In Confidence

Office of the Minister for ACC

Chair, Cabinet Economic Development Committee

2019/20 AND 2020/21 ACC LEVIES

PROPOSAL

1. This paper seeks your agreement to:

    1.1. 2019/20 and 2020/21 Accident Compensation Corporation (ACC) average levy rates for the Work, Earners' and Motor Vehicle Accounts (the levied Accounts);

    1.2. levy related proposals for the Work Account, including changes to how self-employed levies are assessed and changes to the experience rating programme; and

    1.3. levy related proposals for the Motor Vehicle Account, including vehicle risk rating.

EXECUTIVE SUMMARY

ACC levy rates for 2019/20 and 2020/21

2. I seek agreement to ACC levy rates for 2019/20 and 2020/21 years. This paper considers two levy-setting options as set out below. ACC has recommended levy rates in accordance with the Funding Policy Statement issued by the previous Government in May 2016. My proposed levy rates amend ACC's recommendations taking into account a wider range of public interest considerations.

Table 1: Levy Rate Options

Levy Rates	**Work Account** (per $100 liable earnings excluding GST)	**Earners' Account** (per $100 liable earnings excluding GST)[1]	**Motor Vehicle Account** (average rate per vehicle including petrol component, excluding GST)
Current	$0.72	$1.21	$113.94
Minister for ACC's proposed rates	$0.67 (6.9% ⬇)	$1.21	$113.94
ACC's recommended rates	$0.67 (6.9% ⬇)	$1.24 (2.5% ⬆)	$127.68 (12.1% ⬆)

[1] While these amounts are exclusive of GST, the recommendation for Cabinet agreement is expressed as GST inclusive ($1.39 and $1.43) to provide Inland Revenue with clarity on the rate required for implementation.

3. I recommend that Cabinet agree to my proposals. My proposals follow ACC's recommendations in relation to the reduction in the Work Account levies but hold the Earners' and average Motor Vehicle Account levies at their current levels.

4. Both my proposals and ACC's recommendations comply with the legislated financial responsibility principles. All levied Accounts would be fully funded, with each Account's funding position remaining within the funding policy's funding band over the funding adjustment period.

Other policy proposals

5. I also recommend a number of levy related proposals. These include:

   5.1 removing the Vehicle Risk Rating (VRR) programme;

   5.2 changing the way self-employed levies are assessed; and

   5.3 improving the experience rating programme.

Regulations are required to implement new levy rates

6. To enable the collection of levies at the new levy rates from 1 April 2019 for the Work and Earners' Accounts, and 1 July 2019 for the Motor Vehicle Account, regulations must be made by 1 March 2019 and 1 May 2019 for the respective Accounts.

Announcement

7. I intend to announce the new average 2019/20 and 2020/21 levy rates immediately after they are agreed by Cabinet.

Publication of ACC's recommended levy rates and pricing report

8. ACC has published a summary of its levy recommendations in the *New Zealand Gazette* and major metropolitan newspapers as required by legislation. ACC is also required to publish a report detailing the effect the prescribed levy rates are expected to have on the Accounts when the regulations prescribing the rates of levies are made by Cabinet[2].

BACKGROUND

The Accident Compensation scheme

9. ACC is a Crown agent providing comprehensive, no-fault personal injury cover to all New Zealand residents and visitors to New Zealand. ACC coverage is managed under five separate Accounts. This paper considers the levies that fund the Work, Earners' and the Motor Vehicle Accounts, as outlined in Table 2 below[3].

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[2]Section 331 of the Accident Compensation Act 2001.
[3] The appropriation for the Crown-funded Non-Earners' Account is considered during the Budget process each year. The Treatment Injury Account is funded through the Earners' and Non-Earners' Accounts.

Table 2: Summary of ACC Accounts

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

10. Regulations specify the levies that fund the Work, Earners'[4] and Motor Vehicle Accounts. Changes to levy rates can only be made after ACC has recommended levy rates to me following public consultation.

11. The proposed rates discussed below are average rates for each levied Account. With the exception of the Earners' levy, the actual levy paid by levy payers will vary. In the Work Account, it will depend on the employer's classification unit (industry), their claims experience and any participation in safety incentive programmes. For motorists contributing to the Motor Vehicle Account, it will depend on the type of vehicle they own.

Legislative requirements for setting the 2019/20 and 2020/21 levies

12. The *Accident Compensation Act 2001* (the Act) requires that the cost of all claims under the levied Accounts be fully funded. That is, the Accounts must have an adequate level of assets to meet the lifetime cost of historical claims (outstanding claims liability). In addition, the levy rates must meet these following legislated financial responsibility principles[5]:

    12.1 the levies derived for each Account should meet the lifetime cost of claims in relation to injuries that occur in a particular year. This connects levies to the actual full cost of providing injury cover which supports equity between levy payers across generations;

    12.2 under- and over-funding should be corrected by the setting of levies at an appropriate rate for a subsequent year or years; and

    12.3 large changes in levies should be avoided.

[4] Funds collected through levies on the Earners' Account include a contribution to the Treatment Injury Account.
[5] Section 166A(2) of the Accident Compensation Act 2001.

13. Details on the scale of the funding adjustments, amongst other requirements, are set out in the Funding Policy Statement issued by the previous Government in May 2016 **(Appendix 1)** and include:

13.1 Funding target: ACC must target the level of funds versus reported liabilities at the midpoint of a target funding band of 100 per cent to 110 per cent, i.e.105 per cent; and

13.2 Funding adjustment: after reflecting current year claim costs, a funding adjustment is applied to return the funding position to the funding target over a 10 year horizon. This means the adjustment is sufficient to collect or return about 10 per cent of any deficit or surplus each year.

14. ACC's levy recommendations must comply with the Funding Policy Statement[6] but the Government's decision need not do so. The Government is required to have regard to the broader public interest and, in particular, the interests of taxpayers, levy payers, claimants, and potential claimants when setting levy rates. ACC must make a recommendation; the Minister is not obliged to accept the recommendation and can recommend different rates[7].

Independent quality assurance of levies

15. An independent quality assurance of ACC's actuarial forecasts and assumptions has been undertaken by the Ministry of Business, Innovation and Employment's (MBIE) independent actuary, Finity Consulting Pty Limited (Finity). Finity's opinion is that ACC's estimate of current year costs and its estimate of the required levies are reasonable.

16. Finity noted that "the long term and uncertain nature of ACC benefits means there will always be a range of reasonable projection assumptions, and different ways in which the funds can be collected. However, taken together, the judgements made by ACC appear to strike an appropriate balance."

17. Finity also pointed out that "charging lower levies for the next two years would not be expected to significantly impact account solvency, and ACC has sufficient assets to cover payments for many years under any plausible scenario. The main risk of charging lower levies over the next two years is that it increases the likelihood that a levy increase will be required the next time levy rates are reviewed."

[6] Section 331(3) of the Accident Compensation Act 2001.
[7] Section 331(5) of the Accident Compensation Act 2001.

PROPOSED AVERAGE 2019/20 AND 2020/21 LEVY RATES

18. I seek your agreement to set average ACC levy rates for 2019/20 and 2020/21. Table 3 below sets out my proposed rates along with ACC's recommendations for each levied Account.

Table 3: Levy rate options

Levy Rates	Work Account (per $100 liable earnings excluding GST)	Earners' Account (per $100 liable earnings excluding GST)	Motor Vehicle Account[8] (per vehicle including petrol component, excluding GST)
Current	$0.72	$1.21	$113.94
Minister for ACC's proposed rates	$0.67	$1.21	$113.94
ACC's recommended rates	$0.67	$1.24	$127.68

19. ACC's recommended levy rates are consistent with the previous Government's funding policy, and have regard to the principles of financial responsibility. ACC has considered public feedback from its consultation before making these recommendations. A summary of the public feedback is in the attached Cost Recovery Regulatory Impact Statement.

My proposal strikes the appropriate balance

20. I propose that Cabinet agree to ACC's recommended reduction in the Work Account average levy rate but that the Earners' and the Motor Vehicle Account average levy rates be maintained at the current rates, as the effect of doing so is immaterial for the Accounts' funding position and levy rates over time.

