These proposed levy rates are just a proposal for public consultation, which will inform the recommendation for levy rates that ACC will provide to me in November. I have also requested advice from the Ministry of Business, Innovation and Employment (MBIE) and Treasury on alternative levy rate options for comparison, as well as modelling that reflects the impact of announcements by the Reserve Bank on the Official Cash Rate.

9 The Government is not obliged to accept the levy rate options provided by ACC or MBIE and the Treasury. I will consider officials' recommendations and take account of broader considerations, including whether the Accident Compensation Scheme (the AC Scheme) is fully funded and the wider public interest, before making a recommendation for levy rates to Cabinet. Cabinet makes the final decision on levy rates.

I am seeking approval for ACC to consult on Classification Unit and Credit Interest proposals on my behalf during the levy consultation period

10 I am seeking approval for ACC to consult on several proposed changes to specific Classification Units (CUs) on my behalf during the levy consultation period, with the intention of:

a. simplifying CUs relating to retail and wholesale trade

b. changing the way cricket players are classified

[1] ACC is proposing that the current petrol levy is maintained at 6 cents/litre. The proposed increases to the Motor Vehicle levy will apply to vehicle registration.

[2] Including petrol component, GST excl.

[3] Per $100 liable earnings, GST excl.

[4] Per $100 liable earnings, GST excl.

c. removing inconsistencies in the classification of prime contractors.

11 I am also seeking approval for ACC to consult on the proposal to update the rate of Credit Interest payable for the levy period on my behalf during the levy consultation period, to align with the three-year Government Bond Rate.

ACC will consult on its Experience Rating proposals during the levy consultation period

12 ACC will consult on its two proposed changes to the Experience Rating Programme (ER) during the levy consultation period. These proposed changes involve:

a. increasing the maximum levy adjustment in ER from 75 per cent to 100 per cent

b. increasing the impact of a workplace fatality in ER.

Motorcycle Safety Levy

13 I also intend to maintain the current Motorcycle Safety Levy rate at $25 per motorcycle. This will not require further consultation.

Background

The Accident Compensation Scheme is funded by levies and a Government appropriation

14 ACC collects levies and allocates them into different Accounts, alongside the appropriation funded Non-Earners' Account. **Table 2** below provides a summary of how the Accounts are funded and the types of injuries they fund.

Table 2: Summary of ACC Accounts

Account	Funded by	Pays for
Motor Vehicle	Levies on motor vehicle owners through registration fees and users at the petrol pump	Accidents on public roads involving moving vehicles
Earners'	Levies on earners through PAYE (or invoiced directly by ACC for self-employed people)	Earners' non-work injuries (not including motor vehicle and treatment injuries)
Work	Levies on employers and the self-employed (based on information from Inland Revenue)	Work-related injuries
Non-Earners'	Government appropriation	Non-earners' injuries (not including motor vehicle and treatment injuries)
Treatment Injury	Levies from the Earners' Account and Government appropriation from the Non-Earners' Account	People injured as a result of medical treatment

15 Levy rates are now set every three years [DEV-21-MIN-0050 refers], and are only required to be set for the Motor Vehicle, Earners', and Work Accounts. The Non-Earners' Account is funded by a Government appropriation, while the Treatment Injury Account is funded through the Earners' and Non-Earners' Accounts.

16 The Government appropriation that funds the Non-Earners' Account is now treated as a forecast adjustment as part of the Budget process each year [DEV-19-MIN-0349 refers].

The AC Act requires public consultation on ACC's proposed levy rates and levy-related policy proposals

17 The AC Act requires that I not make any recommendations regarding levy regulations to Cabinet without having received and considered a recommendation from ACC. Before it provides that recommendation, the Act also requires that ACC has consulted levy payers about prospective levy regulations.[5]

18 In accordance with section 331 of the AC Act, ACC will publicly consult on its proposed levy rates and Experience Rating proposals between 1 September and 5 October 2021.

19 I am also seeking approval for ACC to also publicly consult on Classification Unit and Credit Interest proposals on my behalf during the levy consultation period, fulfilling the requirement of section 330 of the AC Act.

ACC's proposed levy rates must be consistent with the requirements of the FPS

20 The Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts (FPS)[6] was last updated in March 2021 [DEV-21-MIN-0050 refers], and includes the following requirements:

1. **Full funding:** The average levy rate must be based on the expected lifetime costs of claims over the levy period.
2. **Target funding ratio:** Each levied Account has a target funding ratio of 100 per cent of the outstanding claims liability, which is the amount required to cover all the expected lifetime costs of ACC's accepted claims. The current funding position of each levied Account is outlined in **Appendix 1**.
3. **Smoothing mechanism:** Levy rates must include an adjustment to return an Account's funding ratio to the 100 per cent target smoothly, over a ten year period.
4. **Cap on annual increases:** Annual levy rate increases must not exceed 5 per cent.
5. **Three sets of levy rates:** Requirements (1) – (4) must be repeated for each levy year in the period for which ACC is recommending levies.

[5] Section 330 provides that the Minister for ACC may not make any recommendation in respect of regulations relating to classifications, risk rating, or treatment injury, without first consulting such persons or organisations as the Minister for ACC considers appropriate having regard to the subject matter of the proposed regulations. Section 331 provides that the Minister for ACC may not recommend the making of regulations under the AC Act prescribing the rates of levies unless the Minister for ACC has first received and considered a recommendation from ACC, and that ACC must consult levy payers before recommending to me that such regulations be made.

[6] Section 331(3) of the AC Act.

Following public consultation, I will recommend levy rates and levy-related policy changes for Cabinet consideration

21 ACC's levy rate recommendations will be reviewed by independent actuaries on behalf of MBIE, to provide quality assurance of ACC's actuarial forecasts and assumptions. MBIE and Treasury will provide me with independent advice on levy rates, including alternative levy rate options for comparison. I will then make a recommendation for levy rates to Cabinet.

22 In making a recommendation to Cabinet, I do not have to accept the levy rate options provided by ACC or MBIE[7]. I must, however:

a. ensure that the Accident Compensation Scheme is fully funded[8]

b. have regard for the wider public interest[9].

23 ACC and MBIE will also analyse public submissions on levy-related policy proposals and inform me of the findings of this analysis. I will then make a recommendation for levy-related policy changes to Cabinet.

24 Cabinet ultimately makes the final decision regarding levy rates and levy-related policy changes.

ACC's proposed levy rates for consultation

25 **Table 3** below provides an overview of ACC's proposed levy rates for consultation for each levied Account.

Table 3: Proposed ACC average levy rates for public consultation

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 per vehicle[10]	$113.94 per vehicle	$120.20	$128.83	$138.08	**$24.14** ⬆
Earners' levy rate[11]	$1.21 per $100 wages	$1.27	$1.33	$1.39	**$0.18** ⬆
Average Work levy rate[12]	$0.67 per $100 of payroll	$0.63	$0.65	$0.67	**no change**

26 ACC is consulting on increases to the average levy rates charged to motorists and earners over the next three years, and an initial decrease followed by increases to the average levy rates charged to employers and the self-employed over the next three years. These rates have been proposed based on the following:

7 Section 331(5) of the AC Act.
8 Section 166A of the AC Act.
9 Section 300 of the AC Act.
10 Including petrol component, GST excl.
11 Per $100 of liable earnings, GST excl.
12 Per $100 of liable earnings, GST excl.

Motor Vehicle Account

- A higher than projected number of injuries requiring compensation for time lost at work and longer recovery periods are putting pressure on the Motor Vehicle Account. ACC is also expecting the trend of higher use of care hours by people with serious injuries to continue in future years. These factors, coupled with the under levied position of the Account (the current levy is $80.87 below the cost per vehicle of managing expected claims) has resulted in ACC recommending an increase in the Motor Vehicle Account levy.

