

Accident Insurance (Accredited Employers Framework) Amendment Notice 2001

Pursuant to section 326C of the Accident Insurance Act 1998, the Minister for Accident Insurance gives the following notice.

Contents

		Page
1	Title	1
2	Commencement	2
3	Outline of the Partnership Discount Plan	2
4	Premium	2
5	Outline of the Full Self Cover Plan	3
6	Premium (Part 2)	3
7	New paragraph 10A inserted	3
	10A High Cost Claim Cover	3
8	Injured employees	4
9	Employer Liability Cap	4
10	Premium setting	4
11	New paragraphs 25 and 26 added	5
	25 Goods and services tax excluded	5
	26 Amendments available at end of Cover Period	5
12	Transitional provisions	5
13	Revocation	6

Notice

- 1 Title**
- (1) This notice is the Accident Insurance (Accredited Employers Framework) Amendment Notice 2001.
 - (2) In this notice, the Framework for the Accredited Employers Programme (SR 2000/111) is called “the principal notice”.

2 Commencement

This notice comes into force on its notification in the *Gazette*.

3 Outline of the Partnership Discount Plan

Paragraph 4 of the principal notice is amended by revoking paragraph 4.6, and substituting the following paragraph:

“4.6 The initial Contract for Partnership Discount must be for a minimum of 1 complete Cover Period of 1 year. However, on the expiry of that initial term, the Contract may be extended from time to time by agreement but no 1 extension may be for longer than 3 Cover Periods.”

4 Premium

(1) Paragraph 6.2 of the principal notice is amended—

(a) by omitting from the formula the expression:

$$\frac{100 + \text{BHC}}{100}$$

“ × 100

(b) by omitting from the list of defined expressions the item relating to BHC.

(2) Paragraph 6.3 of the principal notice is revoked.

(3) Paragraph 6.7 of the principal notice is amended by revoking steps 2 and 3, and substituting the following steps:

“Step 2: From that is to be deducted:

“– bulk health costs as referred to in paragraph 6.7A; and

“– administrative costs as referred to in paragraph 6.5.

“Step 3: The balance, after step 2, is to be treated as being for:

“– prudential reserves; and

“– claim entitlement and case management expenses; and

“– primary health costs (being those costs not already allowed for under PHC).

(4) Paragraph 6 of the principal notice is amended by inserting, after subparagraph 6.7, the following subparagraph:

“6.7A The Manager remains liable to meet bulk health costs (**BHC**) including public health acute services. BHC is to be fixed by the Manager from year to year based (to the extent reasonably practicable) on the following formula:

$$\text{BHC} = \frac{\text{C}}{\text{LEt}} \times \frac{100}{\text{APR}}$$

Where:

LEt = Estimated total liable earnings across all employers

APR = Average premium rate for all employers

C = Estimated bulk health costs for the Cover Period.

The estimated figures are to be the subject of paragraph 21. The Accredited Employer's contribution to bulk health costs is achieved by the impact of BHC on the discount calculated under paragraph 6.7"

5 Outline of the Full Self Cover Plan

Paragraph 7 of the principal notice is amended by revoking paragraph 7.6, and substituting the following paragraph:

"7.6 The initial Contract for Full Self Cover must be for a minimum of 1 complete Cover Period of 1 year. However, on the expiry of that initial term, the Contract may be extended from time to time by agreement but no 1 extension may be for longer than 3 Cover Periods."

6 Premium (Part 2)

Paragraph 9.6 of the principal notice is amended by omitting the words " , and the applicable level of the Limit", and substituting the words " , the applicable level of the Limit, and any High Cost Claim Cover excess level purchased under paragraph 10A".

7 New paragraph 10A inserted

The principal notice is amended by inserting, after paragraph 10, the following paragraph:

"10A High Cost Claim Cover

"10A.1 For the purposes of this paragraph 10A, **event** means a discrete and time-bound incident (which therefore does not include any gradual process) that results in entitlements under the Act for 1 or more employees.

"10A.2 An employer under a Contract for Full Self Cover may elect to purchase from the Manager the right to seek reimbursement if the costs of the aggregated entitlements arising from a single catastrophic event for which the Accredited Employer has

liability under the Accreditation Agreement exceed the agreed level of excess under paragraph 10A.3. The costs to be aggregated are the direct costs of the claims arising out of the event and do not include indirect costs such as claims management costs.

“10A.3 The level of excess may be 1 of the following:

“(a) \$250,000; or

“(b) \$500,000; or

“(c) a level above \$500,000 agreed by the Manager and the Accredited Employer in the particular case.

“10A.4 The option available under this paragraph 10A may be purchased by an employer only for an entire Cover Period and on giving the Manager notice in writing before the close of 31 December preceding the start of the Cover Period for which the option is to take effect.”

