November 2008


December 2008
8 – National Government approves an additional $297million appropriation to cover the shortfall in the Non-Earners’ Account. (http://www.scoop.co.nz/stories/PA0812/S00199.htm)

16 – Levy rates for 2009/10 decided on. Significant increases are announced due to “blow out in costs” in ACC accounts. (http://www.scoop.co.nz/stories/PA0812/S00199.htm)

16 – Mark Todd, of Bell Gully, sends Department of Labour his paper which focuses on the lessons to be learned from when ACC was last open to competition.

February 2009
2 – PricewaterhouseCoopers publishes actuarial assessment of ACC up to 31 December 2008

March 2009
3 – ACC ministerial Inquiry into the ACC Non-earners’ Account funding shortfall released (http://www.martinjenkins.co.nz/news/)


April 2009
8 – ACC futures Coalition is formed with a goal of building ‘cross-party support’ for an ACC that exhibits the Woodhouse principles. (http://www.accfutures.org.nz/assets/downloads/Armstrong.pdf)

16 – OECD annual report released which comments on the ‘large, non-transparent’ deficits in ACC and suggests a greater role for the private sector. (http://tntiana.sourceoecd.org/vl=1413325/cl=16/nw=1/rpsv/ciq-bin/fulltextew.pl?prpsv=/ij/oecdjournals/03766438/v2009n4/s1/p1.idx)

May 2009
27 – ACC announces restructuring of Office to increase efficiency. 70 jobs lost. (http://business.scoop.co.nz/2009/05/27/acc-announces-head-office-reorganisation)

28 – $500,000 in funding is announced for an ACC stock take group to propose changes to ACC to make it more efficient. (http://www.scoop.co.nz/stories/PA0905/S00502.htm)

June 2009
29-30 – ACC Conference: Reviewing NZ’s Accident Compensation System Summit

August 2009
6 – Details of ACC stocktake group announced. David Caygill to chair. Expected to have interim report by February. (http://beehive.govt.nz/release/acc-stocktake-details+announced)
October 2009

12 – Andrew Little calls for independent review of ACC so that politics does not come into assessment of liabilities/assets. http://www.voxy.co.nz/politics/smith039s-acc-figures-smoke-and-mirrors-independent-review-needed/5/26940

22 – ACC Futures Coalition label the deal done between National and ACT over possible privatisation of the ACC work account as ‘outrageous’. (http://www.accfutures.org.nz/documents/ACCPublicationProposalOutrageous22Oct09.pdf)


November 2009

16 – Free Physiotherapy axed, patients pay portion of costs (http://www.stuff.co.nz/nelson-mail/news/2763360/Physios-fear-ACC-cuts-will-harm-poor-clients)


December 2009
1 – ACC release 2010/11 levy rates it recommends to Minister for ACC, significant increases proposed. (http://www.scoop.co.nz/stories/PO0912/S00002.htm)

10 – National announces increases in ACC levies but not at the level recommended by ACC (http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10614620)

10 – Cabinet Paper recommending changes to ACC is released under the Official Information Act. The anticipated savings are $62million from these changes, which is approximately 1.7% of the actual administration costs and claims paid for 2009. (link will follow)


10 - Press release – 10 December 2009: Presentation to the Select Committee considering the: Injury Prevention, Rehabilitation, and Compensation Amendment Bill. Susan St John and Michael Littlewood (Co-directors of the Retirement Policy and Research Centre) presented by video link their submission on the Bill to the Select Committee. The RPRC’s full submission drew together two RPRC PensionCommentaries published earlier this year....

14 – Article in NZ lawyer says that litigation against ACC is increasing, with ‘the emphasis of financial direction being channelled away rehabilitation and towards legal recourse’. (http://www.nzlawyermagazine.co.nz/CurrentIssue/Issue120/120N6/tabid/1946/Default.aspx)
Injury Prevention, Rehabilitation, and Compensation Amendment Bill
Government Bill

The primary amendment will extend the date for fully funding residual claims liabilities from 2014 to 2019, set a final valuation of all residual claims liabilities as valued at 30 June 2009, and fold the residual liabilities into the main accounts.

