Can I Dial Down My ACC Levies?

Current statistics show that 75% of all businesses and self-employed people in New Zealand are overpaying when it comes to ACC levies, mainly because they are unaware of how ACC works and other available options. In fact, both contractors and self-employed business owners in New Zealand can save hundreds of dollars by reducing their ACC levies and purchasing private insurance with some of the money they save on ACC levies. There are several reasons why this approach is a wise business decision for contractors and self-employed business owners. Reasons:

1. ACC is not full insurance coverage.

Self-employed people have no choice when it comes to ACC coverage. The ACC website explains this in more detail. www.acc.co.nz , ACC Cover Plus is compulsory as soon as you become self- employed. However, ACC only provides loss of earnings compensation for a work or non-work related personal injury. You are not covered for any other situation, like illness or a disability that prevents you from working. In New Zealand, health statistics show that seven out of eight disabilities are not caused by injury, but by illness, which ACC does not cover. So you are paying a pretty significant ACC levy for only partial coverage.

A better alternative is to choose ACC Cover Plus Extra. It's an optional cover that replaces ACC Cover Plus, however, very few self-employed Kiwis take advantage of it. It provides the same cover as Cover Plus, but you can choose how much you want to cover yourself for, even if it's lower than your annual income, although you will receive less in loss of earnings compensation if an injury puts you out of work. The substantial ACC levy amount you will be saving can be used to pay for private insurance where you can get more cover for a reduced rate.

2. You might not get what you expect from ACC.

ACC Cover Plus pays 80% in loss of earnings compensation based on your previous year's income. But you have to submit proof of your income at the time you submit a claim, something that could be difficult to do if you're in the hospital, unable to access last year's tax records, or haven't completed last year's financials. In this situation, you have to wait until you can provide the proof before ACC pays out.

When you provide the proof, and you had a lot of deductions against last year's income, the 80% compensation might not amount to very much. Also if your income and bills have increased since last year's tax return, you may not receive enough loss of earnings compensation to meet your expenses.

There are also instances where you may not receive ACC Cover Plus payouts even through you paid the ACC levies. For example, you may not receive loss of earnings compensation if your business continues to make money while you are unable to work. ACC payments may also cease if you are unlikely to return to work again, return part-time to work, or if you are able to work in an alternative role other than the one you worked in before your injury.

To avoid playing a guessing game with ACC, there is a better solution which is to select Cover Plus Extra, request a lower loss of earnings compensation amount to reduce your ACC levy and fill in the gap with private insurance such as income protection, mortgage protection, or life insurance.

3. You can save significantly even when supplementing with private insurance.

Some self-employed business owners have saved thousands of dollars in ACC levies every year by dialing down their ACC cover to 40 percent. By lowering your level of accident compensation cover, you pay less in ACC levies, giving you extra money to obtain more comprehensive insurance to cover you for illness, disability, death and other circumstances for which ACC does not provide compensation.

Private insurance options include income protection insurance, mortgage protection insurance life insurance. Cost analysis have shown that most self-employed people can reduce their annual ACC levy by about 50% by dialing down their ACC cover and supplementing it with private insurance. In the end, you'll be covered for personal injuries, accidents, illnesses, disabilities, or any other situation that keeps you from working, and you'll be paying much less for that comprehensive coverage.

4. A business needs comprehensive insurance to remain solvent.

While ACC only covers you for medical procedures, hospital stays, tests and rehabilitation, private insurance covers you, your family, as well as your whole business. It provides the funds for replacing key personnel in the business if they are unable to work. Private insurance also covers you for any loss of profits your business may suffer while you or key personnel are unable work. Having private insurance also makes it easier to obtain a temporary loan, if needed, to get you through the interruption in business until you or key personnel are able to return to work.

5. The availability of a rates and cover comparison ensures you get the right insurance.

When it comes to being properly insured, ACC is only part of the solution. Private insurance provides the rest, making sure that you, your family, your home and other investments are protected in the event you are out of work and unable to earn an income. One of the easiest ways to find the right insurance product for your needs is to do a rate comparison of the leading insurance companies. This will allow you to compare cover and costs so you can obtain the insurance cover you need at a price you can afford.

Rather than spend time contacting different insurance providers, you can use our free rates comparison. It's available 24/7, and is quick and easy to do. You'll receive an easy to understand comparison detailing the various cover, limits and rates from up to seven different insurance companies.

If you are considering reducing your ACC benefit to save on ACC levies, be sure to talk with us first about filling the gap with income protection, mortgage protection, or life insurance. We'll guide you by providing answers to your questions and supplying you with the information you need to help you make the right insurance choice for you.

