Accident Compensation Corporation

Motor Vehicle Account

2025/28 Pricing Report for Consultation

Actuarial Services, ACC

September 2024

This Pricing Report has been prepared for ACC as part of the 2024 levy consultation process by ACC's internal actuaries and is issued by ACC's Appointed Actuary.

Whilst different sections of this report set out different aspects of the pricing approach, these individual sections could be misinterpreted if they are considered in isolation. Any detailed judgments about the methodology, analyses, assumptions and estimates presented in this report should be made only after considering the report and appendices in their entirety.

In writing this report, we've complied with the New Zealand Society of Actuaries' professional standards, appropriately adapted for ACC. In line with these standards, our objectives are to:

- *provide recommendations for levy rates for the forthcoming levy period in line with the prescribed methodology of the Government's Levied Accounts' Funding Policy Statement.*
- *provide projections for levy rates beyond the forthcoming levy period*
- *outline the methodology and assumptions used in deriving these recommendations including where these have changed from the prior pricing review*
- *provide support for external actuarial review and information for interested members of the public to examine in detail the recommendations and the drivers behind these.*

The Accident Compensation Act 2001 outlines the framework within how ACC can operate. This states the requirements for the funding policy which ACC must apply when calculating and recommending levy rates. The funding policy that applies to this advice is dated 10 March 2021 and was gazetted in April 2021.

We're satisfied that the data, methods, and assumptions used in this report are appropriate for the purposes of this report. Throughout our analysis and this report, we have applied a maximum materiality threshold of 1c of levy rates. The figures in this report are rounded to simplify presentation of the information. This can result in figures appearing to not add up exactly in some tables.

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Executive Summary

ACC has five main accounts, each funded differently. Combined, these accounts fund every accident, treatment, or compensation claim which ACC pays. They also fund ACC's injury prevention activity. The Motor Vehicle Account funds claims arising from accidents on public roads involving moving vehicles.

This Motor Vehicle Account 2025/28 Pricing Report for Consultation (**the report**) sets out details of ACC's recommendation for the Motor Vehicle Account's 2025/26, 2026/27 and 2027/28 (**2025/28**) levy rates for public consultation. It represents a key input to the Ministry of Business, Innovation and Employment's (**MBIE**)'s analysis process to advise the Minister for ACC on ACC's recommended levy rates. After considering the feedback from the public consultation, Cabinet ultimately set the levy rates.

The report also provides an update of the indicated levy rates and funding ratios for the Motor Vehicle Account (**MV**) for the 2025/26 to 2031/32 period.

We propose a capped $8.90 increase in 2025/26 from the current levy rate with further capped increases in the second and third levy year

The recommendation increases the MV levy rate by 7.8%. The levy rate increases from $113.94 for the 2024/25 levy year to $122.84 for the 2025/26 levy year.

At the time 2022/25 levies were set by Cabinet, ACC provided forecasts of likely future levies in the Section 331 report. The 2025/26 capped levy rate was expected to be $122.12. The difference between this and the recommended 122.84 is due to an increase in inflation which increases the maximum cap allowed (cap + inflation for MV).

The uncapped levy for 2025/26 is similar to that projected in June 2021. The graph below shows the impact on the levy rate from the changes in expected claim costs and economic conditions between June 2021 and June 2024.

The main increasing factors are:

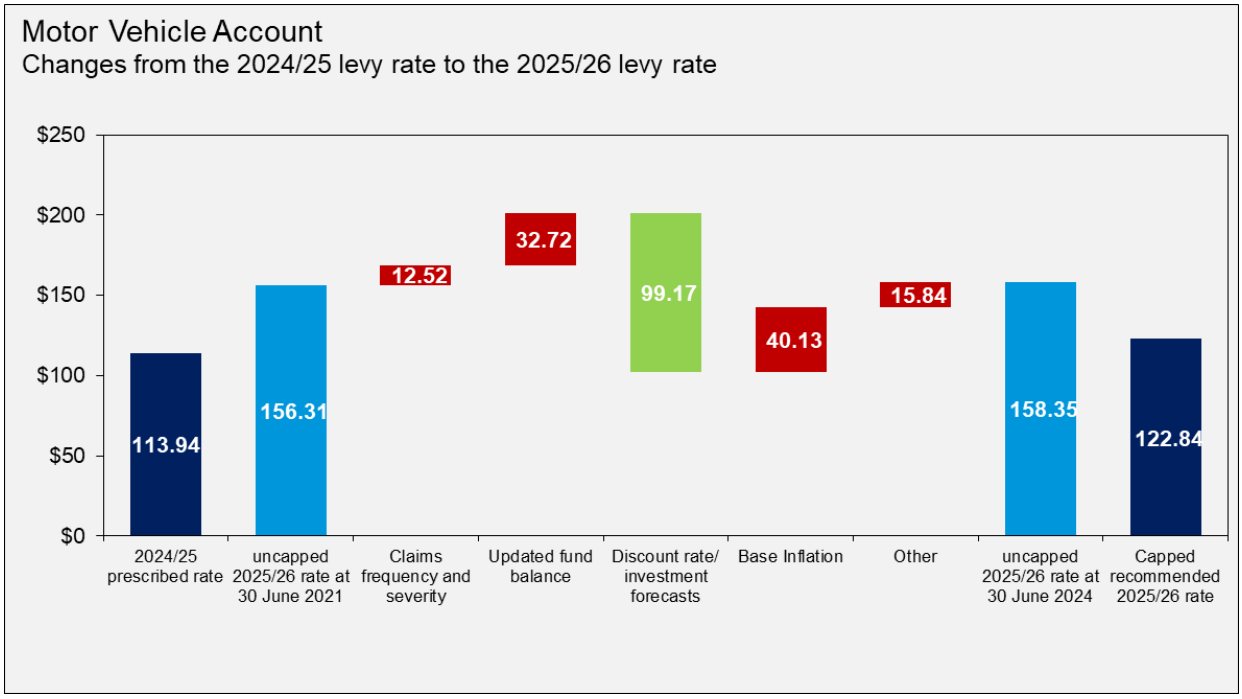
- Changes in expected claim costs increased the uncapped levy rate by $12.52, this is the result of
    - higher than expected average cost of claims increasing the uncapped levy by $13.86. The new year cost for serious injury care claims contributed $11.37 to this.
    - claims taking longer to rehabilitate, increasing the uncapped levy by $29.15. The new year cost for weekly compensation claims contributed $24.98 to this.
    - increased bulk funding increases the uncapped rate by $10.17, mainly the result of pay equity settlements and a catch up of historic underfunding
    - a reduction in the expected number of claims reduces the uncapped levy by $40.66.

- inflation has been higher than expected over the last three years resulting in increased claim costs. This has also resulted in forecast future inflation being higher than previously expected. These increase uncapped levies by $28.29 and $11.83 respectively.
- a lower-than-expected asset balance reduced the fund balance, increasing the uncapped levy rate by $32.72. The investment returns were expected to be 9.0% (after costs) over the three years between June 2021 and June 2024. The actual returns were only 1.7% mainly driven by large negative returns in 2021/22.
- changes in other factors increase the uncapped levy rate by $15.84. This includes a $12.54 increase due to the removal of explicit ICIP and IP benefits and a $6.18 due to an increased OCL. These are partially offset by a $4.91 reduction in operational expenses. Other smaller movements include changes in CHE and exposure.

Mostly offset by

- changes in discount rates and investment forecasts reduced the uncapped levy rate by $99.17.

The cap reduces the limits of these movements on the recommended levy to a maximum increase of 5% plus inflation. For the 2025/26 levy year the cap reduces the levy rate ACC can recommend by $35.51 to $122.84.



The lifetime cost of claims incurred in the levy year is higher than the expected levy revenue

The uncapped levy rate is comprised of two components – the new year cost of claims and the funding adjustment. For an account that is in surplus, when the levy rate doesn't cover the new year cost of claims, the income deficit reduces surplus assets held for claims which have already

happened. Once surplus assets are used up, any remaining gap between levy and new year cost will need to be collected through higher levies in future years,.

The new year rates for the 2025/26, 2026/27, and 2027/28 are estimated to be $233,17, $240.45 and $247.46 respectively. This is significantly higher than the recommended levies.

Currently the large surplus for the Account is providing a reduction to the required levy. However, the OCL and the asset balance, both of which are used to calculate the Account's funding position are very sensitive to changes in economic assumptions. Even a small change can significantly change the current surplus, affecting the amount the uncapped levy are able to be reduced by.

Ultimately until the levy rate gets closer to the new year cost, increases in levies are likely even if a surplus exists in the Account.

High-Level Analysis of Change

The high-level analysis of change for the 2025/26 levy rate is presented below.

Key drivers of levy rates		
Previous review	***2024/25 precribed rate***	***$113.94***
	Previous estimated 2025/26 uncapped rate	***$156.31***
External factors	Base Inflation	+$40.13
	Updated Opening Assets	+$32.72
	Updated Exposure	+$0.03
	Discount Rate/Investment Forecasts	-$99.17
	Total external factors	-$26.30
	Levy after external factors	***$130.02***
Internal factors	New year claims	
	- Longer rehabilitation for Weekly Compensation claims	+$23.57
	- Higher rehabilitation costs for Serious Injuries	+$10.65
	- Increased funding for emergency services	+$4.55
	- Reduced claim volumes for weekly compensation claims	-$15.37
	- Reduced claim volumes for serious injury care	-$10.21
	- Other internal factors	-$8.49
	Funding adjustment	+$11.07
	Net Benefit of IP & ICIP	+$12.54
	Total internal factors	+$28.33
	Uncapped 2025/26 levy rate	*$158.35*
	Recommended 2025/26 levy rate	***122.84***

The *"previous estimated 2025/26 uncapped rate"* is the projected 2025/26 uncapped rate calculated as at 30 June 2021 as part of the previous consultation.

This split is different to the influenceable and non-influenceable split reported in the OCL. However, the differences are directionally the same and not expected to be materially different.

Further information is available:

- For detailed analysis of change, refer to Appendix D.
- For information on the underlying assumptions, refer to Key Assumptions and Injury Prevention and Integrated Change Investment Portfolio.
- For detailed information, including the appropriate estimates for later years refer to Appendix E.

Key Economic Assumptions

The levy rate is influenced by a range of different assumptions. Economic assumptions are assumptions that ACC generally (but not exclusively) sources from external organisations (such as Treasury and Statistics New Zealand), ensuring alignment with other government agencies

This section does not present every assumption. Rather, it focuses on those assumptions that have the greatest impact on the recommended levy rate.

Assumptions | Discussion

Discount rates

Comparison of Discount Rates

	Previous Review	Current Review	Difference
2026	1.84%	4.49%	2.65%
2027	2.12%	4.25%	2.13%
2028	2.38%	4.34%	1.96%
2029	2.60%	4.46%	1.86%
2034	3.43%	5.28%	1.85%
2039	3.86%	5.36%	1.50%
2044	4.03%	5.36%	1.33%
2049	4.21%	5.36%	1.15%
2054	4.30%	5.36%	1.06%
2059	4.30%	4.86%	0.56%
2064	4.30%	4.34%	0.04%
2069	4.30%	4.30%	0.00%
LT	4.30%	4.30%	0.00%

New Zealand Financial Reporting Standards (NZFRS) require risk-free interest rates to be used for discounting future claims costs when determining ACC's outstanding claims liability and therefore ACC's funding position. The calculation of funding position for pricing purposes differs from that set out in the NZFRS as outlined in the funding policy statement in appendix B.

Risk-free interest rates are interest rates that, in theory, are obtained by investing in financial instruments with no default risk. ACC uses Treasury's prescribed discount rate methodology. This provides consistency across accounting valuations reported to the Crown. Treasury releases a central table of risk-free rates and CPI inflation assumptions.

This pricing review uses the discount rate forecasts as at 30 June 2024. Discount rates across most durations have increased since the previous consultation (30 June 2021). In the long term the rates are unchanged.

Investment returns

Comparison of Investment Return forecasts

	Previous Review	Current Review	Difference
2026	3.77%	5.34%	1.57%
2027	3.94%	5.16%	1.23%
2028	4.09%	5.23%	1.13%
2029	4.24%	5.32%	1.08%
2034	4.62%	5.92%	1.30%
2039	4.62%	5.92%	1.30%
2044	4.62%	5.92%	1.30%
2049	4.62%	5.92%	1.30%
LT	4.62%	5.92%	1.30%

Forecast investment returns are used to project future asset values and for discounting new-year claim costs when calculating the fully funded cost of the accident years.