Earners' Account

- A higher than expected number of sensitive claims has put pressure on the Earners' Account. In addition, ACC has seen slower rehabilitation rates and a higher projection of new claims counts for weekly compensation claims. Combined, these have caused ACC to recommend an increase in the Earner's Account levy.

Work Account

- The Government's Funding Policy Statement for ACC requires that levy rates must be adjusted to achieve the target funding ratio of 100 per cent over a ten year period. The funding ratio of the Work Account is 131 per cent (as at the 30th of June this year), which is higher than the funding ratio of the other levied Accounts. This high funding ratio means that despite poorer rehabilitation rates and an increase in new claims, ACC will be publicly consulting on an initial decrease to the Work levy rate.

27 ACC's proposed levy rates are in line with the Government's FPS with each levy year being set so that over the subsequent 10 years the funding position reaches 100 per cent. Each levy year is calculated independently with the 10 year period reset each time. **Appendix 1** details ACC's proposed rates for the levied Accounts Confidential advice to Government

I am seeking approval for ACC to consult on Classification Unit and Credit Interest proposals on my behalf during the levy consultation period

Changes to specific Classification Units

28 Businesses pay levies to the Work Account based on the Classification Unit (CU) they are part of. Each business is allocated to a CU alongside other businesses that carry out similar activities, and therefore have similar risk profiles. Levy rates vary between CUs, depending on claims made by businesses within the CU.

29 I am seeking approval for ACC to consult on a number of proposed changes to CUs on my behalf during the levy consultation period. The proposed changes are intended to improve the way CUs work, ensuring that the levies businesses pay fairly reflect the risk of their activities. The proposed changes aim to:

a. simplify CUs relating to retail and wholesale trade

b. change the way cricket players are classified

c. remove inconsistencies in the classification of prime contractors.

30 A table detailing the proposed changes to CUs is provided as **Appendix 2**.

Changes to the rate of Credit Interest

31 Each levy year, ACC issues a provisional Work levy invoice to employers, which is calculated based on an estimate of the levy payable. At the end of the levy year, ACC issues a final Work levy invoice to employers. If the provisional Work levy is more than $20 higher than the final Work levy, ACC refunds or credits the employer for their overpayment.

32 Credit Interest is applied if the provisional Work levy is more than $1000 higher than the final Work levy. The current rate of Credit Interest is 6 per cent per annum. Given current low interest rates in New Zealand, this rate is no longer representative of the wider market.

33 I am seeking approval for ACC to consult on the proposal to update the Credit Interest rate payable for the levy period on my behalf during the levy consultation period, to align with the three-year Government Bond Rate. The Credit Interest rate would be reviewed as part of the next levy period.

ACC will consult on its Experience Rating proposals during the levy consultation period

Improvements to the Experience Rating Programme

34 The Experience Rating Programme (ER) influences the Work levy paid by medium and large employers, as businesses receive discounts of up to 50 per cent or penalties of up to 75 per cent based on individual claims experience over a three-year period.

35 ER does not increase levy revenue for ACC – additional levies collected through ER are passed onto others in the Work Account through a discounted base levy rate. This ensures that businesses with poor health and safety performance contribute a higher proportion of levies than businesses with good health and safety records.

Increasing the maximum penalty

36 ACC will consult on its proposal to increase the maximum penalty for employers with poor workplace safety records compared with their peers from 75 per cent to 100 per cent, with incremental steps up to that point.

37 ACC's proposal would ensure that ACC can recognise businesses that have a poorer claims history than others in the same industry. Employers with the worst safety records would pay double the levy rate for their industry.

38 ACC estimates that approximately 14 per cent of businesses under ER would pay a higher levy following this change. There are currently 31 businesses on the

maximum band of 75 per cent. Under this proposal, ACC would reallocate: 14 of these to an 80 per cent penalty, nine to a 90 per cent penalty, and eight would reach the new maximum penalty of 100 per cent.

Increasing the impact of a fatal claim

39 ACC will also consult on its proposal to increase the impact of a fatal claim on ER calculations. Currently an average of 10 people die at work each year and this does not significantly impact the levies of the businesses in ER at which those deaths occur. The Independent Taskforce on Workplace Health and Safety recommended that ACC improve the alignment of its incentives with the objectives of the health and safety system. The lack of a pricing signal that focusses attention on the management of critical risks in workplaces is a gap in New Zealand's health and safety system.

40 ACC's proposal would mean that businesses that experience a fatality would experience a 20 per cent penalty in the first year, reducing to 10 per cent in the second year and 0 per cent in the third year[13]. Making the fatality modifier a percentage ensures that the penalty is proportionate to the size of the impacted employer.

41 WorkSafe has been consulted on changes to ER and are supportive of the fatality modifier. They note that fatalities are uncommon, and businesses that have fatalities that are also subject to WorkSafe prosecution are extremely rare (this would only occur in situations where the business has failed in its duty of care under the Health and Safety at Work Act 2015).

42 Issues have been raised about the way this approach treats a fatality differently to a severe injury within ER, when there is often a fine line between the two types of injury. ACC did consider another approach in which each fatality would be treated the same as a severe injury requiring a year or more away from work, which is the maximum impact that one injury can have in ER. However, ACC believes that this alternative approach would result in too great a cost for small businesses and too small a cost for large businesses, should a fatality occur. ACC has decided to focus consultation on its original approach.

43 There are also concerns that the fatality modifier as proposed would not be proportional to the actual cost of a fatal claim for some outliers. Larger companies, with higher payroll (and therefore higher ACC levies) will always pay more regardless of the industry or safety systems that are in place. ACC has included a consultation question on whether the financial impact of a workplace fatality should be capped for large businesses.

44 Noting the issues that have been raised, I am supportive of ACC consulting on this proposal, to provide a more comprehensive understanding of this issue.

Motorcycle Safety Levy

[13] On average, businesses in the ER programme pay a levy of $50,000 per year. This means that in the case of a fatality, they would pay an additional $10,000 in levies in the first year, and $5,000 in the second year.

45 The Motorcycle Safety Levy (MSL) is a ring-fenced fund used for investments in motorcycle safety to reduce the incidence and severity of motorcycle accidents. The MSL signals that motorcycle accidents often result in severe injuries which are more costly to ACC than injuries caused by other vehicle types, without requiring motorcyclists to pay a levy fully proportionate to this higher cost.

46 I consider the current MSL rate at $25 per motorcycle sufficient, and I intend to maintain this. The MSL is not subject to the same funding settings as the other Accounts as it is solely used for the purposes of injury prevention. No further consultation is required to maintain the current rate of the MSL.

Communications

47 ACC has prepared a comprehensive communication strategy to engage the public. I have asked that ACC take an educative approach to their communications strategy to help the public understand what the levy proposals mean for them.

48 ACC will target engagement to 'significant submitters', such as New Zealand Council of Trade Unions (NZCTU), BusinessNZ, the New Zealand Automobile Association (AA), and the Federation of Māori Authorities. Individual stakeholders that have been highly engaged in past levy rounds or that might be significantly impacted by any of the proposals will also be invited to participate in this consultation round.

49 ACC will also seek to reach wider audiences, including Māori and Pacific peoples, using digital channels such as Facebook, acc.co.nz, and LinkedIn.

50 The proposed consultation package is attached as **Appendices 3, 4, and 5**.

Consultation with government agencies

51 The following government agencies were provided with a copy of this Cabinet paper and an opportunity to comment: Accident Compensation Corporation, Ministry of Business, Innovation and Employment, Inland Revenue, Ministry of Social Development, Waka Kotahi NZ Transport Agency, WorkSafe New Zealand, New Zealand Customs Service, Ministry for Women, Ministry for Pacific Peoples, Te Puni Kōkiri, Ministry of Justice, Ministry of Transport, and Ministry of Health.

