

## **ACC's Levy Rate Consultation 2021: A Report on the Results for Levies Affecting New Zealand Businesses**

### **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)<sup>1</sup>, 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<sup>2</sup>.

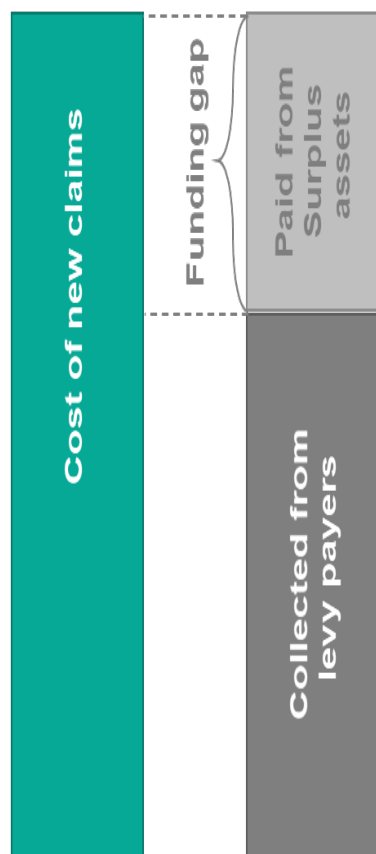
We review the levy rates every three years, and we invite all levy payers to contribute their views on the proposed rates and other related proposals. We consider all the feedback we receive and present our recommendations for average levy rates to the Minister for ACC. The Government (via the Cabinet)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

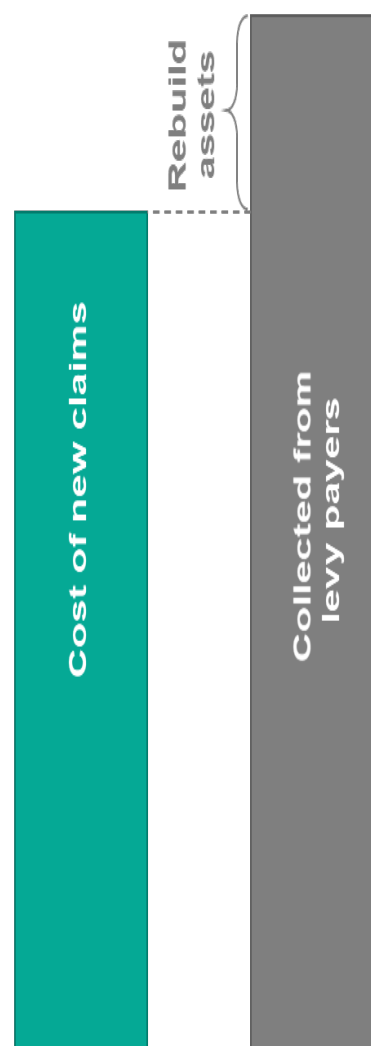
### **Setting Levies for the ACC Scheme**

When setting levy rates we're required to balance the ratio of ACC's assets<sup>3</sup> to its liabilities<sup>4</sup> (the 'funding position') and the gap between the levies we charge and the costs of new injuries ('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).

### Funding Position >100%



### Funding Position <100%



Levies are less than the cost of new claims

Levies are more than the cost of new claims

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 Work 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').

NEW ZEALAND GAZETTE

Year	Work Account				Motor Vehicle Account			
	Accrued assets (\$m) A	Claim costs* (\$m) B	Surplus assets (\$m)	Funding ratio (A/B)	Accrued assets (\$m)	Claim costs* (\$m)	Surplus assets <sup>5</sup> (\$m)	Funding ratio
2022/23	11,517	8,884	2,633	130%	15,416	12,828	2,587	120%
2023/24	11,476	8,992	2,484	128%	15,573	13,158	2,415	118%
2024/25	11,453	9,129	2,325	125%	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 Businesses

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 Work and Motor Vehicle Accounts.

Influences and pressures	Work Account (injuries to workers that happen at work)	Motor Vehicle Account (road-related injuries)
<b>Higher claim costs</b>	More claims, payments made for longer timeframes, and higher average payments.  More claims for serious injuries than expected.	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).  Increases in bulk-funded claim costs, including emergency care and Public Health Acute Services.
<b>Discount rates and forecast investment returns</b>	The changes in discount rates <sup>6</sup> 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.	
<b>Current funding of Accounts</b>	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.	
<b>Funding Policy changes</b>	The Government made changes to the Funding Policy Statement in 2019. These included removing some risk margins <sup>7</sup> 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.

