

ACC – Consultation levy rates for 2013/14

ACC announced the consultative levy rates for the 2013/14 year on 25th September.

In this newsletter we outline the new rates along with our comments based on the content of the Consultation Documents.

Key features of the rates include:

- A meaningful reduction in the average levy rates for the Work Account and Earners Account.
- The Residual Claims Levy remains unchanged at 31 cents per \$100 liable earnings.
- No change to the overall Motor Account levy.
- Looking further to the projected rates in 2021 the motor vehicle levy is down nearly 50%.

The improvement in the claims performance of ACC over the last year is apparent.

Submissions on the rates are due 23 October.

Summary

The tables below summarise the levy rates for the three accounts. We have shown the final levy rates from 2012/13 and the consultative rates for 2013/14.

Work Account (\$ per \$100 liable earnings)

	Current	Residual	Combined
2012/13	0.84	0.31	1.15
2013/14	0.69	0.31	1.00
Change	-18%	0%	-13%

Earners' Account (\$ per \$100 LE excl GST)

	Current	Residual	Combined
2012/13	1.44	0.04	1.48
2013/14	1.26	0.04	1.30
Change	-13%	0%	-12%

Motor Account (\$ per vehicle excl GST)

	Current	Residual	Combined
2012/13	\$257	\$77	\$334
2013/14	\$257	\$77	\$334
Change	0%	0%	0%

Accredited employers

While the residual levy remains unchanged the administration fee and the fees for Primary Health Costs and Bulk funded health costs have in total increased from 7.3% to 7.7% of the standard levy. However, once set against the reduction in the levy the costs reduce.

Work Account

The table below summarises the change in the components making up the levy.

Change in levy rate & breakdown of costs

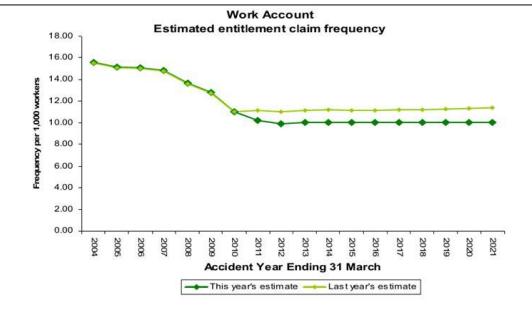
	2012/13 Initial est.	2013/14 Proposed	Increase
Cost of claims	0.59	0.55	-7%
Scheme costs	0.17	0.19	12%
Funding adj.	0.00	-0.11	n.a
Incentive prog.	0.08	0.06	-25%
Total	0.84	0.69	-18%

The table shows:

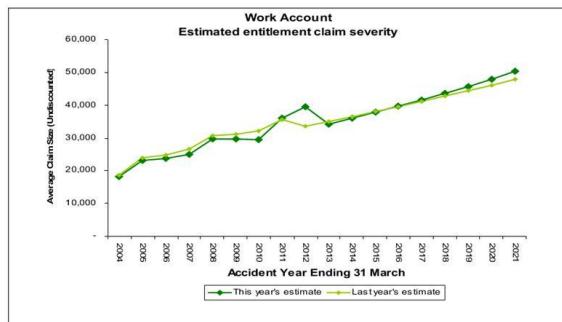
- 7% reduction in claim costs (59 cents vs. 55 cents)
- 12% increase in Scheme costs (17 cents vs. 19 cents)
- A negative funding adjustment required to achieve the targeted funding level
- The cost of the incentive programmes including the WSMP has reduced from 8 cents to 6 cents.

The reduction in the cost of claims can be seen in the following two charts which compare the projections made in 2011 with the current projections.

Entitlement claim rates

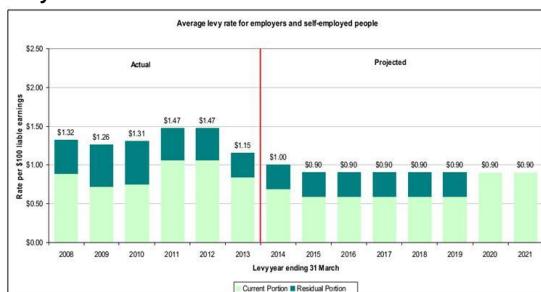


The 2012 projected claims rate is clearly lower.

