# ACC's Levy Rate Consultation 2021: A Report on the Results for Levies affecting New Zealand Households

### About this report

This report follows ACC's public consultation on the levy rates that will be charged for the next three levy years (2022/23 to 2024/25)[1], and details the Government's final decisions on the rates in response to recommendations made by ACC.

Sections 331(5A) and 331(5B) of the Accident Compensation Act 2001 ("Act") require the Accident Compensation Corporation (ACC) to prepare a report in relation to the rates of levies prescribed in regulations in accordance with generally accepted practice within the insurance sector in New Zealand.

ACC uses levies to cover the costs of injuries caused by accidents. The levies are separate from general tax and are paid by all employers, employees, self-employed people and people who own and drive vehicles.

- Employers and self-employed people pay their levies directly to ACC.
- Employees' levies are deducted from their wages by their employers.
- People who own and drive vehicles pay their levies as part of the petrol they pay for at the pump and as part of their vehicle licence fees.
- Owners of non-petrol vehicles, eg, diesel, pay their entire levies when they license their vehicles.

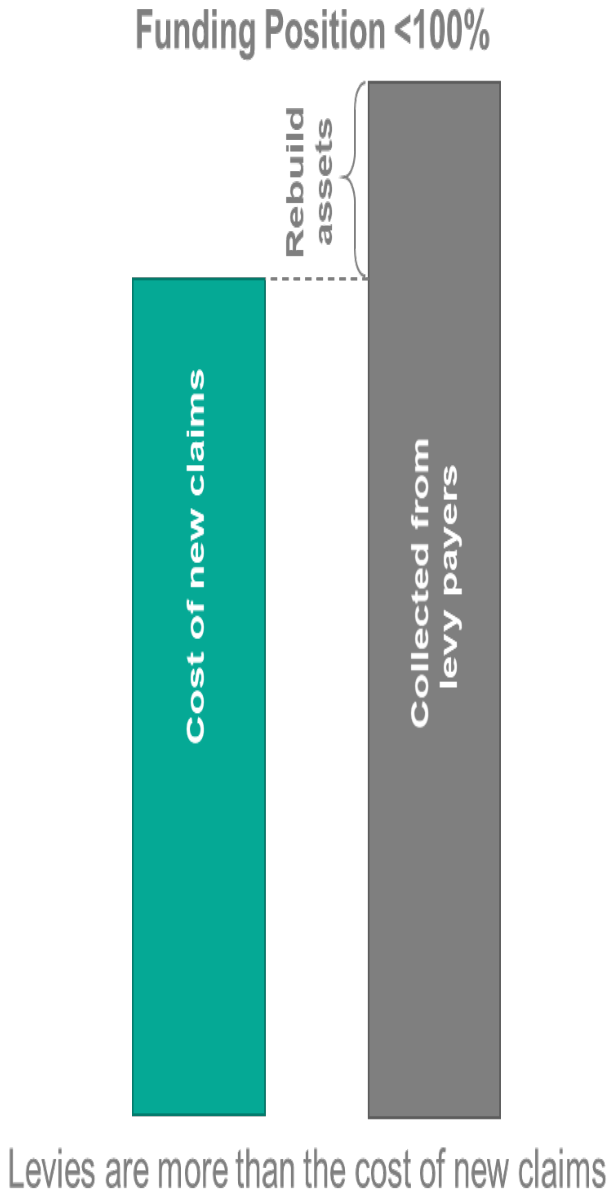
The levies that people pay are calculated using percentages of their wages or payroll, or the number of vehicles they own, and the levies ACC collects are distributed among three ACC Accounts. Each Account covers the costs of a specific type of injury[2].

We review the levy rates every three years, and we invite all levy payers to contribute their views on the proposed rates and other related proposals. We consider all the feedback we receive and present our recommendations for average levy rates to the Minister for ACC. The Government (via the Cabinet) then makes the final decisions on all the levy amounts.

This report describes the impacts of the Governments levy decisions on households, and a companion report focuses on the impacts on workplaces. Both aim to help levy payers understand the link between ACC's recommendations for future levy rates (which are determined by applying the Government's 'Funding Policy Statement') and the Government's final decisions.

### Setting levies for the ACC Scheme

When setting levy rates we're required to balance the ratio of ACC's assets[3] to its liabilities[4] (the 'funding position') and the gap between the levies we charge and the costs of new injuries (the 'funding gap'). When the assets and liabilities are balanced (a funding position of 100%), the levies we charge will equal the costs of new claims made by injured people (the funding gap will be $0).


If an Account has surplus assets, the sooner that those assets are used to keep levy rates low, the sooner that future levy rates will have to increase (as the gap's closed between levy rates charged and the costs of new claims).

