

# Impact of proposed changes on levy rates

## 1 Background

- 1.1 One of the proposed changes in the Injury Prevention, Rehabilitation, and Compensation (IPRC) Amendment Bill 2009 is to extend the date for full funding for residual claims from 2014 to 2019.
- 1.2 ACC has provided separate advice to the Minister for ACC on the impact that the IPRC Amendment Bill would have on its levy recommendations, should it be passed in its current form.

## 2 Impact on recommended levy rate for Employers and Self-Employed People

- 2.1 The Residual Claims Account levy can be reduced as the funding date is moved out to 2019, while the current levy is maintained to continue meeting the full funded solvency target. The combined effect is to reduce the recommended average work levy rate to \$1.57 per \$100 of liable earnings.

	<i>Current 2009/10 rates</i>	<i>Proposed 2010/11 rates for consultation</i>	<i>Recommended 2010/11 rates based on current legislation</i>	<i>Recommended 2010/11 rates based on IPRC Amendment Bill</i>
Average levy for current year work claims	\$0.75	\$1.18	\$1.18	\$1.17
Average levy for pre-1999 work claims	\$0.56	\$0.71	\$0.71	\$0.40
<b>Combined average work levy rate (per \$100 liable earnings)</b>	<b>\$1.31</b>	<b>\$1.89</b>	<b>\$1.89</b>	<b>\$1.57</b>
<i>% change from current year</i>			<b>+44%</b>	<b>+20%</b>

### 3 Impact on recommended levy rate for Earners'

- 3.1 The recommended combined Earners' non-work levy rate allowing for the impact of the IPRC Amendment Bill would decrease to \$2.70 including GST. While the residual levy can be reduced as the funding date is moved out to 2019, the current levy is increased to smooth the restoration of post-99 claim solvency position.

<i>Levy component</i>	<i>Current 2009/10 rates</i>	<i>Proposed 2010/11 rates for consultation</i>	<i>Recommended 2010/11 rates based on current legislation</i>	<i>Recommended 2010/11 rates based on IPRC Amendment Bill</i>
Levy for current year non-work claims	\$1.4320	\$2.3154	\$2.3606	\$2.3467
Levy for pre-1999 non-work claims	\$0.0790	\$0.1735	\$0.1283	\$0.0533
<b>Earners' non-work levy rate per \$100 liable earnings (GST exclusive)</b>	<b>\$1.5110</b>	<b>\$2.4889</b>	<b>\$2.4889</b>	<b>\$2.4000</b>
<b>Earners' non-work levy rate per \$100 liable earnings (GST inclusive)</b>	<b>\$1.70</b>	<b>\$2.80</b>	<b>\$2.80</b>	<b>\$2.70</b>
<i>% change from current year</i>			<b>+65%</b>	<b>+59%</b>

### 4 Impact on recommended levy rate for Motorists

- 4.1 The residual pre-1999 levy can be reduced as the funding date is moved out to 2019. The current year levy can then be increased to begin restoring reserves towards the full funding target and removes the need to substantially increase the current levy in 2014/15. The combined effect is to reduce the combined average motor vehicle levy rate to \$352.19.

	<i>Current 2009/10 rates</i>	<i>Proposed 2010/11 rates for consultation</i>	<i>Recommended 2010/11 rates based on current legislation</i>	<i>Recommended 2010/11 rates based on IPRC Amendment Bill</i>
Average motor vehicle levy for current claims	\$119.08	\$204.60	\$182.27	\$251.73
Average motor vehicle levy for pre-1999 claims	\$167.92	\$212.68	\$212.68	\$100.46
<b>Combined average motor vehicle levy rate (per vehicle)</b>	<b>\$287.00</b>	<b>\$417.28</b>	<b>\$394.95</b>	<b>\$352.19</b>
<i>% change from current year</i>			<b>+38%</b>	<b>+23%</b>