



Institute of Actuaries of Australia

XIth Accident Compensation Seminar 2007

Accident Compensation Corporation (ACC) New Zealand

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Topics covered

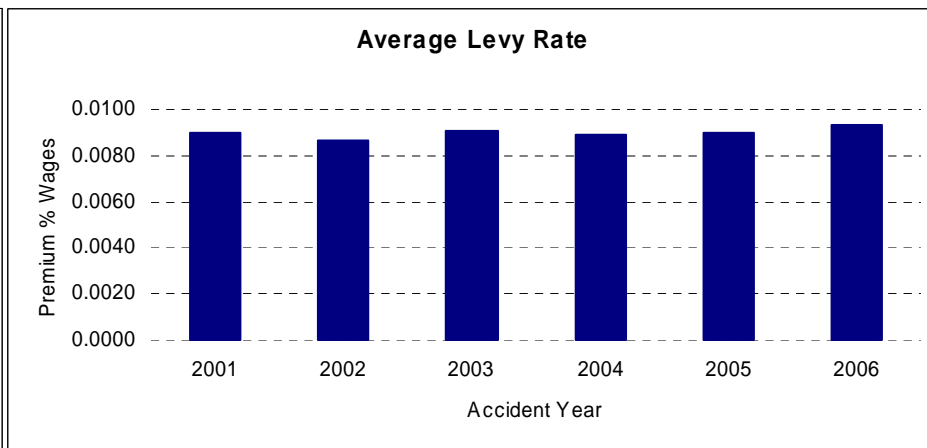
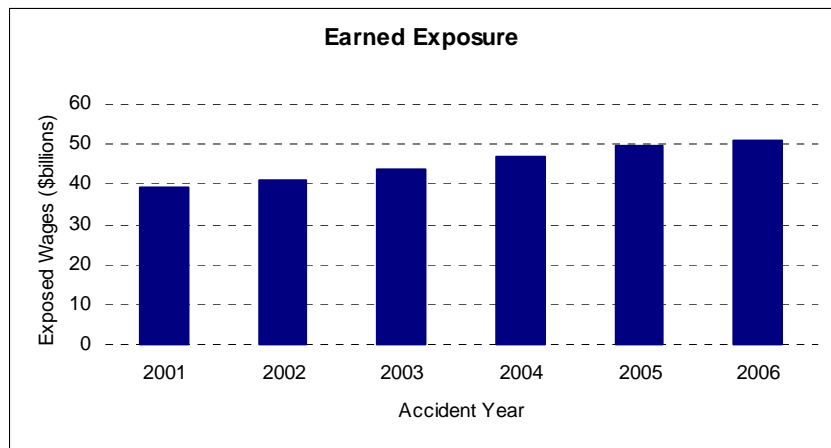
- Scheme Benchmarks
 - Workers' Compensation (Employers' Account)
 - Compulsory Third Party (Motor Vehicle Account)
- Weekly Compensation Review
- Noise Induced Hearing Loss Strategy
- Scheme Summary

Scheme Comparison - WC

- Workers' Compensation (Employers' Account)
 - Benefits defined by legislation
 - 80% of earnings to a maximum
 - Medical expenses
 - Rehabilitation costs
 - Death benefits

Scheme Benchmarks - WC

- Only comparable with Australia from 2001
- \$51b earned exposure at 30 June 2006
- \$480m levy
- Average levy rate of \$0.009 per \$1 liable income



Scheme Benchmarks - WC

- Reported claim frequency reducing

Reported claim frequency

Accident Year	Reported claim frequency by delay (cumulative per 1,000 employees)						To date
	0	1	2	3	4	5	
2001	91.5	101.0	101.3	101.4	101.4	101.5	101.5
2002	89.4	99.0	99.3	99.3	99.4		99.4
2003	89.0	98.5	98.6	98.7			98.7
2004	86.5	95.3	95.5				95.5
2005	85.5	93.2					93.2
2006	82.8						82.8

Scheme Benchmarks - WC

- Average payments slowly increasing

Payments (in values of 30/06/2006)