ACC's investment team has forecasted the expected returns for each Account. These were estimated as at 30 June 2024 using methodology consistent with that used for ACC's annual Strategic Asset Allocation reviews.

This pricing review uses the investment return forecasts as at 30 June 2024. The forecasts have increased by between 1.08% and 1.57% since the previous pricing review.

Base inflation

Comparison of Labour Cost Index (LCI) Forecas			
	Previous Review	Current Review	Difference
2026	2.08%	2.30%	0.22%
2027	2.08%	2.28%	0.20%
2028	2.08%	2.24%	0.16%
2029	2.08%	2.21%	0.13%
2034	2.08%	2.21%	0.13%
2039	2.08%	2.21%	0.13%
2044	2.11%	2.20%	0.09%
2049	2.17%	2.20%	0.03%
2054	2.20%	2.20%	0.00%
2059	2.20%	2.20%	0.00%
2064	2.20%	2.20%	0.00%
2069	2.20%	2.20%	0.00%

The standard inflation rates are used to inflate future claim costs and are based on Treasury's projections.

As with discount rates, Treasury releases a central table of CPI inflation assumptions. The inflation forecasts are consistent with the outstanding claims liability valuation and consistent with the discount rates and projected investment returns as at 30 June 2024. Other inflation forecasts are linked to CPI based on past differentials e.g. Labour Cost Index (LCI) is typically 0.2% above CPI.

This pricing review uses the inflation rate forecasts as at 30 June 2024.

The short-term LCI has increased by up to 0.22%. The long-term LCI has not changed.

Number of licenced motor vehicles

Comparison of Forecasted Number of Vehicles			
	Previous Review	Current Review	Difference
2026	4,340,086	4,304,954	- 35,133
2027	4,418,882	4,356,792	- 62,090
2028	4,498,555	4,409,254	- 89,301
2029	4,579,665	4,462,348	- 117,316
2030	4,662,237	4,516,533	- 145,703

The projected number of licenced motor vehicles is used to estimate future claim volumes and therefore claim costs. It is also used to calculate Motor Vehicle levy per licenced vehicle.

ACC updates estimates of 'exposure' (number of vehicles from which ACC will receive a levy) once each year. The exposure is measured by an "equivalent number of vehicle years", where for a given year, any vehicle that is licensed for a fraction of the year contributes only that fraction to the exposure.

At this pricing review, the exposure projection is based on the licence data received from NZTA as at 31 December 2023. The previous pricing review was based on the licence data received from NZTA as at 31 December 2020. The licenced vehicle forecasts are up to 3% lower than forecast in the previous pricing review.

Sensitivities

Given the degree of uncertainty inherent in the levy assumptions, it is important to present the impact of variations in key assumptions in the form of a sensitivity analysis. Sensitivity analysis measures the change in levy rate which would result from a change in each of the key assumptions underlying the levy calculation. The movements do not indicate the upper or lower bounds of all possible outcomes.

In the table below,

- The middle column represents the average levy impact if a specific assumption is up by 1%
- The right-hand column represents the average levy impact if a specific assumption is down by 1%
- The economic sensitivities include the impact on asset movements as well as new year cost and OCL movements

Sensitivity of Levy Rates	Motor Vehicle	
	+1%	-1%
Discount rate and investment returns	-45.84	62.85
Inflation rate	81.22	-62.08
New weekly compensation claims	1.04	-1.05
Weekly compensation continuance rate	13.73	-11.38
Elective surgery superimposed inflation	5.42	-3.90
Medical superimposed inflation	3.03	-2.32
Care superimposed inflation	48.03	-35.41
Number of elective surgeries	6.62	-4.44

In determining which scenarios to examine, we have considered those assumptions which have the greatest impact on the levy rates, or which are, in our opinion, the most uncertain.

Based on these scenarios, the largest impact on the levy rate is the economic scenarios (a change in inflation forecasts or discount rate/investment returns), which is largely driven by the economy and beyond the control of ACC.

These sensitivities assume no changes in any other assumptions. For example, a 1% reduction in inflation assumes long-term CPI decrease from 2% pa to 1% pa (considered very unlikely) is modelled with no corresponding decrease in expected investment returns or discount rates (again very unlikely).

Injury prevention and Integrated Change Investment Portfolio

In previous pricing reviews, we have offset the calculated levies by the estimated financial benefit from Injury Prevention (IP) and the Integrated Change Investment Portfolio (ICIP):

- Injury prevention aims to stop accidents from occurring and reducing the severity of injuries that are suffered, thus reducing the costs incurred by the Scheme.
- The Integrated Change Investment Portfolio (ICIP) is a large-scale change programme that was developed to improve client outcomes and experience and improve customer trust and confidence. Considerable upfront investment was made into the ICIP, with the understanding that significant benefits would be realised in the future.

For the 2024 pricing review we have removed this explicit financial benefit.

For our injury prevention programmes, most of the consistently performing programmes have now been in place for several years so where there are benefits they are already reflected in ACC's current claims experience. In addition, there have been no new programmes in recent years which we expect to make significant impacts on the claims costs. If and when new programmes are introduced in the future, we will reassess how we allow for any benefits not yet factored into our baseline costs.

ICIP benefits are no longer tracked separately but are instead incorporated into baseline targets that undergo regular review by the ACC Board. These baseline targets have been considered when setting the baseline cashflow projections that make up the pricing basis.

Given these considerations, the 2024 pricing review does not to make any explicit allowances for IP or ICIP benefits in the calculation of levies. While no explicit benefits are allowed for, injury prevention expenses are excluded from the operational expense allowance. This effectively means injury prevention is treated as having a return on investment of 1.

The table below shows the expected impact these two programmes of work were expected to have on the levies when levies were set in 2021.

Management response impact on levies	2025/26	2026/27	2027/28
Integrated Change Investment Portfolio	-$7.70	-$7.95	-$8.15
Injury Prevention	-$2.20	-$2.17	-$2.16

Even if these management responses were to be included this consultation, levies would still be calculated as increasing by the 5% plus inflation cap. Therefore, there is no impact on the capped recommended levy rates as a result of this change.

Appendix A – The Motor Vehicle Account Primer

Nature of the Motor Vehicle Account

The Motor Vehicle Account covers all personal injuries arising from accidents involving moving motor vehicles on public roads. More specifically, motor vehicle injuries include:

- Personal injuries suffered because of the movement of a motor vehicle; and
- Personal injuries suffered because of a stationary motor vehicle struck by another motor vehicle or some other means of conveyance.

The Motor Vehicle Account does not, however, cover injuries resulting from:

- The use of motor vehicles off-road;
- Loading, unloading, repairing, or servicing a motor vehicle, or using a motor vehicle other than as a means of conveyance;
- Vehicles, provided by an employer, used to transport an employee to, or from, their workplace

Motor vehicle injuries tend to be more severe than injuries covered by all other accounts except for the Treatment Injury Account. More than 100 serious injuries are anticipated to occur during the 2025/26 levy year as a result of motor vehicle accidents. The largest component of total claims cost is to cover weekly compensation for injured people unable to work. Another significant component of total claim costs is to cover social rehabilitation for seriously injured clients, in the form of home care and capital expenditure on aids, appliances, and modifications to their homes and vehicles. Most severely injured individuals are expected to receive support from the scheme for the remainder of their lives. This results in very long claim payment durations, potentially greater than 80 years.

Calculation of the Aggregate Levy Rate

There are three components to the Motor Vehicle Account levy rate:

- Levy rate for the new accident year – the expected lifetime cost of the Motor Vehicle Account-related injuries and scheme costs for the levy period we consult on. This is calculated for each of the three levy years in the 2025/28 period by adding the discounted claim costs for accidents expected to be incurred in the particular year to projected expenses, and then dividing by the projected number of vehicles expected to pay licence fees in those years. These costs are discounted using expected investment returns.
- Funding adjustment – a funding adjustment to return the funding ratio towards the funding target over time. This is determined using the parameters specified in the Governments funding policy.

- Any increase in the recommended Motor Vehicle levy is then capped at 5% (in addition to inflation).

The Motor Vehicle Account is still maturing

The Motor Vehicle Account (and the ACC Scheme as a whole) is still maturing. This means that the Account grows each year as new accidents occur which are not fully offset by old claims exiting.

For example, a person injured during 2025/26 may receive support from ACC for the rest of their life (or weekly compensation to age 65). However, as the Scheme commenced in 1974 there are no corresponding exits to fully offset this.

Generally, each year the population increases. This means there are more people at risk of having an accident and consequential claim attributable to this Account. All else being equal, this increases the absolute number of injuries each year and therefore each new year's costs.

It also is expected that the cost of funding a new year of claims for the Motor Vehicle Account will usually increase beyond standard inflation, to reflect medical advances, supply and demand in the healthcare labour markets and changes in claim mix.

The Motorcycle Safety Levy

This safety levy was introduced by the Government in 2010 to fund initiatives to improve the safety of motorcycle and moped riders on New Zealand roads. An annual levy of $25 is currently added to the licence fees payable by motorcycle and moped owners when licensing their vehicles. It is proposed to maintain the levy at $25. This levy is not used to fund the claims costs or the expenses of the Motor Vehicle Account.

Note that the levy rates presented in this report exclude the motorcycle safety levy unless otherwise stated.

The nature of the Motor Vehicle Account means there is variability in the levy rates from year to year

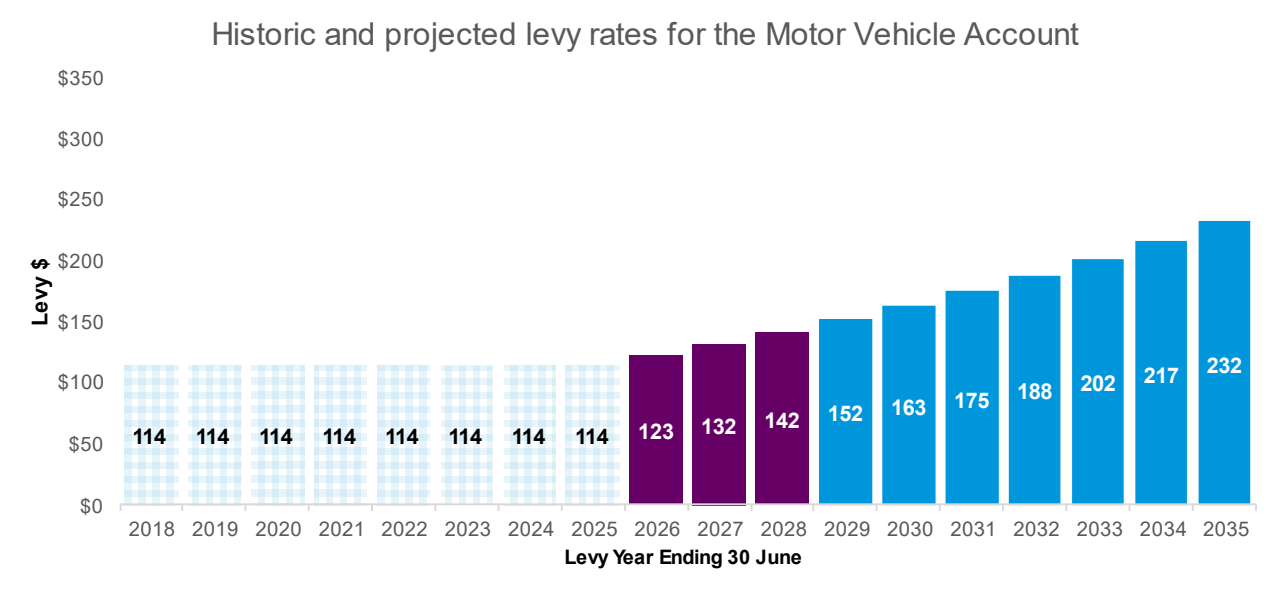
Levy calculations are based on estimates of the present value of future claim and administration costs that will be paid over the lifetime of a client for any injuries. This means that payments could be made for a lifetime to seriously injured clients and this adds greatly to the variability of the estimates. Payments are also affected by economic assumptions (for example, forecast investment returns, discount rates, unemployment rates, inflation, etc).

