



COVERSHEET

Minister	Hon Matt Doocey	Portfolio	ACC
Title of Cabinet paper	ACC Financial Sustainability – levies and performance improvement	Date to be published	13 December 2024

List of documents that have been proactively released		
Date	Title	Author
28 August 2024	<i>Consultation on 2025/26 – 2027/28 ACC levies</i>	<i>Office of the Minister for ACC</i>
28 August 2024	<i>ECO-24-MIN-0174 - 2025/26 – 2027/28 ACC Levies: Approval to Consult</i>	<i>Cabinet Office</i>
25 November 2024	<i>ACC Financial Sustainability – levies and performance improvement</i>	<i>Office of the Minister for ACC</i>
25 November 2024	<i>CBC-24-MIN-0118 – Cabinet Business Committee Minute of Decision</i>	<i>Cabinet Office</i>
25 November 2024	Appendix 5 – Cost Recovery Impact Statement 2025/26, 2026/27, 2027/28 ACC Levies	<i>MBIE</i>
25 November 2024	Appendix 6 – RIS New classification unit for home improvement stores and sports and physical recreation	<i>MBIE</i>
25 November 2024	Appendix 7– RIS Removing ACC's No Claims Discount	<i>MBIE</i>
25 November 2024	Appendix 8 – RIS Reviewing motorcycle groupings to enable levy rates to better reflect crash and claim data	<i>MBIE</i>
25 November 2024	Appendix 9 – RIS ACC's Ride Forever programme	<i>MBIE</i>
25 November 2024	Appendix 10 – RIS Levy portion for plug-in hybrids and battery electric vehicles	<i>MBIE</i>
25 November 2024	Appendix 11 – RIS ACC's Fleet Saver	<i>MBIE</i>
25 November 2024	Appendix 12 – RIS ACC interest rates and bad debt	<i>MBIE</i>

Information redacted

YES / NO (please select)

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.



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

ACC Financial Sustainability: Levies and Performance Improvement

Portfolio ACC

On 25 November 2024, the Cabinet Business Committee:

- 1 **noted** that ACC's Accounts are in a state of decline and that, even with an increase to levies through the 2025-2028 round, the funding ratio for all three Accounts will fall below 100 percent over a ten-year horizon;
- 2 **noted** that ACC's input into the Budget Economic and Fiscal Update was based on 5 percent levy rate increases, plus inflation for the Motor Vehicle Account;
- 3 **noted** that independent advice provided to the Ministry of Business, Innovation and Employment (MBIE) by Finity Consulting Ltd highlighted that a 1 percent increase in the rehabilitation performance will have a positive impact on the funding ratio over a ten-year period, subject to levy increases continuing up to the capped amounts over that period;
- 4 **noted** that the Minister for ACC, in consultation with the Minister of Finance, will develop draft terms of reference for an external review of ACC;
- 5 Confidential advice to Government
- 6 Confidential advice to Government

Average 2025/26, 2026/27, 2027/28 levies

7 **agreed** to set the average 2025/26, 2026/27, and 2027/28 levy rates for the Work and Earners’ Accounts in accordance with ACC and MBIE’s recommended levy rates:

Levy	Current 2024/25 levy rates	Recommended levy rate			Net change over 3 years
		2025/26	2026/27	2027/28	
Average Motor Vehicle levy	\$113.94 per vehicle	\$122.84 (+7.8%)	\$131.94 (+7.4%)	\$141.69 (+7.4%)	\$27.75 ↑
Earners’ levy rate	\$1.39 per \$100 of liable earnings	\$1.45 (+4.3%)	\$1.52 (+4.8%)	\$1.59 (+4.6%)	\$0.20 ↑
Average Work levy rate	\$0.63 per \$100 of liable earnings	\$0.66 (+4.8%)	\$0.69 (+4.5%)	\$0.72 (+4.3%)	\$0.09 ↑

Technical policy proposals to improve fairness and operational efficiency – Work and Earners’ Accounts

8 **agreed** to the changes to Classification Units and Levy Risk Groups, as specified in Appendix Three to the paper under CBC-24-SUB-0118;

9 **agreed** to remove the No Claims Discount, and cross-subsidisation in the Experience Rating framework, from 1 April 2026;

10 **agreed** to increase the medical treatments threshold costs from \$500 to \$750;

11 **agreed** to the changes to the Accredited Employers Programme, as specified in Appendix Four to the paper under CBC-24-SUB-0118;

12 **agreed** to the following changes to the maximum and minimum liable earnings;

	Current amount	2025/2026 levy period	2026/2027 levy period	2027/2028 levy period
Maximum earnings	\$142,283	\$152,790	\$156,641	\$160,244
Minimum earnings	\$44,250	\$49,365	\$50,501	\$51,632

13 **agreed** to introduce interest rates, calculated via formula, for levies paid through the following circumstances, from 1 April 2026:

13.1 debit interest charged on instalment plans;

13.2 penalty interest;

13.3 credit interest;

14 **agreed** to introduce new regulations to clarify the circumstances under which ACC may waive or cancel interest on instalment plans;

Technical proposals to improve fairness and operational efficiency – Motor Vehicle Account

- 15 **agreed** to introduce a 25 percent discounted levy for motorcycle owners who have completed advanced rider training from 1 July 2026;
- 16 **agreed** to increase the contribution of motorcyclists in the Motor Vehicle Account to better cover the cost of motorcycle claims, with a staged increase of 33 percent from 1 July 2026 and 37 percent from 1 July 2027;
- 17 **agreed** to introduce new motorcycle risk groups with the associated ACC levy portions payable during the annual vehicle licensing process from 1 July 2026;
- 18 **agreed** to increase the ACC levy portion payable for non-petrol-powered plug-in hybrid electric vehicles and battery electric vehicles;
- 19 **agreed** to phase out the Fleet Saver programme, with no new entrants allowed from 1 July 2025, and to completely close the programme from 30 June 2029;
- 20 **noted** that the Minister for ACC, in consultation with the Minister of Transport, will look into alternative options to achieve the outcomes that Fleet Saver was originally intended to achieve and report back to the Cabinet Economic Policy Committee, in due course;

Legislative implications

- 21 **authorised** the Minister for ACC to make decisions on minor or technical matters that are consistent with the policy under CBC-24-MIN-0118;
- 22 **invited** the Minister for ACC to issue drafting instructions to the Parliamentary Counsel Office to implement the decisions under CBC-24-MIN-0118.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Christopher Luxon (Chair)
Hon David Seymour
Hon Nicola Willis
Hon Brooke van Velden
Hon Shane Jones
Hon Dr Shane Reti
Hon Simeon Brown
Hon Erica Stanford
Hon Judith Collins KC
Hon Matt Doocoy

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet