

ACC WORKPLACE REFORM

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Willis New Zealand Ltd

THIS GOVERNMENT'S PLANS FOR ACC WORKPLACE REFORM

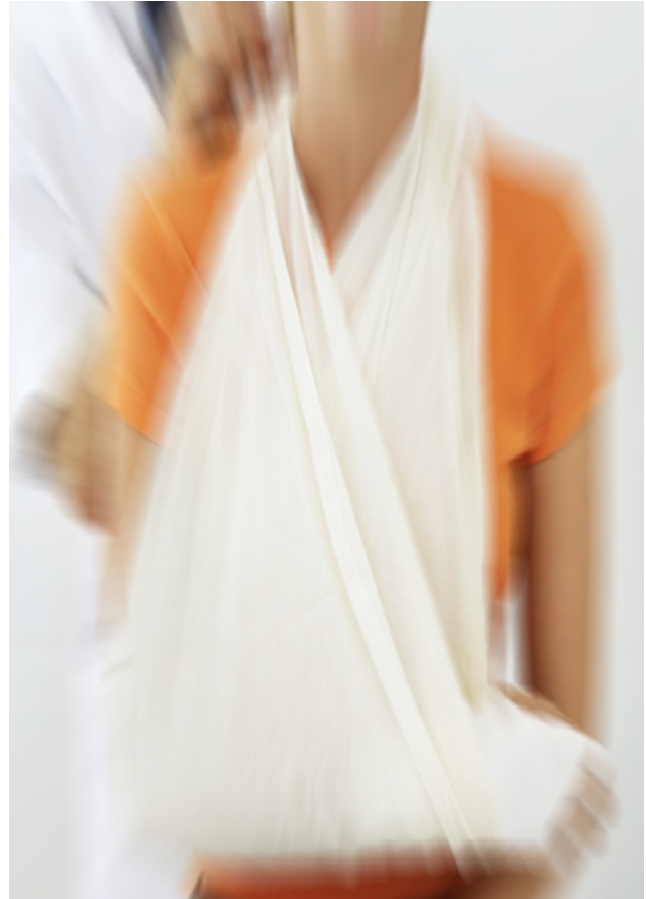
Over the past few years, the Government -- before and since the 2008 general election -- has signalled its intentions to secure a more robust, fair and effective compensation scheme for those people who suffer injuries in the workplace.

Since its inception in April 1974 "ACC" has provided a unique accident compensation system, with two of its embedded principles being: (1) no fault, with its attendant no tort liability, and (2) its 24/7, all citizens coverage. The reforms of the 70's, 80's, 90's, latterly in 2010, and with experience rating in effect from 1 April this year, suggests that desire for improvement burns, although the two principles featured above have not, by common consensus, been challenged.

In summary, ACC has proven to be a success by many measures. It has proven elusive, however, to settle on a structure that tracks in tune with change: change in risks; change in cost sensitivities; change in entitlement expectations; change in rehabilitation needs; and so-on.

The Department of Labour's posting [Increasing Choice in Workplace Accident Compensation Discussion Document of June 2011](#) (visit www.dol.govt.nz/consultation/increasing-choice/) explains the concepts and proposed structure for the reforms. The intended date of implementation of a new workplace accident compensation plan for all employers is 1 October 2012.

You may like to also review Business New Zealand's formal submission to the Department of Labour (July 2011) at www.businessnz.org.nz



Your business or organisation, and the proposed changes

1. The Accredited Employer Programme (AEP) to be extended: currently only 136 employers (all large) participate. The intention is to increase participants in this programme from 1 April 2012 by providing a greater range of risk-sharing options and reducing compliance costs. Our Bulletin is focussed on the other main plank of the proposed reforms – insurance industry participation; accordingly we do not detail the AEP issues here.
2. Introduction of private insurers to the Work Account: this entails leaving the current ACC in place, while allowing insurance companies to compete with ACC and with each other.

What the opening-up to insurance companies means to you

- § You may choose to do nothing by remaining with ACC
- § It seems reasonable to consider that ACC will offer something different as it meets a new operating environment: so, probably no such thing as no-change
- § You will be able to check the costs, benefits and services of ACC against another provider, one of the new entrant insurance companies
- § You will find the insurance companies will offer a different service to that of ACC: so, not only pricing comparisons, but more change also on offer
- § You will access the insurance companies via Willis
- § You will encounter new claims settling processes with the insurance companies
- § Your employees will have access to a new dispute resolution process to help ensure fairness of claim entitlements

Main difference between the 1999/2000 reform and the proposed plan

The proposed opening-up to competition of the work account of ACC is just that, allowing private insurers to compete with ACC. Unlike the earlier changes, ACC will continue doing what they do now.

Insurance companies: champing at the bit to get hold of this new business?

Looking at why some insurers will view this opportunity positively, we find these facts:

1. Current total insurance premium pool in New Zealand, all insurers, all classes (but not life, disability and medical) at 30 September 2010: NZ\$3.849 billion¹. Growth has been modest, around 5% pa over the previous four years (only .65% in 2006)

¹ Statistics from Insurance Council of NZ, plus estimate for one major non-member

2. The combined loss ratios², average across all companies, range from 89% in 2005 to 101% in 2008 and 100.66% in 2010 (the pure earthquake portfolio shows a loss ratio of 211%). However the impact of the later 2010 and 2011 earthquakes on the total 2011 results will be far greater.

² Combined loss ratios: Cost of all claims plus all expenses of business, over gross premium income

3. For ye 30 June 2009, total all ACC levy revenue NZ\$4.18 billion³. Of this, NZ\$ 538.65 million is the work account..

³ ACC Statistics from Axco Insurance Information

4. Around the world, most countries have all, or a significant portion, of "workers compensation" insurance in the private insurance market (they do not of course, have the unique features of ACC, two being no-fault and 24/7 application).

Our View

We say this is a carrot for insurance companies. With historic slow premium income growth and expenses increasing at a greater rate, the opportunity to gain more income will not be passed-by.

Willis

We shall keep you informed. We will treat the new (proposed) workplace accident insurance as we do all your other insurances, it's what we do, insurance broking.

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