The levy calculation is for three years

Levy rates are set for three years in each consultation. The recommended levy rate is not averaged over the levy period and can be different in each of the three years.

Historical and projected levy rates

The chart below shows the historic prescribed levy rate, the recommended levy rates for the 2025/26, 2026/27, and 2027/28 levy years, as well as the future projected pathway.



In 2018 the levy rates reduced by 13% to $114. Since then, the new year cost has been consistently higher than the prescribed levy and increasing. Despite recommending increases at each of the 2018 and 2021 consultations, no increases have been approved.

The Work and Earners' Account are priced per $100 of liable earnings, so there is an increase in the income ACC receives through wage inflation. The Motor Vehicle Account uses the number of vehicles as the exposure base so there is no inflationary component of this. As the cost of claims increases with inflation, there is no increase in the income received, so the income in real terms decreases when rates are not increased.

Historically, the rates for the MV Account were significantly higher than current rates. These high rates were approved to build the assets underlying the Account until the Account was fully funded. Rates were last increased in 2010/11 when the rates increased from $287 to $335.

Appendix B – Funding Policy

The funding policy reflects the Government's approach to balancing levy stability with Account solvency

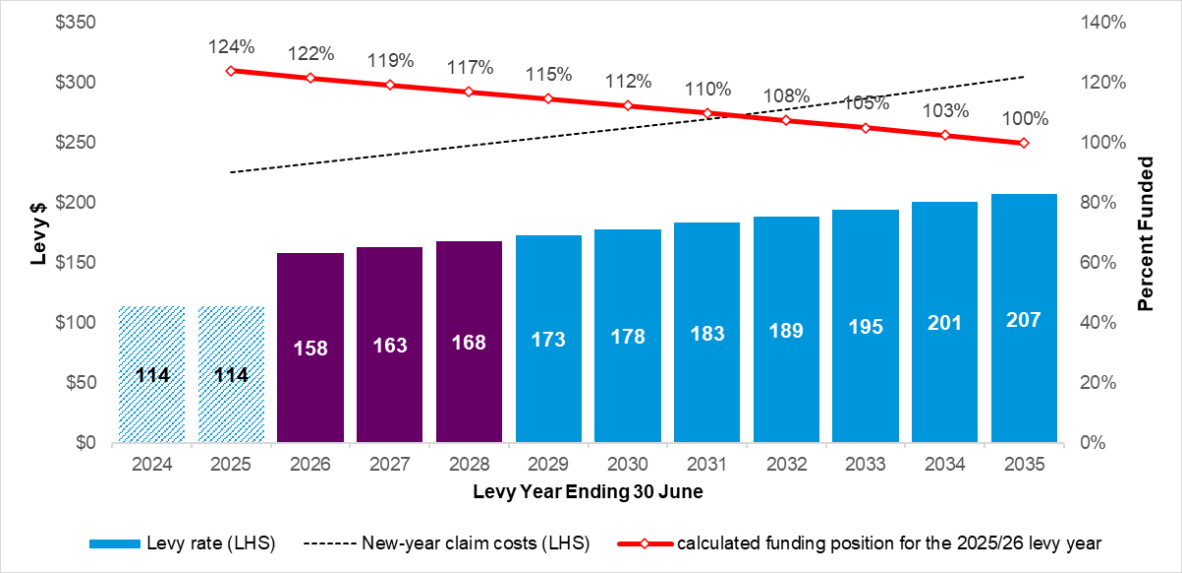
When calculating levies, ACC uses the funding policy set by the Government. The funding policy sets clear objectives for us to follow, such as maintaining levy stability and minimising the risk of over or under funding any of the Accounts.

The funding policy requires ACC to target holding equal level of funds (assets) and liabilities. That is, the funding policy target is a funding ratio of 100%.

When recommending levies, the funding policy requires ACC to start by calculating the lifetime costs of all claims expected to be made during the levy year. ACC then considers the Account's funding position, and if it is over- or under-funded the funding policy returns or collects the surplus or deficit funds to move the funding position toward the target over time. The funding policy states that the aggregate levy rate is adjusted to take the fund to target smoothly over a ten-year horizon. This calculation applies to each individual levy year and is iterative. Therefore, when applied to multiple levy years the Account moves towards the funding target over time, it does not reach target after 10 years.

To illustrate this the graph below shows the calculated funding position for the 2025/26 levy year only. The funding position for this one year reduces to 100%. When we calculate the next year's levy, the process repeats and the Account reaches 100% 10 years from the levy date. This continues for each iteration and explains why no Account is projected to reach its funding target in exactly ten years in practice.

For comparison, the actual pathway recommended under the funding policy is on page 17.



Funding Policy Statement

Consistent with the principles of financial responsibility, ACC must recommend levies for each levied Account according to the following requirements[1]:

a. ACC must base the aggregate levy rate for a year on the expected lifetime cost of claims in relation to injuries occurring in that year ("expected lifetime cost of claims in the levy year").
b. ACC must base the aggregate levy rate for a year on the expected lifetime cost of claims in relation to injuries occurring in that year ("expected lifetime cost of claims in the levy year").
c. Each Account must target a funding ratio of 100%. The funding ratio is calculated by dividing the assets by the liabilities. The assets are defined as the total assets reported in the annual report less:
    - payables
    - accrued liabilities
    - investment liabilities
    - provisions
    - unearned levy liability
    - and any assets for the accredited employers programme (AEP)

    The liabilities are defined as the balance sheet Outstanding Claims Liability (OCL) but:
    including:
    - off balance sheet work-related gradual process claims not yet made

    and excluding:
    - liability for the AEP
    - the OCL risk margin.
d. ACC must include an adjustment to the aggregate levy rate that takes the Account's funding ratio to the target defined in b. smoothly over a ten-year horizon. This is to be achieved by setting the adjustment at a fixed proportion of expected lifetime injury costs in the levy year, and for each year over a ten-year horizon.

Any annual increase to the aggregate levy rate for each Account must not exceed 5% (in addition to inflation adjustments for the Motor Vehicle Account).

Steps a. to d. are repeated for each levy year in the period for which ACC is recommending levies.

The latest funding policy was gazetted on 6th April 2021.

Reporting standards

The New Zealand Financial Reporting Standards require the outstanding claims liability (which is shown in ACC's Financial Statements) to be assessed using risk-free discount rates and to add an additional risk margin to allow for the inherent uncertainty in projecting these long-term claim

[1] Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts

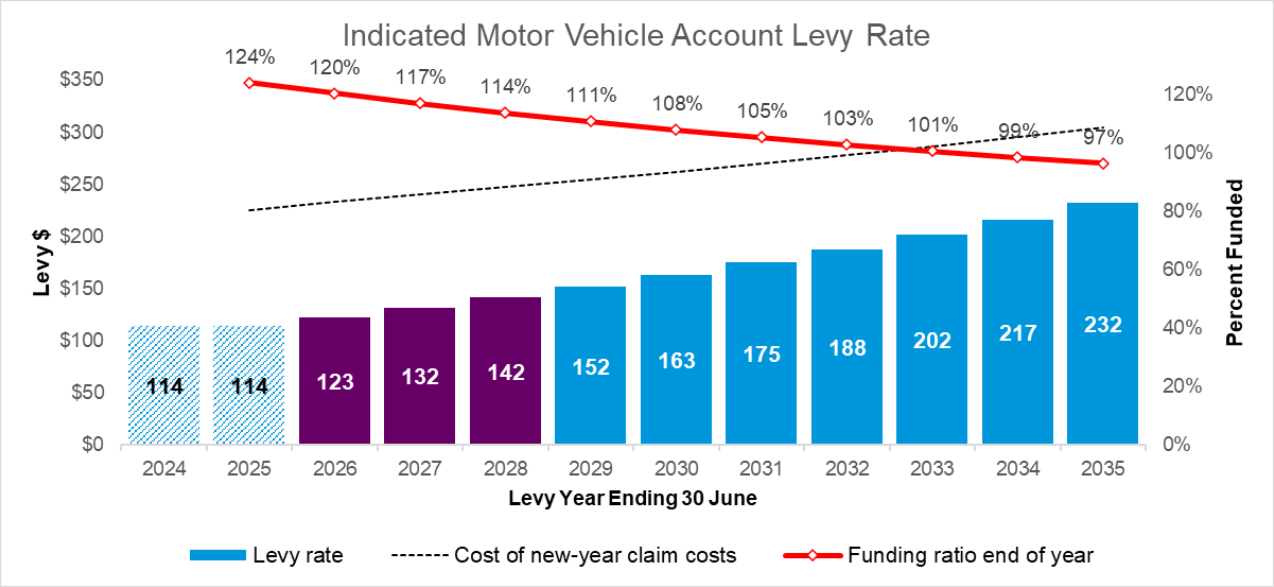
liabilities. For valuation purposes we hold a risk margin on the OCL which provides around a 75% probability that future claims estimate will be sufficient.

The requirement to include the risk margin when pricing was removed in 2018 and as such risk margins are not included in the funding position calculations or target.

Path to full funding

The funding target for the Motor Vehicle Account is to hold assets equal to 100% of the outstanding claims liability.

- The actual funding ratio for the Motor Vehicle Account is 128% as at 30 June 2024.
- This is projected to be 124% at 1 July 2025 (i.e. the beginning of the 2025/26 levy period), a funding surplus of $2.9 billion. The graph below shows the projected paths for both funding ratios and levy rates.



There are several reasons why the Account may not reach 100% over the 10 year period.

1. The iterative nature of the funding policy, discussed above, means the Account moves towards 100% over 10 years but is not expected to reach it.
2. The funding policy projects to use the surplus assets within the first ten years. At this point even with capped increases each year, the levy rate is expected to be lower than the new year cost which means the Accounts assets are required to fund new claims which further reduces the funding position for some time until the gap between the new year cost and the levy rate reduces.
3. Capped increases limit the speed of the levy to respond to cost pressures or under funding

Appendix C – Methodology

The model used at this pricing review

For this pricing review – the 2025/28 levy setting – ACC has used the ACC's Outstanding Claims Liability (OCL) as at 30 June 2024 ('30 June 2024 Valuation') to calculate the funding position for the Levied Accounts. The assumptions underlying the valuation have been applied to new claims to calculate the levy rates for all levied Accounts. Claims volumes for new accident years post the valuation date have been set using a claims forecasting model used by the wider organisation, this process is discussed more in appendix G - Claims Assumptions.

The projected future cash flows are based on March 2024 data and are updated for June 2024 economics. Checks are then performed at June 2024 to ensure the assumptions are still appropriate. These cashflows are adjusted to reflect expected claim frequency, average cost per claim, and claim duration due to changes in legislation and policy, inflationary impacts, trends in the use of benefits, and operational changes in the management of entitlements.

The 30 June 2024 valuation

The Outstanding Claims Liability (OCL) is an estimate of the present value of the future cash flows associated with accidents that occurred before the valuation date. The OCL valuation is provided on an annual basis by an external supplier, Taylor Fry.

ACC regularly monitors the OCL. Each month, we update the valuation for economic changes. In addition, each quarter we conduct internal valuations which consider other assumption changes. ACC then share results including any changes to models and assumptions with the external valuation actuary. ACC's Actuarial Services team and Taylor Fry work together throughout each year in order to minimise unexpected differences in OCL and levy rates between the quarterly valuation results, and the annual external valuation.

Data

A wide range of data is used as inputs into the levy calculation. This data is a mixture of internal ACC data, external agency data, or data provided by our external valuation actuaries Taylor Fry.

All the data used for the levy consultation is checked for consistency and accuracy in a way appropriate to the data source. For example, liable earnings are extracted from ACC's own data systems, this is compared at a total level to the financial reports and summaries. However, we also use liable earnings by individual employer. At this level we do not have a reliable secondary source to compare to, so we compare between the current calculations and previous years.

The checks used to ensure data reliability include internal QA processes on ACC sourced data, checks against independent sources where available, checks against previous periods and analyses of change.

Risk rates for new-year claims

The risk rates applicable for funding the costs associated with the new years' claims is calculated using the following formula:

$$\frac{Discounted\ Claim\ Costs + Discounted\ Expenses}{Exposure\ \times (1 - Bad\ Debt\ Rate)}$$

The table shows the components of the new-year levy rate for the 2025/26, 2026/27, and 2027/28 levy years.

