

ACC – 2010/11 Levy Rates

1. Introduction

In December 2009 the Cabinet finalised the ACC levy rates to apply for 2010/11. While the rates are substantially higher than the current rates, they are lower than what was recommended by the ACC Board and significantly reduced from the original consultation rates.

The levy rates adopted for 2010/11 assume the Injury Prevention, Rehabilitation and Compensation Amendment Bill 2009 will be passed and the funding deadline for pre 1999 accidents will be extended from 2014 to 2019.

2. The rates

The table below shows the 2010/11 composite levy rates adopted by Government compared to the rates for 2009/10.

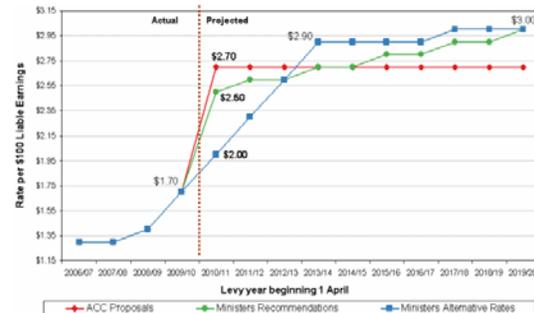
	Work \$ per \$100 liable earnings	Earners' \$ per \$100 liable earnings	Motor \$ per vehicle
2009/10	1.31	1.70	287
2010/11	1.47	2.00	335
Increase	12%	18%	17%

While under the 2009 Amendment Bill it is proposed to merge the Work and Residual Claims accounts employers in the ACC Partnership Programme will be interested in the split of the rate between the residual levy and the rate to pay for the accidents post 1999. However, the precise basis on which the residual levy will be charged in the future has yet to be finalised. Based on the Consultative document and allowing for the 2019 funding date the residual claims rate will be around 40 cents per \$100 liable earnings.

3. Increase in unfunded liability

The agreed levy increases for both the Earners and Motor Vehicle Accounts will result in increases in the unfunded liabilities for the following two accounts.

Earners Account The chart below, taken from the ACC Levies and Related Policy 2010/11 Cabinet Paper shows the agreed Minister's recommended and alternative proposed rates compared with ACC's proposed rates.



The minimum rate required for 2010/11 to avoid deterioration in solvency is \$2.40, which is above the rate adopted by Cabinet of \$2.00. The rate will increase to \$2.90 over a 3 year period with a further increase later to \$3.00.

Motor Account Government agreed to the Minister's recommendation to leave the petrol levy unchanged at 9.90c per litre, corresponding to an estimated \$119 for the average motorist, excluding GST. While this is less than the expected cost of current claims for 2010/11, the total levy including the licence fee (which will increase from \$168.46 to \$198.46) means that the expected funding position for the overall account improves slightly.

The petrol levy funds the current claims, with the residual claims funded entirely from licence fees.

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