Alternatively, if the funding position goes below 100%, the levies we charge need to be higher than the costs of new claims to catch up with the shortfall. Funding the Scheme involves making choices on how quickly we move towards a 100% funding position.

**The Funding Policy Statement is designed to ensure long-term stability in our levies**

We apply the rules in the Funding Policy Statement when developing our recommendations for average levy rates. This ensures that we don't overreact to economic fluctuations or ask levy payers in the future to keep paying for the injuries of today.

The Government can consider a wide range of factors when making the final decision on levy rates. However, in most situations, setting levy rates below those recommended by the Funding Policy Statement increases the risk that future levy payers will have to pay higher levy rates – either to avoid the Accounts becoming underfunded or because the Accounts are already underfunded and need to charge more than the cost of new claims to rebuild their asset levels.

**Currently, a surplus of assets means levies are lower than the costs of claims**

As at 30 June 2021, the funding positions of the Earners' Account and the Motor Vehicle Account were more than 100%. Given this, the average levy rates can be set lower than the actual cost of the expected injuries. The difference is funded from the surplus assets in each Account, which decrease over time as they're used to fund the costs of claims.

The table below shows our projections of the assets, claim costs and funding positions at the beginning of each of the next three levy years. These projections have been adjusted from those in the levy consultation documents to account for the average levy rates that the Government has prescribed (see 'Final (prescribed) levy rates').

| | **Earners' Account** | | | | **Motor Vehicle Account** | | | |
|---|---|---|---|---|---|---|---|---|
| **Year** | **Accrued assets ($m)** **A** | **Claim costs* ($m)** **B** | **Surplus assets ($m)** | **Funding ratio (A/B)** | **Accrued assets ($m)** | **Claim costs* ($m)** | **Surplus assets[5] ($m)** | **Funding ratio** |
| **2022/23** | 14,983 | 13,111 | 1,871 | 114% | 15,416 | 12,828 | 2,587 | 120% |
| **2023/24** | 15,207 | 13,770 | 1,437 | 110% | 15,573 | 13,158 | 2,415 | 118% |
| **2024/25** | 15,538 | 14,476 | 1,062 | 107% | 15,747 | 13,526 | 2,221 | 116% |

* The Outstanding Claims Liability (the future cost of claims the Account already has at the beginning of the year)

**Influences and pressures on the levied Accounts funded by households**

Since the last levy consultation in 2018, changes in the economy, claim costs and changes to the Government's funding policy have influenced the cost of new claims and the level of surplus assets in the Accounts. The table below details these changes and their effects on the Earners' and Motor Vehicle Accounts.

| **Influences and pressures** | **Earners' Account** (injuries to workers that happen outside work) | **Motor Vehicle Account** (road-related injuries) |
|---|---|---|
| **Higher claim costs** | More claims, payments made for longer timeframes, and higher average payments. | |
| | A higher-than-expected number of 'sensitive claims' (ie, claims for physical or mental injuries following criminal acts, including sexual violence).<br><br>A higher-than-expected average cost of payments for claims for serious injury care (ie, increased rehabilitation costs). | Increases in the costs of serious-injury claims (ie, claims for injuries that cause long-term effects and disabilities, including spinal and traumatic brain injuries).<br><br>Increases in bulk-funded claim costs, including emergency care and Public Health Acute Services. |
| **Discount rates and forecast investment returns** | The changes in discount rates[6] and lower expected returns from our investments in the future increase the amount that must be collected in levies to meet the future costs of claims. | |
| **Current funding of Accounts** | In the past three years the value of ACC's assets has increased by more than the negative movement in liabilities from changes in discount rates. This means the funding positions of the levied Accounts (ie, the Work, Earners' and Motor Vehicle Accounts) are strong. | |
| **Funding Policy changes** | The Government made changes to the Funding Policy Statement in 2019. These included removing some risk margins[7] and reducing the funding ratio target to 100% for all Accounts. It means the levied Accounts' funding positions are strong. | |

Combined, these influences calculate the average levy rate needed to cover the costs of future injuries each year.

As at 30 June 2021, ACC had a surplus of funds and used them to offset some of these costs. We did not have enough funds to hold levy rates steady and therefore had to recommend increases for the Earners' and Motor Vehicle Account levies.

**Final (prescribed) levy rates**

After considering advice from ACC and the Ministry of Business, Innovation and Employment, as well as feedback from levy payers, the Government has decided to increase the levy rates for workers in line with the recommendations of the Funding Policy Statement. This decision will reduce the future risks to levy payers of:

- the Earners' Account becoming underfunded
- large levy-rate increases being required to return the Earners' Account to the 100% funded target.

This recommended increase has been capped at 5% per annum so, based on projections at the time, the 2024/25 levy will be contributing approximately 85% of the costs of new claims.