Component of new year cost for claims incurred in the new levy year						
Scheme Costs for New Levy Year ($000)	**2025/26**		**2026/27**		**2027/28**	
	Discounted Cost	**Risk Rate**	**Discounted Cost**	**Risk Rate**	**Discounted Cost**	**Risk Rate**
Public Health Acute Services	$140,895	$32.88	$148,912	$34.33	$157,140	$35.80
All Other Claim Payments	$777,056	$181.31	$811,258	$187.04	$843,380	$192.13
Claims Handling	$51,837	$12.10	$53,041	$12.23	$54,517	$12.42
Operational Costs	$3,852	$0.90	$3,809	$0.88	$3,929	$0.90
Levy Collection Costs	$694	$0.16	$711	$0.16	$728	$0.17
Bad Debt and Timing of payment	$24,957	$5.82	$25,169	$5.80	$26,533	$6.04
Total	$999,292	$233.17	$1,042,900	$240.45	$1,086,229	$247.46
Exposures (Per Motor Vehicle)		$4,285,698		$4,337,304		$4,389,532

Funding adjustment for previous years

The second component of the Motor Vehicle Account levy rate is the requirement to ensure any over- or under-funding of claims from prior years is accounted for and that the levy rate is set to ensure that the Account moves towards its funding target in accordance with the funding policy set by the Government.

This 'negative' adjustment reflects that the Account is above the funding target and that this excess will be returned over the funding horizon. The projected funding target at the 10 year point is not exactly 100%, as the funding horizon is reset each time the levy is adjusted i.e. for calculating the 2025/26 levy the target is ten years from the start of the 2026 levy year and for calculating the 2026/27 levy the target is ten years from the start of the 2027 levy year.

All levies in this report exclude GST.

Claims assumptions in detail

Appendix G details the changes in projections of claim frequency and severity for the main contributors to claims cost for the Motor Vehicle Account.

For more detailed claims assumptions, please refer to the 30 June 2024 Outstanding Claims Liability Valuation report.

Rounding

Figures in this report have been rounded and therefore at times may not appear to add up exactly.

Appendix D – Detailed Analysis of Change

This section steps through changes in levy rates by seven factors. These are divided into two types:

1. External Factors - factors outside ACCs control. They represent the financial impact on the levy rate through the application of externally set financial, exposure or other assumptions
2. Internal factors - factors at least partially within ACCs control. These are factors where ACC does have at least some influence on the extent to which the factor creates a change in costs (today and/or into the future).

This split is different to the influenceable and non-influenceable split reported in the OCL. However, the differences are directionally the same and not expected to be materially different.

There are four external factors:

- Exposure – changes in the projected licenced motor vehicle covered by the Motor Vehicle Account.
- Discount rate / Investment rate
    - Discount rate – change in the risk-free rate of return (set by Treasury), based on government bond rates
    - Investment rate – changes in expected returns based on the view of the market
- Base inflation – changes in standard inflation forecasts e.g. LCI, CPI or AWE

While ACC cannot influence these factors, they are important factors to consider when recommending levy rates.

The levy rate recommendation is also subject to internal factors over which ACC has at least some degree of control (although not necessarily total control):

- Claims frequency and utilisation – the impact of changes in the volume of claims for a given population
- Claim Severity – the combined effect of changes in claim duration and superimposed inflation (influenced by ACC's market influence and purchasing behaviours)
- 'Combo' – the combined effect of frequency and severity where it is not possible to easily separate the two underlying factors

Update of opening assets can not be easily categorised into either external or internal factors. It is the net impact of cashflows in and out of the Account. This includes actual investment income and inflation which are external and claim payments and expenses which are somewhat internal. For the purposes of the analysis below we have included it in the external factors as we believe this is where the majority of the deviation from expected will come from.

Summary of Analysis of Change - Motor Vehicle Account

Cost Category	Previous Estimated 2025/26 rate	Updated Opening Assets	Updated Exposure	Discount Rate/ Investment Forecasts	Base Inflation	Total External Factors	Claims Frequency and Utilisation	Claim Severity	Combo	Total Internal Factors	This Year's Recommended
Medical Costs											
General Practitioner	1.22		0.00	-0.05	0.08	0.02	-0.16	-0.04		-0.20	1.04
Physiotherapy	0.85		0.00	-0.03	0.05	0.02	-0.08	-0.09		-0.17	0.70
Radiology	1.75		-0.01	-0.13	0.11	-0.03	-0.19	-0.04		-0.23	1.49
Other Medical	9.92		-0.04	-0.91	0.64	-0.30	-1.65	-1.18		-2.83	6.79
Public Health Acute Services	23.81		0.66	-0.08	3.94	4.51			4.55	4.55	32.88
	37.56	**0.00**	**0.61**	**-1.20**	**4.81**	4.22	**-2.08**	**-1.35**	**4.55**	1.12	42.90
Elective Surgery	12.03		-0.04	-1.89	0.81	-1.12	-1.73	-0.06		-1.79	9.12
	12.03	**0.00**	**-0.04**	**-1.89**	**0.81**	-1.12	**-1.73**	**-0.06**	**0.00**	-1.79	9.12
Social Rehabilitation											
Serious Injury - Care	62.14		0.81	-15.31	3.17	-11.33	-10.21	10.65		0.45	51.26
Seriour Injury - Capital	8.98		0.12	-1.90	0.64	-1.13	-1.48	0.90		-0.58	7.27
Non-Serious Injury - Care	11.06		-0.04	-1.23	0.77	-0.50	-0.15	2.33		2.18	12.74
Non-Seriour Injury - Capital	3.05		-0.01	-0.47	0.21	-0.27	-0.39	0.31		-0.08	2.70
	85.24	**0.00**	**0.88**	**-18.90**	**4.79**	-13.23	**-12.23**	**14.20**	**0.00**	1.96	73.97
Compensation Related											
Independence Allowance	0.00		0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Weekly Compensation	71.24		-0.28	-10.89	9.35	-1.81	-15.37	23.57		8.21	77.63
Fatal Benefit	8.64		-0.03	-0.39	0.55	0.13	-2.08	0.25		-1.83	6.94
Vocational rehabilitation	2.74		-0.01	-0.12	0.17	0.04	-0.93	-0.04		-0.97	1.80
Lump Sum	1.89		-0.01	-0.10	0.25	0.14	-0.36	0.15		-0.21	1.82
	84.50	**0.00**	**-0.32**	**-11.50**	**10.32**	-1.50	**-18.73**	**23.93**	**0.00**	5.19	88.20
Operating Costs											
Claims Handling	11.42		0.15	-1.32	0.79	-0.38			1.05	1.05	12.10
Administration Expenses	4.22		-0.07	-0.01	0.00	-0.08			-3.08	-3.08	1.06
Bad Debt, Timing & Performance Loading	4.03		0.02	1.07	0.44	1.54			0.25	0.25	5.82
	19.67	**0.00**	**0.10**	**-0.25**	**1.23**	1.08	**0.00**	**0.00**	**-1.77**	-1.77	18.98
New-Year Costs	**239.00**	**0.00**	**1.22**	**-33.74**	**21.97**	-10.55	**-34.78**	**36.72**	**2.78**	4.71	233.17
Funding Adjustments	**-70.15**	**32.72**	**-1.19**	**-65.43**	**18.15**	-15.75	**-5.26**	**5.64**	**10.69**	11.07	-74.82
Benefits of ICIP and IP	**-12.54**	**0.00**	**0.00**	**0.00**	**0.00**	0.00	**0.00**	**0.00**	**12.54**	12.54	0.00
Levy Rate	**156.31**	**32.72**	**0.03**	**-99.17**	**40.13**	**-26.30**	**-40.04**	**42.36**	**26.01**	**28.33**	**158.35**

Appendix E – Projected future levy rates

The table below shows projected levy rates for future levy years by payment type.

Motor Vehicle Account

Projected future levy rates by payment type				
	Projected future levy rates			
Cost Category	2025/26	2026/27	2027/28	2028/29
New year claims cost				
Medical Costs				
General Practitioner	1.04	1.07	1.10	1.12
Physiotherapy	0.70	0.72	0.73	0.75
Radiology	1.49	1.53	1.56	1.60
Other Medical	6.79	6.90	7.01	7.14
Public Health Acute Services	32.88	34.33	35.80	37.26
	42.90	**44.55**	**46.20**	**47.87**
Elective Surgery	9.12	9.41	9.69	10.00
	9.12	**9.41**	**9.69**	**10.00**
Social Rehabilitation				
Serious Injury - Care	51.26	52.61	53.89	55.21
Serious Injury - Capital	7.27	7.41	7.54	7.67
Non-Serious Injury - Care	12.74	12.87	12.99	13.14
Non-Serious Injury - Capital	2.70	2.70	2.70	2.71
	73.97	**75.60**	**77.12**	**78.73**
Compensation Related				
Weekly Compensation	77.63	81.01	83.88	86.85
Fatal Benefit	6.94	7.08	7.22	7.35
Vocational rehabilitation	1.80	1.87	1.93	1.98
IA & Lump Sum	1.82	1.86	1.89	1.92
	88.20	**91.83**	**94.92**	**98.10**
Claims costs	**214.19**	**221.37**	**227.93**	**234.71**
Operating Costs				
Claims Handling	12.10	12.23	12.42	12.61
Administration Expenses	1.06	1.04	1.06	1.08
Bad debt & performance loadi	5.82	5.80	6.04	6.33
	18.98	**19.07**	**19.53**	**20.02**
New Year costs	**233.17**	**240.45**	**247.46**	**254.73**
Funding adjustments & cappin	**(110.33)**	**(108.51)**	**(105.77)**	**(102.63)**
Levy rate	**122.84**	**131.94**	**141.69**	**152.10**
Number of vehicles	4,285,698	4,337,304	4,389,532	4,442,389

Appendix F – Discounted Mean Term

To determine the risk rate component of the aggregate levy rate, the projected nominal cash flows are discounted using ACC's investment return forecasts. The table shows both projected undiscounted and discounted costs for the Motor Vehicle Account claims that are anticipated to occur in the 2025/28 levy period.

This table also provides the estimated average payment duration (in years) which indicates the average duration of each payment type that ACC expects to incur. This allows for standard and superimposed inflation which increases future costs and therefore greatly extends the expected duration of care and elective surgery costs.

Discounted Mean Term for the 2025/28 levy period						
	Central estimates				*Anticipated funding from:*	
Cost Category	**Undiscounted Payments ($000) (A)**	**Discounted Payments (B)**	**Estimated Average Duration 2026 (C)**	**Discounted Factor (D)=(B)/(A)**	**Levy (E) = (D)**	**Investment Income (F) = 1 - (E)**
Medical Costs						
General Practitioner	8,071	4,639	3.06	0.57	57%	43%
Physiotherapy	6,182	3,111	2.70	0.50	50%	50%
Radiology	15,535	6,626	5.73	0.43	43%	57%
Other Medical	74,033	29,930	9.23	0.40	40%	60%
Public Health Acute Services	152,820	148,982	0.26	0.97	97%	3%
Elective Surgery	164,967	40,809	13.83	0.25	25%	75%
Social Rehabilitation						
Serious Injury - Care	1,215,020	228,137	22.94	0.19	19%	81%
Serious Injury - Capital	151,414	32,132	17.68	0.21	21%	79%
Non-Serious Injury - Care	130,747	55,818	6.56	0.43	43%	57%
Non-Serious Injury - Capital	47,382	11,725	11.66	0.25	25%	75%
Compensation Related						
Weekly Compensation	775,599	350,762	10.10	0.45	45%	55%
Fatal Benefit	40,093	30,708	4.31	0.77	77%	23%
Vocational rehabilitation	12,762	8,108	4.44	0.64	64%	36%
Lump Sum	10,381	8,059	4.06	0.78	78%	22%
Total Claims Costs	**2,805,006**	**959,547**	**11.45**	**0.34**	**34%**	**66%**
Operating costs						
Claims Handling	115,358	53,132	7.65	0.46	46%	54%
Administration Expenses	4,690	4,575	0.50	0.98	98%	2%
Bad Debt & Timing of Levy Receipt	73,476	25,553		0.35	35%	65%
Total New Year Costs	**2,998,530**	**1,042,807**	**11.20**	**0.35**	**35%**	**65%**

The discounted mean term for the Motor Vehicle Account is 11.20 years.