Accident Year	Payments in delay year (incremental) (\$000)						Total payments to date	Estimated OCR at 30/6/06	Total
	0	1	2	3	4	5			
2001	66,223	56,278	22,274	14,235	9,539	8,131	176,680	68,426	245,107
2002	67,591	65,441	26,285	14,885	11,368		185,569	85,655	271,224
2003	76,850	72,157	27,587	16,949			193,543	109,337	302,880
2004	84,915	76,463	28,898				190,276	140,891	331,167
2005	93,854	85,430					179,284	179,576	358,860
2006	103,730						103,730	298,888	402,618

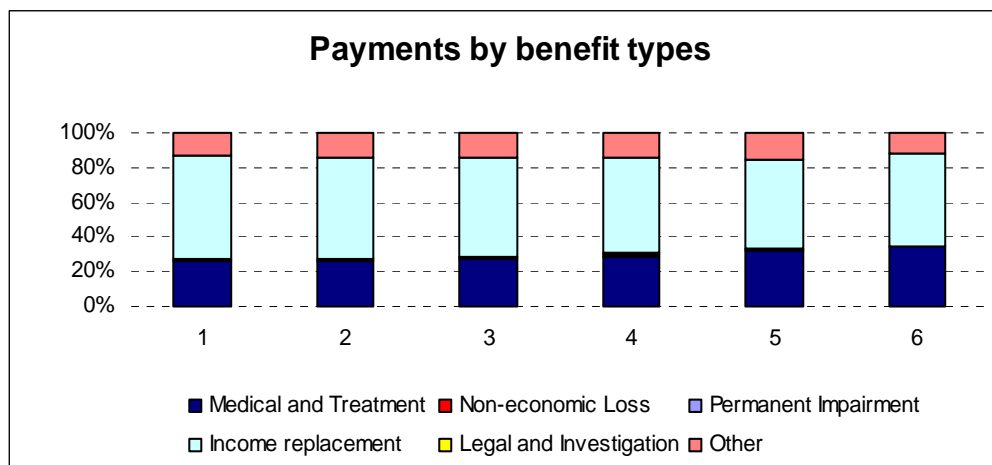
Reported average incurred cost per claim

Accident Year	Reported average incurred cost per claim by delay year (\$000) (cumulative)						To date
	0	1	2	3	4	5	
2001	0.5	0.8	1.0	1.1	1.1	1.2	1.2
2002	0.5	0.9	1.1	1.2	1.2		1.2
2003	0.5	1.0	1.1	1.2			1.2
2004	0.6	1.0	1.2				1.2
2005	0.6	1.1					1.1
2006	0.7						0.7

Scheme Benchmarks - WC

Payments by benefit types (\$000)

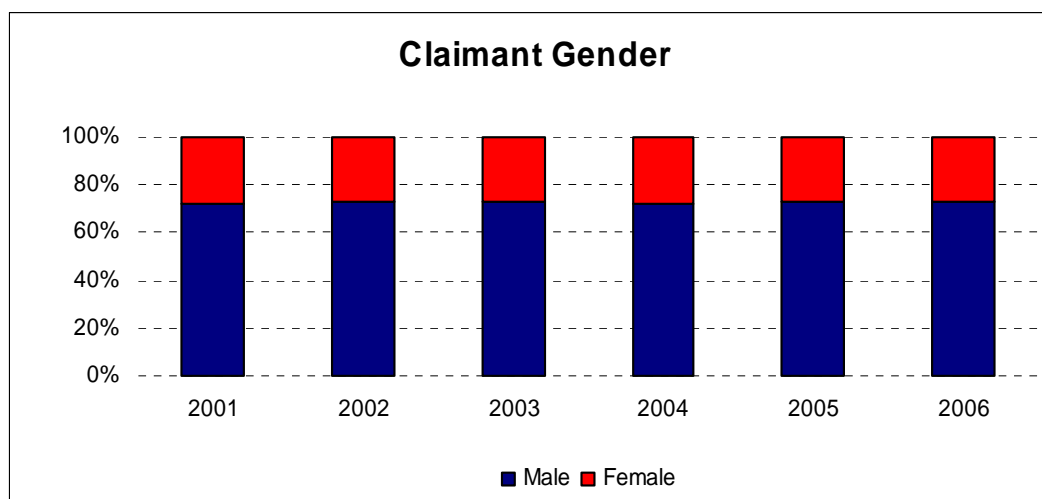
Accident Year	Medical and Treatment	Non-economic Loss	Permanent Impairment	Income replacement	Legal and Investigation	Other	Total
2001	45,904	501	1,613	104,823	0	23,839	176,680
2002	48,316	804	1,820	109,115	0	25,514	185,569
2003	52,770	633	2,504	110,431	0	27,205	193,543
2004	55,460	626	2,100	104,333	0	27,758	190,276
2005	57,823	450	1,036	92,681	0	27,294	179,284
2006	35,249	300	253	55,280	0	12,649	103,730