21. I consider these levy rates are fair when assessed against the objectives of intergenerational equity, ensuring that each levy paying cohort pays their fair share of costs and broader public interest considerations, in addition to financial responsibility principles.

22. A range of levy rates would be consistent with the legislated financial responsibility principles to set levy rates to fully fund the Accounts. However, different rates will see ACC's funding position change more quickly or slowly depending on the size of the funding adjustment applied to the levy rate required to meet expected costs of claims.

[8] The Motor Vehicle Account levies are expressed as dollars per vehicle, while Work and Earners' levies are a percentage of earnings.

23. ACC has forecast that future claims costs will continue to increase. The use of the current funding surplus in the levied Accounts is acting as a buffer that allows levy rates to be set at a lower rate than would otherwise be possible if that buffer did not exist.

24. By using less of the funding surplus in this levy round, ACC's recommended rates provide for a smoother levy path with gradual increments at future levy rounds. While ACC has correctly applied the previous Government's funding policy, this approach does not, however, reach the 105 per cent solvency by 2029/30. Consequently, I consider that the scheme retains higher levels of solvency for longer than is necessary.

25. Setting the levy rates for the Earners' and Motor Vehicle Accounts below ACC's recommended rates means that larger levy rate increases may be required in the future if the current assumptions about increasing claims costs remain valid.

26. My expectation is, however, that ACC will identify and implement further measures to improve scheme performance. More broadly, I consider there is a need to assess the previous Government's funding policy to ensure that it reflects this Government's preferred objectives and outcomes. While I acknowledge that ACC's recommendation complies with the previous Government's funding policy, I consider it results in ACC retaining funds in excess of those required to fully fund the levied Accounts. There is a need to ensure that the funding policy continues to be consistent with the principles of financial responsibility outlined in section 166A of the Act, while minimising the retention of surplus funds.

27. My proposal for each levied Account is set out below. To illustrate the impact of the proposed levy rates for each levied Account, an accompanying table contains information on:

    27.1 expected costs: ACC's forecast estimate of the total cost of all accidents expected to occur in the 2019/20 and 2020/21 levy years, regardless of when the payments for entitlements and associated expenses happen;

    27.2 funding adjustment: the difference between ACC's liabilities for historical claims, and the assets ACC holds for those claims. Because the levied Accounts currently exceed the funding target, funding adjustments are negative and reduce the levies ACC proposes to collect; and

    27.3 funding ratio: ACC's projection of the ratio of the assets and liabilities in the Account at the end of the 10 year funding horizon applying the funding policy.

Work Account

28. Table 4 below shows the impact of the average levy rates for the Work Account which ACC has recommended to me.

Table 4: Minister's proposed and ACC's recommended Work Account levy rate

Work Account average levy rate	Current rate (per $100 liable earnings)	Proposed rate (excl GST)	Change	Expected costs[9]	Funding adjustment	Funding ratio at 2029/30
Minister's proposed rate (consistent with recommended ACC rate)	0.72	$0.67	$0.05 (6.9%)	$0.81	-$0.14	110%

29. Submitters strongly support (92 per cent) a Work Account levy decrease, with many seeing it as a significant cost to their business. Those who do not support a levy decrease believe the Work Account levy should be maintained at current levels with the additional funds used to improve ACC services (i.e. improved rehabilitation options or medical treatments).

30. I agree with, and recommend, ACC's proposed reduction because:

 30.1 claims cost are significantly lower (7 per cent decrease) than was expected two years ago; and

 30.2 the Work Account's funding position is very strong, with the ratio of its assets versus reported liabilities expected to remain well above the 105 per cent target over the next 10 years.

31. The high level impact of the recommended reduction in the average Work Account levy rates on businesses is shown in the table below.

Table 5: Impact of Proposed Work Account levy rate on businesses

	Small business (with liable earnings of $150,000)		**Medium business** (with liable earnings of $1m)		**Large business** (with liable earnings of $10m)	
	Levy	Change	Levy	Change	Levy	Change
Current	$1,080		$7,200		$72,000	
Minister's proposed rate (consistent with ACC's recommended rate)	$1,008	-$72	$6,722	-$478	$67,215	-$4,785

[9] ACC's estimated amount to fully fund an additional year of claims and expenses.

Earners' Account

32. Table 6 below compares the average levy rates for the Earners' Account that I am proposing with ACC's recommended rate.

Table 6: Comparison of Minister's proposed and ACC's recommended Earners' Account levy rate

Earners' Account average levy rate	**Current rate** (per $100 liable earnings)	**Proposed rate** (excl GST)	**Change**	**Expected costs**	**Funding adjustment**	**Funding ratio at 2029/30**
Minister for ACC's proposed rate	$1.21	$1.21	No change	$1.37	-$0.16	107%
ACC's recommended rate		$1.24	⬆ $0.03 (2.5%)	$1.37	-$0.13	108%

33. Most submitters disagreed (80 per cent) with the proposed increase to the Earners' levy, with many seeing the current rates as too expensive and questioning the personal benefit that they receive from ACC.

34. Consistent with advice from MBIE, I do not consider there is a strong rationale for increasing the Earners' levies, given the Account is in a strong financial position, and maintaining the current rate for the current levy round is expected to adequately support a strong funding position over the next 10 years.

35. ACC considers that levy rates have to increase to address long-term cost pressures in the scheme and meet cover and entitlements to maintain a fully funded scheme and smooth levy increases over a 10-year period. At a high level, ACC's recommended rates reflect that:

    35.1 higher than expected claim costs in respect of weekly compensation benefits are offset by assumed lower severity for elective surgery claims;

    35.2 allowances for management responses[10] have reduced levies; and

    35.3 higher than expected wages have been offset by changes in assumed inflation and the discount rate.

[10] The two categories of ACC's planned management action are its Integrated Change Investment Portfolio initiatives which includes initiative to improve claims management and the purchasing of health services, and injury prevention investments.

36. ACC's recommended levy rate would represent an approximate annual increase of $12 for a minimum wage earner, $18 for an average wage earner and $44 for a high wage earner[11].

37. The impact of ACC's recommended rates and my proposal on future levy rates and solvency positions is at **Appendix 2**.

38. As Figure 3 of Appendix 2 shows, based on current forecasts and applying the current funding policy, at the next levy round there would be a cent difference between the Earners' levy based on my proposal ($1.26) and ACC's recommendation ($1.27). Although the levy rate increase from this round to the next levy round would be larger under my proposal (5 cents compared to ACC's 3 cents), the difference between my proposal and ACC's rates would represent an estimated increase of $6 annual levy for a minimum wage earner[12]. All things being equal, maintaining the current levy rate for the 2019/21 levy round would only result in an insignificant difference in the levy increases required in future levy periods.

39. It needs to be remembered that these projections are subject to change. For instance, at the last levy round, ACC proposed a 3.3 per cent increase from $1.21 to $1.25. Not raising the rates then was expected to result in an 11 cent increase in the 2019/20 – 2020/21 levy round. The Earners' levy stayed at the 2016 rate of $1.21 and ACC's proposed increase for this levy round is 3 cents rather the expected 11 cents.

Motor Vehicle Account

40. Table 7 compares the average levy rates for the Motor Vehicle Account that I am proposing with ACC's recommended rate.

Table 7: Comparison of Minister's proposed and ACC's recommended average Motor Vehicle Account levy rate

Motor Vehicle Account average levy rate	**Current rate** (per vehicle)	**Proposed rate** (excl GST)	**Change**	**Expected costs**	**Funding Adjustment**	**Funding ratio at 2029/30**
Minister for ACC's proposed average rate	$113.94	$113.94	No Change	$158	-$37	106%
ACC's recommended average rate		$127.68	$14 (12.1%)	$158	-$30	107%

[11] Calculated using the minimum wage rate, assuming a median wage rate of $25 per hour based on June 2018 labour market statistics (https://www.stats.govt.nz/information-releases/labour-market-statistics-income-june-2018-quarter) and the maximum liable earnings figure and includes GST.

[12] This assumes a minimum wage of $20 in 2021.

