THE FUTURE OF ACC
26th August
2011

Organising committee
Structure of the day

- Welcome
- Folders
- Breaks
- Parking
- Timekeeping
- Proceedings
The purpose of the day: The future of ACC.

“Is New Zealand in danger of losing both what is best about the ACC scheme, and our place as a world leader in accident compensation? What can be done?”
THE FUTURE OF ACC

CHRIS HIPKINS MP
LABOUR SPOKESPERSON ON ACC
THE FUTURE OF ACC

THE CONTEXT
The purpose of ACC

“...is to deliver no-fault personal injury cover for everyone in New Zealand, including overseas visitors.

The Scheme supports the social contract where by individuals forego the right to sue for compensatory damages following an injury, in return for receiving personal injury cover.”

(ACC Statement of Intent)
“As the scheme will be a government-scheme of social insurance it must in the final resort receive the backing of the state.”

Woodhouse, p 175
Social insurance

- Does not require full-funding
- Can be flexible in coverage
  - new risks
  - new treatments
- Can pay true compensation
- Low overheads
- Can be redistributive
Woodhouse asked:
How much would it cost?

- 1% levy to replace worker’s compensation premiums
- Scheme’s income would be greater than outgoings for first years
- Surplus invested
  - Useful contingency reserve
  - Beneficial side effect
- Never to be on a fully-funded actuarial basis
- Never insurance
Nick Smith (2009). “ACC is on course to go broke”

Income exceeded expenditure for the 2008/2009 financial year by $1 billion, but the change in value of outstanding claims had resulted in a reported loss of $4.8 billion.

“This will go down in New Zealand history as the biggest corporate loss of any entity, public or private….”
1. Inadequate consideration of the costs of segmenting accident insurance from other parts of the insurance market

2. Inadequate consideration of the difficulty of defining the boundaries between the ACC and the health and social welfare systems

3. Failure to consider both the costs of public monopoly provision and the costs of not utilising expertise of the private sector so as to allow private mechanisms to support the social purposes of the Scheme
Increasing choice in workplace accident compensation

Discussion document on options for extending the Accredited Employers Programme and introducing choice in the ACC Work Account

30 June 2010

Annual Report 2010
Accident Compensation Corporation

The Merits and Feasibility of Competitive Delivery of Accident Compensation Services in New Zealand

Interim report prepared for the Minister for ACC by the steering group for the Stocktake of ACC Accounts
16 April 2010
Maori Experience of ACC

“There was strong support for the ACC scheme, and a fair amount of discontent with the ACC organisation. With regards to a new system which incorporated competition or choices for participants, many were wary of any changes as they might yield new ways for Māori to fall through the cracks of the system. However, there was also a surprising amount of enthusiasm for such change. This enthusiasm was, however, almost universally predicated on the assumption that any new system would embody a Māori world view and avoid the mainstream attitudes and processes that were felt to pervade the current ACC.”
Māori interest in competition (i.e. choice)...

“is entirely contingent upon Māori organisations being significant players in offering these potential choices...

“By contrast, scepticism for the idea of competition is based on concerns that a mainstream service will never be able to authentically incorporate Māori values, and that the new system will therefore serve Māori no better than the current system, and possibly quite a bit worse.”
The Stocktake view of the Māori perspective?

“While Māori support retention of the current compulsory no-fault accident compensation system, many Māori are interested in and supportive of the introduction of competitive delivery of accident compensation services, which they characterise as a shift from provider choice (under a monopoly delivery model) to consumer choice (under a competitive delivery model).”
ACC is just “insurance”

- Intensification since 1991
  - Birch- “ACC- a fairer scheme?”
  - Premiums and insurance concepts
- Privatisation work account in 1999
- Partial reprieve 2000
- Now heading for
  - No segmentation of insurance business
  - Very tight demarcation
  - Insurance mechanisms embedded
  - Full-funding by 2019
Full funding in sight
## The two paradigms of ACC

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<th>ACC is just <strong>private insurance</strong> run by the state</th>
<th>ACC is <strong>social insurance</strong></th>
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<td>Narrow insurance scheme</td>
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“We are going (slowly) in the right direction to catch up a bit to New Zealand. It would be sad if Australia finally arrived to find NZ had abandoned the front line!”

Professor Richard Madden, Comment on the Productivity Commission’s National Disability Insurance Scheme, August, 2011