

VOTE *Accident Insurance*

Terms and Definitions Used

ACC Accident Compensation Corporation

Footnotes

Note 1 Appropriation numbers in Part B are inclusive of GST (where applicable).

Note 2 Expenses incurred pursuant to Section 268 of the Accident Insurance Act 1998.

Accident Insurance

VOTE MINISTER: Minister for Accident Insurance

ADMINISTERING DEPARTMENT: Department of Labour

The Minister of Labour is the Responsible Minister for the Department of Labour

Part B - Statement of Appropriations (see note 1)

Summary of 1999/2000 Appropriations

Types of Appropriation	Appropriations to be Used				Total Appropriations \$000
	By the Department Administering the Vote		For Non-Departmental Transactions		
	Annual \$000	Other \$000	Annual \$000	Other \$000	
Operating Flows					
Classes of Outputs to be Supplied	10,502	2,675	367,812	-	380,989
Benefits and Other Unrequited Expenses	-	-	37,756	-	37,756
Borrowing Expenses	-	-	-	-	-
Other Expenses	-	-	-	67,168	67,168
Capital Flows					
Capital Contributions	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-
Repayment of Debt	-	-	-	-	-
Total Appropriations for 1999/2000	10,502	2,675	405,568	67,168	485,913
Total 1999/2000 Main Estimates Appropriations	7,844	-	243,210	67,840	318,894

Part B1 - Details of 1999/2000 Appropriations (see note 1)

Appropriations	1999/2000						Purpose of and Reasons for Change in 1999/2000 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Policy and Monitoring	3,435	-	-	-	3,435	-	The purchase of a comprehensive range of services, including policy advice, monitoring, analysis, evaluation and research on issues relating to ACC.
D2 Regulatory Services	4,409	-	-	-	4,409	-	The provision of services by the Accident Insurance Regulator to enforce the requirement for employers to purchase accident insurance for their employees.
D3 ACC Transition	-	-	728	-	728	-	The purchase of services to manage the transition to a single public fund in accident insurance.
D4 ACC Competition Transition	-	-	1,930	-	1,930	-	The purchase of services to manage the introduction of competition in workplace accident insurance.
D5 Non-Compliers Fund (see note 2)	-	-	-	2,675	-	2,675	This output class covers the full cost of claims accepted in 1999/2000 on the Non-Compliers Fund and the costs of administering the Fund. Costs are funded by penalties imposed on non-complying employers and an annual levy on insurers.
Total Appropriations for Departmental Output Classes (Mode B Gross)	7,844	-	2,658	2,675	10,502	2,675	
Non-Departmental Output Classes							
O1 Case Management and Supporting Services	32,275	-	-	-	32,275	-	Insurance management services for the Non-Earners' Account.

O2 Claim Entitlements and Services	184,101	-	151,436	-	335,537	-	The purchase of medical services, social rehabilitation services and elective health care services for the Non-Earners' Account. The change represents the Acute Services Levy, revision of volume and costs of elective surgery and an adjustment to accident-related primary referred services costs.
Total Appropriations for Non-Departmental Output Classes	216,376	-	151,436	-	367,812	-	
Benefits and Other Unrequited Expenses							
Other Compensation	26,834	-	10,922	-	37,756	-	Entitlements under the Accident Insurance legislation for non-earners' income maintenance, independence allowance, lump sum payments, death benefits, and vocational rehabilitation. The change represents backdated Attendant Care.
Total Appropriations for Benefits and Other Unrequited Expenses	26,834	-	10,922	-	37,756	-	
Other Expenses to be Incurred by the Crown							
Motor Spirits Excise Duty	-	67,840	-	(672)	-	67,168	S291 of the Accident Insurance Act 1998 provides for a Motor Spirits Excise Duty to be collected and paid to ACC for crediting to the Motor Vehicle Account. The change represents a revision in the forecast petrol consumption for 1999/2000.
Total Appropriations for Other Expenses to be Incurred by the Crown	-	67,840	-	(672)	-	67,168	
Total Appropriations	251,054	67,840	165,016	2,003	416,070	69,843	

Part C - Explanation of Appropriation for Output Classes

Part C1 - Departmental Output Classes

Output Class D1 – Policy and Monitoring

Description

This output class provides a comprehensive range of services to the Minister for Accident Insurance in analysis, evaluation, research, ministerial servicing, monitoring and policy advice on the legislation and other issues related to ACC and the accident insurance environment. It also covers administration and monitoring of the Crown payments for the Non-Earners' Account and the Motor Spirits Excise Duty.

This output class also includes advice to the Minister for Accident Insurance on an annual Service Agreement between the Minister and the ACC Board, including identifying strategic goals and objectives for the Accident Insurance scheme, the three-year strategic performance targets for each of the ACC Accounts, and their management.

