He Kaupare. He Manaaki.
He Whakaora.
prevention. care. recovery.

ACC levy rate proposals

2024 Levy Consultation

Te rārangi kaupapa hou

Ngā Huihuinga mō ngā Utu Hunga Whara 2024

Contents

Have your say on ACC levies through our consultation | Tukuna mai ō whakaaro mō ngā utu hunga whara a ACC 2

How to have your say by Wednesday 9 October 2024 2

How to have your say | Me pēhea te tuku mai i ō kōrero 2

Levy Consultation is split into two parts 3

Proposals for change to the levy system | Ngā huringa ki te pūnaha utu hunga whara 3

Work Account 3

Motor Vehicle Account 3

The changes to levies that we're proposing 4

Reasons behind increased levies — things have changed since 2021 5

ACC belongs to all of us for the benefit of us all 6

How your ACC levies help injured people recover 6

Levy setting needs to be fair 7

Today's levy payers fund today's claims 7

We can't just rely on rate increases — improving our performance for the benefit of injured people and levy payers 8

How we work to improve the way we purchase health care 8

We invest ethically and outperform the market 9

We work to prevent injuries and improve the Scheme 9

Three initiatives to improve road safety for everyone 10

Partnership to prevent workplace injury 10

The process for setting ACC levies | Te whakatūnga o ngā utu hunga whara a ACC 11

Step 1: Forecasting the cost of future injuries 11

Step 2: Calculating the average levy rate 12

Step 3: Our recommendations for the levy rates 12

What our proposals mean for households and businesses 13

We want to hear from you 13

Detailed proposed changes to the Accounts | Ngā taipitopito kōrero mō ngā huringa ki ngā momo utu 14

Changes proposed to the Motor Vehicle Account 14

Reasons for proposed levy increase 14

Our recommended levy rates 16

The Motorcycle Safety Levy 17

Have your say about levies for motor vehicles 17

Changes proposed to the Work Account 18

Changes proposed for the Earners' Account 20

Our recommended levy rates 20

2025-2028 liable earnings (Work and Earners' levies) 20

Accredited Employer Programme 22

Calculating the levy to pay for the Partnership Discount Plan 22

Calculating the levy to pay for the Full Self-Cover Plan 22

Our proposed changes to the levy factors for FY25 to FY28 23

Administration costs 23

Bulk-funded public health care cost 24

Have your say 26

Have your say on ACC levies through our consultation
Tukuna mai ō whakaaro mō ngā utu hunga whara a ACC

Every three years everyone in Aotearoa New Zealand has a chance to give feedback on the levies that ACC charges to pay for the support and services we provide for injured people.

After considering all the feedback we present our recommendations to the Minister for ACC.

The recommendations cover the next three years, to give you certainty on future levies. After considering ACC's recommendations and the feedback received in the consultation, the Minister will make recommendations to Cabinet on the final levy rates and changes to levy payer classification or levy incentive products. The Government will then make the final decisions.

ACC services touch the lives of almost everyone. The cover we provide wouldn't be possible if it wasn't for the levies you pay. Each time you fill up at the pump, pay your vehicle registration, get paid a salary, or pay an ACC business invoice, you're paying a levy. That levy is helping to cover the costs of treatment and rehabilitation for people injured in an accident, from physical or sexual violence, or suffering an occupational disease.

In 2025/26 we need to collect $4.7 billion in levies to fund the support needed for 930,000 claims in the Work, Motor Vehicle, and Earners' Accounts.

Levies from employers and self-employed people (Work Account) cover the costs of injuries that happen in the workplace. Levies collected from vehicle owners (Motor Vehicle Account) cover the costs of injuries that involve moving vehicles on public roads. Levies from people earning wages or a salary (Earners' Account) cover injuries that happen to workers outside the workplace.

Levy consultation only considers proposed changes to the Accounts funded by levies. The consultation doesn't cover funding of the Non-Earners' Account or the non-earner component of the Treatment Injury Account. These are funded through general taxation and allocated to ACC by the Government.

For 50 years ACC has tailored the levies it charges to reflect the injury risk of different groups of levy payers. This is different from general taxation where the revenue raised can be used for many purposes and so risk-based or use-based pricing cannot be easily applied.

How to have your say
Me pēhea te tuku mai i ō kōrero

ACC would like your feedback on our proposed changes to levy rates in the 2024 Levy Consultation.

Your feedback is considered by ACC as it makes its recommendation on the proposed changes to the Minister for ACC. The Minister for ACC considers ACC's recommendations, the feedback received from consultation, and advice from other officials before making final recommendations to Cabinet. The final decision on levy rates and any changes to the levy system are made by Government after receiving recommendations from the Minister for ACC.

It's easy to have your say. Your views can influence the final rates set by the Government and help improve the levy system.

Please fill out the feedback forms at ***ShapeYourACC.co.nz***, or you can email your submission to us at ***ShapeYourACC@acc.co.nz***.

Submissions close on Wednesday 9 October 2024.

We want your feedback

Levy Consultation is split into two parts

During consultation we consult on proposed changes for the levy rates, and other changes to incentives or how levy payers are grouped together (changes to the levy system).

Proposals for change to the levy system
Ngā huringa ki te pūnaha utu hunga whara

It is the responsibility of ACC to consult on levy rates.
The Minister for ACC and ACC can also consult on proposed changes to how levy payers are classified or how incentives operate in the Accounts. This year the Minister for ACC and ACC, are proposing changes to the Work, and Motor Vehicle Accounts.

Work Account

ACC's proposals

- Removal of the No Claims Discount for businesses levied less than $10,000 a year and changes to the level of subsidisation of the Experience Rating product by non-experience rated businesses.
- Changes to the threshold for medical fees and treatment costs that are considered in Experience Rating calculations.

Minister for ACC's proposals

- Changes to how home improvement stores, professional sports and ballet are classified.
- Changes to the interest charged on payment plans, penalty interest and credit interest.

Motor Vehicle Account

ACC's proposals

- Changes to the level of contribution that owners of motorcycles make towards the costs of injuries.

Minister for ACC's proposals

- Changes to how motorcycles are classified by engine capacity (cc rating) for the purposes of levying.
- Inclusion of a discount to the levy rates for motorcyclists on the successful completion of advanced rider safety training.
- Reclassification of battery electric vehicles and plug-in hybrid electric vehicles.
- Removal of the Fleet Saver product.

You can read more about these proposed changes in the document ACC Levy System Change Proposals.

The changes to levies that we're proposing

Levy rates need to keep pace with rising costs and at the same time ensure that the amount of money held by ACC is sufficient to pay for the future costs of claims. This ensures we do not need to raise more money from future levy payers to pay for the cost of today's claims.

Where there is a surplus of money in an Account, we can discount the levy, by using the surplus to pay for some of the cost of claims. A surplus does not stop levy rates going up and the amount of discount will reduce over time as the surplus is used up.