41. Most submitters disagreed (87 per cent) with ACC's proposed increase to the Motor Vehicle levy, citing the already high costs of car registration and petrol and the impact on low- and middle-income motorists. After considering public feedback, ACC's Board recommended keeping the petrol levy at 6 cents per litre but still increasing the average Motor Vehicle levy for road users to $127.68 (a 12.1% increase).

42. I propose maintaining the Motor Vehicle average levy rate at $113.94. Consistent with advice from MBIE, I consider there is scope for holding the average Motor Vehicle levy rate constant for the next two years. The Motor Vehicle Account's funding position is strong; despite it being the least well-funded levied Account, the Motor Vehicle Account's projected funding position at the start of the 2019-21 levy period is 111 per cent and would remain within the current funding policy's funding band under my proposal.

43. ACC has projected that levy rates would need to be increased to $136 at the next levy round based on my proposed rate, compared with an increase to $135 on ACC's recommendation.[13] The Account's funding position would be one per cent lower than if it were increased as recommended by ACC. Although the levy rate increase from this round to the next levy round would be larger under my proposal ($22 compared to ACC's $7), the dollar difference between my proposal and ACC's rate would represent an estimated increase of $57 annual levy for a household on an average income with two cars.

44. At a high level, ACC's recommended average levy rate increase reflects that:

44.1 there are long-term cost pressures in the scheme. A particular driver of claims costs is the higher social rehabilitation costs. In part, this reflects the impact of the pay equity settlement relating to the remuneration of care and support workers that was not picked up in the previous levy round;

44.2 some cost pressures are offset by the impact of management responses, such as ACC's injury prevention investments; and

44.3 historically low interest rates, which amplify the costs of long-term claims given there is a lesser ability to rely on investment earnings to cover the costs of claims in out years.

45. The impact of ACC's recommended rates and my recommendations on future levy rates and solvency positions is at **Appendix 3**.

46. The average Motor Vehicle levy rate reflects how much (on average, across the total vehicle fleet, and including the petrol levy) needs to be levied against each vehicle in New Zealand. The specific rates that apply to specific vehicle types (e.g. light passenger vehicles, mopeds, tractors) depend on a number of factors such as fleet make up, claims experience, fuel efficiency. Even if the average Motor Vehicle levy is held at the current amount the vehicle specific rates need to change to reflect, for example, an expected reduction in petrol levy revenue due to improving fuel efficiency. Some types of vehicle registration fees would increase, some would

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[13] ACC's projections apply the current funding policy's maximum capping rules as it is likely there would need to be levy increases exceeding the maximum capping rules if levies were held constant for two or more years.

decrease, although the changes would not be material. The vehicle specific rates are set out in Table 15 in **Appendix 4**.

47. The overall impact of my proposal and ACC's recommended rates on different Earners' and Motor Vehicle levy payers in shown in Table 8 below.

Table 8: Impact of Earners' and Motor Vehicle levy rates on households[14]

	Household with average income[15] with 2 cars	**One full time minimum wage earner with 1 car**	**One average income earner[16] with 1 car**	**One earner above max liable earnings with 1 car**
Current levy rate (w VRR[17])	$1,463	$649	$823	$1,887
Minister for ACC's proposed rates	$1,508	$599	$845	$1,909
ACC's recommended rates	$1,565	$624	$876	$1,967

Future work

48. ACC has done significant work to understand the economic drivers in estimating future levy rates. I propose that for the next levy round, ACC should focus on identifying drivers of claims numbers that are not related to the New Zealand economy. This will allow ACC to determine whether these drivers can be controlled, or the factors that could be incorporated into the levy projections.

49. I also consider more work needs to be done to better understand the drivers of the lower rate of inflation for elective surgery costs.

50. For the next levy round, ACC has indicated that it will work on the following matters over the 2019-21 levy period:

Motor Vehicle Account

50.1 investigating a shift to distance based levying for motor vehicles;

50.2 investigating offering discounts for multiple vehicles;

50.3 a review of the ACC Fleet Saver programme; and

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[14] GST inclusive.

[15] Assumes a household average income of $90,806 based on the June 2018 wages and salaries from: https://www.stats.govt.nz/information-releases/household-income-and-housing-cost-statistics-year-ended-june-2018.

[16] This assumes a median wage rate of $25 per hour based on June 2018 labour market statistics: https://www.stats.govt.nz/information-releases/labour-market-statistics-income-june-2018-quarter.

[17] The car in column 2 is the least safe car and the other three columns have the safest cars.

Work Account

50.4 a review of the No-Claims Discount Programme.

PART 2 OTHER LEVY-RELATED PROPOSALS

Vehicle Risk Rating Programme

51. I propose that Cabinet remove Vehicle Risk Rating (VRR) given VRR is unlikely to contribute to injury prevention and places a greater proportion of the levy requirement on low income communities.

52. I also propose that ACC, MBIE, NZ Transport Agency (NZTA) and the Ministry of Transport (MoT) give consideration to how best to inform consumers about the safety risks of their vehicles and make the best use of the VRR data. This would be part of the current work to develop the Government's new road safety strategy. The new road safety strategy is already considering a range of options to improve the safety of the New Zealand vehicle fleet, including options to improve awareness of safety ratings among vehicle owners [DEV-18-MIN-0025 refers].

Background

53. The Motor Vehicle Account applies different levy rates to different vehicle types, to go some way to reflecting the different risks of injuries posed by different vehicle types to occupants (e.g. motorcycles are charged higher levies than light passenger vehicles).

54. Within this broader risk rating framework, VRR applies different levy rates to different groups of light passenger vehicles[18] based on their allocation to one of four bands ranging from low to high risk. VRR groups cars by make, model and year of manufacture into risk bands based on their safety rating and crash data in relation to occupants and other road users, and if this is not available, the size and type of vehicle or year of manufacture. Different vehicles are charged different levy rates. VRR was never intended to promote injury prevention, but rather to ensure that those with safer cars would not cross-subsidise those with less safe cars.

55. Around 68 per cent of submissions who commented on VRR, including major submitters such as the AA and the Motor Industry Association, opposed the removal of VRR on the basis of concerns that this would detract from road safety objectives, and that it would be unfair to the owners of safer cars.

56. Concerns have been raised by the NZTA and MoT that removing VRR could risk sending an unintended message that vehicle safety is not important, and has the potential to weaken the case for differential vehicle charging initiatives to be implemented in the broader transport system in the future.

[18] Passenger vehicles also refer to vans and 4WDs, but do not include utes and light trucks. For simplicity the term 'car' is used here.

Retaining VRR would send the right road safety signals

57. I am advised that the VRR programme provides useful information about vehicle safety, which is an important focus for the Government's work to improve road safety. The VRR scheme has not (so far) been used to actively promote road safety, but its effectiveness as an education tool could be enhanced if it was accompanied by a broader publicity campaign. Removing VRR could risk sending an unintended message that vehicle safety is not important.

Removing VRR would better ensure that levies are affordable over time

58. I consulted on whether to remove VRR, and charge all cars the same levy rate. The proposal recognised that, given the policy was not intended to contribute to ACC's injury prevention objectives, it could be removed to simplify the levy framework and more equally share the cost of injuries involving cars.

59. Around 32 per cent of submitters who commented on VRR supported the removal of VRR. As it stands, the group most impacted financially by VRR are people on a low income, who are paying higher vehicle levies as they generally own fewer of the newer, safer cars in the fleet. The table below outlines the distribution of cars by their Safety Star Rating (which broadly corresponds to VRR) held by different communities, by deprivation index.

Table 9: Distribution of least safe and safest car by community deprivation

	Least deprivation (Dep Index 1-3)	**Medium deprivation (Dep Index 4-7)**	**Most deprivation (Dep Index 8-10)**
Least safe cars (safety star 1)	24%	32%	35%
Safer cars (safety star 2-4)	51%	50%	52%
Safest cars (safety star 5)	25%	18%	13%

Data source: NZTA

60. Overall, it is estimated that removing VRR would result in a transfer of approximately $32 million per year from the owners of band 4 cars (high safety) to the owners of band 1 and 2 cars (low safety). More specifically, using the data sourced from the NZTA outlined in Table 9 above, it is estimated that removing VRR would result in a transfer of around $4 million per year from the least deprived to medium and high deprivation communities contributing to a small net overall improvement in wellbeing (given the transfer would represent a greater proportionate increase in a low income households budget, compared to a high income household).