The risk of the Motor Vehicle Account becoming underfunded in the short term is much lower than that seen in the Earners' Account. The Government has decided to set the average Motor Vehicle Account levy for 2022/23 to 2024/25 at the same rate as the current average levy. The average levy hasn't changed in the past five years, so the decision will result in average levies remaining unchanged for eight years.

| **Account** | **Year** | **Funding Policy Statement** | **Government decision** | **Variance from Funding Policy Statement funding path** |
|---|---|---|---|---|
| Earners' levy (per $100 wages) | Current | n/a | $1.21 | n/a |
| | 2022/23 | $1.27 | $1.27 | $0.00 |
| | 2023/24 | $1.33 | $1.33 | $0.00 |
| | 2024/25 | $1.39 | $1.39 | $0.00 |
| Average Motor Vehicle levy (per vehicle) | Current | n/a | $113.94 | n/a |
| | 2022/23 | $120.20 | $113.94 | -$6.26 |
| | 2023/24 | $128.83 | $113.94 | -$14.89 |
| | 2024/25 | $138.08 | $113.94 | -$24.14 |

The table below shows the impacts of the Government's decisions on the annual costs of 'typical' households. It compares the current levy rates (2021/22) to the levy rates in 2024/25 to show the maximum impacts for households in the next three levy years.

| **Household** | **Current (2021/22) levy** | **Funding Policy Statement (2024/25)** | **Government decision (2024/25)** |
|---|---|---|---|
| A family with a household income of $129,000 and three vehicles (2 petrol-driven cars, 1 diesel-driven ute) | $1,891 | $2,195 | $2,125 |
| A family with a household income of $85,000 and two vehicles (1 diesel-driven car, 1 diesel-driven ute) | $1,254 | $1,461 | $1,412 |
| A retired couple with one vehicle (1 petrol/non-petrol-driven vehicle) | $105 | $123 | $101 |
| A single parent with an income of $31,000 (about 30 hours per week on the minimum wage) and 1 car | $480 | $553 | $532 |
| A family with a household income of $24,300 (the median income for Pacific peoples) and one petrol car | $399 | $460 | $439 |

**Delaying increases in motor vehicle levies raises the risk of higher costs for future levy payers**

The cost of new claims in the Motor Vehicle Account is currently $870 million, and this is expected to rise to $1,236 million by 2030/31. As surplus assets will be used up to cover costs not funded through levies collected (in 2022/23, only 53.7% of the expected new claim costs will be collected from levy payers), the proportion of costs that we must collect from levy payers will increase. The settings in the Funding Policy Statement are designed to smooth this change over time, without transferring too much of today's costs to future levy payers.

Holding the average levy rate at $113.94 for a further three years will reduce the Account's expected revenue by $190 million. Assuming future increases are applied consistently with the Funding Policy Statement, the total anticipated revenue loss of this deferred funding to the Account will be $1.55 billion by 2034/35.

This means future levy payers will have to fund the loss to the Account, unless the forecast shortfall is altered by favourable economic conditions or fewer or less serious claims from road crashes. Setting future levies at the maximum allowable growth each year (7.18% per annum under the current Funding Policy Statement) will not avoid the Account becoming underfunded (that is, we have enough assets on hand to pay the costs of claims we've agreed to cover).

**Long-term impacts on households**

**Appendices A and B** describe the long-term projections and key assumptions for the Earners' and Motor Vehicle Accounts. For example, they show our forecast that levies will need to continue increasing in future levy rounds to ensure that we collect enough money to support the total costs of new injuries. This will mean we don't have to pass on the costs to future generations, no matter how long a person needs our support.

| The Earners' levy will need to increase from… | | | |
|---|---|---|---|
| | $1.39 (per $100 wages) in 2025 | … to $1.60<br>(a 15% increase) | … by 2033/34 |

| The average Motor Vehicle levy will need to increase from… | | | |
|---|---|---|---|
| | $113.94 (per vehicle) in 2025 | … to $212.67<br>(an 87% increase) | … by 2033/34 |

The Earners' and Motor Vehicle Account levies are designed to be simple: the same levy rate is charged to each earner or vehicle type; and increases are shared equally among levy payers. However, this means increases may be felt more sharply in households with lower disposable incomes, including many Māori and Pasifika households.

The Funding Policy Statement has a key role in smoothing out these pressures and ensuring that levies aren't too reactive, so we only ever ask for what we need. But we know that levy pressures may create additional cost pressures on individuals and households in response to global trends – such as the economic recovery from COVID-19, the disruption created by future-of-work opportunities, and the increasing investments in climate change efforts. This means the current, simplistic approach to levy distribution and collection may no longer be appropriate.

**Changing economic conditions can have serious effects on Account funding**

The funding amounts in our Accounts are sensitive to economic changes and also depend on our investment performance.