We are proposing that levies in the three levied Accounts should be changed as set out in the following table:

	Motor Vehicle Account			**Work Account**			**Earners' Account (including contribution to Treatment Injury)**		
$millions	**2025/26**	**2026/27**	**2027/28**	**2025/26**	**2026/27**	**2027/28**	**2025/26**	**2026/27**	**2027/28**
Cost of supporting recovery	969.8	1,013.2	1,055.0	1,407.1	1,517.6	1,595.2	3,906.6	4,147.6	4,439.3
Operating costs	4.5	4.5	4.7	59.2	59.3	60.6	15.6	15.7	16.1
Total funding for new claims	*974.3*	*1,017.7*	*1,059.7*	*1,466.3*	*1,576.9*	*1,655.8*	*3,922.2*	*4,163.3*	*4,455.4*
Funding adjustment for current funding position[1]	-295.7	-276.1	-255.5	-186.0	-183.5	-168	+295.6	+280.8	+292.1
Levy required for the year	***678.6***	***741.7***	***804.2***	***1,280.3***	***1,393.4***	***1,487.8***	***4,217.8***	***4,444.1***	***4,747.4***
Accepted funding shortfall from FPS caps	-152.2	-169.4	-182.2	-210.7	-220.9	-212.5	-1,081.5	-997.6	-992.0
Proposed levy	**526.5**	**572.3**	**622.0**	**1,069.6**	**1,172.5**	**1,275.3**	**3,136.3**	**3,446.4**	**3,755.4**
	$ per vehicle			***$ per $100 liable earnings***			***$ per $100 liable earnings***		
Current rate	$113.94			$0.63			$1.39		
Proposed levy rate	**$122.84**	**$131.94**	**$141.69**	**$0.66**	**$0.69**	**$0.72**	**$1.45**	**$1.52**	**$1.59**
Annual change	+7.8%	+7.4%	+7.4%	+4.8%	+4.5%	+4.3%	+4.3%	+4.8%	+4.6%
	Comes into effect **1 July** each year			Comes into effect **1 April** each year			Comes into effect **1 April** each year		

[1]A negative number indicates ACC is using surplus assets to discount levies needed. A positive number is used when the Accounts assets are less than future claims costs and we need to rebuild the level of assets to ensure the Account has sufficient assets.

Reasons behind increased levies — things have changed since 2021

There are historic funding surpluses in the Work and Motor Vehicle Accounts. We have been able to use these surpluses to keep levies below the full cost of claims for the last 10 years. If the proposed levy rates are agreed by Government, levy rates for the next three years will remain as much as 46% below the cost of injuries for the different levied Accounts.

As the surpluses are used up, and the volumes of claims continue to grow, levies will still need to be increased to cover the full costs of claims.

Between June 2021 and June 2024, the number of claims for injuries that required time off work to recover grew by 7%.

Compared to the last levy consultation in 2021, the costs of injuries for the 2025/26-2027/28 levy years are expected to be higher due to an increase in the:

- Numbers of injuries requiring time off work.
- Costs for funding of ambulance and public health acute services (PHAS).
- Recovery time required before the worker can return to work.
- Number and cost of sensitive claims in the Earners' Account (mental injury caused by sexual violence).
- Inflationary pressures in the past three years.

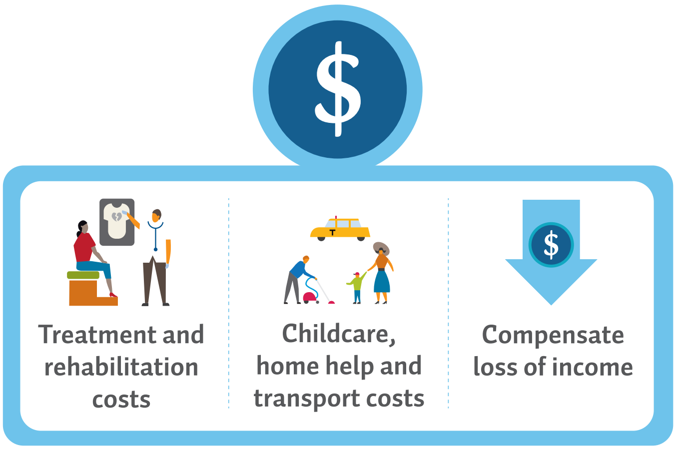
ACC belongs to all of us for the benefit of us all

ACC is unique in the world. No other country provides a no-fault, comprehensive accident compensation scheme that supports injured people's recovery and treatment and provides compensation for loss of income.

Our communities thrive when everyone can participate. Our economy does better when employers and workers can contribute to their workplaces. Everyone benefits when injuries from accidents are reduced. Not only for the injured person, but also their family and whānau, their workplace and wider community.

Most people recovery relatively quickly from their injury. However, others will need support for longer, possibly for the rest of their lives. For example, over 300 people injured in 1974, are still receiving support from ACC.

We are all responsible for making sure that ACC is sufficiently funded to care for the people who are injured today and in the future.



How your ACC levies help injured people recover

We use levies to fund a range of services to help injured people, including:

- treatment and rehabilitation costs.
- compensation for loss of earnings if a person cannot work because of their injury.
- childcare support.
- funeral costs and income for surviving family members.
- home help.
- transportation costs to and from appointments.

The levies give peace of mind to workers by providing compensation for lost earnings. And levies also enable employers to keep their businesses operating, by freeing up funds for temporary staff who can cover for injured workers.

Levy payers ensure everyone has a stake in ACC

In 2025/26 we propose to collect $4.7 billion in levies to fund the support needed by 930,000 claims in the Work, Motor Vehicle and Earners' Accounts. This is a significant investment by levy payers into the ACC scheme, which means everyone has a stake in ACC.

Levy setting needs to be fair

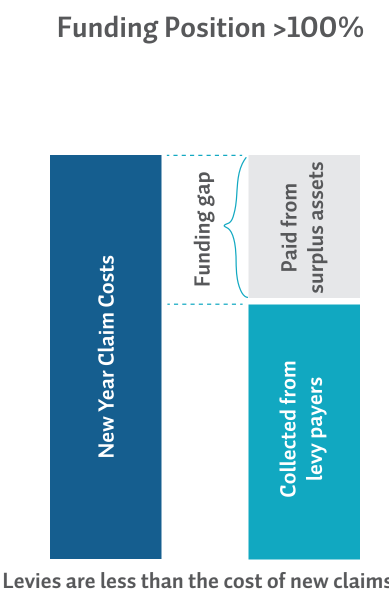
When considering changes to the levy system, we want to strike a balance between the money we need to collect and the need to be fair to levy payers. Fairness means:

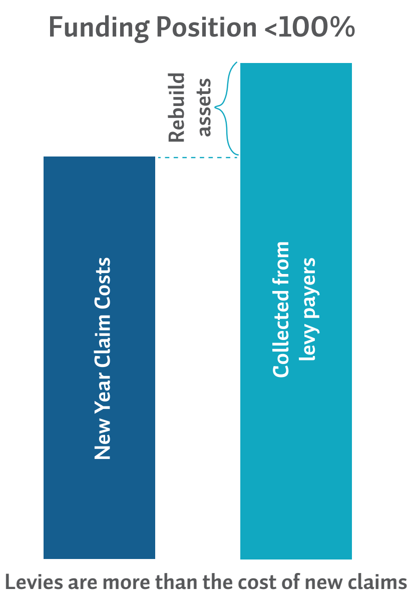
- we aim to keep levies as affordable as possible.
- levies stay as stable as possible over time.
- levy payers exposed to similar risks of injury pay the same levy; for example, businesses with a higher risk of injury, such as forestry, pay a higher levy rate than businesses with a lower injury risk, such as financial services.
- levy payers of the same grouping pay for the costs of the claims without being subsidised by other levy payers, whenever possible.