Entitlement claim costs

The future projected average costs this year are very similar to those projected last year.

The table below shows the average levy rate from 2008 through to 2021.

Levy rates 2008 to 2021

The levy is projected to remain steady at \$0.90 from 2014/15 onwards including the period after the residual claims levy has ceased in 2019.

Earners' Account

The table below summarises the change in the components making up the levy. The rates exclude GST.

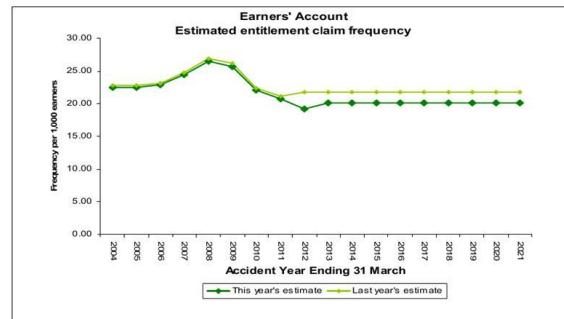
Change in levy rate & breakdown of costs

	2012/13 Initial est.	2013/14 Proposed	Increase
Cost of claims	0.99	0.92	-7%
Scheme costs	0.27	0.28	4%
Funding adj.	0.18	0.06	-67%
Total	1.44	1.26	-13%

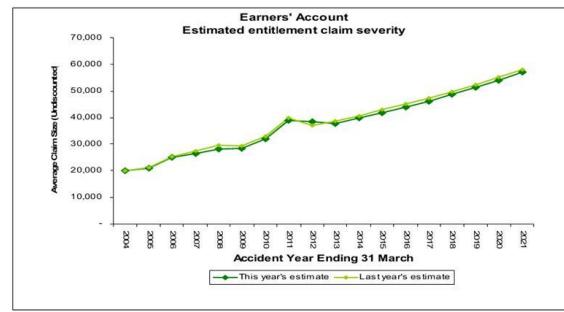
The table shows:

- 7% reduction in the cost of the claims (92 cents vs. 99 cents)
- 4% increase in Scheme costs (28 cents vs. 27 cents)
- 67% reduction in the funding adjustment required to achieve the targeted funding level.

The reduction in the cost of the claims can be seen from the following two tables which compare the projections made in 2011 with the current projections.

Entitlement claim rates

The 2012 projected claims rate is clearly lower than the rates projected for 2011.

Entitlement claim costs

Both years' average claim costs projections are very similar, and the overall picture is similar to that for the Work Account.

The chart below shows the average levy rate from 2008 through to 2021.

Levy rates 2008 to 2021

The levy is projected to remain at \$1.30 from 2014 onwards.

Motor Account

The table below shows the change in the components making up the levy.

Change in levy rate & breakdown of costs

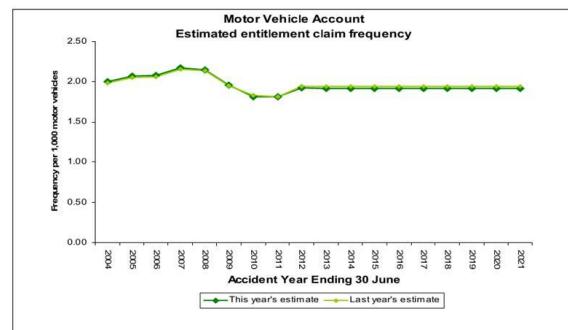
	2012/13 Initial est.	2013/14 Proposed	Increase
Cost of claims	\$122	\$120	-1%
Scheme costs	\$21	\$16	-26%
Funding adj.	\$113	\$120	6%
Motorcycle safet	\$1	\$1	0%
Total	\$257	\$257	0%

The table shows:

- 1% reduction in the cost of the claims (\$120 vs. \$122)
 - 26% reduction in Scheme costs (\$16 vs. \$21)
 - 6% increase in the funding adjustment required to achieve the targeted funding level
 - A continuation of the motorcycle levy.