This sensitivity has been demonstrated in the past three years:

- In 2019 and 2020, ACC recorded annual deficits of $8.7 billion and $5.9 billion respectively, largely as a result of falling interest rates.
- In contrast, for the year ended 30 June 2021 we reported a surplus of about $10 billion, mainly the result of rising interest rates during the year.

The projections used for the 2021 levy consultation, and this report, applied assumptions as at 30 June 2021. However, in the six months since then changes in the economy have resulted in a year-to-date deficit of $3.5 billion. The key changes have been:

- increases in inflation rates, which have increased the forecast cost of claims and reduced the ratio of assets to liabilities.
- a reduction in the risk-free discount rate, which has increased our evaluation of future claims' costs.

Both of these changes have been partially offset by the increases in investment returns, and this has had the effect of reducing the cost of claims in present-value terms and increasing the future assets' balance.

If the current economic conditions were applied to the Accounts' projected funding positions, the resulting projections would see:

- the funding for the Earners' Account dropping below the funding target by 2022/23, four years earlier than we forecast in June. To make up this funding difference, the maximum allowable levy increase (5% per annum) would be required until 2030
- the funding for the Motor Vehicle Account dropping below the funding target by 2026/27, seven years earlier than we forecast in June. To make up this funding difference, the maximum allowable levy increase (7.18% per annum) would be required until 2038.

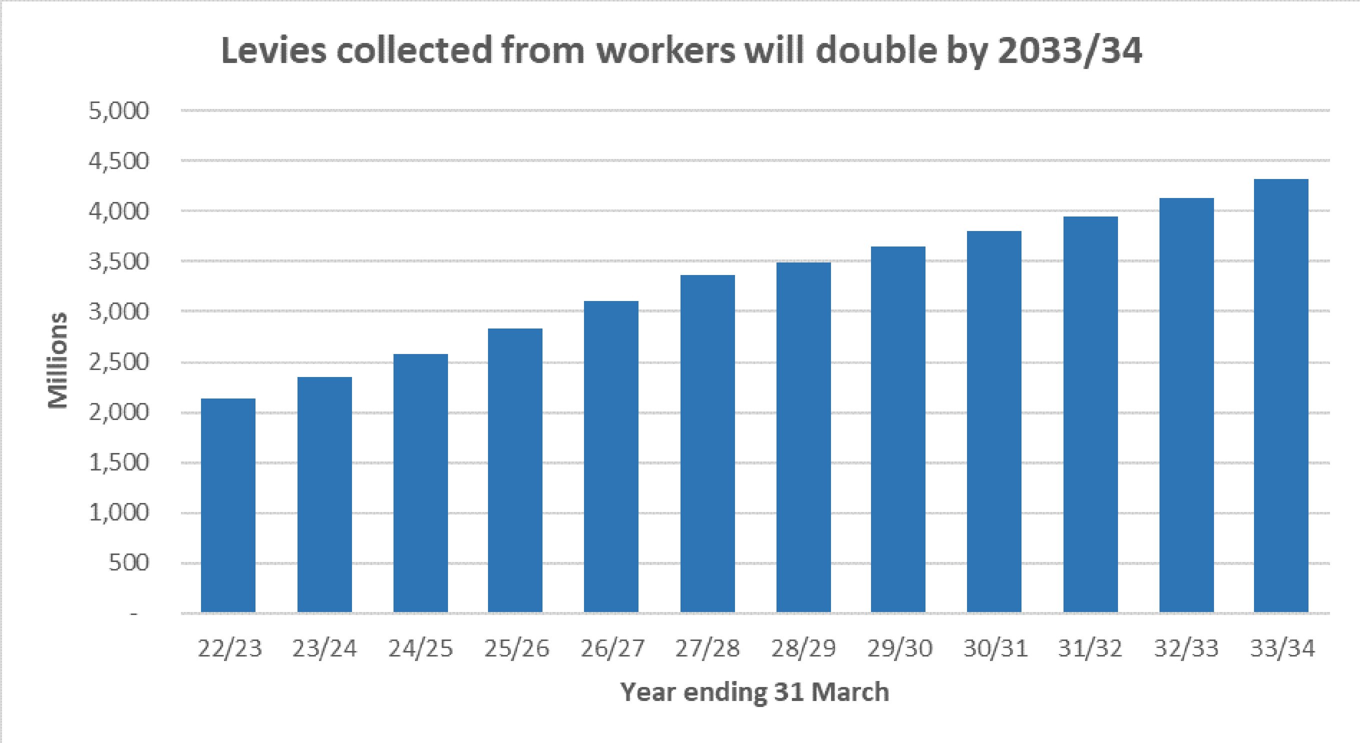
HERWIG RAUBAL, BEC, FNZSA, FIAA, Chief Risk and Actuarial Officer, Accident Compensation Corporation.