Today's levy payers fund today's claims

We manage funding of the levied Accounts on a fully funded basis. This means we aim to always have enough assets (money on hand) to pay for current and future costs of claims we have accepted to cover. When assets and costs are in balance the levies charged will be the cost of new claims for the year.

If we have a surplus of assets, we reduce the surplus over time by discounting the levies we charge, and so levies will be lower than the cost of new claims. When our assets are lower than the future costs of current claims (they are insufficient) then levies will need to be higher than the cost of new claims to increase the assets to the right level.





The Motor Vehicle Account and the Work Account currently have surplus funds which we propose to use to pay for claim costs and reduce the amount we need to collect from levy payers. However, levies will still need to rise, to avoid a large increase, when the surplus assets have been used up.

The Earners' Account (for non-work injuries for employees), has insufficient assets to cover claims costs, so levies need to increase to rebuild the assets.

We can’t just rely on rate increases — improving our performance for the benefit of injured people and levy payers

We know we are responsible to people who are injured and to our levy payers to manage the Scheme as effectively possible. We work for injured people to get the support they need, when they need it, in order for them to get well sooner.

We acknowledge that rehabilitation outcomes have not been as good as they could be, so people are staying on the Scheme longer than they should. This aligns with international trends.

This not only affects the injured person and their whānau. It also increases costs which affects levies.

We are working to improve our rehabilitation support for injured people.

- Improving client and provider experience by ensuring that queries and requests are actioned, if possible, at the first point of contact.
- A one-to-one case management approach for new weekly compensation clients and those who can achieve a positive rehabilitation outcome.
- Making changes to improve timelines and accuracy of elective surgery decisions, to ensure clients are getting the treatment they need at the right time.
- We are supporting businesses to play a larger part in a worker’s recovery through our recovery at work initiative. Keeping injured workers connected to their place of work is a key determinant of a successful early recovery from an injury and lower productivity loss.

How we work to improve the way we purchase health care

We’re a large funder of health services in New Zealand. We continually seek greater value for New Zealanders and deliver better recovery outcomes for our kiritaki (clients).

ACC spends around $3 billion each year on services delivered by healthcare and support providers. The way we plan, purchase, and monitor these services is crucial to ensuring ACC is effective and sustainable.

We have a range of projects underway to strengthen our health service commissioning approach. We focus on improving client outcomes and delivering health services efficiently and effectively.

- We’re reviewing the way we commission some of our higher cost services, such as elective surgery and high-tech imaging services. This includes engaging with the healthcare sector to explore how we can ensure we’re delivering timely, high-quality services to our kiritaki in a cost-effective, equitable, and sustainable way.
- We’re moving to a provider-led integrated care pathways approach for cohorts of clients with similar needs. Care pathways put the patient at the centre of their recovery. This approach brings together an interdisciplinary team of providers who work together to improve client outcomes and ensure kiritaki recovery needs are met.
- We’re engaging with our partners in the public sector (including Health New Zealand – Te Whatu Ora and Pharmac – Te Pātaka Whaioranga) to explore opportunities to collaborate more closely and drive greater value for New Zealanders. One example is a joint programme with Health New Zealand to design a new approach to commissioning aeromedical acute care services.
- We’re working to improve, automate and digitise our systems, forms and processes to make it easier for providers to work with us. This includes changes to our internal controls and decision-making processes that will improve timeliness, consistency and accuracy of treatment decisions – helping to make sure our kiritaki get the right care and support at the right time.

- We have a team dedicated to monitoring provider performance and ensuring suppliers deliver on their contractual obligations. This includes engaging one-on-one with suppliers where required, and providing feedback on their performance, as well as monitoring what suppliers are invoicing us for to ensure that we're paying correctly for the right services.
- We're investing in provider education and engagement initiatives, which are helping to build understanding of the boundaries of the Scheme, what's expected of providers when they work with us, and how to interact with us efficiently and effectively. This includes helping providers understand how they can support their clients to recover at work, based on evidence that returning to work after an injury plays a beneficial part in recovery.

We invest ethically and outperform the market

ACC places some of the levies it receives into our investment portfolio. This investment generates future income to cover the costs that will happen in 30 or more years from now.

Because we collect levies up-front and invest some of it for the future, the overall cost to businesses and communities of the ACC Scheme is reduced by 44%.

ACC's investment team has outperformed market benchmarks for 28 of the past 31 years. As at 30 June 2023, every $100 invested in the fund in 1992, is now worth $1,572.

The additional funds we earn from this investment help meet the costs of claims.

ACC is a significant investor in New Zealand's stock and bond markets and has holdings in most major financial markets. ACC's Investment Fund is guided by an Ethical Investment Policy and is a signatory to the UN-supported Principles for Responsible Investment (PRI). This list of six principles provides an accepted and credible framework for incorporating ESG issues into ACC's investment decision-making processes and ownership practices.

We work to prevent injuries and improve the Scheme

We invest in partnerships and programmes for injury prevention that work to reduce injury related risks in sports and recreation, workplaces, and the community.

We are seeing the success of the 'Have a Hmmm' campaign and its community-driven programme to change behaviour. The programme is evolving and motivating a growing number of New Zealanders to take action to prevent injuries.

Minimising injuries each year has many benefits, not only to the injured person, but also to:

- the person's whānau who may have to care for them.
- their employer who suddenly has a reduction in productivity due to the loss of a skilled employee.
- the wider community, such as a sports club or a charity, which can also be impacted when a member or colleague is injured.

There can only be a meaningful drop in injuries and their costs when all of us are playing our part.

Three initiatives to improve road safety for everyone

To help reduce the number and severity of motor vehicle related injuries, we've partnered with other agencies and created road safety programmes for new drivers, motorcyclists, cyclists and people on scooters.
These include:

- supporting young Kiwi drivers with DRIVE.
- developing the Ride Forever programme for motorcyclists.
- developing Scooter Survival for scooter riders.

These initiatives have reduced injury rates and costs.

Partnership to prevent workplace injury

We take a collective approach, by partnering with the sector and system leaders who have high influence to achieve outcome and improve the health and safety system performance.

An example of how we do this is investment in Workplace Injury Prevention Grants, which has provided $22 million over five years to help business groups establish harm reduction programmes targeting the sectors, and grow innovation across the health and safety system.

Over the past five years, there's been good progress made in reducing the risks of a fatal injury at work. However, the overall risk of injury while working is increasing over time.

Injuries outside the workplace

- For injuries that happen outside the workplace, we invest in media and partner with communities to support what they're doing on injury and violence prevention.
- The 'Have a hmmm' campaign is having a measurable impact on changing public behaviours around risk, with significantly more New Zealanders now reporting that they are taking steps to prevent injuries to themselves (138% increase) and to others (200% increase) since launching in April 2021.
- We have a focus on violence prevention, addressing long-term root causes of intergenerational harm through greater scale and cohesion of activities with partners in Te Puna Aonui.
- We partner with the Health Quality and Safety Commission, Ministry of Health, local community health providers, home carers and community groups across the country to provide the online Live Stronger for Longer movement programme to help older people with their fitness and flexibility in order to prevent injuries from falls.

In 2022/23, we invested $62.5 million in injury prevention programmes and we're achieving a reduction in injury costs of $1.44 for every $1 we spend.