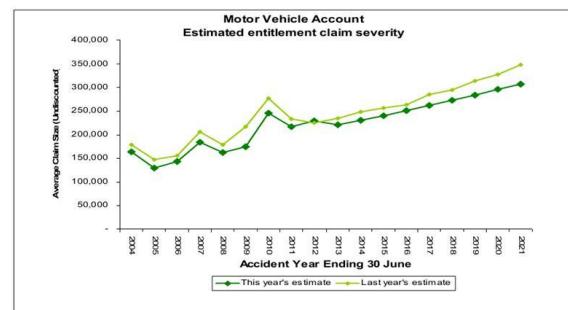
The following two tables compare the projections made in 2011 with the current projections.

Entitlement claim rates



The 2012 projected claims rate is very similar to that for 2011, and the shape of the graph is very similar to that seen for the Earners' Account.

Entitlement claim costs



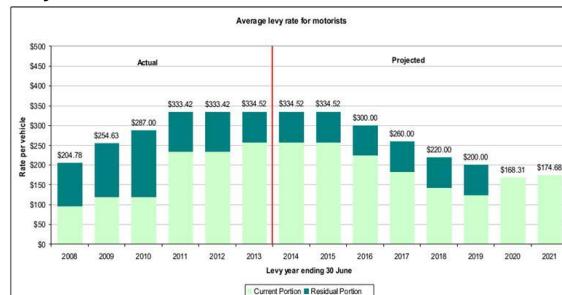
Looking forward the 2012 projected costs are less than projected in 2011. Also the reduction in the expected costs of the historic claims is substantial.

The following table shows the average levy rate from 2008 through to 2021.

ABOUT MELVILLE JESSUP WEAVERS

Melville Jessup Weaver is a New Zealand firm of consulting actuaries. The firm was established in 1992 and has offices in Auckland and Wellington. The firm is affiliated to Towers Watson, a global professional services firm that helps organisations around the world optimise performance through effective people, risk and financial management. Towers Watson has offices in 25 countries and the business covers human resources services, reinsurance and Tillinghast.

Levy rates 2008 to 2021



The levy is projected to reduce steadily over the period to 2020 and then commence rising in 2021.

Partnership Programme

There have been no changes to the structure of the ACCPP. There will be small percentage increases in the administration fee, Primary Health costs and bulk funded health costs, however the reduction in the standard levy rate will outweigh these increases.

The following table summarises the changes to the rates and discounts for the ACCPP.

ACCPP fees & discounts as % of standard levy

	Current 2012/13	Proposed 2013/14
Admin fee	2.7%	2.8%
Primary health costs	1.3%	1.3%
Bulk funded health costs	3.3%	3.6%
PDP discounts	1 year	50.0%
	2 year	58.5%
		59.1%

There have been no changes to levels of stoploss and High Cost Claims Cover available. The reduction in the rates means that the minimum and maximum levels of cover which are expressed as a % of the expected claim costs have increased slightly. The minimum of 160% of expected claims is now 117% of the standard levy and the maximum of 250% of expected claims costs is 182% of the standard levy.

The proposed stoploss and HCCC rates will not be available until the end of October.

For further information please contact:

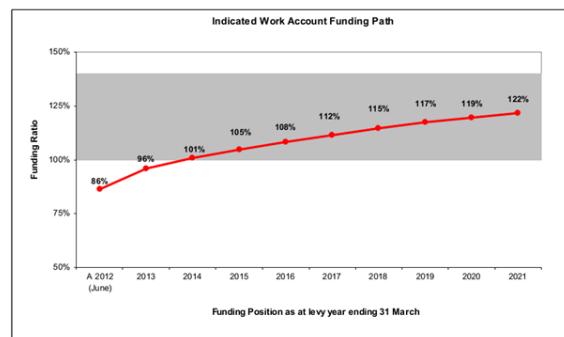
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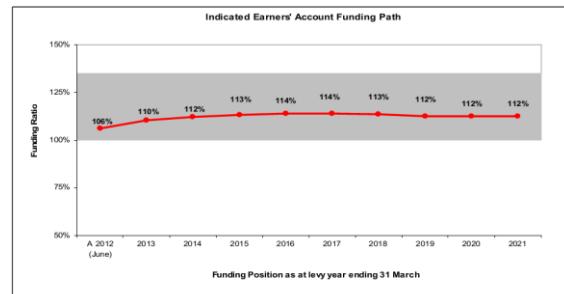
Funding path

The charts below illustrate the path to full funding for each of the Accounts.