61. If VRR is retained, it is expected that the lowest income communities will face proportionately greater levy increases over the coming years. Motor Vehicle Account

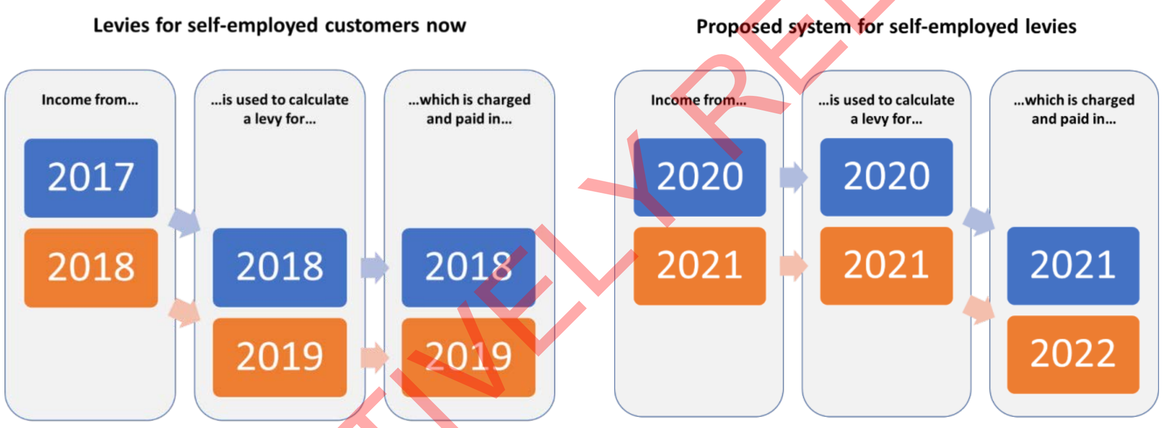
levies are at a historical low, but are projected by ACC to rise in subsequent levy rounds by 35 per cent by 2028. This could, in turn, give rise to vehicle registration affordability and compliance issues, with a larger proportion of the increases being borne by the most deprived communities.

62. On balance, I recommend removing the levy pricing aspect of VRR on the basis that it does not meaningfully promote injury prevention and is regressive, while retaining VRR data for use in other road safety initiatives being developed as part of the Government's road safety strategy.

Changing how self-employed levies are assessed

63. I propose changing the way that self-employed levies are calculated, so that the levy for a particular year is based on the income earned in that year. Payment would then be in arrears after income tax returns are available. This replaces the current approach where people pay in advance a levy based on the prior year's income (as set out in the figure below).

Figure 1: Current and proposed system for self-employed levies



64. This change will:

63.1 improve ACC's ability to collect levies in the first year, as the current system relies on complicated calculations for the first year of income utilising Inland Revenue data that ACC does not have access to;

63.2 mean the levies paid will better approximate the leviable income of the period of self-employment;

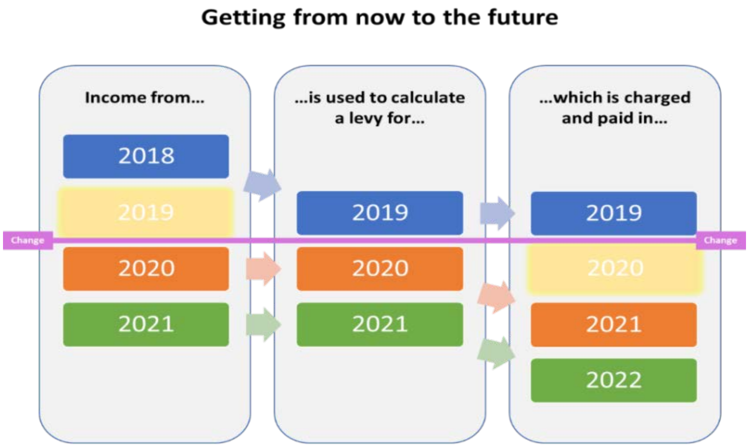
63.3 reduce situations where a new self-employed person receives a first year and second year levy invoice at the same time; and

63.4 align with the approach employed by the Work and Earners' Accounts.

65. The proposed change would take effect from 1 April 2019 with levies charged for the year ending March 2019. During the transition period, levies will not be charged on income from the year ending 31 March 2019 (left column in the below figure) and levies will not be collected in the year ended 31 March 2020 (right column). This transition period does not miss out any levy years (middle column) – instead it

changes the income that is used in the calculation and delays when levies are collected.

Figure 2: Getting from now to the future



66. Public submissions were highly supportive of the changes to self-employed levies, as this would reduce complexity and the concerns that arise due to the income fluctuations of small businesses. There was some concern about confusion from the change, but this can be managed with appropriate communication.

67. I propose that an option to allow the prepayment of the levy should not be considered at this time due to the complexity that it would add to the system. There was not strong support from the public consultation, and the short time frames for implementation by 1 April 2019 are not conducive to good implementation and communication with levy payers. ACC and MBIE will further consider options for prepayment ahead of the next levy round.

Experience rating programme

68. I propose a phased implementation of the changes to the experience rating programme.

69. ACC's experience rating programme aims to provide a financial incentive to employers to reduce the number and severity of workplace injuries and improve return to work outcomes. It applies to businesses (and groups of businesses) who pay annual ACC levies of $10,000 or more. Employers with very good claims experience receive levy discounts of up to 50 per cent, while those with negative claims experience receive a penalty of up to 75 per cent. It is funded through a loading of 3.5 cents per $100 of liable earnings.

70. The current programme is not well understood by employers, and recent assessments suggest that it has not proved to be effective in incentivising improved employer performance. To address this ACC have developed proposals in consultation with affected stakeholders. These are set out in the table below.

Table 10: Experience rating proposals

1	Simplify the experience calculation	Remove two factors from the current calculation – the industry modifier and a smoothing adjustment.
2	Improve the responsiveness of the levy to changes made by a business	Introduce weightings to the three years of experience used in the calculation. Year One (most recent) 100 per cent, Year Two 70 per cent and Year Three 40 per cent. Allow more of a business' claims experience to reflect in the initial levy adjustment by lowering credibility thresholds (results in more variation over time, and access to larger discounts and penalties for smaller businesses).
3	Manage the increased levy volatility introduced by the above changes	Introduce set discount and penalty levels that correspond to a range of performance scores (e.g. for performance scores of 5 per cent to 15 per cent lower than the peer group, the set level of discount applied would be 10 per cent).
4	Strengthen consequences for unwanted performance	Increase the maximum penalty from 75 per cent to 100 per cent. Use larger steps between set penalty levels. Introduce a fatality modifier as the final step in the experience rating calculation.

71. In respect of the proposal to improve responsiveness, this involves reducing the level of liable earnings for which each credibility weight applies as set out in Table 16 in **Appendix 5**. This will have the effect of increasing the range of discounts or loadings that smaller businesses can access through experience rating. In respect of the proposal to better manage business levy volatility associated with small changes in experience from year to year, I propose to introduce levy adjustment bands as set out in Table 17 in **Appendix 5**. This will have the effect of removing the noise associated with small incremental changes and highlight to businesses significant changes in their performance.

72. Ninety-three per cent of submitters were in favour of the changes. Feedback received suggests that employers and employer representatives think that the changes will simplify the programme and make it easier for them to understand and deal with. However, they did also note opposition to increasing the penalties in the

event of a fatal accident, and concerns that situations beyond their control impact on their experience rating.

73. Submissions from groups representing employees note concerns that ACC's proposals appear to heighten the risks inherent in the programme, by providing an incentive for employers to discourage reporting of claims and encouraging workers to report injuries as having not occurred at work. They also consider the programme does not incentivise employers to address the harm of work-related diseases that have long latency periods. These groups support the inclusion of lead indicators to experience rating as a significant improvement.