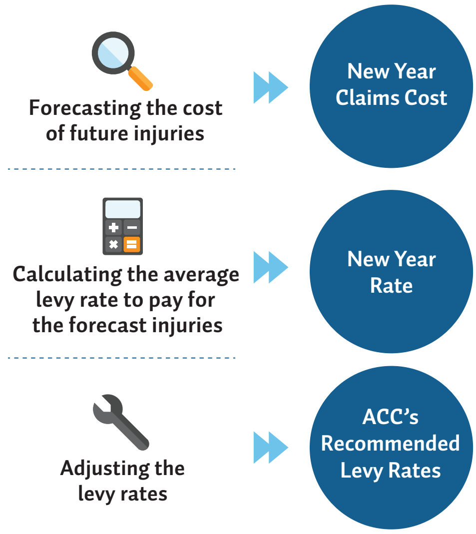
You can see more examples of our injury prevention work on our website. These efforts are seeing results. However, the overall volume and costs of injuries are still increasing.

Improved performance, investments and injury prevention help us to maintain a low-cost Scheme and minimise how much we need to collect from levy payers.

The process for setting ACC levies
Te whakatūnga o ngā utu hunga whara a ACC

ACC focuses on value for levy payers' money. The services we fund, and our collection system, attempt to balance to the cost of ACC more fairly in our communities. For example, we collect some of the Motor Vehicle levy from each litre of petrol purchased, to ensure people who travel more pay a little bit more than road users who travel less.

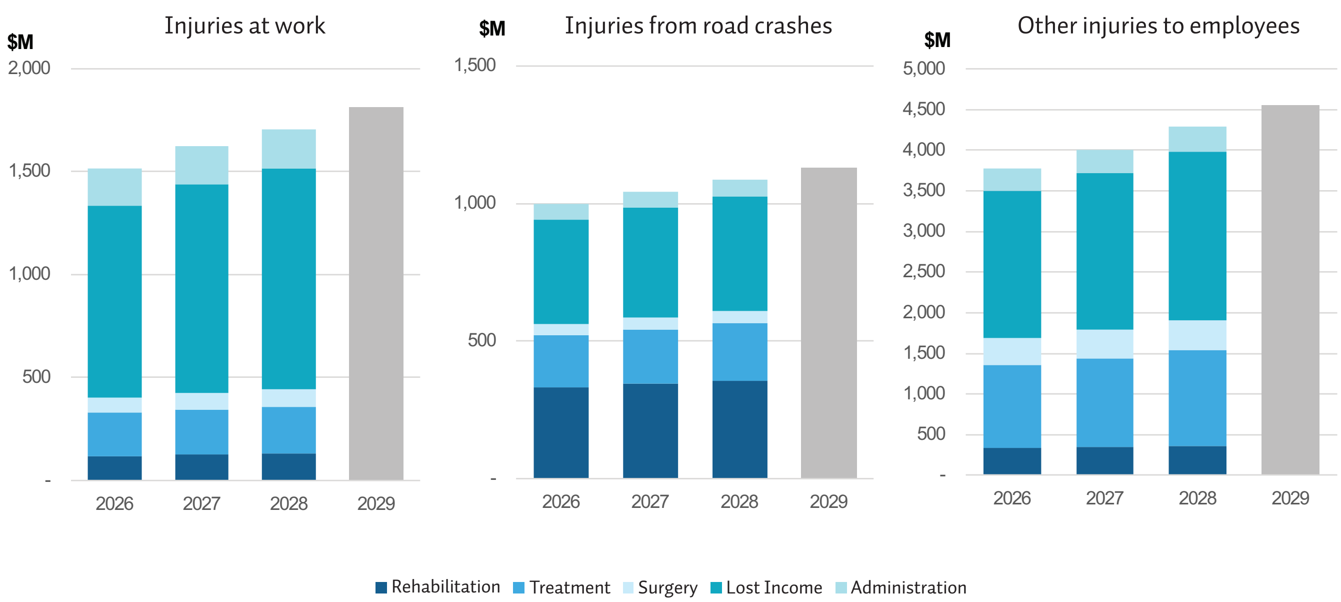
The average (or aggregate) levies charged are built in three steps.



Step 1: Forecasting the cost of future injuries

We know a lot about injuries, such as how and when they happened. We combine this knowledge with trends in the population and then estimate how many injuries and what type of injuries we expect to support each year.

We also use our experience in supporting injured people to estimate the types of support which will be needed and for how long. We can then calculate how much this support will cost. This cost is called the New Year Claims Cost.



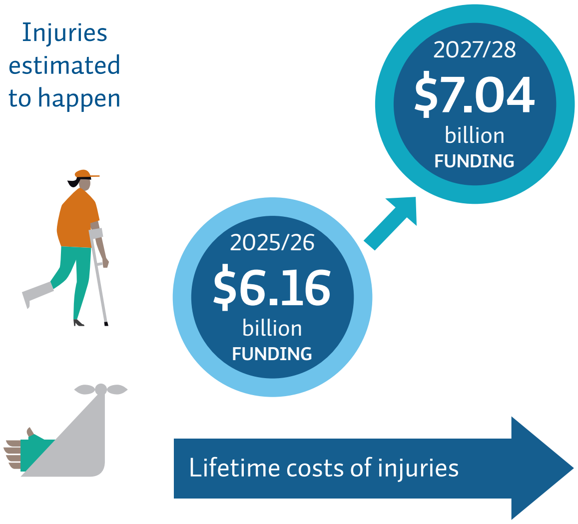
Rate of injuries and injury costs are rising

We expect the costs of supporting people to recover from injury to increase by 4-6% each year – over the next four years, due to:

- a rising number of injuries (we are expecting 3.7 million claims from workers injured in and out of work, and 113,000 claims for people injured in road crashes, over the next four years)
- increases to the cost of providing support (treatment, rehabilitation and loss of income)

The rising costs of injuries needs to be reflected in levies.

We're expecting $6.16 billion will be needed from levies to support the claims that are forecast to happen in 2025/26.
By 2027/28, this is estimated to increase to $7.04 billion.



Step 2: Calculating the average levy rate

Once we've forecast the cost of supporting injuries, we then calculate the levy rate required to cover those costs. This is the amount we need to charge each levy payer.

For the Work and Earners' Accounts, the average or aggregate levy rate is set per $100 of liable earnings. We do this by taking the New Year Claims Cost and dividing it by the expected total salary of workers (subject to minimum and maximum earnings).

For self-employed people, we use the income liable for ACC levies they will earn after expenses.

Step 3: Our recommendations for the levy rates

In this final step, we consider whether the Account has sufficient funds, to pay for the support of injuries that have already occurred.

We can then adjust levy rates to return towards the funding target of 100% over 10 years, i.e. where funds in the Accounts are equal to the remaining lifetime cost of current injuries.

Should levies need to increase, the Government's policy is that we limit our recommendations for increasing the average levy rate to 5% each year (plus an additional allowance for expected inflation for the Motor Vehicle Account). There is no limit to the amount levies could reduce each year.

Smoothing our changes to the levy rates

How we approach this step is set out in the Government's ***funding policy statement*** for ACC.

