



Cabinet

Minute of Decision

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2019/20 and 2020/21 ACC Levies

Portfolio ACC

On 10 December 2018, following reference from the Cabinet Economic Development Committee (DEV), Cabinet:

Average 2019/20 and 2020/21 levy rates

- 1 **agreed** to set the following levies for 2019/20 and 2020/21 in accordance with the Minister for ACC's proposals:

Earners' Account Average levy rate per \$100 of liable earnings (including GST)	Work Account Average levy rate per \$100 of liable earnings (excluding GST)	Motor Vehicle Account Average levy per vehicle (excluding GST)
\$1.39	\$0.67	\$113.94

Effect of the levy rate decision

- 2 **noted** 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;
- 3 **noted** 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;

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

- 4 **agreed** 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;

Motor Vehicle Account proposals – Vehicle Risk Rating programme

- 5 **agreed** to remove Vehicle Risk Rating, and to charge all light passenger vehicles a flat fee according to whether they are a petrol or non-petrol vehicle;
- 6 6.1 **agreed** to explore using Vehicle Risk Rating as a rating tool to be visibly displayed on each vehicle as part of the registration label;

- 6.2 **directed** ACC, the Ministry of Business, Innovation and Employment, the New Zealand Transport Agency and the Ministry of Transport to report back to DEV 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];

Work Account - experience rating enhancements

- 7 **agreed** 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;
 - 7.2 introduce the following weightings to the three years of experience used in the calculation:
 - 7.2.1 Year 1 (most recent) – 100 percent;
 - 7.2.2 Year 2 – 70 percent;
 - 7.2.3 Year 3 – 40 percent;
 - 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;
 - 7.4 introduce set discount and penalty levels that correspond to a range of performance scores;
- 8 **noted** that that the Minister for ACC has directed ACC 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;

Technical updates to levy regulations

- 9 **agreed** 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;
- 10 **agreed** to hold Fleet Saver discounts at the current rates;
- 11 **agreed** 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':

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 **agreed** 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:

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) ¹	\$130,911	\$130,911

- 13 **agreed** 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;
- 14 **agreed** 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;
- 15 **agreed** 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 percent of the Work levy;
 - 15.2 increasing the unallocated primary healthcare cost fee to 1.4 percent;
 - 15.3 decreasing the bulk-funded public healthcare cost fee to 3.8 percent;
 - 15.4 increasing the average discount in the Partnership Discount Plan one-year claim management option to 53 percent;
 - 15.5 increasing the average discount in the Partnership Discount Plan two-year claim management option to 60.6 percent;

Forthcoming changes in the Work Account – financial incentives

- 16 **noted** 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;

Drafting and decisions

- 17 **authorised** the Minister for ACC to make decisions on minor or technical matters that are consistent with the policy outlined in the above proposals;

¹ 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).

- 18 **invited** the Minister for ACC to issue drafting instructions to the Parliamentary Counsel Office to implement the above proposals.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister for ACC

PROACTIVELY RELEASED