74. MBIE has advised me that there are a number of risks in applying ACC's proposed changes. First, in attempting to be more responsive to employers' claims experience, there would be greater uncertainty around future levy rates for employers as a result of increased fluctuation in levy rates for individual firms. Levy rates will be more volatile for smaller employers. Other issues include:

  73.1 lack of assessment of the impact of the proposed changes on overall scheme outcomes;

  73.2 removal of the incentive for individual employers to support industry wide action to address common health and safety risks;

  73.3 lack of clarity as to whether a claims reduction is due to a lower injury rate and improved claims management, or the suppression and under-reporting of injuries;

  73.4 risk of increasing perverse incentives for employers to suppress claims;

  73.5 limited time for employers under the scheme to be able to improve their health and safety performance before the changes are introduced; and

  73.6 doubling up on penalties for workplace death by introducing a separate fatality modifier which would function as an additional penalty.

75. On balance, I propose the introduction of changes to experience rating in the following manner:

  74.1 introducing the simplification, responsiveness and managing volatility elements of ACC's experience rating proposal from 1 April 2020 (changes 1-3 from Table 10);

  74.2 ACC establishing a risk management plan to support these changes;

  74.3 ACC, in consultation with MBIE, assessing options for improving employer engagement along the injury and claims management value chain, including the introduction of interventions that enable employers to better support the achievement of sustainable return to work outcomes;

  74.4 ACC implementing a communications plan that highlights the proposed experience rating changes and their impact, and provides employers with advice on practical steps they can take to improve their claims experience;

74.5 ACC and MBIE to work on the lead indicator package, with proposals to be available for consideration in time for the next levy round;

74.6 ACC, in consultation with MBIE, to further assess the anticipated impact and risks associated with strengthening the consequences for employers of poor performance, with the assessment and recommendations to be available in time for the next levy consultation round; and

74.7 ACC and MBIE to undertake a robust evaluation of the programme to assess its effectiveness on injury prevention and sustainable return to work outcomes, to inform future decisions on the programme.

76. I anticipate this work programme will enable Cabinet to make further decisions about the future of the programme in conjunction with the next consultation levy round.

Technical updates to regulations for the Work, Earners', and Motor Vehicle Accounts

Fleet Saver discounts

77. Businesses that own a fleet of five or more heavy-goods vehicles can qualify for reductions in their Motor Vehicle levies through the Fleet Saver scheme. This scheme offers three levels of discount based on the business's safety systems and culture.

78. I propose to hold the discounts at their current rates: Bronze level members receive a 10 per cent discount; Silver level members receive a 25 per cent discount; and Gold members receive a 40 per cent discount.

Description change to Classification Unit

79. I propose to amend the description of one Classification Unit:

Table 11: Proposed classification unit change

CU number	Current CU name	Proposed CU name	Reason for change
84330	Modern Apprenticeship Co-ordinators employing apprentices	Apprenticeship Co-ordinators employing apprentices	This change removes 'Modern' from the name, as it is intended that all Apprenticeship Co-ordinators are included here.

Motorcycle Safety levy

80. Following a recommendation from the Motorcycle Safety Advisory Committee, which was established by the Government in 2011, ACC consulted on maintaining the Motorcycle Safety levy at $25 for 2019/20 and 2020/21.

81. I propose maintaining the levy at its current level for the upcoming levy period. This will ensure that sufficient funds are available while specific initiatives are

implemented under the Motorcycle Safety Strategy, such as ACC's Ride Forever, which is showing promising initial evidence that riders who complete these courses significantly lower their accident risk.

Updating maximum and minimum liable earnings

82. I propose to update the maximum and minimum liable earnings to reflect movement in incomes. For the self-employed, the maximum liable earnings caps the amount of Earners' and Work levy they must pay each year by setting a ceiling on the amount of liable earnings that attract levies. For employees, the maximum liable earnings caps the amount of Work levy their employer must pay for them and the amount of Earners' levy that must be deducted from their wages.

83. The amounts are set based on Statistics New Zealand's Labour Cost Index (LCI) and are linked to the maximum income for weekly compensation calculations.

84. Minimum liable earnings apply only to the Work levy and to self-employed people working more than 30 hours a week on average (full-time). If such a person earns less than the minimum liable earnings, they will be levied as if they had earned the minimum amount.

85. This amount is set based on the minimum wage and is linked to the minimum amount of income used to calculate weekly compensation paid to full-time self-employed people. The proposed minimum liable earnings figure is based on the current minimum wage. As Cabinet will be considering changes to the minimum wage in the next few weeks, and subject to those changes being agreed prior to the promulgation of the relevant regulations, I intend to update the minimum earnings figure in line with any new minimum wage at Cabinet Legislation Committee.

Table 12: Proposed maximum/minimum liable earnings for 2019/20 and 2020/21

Levy Year	Minimum self-employed liable earnings	Maximum self-employed liable earnings	Maximum Employee liable earnings
2018/19 (Current)	$32,760	$124,053	$126,286
2019/20 (Proposed)	$34,320	$128,470	$128,470
2020/21 (Proposed) [19]	$34,320	$130,911	$130,911

Updates to fees and discounts for the Accredited Employer Programme

86. The Accredited Employer Programme (AEP) allows large employers to take on the responsibility of managing their employees' injuries and claims if they have an accident at work, in exchange for a reduction in the Work levy. I propose to make a number of business-as-usual updates to various fees and discount rates for the AEP including:

[19] With respect of 2020/21 levies, the maximum amounts are based on forecasts of the relevant Labour Cost Index movements (as the actual LCI movements will not be available when levy decisions are made).

85.1 decreasing the administration fee from 2.6 per cent to 2.5 per cent of the Work levy;

85.2 increasing the unallocated primary healthcare cost fee to 1.4 per cent;

85.3 decreasing the bulk-funded public healthcare cost fee to 3.8 per cent;

85.4 increasing the average discount in the Partnership Discount Plan one-year claim management option to 53 per cent; and

85.5 increasing the average discount in the Partnership Discount Plan two-year claim management option to 60.6 per cent.

Consultation

87. Section 331 of the Act requires the ACC Board to undertake public consultation on proposed levy rates for each of its levied Accounts prior to recommending rates to the Minister for ACC. Public consultation was undertaken from 27 September 2018 to 25 October 2018. ACC received 6,334 submissions, which included representations from all the major industry groups and representative groups who regularly contribute. A summary of the submissions is included in the attached Cost Regulatory Impact Statement.

88. Following public consultation, the ACC Board provided its levy recommendations to me on 15 November 2018. These have been posted on ACC's website and publicly notified in the *New Zealand Gazette* as required.

89. MBIE consulted Treasury, Ministry of Transport, Ministry of Justice, Ministry of Health, Ministry of Social Development, Te Puni Kōkiri, the Inland Revenue Department, New Zealand Customs Service, Ministry for Pacific Peoples, Ministry of Women's Affairs, New Zealand Transport Agency, ACC and WorkSafe on this paper. The Department of Prime Minister and Cabinet was informed.

Treasury comment

90. We support the proposed reduction in the Work levy and maintaining the current Earners' and Motor Vehicle average levy rates. This is primarily due to the high solvency levels of the accounts, and because we consider the assumptions and risk buffers to be conservative for a statutory scheme.

Financial Implications

91. ACC's preliminary Half Year Economic and Fiscal Update (HYEFU) submission is based on their consultation levy rates (reducing Work Account, increasing Earners' and Motor Vehicle Account levy rates) which had the following impact on the Operating Balance Excluding Gains and Losses (OBEGAL):

Table 13: Forecast change in OBEGAL (consultation rates (HYEFU) compared to BEFU 2018 levy rates, all other assumptions as per HYEFU)

$000	2018/19	2019/20	2020/21	2021/22	2022/23
Due to levy rate movement	(151,116)	(293,634)	(341,067)	(401,882)	(435,535)

92. The further impact on OBEGAL of my proposed levy rates is shown in Table 14 below. There is no further impact from economic and other change factors from those already incorporated in the HYEFU submission (such as the drop in discount rate). The lower levy revenue in 2019/20 is due to lower levy recognition, as prepaid vehicle licensing fees recognised in the 2019/20 year have been prepaid at the lower 2018/19 levy rates. There are impacts in the 2018/19 financial year as a result of an increase in ACC's technical insurance reserves arising from changes in the projected levy rates.