Accident insurance monitoring and evaluation include:

- quarterly reports that highlight key issues and trends in scheme and Corporation performance against the indicators included in the annual Service Agreement and various projects as agreed with the Minister
- policy advice, supported by ensuring that policy programmes and projects incorporate effective evaluation strategies
- applied research on issues that relate to changes in the Accident Insurance scheme delivery
- making payments on behalf of the Crown for each of the Non-Earners' Account output classes, and for the Motor Spirits Excise Duty and developing a Purchase Agreement between the Minister for Accident Insurance and the ACC Board for the Non-Earners' Account on behalf of the Minister for Accident Insurance.

Performance measures

Policy and monitoring

The quantity and nature of advice and other services will be explicitly agreed with the Minister.

The Minister's view of the quality and timeliness of policy advice will be sought six-monthly through questionnaires or other appropriate means.

The Minister expects to receive advice consistent with the following quality standards:

- Issue definition: a clear and succinct description of the nature and scope of the issue or problem to be addressed is provided, which meets the needs of Ministers, and reflects or recognises previous Government decisions.

- Data and analysis: an appropriate data search is undertaken, the data used are robust, and appropriate analytical techniques are employed.
- Objective: a clear and succinct statement of the policy objective(s) to be achieved is provided, and the link to Government priorities or strategic objectives is clear.
- Options: all viable options from a Department of Labour and wider Government perspective are identified and assessed in terms of benefits, costs, risks, consequences, fiscal implications, practicality and relationship with other policy. Underlying assumptions are stated.
- Consultation: internal and external groups with an interest in the issue are involved and consulted at all stages of the policy development process.
- Style and presentation: the report uses language familiar to the intended readership and appropriate presentational aids, the format meets Cabinet Office requirements where applicable and the recommendations are explicit, unambiguous, and provide clear authority for the decision.
- Implementation: where appropriate, guidance is provided on the implementation of the selected option(s).
- Evaluation strategy: where appropriate, a high level evaluation plan is developed in tandem with the recommended option(s).
- Compliance cost assessment: all policy will be subject to an analysis of the compliance cost implications for the private and public sectors.

Application of standards

Note that all aspects of the standards may not apply to specific pieces of policy advice given considerations of urgency or the particular nature of the advice to be provided.

- Advice will be provided to the Minister on the Purchase Agreement for services to be provided for the Non-Earners' Account claims for 2000/01 by 30 June 2000.

Administration

- Monies paid by the Crown for appropriation to ACC will be received and accounted for.
- Twelve payments to the Non-Earners' Account will be made on schedule as agreed with ACC.
- Four equal payments of the Motor Spirits Excise duty will be made on dates as agreed with ACC.
- Payments will be made to the correct recipient, in accordance with appropriation or permanent legislative authority.

Ministerial servicing

The Minister's view on ministerial servicing will be sought through six-monthly questionnaires or through other appropriate means.

The Minister expects the following services to be timely, accurate and accessible and have the relevant issues highlighted:

- Draft replies to ministerial correspondence will be provided within 10 working days unless specific approval for late replies is given.
- Replies to all parliamentary questions will be provided within the deadlines specified by the Speaker of the House.
- Draft replies to requests for official information will be provided within the statutory timeframes as specified in the Official Information Act 1982.
- Advisory support in select committees and Parliament will be provided as required and within agreed timeframes.
- Speech notes, briefing notes and other information to the Minister will be provided within agreed timeframes.

Cost

The output class will be provided within the appropriated sum of \$3.435 million (GST inclusive).

Output Class D2 – Regulatory Services

Description

The introduction of competition to the workplace accident insurance market has required the establishment of an Accident Insurance Regulator within the Department of Labour. The Accident Insurance Regulator is funded by levies recovered from registered insurers. The primary objectives of the Regulator are to:

- ensure that claimants receive their statutory entitlements
- minimise fiscal risk to the Crown by ensuring continuity of insurance by all employers and by ensuring that insurers maintain their obligations under the Accident Insurance Act 1998
- collect and disseminate information to enable the scheme to be effectively monitored and to ensure that a competitive marketplace is maintained.

Performance measures

Compliance management

Issue insurance number to new employers within 5 working days of request. (Note: This performance measure is applicable for the period between 1 July 1999 to 31 March 2000 only.)

Development projects

- Complete implementation tasks by 30 September 1999.
- Complete compliance follow-up of employers advised by @Work Insurance as having terminated transitional contracts, by 30 June 2000.
- Establish performance measures for compliance management for the 2000/01 year by 31 March 2000.
- Set up and document procedures to be followed in the event of an insurer becoming insolvent by 31 August 1999.

Information management

- Publish official statistics derived from the policy and claims data. At least one set of statistics will be published prior to 30 June 2000.
- Provide information on request in accordance with the access protocols, within agreed timeframes.
- Establish policies and protocols for the data warehouse by 31 October 1999.

Cost

The output class will be provided within the appropriated sum of \$4.409 million (GST inclusive).