As at 30 June 2021, ACC had a surplus of funds and used them to offset some of these costs. We had enough funds to recommend a decrease in the Work Account levy, but not enough to recommend a further decrease in the Motor Vehicle Account levy.

### 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 decrease the average levy to 63 cents and hold it there for the next three years. This will see the surplus funds being used more quickly than they would using the funding policy settings.

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 this 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
Work levy (per \$100 liable earnings)	Current	n/a	\$0.67	n/a
	2022/23	\$0.63	\$0.63	\$0.00
	2023/24	\$0.65	\$0.63	-\$0.02
	2024/25	\$0.67	\$0.63	-\$0.04

NEW ZEALAND GAZETTE

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’ businesses. It compares the current levy rates (2021/22) to the levy rates in 2024/25 to show the maximum impacts for businesses in the next three levy years.

Business	Current 2021/22 levy	Funding Policy Statement (2024/25)	Government decision (2024/25)
A small house-construction business with 8 employees each earning \$70,000, and a small vehicle fleet (3 petrol-driven cars, 3 diesel-driven utes/vans)	\$10,028	\$9,238	\$8,605
A medium-sized architecture business with 35 employees (with an average individual income of \$81,000) and 5 petrol-driven cars	\$4,492	\$4,015	\$3,624

While the average Work levy decreases in 2022/23 to 2024/25, the levy rate for each classification unit<sup>8</sup> will be updated to reflect any changes in its claim patterns. This means that the levy rates for some businesses will increase when the average rate is decreasing, while levy decreases for others may be less or greater than the average movement indicates. This will allow classification units to move towards fair rates that accurately reflect their risk profiles over time.

**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).

The cost of new claims in the Work Account is expected to rise from \$978 million in 2022/23 to \$1.56 billion in 2033/34 (a 59% increase). The decision to lower and then hold the Account’s average levy at \$0.63 will have little impact on future levies because of the extent of the over-funding. In comparison with the rates forecast in the levy consultation process, the projected Work Account levies will increase by less than a cent in 2030/31. While this impact is small, setting the levy lower than recommended will require future businesses to pay for costs from the next three years.

**Long-Term Impacts on Businesses**

**Appendices A and B** describe the long-term projections and key assumptions for the Work 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 Work levy will need to increase from...			
	\$0.63 (per \$100 liable earnings) in 2025	... to \$0.78 (a 24% increase)	... by 2033/34
The average Motor Vehicle levy will need to increase from...			
	\$113.94 (per vehicle) in 2025	... to \$212.67 (an 87% increase)	... by 2033/34

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. And if we assume that our forecast economic conditions prevail, the Government’s decision to delay levy increases won’t have significant impacts on the levies for businesses. However, if

economic conditions are unfavourable for the ACC Scheme or levy increases are delayed further, the risk of requiring significant levy increases for businesses will increase.

### **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 Work Account remaining fully funded until 2033/34. However, the funding position in 2033/34 would be 103% compared to the 112% we projected using the June 2021 assumptions. This more rapid deterioration of the funding position would see levy rates rising more quickly than forecast for businesses;
- 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.