52 No substantive comments were received regarding this Cabinet paper, with the exception of WorkSafe who raised an issue regarding the classification of prime contractors within CUs, which has been included in **Appendix 2.**

53 The Treasury and Department of Prime Minister and Cabinet have been informed of this Cabinet paper.

Financial Implications

54 Compared to the latest reported OBEGAL result the total levy revenue is expected to decrease in all forecast years under the proposed levy rates. This impact results in annual decreases to OBEGAL between $43m-$97m over the forecast period.

Table 4: **Forecast impact on OBEGAL due to proposed levy rate changes**

	2021/22	2022/23	2023/24	2024/25
OBEGAL impact due to levy rate movement	($51.6)m	($43.5)m	($97.1)m	($69.3)m

Legislative Implications

55 This paper proposes that ACC carry out public consultation on a number of proposed regulatory changes, however does not seek Cabinet approval to make these changes. As such, there are no legislative implications at this stage of the levy setting process.

56 Following public consultation, a subsequent Cabinet paper will be provided seeking Cabinet approval to make levy-related regulatory changes.

Impact Analysis

Regulatory Impact Statement

57 There are no regulatory implications at this stage of the levy setting process. A Regulatory Impact Statement will be prepared in late 2021 following the public consultation process.

Population Implications

58 ACC’s public consultation on ACC’s proposed levy rates, and on a number of levy-related policy proposals, is not expected to impact specific population groups more than other population groups.

Human Rights

59 The proposals contained in this paper appear to be consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. Following public consultation on these proposals, regulations will be drafted considering public feedback. Any possible human rights implications will be reassessed during this process.

Proactive Release

60 This paper will be made available on the MBIE website within 30 business days of Cabinet’s decisions being confirmed, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

61 I recommend that the Cabinet Economic Development Committee:

Public consultation process for 2022/23 - 2024/25 levy rates

a. note that ACC will consult on its proposed 2022/23 - 2024/25 levy rates between 1 September and 5 October 2021 before it makes recommendations to the Minister for ACC in November 2021;

b. note that ACC must give effect to the Funding Policy Statement set by the Government when recommending the making of regulations prescribing the rates of levies;

c. note that, following consultation and receiving recommendations from ACC and MBIE, I intend to seek Cabinet decisions on the 2022/23 - 2024/25 levy rates for the three levied Accounts in December 2021;

d. note that the Government is not obliged to adopt ACC or MBIE's levy recommendations, as it can take account of broader considerations, including the overall public interest;

ACC's consultation on 2022/23 – 2024/25 levy rates

e. note that ACC will be undertaking public consultation on the proposed levy rates set out in **Table 5**;

Table 5: Proposed ACC average levy rates for public consultation

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 per vehicle[14]	$113.94 per vehicle	$120.20	$128.83	$138.08	**$24.14** ⬆
Earners' levy rate[15]	$1.21 per $100 wages	$1.27	$1.33	$1.39	**$0.18** ⬆
Average Work levy rate[16]	$0.67 per $100 of payroll	$0.63	$0.65	$0.67	**no change**

Classification Unit and Credit Interest proposals for consultation

f. approve public consultation on proposed changes to specific Classification Units;

g. approve public consultation on the proposal to update the rate of Credit Interest that applies to levies;

h. note that I have asked ACC to undertake this consultation on my behalf;

[14] Including petrol component, GST excl.
[15] Per $100 of liable earnings, GST excl.
[16] Per $100 of liable earnings, GST excl.

Experience Rating proposals for consultation

i. note that ACC will consult on its proposed changes to the Experience Rating Programme between 1 September and 5 October 2021;

Motorcycle Safety Levy rate

j. note that I intend to maintain the current Motorcycle Safety Levy rate of $25 per motorcycle

Authorised for lodgement

Hon Carmel Sepuloni

Minister for ACC

Appendix 1: Funding position and proposed levy rates for each of the levied Accounts

Funding position and proposed levy rates for each of the levied Accounts

How the Funding Policy works

There are two main components to funding the Accounts:

1. new year claim costs represent the lifetime cost of ACC rehabilitating and supporting people injured during the year. New year costs are influenced by economic changes, frequency and severity of claims, expense forecasts and exposure

2. the funding adjustment ensures there's enough money to pay for the ongoing cost of past claims, while not over-collecting funds. The funding adjustment for each Account is calculated by moving the funding position to target over a period prescribed in the funding policies, usually 10 years. The funding adjustment is influenced by the same factors as the new year costs.

Expected future claim benefits from planned injury prevention programmes and the delivery of the Integrated Change Investment Portfolio (ICIP) are deducted from these amounts.

The increase in the recommended levy is then capped at 5 per cent for the levied Accounts and 7.5 per cent for the appropriations.

Confidential advice to Government

[redacted]

[redacted]

Confidential advice to Government

Confidential advice to Government

Appendix 2: Proposed changes to Classification Units (CUs)

Proposed changes to Classification Units (CUs)

Changes to CUs…	by….	because…
Simplify CUs relating to retail and wholesale trade	Grouping all retail businesses into different CUs based on the products they sell.	Currently all non-store-based retail businesses are grouped into the same CU, while store-based retail businesses are classified based on the products they sell. There has been an increase in online and non-store-based retail businesses. This change would result in approximately 900 businesses paying a higher levy, 1,200 paying a lower levy, and 550 paying the same levy as they do now, consistent with their store-based equivalent.
	Reclassifying retail and wholesale businesses into the same CU, with a lower levy rate.	Retail and wholesale commission-based businesses have similar risk profiles, but are currently grouped into separate CUs. This change would reduce the levies paid by 1,300 commission-based retailers and 2,200 commission-based wholesalers.
Change the way cricket players are classified	Grouping all professional cricket players (both international and domestic) into the professional cricket CU, and in doing so reduce the levies paid by organisations in the community cricket CU.	In the past, international cricket players have been grouped into the professional cricket CU, while all domestic cricket players have been grouped into the community cricket CU. Many domestic cricket players now play professionally, and therefore have a similar risk profile to international cricket players. Community cricket organisations have indicated that the levies they currently pay do not accurately reflect the risk of their activities, and this has been supported by actuarial analysis. This change would result in an estimated 45 organisations and individuals moving to a lower levy rate.
Remove inconsistencies in the classification of prime contractors	Implementing a number of changes to CUs to enable prime contractors in the construction sector to pay a flat levy rate.	Prime contractors in the construction sector are businesses that do not employ trades professionals directly, but rely on sub-contractors for the trades required. Prime contractors do not carry out the same activities as sub-contractors, but they currently pay levies based on the risk involved in these activities. This will reduce the levies paid by 600 employers and individuals, ensuring that these levies reflect their actual risk profile.

Changes to CUs…	by….	because…
		WorkSafe has noted that prime contractors have a considerable influence over how health and safety risks are managed and eliminated, and this has an impact on the risks faced by sub-contractors. WorkSafe has commented that the proposed changes reduce the incentive for prime contractors to manage or eliminate downstream health and safety risks, and recommends that if these proposals are implemented, alternative incentives should be considered.

Appendix 3: Consultation document on ACC's proposed 2022/23 – 2024/25 levy rates

***Layer 1 narrative** – Focusing on the essential information and 'what it means for me'. It emphasises the value of levies and reflects ACC's strong stewardship of the Scheme.*

*This the following sections will introduce levy consultation to a **general audience** and provide sufficient information for them to understand that ACC is proposing increases to levy rates and provide feedback.*

1 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 per vehicle[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.

2 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.

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.

1 Including petrol component, GST excl.
2 Per $100 of liable earnings, GST excl.
3 Per $100 of liable earnings, GST excl.

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.

3 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.

4 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.