Illness vs. Accident Statistics

In New Zealand, personal injury insurance for work and non-work related injuries is mandatory for self-employed people through the government's Accident Compensation Corporation (ACC). When you look at New Zealand's health statistics, Kiwis are more likely to be out of work from a long-term serious illness rather than an accidental injury.

The Statistics Tell the Story

According to the latest statistics on the ACC website, www.acc.co.nz 207,467 work injury claims were submitted in 2012, with 64.6 percent of those injured people returning to a productive life within three months. What's more, 82.3 percent returned to work within six months, while 91.6 percent returned within a year.

On the other hand, the New Zealand Ministry of Health statistics show that serious illnesses, such as cancer and heart disease, continue to rise, along with the length of time people remain out of work from these serious illnesses. Furthermore, heart disease is the leading cause of death in New Zealand, according to the Heart Foundation. Forty percent of all deaths each year in New Zealand are a result of heart disease.

On a per day perspective, there are only 3.2 accidental death claims, while 51 people are diagnosed with cancer, 22 people die from cancer and one New Zealander every 90 minutes dies from coronary heart disease.

The statistics clearly show that long-term serious illness, not personal injury, is the biggest risk for self-employed New Zealanders, yet the ACC levies they pay for ACC cover only compensates them for when an injury makes them unable to work. ACC does not cover illnesses or non-injury related disabilities.

Ways to Address ACC Cover Shortages

New Zealand's self-employed must select either ACC Cover Plus or ACC Cover Plus Extra as their personal injury insurance and pay the applicable ACC levy. But more importantly, they need to supplement ACC coverage with private insurance to keep them financially stable when they are unable to work due to an illness.

The most cost-effective way to do this is to select Cover Plus Extra and request a low loss of earnings compensation amount. This will reduce the amount of your ACC levy, freeing up funds so you can purchase private insurance. Private insurance costs less than what you are currently paying in ACC levies and not only supplements your ACC loss of earnings compensation, but also gives you more comprehensive cover for other circumstances that prevent you from working.

With an income protection policy, life insurance, trauma or permanent disability policy, or mortgage protection insurance, or a combination of several policies to match your needs, you are covered for all injuries, accidents, serious and critical illnesses, permanent disability and accidental death. Private insurance also ensures you have enough money to maintain your lifestyle and pay your mortgage, bills and other expenses while you are out of work. Your spouse and children also will be financially secure with your private insurance plans. In addition, the cost analysis shows that you can save hundreds and possibly thousands of dollars when you reduce your ACC cover and its associated levy and supplement it with private insurance.

About ACC Cover Plus Extra

As a self-employed business owner or individual in New Zealand, you have numerous options for insurance coverage if you are unable to work. The government offers two levels of loss of earnings compensation: ACC Cover Plus and Cover Plus Extra. Both covers require you to pay ACC levies and both are limited to personal injury coverage only. However, many self-employed people prefer ACC Cover Plus Extra because it provides them flexibility in managing their insurance cover to meet their needs and budget. ACC coverage options are explained in detail at the ACC website www.acc.co.nz

What You Need to Know about ACC Cover Plus Extra

ACC Cover Plus Extra comes into effect when you have a personal injury and are unable to work. It helps pay for diagnostic tests, treatment, surgery, rehabilitation and prescription costs associated with your injury. However, unlike ACC Cover Plus, the optional Extra plan allows you to choose your level of compensation, subject to ACC underwriting approval. This personal injury cover, you give you a set amount of compensation for when you are out of work due to an injury. This means you do not have to prove your earnings when making a claim, which is required with ACC Cover Plus.

With ACC Cover Plus Extra, you have the option to select lower levels of weekly compensation. If you select this option, you can lower your ACC levy by reducing the amount premium you pay each year. Keep in mind that even though your work hours may have increased prior to your injury, with the lower levels of weekly compensation option, you will only receive loss of earnings compensation at the lower level of weekly compensation you selected.

What ACC Cover Plus Extra Doesn't Cover

All ACC cover plans, including Plus Extra, only provide loss of earnings compensation for when you have a work or non-work injury that prevents you from doing your job. It does not cover you when you are not able to work due to an illness, a health condition, a disability, or an old injury that reoccurred due to wear and tear.

In addition, ACC cover is only available to people who are self- employed full time, which is defined by the government as 30 hours or more per week. Part-time self-employed individuals who earn more than the ACC Cover Plus Extra minimum can qualify for coverage. The minimum changes each year, but for the 2013/2014 levy year, the minimum amount of loss of earnings compensation before tax is $432 a week or $22,464 a year. The maximum amount of lost earnings compensation allowed is $1,785.98 per week before tax or $92,871 per year.

