

Levy setting process for the Motor Vehicle Account

To assist making our levies fair ACC uses its own claims data and information from other sources such as crash reports filed by the Police and data from the Register of Motor Vehicles. The additional data sourced does not provide information for all claims lodged with ACC, but it does provide ACC with insight into the risk of injury from different vehicles.

ACC has used this matched data to develop relativity factors. A relativity factor is a number that relates the risk of a vehicle type relative to another. For the Motor Vehicle Account levies the relativity factor is the relative risk compared to passenger vehicles (Class 2 / 6 vehicles).

ACC first determines an aggregate levy. This is the average levy payable to cover the life-time costs for the claims for injuries that will occur in 2010/11 (see section 6 in the 'ACC Motor Vehicle Account 2010/11 Technical Report on Levy Setting Methodology for Consultation') as well as the average amount of levy to be collected to fund the liability associated with claims still being managed from injuries that occurred prior to 1 July 1999. The levy for passenger vehicles (Classes 2 and 6) is derived from the aggregate levy (section 5.4 in the technical report). All the other levies are then built using relativity factors derived from the data available to ACC.

For motorcycles the levy is calculated in two steps.

- The first step sets the average levy to be collected across the entire fleet of motorcycles and mopeds. This is set at 150% of the levy for passenger vehicles. The 150% takes into account the higher risk of injury on motorcycles compared to passenger vehicles, the higher cost per claim, the lower risk posed by these vehicles to pedestrians and cyclists, and the historic view of the affordability of the levy. The 150% relativity factor has been in place since setting the 2002/03 levy.
- The second step is new for the 2010/11 levy and is as a result of a review of matched ACC / Ministry of Transport crash data which showed that there were differences in the cost to ACC, of motorcycle/moped injuries, based on engine capacity. To improve the fairness of the levy across all owners of motorcycles, ACC is proposing a second set of relativities that distribute average motorcycle levy across the motorcycle fleet based on the cost of injuries to ACC. This means that smaller capacity motorcycles contribute less to the average motorcycle levy than larger motorcycles because the claim cost per smaller vehicle is lower.

Figure 1: Weighted average of matched claim data for 2004 to 2009 showing data used to calculate relativity factors

Type of vehicle	ACC Motor Vehicle Class	Matched claims	Total lifetime cost	Number of licensed vehicles	Claims per 10,000 licensed vehicles	Average claim cost per claim	Average claim cost per licensed vehicle
Passenger vehicles	Class 2 / 6	9,082	188,599,307	2,309,043	39.33	\$20,767	\$81.68
Goods service vehicles	Class 5 / 9	1,335	46,368,850	402,235	33.20	\$34,722	\$115.28
0-125 cc motorcycles/mopeds	Class 4a / 8a	196	5,840,412	17,359	112.68	\$29,859	\$336.46
126-600cc motorcycles	Class 4b / 8b	262	9,946,270	15,068	173.55	\$38,035	\$660.11
601+cc motorcycles	Class 4c / 8c	384	29,219,805	29,677	129.36	\$76,113	\$984.58
All motorcycles/mopeds	Class 4 / 8 Total	841	45,006,488	62,104	135.42	\$53,516	\$724.70

Applying the “average claim cost per licensed vehicle” data from figure 1 to the 150% relativity factor of the average motorcycle levy produces relativity factors of 75% for motorcycles 0-125cc, 140% for motorcycles 126-600cc and 200% for motorcycles 601+cc.

If these motorcycle sub-groupings were not applied, all motorcycles would be charged the average total levy set at 150% of the passenger vehicle levy - that is \$585. The impact of using the proposed sub-groupings is set out below.

Motorcycle/moped group		150% relativity	Proposed sub-group levy	Impact of sub-grouping
0-125cc motorcycles + mopeds	Class 4a	\$585.84	\$292.93	-\$292.91
126-600cc motorcycles	Class 4b	\$585.84	\$546.28	-\$39.56
601+cc motorcycles	Class 4c	\$585.84	\$781.12	+\$195.28