MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Scott Simpson	**Portfolio**	ACC
Title of Cabinet paper	Accident Compensation Motor Vehicle, Work, Earners' and Experience Rating Amendment Regulations 2025	**Date to be published**	25 March 2025

List of documents that have been proactively released		
Date	**Title**	**Author**
February 2025	Accident Compensation Motor Vehicle, Work, Earners' and Experience Rating Amendment Regulations 2025	Office of the Minister for ACC
20 February 2025	Accident Compensation Levy Regulations LEG-25-MIN-0014 Minute	Cabinet Office

Information redacted **YES** / **NO** *[select one]*

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 for the reason of Confidential advice to Government.

In Confidence

Office of the Minister for ACC

Chair, Cabinet Legislation Committee

Accident Compensation Motor Vehicle, Work, Earners' and Experience Rating Amendment Regulations 2025

Proposal

1 I propose that the Cabinet Legislation Committee authorise the submission of the following regulations (collectively known as the Levy Regulations) to the Executive Council:

1.1. Accident Compensation (Work Account Levies) Regulations 2025

1.2. Accident Compensation (Earners' Levy) Regulations 2025

1.3. Accident Compensation (Experience Rating) Regulations 2025

1.4. Accident Compensation (Motor Vehicle Account Levies) Regulations 2025.

Policy

2 ACC collects levies for its levied Accounts at rates set every three years. Setting levy rates involves trading off a range of competing factors, including fully funding the Accounts, levy stability, intergenerational equity, collecting the minimum amount necessary, and the public interest. Guidance is provided by the ACC Funding Policy Statement that sets out principles of financial responsibility and includes a cap on levy increases.

3 Following consultation undertaken by ACC on new levy rates and levy-related policy and technical proposals to improve fairness, Cabinet Business Committee agreed on 25 November 2024 to the average levy rates for the Motor Vehicle, Work and Earners' Accounts for 2025/26, 2026/27, and 2027/28 as well as levy-related policy and technical changes to be implemented by the Levy Regulations [CBC-24-MIN-0118 refers].

4 Average levies are being increased for the next three years by the cap set out in the Financial Policy Statement – which is 5% per annum for the Work and Earners' Levies and 7.5% for the Motor Vehicle Levies (including an inflation component).

5 The cost of ACC claims has been increasing, driven by general inflationary pressures, declining ACC performance and Court decisions that have expanded the boundaries of the Scheme. To ensure the financial sustainability of the Scheme, levies need to be increased and ACC's performance improved.

Context

6 The growth in new year claim costs means that ACC's levied Accounts are currently experiencing a funding shortfall, with only two of the three levied Accounts being fully-funded in the 2024/25 financial year. This shortfall is projected to increase, with all levied Accounts being impacted at the end of the ten-year funding horizon in 2034/35. The decision to raise levies partially addresses this issue by lessening the extent of the underfunding, minimising the need for substantial increases in future levy rounds. Raising levies is not a panacea and will only partially address ACC's deficit but it is a step in the right direction.

7 It is imperative that these regulations are made on 24 February 2025 so that ACC has authority to collect 2025/26 levies from 1 April 2025, and from 1 July 2025 for motor vehicles.

Motor Vehicle Account

8 An overarching principle in the Motor Vehicle Account is that levies should consider the risk profile of road users, with levies being lower for those that minimise this risk.

9 Levy-policy changes related to the Motor Vehicle Account include increases to motorcycle levies to reduce the level of cross-subsidisation of motorcyclists paid by the other road users, meaning that motorcyclists will have staged increases to align with the 37% of single vehicle crashes that they are responsible for. Alongside this, new risk groupings to better reflect that the cost of injuries increases as the engine capacity of a motorcycle increases will apply. This will recognise that smaller motorcycles (e.g. mopeds) should not be responsible for funding claims of those that ride the more powerful motorcycles.

10 These increases are offset, at differing levels depending on engine size, by the introduction of an enhanced 25% discount scheme for riders completing an advanced rider safety course. The rationale for the discount applies through the Ride Forever programme. This has trialled a financial incentive of a $200 cashback on the levy component of the motorcycle registration fee upon completion and data of attendees has shown a correlation of the reduction of motorcycle accidents by 26%.