Table 1: 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 per $100 wages (5.0% increase)	$1.33 per $100 wages (4.7% increase)	$1.39 per $100 wages (4.5% increase)
Work Account – average levy rate for businesses	$0.67 per $100 of payroll	$0.63 per $100 of payroll (6.0% decrease)	$0.65 per $100 of payroll (3.2% increase)	$0.67 per $100 of payroll (3.1% increase)
Motor Vehicle Account – average levy rate for vehicle owners	$113.94 per vehicle	$120.20 per vehicle (5.5% increase)	$128.83 per vehicle (7.2% increase)	$138.08 per vehicle (7.2% increase)

Examples of the impacts of the proposed increases:

- A family with a household income of $129,000 and three vehicles would pay an additional $1.88 per week in 2023, going up to $5.85 per week in 2025.
- A family with a household income of $85,000 and two vehicles would pay an additional $1.33 per week in 2023, going up to $3.99 per week in 2025.
- A small home construction business with 8 employees earning $70,000 each and a small fleet of six vehicles would receive a levy discount of $26.80 per week in 2023. The levy then would slowly increase in 2024 and 2025.

You can read more on how these have been calculated here. [LINK]

5 Provide your feedback

ACC would like your feedback on our recommended changes to levy rates in the 2021 Levy Consultation.

ACC is also consulting on further improvements to experience rating for our medium and larger business customers. [LINK]

The Minister for ACC is consulting on proposals to change specific classification units for businesses and to update the rate of credit interest payable. [LINK]

Submissions for these three consultations close on Tuesday 5 October 2021.

ABOUT

6 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

7 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.

8 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).

Figure 2: 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 [LINK] 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 [LINK]. 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.

Figure 3: Expected New Year Claims Costs

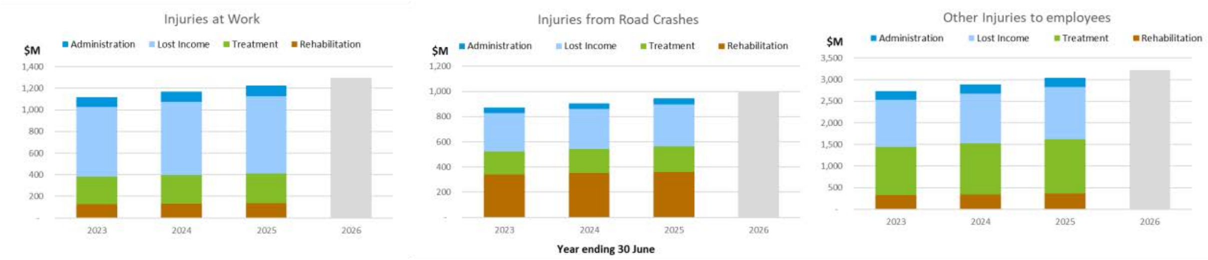


Table 1: Cost of supporting new injuries [New Year Claims Cost]

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.

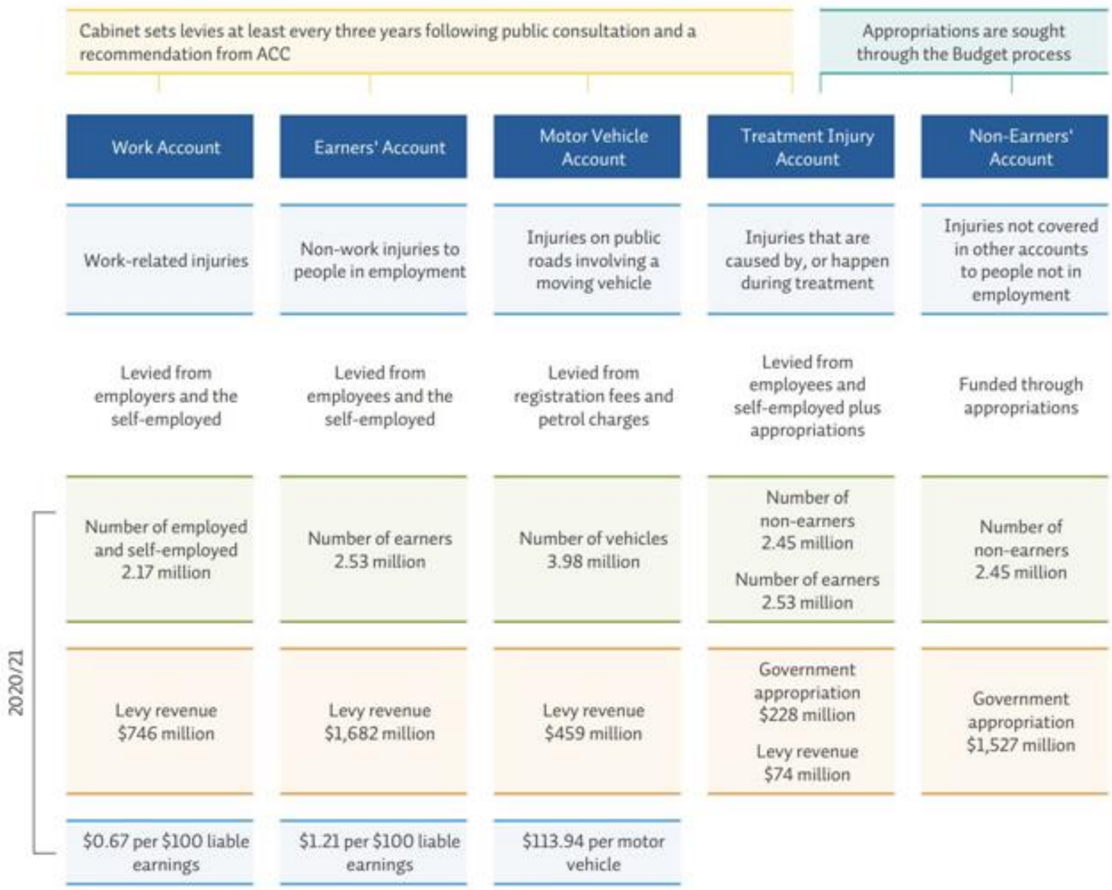
Step 2: Calculating the average levy rate - the New Year Rate

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 as illustrated in the infographic below.

Figure 1: Sources of Account funding



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.

Table 2: New Year Rates

Levy Payer	2022-2023	2023-2024	2024-2025

Vehicle Owners (average per vehicle)	New Year Claim Cost	$872 M	**$212.15**	New Year Claim Cost	$905 M	**$216.25**	New Year Claim Cost	$946 M	**$221.96**
	Vehicles	4.11 M		Vehicles	4.19 M		Vehicles	4.26 M	
Workers (average per $100 of earnings)*	New Year Claim Cost	$2,734 M	**$1.63**	New Year Claim Cost	$2,884 M	**$1.63**	New Year Claim Cost	$3,043 M	**$1.64**
	Employee Earnings	$167,884 M		Employee Earnings	$176,827 M		Employee Earnings	$185,795 M	
Businesses (average per $100 of liable earnings)*	New Year Claim Cost	$1,115 M	**$0.88**	New Year Claim Cost	$1,168 M	**$0.88**	New Year Claim Cost	$1,224 M	**$0.87**
	Employee Earnings†	$126,221 M		Employee Earnings†	$133,261 M		Employee Earnings†	$140,149 M	

*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 more detail on how this is applied see [**Link to: Applying the Government's Funding Policy Statement**].

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.

Our proposed levies over the next three years are shown in the table below.

Table 3: Recommended 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)**

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)**

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)**

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.

Table 4: Examples of the weekly impact of the recommended levies

	Additional cost per week compared to 2022		
Situation	**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

Details on the different accounts can be found below:

Motor Vehicle Account calculations

Work Account calculations

Earners' Account calculations

9 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.

Consultation questions

1. 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.

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

Layer 2 narrative *– Greater level of detail to help readers understand the 'why' of how we've reached our recommendations. This includes more detail on ACC's funding settings (including the Funding Policy Statement) and describes the pricing implications.*

The following sections are intended for more engaged audiences, including small business owners, unions, and interested communities (e.g. motorcyclists).

10 Next Layer of Detail

THE DETAIL

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
Recommended 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
Recommended 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
Recommended 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.

11 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 [LINK]
- Supporting young Kiwi drivers with DRIVE [LINK]
- RideForever [LINK]
- Scooter Survival [LINK]

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.

Table 5: 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
Subtotal for supporting recovery	*888.5*	*929.0*	*975.0*
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.

Table 6: 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).

Table 7: 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
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 [Motorcycle rego cashback programme | Ride Forever]. The cashback programme is currently under review.

Questions:

- 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 DETAIL

12 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.

Table 8: 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
Subtotal for supporting recovery	*1,081.3*	*1,142.8*	*1,206.8*
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.

Table 9: 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.

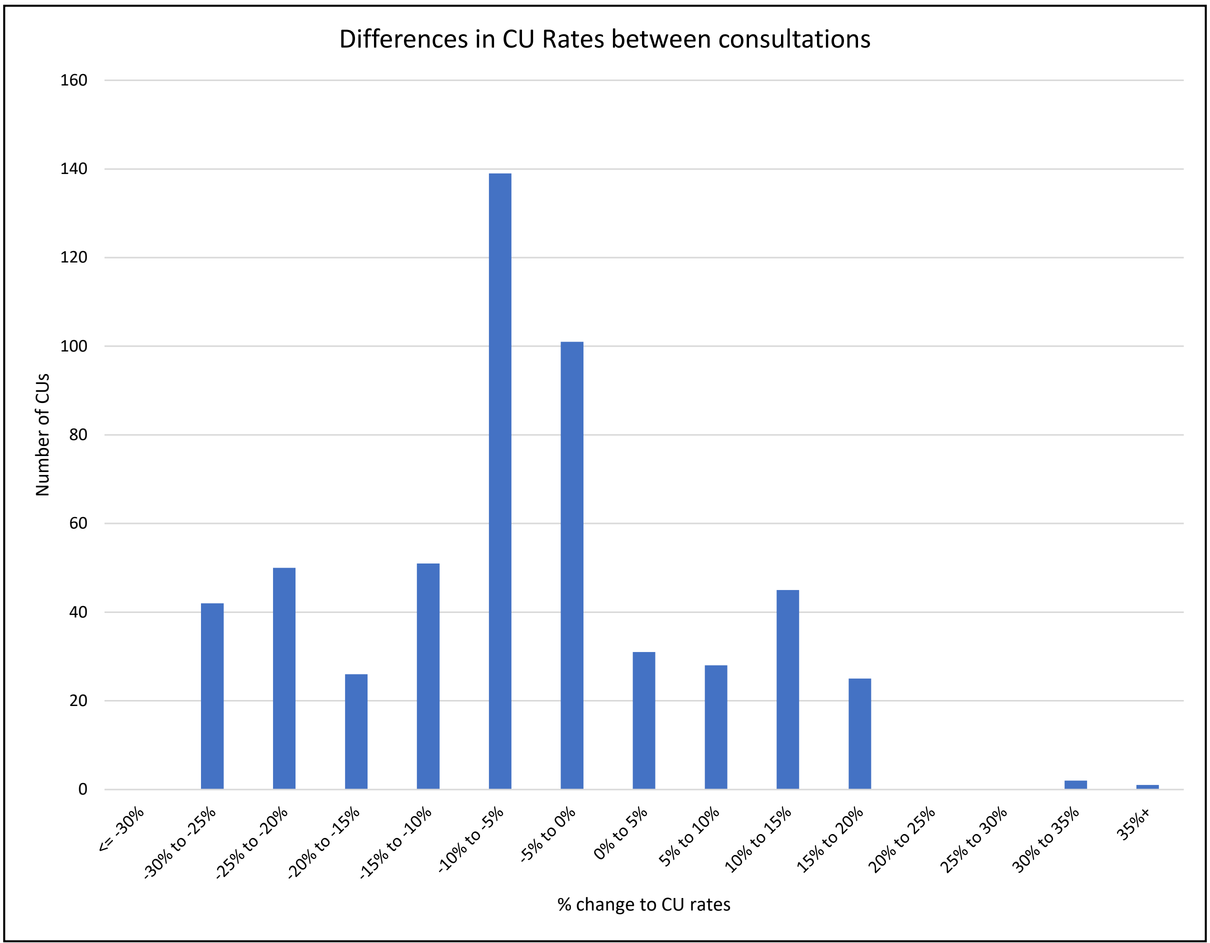
While we're recommending that the average Work levy is decreased next year with small increases in the following two years, levy rates for each CU are also updated to reflect any changes in their claims patterns. This will mean levy rates for some businesses will increase when the average rate is decreasing 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 (2025-2008).
  - 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:



Our recommended levy rates

The recommended levy rates for each CU can be found here [LINK].

Calculate what these proposed changes mean for you using our online estimator [INSERT CALCULATOR]

The Minister for ACC is also consulting on changes to specific CUs.

Provide your feedback on these changes

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.
>
> You can find out more about these impacts here.

- 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.
>
> Provide your feedback on these changes

Questions:

- 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 DETAIL

13 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.

Table 10: 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
Subtotal for supporting recovery	*2,754.0*	*2,924.2*	*3,099.9*

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.

Table 11: 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.

Calculate what these proposed changes mean for you using our online estimator [INSERT CALCULATOR]

Questions:

- 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.

THE DETAIL

14 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.

Questions:

- 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?

***Layer 3 narrative** – This will include technical pricing reports for more informed and interested audiences.*

This content may be requested by accountants, actuaries, or other professional stakeholders, or by media. Much of this information will be proactively made available at the same time as consultation, but other elements may be more appropriately tailored e.g. to meet significant submitters face-to-face.

Appendix 4: Consultation document on the Minister for ACC's Classification Unit and Credit Interest proposals

Minister’s Levy-related proposals – 2021 Levy Consultation

The Minister for ACC would like your feedback on several proposals included in the 2021 Levy Consultation.

Have your say on proposed changes to:

- how retail and wholesale trade businesses are classified
- how professional and community cricket is classified
- how prime contractors are classified
- the amount of credit interest payable.

Submissions close on Tuesday 5 October 2021.

→ About: Classification Units

All employers and self-employed people working in New Zealand pay a Work levy. This money pays for supporting injuries that have been caused by work-related accidents.

Businesses pay different levy rates depending on the level of risk in their primary business activity (the risk of injury in relation to the type of work employees are doing).

After assessing a business’s risk, businesses are allocated into one of 539 classification units (CUs). The CUs are grouped into one of 142 levy risk groups (LRGs) based on injury risk profiles (the frequency and severity of injury, plus how long it takes for an injured worker 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. All CUs in each LRG are charged the same rate. When a CU’s risk profile no longer reflects the risk level of the LRG in which it is placed, then we look at transitioning the CU into a more suitable LRG.

We regularly review how we classify businesses and recent claims histories to ensure the CUs reflect changes in New Zealand’s business activities. We also consider feedback we have received on what we can do better.

As a result, we’re proposing changes to how we classify:

- retail and wholesale trade businesses
- cricket players and clubs
- prime contractors

ACC is also consulting on future levy rates and proposed changes to Experience Rating.

Provide your feedback on ACC’s levy rate recommendations

Provide your feedback on ACC’s Experience Rating proposals

→ Should the Classification Units (CUs) for retail and wholesale trade businesses change?