Appendix G – Claims Assumptions

ACC set expected claim numbers at an Account level using a claim forecasting model run by the analytics and reporting team. The model uses economic conditions as predictors to estimate the number of new claims. As the economy improves, the model projects more claims, and in a weakening economy the number of claims expected reduces. There is a separate projection of the total number of new claims and the number of new weekly compensation claims. This model is also used for setting ACC's budget.

Combined with our Account exposure, this creates our total claim frequency. For all payment types other than weekly compensation, which is modelled separately, we assume the same annual growth in claims as total claims.

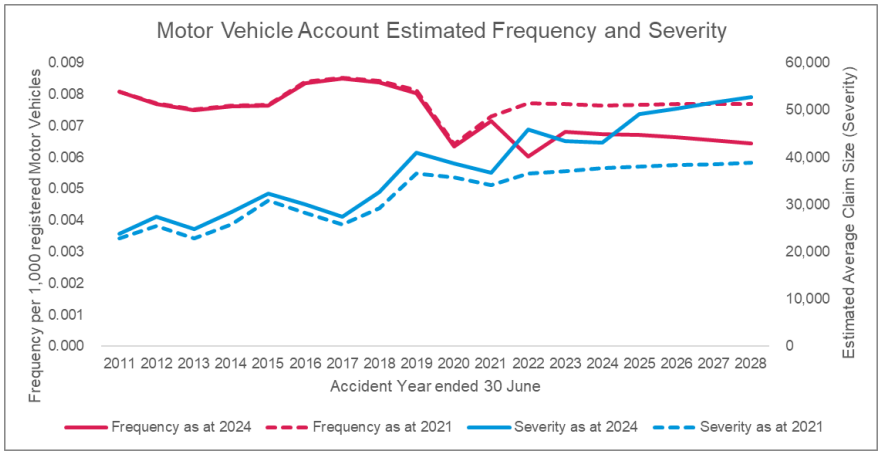
To estimate the lifetime cost of new accident years we set additional assumptions at a payment type and Account level for:

1. When we expect these new claims to be reported
2. How many of these claims will continue to need support in following quarters, these are the continuance rates.
3. The average cost of active claims per quarter

These assumptions are set for every accident quarter and development quarter. Therefore, a large number of assumptions are required to estimate the cost for one years' worth of accidents. It is not practical to report on these individually. Instead, we calculate claim frequency and average claim cost as a practical way of showing how the claim costs have moved and the impact these movements have on new year costs, and hence levy rates.

Below we present the changes in claim frequency and severity at an Account level between June 2021 and June 2024. We then further break down the movement in severity. The charts show:

- **Claim Frequency:** this estimates the total expected number of Motor Vehicle claims per 1000 registered motor vehicles. The historical claim frequencies include estimates of the accidents that have happened in a particular year but haven't yet been reported yet.
- **Claim Severity**: this estimates the average lifetime cost of a claim in a given accident year. These are presented in undiscounted June 2024 dollars (ie real values) so 2021 and 2024 are directly comparable.



Our projections indicate that the expected total claims cost for the 2025/26 levy year has increased by $170m between 2021 and 2024. This can be split into a $174m reduction due to claim frequency offset by a $343m increase due to claim severity.

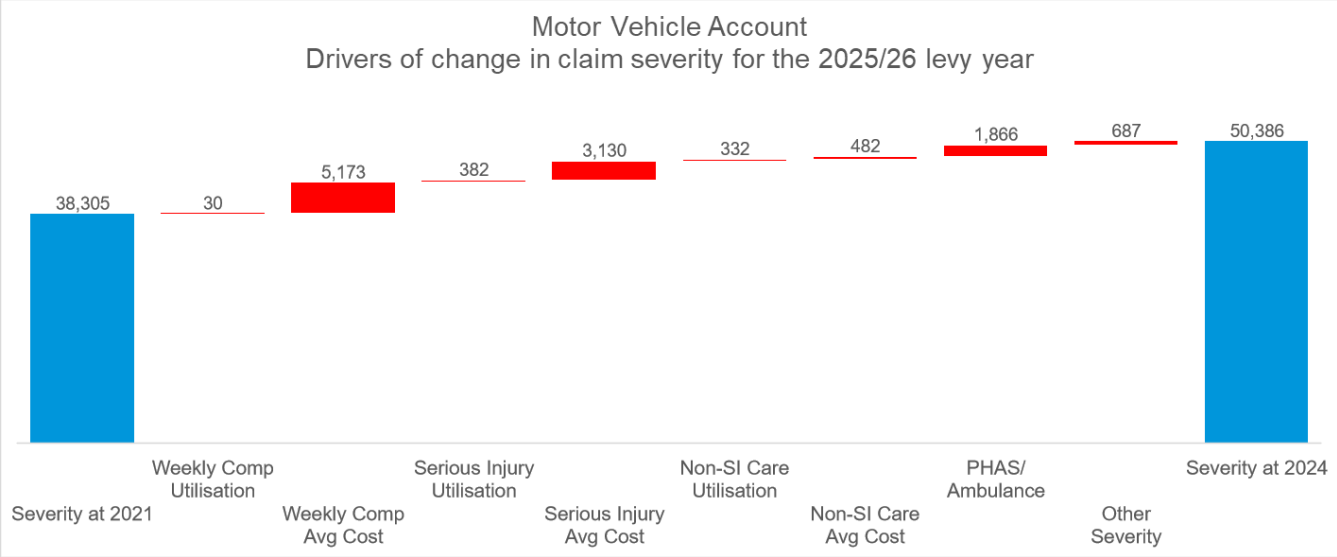
Over time, claim frequency in the Motor Vehicle Account has shown a downward trend. Numbers of new claims fell sharply in 2019/20 due to Covid-19 lockdown restrictions, then rose in 2020/21 when restrictions eased. In 2021 we predicted that claim frequency would return close to pre-pandemic levels and then remain relatively flat. However, claim frequency has remained well below pre-Covid levels, potentially reflecting a shift in behaviour such as increased work from home. This decreasing trend in claim frequency is assumed to continue into the future.

Claim severity in the Motor Vehicle Account has been increasing over time with newer accidents expected to cost more, on average, than earlier accidents. In 2024 we expect average claim costs to exceed those projected in 2021 for all accident years. Additionally, we expect the average lifetime cost of future claims to increase at a much faster rate than previously expected.

A rise in average claim severity may be attributable to:

1. changes in the proportion of claimants utilising different services
2. claimants taking longer to rehabilitate and therefore utilising services for longer periods of time
3. an increase in the actual cost of providing rehabilitation or compensation.

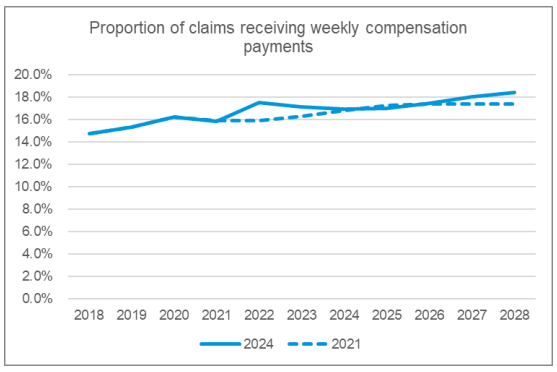
To understand this better where we can we've split the $343m increase ($12,081 per claim) from claim severity into the change in utilisation of services, point one above, and the average claim cost, points two and three above in the waterfall chart below.

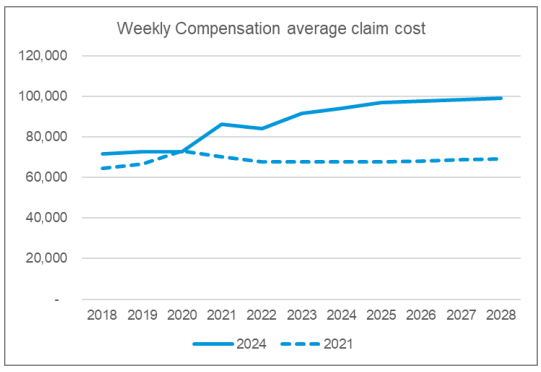


Below we discuss the changes in service utilisation and average cost for the payment types which have contributed the most to the increase in Motor Vehicle claim severity.

Weekly Compensation

Weekly Compensation has had the greatest impact on the increase in overall Motor Vehicle claim severity. This is primarily driven by deteriorating rehabilitation performance, meaning claimants are now expected to receive weekly compensation for longer than previously expected. We are forecasting that rehabilitation rates will deteriorate in 2025 in line with ACC KPIs before remaining relatively flat in future years. The proportion of claimants receiving weekly compensation has not changed significantly from 2021.

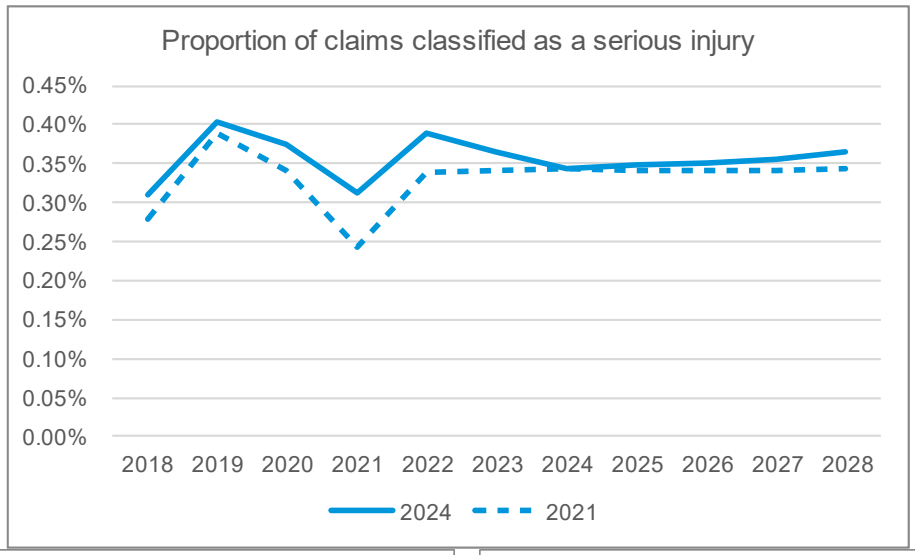


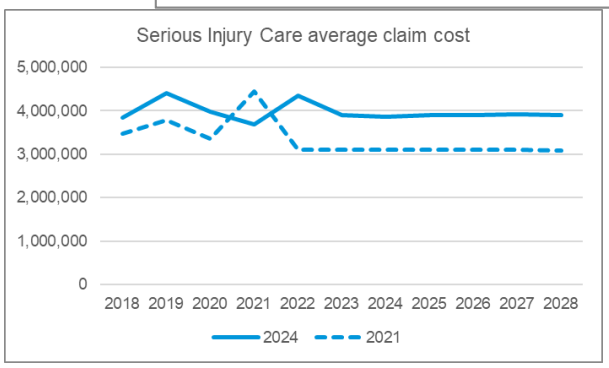


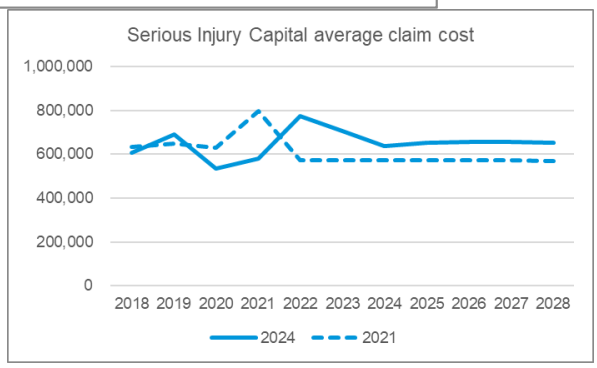
Serious Injury:

Although serious injuries represent less than 1% of total Motor Vehicle injury claims, lifelong support is typically required so even small changes in the number of claimants utilising the services or minor

adjustments in the level of care provided can have a significant impact. As shown in the waterfall chart above, a major contributor to the increase in 2025/26 Motor Vehicle claim severity is a rise in average serious injury claim costs. This increase is due to factors such as additional care hours, higher levels of care, or the need for more advanced rehabilitation equipment. We expect current levels of serious injury social rehabilitation services to remain and average costs to stay stable over the next four years.