Table 14: Additional Impact on OBEGAL forecasts (compared to HYEFU 211018)

$000	2018/19	2019/20	2020/21	2021/22	2022/23
ACC's recommended levy rates					
Total forecast movement against HYEFU2018	(19,544)	844	536	526	197
Minister's proposed levy rates					
Total forecast movement against HYEFU2018	**(111,702)**	**(104,657)**	**18,923**	**13,446**	**(2,094)**

93. Adopting my recommended levy rates results in an expected OBEGAL reduction of $398 million in 2019/20 against forecast levy rates in the Budget Economic and Fiscal Update (BEFU). The reduction reflects the fact that the BEFU forecast rates were higher than the recommended rates for this levy round.

Legislative Implications

94. For the *Accident Compensation (Work Account Levies) Regulations* and the *Accident Compensation (Earners' Levy) Regulations*, any changes to the levy rates are required to be made prior to 1 April 2019.

95. Any changes to the *Accident Compensation (Motor Vehicle Account Levies) Regulations* are required to be made prior to 1 July 2019. The proposed enhancements to ACC's experience rating programme require changes to the *Accident Compensation (Experience Rating) Regulations* from 1 April 2020 given that implementation of the proposals is intended to take place for the 2020/21 levy year.

Regulatory Impact Analysis

96. The Regulatory Impact Analysis (RIA) requirements apply to the proposals in this paper. A Cost Regulatory Impact Analysis (CRIS) (for the levy rate proposals) and Regulatory Impact Statements (RISs) (for the levy-related proposals) have been prepared and are attached.

97. MBIE's Regulatory Impact Analysis Review Team has reviewed the Cost Recovery Impact Statement and the Impact Statements prepared by MBIE. The Panel considers that the information and analysis summarised in the Impact Statements meets the criteria necessary for Ministers to make informed decisions on the proposals in this paper.

Human Rights

98. The proposals contained in this paper are unlikely to raise issues of consistency under the *New Zealand Bill of Rights Act 1990* and the *Human Rights Act 1993*.

Gender Implications

99. There are no gender implications from the changes to ACC levies and the levy related policy proposals.

Disability Perspective

100. There are no direct implications for disabled people from the changes to ACC levies and the related policy.

Publicity and Proactive Release

101. I intend to announce the 2019/20 and 2020/21 levy rates in December 2018, following Cabinet agreement. This paper will be made available to the public on the Ministry's website, subject to redactions as appropriate under the *Official Information Act 1982*.

102. ACC is required by section 331 of the *Accident Compensation Act 2001* to publish a report detailing the effect the prescribed levy rates are expected to have on the Accounts at the time regulations prescribing the rates of levies are made by Cabinet.

RECOMMENDATIONS

I recommend that the Cabinet Economic Development Committee:

Average 2019/20 and 2020/21 levy rates

1. agree to

EITHER

1.1 set the following levies for 2019/20 and 2020/21 in accordance with my proposals:

Earners' Account Average levy rate per $100 of liable earnings (incl. GST)	**Work Account** Average levy rate per $100 of liable earnings (excl. GST)	**Motor Vehicle Account** Average levy per vehicle
$1.39	$0.67	$113.94

OR

1.2 set levies for the 2019/20 and 2020/21 years in line with ACC's levy recommendations:

Earners' Account Average levy rate per $100 of liable earnings (incl. GST)	**Work Account** Average levy rate per $100 of liable earnings (excl. GST)	**Motor Vehicle Account** Average levy per vehicle
$1.43	$0.67	$127.68

Effect of the levy rate decision

2 note that in accordance with section 331 of the *Accident Compensation Act 2001*, ACC must publish, at the time regulations prescribing the rates of levies are made, a report detailing the effect the prescribed levy rates have on the relevant Accounts; and

3 note that individual rates paid by levy payers are a combination of changes to the average rate, any adjustments to industry classification units and vehicle classifications based on claims experience and fuel consumption; and

Earners' Account proposals – change the way self-employed levies are assessed

4 agree to change the way levies for self-employed are calculated so that the levy for that year is based on the income earned in that year; and

Motor Vehicle Account proposals – Vehicle Risk Rating programme

5 agree to remove Vehicle Risk Rating, and charge all light passenger vehicles a flat fee according to whether they are a petrol or non-petrol vehicle; and

6 direct the Accident Compensation Corporation, the Ministry of Business, Innovation and Employment, NZ Transport Agency and the Ministry of Transport to report back to Cabinet on how best to inform consumers about the safety risks of their vehicles and make best use of the Vehicle Risk Rating safety data as part of the Government's new road safety strategy report back in 2019 [DEV-18-MIN-0025 refers]; and

Work Account - experience rating enhancements

7 agree to the following changes to the experience rating programme to take effect from 1 April 2020:

 7.1 remove the industry modifier and smoothing adjustment from the current calculation; and

 7.2 introduce the following weightings to the three years of experience used in the calculation:

  7.2.1 Year 1 (most recent) – 100 per cent; and

  7.2.2 Year 2 – 70 per cent; and

  7.2.3 Year 3 – 40 per cent; and

 7.3 lower credibility thresholds to allow more of an individual business' claims experience to be considered in the calculation by lowering the level of a business's earnings to which a given loading or discount applies; and

 7.4 introduce set discount and penalty levels that correspond to a range of performance scores; and

8 note that that I have directed the Accident Compensation Corporation and the Ministry of Business, Innovation and Employment to work on the further elements of the experience rating programme alongside the development of lead indicators and an evaluation of the programme, to inform any further decisions on any alteration or removal of the programme; and

Technical updates to levy regulations

9 agree that the motorcycle safety levy be maintained at $25 per annum, as this level of funding is required to implement ACC's motorcycle safety strategy's initiatives, such as Ride Forever; and

10 agree to hold Fleet Saver discounts at the current rates; and

11 agree to amend the description of one Classification Unit (CU number 84330) by removing the word "Modern" from the CU name "Modern Apprenticeship Co-ordinators employing apprentices"; and

CU number	Current CU name	Proposed CU name	Reason for change
84330	Modern Apprenticeship Co-ordinators employing apprentices	Apprenticeship Co-ordinators employing apprentices	This change removes 'Modern' from the name as it is intended that all Apprenticeship Co-ordinators are included here.

12 agree that maximum liable earnings that self-employed people and businesses pay Work levies on, and self-employed people and employees pay Earners' levies on, be increased in line with changes to the Labour Cost Index; and

Levy Year	Maximum self-employed liable earnings	Maximum Employee liable earnings
2018/19 (Current)	$124,053	$126,286
2019/20 (Proposed)	$128,470	$128,470
2020/21 (Proposed) [20]	$130,911	$130,911

13 agree that the minimum liable earnings that self-employed people pay Work and Earners' levies be increased to $34,320 in 2019/20 and 2020/21 (from $32,760 in 2018/19), in line with changes to the minimum wage; and

14 agree that, should the minimum wage review adjust the minimum wage before the *Accident Compensation (Work Account Levies) Regulations* and the *Accident Compensation (Earners' Levies) Regulations* are made, the minimum liable earnings in the regulations will be adjusted accordingly before submission of the regulations to the Cabinet Legislation Committee; and

15 agree to business-as-usual updates to various fees and discount rates for the Accredited Employer Programme, including

15.1 decreasing the administration fee to 2.5 per cent of the Work levy; and

15.2 increasing the unallocated primary healthcare cost fee to 1.4 per cent; and

15.3 decreasing the bulk-funded public healthcare cost fee to 3.8 per cent; and

15.4 increasing the average discount in the Partnership Discount Plan one-year claim management option to 53 per cent; and

15.5 increasing the average discount in the Partnership Discount Plan two-year claim management option to 60.6 per cent; and

Forthcoming changes in the Work Account – financial incentives

[20] With respect of 2020/21 levies, the maximum amounts are based on forecasts of the relevant Labour Cost Index movements (as the actual Labour Cost Index movements will not be available when levy decisions are made).

