

Officer responsible Director of Finance	Author John Mackey
Corporate Plan Output: Trading Activities	

The purpose of this report is to:

- (a) inform the Council of the changes required by the Accident Insurance Act 1998
- (b) seek the Council's approval for the proposed strategy for obtaining the best insurance cover for the Council.

BACKGROUND

- Under the Accident Insurance Act 1998, all employers are now required to enter into and maintain in force a single accident insurance contract with either a private insurance company or the new SOE, AT Work NZ. The cover under this contract must, as a minimum, provide employees with the benefits they enjoy under the existing ACC regime.
- Failure to insure by 1 July 1999 renders the employer liable to a civil penalty of 3.5 times the premium that should have been paid and, if the failure to ensure is done knowingly, a fine of up to 5 times the premium that should have been paid.
- The employer must within 5 working days of the contract coming into force or being changed, notify every employee in writing of certain statutory information. This written notice covers every employee including temporary or casual employees.
- Unless it is written into the insurance contract, the employer has no legal right or obligation to manage a work injury claim by an employee. An insurer has the right to manage the claims or to subcontract claims management to a third party.
- Council management has recognised the need to protect its existing rights to the extent that the Act allows and the need to ensure that it takes full advantage of the opportunities afforded by the new legislation. An ACC Review Team was established to identify and recommend the best course of action for the Council.

ACTIONS TAKEN TO DATE BY THE ACC REVIEW TEAM

The team members have reviewed the requirements of the Act and sought guidance from Buddle Findlay's ACC Unit on the best approach to take. They have also attended training seminars on the new regime and spoken with various brokers and others offering services to identify the opportunities afforded by the new legislation.

The team identified a preferred strategy of selecting an insurance broker to seek quotations from each of the insurers who will be quoting for business under the Act. The quotations sought from each insurer would be for differing levels of self insurance so that the best option could be identified.

The quotations sought from each insurer would also be for two 'entities'. The Council by itself and the Council, together with the three subsidiaries that have excellent accident records, viz, Christchurch Transport Ltd, Christchurch International Airport Ltd and Canroad Construction Ltd. The quotes obtained for the latter 'entity' should provide cheaper cover for all four parties.

The team has selected Willis Corroon as the broker after consultation with and presentations by three brokering firms. Willis Corroon prepared a detailed proposal that includes a self insurance option that may result in substantial savings over the existing level of ACC premiums.

Willis Corroon are also offering through its subsidiary, Injury Management NZ, claims processing and management services. These can be provided at competitive rates with strong Christchurch support if the insurer requires the Council to provide these or it is advantageous for the Council to do this. This also provides flexibility for the Council to put the necessary measures in place within a very tight statutory deadline.

Willis Corroon will prepare the proposals to go to each of the insurers in conjunction with the Council. It will then analyse the quotation, including actuarial assessment of the different levels of self insurance and make a recommendation. This recommendation will be supported by commentary on the factors that led to the recommendation made.

- Recommendation:**
1. That the information be received.
 2. That the Director of Finance and Director of Human Resources be delegated authority to undertake the steps necessary to implement the accident insurance cover in conformity with the Act and in line with the strategy recommended by the ACC Review Team.