We propose gradual adjustments to the levy rates between consultation rounds. This is because our goal is for levy rates to be as stable and predictable as possible. This means they'll be more resilient to shocks and will provide certainty for levy payers on how much they'll pay year-to-year.

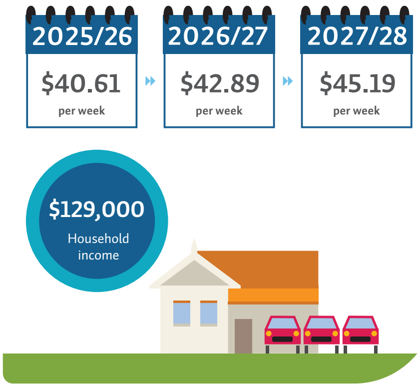
Accident compensation is by nature a long-term activity, with costs of supporting injuries (liabilities) that stretch over decades. In setting levies, we must consider the long-term nature of the claims they will fund, as well as giving levy payers reasonably stable levy rates over time.

What our proposals mean for households and businesses

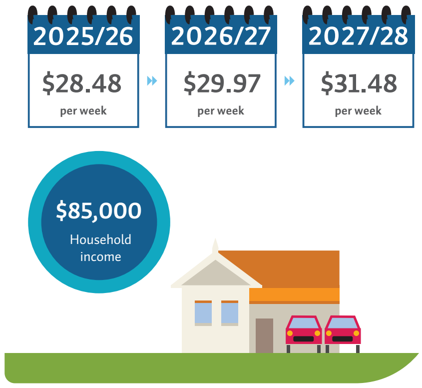
The following examples show some possible impacts of our proposed changes to the levy rates.

- A family with a household income of $129,000 and three vehicles (currently paying $38.59 per week in levies) would pay $40.61 per week in 2025/26; $42.89 in 2026/27; and $45.19 in 2027/28.
- A family with a household income of $85,000 and two vehicles (currently paying $27.16 per week in levies) would pay $28.48 per week in 2025/26; $29.97 in 2026/27; and $31.48 in 2027/28.
- A small home construction business with 8 employees earning $70,000 each and a small fleet of three diesel driven ute/van and three petrol driven cars, (currently paying $189.75 per week in levies) would pay $178.98 per week in 2025/26; $186.55 in 2026/27; and $195.24 in 2027/28.

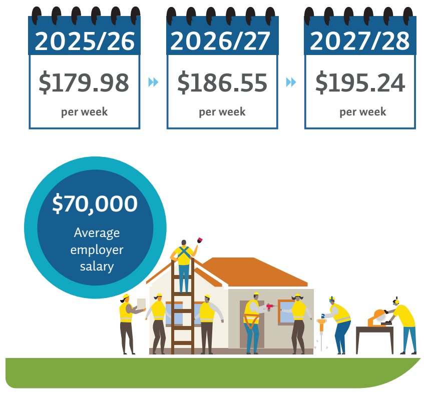
Current levy cost per week is **$38.59**



Current levy cost per week is **$27.16**



Current levy cost per week is **$189.75**



Examples of the weekly impact of the recommended levies

	Additional cost per week compared to 2024/25		
Situation	**2025/26**	**2026/27**	**2027/28**
A household with an income of $129,000 and 3 vehicles (2x petrol driven car/SUV; 1x diesel driven ute)	$2.02	$4.30	$6.60
A household with an income $85,000 and 2 diesel driven vehicles (1 car or SUV and 1 ute)	$1.32	$2.81	$4.32
Retired couple with one car (petrol-driven)	$0.17	$0.35	$0.52
Small house construction business with 8 employees each earning $70,000 and a small fleet (3x diesel driven ute/van, 3x petrol driven car)	$10.77	$3.20	$5.49
Medium sized architect business with 35 employees (average income of $81,000 each) and 5 petrol driven cars	$0.86	$1.73	$8.07

We want to hear from you

We'd like to know what you think of the proposed increases which maintain levies 18%-47% below the true cost of injuries.

And tell us how we could improve the way we explain how we arrived at our recommendations.

- Is it clear how ACC has reached its recommendations?
- Do you understand what this means for you? If not, how could we tell our story better?

Detailed proposed changes to the Accounts
Ngā taipitopito kōrero mō ngā huringa ki ngā momo utu

Changes proposed to the Motor Vehicle Account

We propose increasing the average Motor Vehicle levy from $113.94 to $122.84 in 2025/26, $131.94 in 2026/27 and $141.69 in 2027/28.

The levy collected for the Motor Vehicle Account is used to support injuries from motor vehicle crashes that happen on public roads.

Recovery from injuries that result from motor vehicle accidents generally take longer with a higher proportion of injuries requiring support for ten or more years.

Some people's injuries are so severe a full recovery will never be possible. In these cases, our work is focused on supporting the best life possible.

Reasons for proposed levy increase

The key drivers behind the proposed increase in the average motor vehicle levy rate have been:

- lengthening recovery periods for workers injured in road crashes.
- the increasing cost of caring for those who are seriously injured (e.g. brain and spinal trauma).

How we collect the Motor Vehicle levy

Motor Vehicle levies are paid in two different ways:

- petrol at the pump – currently at $0.06 per litre.
- part of the vehicle licence (registration) fee.

For petrol-powered vehicles, over the period 2025/26 to 2027/28, ACC is proposing to continue collecting on average 48% of the levy from petrol use and the rest through vehicle licensing.

Vehicle registration is cheaper for owners of petrol-powered vehicles than owners of diesel vehicles because they also pay a levy on petrol. The average levy collected for an equivalent vehicle is the same whether it is petrol or diesel powered.

For example, a VW Golf is available as a petrol or diesel model and for levying purposes may be classed as a petrol-driven passenger vehicle or a non-petrol driven passenger vehicle. However, when average petrol consumption is factored in, they're both likely to pay a similar amount over a year.

Motor Vehicle levies only cover accidents on public roads. We don't include a levy in the price of diesel because diesel is often used in vehicles used exclusively on farms or for different purposes entirely, such as electricity generators or marine engines.

We collect different rates for different vehicle classes

We don't charge a standard or 'flat' levy rate for every vehicle on the road. We group vehicles into 'vehicle classes' ranging from vintage cars to heavy goods vehicles. We believe it's fairer that owners pay an amount that reflects the risk of their class of vehicle.

When recommending levy rates for each motor vehicle, we take the last 7 years of data from the Police crash analysis system that records Police attended road crashes and:

- match it to our injury data.
- then determine the risk of each motor vehicle class, compared to the risk of other vehicle classes.

The updated crash and injury data has shown that we need to update the relativities (the factor that compares the relative risk between classes of vehicles) for:

- vintage, veteran and tractors (classes 3 and 6).
- motorcycles (classes 4 and 8).
- light goods service vehicles (classes 5L and 9L).
- heavy goods service vehicles (classes 5H and 9H).

These classes of vehicles will experience a change in levies that is different compared to the average levy increase in 2025/26, as we adjust for new relativities.

Risk is determined by looking at the frequency of an injury and the average cost of supporting that injury (including compensation for lost wages or salary) for each vehicle class.

This allows us to collect the funds required to support recovery from motor vehicle injuries more fairly.

The bulk of the costs for motorcyclists is paid by other vehicle owners

Motorcyclists have little protection in a crash, which contributes to the cost of supporting recovery from injuries for riders and their passengers.