16 note that ACC plans to launch a new investment fund of $22 million over five years from March 2019 ($4.4 million per annum) to provide new injury prevention subsidies and grants; and

Drafting and decisions

17 authorise the Minister for ACC to make decisions on minor or technical matters that are consistent with the policy outlined in these recommendations; and

18 invite the Minister for ACC to issue drafting instructions to Parliamentary Counsel Office to implement these decisions.

Authorised for lodgement

Hon Iain Lees-Galloway

Minister for ACC

Appendix 1

Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts

This statement has been issued under section 166B of the Accident Compensation Act 2001 ("Act").

In accordance with section 331(3) of the Act, the Accident Compensation Corporation (ACC) must give effect to this statement when recommending the making of regulations prescribing the rates of levies to the Minister for ACC.

Purpose

The purpose of this statement is to set out the Government's policy with respect to the funding of ACC's levied Accounts:

- the Earners' Account (including any part of the Earners' Account required to fund the Treatment Injury Account in accordance with section 228 of the Act);
- the Work Account; and
- the Motor Vehicle Account.

Accident compensation is by nature a long-term activity with liabilities that stretch over decades. In setting levies, it is 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. This statement informs ACC of the Government's expectations with regard to these two factors. In particular, the statement is intended to improve:

- transparency around funding decisions, by making it clear how today's funding decisions will impact the scheme over future periods; and
- consistency and stability in decisions over time, by imparting a longer-term focus.

Principles of Financial Responsibility in Relation to Accounts

This policy statement is consistent with the principles of financial responsibility outlined in section 166A of the Act. Specifically, section 166A requires the cost of all claims under the levied Accounts to be fully funded. This means adequate assets must be maintained to fund the costs of claims. To achieve full funding when setting levies, section 166A requires the Minister for ACC to have regard to the following principles:

- the levies derived for each levied Account should meet the lifetime costs of claims made during the levy year;
- if an Account has a deficit or surplus of funds to meet the costs of claims incurred in past periods, that surplus or deficit is to be corrected by setting levies at an appropriate level for subsequent years; and
- large changes in levies should be avoided.

It is acknowledged that there may necessarily be trade-offs between the principles of financial responsibility. The statement below reflects the Government's weighting of those principles.

Funding Policy Statement

Consistent with the principles of financial responsibility, ACC must recommend levies for each levied Account according to the following requirements:

a. ACC must base the average levy rate on the expected lifetime cost of claims in relation to injuries occurring in the period for which ACC is recommending levies ("expected lifetime injury costs in the levy period").

b. Each Account must target a funding band of between 100% and 110% of reported liabilities (including additional liability for work-related gradual process claims not yet made).

c. ACC must include an adjustment to the average levy rate that takes the Account's funding position to the funding band midpoint (105%) smoothly over a ten-year horizon. This is to be achieved by setting the adjustment at a fixed proportion of expected lifetime injury costs in the levy period, and for each such period, over the ten-year horizon.

d. Any increase to the average levy rate for each Account must not exceed 15% (in addition to inflation adjustments for the Motor Vehicle Account).

Dated this 10th day of May 2016. HON NIKKI KAYE, Minister for ACC.