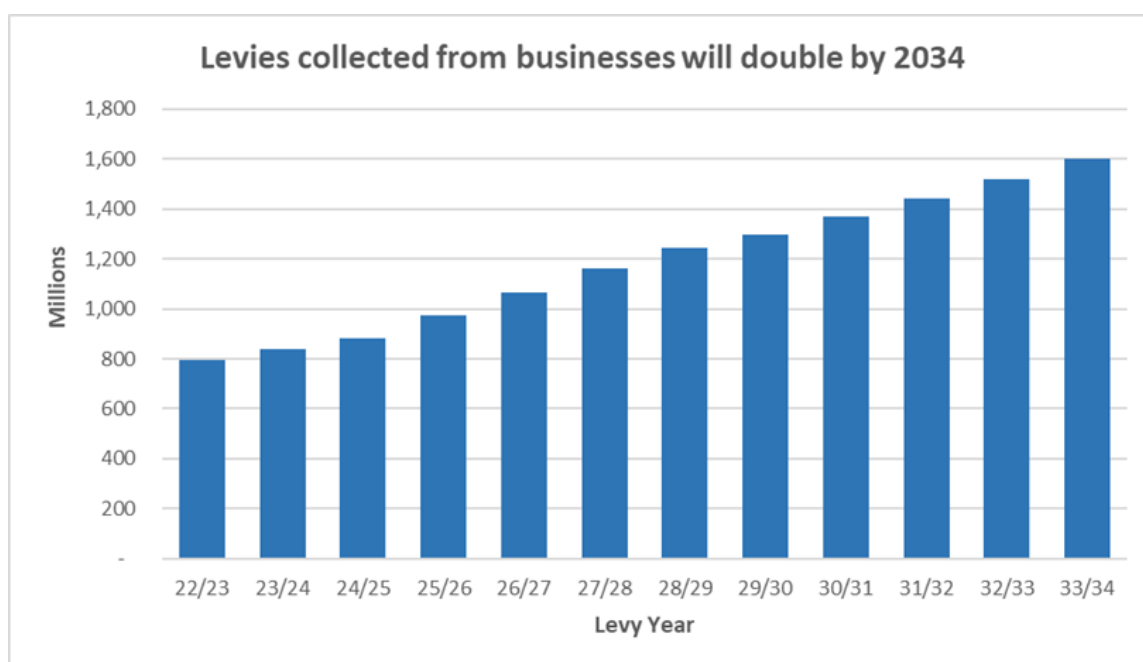
HERWIG RAUBAL, BEC, FNZSA, FIAA, Chief Risk and Actuarial Officer, Accident Compensation Corporation.

### **Appendix A: Work Account**

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

We expect that we'll need to collect \$795 million from businesses to support the lifetime costs of work injuries anticipated in 2022/23. This will need to double by 2033/34.

In the first three years, 33% 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 Work 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 \$2.633 billion to \$1.346 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	11,517	8,884	2,633	130%
2024	11,476	8,992	2,484	128%
2025	11,453	9,129	2,325	125%
2026	11,444	9,298	2,145	123%
2027	11,468	9,497	1,971	121%
2028	11,540	9,716	1,824	119%
2029	11,670	9,956	1,714	117%
2030	11,843	10,212	1,631	116%
2031	12,031	10,487	1,544	115%
2032	12,249	10,784	1,465	114%
2033	12,500	11,100	1,400	113%
2034	12,780	11,435	1,346	112%

The expected reductions in injury rates mean the underlying costs of claims will decrease slightly in the forecast 12 years, and the levies' impacts on the Work 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				
	Levy rates (\$ per \$100 liable earnings)	New-year claim costs only (per \$100 liable earnings)	Administration costs (per \$100 liable earnings)	Savings from management actions and injury prevention (\$)	Funding adjustment (per \$100 liable earnings)
2023	0.63	0.72	0.18	-0.03	-0.25
2024	0.63	0.72	0.18	-0.03	-0.25

NEW ZEALAND GAZETTE

<b>2025</b>	0.63	0.73	0.18	-0.03	-0.25
<b>2026</b>	0.66	0.73	0.19	-0.04	-0.22
<b>2027</b>	0.69	0.72	0.19	-0.04	-0.19
<b>2028</b>	0.72	0.72	0.19	-0.04	-0.15
<b>2029</b>	0.74	0.72	0.19	-0.03	-0.13
<b>2030</b>	0.74	0.72	0.18	-0.04	-0.12
<b>2031</b>	0.75	0.71	0.18	-0.03	-0.12
<b>2032</b>	0.76	0.71	0.18	-0.04	-0.09
<b>2033</b>	0.77	0.71	0.18	-0.04	-0.08
<b>2034</b>	0.78	0.71	0.18	-0.04	-0.07

**Key Assumptions for the Work Account, as at 30 June 2021**

To calculate the projected levy-rate charges for businesses, 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:

- investment returns will improve and standard inflation will remain stable;
- 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;
- the severity of injuries for which people claim weekly compensation will increase in line with our recent claim experience. This largely reflects a deterioration in clients' rehabilitation rates in the first few years after their accidents.