We require $439.3 million in levies (equivalent to $1,394 per motorbike) to support injured motorcycle riders and their passengers to recover from the injuries we expect over the next three years.

The current levy rates for motorcyclists mean they contribute 28% towards the costs of supporting injuries sustained by riders and their passengers.

Motorcyclists have not had a levy increase for more than 10 years. The remaining costs of motorcycle rider and passenger injuries are funded by other road users. For example, the owner of a car or SUV will contribute $24.87 to subsidise the cost of motorcycle injuries.

Our recommended levy rates

The recommended motor vehicle class rates are set out below. The petrol-powered vehicle classes have been set using the recommended $0.06 per litre petrol levy (unchanged from the current year). Our review of claims experience has seen goods vehicles over 3,500kg showing an improved experience which has resulted in their levies decreasing despite the average levy having to increase by 7.5% per annum.

Recommended Motor Vehicle Class Rates

		Current	2025/26	2026/27	2027/28
Average levy		$113.94	$122.84	$131.94	$141.69
Motor Vehicle Class Levies payable when the vehicle is relicensed each year					
2	Petrol driven passenger vehicles	$42.09	$51.00	$60.09	$69.28
2A	Light electric vehicles (EV, PHEV, Hybrid)	$42.09	$51.00	$60.09	$69.28
3	Petrol driven tractors, vintage and veteran vehicles, and specified vehicles	$23.17	$27.33	$32.20	$37.12
4A	Petrol driven mopeds*	$99.33	$107.09	$115.02	$123.52
4B	Petrol driven motorcycles 600cc or less*	$297.91	$321.17	$344.96	$370.45
4C	Petrol driven motorcycles over 600cc*	$397.18	$428.19	$459.91	$493.90
5L	Petrol driven goods vehicles 3,500kg or less	$74.46	$86.76	$97.93	$109.39
5H	Petrol driven goods vehicles over 3,500kg	$243.59	$237.40	$256.15	$276.04
6	Non-petrol driven passenger vehicles	$101.07	$109.06	$116.94	$125.36
7	Non-petrol driven tractors, vintage and veteran vehicles, and specified vehicles	$55.65	$58.43	$62.65	$67.17
8A	Non-petrol driven mopeds*	$112.95	$120.39	$128.05	$136.37
8B	Non-petrol driven motorcycles 600cc or less*	$311.53	$334.48	$357.99	$383.31
8C	Non-petrol driven motorcycles over 600cc*	$410.80	$441.50	$472.94	$506.75
9L	Non-petrol driven goods vehicles 3,500kg or less	$129.64	$139.38	$149.45	$160.22
9H	Non-petrol driven goods vehicles over 3,500kg	$260.81	$254.56	$272.96	$292.62

* excludes the Motorcycle Safety Levy

		Current	2025/26	2026/27	2027/28
Motor vehicle levy on holders of trade plates					
	Holders of trade plates for trailers	Nil	Nil	Nil	Nil
	Holders of trade plates for vehicles not classified elsewhere	$42.09	$51.00	$60.09	$69.28
	Holders of trade plates for mopeds and motorcycles 60 cc or less*	$99.33	$107.09	$115.02	$123.52
	Holders of trade plates for mopeds and motorcycles over 60 cc*	$397.18	$428.19	$459.91	$493.90

* excludes the Motorcycle Safety Levy

		Current	2025/26	2026/27	2027/28
Goods vehicles over 3,500 kg in the Fleet Saver programme					
5H	Petrol driven goods vehicles over 3,500kg				
	Bronze level achieved	$217.50	$211.94	$228.86	$246.78
	Silver level achieved	$178.38	$173.76	$187.91	$202.89
	Gold level achieved	$139.26	$135.57	$146.97	$159.00
9H					
	Bronze level achieved	$234.73	$229.10	$245.66	$263.36
	Silver level achieved	$195.61	$190.92	$204.72	$219.47
	Gold level achieved	$156.49	$152.74	$163.77	$175.57

The Motorcycle Safety Levy

The Minister for ACC is not proposing any changes to the Motorcycle Safety Levy. It will continue to be collected at the current rate of $25 each year, per motorbike or moped.

The Motorcycle Safety Levy supports delivery to ACC's Motorcycle Safety Strategy through funding motorcycle safety related initiatives, such as the RideForever Programme or partnering with NZTA - Waka Kotahi on roading improvements.

Have your say about levies for motor vehicles

- We propose increasing the average levy rate for motor vehicles from $113.94 to $122.84 next year and then gradually increasing it to $141.69 over the following two years. Let us know what you think about the proposed increases.
- Do you think the balance between collecting levies for petrol-driven vehicles from petrol use (currently 48%) and collecting them when vehicles are licensed (registration) is right?
- Do you have any specific feedback on the proposed levy rates for the different vehicle classes?

Other changes proposed to the Motor Vehicle Account

The Minister for ACC and ACC are proposing other changes to the Motor Vehicle Account, aside from levy rate changes.

ACC's proposals

- Changes to the level of contribution that owners of motorcycles make towards the costs of injuries.

Minister's proposals

- Changes to how motorcycles are grouped by CC rating for the purposes of levying.
- Inclusion of a discount to the levy rates for motorcyclists on the successful completion of advanced rider safety training.
- Reclassification of battery electric vehicles and petrol hybrid electric vehicles.
- Removal of the Fleet Saver product.

Details of these proposals are in the ACC levy system change proposals document.

Changes proposed to the Work Account

We propose increasing the average Work levy rate for employers and self-employed from $0.63 to $0.66 per $100 of payroll for 2025/26, increasing this to $0.69 in 2026/27, and $0.72 in 2027/28.

The levy collected for the Work Account is used to support injuries to workers that occur at work.

The recommended Work Account levies are 27% ($397 million) lower than the full cost of supporting the new injuries we expect in 2025/26.

Setting levies for individual businesses

As a social insurer ACC uses insurance industry practices such as risk rating to create levy rates that reflect a business' claim risk. We apply an industry standard approach to create groups of businesses that have similar characteristics in terms of work undertaken, injury frequency, and cost of recovery. The diversity of work across New Zealand has led us to create 142 groups of businesses we call levy risk groups. Each group meets a size threshold that helps to keep levies stable over time while also ensuring that there is recognition of differences between industries (sectors) and the different types of work in each industry.

A simpler system with fewer groups would create more stability in levies but would mean the businesses in each group would be less similar and there would be more cross-subsidisation between businesses in each group.

To make it easier for a business to identify which group it belongs to, ACC has developed 537 classification units and 2,500 business industry classification codes which describe the activity of businesses in a more detailed way.

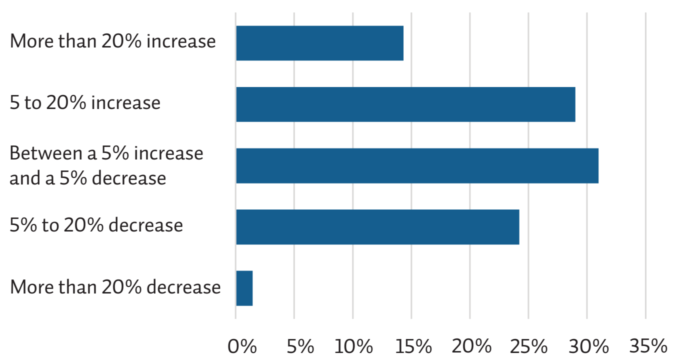
The business industry classification codes map to classification units which are linked to the levy risk group. ACC sets the levy rates for businesses at the levy risk group level and publishes these rates alongside the classification units in the levy regulations.