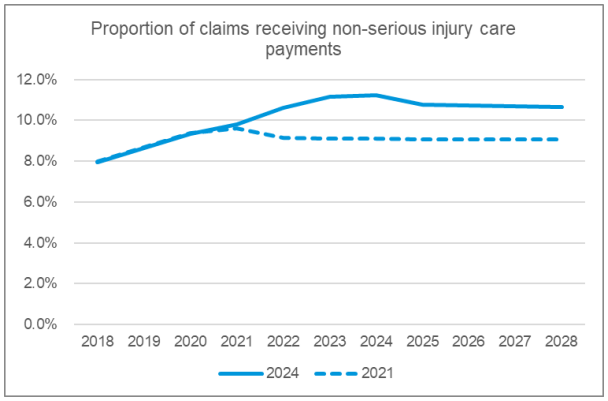


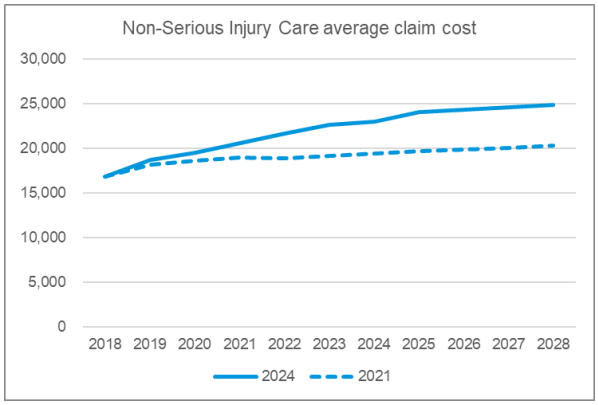




Non-Serious Injury Care:

Although the average costs for claimants with non-serious injuries using social rehabilitation services are much less than for serious injuries, they're still substantial with around 11% of all motor vehicle claimants in 2024 utilising this service. Utilisation of this service is expected to stay relatively stable over the next four years. Average care costs for non-serious injuries have been increasing steadily since 2018 and are expected to continue to do so, albeit at a slower rate. This increase is primarily driven by an increase in the number of care hours provided per client.





The table below shows utilisation and average cost per claim for the 2025/26 levy year at both 2021 and 2024. Also included is an estimate of how each payment type has changed the overall Motor Vehicle claim severity in 2025/26.

	Utilisation of Service			Average Cost per Claim Utilising the Service			
Service (Payment Type)	Utilisation of Service as at 2021	Utilisation of Service as at 2024	% Change	Average Cost per Claim Utilising the Service as at 2021	Average Cost per Claim Utilising the Service as at 2024	% Change	Estimated impact on Earner claim severity
Bulk Billed				3017*	4883*	62%	5%
Claims Handling Costs				1876*	2514*	34%	2%
Elective Surgery	3.6%	4.6%	28%	65,940	56,053	-15%	1%
General Practitioner	73.5%	73.1%	-1%	253	252	0%	0%
Lump sums	1.0%	1.0%	2%	27,076	30,566	13%	0%
Non-Serious Injury C	7.2%	7.5%	4%	8,801	9,647	10%	0%
Non-Serious Injury C	9.1%	10.7%	18%	19,831	24,320	23%	2%
Other Medical	43.6%	42.1%	-4%	3,998	3,620	-9%	-1%
Physiotherapy	28.9%	28.4%	-2%	413	441	7%	0%
Radiology	33.6%	36.2%	8%	837	839	0%	0%
Serious Injury Capita	0.3%	0.4%	3%	572,530	655,787	15%	1%
Serious Injury Care	0.3%	0.4%	3%	3,102,661	3,909,070	26%	8%
Vocational Rehabilita	6.1%	6.7%	10%	6,440	4,849	-25%	0%
Weekly Compensat	17.4%	17.5%	0%	68,131	97,735	43%	14%
Weekly fatal	1.0%	1.2%	18%	121,656	100,449	-17%	0%

In the case of Bulk Billed Claims and Claims Handling Costs, the claims underlying these payments are unknown so it's not possible to isolate the change in utilisation from change in average costs. We have therefore calculated the average cost per claim by dividing the total ultimate cost of the service by total motor vehicle claim numbers.

The increase in average cost per claim for bulk billed has made a material impact on the overall claim severity. This is primarily due to a significant increase in the amount paid for Public Health Acute Services (PHAS). These payments are made to Ministry of Health and cover the cost of ACC clients receiving acute services in publicly funded hospitals. These payments are expected to continue to grow in line with medical superimposed inflation. The increase in Claim Handling Costs relative to 2021 is due to higher expenses budgeted for the Motor Vehicle Account in the 2024/25 ACC expense budget.

Appendix H – Other assumptions

Administration expenses

Allowances for expenses associated with scheme operations are included in the levy rates. These expenses include levy collection, claims management and general office and equipment overheads.

Other than claims handling expenses, administration expense forecasts have been taken directly from ACC's 2025 operating budgets. The operating budgets are based on a June year end, where this differs to the levy year timing the expenses are converted to be consistent with the levy year and then discounted to the beginning of the applicable levy year.

Claims handling expenses are allocated on the same basis as in the valuation. The table shows

- the breakdown of projected discounted claims handling and administration expenses for the current 2022/25 levy period and the projected 2025/28 levy periods based on 2021 recommendations
- the breakdown of discounted claims handling and administration expenses for the projected 2025/28 levy period based on 2024 recommendations
- the expense ratio, calculated as the proportion of the new year levy (excluding funding adjustment).

Expenses						
Amounts in $000	2022/25 projection as at 2021 consultation		2025/28 projection as at 2021 consultation		Proposed 2025/28 projection as at 2024 consultation	
	Discounted Cost	Expense Ratio	Discounted Cost	Expense Ratio	Discounted Cost	Expense Ratio
Claims Handling	46,508	5.1%	51,293	4.9%	53,132	5.1%
Operating Costs	8,839	1.0%	16,638	1.6%	3,863	0.4%
Levy Collection Costs	1,040	0.1%	1,096	0.1%	711	0.1%
Total	56,387	6.2%	69,027	6.7%	57,706	5.5%

Bad debt loadings and timing of levy receipt

Unlike other Accounts, there is no bad debt assumed for the Motor Vehicle Account as levies are not invoiced and a measurement of non-compliance cannot be determined until after an accident occurs. Levies are paid when the petrol enters New Zealand while all vehicles (other than exempt vehicles) are required by law to be licensed. Licence fees are collected by the New Zealand Transport Agency on behalf of ACC.

Appendix I – Terminology

This section describes the terminology used in this pricing report.

- ***Accident year***: injuries occurring between 1 July and 30 June for the Motor Vehicle Account.
- ***Frequency***: the ultimate number of claims per 1,000 vehicle registration.
- ***Severity***: the average lifetime cost of a claim on a June 2024 values, undiscounted basis.
- ***Nominal***: refers to amounts inflated to the time of payment.
- ***AWE***: refers to average weekly earnings. The "long" term inflationary trend in AWE is projected to be 3.0% per annum in the long term, consistent with Treasury forecasts.
- ***CPI***: refers to the consumer price index. The "long" term inflationary trend in the CPI is projected to be 2.0% per annum in the long term, consistent with Treasury forecasts.
- ***LCI***: refers to the labour cost index. The "long" term inflationary trend in the LCI is projected to be 2.2% per annum in the long term, consistent with Treasury forecasts.
- ***Payment Type***: Types of payment ACC makes to provide compensation and rehabilitation to clients.

Payment type	Subgroup	Description
Medical	General Practitioners	Payments to general practitioners and Accident and Medical clinics
	Physiotherapy	Payments to physiotherapists
	Radiology	Payments for radiology services - low tech (eg X-Ray) and high-tech (eg MRI)
	Other Medical	All medical costs except elective surgery and those categorised above
	Public Health Acute Services (PHAS)	Accidental injury costs arising from acute inpatient care, emergency department, outpatient, complex burns, pharmaceuticals and laboratories
	Ambulance	Emergency transportation to a medical facility, by road and/or by air. This is included in the PHAS category in the report
Elective surgery	Elective surgery	Predominatly orthopaedic-related surgery
Social Rehabilitation	Serious Injury - care	Care costs (such as attendant care and assessments) and other costs related to serious injury
	Serious Injury - capital	Predominately housing and motor vehicle modifications for those with serious injuries
	Non-serious Injury - care	Care costs (such as attendant care and assessments) and other costs related to non-serious injury
	Non-serious Injury - capital	Predominately housing and motor vehicle modifications for those with non-serious injuries
Compensation related	Weekly Compensation non-fatal	Loss of earnings, and loss of potential earnings for minors
	Fatal Benefits	Funeral grants and supports for spouse and/or dependants
	Vocational Rehabilitation	Programmes to support claimants in their return to independence
	Independence allowance & lump sums	Additional support to compensate for permanent impairment due to injury
Claims handling expenses	Rehabilitation Management Costs	
	Entitlement Management Costs	
	Treatment Provider Management Costs	
	Serious Injury Costs	
	Lodgement Costs	

Appendix J – Classification of Risk

In 2024 consultation both ACC and the Minister are proposing changes to the structure and pricing of the Motor Vehicle Account. The baseline proposed rates being consulted on have been calculated assuming no change from the 2021 consultation. The assumptions underlying these baseline rates are discussed in this appendix. Appendix K discusses the proposals and any necessary changes to pricing as a result of them.

The 2024 levy consultation proposes that the aggregate Motor Vehicle levy rate is increased to $122.84 for the 2025/26 year, $131.94 for the 2026/27 year and $141.69 for the 2027/28 year.

These rates are essentially an average across the account; individual vehicles will pay more or less than this amount depending on the vehicle type and usage.

The aggregate Motor Vehicle levies are funded through two sources – vehicle licensing levies and petrol levies. ACC charges the same rate of petrol levy to all petrol-powered classes. The licence levies are then set so that the total levy collected for each class reflects the risk posed by that class – however, some classes are cross-subsidised by others.

To use the risk posed to determine the total levy rate for a given vehicle class (for example, Class X), the following steps are taken:

- a “relativity” is determined for Class X, representing its level of risk relative to Class 2 vehicles (petrol-powered motor cars). For example, if Class X vehicles pose double the cost of injury of Class 2 vehicles, then the Class X relativity would be 200%
- once relativities have been determined for each class, the total levy rate for Class 2 vehicles is calculated
- the total levy rate for Class X is determined by multiplying the Class 2 total levy rate by the Class X relativity
- the licence fee for Class X is the difference between the total levy rate for Class X and the expected amount of petrol levy collected.

In some cases, the rates are adjusted to take other factors into account, such as affordability and the remaining costs are cross-subsidised by other classes. This consultation proposes each class pay their true cost with the exception of motorcycles where the true cost would be prohibitive to owing a motor cycle.

Class structure

ACC charges different levies by vehicle type (which are grouped into classes). The vehicle classes are chosen to strike a balance between:

- identifying vehicles with different levels of risk; and
- consistency with existing government vehicle classifications, and the ability to collect levy efficiently without incurring excessive cost.

The proposed main classes of motor vehicle to be used by ACC for the 2025/28 levy period is shown in the table below. These classes follow those adopted for the 2022/25 levy period. Some heavy goods vehicles in Classes 5H/9H currently have the opportunity to receive discounts on their levy as part of the Fleet Saver programme; this is discussed later.

Motor Vehicle Classes

Class		Description
1		Exempt Vehicles EB Class Vehicles Trailers Fire service vehicles & ambulances
2	2a ≤3,500kg 2b >3,500kg	Petrol Driven Motor Cars Self-propelled caravans Mobile cranes Hearses Passenger service vehicles All petrol driven motor vehicles not elsewhere classified Holders of trade licences
3		Petrol Driven Tractors Veteran and vintage motor vehicles Non-registered vehicles
4a		Petrol Driven Mopeds
4b		Petrol Driven Motorcycles up to and including 600cc
4c		Petrol Driven Motorcycles 601cc and over
5L		Petrol Driven Goods Service Vehicles weighing less than 3500 kg
5H		Petrol Driven Goods Service Vehicles weighing 3501 kg and over
6	6a ≤3,500kg 6b >3,500kg	Non petrol driven Motor cars Self-propelled caravans Mobile cranes Hearses Passenger service vehicles All non-petrol driven motor vehicles not elsewhere classified
7		Non petrol driven Tractors Veteran and vintage motor vehicles Non-registered vehicles
8a		Non petrol driven Mopeds
8b		Non petrol driven Motorcycles up to and including 600cc
8c		Non petrol driven Motorcycles 601cc and over
9L		Non petrol driven Goods Service Vehicles weighing less than 3500 kg
9H		Non petrol driven Goods Service Vehicles weighing 3501 kg and over

Relativities

The adopted relativities are used to set the cost of each class relative to the cost all light passenger vehicles (class 2/6), based on their risk. The following subsections explain the details of the relativities for the 2025/28 levy period.

