ACC Forum

ACC’s Funding Position

December 2009
Agenda

- Summary
- Overview of the main ACC accounts
- History of the levy rates
- Expected payment patterns
- Projected levy rates
- Fully-funded claims costs
- Funding positions of the accounts
- Changes proposed in the Amendment Bill
- Impact of Amendment Bill on levy rates
- Risk margins
- Why we need full funding
Summary

- The finances are in a poor state
- Cost of current claims in Earners’ Account is $2.22 per $100 liable earnings including GST
- Scheme provides wide universal coverage of benefits
- Fully funding means we know cost of benefits provided
- There are cost pressures from medical advancements and ageing population
- Changes to the Scheme both to benefits and the structure are necessary to ensure its long term future
Overview of the main ACC accounts

- **Work Account**
  - Funded by levies paid by employers and self-employed
  - Revenue of $539m for year ended 30 June 2009
  - Covers entitlements for work-related personal injuries post 1 July 1999
  - Employers can choose to self-insure and meet their own accident costs
  - Cost of current benefits $1.18 per $100 LE
Overview of the main ACC accounts

- **Residual Claims Account**
  - Funded by levies paid by employers and self-employed
  - Revenue of $496m for year ended 30 June 2009
  - Covers entitlements for work-related personal injuries prior to 1 July 1999 and earners’ non motor vehicle injuries prior to 1 July 1992
Overview of the main ACC accounts

- **Earners’ Account**
  - Funded by levies paid by employees through PAYE and self-employed
  - Revenue of $1,112m for year ended 30 June 2009 compared to $759m for the year ended 30 June 2005
  - In the year to 30 June 2009, claims paid was $1,006m and the outstanding claims liability increased by $1,178m
  - Covers entitlements for earners’ non-work personal injuries
  - Has a residual (pre 1999) component
  - Cost of current benefits $2.22 per $100 LE
Overview of the main ACC accounts

- **Motor Vehicle Account**
  - Funded by levies paid by vehicle owners through licence fee levy and according to petrol usage through petrol levy
  - Revenue of $739m for year ended 30 June 2009 compared to $583m for the year ended 30 June 2005
  - Covers entitlements for motor vehicle injuries
  - Has a residual (pre 1999) component
  - Cost of current benefits $187 per vehicle
Overview of the main ACC accounts

- **Non-Earners’ Account**
  - Funded by taxpayers
  - Revenue of $982m for year ended 30 June 2009 compared to $535m for the year ended 30 June 2005
  - Covers entitlements for non-earners’ personal injuries from 1 July 1992

- **Treatment Injury Account**
  - Funded from the Earners’ and Non-Earners’ Accounts
  - Covers entitlements for personal injury caused by treatment by a registered health professional (other than treatment for a work-related personal injury)
History of levy rates

- **Work Account**

![Combined Work Account chart with levy rates per $100 liable earnings from 2003/04 to 2009/10. The chart shows a decrease in overall levy rates over the years, with a distinct separation between Pre-1999 claims and Current claims.]
History of levy rates

- Earners’ Account
History of levy rates

- Motor Vehicle Account

![Motor Vehicle Account Chart]

Levy rate ($) per vehicle
Pre-1999 claims  Current claims
Expected payment patterns

- The table below shows ACC’s expected payment patterns for the 2009/10 accident year. All amounts are expressed as a percentage of liable earnings.

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Development Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7+</th>
<th>Total</th>
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<tbody>
<tr>
<td>Weekly Comp</td>
<td></td>
<td>0.141</td>
<td>0.119</td>
<td>0.051</td>
<td>0.031</td>
<td>0.022</td>
<td>0.018</td>
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<td>0.002</td>
<td>0.002</td>
<td>0.002</td>
<td>0.001</td>
<td>0.005</td>
<td>0.015</td>
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<tr>
<td>Lump Sum</td>
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<td>0.005</td>
<td>0.001</td>
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<td>0.004</td>
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<td>0.006</td>
<td>0.004</td>
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<td>0.032</td>
<td>0.007</td>
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<td>0.002</td>
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<td>0.018</td>
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<td><strong>Total</strong></td>
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<td><strong>0.202</strong></td>
<td><strong>0.078</strong></td>
<td><strong>0.051</strong></td>
<td><strong>0.033</strong></td>
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<td><strong>0.798</strong></td>
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Projected levy rates

- Current projected rates for the Work, Earners’ and Motor Vehicle accounts are, with the exception of those for the year beginning 1 April 2014, over 15% higher than those projected in September 2008.
Projected levy rates

![Graph showing projected levy rates from 2009 to 2019. The graph indicates a decrease in levy rates from 2009 to 2019.](image)

