



Accident Compensation (Financial Responsibility and Transparency) Amendment Act 2015

Public Act 2015 No 85
Date of assent 23 September 2015
Commencement see section 2

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*Repeal of and amendments to provisions relating to
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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Accident Compensation (Financial Responsibility and Transparency) Amendment Act 2015.

2 Commencement

This Act comes into force on the day after the date on which it receives the Royal assent.

3 Principal Act

This Act amends the Accident Compensation Act 2001 (the **principal Act**).

Part 1

**Amendments relating to principles of financial responsibility and
funding policy statement**

4 Section 6 amended (Interpretation)

In section 6, repeal the definition of **fully funded**.

5 New sections 166A to 166C inserted

After section 166, insert:

166A Principles of financial responsibility in relation to Accounts

- (1) The cost of all claims under the levied Accounts are to be fully funded by meeting the outstanding claims liability in respect of the claims by offsetting an adequate level of assets to fund the cost of those claims.
- (2) When making recommendations in respect of regulations made under section 329 setting levies, the Minister must have regard to the following principles:
 - (a) the levies derived for each Account should meet the lifetime cost of claims in relation to injuries that occur in a particular year:
 - (b) if an Account has a deficit of funds to meet the costs described in subsection (1), or has accumulated surplus funds, that deficit or surplus

should be corrected by the setting of levies at an appropriate rate for a subsequent year or years:

- (c) large changes in levies should be avoided.

166B Funding policy statement

- (1) Within 12 months after the commencement of this section, the Minister must issue a funding policy statement.
- (2) The funding policy statement must specify—
 - (a) a target level or band for the funding of each Account; and
 - (b) an approach to managing deviations from the target level or band for the funding of each Account over a period of time; and
 - (c) limits (if any) on any annual levy changes for all or any of the Accounts; and
 - (d) the circumstances (if any) in which levy changes are not required.
- (3) The funding policy statement must be consistent with, and explain how it is consistent with, the financial responsibility principles in section 166A.
- (4) The funding policy statement may prescribe specific actions for the Corporation to take to the extent that any such action is consistent with the Corporation's functions under section 262.
- (5) Sections 113 and 114 of the Crown Entities Act 2004 do not apply in respect of a funding policy statement.

166C Consultation, publication, and amendment of funding policy statement

- (1) Section 115(1) to (3A) of the Crown Entities Act 2004 applies to the making of a funding policy statement as if it were a ministerial direction.
- (2) The Minister must consult such persons or organisations as the Minister considers appropriate before issuing the funding policy statement.

6 Section 331 amended (Consultation requirements for regulations relating to levy setting)

- (1) In the heading to section 331, after “**Consultation**”, insert “**and other**”.
- (2) Repeal section 331(2)(a)(iv).
- (3) Replace section 331(3) with:
 - (a) the funding policy statement issued under section 166B; and
 - (b) any relevant policy direction given under section 103 of the Crown Entities Act 2004.
- (4) After section 331(5), insert:

- (5A) The Corporation must prepare a report in relation to the rates of levies prescribed.
- (5B) The report required by subsection (5A) must—
- (a) include, without limitation,—
 - (i) the long-term projections for the relevant Account of solvency rates, levy rates, Account balances, and the lifetime costs of claims in relation to injuries that occur in the year for which the levies apply; and
 - (ii) the key assumptions on which the projections are based, including the assumptions made about claims numbers, trends in underlying costs, growth of the units to which levy rates apply (for example, numbers of vehicles), investment returns, and assumptions about economic conditions and rehabilitation performance; and
 - (b) be prepared in accordance with generally accepted practice within the insurance sector in New Zealand; and
 - (c) be published at the time the regulations prescribing the rates of levies are made in the *Gazette* and on an Internet site maintained by or on behalf of the Corporation.

Part 2

Amendments relating to residual levies

Amendments to enable residual amount to be adjusted

- 7 Section 169AA amended (Basis on which funds to be calculated)**
Repeal section 169AA(3).
- 8 Section 215 amended (Basis on which funds to be calculated)**
Repeal section 215(4).
- 9 Section 220A amended (Basis on which funds to be calculated)**
Repeal section 220A(3).
- 10 New sections 336A to 336C and cross-heading inserted**
After section 336, insert:

Repeal of and amendments to provisions relating to residual levies

- 336A Repeal of and amendments to provisions relating to residual levies for Work Account**
- (1) In this section, **effective date** means the earlier of—
- (a) 1 April 2019; and

- (b) a date appointed by the Minister by notice.
- (2) On the effective date,—
 - (a) in section 167(4)(b), delete “and the purpose specified in section 169AA(1)(a)”:
 - (b) repeal section 169AA:
 - (c) repeal section 169(4):
 - (d) repeal section 329(1)(m)(i).
- (3) On the effective date, replace section 170(1) with:
 - (1) For the purpose of setting levies payable under sections 168, 168B, and 211, the Corporation must classify an employer and a self-employed person in an industry or risk class that most accurately describes their activity, being an industry or risk class set out in regulations made under this Act.
 - (4) A notice under subsection (1) is a legislative instrument and a disallowable instrument for the purposes of the Legislation Act 2012 and must be presented to the House of Representatives under section 41 of that Act.

336B Repeal of and amendments to provisions relating to residual levies for Motor Vehicle Account

- (1) In this section, **effective date** means the earlier of—
 - (a) 1 July 2019; and
 - (b) a date appointed by the Minister by notice.
- (2) On the effective date,—
 - (a) in section 213(7)(b), delete “and the purpose specified in section 215(1)(a)”:
 - (b) repeal section 215:
 - (c) repeal section 329(1)(m)(ii).
- (3) A notice under subsection (1) is a legislative instrument and a disallowable instrument for the purposes of the Legislation Act 2012 and must be presented to the House of Representatives under section 41 of that Act.

336C Repeal of and amendments to provisions relating to residual levies for Earners’ Account

- (1) In this section, **effective date** means the earlier of—
 - (a) 1 April 2019; and
 - (b) a date appointed by the Minister by notice.
- (2) On the effective date,—
 - (a) in section 218(5)(b), delete “and the purpose specified in section 220A(1)(a)”:
 - (b) repeal section 220A:

- (c) repeal section 329(1)(m)(iii).
- (3) A notice under subsection (1) is a legislative instrument and a disallowable instrument for the purposes of the Legislation Act 2012 and must be presented to the House of Representatives under section 41 of that Act.

Legislative history

11 May 2015	Introduction (Bill 17–1)
2 June 2015	First reading and referral to Transport and Industrial Relations Committee
14 September 2015	Reported from Transport and Industrial Relations Committee (Bill 17–2)
17 September 2015	Second reading
22 September 2015	Committee of the whole House
23 September 2015	Third reading
23 September 2015	Royal assent

This Act is administered by the Ministry of Business, Innovation, and Employment.