Output Class D3 – ACC Transition

Description

This output class provides for the management of the transition of workplace accident insurance to a single public fund administered by the Accident Compensation Corporation. The key areas of work are risk management, communication and the realignment of the Accident Insurance Regulator's activities.

A risk management programme will be developed and implemented to manage risks associated with the accident insurance reforms. A key priority will be on the development of a framework for monitoring ACC's implementation of the reforms. A communications strategy will also be developed and implemented to ensure effective communication with stakeholders affected by the reforms, particularly claimants, treatment providers, employers and self-employed.

As a result of the Accident Insurance (Transitional Provisions) Act 2000, the Accident Insurance Regulator is required to perform some additional tasks related to the Employer Registry and Data Warehouse. Changes to existing systems will be made to ensure continuity of information for a range of purposes. The Regulator will also assist ACC in meeting the requirements of the information regulations, and identifying new and uninsured employers from 1 April 2000.

Performance measures

Risk management

- Monthly reports will be provided to Ministers on the management of risks associated with the ACC reforms.
- Stakeholder groups will be notified of the new accident insurance arrangements by 30 June 2000.

Regulator realignment

- The Regulator will make appropriate system changes by 30 June 2000 to ensure the continuity of information for the range of purposes, as specified in section 194 of the Accident Insurance Act 1998.
- The Regulator will provide employer data to ACC by 3 April 2000 to assist ACC in their cover decisions during the transition.

Cost

The output class will be provided within the appropriated sum of \$0.728 million (GST inclusive).

Output Class D4 - ACC Competition Transition**Description**

This output class provides issue management, communication and relationship management arising from implementation of the Accident Insurance Act 1998. Previously this work had been undertaken by the Competition Implementation Office (located within the Labour Market Policy Group of the Department of Labour). The Department of Labour will actively facilitate the successful completion of the transition through:

- facilitating relationships between insurers and other market participants particularly treatment providers
- communicating the requirements of the Act so that employers, employees and insurers have information on their rights, opportunities and obligations
- monitoring the implementation of ACC restructuring and the development of tendering for accident insurance services by ACC to achieve the intent of the reforms.

Performance measures

- Provide relationship and issue management with key groups such as treatment providers.
- Provide information to employees, employers and the self-employed on their entitlements and obligations under the Accident Insurance Act.
- Undertake a market research survey to assess the outcomes of the reform for employers on issues such as health and safety initiatives and insurance product options.
- Manage enquiries about the requirements of the Accident Insurance Act and associated Regulations.
- Monitor the ACC's premium system development and the calculation, billing and collection of premium arrears, three month premiums from employers and premiums for self-employed.
- Review the cost allocation system used by ACC to distribute costs across the Accounts to provide assurance that the system fairly reflects the activity that occurs in each Account.
- Provide quality assurance advice on the ACC case estimate model used to derive cost of each claim to provide assurance of the reliability of ACC intra-year financial reporting.
- The performance of the Department in delivering these services will be measured through survey of Ministers, and through quarterly and adhoc reporting to Ministers on the ACC's progress on meeting the Key Result Areas detailed in the Service Agreement.

Cost

The output class will be provided within the appropriated sum of \$1.930 million (GST inclusive).

Output Class D5 – Non-Compliers Fund**Description**

The Accident Insurance Act 1998 established a Non-Compliers Fund to guarantee the provision of statutory entitlements to claimants whose employer failed to purchase an accident insurance contract during the period 1 July 1999 to 31 March 2000. The Accident Insurance Regulator is responsible for administering the Fund and has contracted out the management of claims made against the Fund. The cost of those claims made against the Non-Compliers Fund is met by penalties collected from non-compliant employers, with any shortfall to be met by way of a levy against registered employers.

Performance measures

- Appoint a claims manager to administer all accident insurance claims from employees whose employers did not purchase an accident insurance contract.
- Ensure that all entitlements paid for non complying claims meet the requirements of the Accident Insurance Act.
- Ensure that the Fund has sufficient funds at all times to meet cash flow requirements arising from claims made.

Cost

The output class will be provided within the appropriated sum of \$2.675 million (GST inclusive).

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	1999/2000			Explanation of 1999/2000 Crown Revenue
	Main Estimates \$000	Supplementary Estimates \$000	Total Budgeted \$000	
Current Revenue				
Non-Tax Revenue				
Levy from Insurers for Regulator Costs	-	3,919	3,919	A forecast of the levy payable by insurers to fund the functions of the Accident Insurance Regulator as provided for in section 236 of the Accident Insurance Act 1998.
Public Health Acute Services Levy	-	20,000	20,000	The forecast payments by insurers to fund the cost of public health acute services for work related injuries in 1999/2000.
Total Non-Tax Revenue	-	23,919	23,919	
Total Current Revenue	-	23,919	23,919	
Total Crown Revenue and Receipts	-	23,919	23,919	