Crash information

ACC does not collect information on the precise vehicle class associated with each Motor Vehicle Account claim. However, ongoing collaboration with the Ministry of Transport (MoT) has allowed ACC to integrate its claims database with records from the MoT Crash Analysis System (CAS), a computer system containing road-crash and related data. For the linked claims, this allows ACC to obtain the type of vehicle for many claims, including statistics such as the engine capacity and the year of manufacture. Due to lags in recording and then receiving the CAS data, often we cannot rely on the latest years data as it is incomplete. For this levy year, the last full year of reliable data is the 2022 calendar year.

To assess the total claim cost for each class, the CAS data is combined with ACC's statistical case estimate (SCE) model, in which lifetime costs are estimated on a claim-by-claim basis. Inferences can then be made about the relative risk of each class. Previously claim costs from the SCE were capped at $750,000. This has not been reviewed since the SCE was first used for Motor Vehicle pricing. In 2024, ACC rebuilt the SCE and as part of this the threshold for capping was reviewed. As a result of this review, the cap was increased to $1.5m. A $1.5m cap gave a similar coverage of claim costs as the $750,000 cap when it was set and had minimal impact on the relativities. Capping avoids unduly penalising a single class for the incidence of any exceptionally high-cost claims and reduces the volatility of class relativities.

Not all ACC claims are able to be linked to CAS data, and not all crashes recorded in the CAS data can be linked to an ACC claim. Reasons why linking may not be possible in some cases include:

- CAS data is only recorded for accidents where police attend. Crashes resulting in claims to ACC are not always officially attended, and do not appear in the CAS system. Such crashes are typically more minor than crashes that are officially attended

- some road crashes will not result in injuries or ACC claims, or will require bulk-billed acute services (PHAS) only

- not all crashes are covered under the Motor Vehicle Account. For example, non-moving motor vehicle crashes (such as between a bicycle and parked car) and accidents off public roads are not covered by the Motor Vehicle Account

There are also some claims that are in both sets of data but cannot be linked due to recording errors. It is possible to amend the linking algorithms to link more of these claims, but this may lead to erroneous matches ("false positive" matches).

While the number of ACC claims with no matching CAS record is reasonably large, more serious crashes are more likely to be matched.

Many Motor Vehicle Account claims are made to ACC by persons not travelling in a licensed vehicle, such as claims by pedestrians, cyclists, and equestrians. Since these claims are not associated with a particular vehicle class, the costs associated with these claims are spread across all vehicle classes, weighted by exposure. This enables each vehicle to contribute fairly to this pool of claims.

Estimating relativities

Once the overall cost of claims has been calculated for each class, we weight the cost and number of vehicles using the weightings in the table below. These weighted totals are then summed to give the weighted number of vehicles and the weighted cost of claims. These costs are divided by the vehicle numbers to obtain the overall relativity for each class.

For this consultation we reviewed the weightings and new weights have been selected. Aside from requiring a standard review, there were two other reasons for this review:

1. In 2024 Actuarial Services built a new SCE, as this is used to set the relativities it was also appropriate to review the weights applied to these relativities
2. Covid restrictions may have impacted experience in 2020 and 2021 which based on the previous approach would be years with large weightings

The table below shows the weightings applied in the previous consultation and those applied in this consultation.

# years prior to latest year of claims experience - previous consultation							
6	5	4	3	2	1	Latest	TOTAL
7%	16%	19%	22%	19%	16%	0%	100%

# years prior to latest year of claims experience - current							
6	5	4	3	2	1	Latest	TOTAL
20%	20%	20%	20%	20%	0%	0%	100%

The weights need to strike a balance between:

- recognising the length of payment history for each accident year, as well as the potential for incurred but not reported (IBNR) claims for the most recent accident years
- being responsive to changes in underlying relativities as they emerge and gain credibility
- maximising the quantity of reliable claims data across the years to help reduce the level of uncertainty, and increase levy stability

More recent accident years can often have higher levels of volatility due to the fact that the claims are newer, less developed, and therefore have a high proportion of uncertain costs. When high levels of volatility exist, we may need to apply different weights to each of the years to strike the appropriate balance between making use of the most recent experience and reducing the volatility.

When there is little volatility in the data, and where there is no apparent trend in the relativities then this is unnecessary as we do not have more or less confidence in any particular year and there is no ongoing trend we need to allow for.

Data from the last six accident years showed little volatility in relativities. Therefore, we have:

1. Selected equal weightings for each of the accident years used to set the relativities
2. Reduced the number of years of data from 6 to 5 by excluding the 2023 levy year. This year is only matched to six months of CAS data so has been excluded.

The table below contains the weights and the estimated relativities for the various classes:

Observed Relativities by Vehicle Class							
Class		**WEIGHTED**	**2018**	**2019**	**2020**	**2021**	**2022**
2/6	Motor Cars	100%	100%	100%	100%	100%	100%
3/7	Tractors, etc.	54%	58%	35%	79%	18%	87%
4A/8A	Mopeds	324%	642%	139%	215%	213%	453%
4B/8B	Motorcycles (0-600cc)	1255%	1500%	1176%	1015%	1275%	1314%
4C/8C	Motorcycles (601cc +)	1883%	2055%	1591%	1856%	2025%	1936%
5V/9V	Light GV	128%	144%	113%	141%	119%	129%
5T/9T	Heavy GV	227%	248%	211%	191%	219%	268%
4/8	Mopeds and Motorcycles	1419%	1617%	1191%	1316%	1496%	1511%
	Weights	100%	20%	20%	20%	20%	20%

Adopted relativities

The relativities presented above are estimates of the underlying relativities between ACC vehicle classes, but these are not necessarily suitable for determining the final rates to be adopted by ACC. In particular, ACC needs to ensure that its levies

- Are appropriate when other factors are taken into consideration
- Are reasonable
- Do not fluctuate unduly
- Reflect the appropriate level of cross-subsidisation between vehicle classes. There may be other external reasons to justify a certain level of cross-subsidisation

Motorcycles (including mopeds) account for a disproportionately high percentage of the cost and severity of motor vehicle injuries in New Zealand each year. Although motorcycles only make up around 2% of the total number of motor vehicles on the road, crash statistics from the Ministry of Transport show that motorcyclists are significantly more likely to be killed or injured in a crash than a person driving a car for the same distance.

Funding motorcycle injuries is extremely expensive due to the severity of the injuries sustained. Cross-subsidisation within the Motor Vehicle Account means that other vehicle owners' levies make a significant contribution to funding motorcycle injuries. Motorcycle levies would otherwise become prohibitively expensive, as shown in the table below.

Motorcycle levies			
Description	**Current total motor vehicle levy**	**Levy if actual claim costs are applied**	**Levy if actual claim costs are applied (but excluding those accidents that involve other vehicle types)**
Mopeds	$99.33	$284.56	$105.29
Motorcycles 600cc or less	$297.91	$1,100.98	$407.36
Motorcycles over 600cc+	$397.18	$1,651.42	$611.02
Note: The rates above are total petrol vehicle licence fee excl MSL			

Based on past claims experience, 37% of the motorcycle claims do not involve other types of vehicles. If just this portion of the costs is considered, the estimated cost of motorcycle accidents not involving other types of vehicles is still significantly higher than the rates proposed by ACC. The no-fault nature of the Scheme means that motorcycle owners should also contribute to those motorcycle accidents involving other vehicle types.

Our baseline pricing assumes that the current licence levies for motorcycles and mopeds be increased in line with the change in the aggregate rate. That is, it is proposed that they increase by about 7.8% in 2025/26 and similar amounts in subsequent years.

It is estimated that, on average, $23 of each vehicle registration levy for non-motorcycles will contribute to funding the cost of motorcycle injuries. In total it is expected that $439 million will need to be collected in levies to pay for the claim costs of motorcyclists injured between 1 July 2025 and 30 June 2028. Under the proposed levy rates motorcycle owners will only contribute $123 million and owners of other vehicles will contribute about $316 million.

The table below shows the proposed licence levy rates. These rates exclude the annual Motorcycle Safety Levy of $25.

Proposed motorcycle licence fees			
Vehicle type	**Current licence rate**	**Proposed licence levy rate**	**% change**
Petrol driven vehicles			
Mopeds	$99.33	$107.09	7.8%
Motorcycles 600cc or less	$297.91	$321.17	7.8%
Motorcycles over 600cc+	$397.18	$428.19	7.8%
Non-petrol driven vehicles			
Mopeds	$112.95	$120.39	6.6%
Motorcycles 600cc or less	$311.53	$334.48	7.4%
Motorcycles over 600cc+	$410.80	$441.50	7.5%

The table below shows proposed relativities and how they compare with underlying costs for each vehicle class. The proposed relativities keep all the motor classes, except those for motorcycles, at their true relativity based on their claims experience.

Proposed relativities					
Class	Description	Fuel	Adopted 2022/25 Levy Year	Total Levy Relativity	
				Based on Underlying Cost	Proposed 2025/28 Levy Year
1	Service	N/A	0%	0%	0%
2	Light passenger	Petrol	100%	100%	100%
3	Vintage, Tractors, etc.	Petrol	55%	54%	54%
4a	Mopeds	Petrol	111%	324%	110%
4b	Motorcycles	Petrol	308%	1255%	307%
4c	Motorcycles (large)	Petrol	406%	1883%	405%
5L	Light GV	Petrol	128%	128%	128%
5Ha	Heavy GV (not in FSIP)	Petrol	258%	233%	233%
5Hb	Heavy GV (bronze)	Petrol	232%	210%	210%
5Hc	Heavy GV (silver)	Petrol	194%	175%	175%
5Hd	Heavy GV (gold)	Petrol	155%	140%	140%
6a	Light passenger	Non-petrol	100%	100%	100%
7	Vintage, Tractors, etc.	Non-petrol	55%	54%	54%
8a	Mopeds	Non-petrol	111%	324%	110%
8b	Motorcycles	Non-petrol	308%	1255%	307%
8c	Motorcycles (large)	Non-petrol	406%	1883%	405%
9L	Light GV	Non-petrol	128%	128%	128%
9Ha	Heavy GV (not in FSIP)	Non-petrol	258%	233%	233%
9Hb	Heavy GV (bronze)	Non-petrol	232%	210%	210%
9Hc	Heavy GV (silver)	Non-petrol	194%	175%	175%
9Hd	Heavy GV (gold)	Non-petrol	155%	140%	140%

Calculated rates

Once the relativities for each class have been set, the "Class 2 equivalent number of vehicles" is calculated. This is a weighted aggregate number of vehicles, where each vehicle is weighted by its relativity. Under this measure of exposure, a single vehicle with a higher risk profile contributes more to the Class 2 equivalent exposure. The Class 2 equivalent number of vehicles is used to determine the levy rate for each class.

The petrol levy rate is proposed to remains at 6 cents per litre.

Proposed Non-Petrol Powered Vehicle Levy Rates for 2025/28

The proposed non-petrol powered vehicle levy rates for 2025/28 alongside the 2024/25 levy rates are shown in table below:

Proposed non-petrol powered licence fees (excluding the motorcycle safety levy)						
Class	Description	Fuel Type	2024/25 License Levy	Proposed 2025/26 Licence Levy	Proposed 2026/27 Licence Levy	Proposed 2027/28 Licence Levy
6a	Light passenger	Non-petrol	$101.07	$109.06	$116.94	$125.36
6b	Light passenger >3,500kg	Non-petrol	$101.07	$109.06	$116.94	$125.36
7	Vintage, Tractors, etc.	Non-petrol	$55.65	$58.43	$62.65	$67.17
8a	Mopeds	Non-petrol	$112.95	$120.39	$128.05	$136.37
8b	Motorcycles (small/medium)	Non-petrol	$311.53	$334.48	$357.99	$383.31
8c	Motorcycles (large)	Non-petrol	$410.80	$441.50	$472.94	$506.75
9L	Light GV	Non-petrol	$129.64	$139.38	$149.45	$160.22
9Ha	Heavy GV (not in FSIP)	Non-petrol	$260.81	$254.56	$272.96	$292.62
9Hb	Heavy GV (bronze)	Non-petrol	$234.73	$229.10	$245.66	$263.36
9Hc	Heavy GV (silver)	Non-petrol	$195.61	$190.92	$204.72	$219.47
9Hd	Heavy GV (gold)	Non-petrol	$156.49	$152.74	$163.77	$175.57

Proposed Petrol-Powered Vehicle Levy Rates for 2025/28

The petrol levy rate is determined using the estimated petrol consumption for each of the 2025/26, 2026/27 and 2027/28 levy years. This is 2,970 million litres in 2025/26 reducing to 2,917 in 2027/28.