We're recommending that the aggregate Work levy is increased to the maximum allowable under the Funding Policy Statement each year for the next three years.

Levy rates for each classification unit are updated to reflect any changes in their claims patterns.

This will mean levy rates for some businesses will increase when the average rate is decreasing or decrease when the average rate is increasing.

Distribution of average levy rate change across classification unit levy rates



The Working Safer Levy

We also collect the Working Safer Levy on behalf of the Ministry of Business, Innovation and Employment (MBIE) for supporting WorkSafe's enforcement, education and engagement activities across the country.

This is currently a flat rate of $0.08 per $100 of liable earnings and is not part of this consultation.

Have your say about changes to the levies for the Work Account

- We propose increasing the average levy rate for businesses to $0.66 per $100 of liable earnings next year with further $0.03 per $100 of liable earnings increases in the next two years. What do you think?
- The Minister can consider other factors when confirming final rates. Is there anything you'd like him to consider?
- Would you prefer the levy system to:
    1. be tailored to recognise the differences in risk exposure between businesses, but with more volatile levy rate changes, or
    2. have a levy system with more stable levy rates but less recognition of the nature of individual businesses?

Other proposed changes to the Work Account

The Minister for ACC and ACC are proposing other changes to the Work Account. ACC's proposals:

- Removal of the No Claims Discount for businesses levied less than $10,000 a year and changes to the level of subsidisation of the Experience Rating product by non-experience rated businesses.
- Change the threshold for medical fees and treatment costs that are considered in experience rating calculations.

Minister's proposals

- Changes to how home improvement stores, professional sports and ballet are classified.
- Changes to the interest charged on payment plans, penalty interest and credit interest.

Details of these proposals are in the ACC levy system change proposals document.

Changes proposed for the Earners' Account

We propose increasing the Earners' levy rate for workers from $1.39 per $100 wages or salary to $1.45 in 2025/26, $1.52 in 2026/27 and $1.59 in 2027/28.

The levy collected for the Earners' Account is used to support injuries to workers that occur outside of work, but not in road crashes.

For example, an office worker injured while riding a trail bike on a farm, playing sport or doing some DIY around the house would be paid from the Earners' Account.

Over the next four years we expect to cover around 750,000 claims per year from workers who were injured outside of work. We are consulting on the need to fund over the next three years, $6.03 billion for compensation of lost wages and salary, $1.12 billion for surgery costs, $3.25 billion for treatment at the hospital or in the community, and $1.18 billion to support recovery through training or helping around the home.

The recommended Earners' Account levies are 20% ($786 million) lower than the full cost of supporting the new injuries in 2025/26.

Our recommended levy rates

The recommended levy rate for earners is $1.45 per $100 of liable earnings for 2025/26, $1.52 for 2026/27 and $1.59 for 2027/28.

Have your say about changes to levies for the Earners' Account

Let us know what you think about the proposed increases.

2025-2028 liable earnings (Work and Earners' levies)

Your 'liable earnings' as a business or an individual will determine the amount you pay in ACC Work and Earners' levies.

The term 'liable earnings' describes the amount of your income on which you pay your ACC levy. 'Liable' refers to any income that does not go above the maximum threshold.

- For employees, liable earnings are wages or salaries you earn in a financial year.
- For employers, liable earnings are the wages or salaries you pay your employees in a financial year. This amount is shared with us from your payroll department or Inland Revenue.
- For self-employed people, liable earnings are the income you earn in a financial year as declared on your end-of-year tax returns.

You don't need to pay levies on earnings from investments or trusts, as these are considered 'passive income'. This is income you'd still receive if you couldn't work due to an accident.

Why we set maximum and minimum liable earnings

Every year, we set the maximum and minimum amounts for earnings that people are liable to pay ACC levies.

A worker is considered to be working full time if they work more than 30 hours a week.

In 2025/26 the maximum earnings earnings on which a worker would pay ACC levies, is $152,790. You don't pay levies on anything you earn over that maximum figure.

The minimum earnings for levying purposes is $49,365 in 2025/26.

Why we set maximum amounts

The amount of weekly compensation is capped at 80% of the maximum liable earnings. Nobody gets paid more weekly compensation than this, so it would not be fair to charge a levy beyond this.

- This means high income earners contribute an amount proportional to the weekly compensation they would receive if they were injured and couldn't work.

  Example: Someone with an income of $200,000 would only pay levies based on the maximum liable earnings (currently $142,283). If they are injured and unable to work, their weekly compensation entitlements would be 80% of the maximum liable earnings and not their full income.

Why we set minimum amounts

- A minimum level of earnings is set to ensure self-employed people who work full-time and earn less than this amount can still receive the support they need if they're injured. For example, if you're newly self-employed you may not be making a profit straight away. Paying a Work Account levy on the full-time minimum ensures that, if you have an accident and can't work, you'll still receive weekly compensation even though you haven't been earning at that level. In this case, the amount of weekly compensation is up to 80% of the full-time minimum amount.
- The minimum level of earnings is also applied to the eligibility criteria in the No Claims Discount programme for small businesses and self-employed people.

We're proposing to increase both the maximum and minimum amount

We propose to update the maximum amount in line with changes in the labour cost index and the minimum amount in line with the labour cost estimate and current minimum wage changes.

Based on this, we're proposing the following changes to the maximum and minimum liable earnings.

	From (current amount)	Proposed for 2025-2026 levy period	Proposed for 2026-2027 levy period	Proposed for 2027-2028 levy period
Maximum for everyone	$142,283	$152,790	$156,641	$160,244
Minimum for everyone	$44,250	$49,365	$50,501	$51,632

Employees include private domestic workers, such as caregivers

Employees include private domestic workers. A private domestic worker is a person who works for another person (an employer) in the employer's home. Private domestic workers include home-helpers, caregivers, nannies and gardeners. They're specifically mentioned in the AC Act alongside employees. You're not a private domestic worker if you provide an ACC client with attendant care.

Have your say about maximum and minimum amounts

- What do you think of our proposal to increase the maximum liable earnings?
- What do you think of our proposal to increase the minimum liable earnings?

Accredited Employer Programme

Businesses in the Accredited Employers Programme (AEP) are authorised by ACC to manage and pay the claims and rehabilitation costs for their employees' work-related injuries.

AEP is best suited to large employers who:

- pay ACC levies of more than $250,000 per year.
- are able to manage claims and pay for the costs of treatment and rehabilitation for their employees' work-related injuries (i.e. in place of ACC).

They can choose to join one of following two plans and manage claims for 1 to 4 years after the cover period:

- the **Partnership Discount Plan (PDP)** where employers manage and accept financial responsibility for a nominated claims management period for employees who suffer work-related injuries. When the claims management period is over the claims return to ACC and the employer has no liability of future claims costs.
- the **Full Self-Cover Plan (FSC)** where employers have the same responsibilities as those in the PDP but continue to have financial liability over the life of the claims even after the claims are given back to ACC.