**Appendix A: Earners' Account**

*Long-term projections for the Earners' Account, as at 30 June 2021*

We expect that we'll need to collect $2.13 billion from workers to support the lifetime costs of the non-work injuries anticipated in 2022/23. This will need to double by 2033/34.

In the first three years, 19% of the required levy will come from the use of surplus assets. As the asset levels reduce, more will have to be funded by levy payers. The graph below shows the projected contribution from levy payers as surplus assets are used.




The increase in levies collected is reduced because there are surplus assets in the Earners' Account. The table below shows how we expect the Outstanding Claims Liability (the cost of the claims we support) and assets (our investments and cash reserves) to change in the next 12 years. The funding ratio is expected to drop as we reduce the surplus assets from $1.871 billion to $0.209 billion by setting levies below the true cost of injuries.

| **Year ending 31 March** | **Position at the start of the levy year** | | | |
|---|---|---|---|---|
| | **Accrued assets ($m)** | **Outstanding Claims Liability ($m)** | **Net assets (accrued assets - OCL) ($m)** | **Funding ratio** |
| **2023** | 14,983 | 13,111 | 1,871 | 114% |
| **2024** | 15,207 | 13,770 | 1,437 | 110% |
| **2025** | 15,538 | 14,476 | 1,062 | 107% |
| **2026** | 15,974 | 15,228 | 747 | 105% |
| **2027** | 16,500 | 16,014 | 486 | 103% |
| **2028** | 17,171 | 16,826 | 345 | 102% |
| **2029** | 17,988 | 17,667 | 321 | 102% |
| **2030** | 18,815 | 18,537 | 279 | 102% |
| **2031** | 19,698 | 19,439 | 259 | 101% |
| **2032** | 20,615 | 20,377 | 238 | 101% |
| **2033** | 21,568 | 21,351 | 217 | 101% |
| **2034** | 22,570 | 22,361 | 209 | 101% |

The underlying cost of claims is expected to grow only slightly in the forecast 12 years, and the levies' impacts on the Earners' Account's administration costs are expected to be stable. While we expect increasing benefits from our investments in injury prevention and continuous improvement programmes, the impacts on levy rates will increase only slightly in the next 12 years.

| **Year ending 31 March** | **Levy required to fund lifetime costs ($ per $100 liable earnings)** |
|---|---|
| | |

| | Levy rates | New-year claim costs only | Administration costs | Savings from management actions and injury prevention | Funding adjustment |
|---|---|---|---|---|---|
| **2023** | 1.27 | 1.48 | 0.18 | -0.05 | -0.35 |
| **2024** | 1.33 | 1.50 | 0.18 | -0.05 | -0.30 |
| **2025** | 1.39 | 1.51 | 0.18 | -0.05 | -0.25 |
| **2026** | 1.45 | 1.52 | 0.19 | -0.06 | -0.20 |
| **2027** | 1.52 | 1.51 | 0.19 | -0.06 | -0.13 |
| **2028** | 1.58 | 1.51 | 0.19 | -0.06 | -0.07 |
| **2029** | 1.57 | 1.51 | 0.19 | -0.06 | -0.07 |
| **2030** | 1.58 | 1.51 | 0.19 | -0.05 | -0.07 |
| **2031** | 1.58 | 1.51 | 0.19 | -0.06 | -0.06 |
| **2032** | 1.58 | 1.51 | 0.19 | -0.06 | -0.06 |
| **2033** | 1.59 | 1.51 | 0.19 | -0.05 | -0.06 |
| **2034** | 1.60 | 1.52 | 0.18 | -0.06 | -0.04 |

**Key assumptions for the Earners' Account, as at 30 June 2021**

To calculate the projected levy-rate charges for workers, ACC makes a set of assumptions based on forecasts from other government agencies and private-sector advice. We expect that, in the next 12 years:

- the number of workers engaged in the workforce will increase slowly, but their incomes will increase more rapidly
- investment returns will improve, with standard inflation remaining stable for most of the forecast period
- rehabilitation rates for short- and long-term weekly compensation claims will change. They've been steadily reducing, and in 2020 they dipped due to the COVID-19 lockdown. Since then they've increased but not to historical levels.

