

ACC Final Work Account 2008/09 levy rates

December 2007

Introduction

The Minister for ACC has announced the levy rates for 2008/09 for the Work Account. The standard levy is set to decrease while the residual claims levy will increase compared to the current 2007/08 rates.

1. Final rates

For 2008/09 the Minister for ACC has announced:

- Average standard levy \$0.72
- Average residual claims levy \$0.54
- Average combined levy \$1.26

The new residual claims levy has been set as a flat levy rate through to 2014.

2. Proposed rates

These compare to the ACC proposals to the Minister:

- Average standard levy \$0.78
- Average residual claims levy \$0.48
- Average combined levy \$1.26

Under the proposals the residual claims levy was set on a stepped levy basis and was projected to rise to 58 cents in 2014.

3. Current rates

For 2007/08 the current levy rates are:

- Average standard levy \$0.89
- Average residual claims levy \$0.43
- Average combined levy \$1.32
- PDP1 discount average discount 55.8%
- PDP2 discount average discount 63.6%
- Partnership programme admin fee 4.1%
- Primary health cost fee 1.3%
- Bulk funded public health care cost 4.4%

4. Options for accredited employers

With the reduction in the standard levy and increase in the residual claims levy, the Full Self Cover option is looking less attractive.

Although standard employers are receiving a 19% reduction on their standard levy compared to the current rates, accredited employers are receiving a 26% increase in their residual claims levy.

While most accredited employers will be reluctant to exit the partnership programme and hand over the management of their claims to ACC, they need to seriously consider the alternative partnership discount plan (PDP).

The PDP option allows employers to manage their claims for 1 or 2 years after the end of the cover period (known as PDP1 and PDP2 respectively). After the claims management period employers hand their claims back to ACC but do not incur any handback costs. The PDP has both cost attractions and certainty of cost attractions.

Under the PDP option, employers pay a reduced standard levy (currently an average discount of 55.8% for PDP1 and 63.6% for PDP2) and through this access some of the discount that is being given to standard employers. They will also be able to manage their claims for a period of time and not incur any costs after the claims management period.

For some employers the PDP option may mean lower claim costs and more stability than the FSCP. We are happy to assist employers in reviewing their options assessing whether the PDP option might be beneficial.

We understand that a full set of levy rates will be out on Friday 21 December, along with the rates calculator.

For further information please contact:

Neil Christie

Auckland Phone (09) 300 7571

Mark Weaver

Auckland Phone (09) 300 7156