Since ACC is designed to pay out for personal injury only, there is limited compensation available in the event that death results from the injury. ACC makes available grants that help supplement the cost of burial, childcare, spousal support and weekly compensation.

Because of the limitations of ACC cover, most self- employed New Zealanders supplement ACC with private insurance, such as income protection insurance, mortgage protection insurance with mortgage repayment and/or life insurance.

How You Can Save Money with ACC and Private Insurance

When you supplement ACC Cover Plus Extra with private insurance, you can save significantly on your ACC levy.

ACC levies are based on many factors, among them: the structure of your business, the number of years in business, the type of work you do, your earnings over the last three years, whether replacement labour is required and your risk of future injuries.

But you can lower these levies considerably by having private insurance cover. In most cases, you will end up paying less for private insurance than what you would have to pay in ACC levies. In addition, with private insurance, you will be covered for more than just personal injury.

Here's how private insurance works with ACC Plus Extra:

1. You take out private insurance, whether it's life insurance, income protection insurance, or mortgage protection insurance. We can help you decide which type of insurance is right for you based on your needs. We'll also get rates for you from up to 7 different insurance companies so you can quickly and easily compare the different covers and premiums.

2. Once your private insurance is in force, you opt for ACC Plus Extra and select a lower level of compensation.

3. Your ACC levy is greatly reduced so you can use these savings to help pay for your private insurance policy.

Accidental Death and ACC

Since self-employed people are paying ACC levies, most expect their ACC Cover Plus or Cover Plus Extra to pay out when they have a personal injury. But they don't give a thought to what would happen if that injury led to death. The government's Accident Compensation Corporation (ACC) website www.acc.co.nz explains that in the event of an accidental death from injury, ACC cover might not be provided, but if it is, the payment amount is determined using several factors.

The limitations in ACC payments when an injury causes death could put the loved ones you leave behind in financial disrepair. With life's unexpected twists and turns, it's important to have your finances in order, including having the proper private insurance to take care of your family when you are no longer able to do so. Affordable options include life insurance, income protection insurance and mortgage protection insurance.

How Much Support to Expect from ACC

The ACC's weekly compensation for accidental death is very limited. Only dependents that relied on financial support from the person who died will be entitled to weekly compensation if the ACC cover is approved. Even then, the payment amount those dependents will receive is calculated using certain guidelines. The ACC will determine accidental death payments by calculating how much the deceased person would have received if he or she was injured and unable to work. Typically, the amount is 80% of the deceased's earnings, which is further divided among the deceased person's survivors. For example, a partner would receive 60% to 80% of the calculated amount, while each child or dependent under the age of18 would receive up to 20% of the calculated amount. For those who qualify for accidental death weekly compensation, the support comes with an end date.

ACC also offers childcare payments following a parent's death as a result of an injury. This support will help to cover caregiver costs for childcare for up to five years from the date of death or until the child turns 14 years old. Typically, it takes ACC 21 days to approve eligibility for childcare payments.

The timeframe for receiving accidental death ACC benefits varies, depending on how long it takes ACC to obtain details about the deceased person's earnings and other information required. Typically, if the deceased's dependents complete all the necessary forms, ACC will contact them when the accidental death claim has been approved. However, the waiting period could leave the deceased's family will little or no financial support if there is no private insurance policy. Even more financially detrimental is if the weekly compensation claim is denied.

ACC Grants for Accidental Death Expenses

As part of the accidental death claim process, ACC will also contribute towards burial expenses via its funeral grant. This grant is awarded to the eligible estate of the person who died and paid directly to the funeral director after ACC receives a detailed invoice.

ACC also offers a survivor's grant, which is a one-time payment to a partner, child and other dependents of the person who died as a result of an injury. The non-taxable payment is calculated based on the date of death.

Private Insurance as a Safety Net

Because ACC compensation is not definite when death occurs from an injury, private insurance is a crucial safety net to have. Even if survivors qualify for ACC compensation, payouts are limited and can cease before the deceased's loved ones are financially stable. Keep in mind that ACC only pays for death from an injury, not an illness.

Unfortunately, self-employed people in New Zealand are often unable to pay for life insurance, income protection insurance, or mortgage protection insurance because they are paying high ACC levies. There are options available with ACC Cover Plus Extra where you can lower your ACC cover and the associated ACC levies and use the savings to buy more comprehensive coverage through a private insurance policy that will ensure your family is well protected when you die.