8 Injured employees

Paragraph 13.4(e) of the principal notice is amended by omitting from subparagraphs (ii) and (iii) the expression “sections 108 or 113(2)”, and substituting in each case the expression “sections 110(2) or 111(2) or 113(2)”.

9 Employer Liability Cap

(1) Paragraph 16.3 of the principal notice is amended by omitting the sentence “However, cover will be conditional on the Accredited Employer paying the additional premium that then arises from the election.”

(2) Paragraph 16.3A of the principal notice is amended by omitting the expression “1 month”, and substituting the expression “3 months”.

10 Premium setting

Paragraph 21.1 of the principal notice is amended by adding the following items:

“– F_{ELC}
“– F_{FSC}”

11 New paragraphs 25 and 26 added

The principal notice is amended by adding the following paragraphs:

“25 Goods and services tax excluded

- “(1) Unless this Framework otherwise provides, if this Framework requires the calculation of dollar amounts or costs, the calculation does not include any goods and services tax payable.
- “(2) This paragraph is for the avoidance of doubt.

“26 Amendments available at end of Cover Period

- “26.1 If a Contract for Partnership Discount or a Contract for Full Self Cover has at least 1 full Cover Period to run, the employer under that Contract may, on giving the Manager notice in writing, seek to—
- “(a) reduce the duration of the Contract by specifying the Cover Period (which may include the current Cover Period) at the close of which the Contract will terminate; or
- “(b) change from the existing Plan to the other Plan by specifying the Cover Period (which may include the current Cover Period) at the close of which the Plan will change.
- “26.2 If a Contract for Partnership Discount or a Contract for Full Self Cover is in its final Cover Period, the employer under that Contract may, on giving the Manager notice in writing, seek to renew the Contract for 1 or more Cover Periods.
- “26.3 All notices under paragraphs 26.1 and 26.2 must be given before the close of 31 December preceding the start of the Cover Period for which the change is to take effect.
- “26.4 If an employer ceases to be an Accredited Employer as a result of reducing the duration of the Contract, that employer may not become an Accredited Employer again unless 2 years have elapsed or the Manager agrees to the employer becoming an Accredited Employer again.”

12 Transitional provisions

- (1) Despite paragraph 10A.4 of the principal notice,—
- (a) an employer under a Contract for Full Self Cover that is in effect at the time this notice comes into force who

- wishes to elect to purchase High Cost Claim Cover under paragraph 10A.4 of the principal notice in respect of the Cover Period commencing on 1 April 2001 must give the Manager a notice in writing to that effect before the close of 31 March 2001; and
- (b) on giving notice in accordance with paragraph (a), the employer is to be treated as having complied with the notice requirement of paragraph 10A.4 of the principal notice; and
 - (c) the Manager must negotiate an amendment to the Contract that gives effect to the election.
- (2) Despite paragraphs 26.1 to 26.3 of the principal notice,—
- (a) an employer under a Contract in effect at the time this notice comes into force who wishes to change from the employer's existing Plan to the other Plan, or to reduce the duration of the Contract, with effect on and from 1 April 2001, must give the Manager a notice in writing to that effect before the close of 31 March 2001; and
 - (b) on giving notice in accordance with paragraph (a), the employer is to be treated as having complied with the notice requirements of paragraphs 26.1 to 26.3; and
 - (c) the Manager must negotiate an amendment to the Contract that gives effect to the change.

13 Revocation

Paragraph 4(2) of the Accident Insurance (Accredited Employers Framework) Amendment Notice 2000 (SR 2000/121) is consequentially revoked.

Dated at Wellington this 13th day of March 2001.

Michael Cullen,
Minister for Accident Insurance

Explanatory note

This note is not part of the notice, but is intended to indicate its general effect.

This notice, which comes into force on its notification in the *Gazette*, amends the Framework for the Accredited Employers Programme.

The amendments—

- remove the bulk health costs component from paragraph 6.2 of the principal notice because the discount factor already adjusts for these costs:
- correct paragraph 6.7 of the principal notice by moving the reference to primary health costs from step 2 to step 3 and correcting a reference to administrative costs:
- correct incorrect cross-references to section 108 of the Accident Insurance Act 1998:
- make it clear that the calculation of dollar amounts under the principal notice excludes GST unless otherwise stated:
- provide flexibility by reducing the minimum duration of the initial Contract from 3 Cover Periods to 1 Cover Period and by allowing an unlimited number of extensions of up to 3 Cover Periods on any occasion:
- allow an employer to move from 1 Plan to another Plan or to reduce the duration of a Contract:
- provide a High Cost Claim Cover option that enables an employer to purchase the right to seek reimbursement in the event that the aggregated entitlement payments arising from a single catastrophic event exceed the agreed level of excess (\$250,000 or \$500,000 or a higher agreed amount).

Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*: 22 March 2001.

This notice is administered by the Department of Labour.
