Q & A

What are ACC levies based on?

ACC levies are reviewed each year. They are based on forecasts of several factors including injury rates, ACC performance, health care costs, wage inflation, long-term discount rates, the wider public interest and investment returns. ACC carries out a public consultation process before making recommendations to the Minister. The Ministry of Business, Innovation and Employment also provides advice to the Minister following an independent actuarial review. Final decisions are made by Cabinet.

Why has the Government agreed to levy cuts?

As we start to see consistency in ACC's performance we become more confident agreeing to levy cuts. ACC's financial position is more robust particularly in two areas:

- Improved rehabilitation performance means more people are back to independence and as close as possible to living the lives they led before the accident.
- Its investment team has consistently outperformed industry benchmarks even through the financial crisis and market volatility.

We have focussed levy cuts on the fully funded Work and Earners' Accounts. For the 2014/15 levy year the Workers levy will decrease by 17 per cent or $151 million and the Earners' levy paid by employees will decrease by 15 per cent or $236 million.

Not making any cuts whatsoever would have meant 183,000 businesses (36 per cent of businesses) would have had an increase in their levy bill.

How many businesses will get a decrease in ACC levies?

Most of New Zealand's 500,000 businesses will get a decrease in ACC levies.

Work Account levies also reflect how many ACC claims were made by businesses in different sectors, known as claims experience. The aim of this is to retain incentives for firms to keep their workplaces safe and rehabilitate their workers.

Individual rates for industry groups will vary from the average, but ACC expects 99 per cent of the 500,000 businesses to see a decrease. Only eight classification units out of the 539 are expected to increase. Without the $151 million reduction in the Work Account levy, their increase would have been higher.

Why is the maximum loading for the experience rating programme increasing?

Under the experience ratings programme, businesses can save on their industry levy amount or be charged an extra 'loading' amount based on their experience rating (claims history). Loadings are aimed at incentivising businesses with worse-than-average claims experience to improve their workplace health and safety and rehabilitate injured worker/s as effectively and efficiently as possible.

The maximum loading for businesses in the experience rating programme will increase from 50 per cent to 75 per cent of their industry levy. This will prevent poor performing businesses, who are currently sitting at the highest end of the loading scale (50 per cent), from receiving the full benefit from the reduction in levy rates.

Why are the maximum and minimum liable earnings for the Work and Earner's Accounts increasing?

This is a standard adjustment in line with minimum wage changes and changes in average wage rates. As the maximum cap increases so too does the levy and the compensated earnings.

What is happening with levies in the Motor Vehicle Account?

The Motor Vehicle Account is the least funded ACC account. While cuts to motor vehicle levies aren't included in this year's levy reductions, there's a good chance these levies will go down next year.