| Year ending 31 March | Entitlement claim numbers | Exposure (number of earners) (000) | Exposure (liable earnings) ($b) | Investment return forecasts - Earners' (June year) | Investment return forecasts - Treatment Injury (June year) | Risk-free interest rates (June year) | Standard inflation (Labour Cost Index June year) |
|---|---|---|---|---|---|---|---|
| **2022** | 79,192 | 2,754 | 161 | 3.57% | 3.38% | 0.38% | 2.03% |
| **2023** | 82,473 | 2,817 | 169 | 3.82% | 3.64% | 0.81% | 2.08% |
| **2024** | 85,963 | 2,875 | 178 | 4.05% | 3.89% | 1.18% | 2.08% |
| **2025** | 89,646 | 2,930 | 187 | 4.22% | 4.06% | 1.53% | 2.08% |
| **2026** | 91,891 | 2,985 | 196 | 4.36% | 4.22% | 1.84% | 2.08% |
| **2027** | 93,166 | 3,028 | 205 | 4.50% | 4.36% | 2.12% | 2.08% |
| **2028** | 94,232 | 3,065 | 214 | 4.62% | 4.49% | 2.38% | 2.08% |
| **2029** | 95,175 | 3,096 | 223 | 4.74% | 4.61% | 2.60% | 2.08% |
| **2030** | 96,047 | 3,126 | 233 | 4.84% | 4.72% | 2.79% | 2.08% |
| **2031** | 96,853 | 3,153 | 242 | 4.93% | 4.82% | 2.98% | 2.08% |
| **2032** | 97,596 | 3,178 | 252 | 5.02% | 4.91% | 3.14% | 2.08% |
| **2033** | 98,287 | 3,201 | 261 | 5.05% | 4.94% | 3.29% | 2.08% |
| **2034** | 98,929 | 3,222 | 271 | 5.05% | 4.94% | 3.43% | 2.08% |

| **Trend in underlying costs**<br>**Levy per $100 liable earnings** | **Prescribed 2019/22 levy rate** | **Prescribed 2022/23 levy rate** | **Prescribed 2023/24 levy rate** | **Prescribed 2024/25 levy rate** |
|---|---|---|---|---|
| **Earners' portion only:** | | | | |
| To fund the cost of new claims during the new levy year (excluding admin costs) | $1.14 | $1.37 | $1.39 | $1.40 |
| To fund administration costs | $0.16 | $0.17 | $0.17 | $0.17 |
| Total net benefits of management actions and injury prevention | -$0.04 | -$0.05 | -$0.05 | -$0.05 |
| Funding adjustment | -$0.11 | -$0.29 | -$0.24 | -$0.20 |
| **Earners' portion of Treatment Injury:** | | | | |
| To fund the cost of new claims during the new levy year and administration costs | $0.11 | $0.12 | $0.12 | $0.12 |
| Funding adjustment | -$0.05 | -$0.06 | -$0.06 | -$0.06 |
| **Total Earners' levy rate** | **$1.21** | **$1.27** | **$1.33** | **$1.39** |

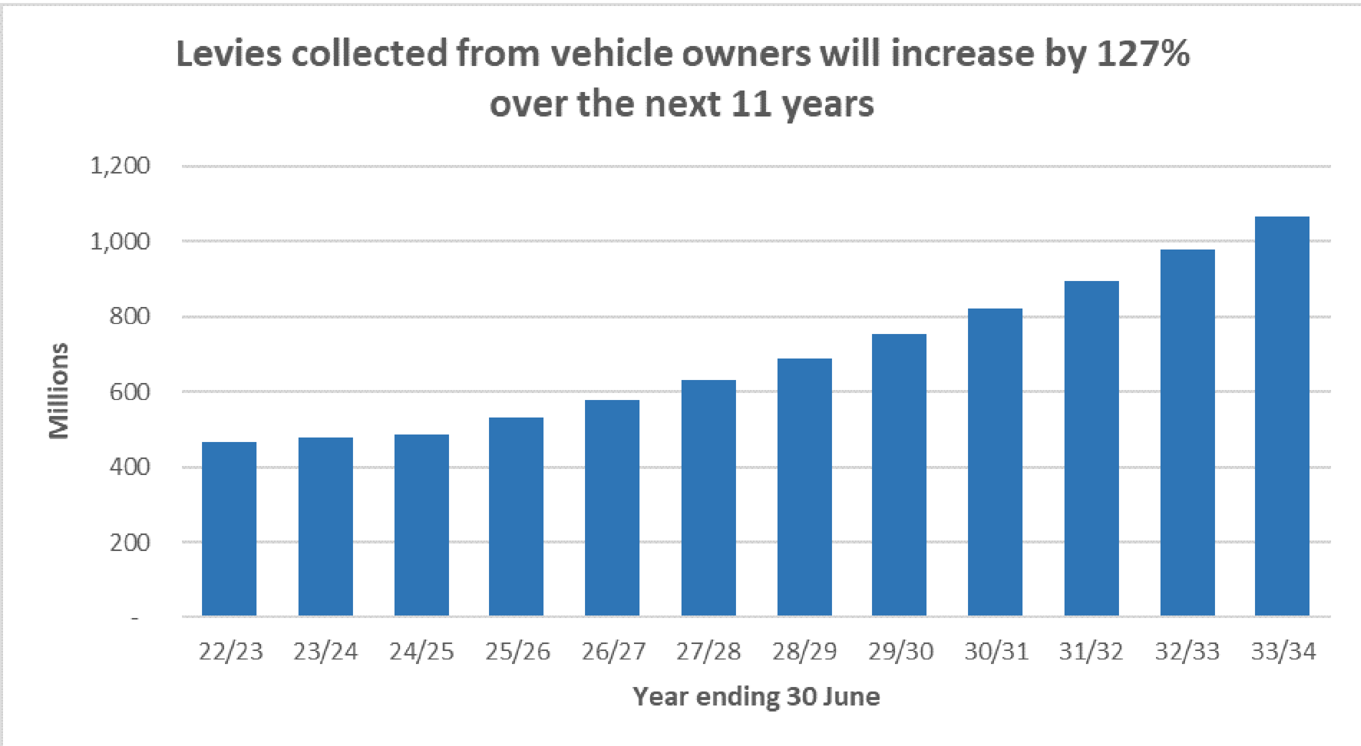
The growth in the labour force and the income generated provides a buffer against the need to increase levy rates. However, as surplus asset levels reduce, the levy rates charged to workers will have to increase. The levy rate is forecast to grow by 32% by 2033/34, from the current rate of $1.21 (to $1.60).