Figure 3: Projected Earners' Account Solvency Path

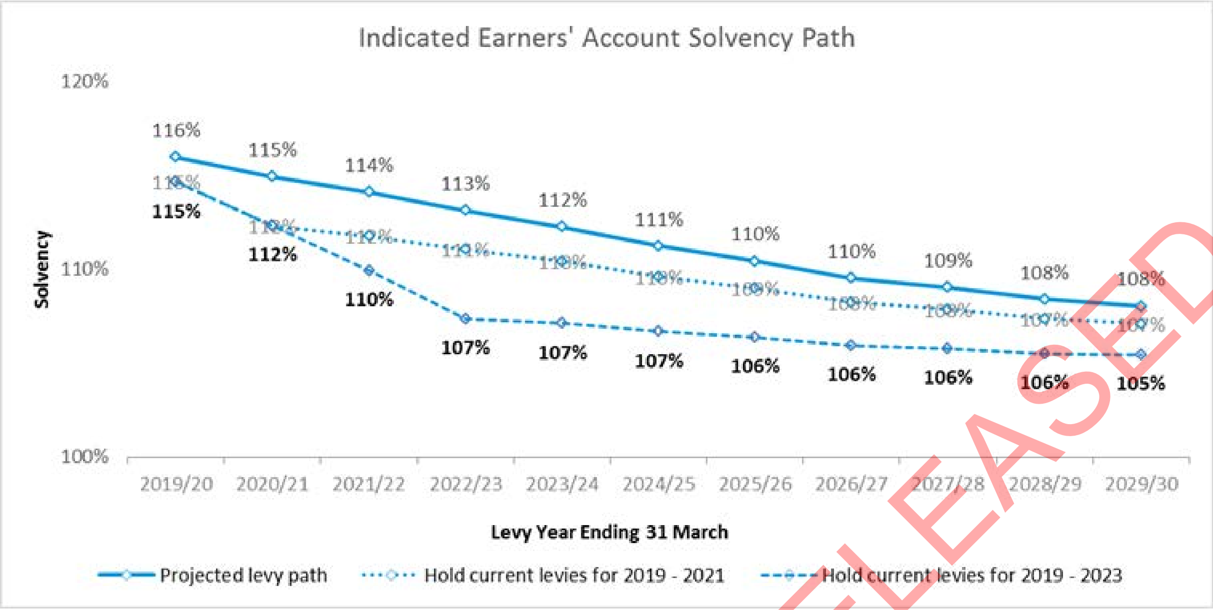


Figure 4: Projected Earners' Account levy path

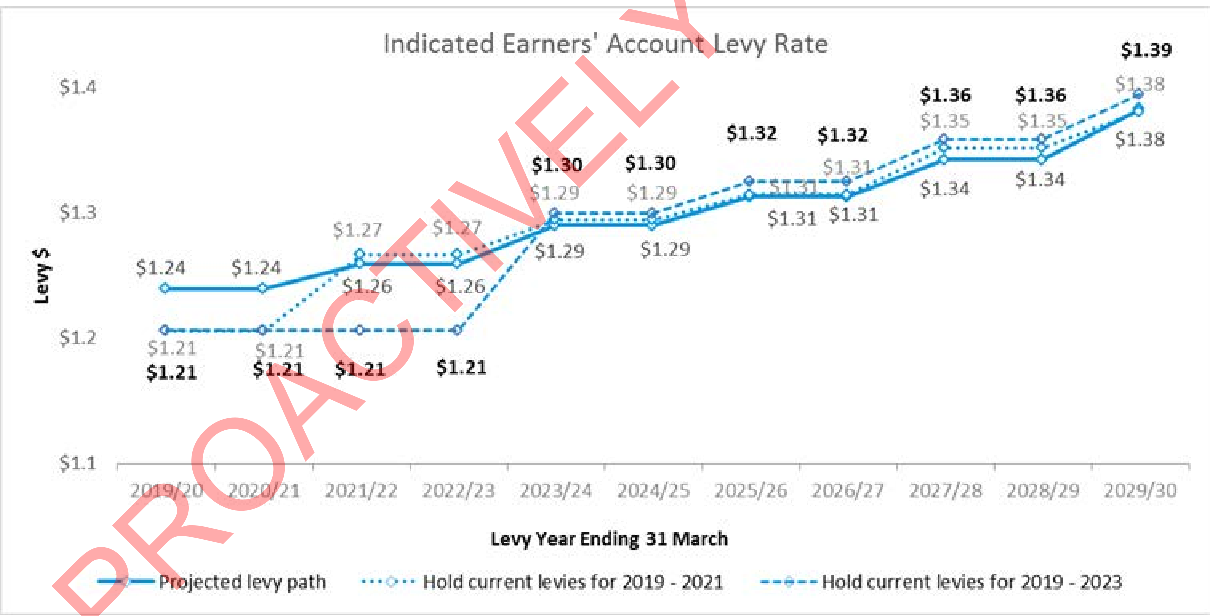
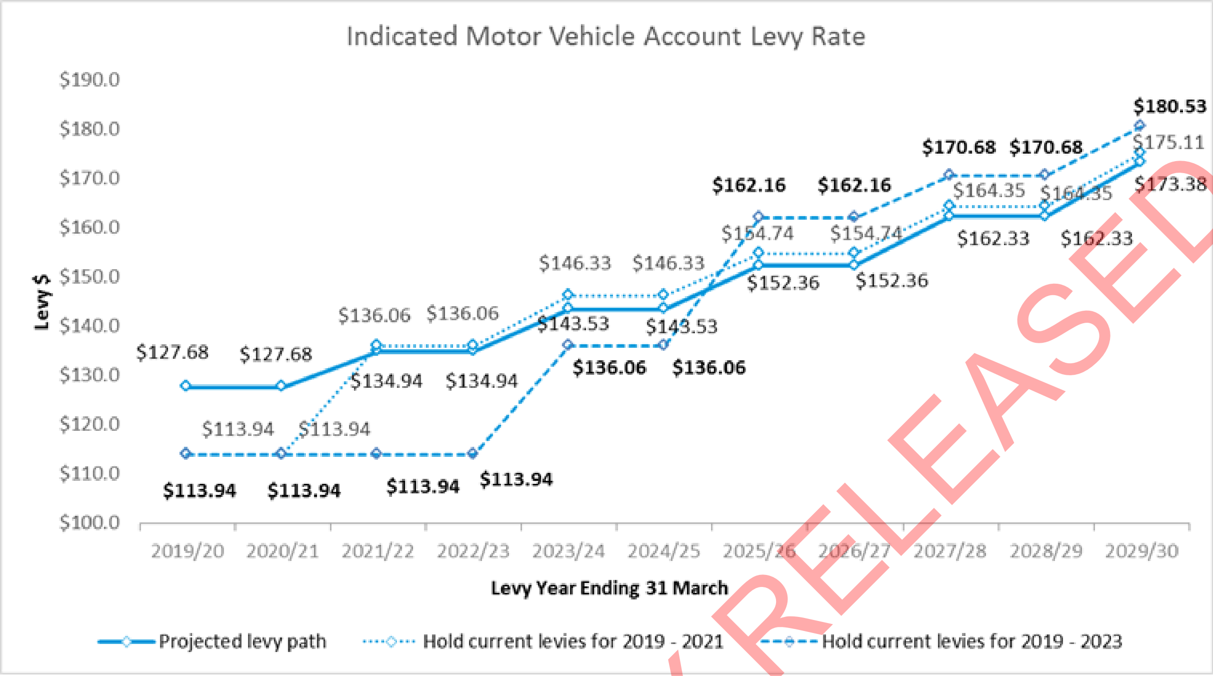
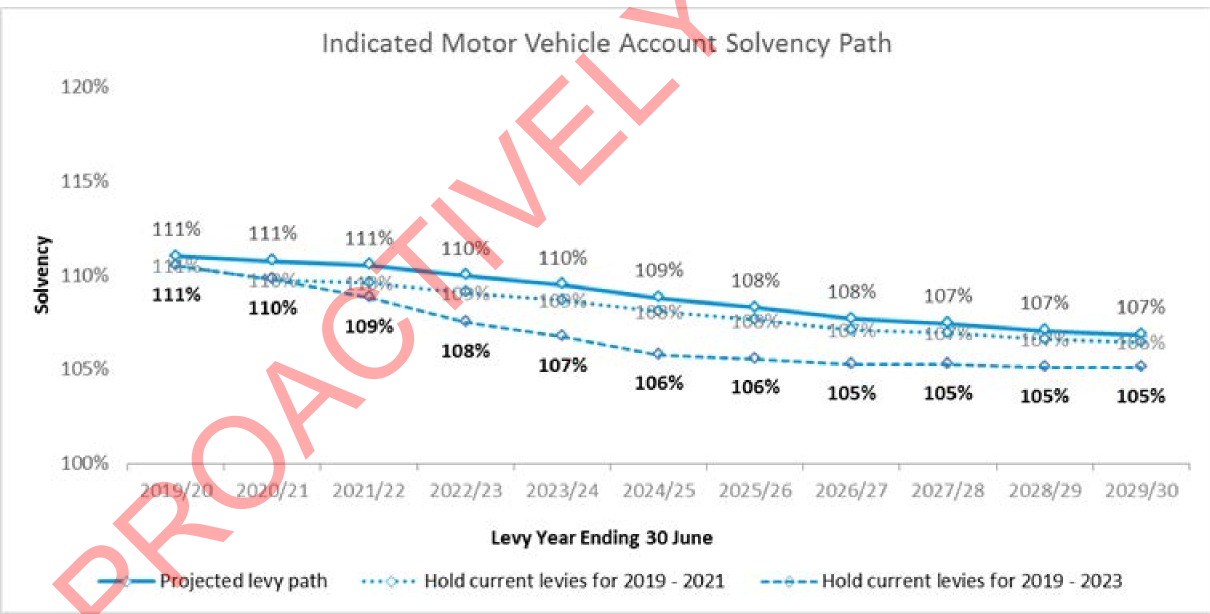


Figure 5: Projected Motor Vehicle levy rate and solvency paths





Appendix 4

Table 15: Motor Vehicle Account levy rates

Licence levies for	Petrol-driven levy		Non-petrol driven levy	
	2017/19	2019/21	2017/19	2019/21
Class 2 (light passenger vehicles) No VRR	$37.40	$46.04	$105.90	$104.65
VRR Band 1	$80.64	$46.04	$149.14	$104.65
VRR Band 2	$53.53	$46.04	$122.03	$104.65
VRR Band 3	$37.22	$46.04	$105.72	$104.65
VRR Band 4	$18.00	$46.04	$86.50	$104.65
Vintage/veteran vehicles	$13.38	$16.40	$37.35	$36.91
Mopeds[3]	$99.33	$99.33	$126.14	$113.98
Motorcycles (600cc or less)[3]	$297.91	$297.91	$324.72	$312.56
Motorcycles (over 600cc)[3]	$397.18	$397.18	$423.99	$411.83
Light GVs (3,500kg or less)	$42.02	$62.13	$110.52	$120.75
Heavy GVs (not in Fleet Saver)	$196.41	$224.22	$230.66	$241.80
Heavy GVs (Fleet Saver Bronze)	$173.35	$200.04	$207.60	$217.62
Heavy GVs (Fleet Saver Silver)	$138.75	$163.77	$173.00	$181.35
Heavy GVs (Fleet Saver Gold)	$104.15	$127.50	$138.40	$145.08
Passenger vehicles >3,500kg	$80.64	$87.45	$149.14	$146.07
Trade plates				
Trailers/caravans	Nil	Nil		
Mopeds and motorcycles 60cc or less 3	$99.33	$99.33		
Motorcycles over 60cc 3	$397.18	$397.18		
Not elsewhere classified	$42.02	$46.04		

Table 166: Proposed credibility bands to improve responsiveness

Credibility band *Total liable earnings during the experience period*	**New credibility band** *Total liable earnings during the experience period*	**Credibility weight**
$0 - $2m	$0 - $330k	0 – 5%
$2m – 5m	$330k – 830k	5 - 10%
$5m – 10m	$830k – 1.7m	10 – 15%
$10m – 20m	$1.7m – 3.3m	15 – 20%
$20m – 50m	$3.3m – 8.3m	20 - 30%
$50m – 100m	$8.3m – 16.7m	30 – 40%
$100m – 200m	$16.7m – 33.3m	40 – 50%
$200m – 1,350m	$33.3m – 225m	50 – 100%
Max $1,350m	Max $225m	100%

Table 177: Proposed performance banding to reduce volatility

Claim history relative to peers	**Initial Levy Adjustment**
>45% better	-50%
35-45% better	-40%
25-35% better	-30%
15-25% better	-20%
5-15% better	-10%
5% better to 5% worse	0%
5-15% worse	+10%
15-25% worse	+20%
25-50% worse	+40%
50-70% worse	+60%
>70% worse	+75%