<b>Year ending 31 March</b>	<b>Total claim numbers</b>	<b>Entitlement claim numbers</b>	<b>Exposure (Number of workers not covered by the Accredited Employer Programme) (000)</b>	<b>Exposure (liable earnings) (\$b)</b>	<b>Investment return forecasts (June year)</b>	<b>Risk-free interest rates (June year)</b>	<b>Standard inflation (Labour Cost index) (June year)</b>
<b>2022</b>	193,779	29,033	2,382	129	2.80%	0.38%	2.03%
<b>2023</b>	196,500	30,426	2,439	135	3.10%	0.81%	2.08%
<b>2024</b>	197,888	31,900	2,489	143	3.39%	1.18%	2.08%
<b>2025</b>	199,011	33,342	2,536	150	3.60%	1.53%	2.08%
<b>2026</b>	201,523	34,204	2,583	158	3.78%	1.84%	2.08%
<b>2027</b>	204,270	34,674	2,620	165	3.95%	2.12%	2.08%
<b>2028</b>	206,564	35,068	2,651	173	4.10%	2.38%	2.08%
<b>2029</b>	208,597	35,417	2,678	180	4.24%	2.60%	2.08%
<b>2030</b>	210,479	35,742	2,704	187	4.37%	2.79%	2.08%
<b>2031</b>	212,214	36,042	2,727	195	4.49%	2.98%	2.08%
<b>2032</b>	213,810	36,319	2,748	203	4.59%	3.14%	2.08%
<b>2033</b>	215,289	36,576	2,768	211	4.63%	3.29%	2.08%
<b>2034</b>	216,662	36,816	2,787	219	4.63%	3.43%	2.08%

NEW ZEALAND GAZETTE

Trend in underlying costs (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
To fund the cost of new claims during the new levy year (excluding admin costs)	\$0.62	\$0.72	\$0.72	\$0.73
To fund administration costs	\$0.20	\$0.18	\$0.18	\$0.18
Total net benefits of management actions and injury prevention	-\$0.01	-\$0.03	-\$0.03	-\$0.03
Funding adjustment	-\$0.13	-\$0.25	-\$0.25	-\$0.25
<b>Average Work levy rate</b>	<b>\$0.67</b>	<b>\$0.63</b>	<b>\$0.63</b>	<b>\$0.63</b>

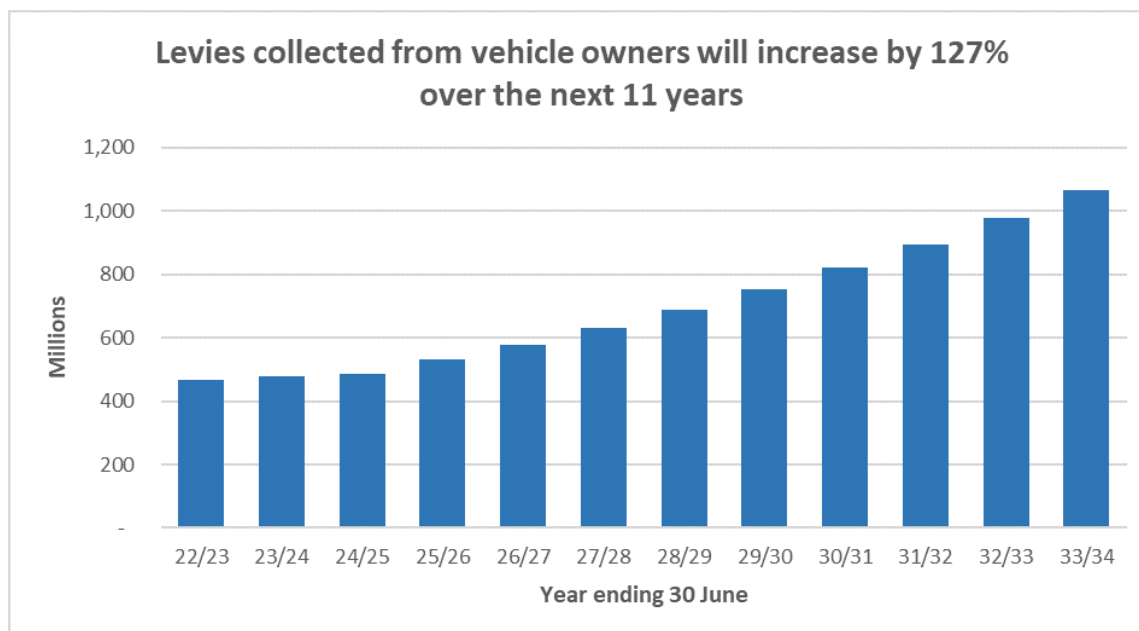
The growth in the labour force and the income generated provides a buffer against the need to increase levy rates. However, as surplus asset levels reduce, the levy rates charged to businesses will have to increase. The levy rate is forecast to grow by 17% by 2033/34, from the current rate of \$0.67 to \$0.78.