**Appendix B: Motor Vehicle Account**

*Long-term projections for the Motor Vehicle Account, as at 30 June 2021*

We expect we'll need to collect $468 million from vehicle owners to support the lifetime costs of the road injuries that are anticipated to happen in 2022/23. This will need to double by 2032/33.

In the first three years, 47% of the levy required will come from the use of surplus assets. As the asset levels reduce, more will need to be funded by levy payers. The graph below shows the projected contributions from levy payers as surplus assets are used up.




The increase in the levies collected is reduced because there are surplus assets in the Motor Vehicle Account. The table below shows the changes we expect up to 2033/34 in the Outstanding Claims Liability (the cost of the claims we support) and our assets (our investments and cash reserves). The funding ratio is expected to drop as we reduce the surplus asset levels from $2.587 billion to $19 million by setting levies below the true costs of injuries.

| Year ending 30 June | Position at the start of the levy year | | | |
|---|---|---|---|---|
| | Accrued assets ($m) | Outstanding Claims Liability ($m) | Net assets (accrued assets - OCL) ($m) | Funding ratio |
| **2023** | 15,416 | 12,828 | 2,587 | 120% |
| **2024** | 15,573 | 13,158 | 2,415 | 118% |
| **2025** | 15,747 | 13,526 | 2,221 | 116% |
| **2026** | 15,933 | 13,947 | 1,986 | 114% |
| **2027** | 16,148 | 14,411 | 1,737 | 112% |
| **2028** | 16,399 | 14,915 | 1,484 | 110% |
| **2029** | 16,691 | 15,463 | 1,228 | 108% |
| **2030** | 17,021 | 16,046 | 975 | 106% |
| **2031** | 17,404 | 16,677 | 727 | 104% |
| **2032** | 17,837 | 17,353 | 484 | 103% |
| **2033** | 18,327 | 18,077 | 250 | 101% |
| **2034** | 18,867 | 18,848 | 19 | 100% |

The reduction in surplus assets (which are present when the funding ratio is higher than 100%) means the levy for vehicle owners will get closer to the true cost of injuries (the new-year claims cost), as seen in the table below.

| Year ending 30 June | Levy rates ($) | New-year claim costs only ($) | Administration costs ($) | Savings from management actions and injury prevention ($) | Funding adjustment ($) |
|---|---|---|---|---|---|
| **2023** | 113.94 | 202.10 | 16.48 | -7.76 | -96.88 |
| **2024** | 113.94 | 207.37 | 16.98 | -8.74 | -101.66 |
| **2025** | 113.94 | 213.69 | 17.47 | -9.47 | -107.75 |
| **2026** | 122.12 | 219.33 | 19.67 | -9.90 | -106.98 |
| **2027** | 130.89 | 224.75 | 20.12 | -10.12 | -103.86 |
| **2028** | 140.29 | 230.28 | 20.57 | -10.31 | -100.25 |
| **2029** | 150.36 | 236.18 | 21.04 | -10.50 | -96.37 |
| **2030** | 161.16 | 242.48 | 21.52 | -10.68 | -92.16 |
| **2031** | 172.73 | 249.16 | 22.02 | -10.79 | -87.66 |
| **2032** | 185.13 | 256.39 | 22.54 | -10.94 | -82.86 |
| **2033** | 198.42 | 263.99 | 22.99 | -11.08 | -77.48 |
| **2034** | 212.67 | 271.87 | 23.42 | -11.22 | -71.39 |

**Key assumptions for the Motor Vehicle Account, as at 30 June 2021**

In calculating the projected levy rates for workers, ACC makes assumptions based on forecasts from other government agencies and private-sector advice.