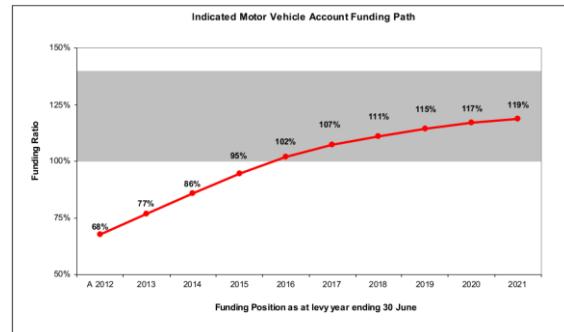
Work Account



Earners' Account



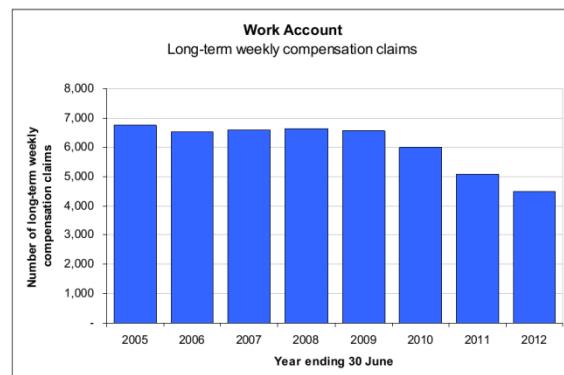
Motor Account



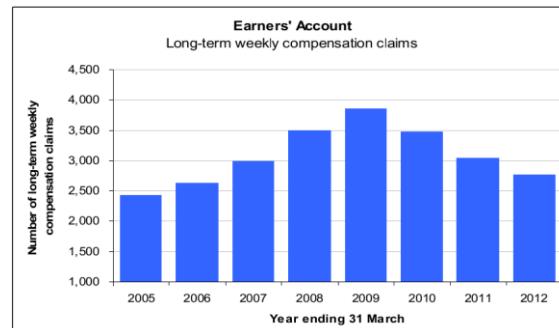
Long-term weekly compensation claims

The charts below show the decreasing trend in the number of long-term weekly compensation claims for all of the Accounts.

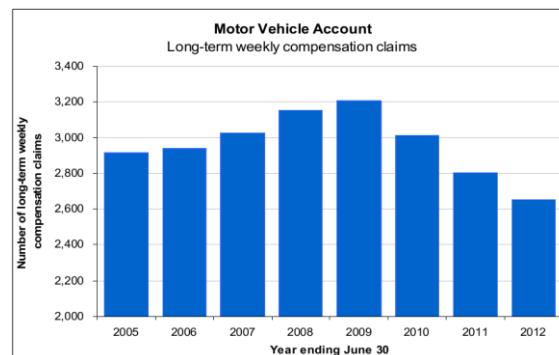
Work Account



Earners' Account



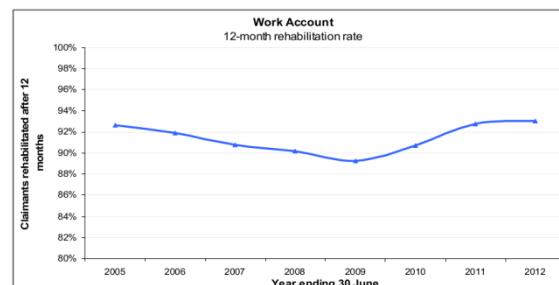
Motor Account



12-month rehabilitation rates

The charts below illustrate the pattern of 12-month rehabilitation rates for the Work and Motor Accounts. The chart for the Earners' Account is very similar to the Work Account and so has not been shown here.

Work Account



Motor Account