Full funding of residual claims liabilities...

The Injury Prevention, Rehabilitation, and Compensation Act 2001 (IPRC Act) requires levies to be calculated to achieve full funding of residual liabilities by 30 June 2014 in the Residual Claims, Motor Vehicle, and Earners’ Accounts, but not the Non-Earners’ Account. The 2014 date was originally set in 1998, but the residual accounts are still some way from being fully funded. Volatility in levy rates is likely to increase as 2014 approaches. There is also a need to deal with over- or under-funding of the residual claims liability that would occur after 2014. The amendments will set a final date for fully funding the residual claims liabilities of 31 March 2019 for the Work and Earners’ Accounts and 30 June 2019 for the Motor Vehicle Account. The residual claims liabilities will be set as at 30 June 2009 in order to reduce volatility as the fully funded date approaches. The residual claims liabilities will be merged into the main accounts.

Clause 15 inserts new section 169AA. The new section 169AA provides that the extent of funds to be derived from levies under sections 168, 168A, and 168B is to be calculated to achieve 2 purposes. The first purpose is that the residual amount is to be completely paid off or funded by 31 March 2019. The second purpose is that the cost of all claims under the Work Account is fully funded. Residual amount is defined to mean an amount equal to the sum of 2 things. The first thing is the total value of the outstanding claims liability for the Residual Claims Account as at 30 June 2009 that is set out in the Accident Compensation Corporation’s annual report for the financial year ending on that date. The second thing is the best estimate of the Corporation’s potential liability as at 30 June 2009 for future claims for cover for work-related gradual process, disease, or infection made by persons who, before 1 July 1999, may have been exposed to the cause or contributing cause of the personal injury but who, by 1 July 2009, have not suffered the personal injury. Therefore, under new section 169AA, the date for full funding of the outstanding claims liability for the Residual Claims Account is extended from 30 June 2014 to 31 March 2019 and the Accident Compensation Corporation is required to fix the total value of that liability as at 30 June 2009 (as set out in the Corporation’s annual report for the financial year ending on 30 June 2009).

Section 15 New section 169AA inserted: The following section is inserted after section 169:
"169AA Basis on which funds to be calculated

"(1) The extent of funds to be derived from levies under sections 168, 168A, and 168B is to be calculated to achieve the following purposes:

"(a) the residual amount is to be completely paid off or funded no later than 31 March 2019;

"(b) the cost of all claims under the Work Account is fully funded.

"(2) In this section, residual amount means an amount equal to the sum of—

"(a) the total value of the outstanding claims liability for the Residual Claims Account as at 30 June 2009 that is set out in the Corporation’s annual report for the financial year ending on that date; and

"(b) the best estimate of the Corporation’s potential liability as at 30 June 2009 (as notified by the Corporation in a notice published in the Gazette) in respect of future claims for cover for personal injury caused by work-related gradual process, disease, or infection by persons who—

"(i) before 1 July 1999, may have been exposed to a particular property or characteristic of their employment tasks or environment that causes, or contributes to the cause of, the personal injury; but

"(ii) by 1 July 2009, have not suffered the personal injury."

Current Act:

s169 Rates of levies...

2) The extent of funds to be derived from levies under sections 168, 168A, and 168B is to be calculated so that the cost of all claims under the Work Account is fully funded.

s6 Interpretation

- (1) In this Act, unless the context otherwise requires,—
  - **fully funded**, in relation to claims, means that the amount of the outstanding claims liability in respect of the claims is offset by an adequate level of assets to fund the cost of those claims, having regard to—
    - (a) uncertainty in forecasting; and
    - (b) the objective of levy stability over time

ACC Annual Reports
Dr Jan White, Chief Executive, Accident Compensation Corporation

Page 8 of Annual Report of ACC 2008: "By continuing to reinvest investment income and maintaining a surplus of levy income over Scheme expenditure, ACC will grow its long-term investment portfolios to meet our obligation to be fully funded by 2014."