11 Feedback from motorcyclists that received the cashback during the trial period highlighted that a more immediate financial incentive through a levy discount would increase the uptake of course attendance. This acknowledges there was a level of administrative burden on motorcyclists who needed to apply for the cashback, and then receive a delayed payment.

12 Confidential advice to Government

13 The motorcycle levy increases will be staged to lessen their impact, with the new engine-size risk groupings and first stage of increased contribution from motorcyclists taking

effect from 1 July 2026, and the final increase for motorcyclists taking effect from 1 July 2027.

14 There are also levy increases for diesel plug-in hybrids and battery electric vehicles to align their levies with those for other non-petrol vehicles. The Fleet Saver product (which provides levy discounts for fleet vehicle owners who are audited against ACC safety and vehicle management practice standards) will have no new entrants from 30 June 2025 and will close by 30 June 2029. The Fleet Saver product is considered no longer fit for purpose and would have required significant investment per customer to maintain.

Work Account

15 The Experience Rating Framework, which modifies the Work Account levies of qualifying businesses depending on their prior health and safety performance, is being amended to improve its effectiveness and fairness. Businesses with a small number of prior claims receive a discount on their levy, while businesses with a large number of prior claims have their levy loaded (increased). Currently the amount given in discounts to better performers is greater than that collected in loadings from poorer performers, so changes are being made to make the scheme fairer and ensure it is fully funded.

16 The No-Claims Discount scheme (which can give a more limited discount of 10% or loading of 10% for small to medium sized businesses) is being removed as it is heavily cross-subsidised and considered ineffective in changing behaviour. The cross-subsidisation of the remaining Experience Rating scheme (which applies to larger businesses with a more reliable claims record) is being removed to ensure discounts are fully funded by those in the scheme.

17 The Experience Rating medical threshold is used to determine which claims count in assessing prior health and safety performance. This means that when businesses have claims below the threshold, they do not contribute towards their Experience Rating. This threshold is being increased from $500 to $750 to reflect inflation in healthcare costs since the threshold was first set 10 years ago. Inflation to labour costs in health and other sectors has risen by about 50% in the last 10 years, which reflects the 50% increase in the threshold.

18 Other Work Account changes include updating minimum and maximum earnings thresholds. This is a standard part of the levy-setting process and reflects wage inflation. There are also changes being made to the Work Account Classification Units, that are used to set levy rates according to industry risk, to better reflect the risk profiles of sporting organisations. This change better reflects the current structure of sports governance in New Zealand where organisations who directly employ players (e.g. NZ Rugby) have a higher risk profile compared to organisations that have a more administrative role (e.g. Super Rugby clubs).

19 The most significantly affected levy payers are employers of ballet dancers (Royal NZ Ballet), motorcycle national governance bodies, football national governance bodies and rugby league national governance bodies, who will have their increase spread over three years.

20 There is a new Classification Unit for home improvement stores. When businesses undertake multiple activities, ACC is required to classify them based on their highest risk activity. For home improvement stores that undertake a mix of retail and wholesale functions, this can result in a levy rate that does not fairly reflect their main activity. The change will mean that the Classification Unit that will apply will better reflect a store's unique structure and risk profile.

Regulations Review Committee

21 There are no grounds for the Regulations Review Committee to draw the Regulations to the attention of the House of Representatives under Standing Order 327.

Certification by Parliamentary Counsel

22 The Levy Regulations have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Impact Analysis

23 Regulatory Impact Assessments were prepared in accordance with the necessary requirements and submitted at the time Cabinet Business Committee approval for the recommended changes was sought on 25 November 2024 [CBC-24-MIN-0118 refers].

Publicity

24 ACC, as the operational agency, will communicate with impacted levy payers to inform them of how the changes will affect them.