Scheme Benchmarks - WC

Number of claims reported to date by accident year and gender

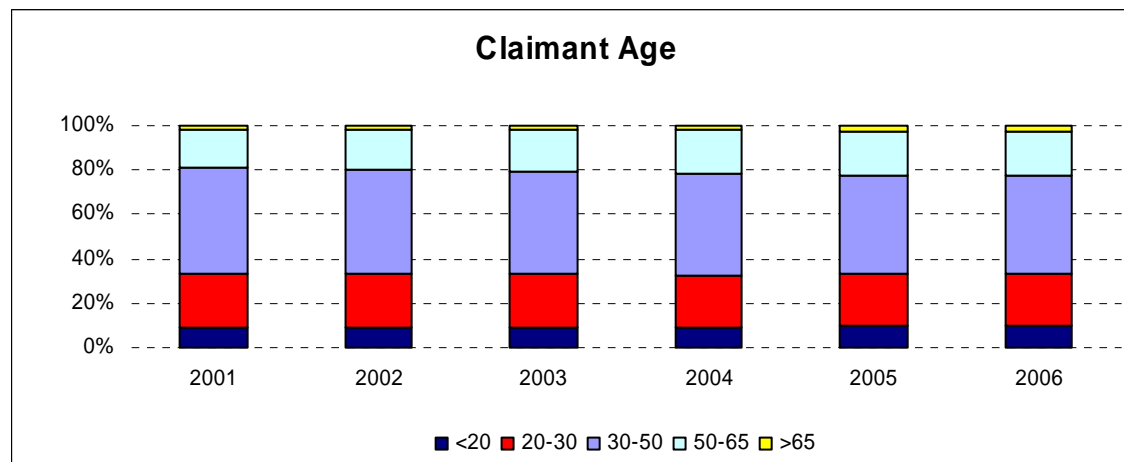
Accident Year	Male	Female	Unknown
2001	72%	28%	0%
2002	73%	27%	0%
2003	73%	27%	0%
2004	72%	28%	0%
2005	73%	27%	0%
2006	73%	27%	0%



Scheme Benchmarks - WC

Number of claims reported to date by accident year and age

Accident Year	Claimant age at injury				
	<20	20-30	30-50	50-65	>65
2001	9%	25%	47%	17%	2%
2002	9%	24%	47%	18%	2%
2003	9%	24%	46%	19%	2%
2004	9%	24%	46%	19%	2%
2005	9%	24%	45%	20%	3%
2006	10%	24%	44%	20%	3%