**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%



NEW ZEALAND GAZETTE

<b>2025</b>	15,747	13,526	2,221	116%
<b>2026</b>	15,933	13,947	1,986	114%
<b>2027</b>	16,148	14,411	1,737	112%
<b>2028</b>	16,399	14,915	1,484	110%
<b>2029</b>	16,691	15,463	1,228	108%
<b>2030</b>	17,021	16,046	975	106%
<b>2031</b>	17,404	16,677	727	104%
<b>2032</b>	17,837	17,353	484	103%
<b>2033</b>	18,327	18,077	250	101%
<b>2034</b>	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.

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

<b>Year ending 30 June</b>	<b>Total claim numbers</b>	<b>Entitlement claim numbers</b>	<b>Exposure (number of vehicles) (000)</b>	<b>Exposure (petrol million litres)</b>	<b>Investment return forecasts (June year)</b>	<b>Risk-free interest rates (June year)</b>	<b>Standard inflation (Labour Cost Index June year)</b>
<b>2022</b>	30,793	6,910	4,037	2,978	2.78%	0.38%	2.03%
<b>2023</b>	31,269	7,120	4,111	2,978	3.08%	0.81%	2.08%
<b>2024</b>	31,633	7,362	4,186	2,973	3.37%	1.18%	2.08%
<b>2025</b>	32,324	7,657	4,262	2,962	3.59%	1.53%	2.08%
<b>2026</b>	32,978	7,851	4,340	2,946	3.77%	1.84%	2.08%
<b>2027</b>	33,575	7,988	4,419	2,928	3.94%	2.12%	2.08%

NEW ZEALAND GAZETTE

<b>2028</b>	34,178	8,126	4,499	2,909	4.09%	2.38%	2.08%
<b>2029</b>	34,792	8,266	4,580	2,885	4.24%	2.60%	2.08%
<b>2030</b>	35,417	8,409	4,662	2,856	4.36%	2.79%	2.08%
<b>2031</b>	36,053	8,554	4,746	2,825	4.48%	2.98%	2.08%
<b>2032</b>	36,701	8,703	4,832	2,790	4.59%	3.14%	2.08%
<b>2033</b>	37,360	8,853	4,919	2,752	4.62%	3.29%	2.08%
<b>2034</b>	38,031	9,007	5,008	2,711	4.62%	3.43%	2.08%

<b>Trend in underlying costs</b>	<b>Prescribed 2019/22 levy rate</b>	<b>Prescribed 2022/23 levy rate</b>	<b>Prescribed 2023/24 levy rate</b>	<b>Prescribed 2024/25 levy rate</b>
<b>Average levy per motor vehicle</b>				
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
<b>Average Motor Vehicle levy rate</b>	<b>\$113.94</b>	<b>\$113.94</b>	<b>\$113.94</b>	<b>\$113.94</b>

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**

- <sup>1</sup> 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.
- <sup>2</sup> This report applies to the 'Work Account', which funds cover for injuries that happen to people at work, and the 'Motor Vehicle Account', which funds cover for people injured by motor vehicles on public roads. The third account, the 'Earnings' Account', funds cover for injuries that happen to workers outside 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.
- <sup>3</sup> '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.
- <sup>4</sup> '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.
- <sup>5</sup> 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.
- <sup>6</sup> A discount rate is a rate that turns a future cost into today's dollars.
- <sup>7</sup> 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.
- <sup>8</sup> A classification unit is a group of businesses with similar risk levels. ACC uses classification units to determine levy rates and to share the costs of injuries fairly.