Proactive release

25 MBIE will proactively release this Cabinet paper and accompanying Cabinet minute.

Consultation

26 The following Government agencies were provided an opportunity to comment on the Cabinet paper: Accident Compensation Corporation, New Zealand Customs Service, the Treasury, Inland Revenue, Waka Kotahi NZ Transport Agency, Sport New Zealand, Ministry of Culture and Heritage, Ministry of Transport, Ministry of Health, Ministry for Pacific Peoples, Ministry for Women, WorkSafe New Zealand and Te Puni Kōkiri. The Department of the Prime Minister and Cabinet were informed of the Cabinet paper.

Timing and 28-day rule

27 The Levy Regulations will be made on 24 February and come into force on 1 April 2025, apart from those concerning the Motor Vehicle Account which will come into force on 1 July 2025.

Compliance

28 Section 331 of the Accident Compensation Act 2001 sets out the requirements for making regulations relating to levy setting that include receiving a recommendation from the Corporation after it has consulted levy payers and considered the Financial Policy Statement. I am satisfied these requirements were complied with.

29 Section 330 sets out the requirements for consulting with persons I consider appropriate before recommending any changes relating to classifications, risk rating or treatment injury. I am satisfied these requirements were complied with.

30 It has been assessed that the proposed Levy Regulations comply with each of the following:

30.1. the principles of the Treaty of Waitangi;

30.2. the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;

30.3. the principles and guidelines set out in the Privacy Act 2020;

30.4. relevant international standards and obligations;

30.5. the Legislation Design and Advisory Committee's Legislation Guidelines (2021 edition).

Recommendations

I recommend that the Cabinet Legislation Committee:

1 **note** that on 25 November 2024 after the completion of public consultation, Cabinet Business Committee agreed to changes to Levy Regulations [CBC-24-MIN-0118 refers] that:

1.1. set levy rates for the Motor Vehicle, Work and Earners' Accounts for 2025/26, 2026/27, and 2027/28;

1.2. make changes to specific Work Account Classification Units to better reflect risk profiles for home improvement stores, and sports;

1.3. make changes to the Experience Rating Framework to increase the experience rating medical threshold from $500 to $750 and remove the No-Claims Discount and cross-subsidisation of the Framework, to increase equity;

1.4. make changes related to the Motor Vehicle Account that include:

1.4.1. increasing the contribution from owners of motorcycles to the cost of injuries to motorcyclists from 28% to 37%;

1.4.2. introducing new risk groupings to better reflect that the cost of injuries increases as the engine capacity of a motorcycle increase;

1.4.3. increasing the levy for diesel plug-in hybrids and battery electric vehicles to align with other non-petrol vehicles; and

1.4.4. removing the graduated discount for Fleet Saver participants (trucks audited against ACC safety and vehicle management practice standards);

2 **note** that the Accident Compensation (Work Account Levies) Regulations 2025, the Accident Compensation (Earners' Levy) Regulations 2025, the Accident Compensation (Experience Rating) Regulations 2025, and the Accident Compensation (Motor Vehicle Account Levies) Regulations 2025 will give effect to the decisions referred to in the preceding paragraph;

3 **authorise** the submission to the Executive Council of the Accident Compensation (Work Account Levies) Regulations 2025, the Accident Compensation (Earners' Levy) Regulations 2025, the Accident Compensation (Experience Rating) Regulations 2025, and the Accident Compensation (Motor Vehicle Account Levies) Regulations 2025;

4 **note** that the Accident Compensation (Work Account Levies) Regulations 2025, the Accident Compensation (Earners' Levy) Regulations 2025 and the Accident Compensation (Experience Rating) Regulations 2025 will come into force on 1 April 2025, and the Accident Compensation (Motor Vehicle Account Levies) Regulations 2025 will come into force on 1 July 2025;

5 **note** that section 331 requires that the Minister may not recommend the making of regulations prescribing the rates of levies unless the Minister has first received and considered a recommendation from ACC, and ACC has followed the provisions of section 331 including consulting levy payers and considering the FPS. Section 330 of the Accident Compensation Act 2001 requires that the Minister may not make any recommendation about regulations relating to classifications and risk rating without first consulting the persons or organisations the Minister considers appropriate;

6 **note** that the advice of the Minister for ACC is that these requirements have been met;

7 Confidential advice to Government

Authorised for lodgement

Hon Andrew Bayly

Minister for ACC