The way retail and wholesale traders are classified currently is unnecessarily complicated.

We're therefore proposing several changes to simplify how we classify these businesses. We believe this will better reflect the current New Zealand trading environment and improve a business's ability to select the correct CU.

The scope of these proposals includes:

- non-store retailers, such as those with an online store, market stall or telemarketing sales
- commission-based sellers and traders who do not store or handle goods.

↓ Proposed changes for non-store retailers

Non-store retailers, such as those with an online store, market stall or in telemarketing, currently pay a flat levy rate of $0.34. However, store-based retailers are classified based on the products they sell, so pay different levy rates (currently between $0.12 and $1.52[1]).

This means an online book retailer and an online furniture retailer pay the same levy rate. However, a store-based book retailer and a store-based furniture retailer pay different levy rates that reflect past injuries for similar businesses.

In the 2018 levy consultation, we received feedback from submitters that:

- this distinction should no longer exist
- online retailers should be classified based on the products or services they sell, instead of the channel they use to reach their customers.

We agree with this approach as it aligns the levy to the level of risk in handling different types of goods. We also believe this approach better reflects the greater uptake of contactless sales methods being used by businesses.

What it might mean for you
For businesses who are moving to a different CU, there are two impacts on levy rates to consider:

1. The impact of moving to a CU with a different risk rating and therefore levy.

Based on the current prescribed levy rate, we estimate 900 non-store businesses, including online furniture retailers, supermarkets and other food retailers, would move to a higher risk-rated CU.

However, 1,200 businesses would move to a lower risk-rated CU, with 550 businesses likely to remain in a similar risk group to what they are now.

Our analysis shows this change would not have an impact on the overall levy rates for the retailing CUs that these businesses move into.

2. The impact of updating claims experience and aggregate rates.

[1] The retailing CU with the lowest levy rate is 52510 Pharmaceutical, cosmetic and toiletry goods retailing, while the retailing CU with the highest levy rate is 52592 Firewood, coal and coke retailing.

ACC is also consulting on proposed changes to levy rates. Through this review, levy rates for each CU are updated to reflect any changes in the claims patterns of businesses.

This means levy rates for some businesses will increase or decrease, consistent with their recent claims history.

Non-store retailers will be reallocated from their current CU - with a flat rate of $0.34 - to the specific classification that reflects the products they sell. These retailing CUs pay different levy rates which are proposed to be between $0.12 and $1.40 in 2022/23, depending on the products sold.

Online businesses that sell on behalf of third parties, such as online auction houses and businesses that do not store or handle goods (e.g. drop-shippers) are not in scope of this proposal. These businesses are affected by the commission-based trade proposal below.

ACC is also consulting on future levy rates, where you can see what your new levy rate might be.

Provide your feedback on ACC's levy rate recommendations

How it would work
Our proposal would mean the 1,500 businesses and 1,200 self-employed who operate exclusively by non-store methods would be reclassified depending on the products they sell.

CU Number	CU Name	Proposed Change
52595	'Non-store retailing'	Disestablish CU Reclassify businesses depending on the products they sell
52590	'Store-based retailing (not elsewhere classified)'	Rename CU to 'Retailing (not elsewhere classified)'

↓ Proposed changes for commission based sellers and traders who do not store or handle goods

Retail and wholesale commission-based sellers share a similar risk profile, but the current distinction between them is unnecessarily complex.

We therefore propose removing the retail and wholesale distinction for these businesses.

What it might mean for you
This proposed change would simplify the options for businesses when they select their CU and result in these sellers paying a comparable rate.

This would affect businesses such as:

- a commission-based cosmetics seller who sells to pharmacies
- an online seller of sporting goods, who organises for overseas manufacturers and freight companies, to produce and dispatch their products directly to the consumer – this includes businesses who do not store or handle goods directly (i.e. drop-shippers).

These businesses have had fewer or less serious accidents since the current levy rates were set in 2018. Overall, this means they will move to a lower levy rate based on their recent claims history:

- Approximately 2,200 commission wholesalers would move from their current levy rate of $0.21[2] in 2021/22 to a new rate of $0.17 in 2022/23.
- Approximately 1,300 commission retailers would move from their current levy rate of $0.34[3] in 2021/22 to a new rate of $0.17 in 2022/23.

ACC is also consulting on future levy rates.

Provide your feedback on ACC's levy rate recommendations

How it would work

CU Number	CU Name	Proposed Change
52597	'Retail commission-based buying and/or selling'	Disestablish CU Move businesses to CU 47991
47991	'Wholesaling – commission-based or excluding storage and handling of goods'	Rename CU to 'Trading – commission-based or excluding storage and handling of goods' with a new levy rate of $0.17

LRG Number	LRG Name	Proposed Change
331	'Commission-based Wholesaling'	Rename LRG to 'Commission-based Trading'

Consultation questions

- Should ACC classify non-store retailers based on the type of products they sell, the same way as store-based retailers?
- Should ACC simplify how it classifies commission based sellers and traders?

[2] 2021/22 levy rate for 47991 Wholesaling – commission-based or excluding storage and handling of goods.
[3] 2021/22 levy rate for 52597 Retail commission-based buying and/or selling.

→ Should the CUs for cricket change?

NZ Cricket (NZC) have told us the way we classify them doesn't reflect their area of the sporting sector. The changes we propose will result in levies that better reflect the risk profile of these businesses.

↓ Proposed changes for cricket

The sporting sector is divided into four levy risk groups (LRGs). The lowest LRG reflects community activities such as club administration and coaching. The highest LRG is for professional athletes in contact sports and those who support these sports.

Domestic cricketers, who play at a professional level, are currently grouped in the same classification unit (CU) as community cricket organisations with a separate CU for international cricket professionals.

However, given the risk profile of domestic cricket professionals is now similar to that of international cricket professionals, the Community and Domestic cricket CU was moved to a higher Levy Risk Group to reflect their combined risk. NZ Cricket raised concerns that community cricket associations do not have the same risk profile as either domestic or international cricket professionals.

In recognition of this, we are proposing that all cricket professionals (at both domestic and professional level) are grouped in the same CU with these players remaining in the medium-high levy risk group. Community cricket associations would then have their own CU and move to a lower-risk group, meaning they would pay a lower levy rate in line with their recent claims history.

What it might mean for you

This proposal would lower the levy rate for the 45 organisations and individuals responsible for community cricket from $2.67 in 2021/22 towards a new rate of $0.57 by 2024/25.

All cricket professionals (at both domestic and international level) would continue to pay a similar levy rate.

The scope of this proposal relates only to people who are employed in the sporting sector, such as professionals or club administrators. Injuries from recreational sport (where players are not paid to play) are funded separately and are not impacted by this proposal.

How it would work

CU Number	CU Name	Change
93174	'Sport and physical recreation – community cricket'	Move this CU from levy risk group (LRG) 917 'Equine and Sporting Activities' (medium-high risk group) to LRG 911 'Sporting and Recreational Activities' (lower-risk group).
93194	'Sport and physical recreation – professional cricket'	No change - this CU stays in current LRG 917 'Equine and Sporting Activities' (medium-high risk group).

Consultation questions

- Should all cricket professionals belong to the same CU? This would allow the CU for community cricket associations to pay a lower levy rate, while professional players (domestic and international) would pay a rate similar to what they pay today.

→ Should the CUs for prime contractors change?

There are inconsistencies in how we classify businesses who offer construction services without directly employing trades professionals. These businesses may employ project managers and quantity surveyors but use sub-contractors exclusively for the trades required.

- Building completion services (e.g. plastering or carpentry) and property developers who sub-contract all trades work currently have their own CU and pay a lower levy than their sub-contractors.
- However, prime contractors engaged in building installation (e.g. plumbing or electrical services) or building structure services (e.g. brick laying or roofing) are levied based on the projects they work on, not the work they do, even when they subcontract all trades work.