- **Work Account (combined rate)**
- **Consultation document projections**

<table>
<thead>
<tr>
<th>Year beginning 1 April</th>
<th>Levy rate ($) per $100 liable earnings</th>
<th>% increase</th>
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<td>2009</td>
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<td>1.46</td>
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<tr>
<td>2013</td>
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<td>2014</td>
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<td>2015</td>
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<td>2016</td>
<td>1.70</td>
<td>1%</td>
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<tr>
<td>2017</td>
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<td>2018</td>
<td>1.89</td>
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<tr>
<td>2019</td>
<td>1.91</td>
<td></td>
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</table>
Projected levy rates

Earmers' Account (combined rate)
Consultation document projections

Year beginning 1 April

Levy rate ($) per $100 liable earnings

-10% -5% 0% 5% 10% 15% 20% 25% 30% 35% 40% 45%

0% 5% 10% 15% 20% 25% 30% 35% 40% 41%


1.70 2.00 2.31 2.60 3.00 2.38 1.70 2.80 2.80 3.00 3.20 3.20

% increase

-10% -5% 0% 5% 10% 15% 20% 25% 30% 35% 40% 45%
Projected levy rates

Motor Account (combined rate)
Consultation document projections

Levy rate ($ per vehicle)

Year beginning 1 July


Levy rate ($ per vehicle)
0 50 100 150 200 250 300 350 400 450 500

Sep-08 Oct-09 % increase

287 418 342 367 392 419 434 444 394 370 345 320 301

0% 20% 40% 60% 80% 100% 120% 140%
Fully-funded claims costs

- Work Account
  - ACC projects that claim frequency will decrease but average claim size will increase due mainly to increasing claims costs
  - The average cost is projected to increase at levels over and above inflation
Fully-funded claims costs

- Earners’ Account
  - ACC projects that both size and frequency will increase
Fully-funded claims costs

- **Motor Vehicle Account**
  - ACC projects a deterioration in claims costs and frequency beyond 2009
Funding positions of the accounts

- **Work Account**
  - The deterioration in funding position over the last few years due to the levy rates being set too low is apparent
Funding positions of the accounts

- **Earners’ Account**
  - The deterioration in funding position over the last year is apparent
Funding positions of the accounts

- **Motor Vehicle Account**
  - The level of deterioration over the last few years is very similar to that seen in the Work Account
Changes proposed in the Amendment Bill

- **Improved flexibility**
  - Change the full funding deadline from 2014 to 2019
  - Enable experience rating and risk sharing in the WA
  - Enable risk rating in the Motor Vehicle Account for both vehicles and vehicle owners
Changes proposed in the Amendment Bill

- **Cost-containment**
  - **Cover**
    - Repeal changes made in 2008 to test for causation of workplace gradual process, disease or infection
    - Introduction of a 6% threshold for hearing loss claims
  - **Weekly compensation**
    - Reinstate former calculation for long-term (after 4 weeks) weekly compensation for non-permanent employees
    - Return increasing weekly compensation to minimum weekly earnings rate from after 5th week of incapacity, instead of from 2nd week
Changes proposed in the Amendment Bill

Cost-containment

- Weekly compensation (continued)
  - Abatement of holiday pay
  - Reduce loss of potential earnings compensation for young people back to 80% of minimum weekly earnings

Vocational independence and rehabilitation

- Replace vocational independence threshold of capacity to work for 35 hours per week with capacity to work 30 hours per week
- Make it optional for occupational assessors to consider pre-incapacity earnings when undertaking initial vocational independence assessments
Changes proposed in the Amendment Bill

- **Cost-containment**
  - **Disentitlement**
    - Willfully self-inflicted injury and suicide
    - Strengthening disentitlement provisions for claimants for whom it would be repugnant to justice to provide entitlement
  - **Ministerial advisory panels**
    - Remove requirement to have Ministerial Advisory Panels on Work related gradual process, disease or infection and injury surveillance
Risk margins

- Costs for each account are:
  - Work Account 11.7%
  - Earners’ Account 11.1%
  - Motor Vehicle Account 13.7%
- Does increase liability and increase levy rates - but not in the long term
Why we need full funding

- Need to know expected cost of benefits provided on a best estimate basis
- Need to know how the existing claims are being managed compared to the expected costs
- Are there areas in the claims management we need to review given the outcomes? How can we best manage the rehabilitation of the injured claimant?
- Need to ask the question is the cost reasonable and are we prepared to meet it? Are we prepared to pay more for better benefits?
- If we receive certain entitlement levels and particularly when we increase them we also have to pay for them.
Contact details

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