Collecting Motor Vehicle Account levy through petrol is a form of risk rating: the longer a vehicle is used on public roads, the more petrol that vehicle consumes, and the longer that vehicle is exposed to risk of accident. However, length of time on the road is only one factor which contributes to the risk of each vehicle; vehicle type is also an important factor. Collecting levies entirely through petrol would not account for different levels of risk by vehicle type or different fuel efficiencies.

For calculating the licence fees for petrol-powered classes, a set of fuel-consumption relativities (independent of the cost relativities) is used to represent the average fuel consumption by each class relative to class 2. A petrol-powered class with a high average distance travelled typically consumes more petrol and pays more petrol levy. Therefore, the licence fee for such a class ought to be reduced, as ACC collects more petrol levy from these vehicles in general and thus requires less through the licence fee. The table below shows the proposed fuel-consumption relativities for this consultation:

Fuel consumption relativities

Vehicle Type	Average distance travelled per vehicle	Relativity	Adopted
Passenger Cars	8,890	100%	100%
Motorcycles	2,038	23%	23%
Light GSV	8,058	91%	91%
Heavy GSV	2,628	30%	30%

Note that these relativities are based on average travel distances for petrol-powered vehicles; diesel-powered vehicles display very different travel patterns, sometimes involving significantly more travel, but this should not be taken into account as these vehicles do not pay any petrol levy (or equivalent). The relativities do not allow for different fuel efficiencies.

The proposed petrol-powered vehicle levy rates for 2025/26, 2026/27, and 2027/28 alongside the 2024/25 levy rates are shown in table below:

Proposed petrol-powered licence fees (excluding the motorcycle safety levy)

Class	Description	Fuel Type	2024/25 License Levy	Proposed 2025/26 Licence Levy	Proposed 2026/27 Licence Levy	Proposed 2027/28 Licence Levy
2a	Light passenger	Petrol	$42.09	$51.00	$60.09	$69.28
2b	Light passenger >3,500kg	Petrol	$42.09	$51.00	$60.09	$69.28
3	Vintage, Tractors, etc.	Petrol	$23.17	$27.33	$32.20	$37.12
4a	Mopeds	Petrol	$99.33	$107.09	$115.02	$123.52
4b	Motorcycles (small/medium)	Petrol	$297.91	$321.17	$344.96	$370.45
4c	Motorcycles (large)	Petrol	$397.18	$428.19	$459.91	$493.90
5L	Light GV	Petrol	$74.46	$86.76	$97.93	$109.39
5Ha	Heavy GV (not in FSIP)	Petrol	$243.59	$237.40	$256.15	$276.04
5Hb	Heavy GV (bronze)	Petrol	$217.50	$211.94	$228.86	$246.78
5Hc	Heavy GV (silver)	Petrol	$178.38	$173.76	$187.91	$202.89
5Hd	Heavy GV (gold)	Petrol	$139.26	$135.57	$146.97	$159.00

Fleet Saver Programme

Introduction

ACC offers an optional Fleet Saver Programme for vehicles classified as Heavy GVs. Vehicle fleets accepted into the programme are charged a lower levy rate provided they can demonstrate appropriate levels of safe fleet management.

Some of the objectives of the programme include:

- reducing the incidence of injuries from road crashes involving trucks
- encouraging a progression from compliance with regulations to actively implementing safer fleet management
- reducing the level of cross-subsidisation of higher-risk fleets by lower-risk fleets.

The programme consists of three tiers: Bronze, Silver, and Gold. For a fleet to be accepted into the Gold tier, it must demonstrate the highest level of effective safe fleet management, and will as a result receive the lowest levy rate. Fleets in the Silver tier must demonstrate the next-highest level of effective safe fleet management.

Fleets need to meet certain criteria for eligibility to join Fleet Saver. For more details, refer to www.acc.co.nz/fleetsaver.

Methodology and Approach

The proposed rates for each of the Bronze, Silver, and Gold tiers have been determined by applying a percentage reduction to the overall levy rate for Heavy GVs. The percentage reductions were chosen to be consistent with overseas claims experience from similar products, as well as providing sufficient incentive for fleets to participate in the programme despite a potential increase in compliance costs for the fleet. While it would ideally be preferable to base the reductions on New Zealand's own claim history, such an approach is infeasible in practice because ACC has historically been unable to directly link its claims history to information on individual fleets.

Expenses have been spread across the account in proportion to the currently adopted relativities as safer heavy vehicle fleet management will benefit road users in general.

Appendix K – Change proposals

In the 2025/28 consultation ACC and/or the Minister are consulting on a number of change proposals for the Motor Vehicle Account. The earlier sections of this report do not reflect these proposals but they are discussed in more detail below.

Increasing the contribution for motorcyclists from around 28% of their true claim cost to 37%.

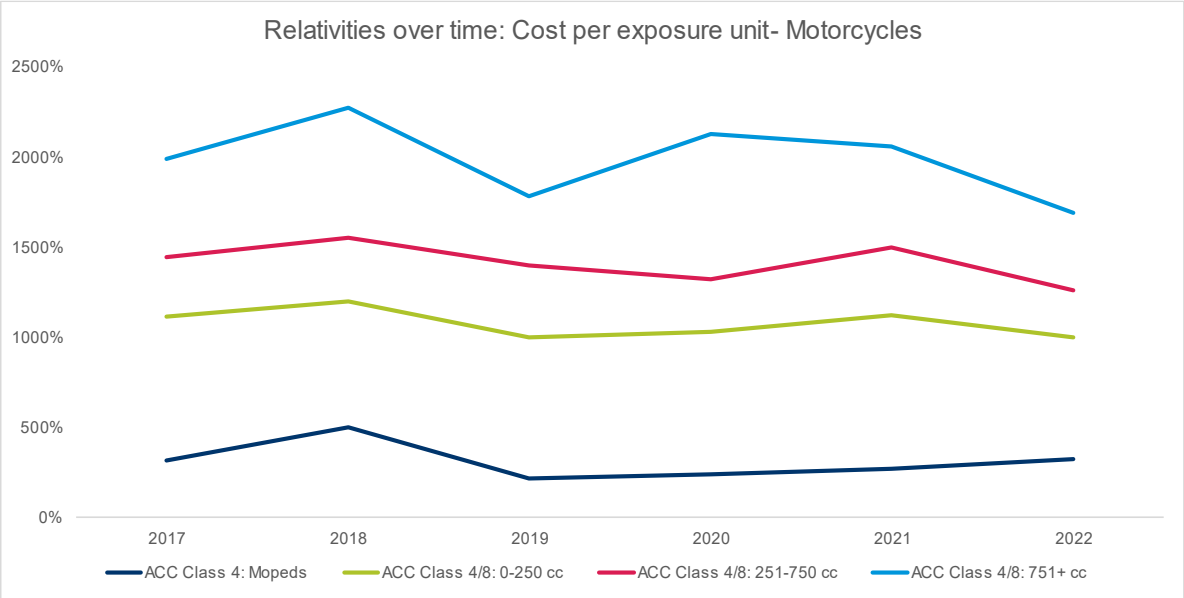
As previously discussed, the cost to motorcyclists is heavily subsidised by other vehicle users. This is to ensure the cost of riding a bike does not become prohibitive. Currently motorcycle users contribute around 28% of the true cost of their accidents. Our data shows that the 37% of all motorcycle accidents involve no other vehicles. ACC is recommending increasing the contribution from motorcyclists for their accidents to 37%.

The remaining 63% of their costs have been allocated across all other motor vehicle classes relative to the levy income expected. This means in 2025/26 under this proposal all other vehicles pay 21.4% more on top of their true cost as compared to 24.3% under the current contribution.

Increasing the number of motorcycle classes to 4 from the current 3

Currently ACC has three subclasses for motorcycles; mopeds, motorcycles cc rating 0-600cc, motorcycles with cc rating over 600cc. Analysis completed in early 2024 shows that since these categories were set the risk within each of these categories has changed, and it is now more appropriate to have four subclasses; mopeds, motorcycles with cc rating 0-250cc, motorcycles with cc rating 250-750cc, and motorcycles with cc rating over 750cc.

The chart below shows the four proposed subclasses and their relative risk over time.



The proposal to change to four categories does not change how we allocate costs between the classes, it just provides a fairer cost for the risk of each subclass.

As well as motorcycles being cross subsidised by other vehicle users, there is currently some level of cross subsidy within the current three subclasses. This is a result of the pricing rules applied in prior consultations where the motorcycle rate has either increased by the aggregate rate or stayed the same. Within this review of the classes, we have also removed this additional cross subsidy, so all of the four classes pay a levy which reflects their risk relative to the other motorcycle classes i.e. each class benefits equally from the cross-subsidy.

Introducing a reduced levy for those who have completed gold level advance rider training

ACC offers a rider forever programme for any rider wishing to participate. Currently riders who have completed the programme receive a cashback incentive of $200 which is funded through the motorcycle safety levy.

As part of the 2024 consultation, the Minster is proposing to change this cashback incentive to be a discount on the levy for those who have completed the gold level advance rider training within the last two years. This discount will be funded from within the motorcycle levy pool, so the levy for those not completing the training or only completing it to a bronze or silver level will increase slightly.

ACCs Injury Prevention team have assessed that riders who complete the advance rider training are 26% less likely to be injured than other riders. Therefore, the Minister is recommending a 25% discount on the levy to recognise the lower risk of injury to these riders.

This is proposed to be introduced from the second levy year, 2026/27, to allow for time to set up systems to administer and record this training. Therefore, no changes have been made to the pricing for this, for the 2025/26 levy year.

Remove the class 2a classification for electric vehicles

For levying purposes electric vehicles are currently categorised as light electric vehicles (Class 2a). The levy for class two vehicles is comprised of a registration component (47% in 2025/26) and petrol component (53% in 2025/26). However, as electric vehicles don't use petrol, they essentially get a 53% discount on their levy.

This was a deliberate decision by the previous Government as a small incentive to increase the uptake of lower-emissions vehicles. In 2016 cabinet decided this would end once EVs made up 2% of New Zealand's light vehicle fleet. In September 2023, EVs made up 2.03% of light vehicles.

The Minister is proposing to remove this classification in the 2024 consultation and to charge electric vehicles the full non-petrol registration fee, effectively increasing their registration fee from $51.00 under the current approach to $109.06. This reduces the registration fee for all other vehicles users by up to $1.63 as they are no longer cross-subsidising this discount for electric vehicles.

Closing the fleetsaver product

The fleetsaver audit programme was intended to improve safety of the fleet class by introducing high audit standards. However, the uptake in the fleetsaver programme has been low with only

around 6.7% of the total heavy goods fleet included. In addition, investment is needed to address technology and audit standard shortcomings.

Therefore, the Minister is proposing to close fleetsaver to renewals and new businesses from 1 July 2025. By 30 June 2029 all members of fleetsaver will have returned to the standard heavy goods vehicle class and fleetsaver will close.

Using data on the current members and their renewal dates we have been able to run off the exposure in each of the three fleetsaver classes over the four years to 30 June 2029. This calculated exposure has been used for pricing the removal of the fleetsaver class. We have assumed the levy discounts do not change for each of these classes over the same period. As the number of fleetsaver members reduces, the levy rate for all vehicles not in the fleetsaver programme reduces as the cost of the discount they need to fund for fleetsaver members reduces.

Appendix L – Statement of Compliance

The advice in this report constitutes Actuarial Advice as defined in the Code of Professional Conduct (the Code) issued by the New Zealand Society of Actuaries and our advice complies with the Code.

It also complies with the New Zealand Society of Actuaries' Professional Standard No. 90 General Actuarial Practice.