Scheme Benchmarks - WC

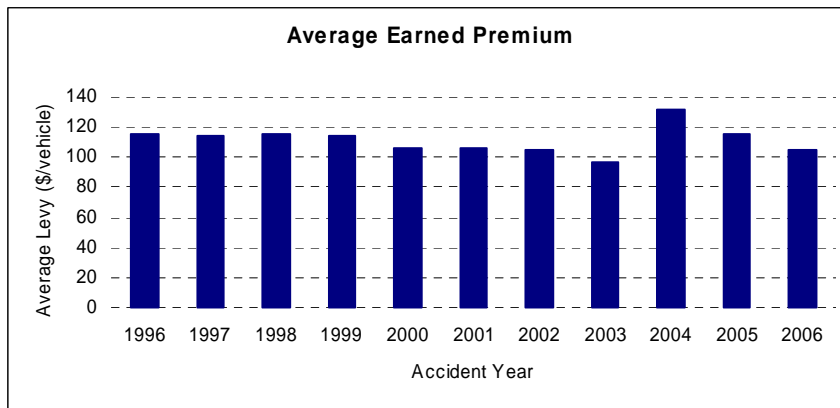
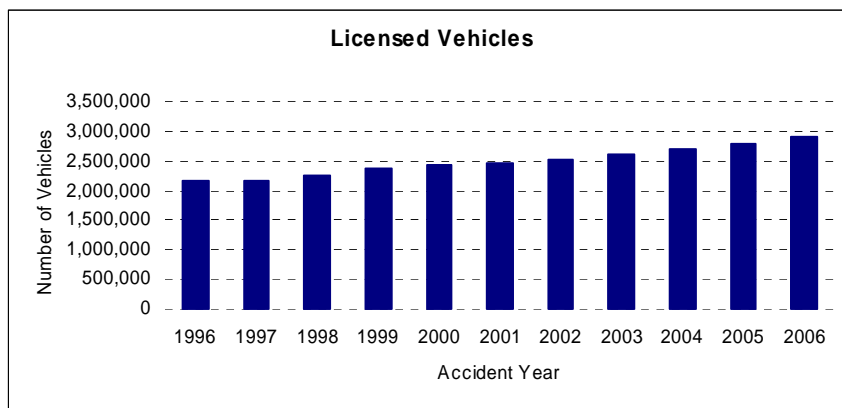
- Summary
 - Earned exposure growing by 2.7%pa
 - Average inflation adjusted payments slowly increasing
 - Reported claim frequency reducing
 - Average levy rate stable at just under 1% of liable earnings
 - Gender split stable
 - Age split fairly stable although ages 50-65 claim frequency slowly increasing

Scheme Comparison – MV vs CTP

- ACC Motor Vehicle Account vs CTP
 - No-fault scheme
 - Driver always covered
 - Single insurer
 - Benefits defined in legislation, no ability to sue
 - Levy collected through vehicle registration and petrol levy

Scheme Benchmarks – MV (CTP)

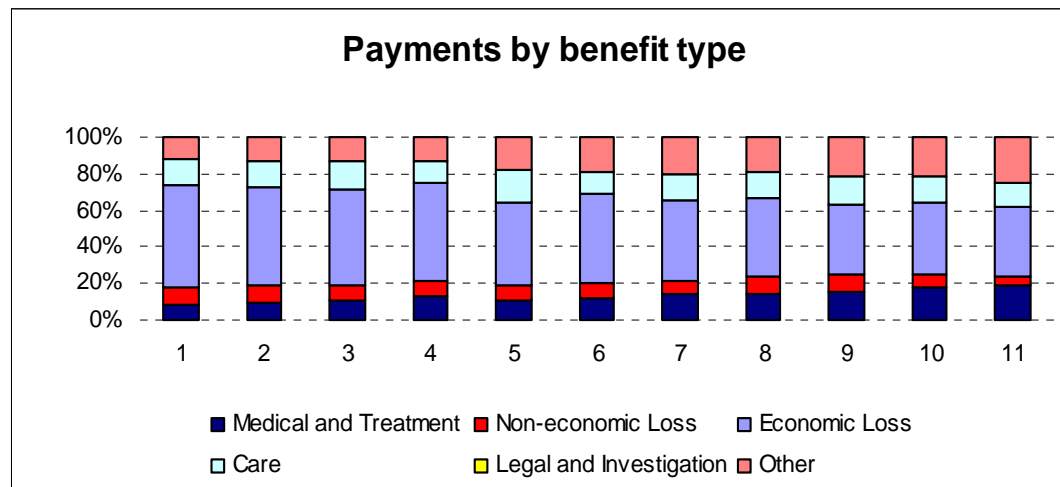
- Motor Vehicle Account
 - 2.9m licensed vehicles at 30 June 2006
 - Over \$300m levy
 - Average levy of about \$100 per licensed vehicle



Scheme Benchmarks – MV (CTP)

Payments by benefit Type (\$000)