  As an example: a prime contractor specialising in residential construction projects pays a work levy of $0.44, compared to the subcontracted trades professionals on that job. However, a prime contractor doing similar non-trades tasks but specializing in bricklaying jobs pays the same as a bricklayer i.e. $2.23.

This has led to the prime contractor sector raising concerns about the inconsistency in levy rates within the sector.

We propose all prime contractors across the construction sector should pay the same levy rate.

What it might mean for you
Under this proposal, approximately 600 employers and individuals would receive lower ACC levies. The new levy rate for prime contractors is proposed to be $0.43 in 2022/23, in line with their recent claims history.

How it would work

CU Number	CU Name	Change
42595	'Construction services and property developers – all trades subcontracted'	New CU with levy rate $0.43 in 2022/23

CU Number	CU Name	Change
42592	'Building completion services – all trades subcontracted'	Remove CU
77110	'Residential property operators and developers (excluding construction)'	Rename CU to 'Residential property operators'
77120	'Non-residential property operators and developers (excluding construction)'	Rename CU to 'Non-residential property operators'

LRG Number	LRG Name	Change
323	'Plumbing and building completion services'	Rename LRG to 'Plumbing services'
673	'Property development and operation'	Rename LRG to 'Property operation and subcontracted construction services'

Consultation questions

- Should prime contractors, who may offer construction or property development services but subcontract all trades activities, pay the same levy rate?

→ Should the rate of credit interest payable be updated to reflect current market rates?

Payment of credit interest by ACC

The Work levy payable by an employer is calculated on the amount of earnings paid by that employer to their employees, during the applicable year.

Credit interest is applied when the amount collected through provisional levies (invoices based on an estimate of the levies payable) is more than $1,000 higher than the final levy assessment. ACC does not charge employers interest if provisional levies are less than the final levies.

Self-employed and private domestic workers are not charged provisional levies, so aren't eligible for credit interest.

Current approach to credit interest

ACC issues a provisional levy invoice. At the end of the levy year, we issue a final levy invoice, including the balance of any underpayment. If an employer has overpaid levies by more than $20, we refund or credit any overpayments.

Currently the rate of credit interest is 6% per annum. We have held this credit interest rate consistent for several years. However, given current low interest rates in New Zealand, this rate is no longer representative of the wider market. We're therefore proposing to change the credit interest rate which applies to levies.

Proposed approach

We're proposing to update the credit interest rate payable to align to the three-year Government Bond Rate. This is currently 0.925%[4].

How it would work

As ACC is recommending levy rates for three years to provide certainty to levy payers, this means the credit interest rate will also be locked in for three years.

- The rate of credit interest payable would be set as a fixed rate in the Work Account regulations based on the three-year Government Bond Rate that is in place when the proposal is approved.
- This rate would next be reviewed in 2024 for the 2025/26 levy year.

Setting a single rate of interest payable for three years means that businesses who overpay their levies could be unfairly advantaged or disadvantaged, depending on the movement of future interest rates.

PAYE employers can ensure their provisional invoice is as close as possible to their end-of-year levy by providing ACC with an estimated payroll update. This reduces the chance of significant overpayment or underpayment of levies at the end of the year.

Your estimated payroll can be updated at MyACC for Business, via phone or email.

[4] This rate reflects the 15/5/24 bond as at July 2021 month end. It will be updated to reflect the latest rate when final Cabinet decisions on this proposal are made at the end of 2021.

Consultation questions

- What do you think of updating the amount of credit interest payable, to align to the 3-year Government Bond rate?
- What do you think of fixing the amount of credit interest payable for a three-year period?

Appendix 5: Consultation document on ACC's Experience Rating proposals

ACC's Experience Rating proposals – 2021 Levy Consultation

ACC would like your feedback on the proposals for the Experience Rating Programme, included in the 2021 Levy Consultation.

Have your say on our proposals to:

- raise the maximum adjustment to levy increases from 75% to 100% for businesses in the Experience Rating Programme
- increase the impact of workplace fatalities on levies for businesses in the Experience Rating Programme.

Submissions close on Tuesday 5 October 2021.

→ About: Experience Rating

Experience rating works by adjusting employers' Work levies according to their recent claims history. The system was introduced to the Accident Compensation Scheme in April 2011 to:

- improve levy equity across employers
- reduce the number and severity of workplace injuries
- reduce the time it takes for injured people to return to work.

Experience Rating includes two programmes:

- the Experience Rating Programme for medium-to-large businesses
- No Claims Discount Programme for smaller businesses.

The Experience Rating Programme

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. The programme ensures the levy charged to a business reflects how well, compared to similar businesses, it:

- reduced the incidence of injury to its workers
- supported injured workers to return to work.

To be able to fairly compare businesses, every business is allocated a classification unit (CU) that best represents its primary activities. CUs with a similar frequency and severity of injury are grouped into one Levy Risk Group (LRG). The Work Account levy for a business, before any experience rating adjustment (i.e. levy adjustment based on claims history), is set through the LRG the business belongs to.

Claims histories

Once the Work Account levy for the business is set, the Experience Rating Programme then looks at the last three years of each business's claims history (i.e. the number and severity of injuries) and compares it to the claims performance of other businesses in the same LRG.

- If the business's claims history is better than the average, their levy may be discounted by up to 50%.
- If their claims history is worse than average, a levy increase of up to 75% is applied.

Following consultation in 2018, we recently changed experience rating to ensure it responded quicker to improvements a business makes to lowering the number of workers injured or improving how they assist injured workers return to work.

Levy discounts

More businesses (62%) receive a levy discount than an increase, with the cost of these discounts greater than the cost of the increases.

To ensure we still levy businesses the correct total amount, we increase the levies paid by businesses outside of the Experience Rating Programme. This extra cost is just under 3 cents per $100 liable earnings.

Our proposals

We're now proposing the following changes to the Experience Rating Programme:

- **Raise the maximum adjustment to levy increases from 75% to 100%.** This would reduce the imbalance between levy discounts and increases by ensuring any claims history, that is significantly worse than the average, is more fully accounted for.
- **Increase the impact of a workplace fatality.** This would correct an unintended consequence of the Experience Rating Programme calculation that does not recognize the severity of a fatal injury when assessing a business's claims history.

The No Claim Discount Programme

The No Claims Discount Programme is for small businesses, as well as the self-employed, who have met the minimum earnings threshold in each of the last three years and pay less than $10,000 in Work Account levies annually. Based on their claims history over a three-year period, more than 90% of these businesses currently get a 10% 'no claims' discount, with fewer than 5% receiving a levy increase of up to 10% and the remaining businesses receiving no levy adjustment.

No changes are proposed for the No Claims Discount Programme.

ACC is also consulting on future levy rates, including the proposed minimum liable earnings that would apply to Experience Rating from 1 April 2022.

Provide your feedback on ACC's levy rate recommendations

What it would mean for businesses
For most businesses, our proposal would mean they'd contribute less towards Experience Rating discounts. This is because the added cost to the average Work levy would decrease from just under 3 cents to 2 cents per $100 liable earnings.

We estimate 14% of 15,000 total businesses in the Experience Rating Programme (usually medium-sized or large businesses) would pay a higher levy as a result of this proposal. However, only 1% would move up by more than one band (i.e. have a greater than 10% levy increase).

There are currently 31 employers with claims histories that are significantly worse than the average over the last three-year period. Their current experience rating adjustment, based on their claims histories, reflect the maximum levy increase of 75%. Under our proposal:

- 14 of these business groups would receive an 80% levy increase
- nine would move to a 90% levy increase
- eight would receive the new maximum levy increase of 100%.

Our expectation is that some employers will be encouraged to focus on their workplace safety to avoid receiving a greater levy increase.