Calculating the levy to pay for the Partnership Discount Plan

Step 1: The standard levy for the employer is first calculated:

Standard levy = employer's liable earnings / 100 x levy rate of the employer's classification unit

Step 2: The levy to pay is made up of the following three components:

1. Standard levy x (1 - PDP discount), PLUS.
2. Standard levy x (Unallocated primary health cost contribution + Admin fee), PLUS.
3. Standard levy x Stop loss cover (optional).

Calculating the levy to pay for the Full Self-Cover Plan

Step 1: The standard levy for the employer is first calculated:

Standard levy = employer's liable earnings / 100 x levy rate of the employer's classification unit

Step 2: The levy to pay is made up of the following three components:

1. Standard levy x Bulk Health Care Costs, PLUS.
2. Standard levy x (Unallocated primary health cost contribution + Admin fee), PLUS.
3. Standard levy x Stop loss cover (compulsory).

Step 3: Elect to purchase High-Cost Claim Cover excess.

Our proposed changes to the levy factors for FY25 to FY28

Each levy round ACC reviews the factors used to calculate the levy charged to accredited employers. This ensures the levies charged consider changes in cost of treatment, the cost of running the ACC scheme and changes in injury frequency and severity. The table below sets out the values of the factors proposed to be used by ACC in financial years 2025/26, 2026/27, 2027/28.

Factor	Claim management period	Current (FY24/25)	Proposed (FY25/26 - FY27/28)
Average PDP discount	1 year	50.0%	45.6%
	2 years	58.1%	52.9%
	3 years	n/a	55.9%
	4 years	n/a	60.3%
Administration costs	All	2.30%	2.00%
Bulk Health Care Costs	All	4.60%	5.20%
Unallocated primary heath cost contribution	All	1.30%	1.50%
Average stop loss cover* (PDP)	All	0.97%	0.80%
Average stop loss and high cost claims cover* (FSC)	All	9.66%	11.13%

* Based on current mix of contracts

The reasons for the change in the factors over the last three years are set out in the sections below.

Administration costs

An increase in staff associated with the Accredited Employer Programme and improved accuracy of the allocation of administrative costs to the programme have combined to increase the overall cost for the programme.

The underlying levy has grown faster than administration costs, so we propose to decrease the administration fee from 2.3% to 2.0% from 1 April 2025.

$000s	Current (FY22/23 to 24/25)	Proposed (FY25/26 to FY27/28)	Change
Claim lodgement	210	285	36%
Levy collection	197	798	305%
Operating costs	4,443	5,460	23%
Total administration costs	4,850	6,543	35%
Standard levy	212,534	320,818	51%
Administration costs* (%)	**2.3%**	**2.0%**	

* Rounded to the nearest 0.1%.

Bulk-funded public health care cost

Accredited employers are expected to contribute the same proportion of bulk-funded health care (BHC) costs as other employers as they are not directly billed for ambulance services or for acute treatment provided by hospitals for accident-related injuries.

We use the following formula to determine the factor used to fund these costs through the AEP levies:

$$\text{BHC factor} = \frac{\text{Bulk Health Care Costs}}{\text{Total Liable Earnings}} \times \frac{100}{\text{Average Work Levy}}$$

From 1 April 2025, we propose to increase the BHC factor from 4.6% to 5.2% as set out in the table below.

Element ($000)	Current (FY22/23 to 24/25)	Proposed (FY25/26 to FY27/28)	Change
Ambulance costs	$8,130	$13,755	69%
PHAS costs	$40,035	$61,778	54%
Total *bulk* health care costs	$48.165	$75,532	57%
Total liable earnings	$166,493,636	$209,109,176	26%
Average work levy	$0.63	$0.70	
Bulk health care cost factor*	**4.6%**	**5.2%**	

* Rounded to the nearest 0.1%.

Unallocated primary health care cost contribution

Some of the workplace injury costs we pay are short-term medical costs that can't be attributed to individual employers. This is because some workers don't or can't provide employer-specific information when they seek treatment or other support for work-related injuries.

While we do our best to allocate all claims to employers, there is a small proportion where that it is not possible. We spread the cost of these unallocated claims across all employers. For accredited employers their share of these costs is contained in the unallocated primary health care costs factor.

From 1 April 2025, we propose increasing the unallocated primary health care cost factor from 1.3% to 1.5%. This increase is required because there has been an increase in the proportion of unallocated claims over the past three years and we anticipate this continuing for the next three years.

Stop loss and high-cost claim cover

Stop loss cover protects accredited employers against unexpectedly high total injury costs during a cover period (e.g. if there are a high number of work-related accidents within a very short timeframe). High-cost claim cover can be purchased to limit the employers exposure to costs from any single event.

Stop loss cover is compulsory for employers in the FSC and optional for those in the PDP.

PDP employers who opt for stop loss cover, pay for claim-related costs during the cover period, and a selected claim management period of one to four additional years, up to their stop loss limit.

ACC pays any costs incurred by the employer above the stop loss limit until the clams are handed back to ACC.

The maximum stop loss limit is currently 250%, and the minimum 160%, of an employer's expected claims costs. We calculate these expected costs using the employer's standard Work levy before any discounts are applied.

The table below shows the calculated maximum and minimum stop loss limits as percentages of the Work levy.

Stop loss limit	Plan	Claim management period	Current (FY22/23 to 24/25)	Proposed (FY25/26-FY27/28)
160%	PDP	1 year	85%	78%
		2 years	99%	94%
		3 years	n/a	104%
		4 years	n/a	114%
	FSC	All	168%	187%
250%	PDP	1 year	133%	123%
		2 years	155%	148%
		3 years	n/a	163%
		4 years	n/a	178%
	FSC	All	263%	293%

The change in fees for stop loss and high-cost claims cover vary by the selected limits. However, the average impact for employers currently in FSC is a 15% increase in the stop loss and high cost claims cover fee. The average impact for employers currently in PDP is a 17% reduction in their stop loss fee.

The following factors have increased the cost of the covers:

- General inflation.
- Longer claim durations since last consultation.
- Better recognition of the cost of very large claims, based on recent experience.
- The inclusion of an allowance for claims handling expenses.

Partnership Discount Plan (PDP) discount levels

The total levies employers in the PDP pay depends on their relevant industry classification unit and the length of plan they choose (1 to 4 years). As the severity of accidents varies by industry, PDP discounts depend on each employer's levy risk group e.g. an industry with a high percentage of low-cost claims will receive a larger discount because it will have contributed a higher proportion of payments during its claims management period.

Average rate per $100 liable earnings	Standard employer	Length of claims management period			
		1 year	2 years	3 years	4 years
Direct claim costs	0.70	0.36	0.3	0.27	0.24
Claim management costs	0.07	0.03	0.02	0.02	0.01
Bulk funded health costs	0.05	0.05	0.05	0.05	0.05
Administration costs	0.03	0	0	0	0
Provision for Doubtful Debts	0.04	0.04	0.04	0.04	0.04
Funding adjustment	-0.21	-0.11	-0.09	-0.08	-0.07
Net average levy	0.68	0.37	0.32	0.30	0.27
Proposed discount		45.6%	52.9%	55.9%	60.3%
Current discount		50.0%	58.1%		

Have your say

- What do you think of our proposed changes to factors for the Accredited Employers Programme?
- What do you think of our proposed decreases to the discounts available under the Partnership Discount Plan?

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September 2024