<table>
<thead>
<tr>
<th>ACC Outstanding Claims Liability 2006-09</th>
<th>30 June 2006 Total</th>
<th>30 June 2007 Total</th>
<th>30 June 2008 Total</th>
<th>30 June 2009 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation</td>
<td>($OOO)</td>
<td>($OOO)</td>
<td>($OOO)</td>
<td>($OOO)</td>
</tr>
<tr>
<td>Medical Treatment</td>
<td>962,000</td>
<td>928,117</td>
<td>1,149,135</td>
<td>1,796,022</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,550,000</td>
<td>6,348,117</td>
<td>7,717,530</td>
<td>10,378,450</td>
</tr>
<tr>
<td>Total</td>
<td>6,512,000</td>
<td>7,276,234</td>
<td>8,866,665</td>
<td>12,174,472</td>
</tr>
<tr>
<td>Compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Maintenance</td>
<td>4,608,000</td>
<td>4,702,878</td>
<td>5,289,758</td>
<td>6,757,700</td>
</tr>
<tr>
<td>Impairment benefits</td>
<td>723,000</td>
<td>835,774</td>
<td>884,630</td>
<td>922,349</td>
</tr>
<tr>
<td>Total</td>
<td>5,331,000</td>
<td>5,538,652</td>
<td>6,174,388</td>
<td>7,680,049</td>
</tr>
<tr>
<td>Central Estimate of present value of future claims payments</td>
<td>11,843,000</td>
<td>12,814,886</td>
<td>15,041,053</td>
<td>19,854,521</td>
</tr>
<tr>
<td>Present Value of the operating costs of meeting these claims</td>
<td>854,000</td>
<td>903,872</td>
<td>939,024</td>
<td>1,260,879</td>
</tr>
<tr>
<td>Bulk billed costs</td>
<td>18,000</td>
<td>16,650</td>
<td>18,136</td>
<td>7,775</td>
</tr>
<tr>
<td>Total</td>
<td>12,715,000</td>
<td>13,735,408</td>
<td>15,998,213</td>
<td>21,123,175</td>
</tr>
<tr>
<td>Risk Margin</td>
<td></td>
<td>1,656,543</td>
<td>2,007,978</td>
<td>2,662,909</td>
</tr>
<tr>
<td>Outstanding Claims Liability</td>
<td>14,113,551</td>
<td>15,391,951</td>
<td>18,006,191</td>
<td>23,786,084</td>
</tr>
<tr>
<td>As at beginning of year</td>
<td></td>
<td>14,113,551</td>
<td>15,391,951</td>
<td>18,006,191</td>
</tr>
<tr>
<td>movement during the year</td>
<td></td>
<td>1,278,400</td>
<td>2,614,240</td>
<td>5,779,893</td>
</tr>
<tr>
<td>Weighted average term to settlement</td>
<td></td>
<td>10yrs 8mth</td>
<td>11yrs 1mth</td>
<td>12yrs 11mths</td>
</tr>
</tbody>
</table>

NZIFRS 4

Page 5: “NZ IFRS 4 specifies the financial reporting for insurance contracts by any entity that issues such contracts. NZ IFRS 4: (a) applies to all insurance contracts, including reinsurance contracts, that an entity issues and to reinsurance contracts that it holds, except for specified contracts covered by other New Zealand equivalents to IFRS;...”


Michael Littlewood *PensionCommentary 2009-1:*

Susan St John *PensionCommentary 2009-2:*

**Figure 1: ACC Reserves in months of expenditure**
Source: St John (1999, p. 161) and ACC annual reports 1997-2009