We note that rehabilitation rates for people with short- and long-term weekly compensation claims have been steadily reducing. In 2020 they dipped due to the COVID-19 lockdown, and since then they've increased but not to historical levels.

| Year ending 30 June | Total claim numbers | Entitlement claim numbers | Exposure (number of vehicles) (000) | Exposure (petrol million litres) | Investment return forecasts (June year) | Risk-free interest rates (June year) | Standard inflation (Labour Cost Index June year) |
|---|---|---|---|---|---|---|---|
| **2022** | 30,793 | 6,910 | 4,037 | 2,978 | 2.78% | 0.38% | 2.03% |
| **2023** | 31,269 | 7,120 | 4,111 | 2,978 | 3.08% | 0.81% | 2.08% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **2024** | 31,633 | 7,362 | 4,186 | 2,973 | 3.37% | 1.18% | 2.08% |
| **2025** | 32,324 | 7,657 | 4,262 | 2,962 | 3.59% | 1.53% | 2.08% |
| **2026** | 32,978 | 7,851 | 4,340 | 2,946 | 3.77% | 1.84% | 2.08% |
| **2027** | 33,575 | 7,988 | 4,419 | 2,928 | 3.94% | 2.12% | 2.08% |
| **2028** | 34,178 | 8,126 | 4,499 | 2,909 | 4.09% | 2.38% | 2.08% |
| **2029** | 34,792 | 8,266 | 4,580 | 2,885 | 4.24% | 2.60% | 2.08% |
| **2030** | 35,417 | 8,409 | 4,662 | 2,856 | 4.36% | 2.79% | 2.08% |
| **2031** | 36,053 | 8,554 | 4,746 | 2,825 | 4.48% | 2.98% | 2.08% |
| **2032** | 36,701 | 8,703 | 4,832 | 2,790 | 4.59% | 3.14% | 2.08% |
| **2033** | 37,360 | 8,853 | 4,919 | 2,752 | 4.62% | 3.29% | 2.08% |
| **2034** | 38,031 | 9,007 | 5,008 | 2,711 | 4.62% | 3.43% | 2.08% |

| **Trend in underlying costs**<br>**Average levy per motor vehicle** | **Prescribed 2019/22 levy rate** | **Prescribed 2022/23 levy rate** | **Prescribed 2023/24 levy rate** | **Prescribed 2024/25 levy rate** |
|---|---|---|---|---|
| To fund the cost of new claims during the new levy year (excluding admin costs) | $147.87 | $202.10 | $207.37 | $213.69 |
| To fund administration costs | $17.23 | $16.48 | $16.98 | $17.47 |
| Total net benefits of management actions and injury prevention | -$6.97 | -$7.76 | -$8.74 | -$9.47 |
| Funding adjustment | -$44.19 | -$96.88 | -$101.66 | -$107.75 |
| **Average Motor Vehicle levy rate** | **$113.94** | **$113.94** | **$113.94** | **$113.94** |

There has been slow growth in the number of vehicles in the New Zealand fleet. We anticipate an average growth rate of 1.8% in the next 12 years. With costs increasing and surplus assets decreasing, we project an 86.7% increase in the levy rate by 2033/34.

### Notes

1 A levy year starts on 1 April and ends on 31 March for employees and employers; for vehicle owners the levy years starts 1 July and ends 30 June.

2 This report applies to the 'Earners' Account', which funds cover for injuries that happen to workers outside work, and the 'Motor Vehicle Account', which funds cover for people injured by motor vehicles on public roads. The third account, the 'Work Account' funds cover for injuries that happen to people at work. The Government funds treatment for injured people who are not in the workforce (eg, children and retirees) and partially funds the costs of supporting people injured while receiving treatment.

3 'Assets' are the funds that ACC has on hand and in investments to pay for the costs of supporting people to recover from their injuries.

4 'Liabilities' are identified via an assessment of the future costs of injuries that occurred between 1974 and a set date (usually the end of a financial year) and that we're still required to cover.

5 Surplus assets appear when an Account's assets exceed the funding target (which is currently set at 100%). Surplus assets are returned to levy payers by discounting the levy rates, ie, charging less than the cost of claims.

6 A discount rate is a rate that turns a future cost into today's dollars.

7 Some uncertainty must be considered when forecasting the future costs of claims. We use a 'central estimate' that represents a 50% certainty of our being correct, and can add a 'risk margin' to increase the certainty of those costs.

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