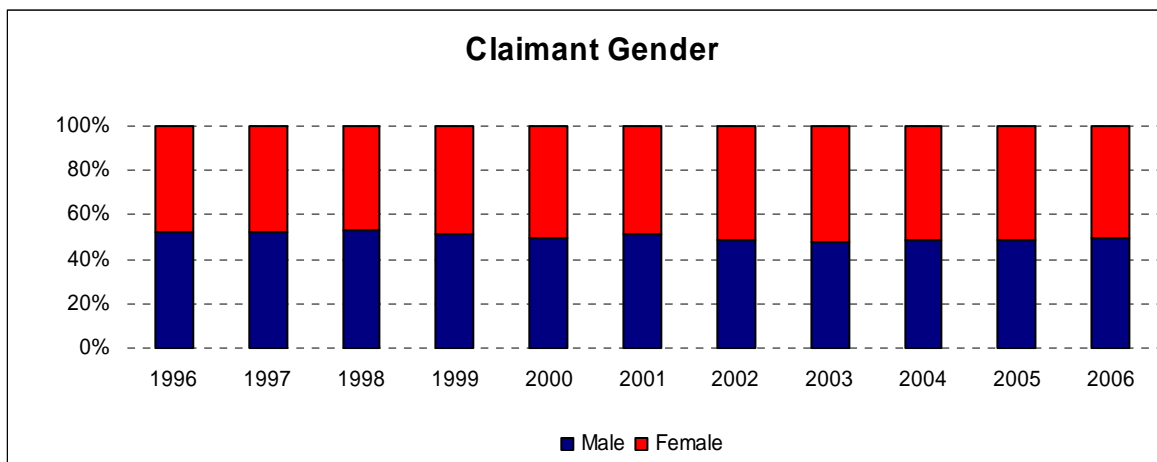
Accident Year	Medical and Treatment	Non-economic Loss	Economic Loss	Care	Legal and Investigation	Other	Total
1996	14,381	14,776	89,906	22,313	0	19,944	161,319
1997	13,948	11,629	75,063	20,207	0	17,329	138,175
1998	13,638	9,751	65,872	18,903	0	16,488	124,654
1999	12,955	9,408	53,840	11,997	0	13,601	101,800
2000	12,996	9,624	54,917	20,136	0	21,944	119,617
2001	12,505	7,841	48,689	12,768	0	18,849	100,653
2002	12,542	7,462	39,979	13,525	0	18,097	91,605
2003	12,924	9,569	39,133	13,251	0	17,717	92,594
2004	14,209	8,062	35,184	14,360	0	18,978	90,793
2005	14,166	5,090	30,263	10,962	0	16,607	77,087
2006	8,053	2,322	16,086	5,674	0	10,413	42,549



Scheme Benchmarks – MV (CTP)

Number of claims reported to date by accident year and gender

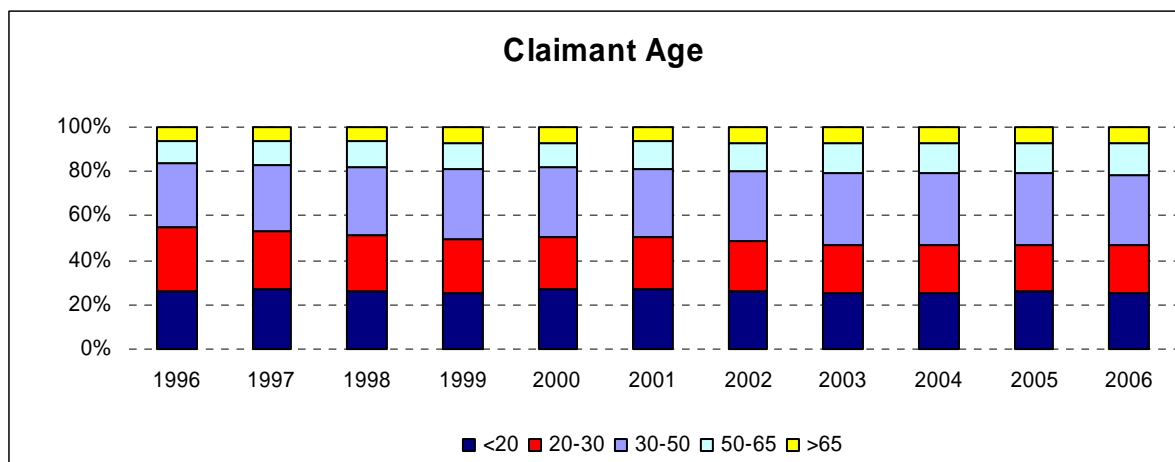
Accident		
Year	Male	Female
1996	52%	48%
1997	53%	47%
1998	53%	47%
1999	52%	48%
2000	50%	50%
2001	51%	49%
2002	48%	52%
2003	48%	52%
2004	48%	52%
2005	49%	51%
2006	49%	51%



