

# Hon Dr Nick Smith

Minister for ACC



14 July 2010

## Media Statement

### Experience rating to improve workplace safety

Businesses will receive discounts and loadings on their ACC workplace levies from 1 April next year to provide stronger incentives to improve workplace safety and to make ACC's levies fairer, ACC Minister Dr Nick Smith announced today.

"New Zealand's workplace safety does not compare well internationally with more than one worker killed and another 600 injured each week," Dr Smith said. "The averaged levy system means businesses with good workplace safety are carrying the cost of others that are less safe. This detracts from the incentives for improving safety. The new system of accident experience rating will reward those businesses that have safer work and return to work practices.

"Accident experience rating was provided for in the Accident Compensation Act from 1972 until it was repealed in 2000 by the previous Government. We reinstated the statutory provision in February and officials are now fast at work on the detailed regulations and consultations to implement the new system on 1 April 2011.

"The proposal is that employers paying more than \$10,000 a year in ACC workplace levies will be subject to a discount or loading of up to 50% based on their claims history. This approach will apply to the approximately 5000 employers who employ more than 30 people and involves approximately 690,000 employees or more than 30% of the workforce.

"Experience rating is more difficult for smaller employers so a simple system of no-claims discounts and high-claim loadings will apply. The proposal is that if no weekly compensation claim has been lodged in the preceding three years, the employer will receive a 10% no-claim discount on their ACC levies. Loadings will apply where there has been more than four weekly compensation claims in the last three years. An expected 220,000 small businesses will receive a discount under the proposed policy and approximately 500 will pay a high-claim loading.

"ACC will be consulting with employer and employee groups over the coming months on the details of the proposal. The Government's ambition with these changes is to reward excellence in workplace safety and achieve a stronger focus on reducing injuries at work."

ENDS

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**Attached: Questions & answers**

## **Experience Rating - Questions & answers**

### **1. What are the objectives of introducing experience rating?**

- a. To provide a financial incentive to prevent injuries
- b. Encourage appropriate return-to-work programmes
- c. Make levies fairer for businesses (so good risk employers are not subsidising bad risk employers)

### **2. What research basis is there to show that experience rating will improve workplace safety?**

There is considerable international research into experience rating.

Koning (2005) *'Estimating the Impact of Experience Rating on the Inflow into Disability Insurance in the Netherlands'* Utrecht School of Economics  
([www.econpapers.repec.org/paper](http://www.econpapers.repec.org/paper))

Morneau Sobeco (2008) *'Recommendations for Experience Rating'* Ontario Workplace Safety & Insurance Board, Ontario ([www.wsib.on.ca](http://www.wsib.on.ca))  
*Experience rating: Morneau Sobeco report*

### **3. Will experience rating apply to all ACC Work Account levies?**

No. There are three areas of the ACC Work Account that experience rating will not apply.

First, it will not apply to the residual claims component of ACC levies that cover work claims prior to July 1999 and non-work claims prior to July 1992. These are a hangover from the days when ACC was not fully funded and it is not possible to experience rate employers on these historical costs.

Secondly, it will not apply to the 136 employers in the Partnership Programme (known as the Accredited Employer Programme) that are effectively already experience rated on their claims history.

Thirdly, there is a group of small, part-time or shareholder employees that earn below the minimum liable or have not been in business for more than three years that cannot be experience rated. These cover approximately 320,000 levy payers but only 10% of liable earnings and are typically part-time small earners.

### **4. Will experience rating be optional?**

No. It will be mandatory. An optional system would not work as those entitled to reduced levies would opt in and those facing higher levies would not. The purpose of experience rating is to focus employers on their safety record relative to other businesses in their sector.

### **5. How does experience rating fit with ACC's existing discount programmes - Workplace Safety Management Practices (WSMP) and Workplace Safety Discounts (WSD)?**

The proposals are being developed to dovetail with the existing discount policies. The WSMP and WSD programmes cover a small number of firms but it will be possible to get benefits from both.

## 6. What if employers try to hide accidents to keep their levies low?

Experience rating is based mainly on moderate to serious injuries, which are difficult to attribute to a different cause or scene.

ACC would monitor any abrupt changes in a business' safety record and investigate if necessary. ACC would also educate businesses, employees and health providers in how the new system works.

## 7. What is the timetable for advancing experience rating?

Following this announcement, ACC will initiate a process of consultation with key stakeholders on the specifics of this proposal from which final proposals will be incorporated in new regulations to be approved by Cabinet. The Government's timetable is to introduce experience rating from 1 April 2011.

## 8. How does this proposal affect the Government's consideration of whether to introduce choice into the ACC Work Account?

The proposal for experience rating is quite separate to any decision to introduce choice into the Work Account.

However, experience rating would make ACC less vulnerable to a competitor undercutting it for employers with a good safety record and leaving ACC with those with poor safety records.

## 9. Is the Government considering experience rating for other ACC accounts?

The Government is open to other areas of ACC providing stronger financial incentives to improve safety and the 2010 amendments do enable options to be considered in other accounts. However, it is more complex in areas such as motor vehicles and employees and more work will be needed to establish whether it is viable and practical.

## 10. How many employers and employees will be affected by this proposal?