What you told us in 2018
We first consulted on this proposal in 2018.

Most people (93%) supported the proposed improvements to experience rating. The former Minister for ACC requested further work be done to better understand the impact of the proposed change to the maximum levy increase on individual businesses (as described further in this proposal). This has required further consultation to be undertaken.

Consultation questions

- What do you think about our proposal to change the maximum adjustment for a levy increase in Experience Rating from 75% to 100%?
- Do you have any feedback on the Experience Rating or No Claims Discount Programmes?

→ Should we increase the impact of a workplace fatality in the Experience Rating programme?

In the Experience Rating Programme, there's currently no differentiation between a fatal injury and any other ACC claim over $500 that doesn't put you off work. This means, for example, that a work-related fatality has the same impact on a business's experience rating as a sprained ankle requiring $500 of medical treatment.

We propose to increase the impact a fatal claim has on an employer's experience rating. This change would result in a levy increase for employers who have had a fatal claim recently.

The way fatalities are currently treated was an unintended oversight of the original design of the Experience Rating Programme. This proposal reflects the:

- public concern about loss of life in our workplaces
- responsibilities employers have to take all practicable steps to avoid loss of life in the workplace
- Government's commitment to reducing the incidence and impact of workplace accidents.

This would also align the Experience Rating Programme to be closer to the No Claims Discount Programme. Under the No Claims Discount Programme, a fatality results in a maximum 10% levy increase for these smaller businesses for three years.

Two options considered

We considered two approaches to increase the impact of a workplace fatality in the Experience Rating Programme:

Option 1: Treat each fatal injury the same as a severe injury requiring a year or more away from work (the maximum impact one injury can have in the Experience Rating Programme).

The impact of this approach would be significant for smaller businesses with some facing a levy increase as high as 80% if a fatal injury occurred in their workplace. However, for larger businesses, a single claim – be it a fatal claim or another single injury – would not significantly adjust their overall claims history, so the impact on the experience rating assessment would be much less.

Option 2 [PROPOSED]: Separate fatal claims from medical claims in the experience rating calculation. A fatal claim within the last two experience rating years would trigger a final adjustment to that employer's levy of a 20% increase in the first year and 10% increase in the second year.

The impact of this approach would always be proportional to the size of the business' normal levy. We believe this approach reflects the public concern about loss of life in our workplaces and provides a visible signal to employers, regardless of their size, about the responsibilities they have to take all practicable steps to avoid loss of life.

Comparison of the two options

	Option 1	**Option 2**
Consistent approach to the calculation of claim experience	Yes. Treats a fatal injury claims the same way as other serious injuries requiring a year off work.	No. Treats fatal injuries in a unique way.
Alignment with behavior change principles	Some alignment	Better alignment
Levy impact from 1 fatal injury claim in the most recent experience year	0% to 80% increase	20% increase
Average impact of small to medium sized enterprises (annual levy of $50,000 or less)	40% increase (5% have no increase)	20% increase
Average impact for large businesses (annual levy of 250,000 or more)	10% increase (40% have no increase)	20% increase
Proportion of business with no levy impact from a fatal injury claim	6%	0%
Number of years the fatal injury impacts the levy for	3	2
% of business with a greater levy impact under option 1 than option 2	74%	

% of business with a greater levy impact under option 2 than option 1		16%

A more detailed assessment of the options can be found here [link].

We believe Option 1 has:

- too great a cost for smaller businesses should a fatal injury occur
- too small a price incentive for larger businesses to focus on critical risks in the workplace

Our proposal is to introduce Option 2, where a fatal claim within the last two experience rating years would trigger a final adjustment, increasing that employer's levy by up to 20%.

How it would work

We propose that from 1 April 2023, fatal claims would be separated from medical claims in the experience rating calculation. A fatal claim within the last two experience rating years would trigger a final adjustment to that employer's levy.

The employer's final experience rating would be revised by one or two bands (i.e. a 10% or 20% levy increase).

- If the date of a personal injury resulting in a death was in the most recent year of a business's claims history, then a levy increase of 20% would be added to the employer's work levy.
- If the date of a personal injury resulting in a death was in the year before the most recent year of a business's claims history, then a levy increase of 10% would be added to the employer's work levy.

On average, employers in the Experience Rating Programme pay a levy of approximately $50,000 each year. A fatal claim for these businesses would result in a $10,000 (20%) levy increase in the first year and a $5,000 (10%) increase in the second year. Smaller businesses that qualify for experience rating would receive a smaller levy increase for a fatal claim and larger businesses would receive a proportional increase of up to 20% of their base levy.

The levy adjustment for workplace fatalities:

- would only be applied once, to a maximum of 20%, regardless of the number of deaths at a workplace
- couldn't exceed the maximum levy increase for the Experience Rating Programme (i.e. the proposed 100% increase)
- would be excluded from rehabilitation and risk management components (used to assess a business's claims history in the calculation) to ensure they're not counted twice
- wouldn't include any claims relating to an 'adverse event' such as the Christchurch earthquake (the Minister for ACC may declare an adverse event in extreme situations).

What it would mean for businesses

We anticipate levy increases resulting from fatal claims would impact only a handful of employers in the Experience Rating Programme each year (on average, ten businesses in the programme have a fatal claim in a year).

The use of standard adjustments (10% or 20%) means the financial impact of a fatal injury is proportional to the size of the levy. A larger business would pay a larger dollar amount.

Table 1: Example of the possible fatality adjustment from one fatal injury in the most recent year

2020 Work Account levy	Number of Business Groups	Average Fatality Adjustment (1st experience year i.e. 20%)
<= $25,000	4,394	$3,274
$25,000.01 to $50,000	2,037	$6,975
$50,000.01 to $100,000	1,074	$13,877
$100,000.01 to $250,000	546	$30,336
$250,000.01 to $500,000	167	$67,247
$500,000.01 to $1,000,000	40	$130,565
Over $1,000,000	19	$395,995

Most of New Zealand's largest employers choose to join the Accredited Employers Programme and are not subject to the levy discounts or increases associated with Experience Rating. But for larger employers that remain in the Experience Rating Programme, a 20% levy increase if they have a workplace fatality would carry a significant financial impact. It's possible this impact could be limited by applying a cap to large outliers.

ACC believes the approach, described above, best gives effect to the objective of elevating the importance of fatal injuries in the programme as it has a direct, proportional impact on the levy paid.

What you told us in 2018

Some submitters supported this proposal when we first consulted on it in 2018. However, other businesses raised concerns that:

- a fatality adjustment would be unfair
- businesses could also be liable for a financial penalty from WorkSafe NZ.

A focus on critical risks takes a whole-of-system response. We all have a role to play. Just as employers have a responsibility to ensure their workers go home safely at the end of each workday, ACC and WorkSafe have distinct but complementary roles for harm prevention.

WorkSafe is the primary workplace health and safety regulator. We've consulted with WorkSafe over the concerns expressed in 2018. They believe few employers would be placed in a situation where a financial penalty would be incurred by both ACC and WorkSafe and only in situations where the business failed in its duty of care under the Health and Safety at Work Act 2015.

ACC provides economic incentives that promote behavioural change. This supports WorkSafe's role in improving health and safety in workplaces.

Consultation questions

- Do you have any comments on the options considered to increase the impact of a workplace fatality in the Experience Rating programme?
- Do you support ACC’s proposed option of adding a final adjustment to the levy resulting in a 20% increase in the most recent year and 10% increase in two years after a fatal claim (0% in the third year)?
- Under ACC’s proposed option, what do you think about the proposal to cap the impact of recent fatal claims at a 20% increase on the levy, regardless of the number of fatalities?
- under ACC’s proposed option, should a further cap apply to limit the financial impact of a workplace fatality on a large business?