Scheme Benchmarks – MV (CTP)

Number of claims reported to date by accident year and age

Accident Year	Claimant age at injury				
	<20	20-30	30-50	50-65	>65
1996	26%	29%	29%	10%	6%
1997	27%	26%	30%	10%	7%
1998	26%	25%	31%	11%	7%
1999	25%	24%	31%	11%	7%
2000	27%	24%	31%	12%	7%
2001	27%	23%	31%	12%	6%
2002	26%	23%	31%	13%	7%
2003	25%	22%	32%	14%	7%
2004	25%	22%	32%	14%	7%
2005	26%	21%	32%	14%	7%
2006	25%	22%	32%	14%	7%



Scheme Benchmarks – MV (CTP)

- Summary
 - Earned exposure growing by 3.5%pa
 - Average inflation adjusted payments slowly increasing
 - Reported claim frequency may be reducing
 - Average levy at just over \$100 per licensed vehicle
 - Gender split stable but slightly more females
 - Ages 20-30 claim frequency decreasing while ages 50-65 increasing

Weekly Compensation Review

- Requested by the Minister for ACC
- Objective to make Weekly Compensation fairer & less rigid
 - Legislation static vs work environment dynamic
 - Fluctuating incomes (contractors, seasonal & casual)
 - Help with earlier recovery & return to work

Weekly Compensation Review

- Reviewing
 - Who is eligible
 - How weekly compensation is calculated
 - The minimum amount
 - The maximum age
 - How to support earlier recovery & return to work

Weekly Compensation Review

- Review in progress so no answers to these questions yet but some operational improvements have been implemented
- Workers' Compensation fairer for non-traditional employment
- Benefit enhancements will cost more and increase the levy however faster recovery and return to work will reduce costs

Noise Induced Hearing Loss (NIHL)

- Since 2001 the total cost of work related hearing loss claims has increased by 28%pa
- \$45m in 2006 (\$30m for hearing aids)
- If there is no intervention these costs are projected to rise to \$85m by 2010 (\$50m for hearing aids)
- The main driver is the increasing numbers of claimants that ACC assists

NIHL Strategy

- The strategy includes four streams of work
 - Injury prevention to reduce the incidence of hearing loss
 - Prediction of demand to inform better decision making by ACC in the future
 - Purchasing for cost effective hearing loss services and hearing aids
 - Partnership opportunities for ACC with the Ministry of Health (bulk buying)

NIHL Strategy

- Contract with audiologists to
 - Implement a formal hearing needs assessment process
 - Prescribe the most cost-effective hearing aid(s) to meet the assessed need
 - Specify an agreed target of at least a 35% reduction of high value hearing aids prescribed in a twelve month period
 - Agree that ACC negotiate with manufacturers to establish discounts for hearing aids

NIHL Strategy

- Proposed purchasing approach:
 - Build and maintain, over time, constructive relationships with providers
 - Introduce more influence by ACC on the various points of the supply chain
 - Work towards the negotiation of a Government discount for fully funded hearing aids

NIHL Strategy

- These strategies should lead to more appropriate hearing aids being prescribed at a lower cost
- They will allow the impact on the scheme to be minimised and managed effectively

ACC Scheme Summary

- Experience has been fairly steady but there are areas that have been identified as potential problems
- Some areas where benefits and access to benefits can be improved
- ACC will continue to remove barriers to access whilst looking for ways to improve benefits and deliver these in an appropriate and cost effective manner