



ACC – Get the Best Structure for Your Needs

We are fortunate in New Zealand to have the no fault accident scheme available. It is likely that throughout our lives we will have reason to call on that insurance for ourselves or family members for treatment for injuries arising from accidents. And for most of us it's a comforting thought to know that the large proportion of costs for the services we need are subsidised.

However, for the self employed, who find themselves unable to work and earn income because of an accident, ACC Insurance can frequently be found wanting.

There are two main causes of this:

1. ACC benefits have traditionally been based on the declared personal taxable income of an individual. If personal taxable income has been reduced by means such as declaring surpluses as company profit or splitting income with life partners then the assessed benefit is frequently less than the actual income loss suffered by the injured person.
2. ACC is currently up to 80% of taxable earnings but it is limited to \$88,015 gross benefit. So if the injured person earns more than \$110,019 per annum they will suffer a loss of income on an ACC claim.

Over recent years ACC have been changing the options under their lost earnings cover. The effect of this has been to provide the self employed with the opportunity to structure their ACC cover to best suit their circumstances. In many cases this means reducing the ACC lost earnings cover and thereby reducing the levy. This should be done with caution and with professional advice to ensure that there aren't gaps in the insurance cover that could cause financial hardship.

The statistics for disablement that prevents someone from working are surprisingly high:

- One in eight females between the ages of 15 – 65 had a disability that has kept them off work for six months or more. Of these, nearly a third will still be on claim 12 months later.
- One in seven males between the ages of 15 – 65 had a disability that kept them off work for six months or more.
- Accidents only make up 19% of all income loss claims – the rest are caused by illness.

ACC Cover Plus and ACC Cover Plus Extra

The new ACC products allow you to tailor your ACC insurance to best suit your needs and to match what entitlements you are likely to receive if you have to claim. For some clients this involves reducing the ACC Cover to the minimum level and reducing the levy payable accordingly. For others it will be a process of converting to an agreed value benefit so that there is certainty of the benefit that will be paid from an injury which causes a loss of income by reason of being unable to work.

However if you rely on your ability to earn income to maintain your lifestyle then it is essential that a corresponding Income Protection policy is put in place. This will ensure you have a level of income you need irrespective if the cause of your disablement is illness or injury.

The key differences between the policies are outlined in the table on the reverse:

Welcome...

As we leave winter and welcome spring there have been significant changes in the human capital risk sector with the introduction of regulation. This couldn't come at a better time to increase customer confidence and we will be working with you all to better understand what this means. We will require the sign off of our new disclosure statements at our next consult.

As well as being qualified to give advice on matters pertaining to financial risk; we can assess current ACC cover in line with your Income Protection Insurance to provide advice on the best structure for any circumstances to ensure maximum protection for the most cost effective premium. We will take it one step further by making and following up the alterations directly with ACC.

If you have someone in mind that would benefit from this advice we would really appreciate the opportunity to speak with them.

Best wishes Steven Radich

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	ACC CoverPlus Extra	ACC CoverPlus and ACC Workplace Cover
Weekly Entitlements	Pays you 100% of the amount agreed (less tax).	Pays up to 80% of your previous year's earnings (less tax) (limits and conditions apply).
	Paid in full, even if your business continues to generate income during your time off work, or you return to work on a part-time basis.	Will be reduced if your business continues to generate income during your time off work, or you return to work on a part-time basis.
	You do not have to prove loss of earnings.	You must prove loss of earnings.
Levies	Calculated using: - The agreed amount of benefit in your ACC insurance - Your business activity.	Calculated using: - Your previous year's liable earnings - For the self-employed: levy rates specific to your individual role within the business - For shareholder-employees: the company activity.
Claims	Your pre-agreed payment starts once your claim has been accepted.	The level of lost earnings cover is determined after you have made a claim.
	Seven-day waiting period.	Seven-day waiting period

Example 1: Comparing ACC CoverPlus and ACC CoverPlus Extra

John is a Consultant who has been self-employed since 2002. His average income over the last three years is \$82,000 and in the last year (2009/2010) he earned \$76,000.

	ACC CoverPlus	ACC CoverPlus Extra (Standard)	ACC CoverPlus Extra (LLWC)
Level of Cover	\$60,800	\$60,800	\$60,800
Total Levy (inc GST)	\$2,035	\$2,082	\$2,040

LLWC = Lower levels of Weekly Compensation. This option is where the applicant can choose to forgo the non-abatement benefit of ACC CoverPlus Extra Standard, for a reduced levy.

An extra \$47 for ACC CoverPlus Extra gives John simplicity when making a claim as there is no need to prove loss of earnings. He will receive 100% of the weekly amount he negotiated if he can't work because of injury and he has full compensation whilst returning to work gradually.

John may apply to reduce his ACC CoverPlus Extra cover to the minimum statutory amount of \$21,216

	ACC CoverPlus	ACC CoverPlus Extra (Standard)
Level of Cover	\$60,800	\$21,216
Total Levy (inc GST)	\$2,035	\$905

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Example 2: Fosters Building Limited - Scenario

Liz Foster and Scott Foster are the shareholders of the company Fosters Building Limited and are both currently on ACC Workplace Cover under the company classification code of House Construction – 41110. Liz is the office manager and Scott is the builder.

Current situation

	Scott Foster	Liz Foster	TOTAL LEVY
Current CU	41110 House Construction	41110 House Construction	
Level of Cover	\$89,335	\$80,000	
Current levy ACC Workplace Cover*	\$7,574	\$6,783	\$14,357

Scott and Liz can opt to change their current cover to ACC CoverPlus Extra for the both of them but in addition they can also benefit from changing Liz's classification code from House Construction to Office Administration. They also can choose to reduce the level of cover on each of them and in the example below Liz's cover has been reduced to the statutory minimum of \$21,216 and Scott's has been reduced to \$50,000.

The savings are substantial as shown in the table below:

New Structure

New CU	41110 House Construction	78540 Office Admin	NEW TOTAL LEVY
ACC CoverPlus Extra Level of cover	\$50,000	\$21,216	
New Levy	\$4,904	\$1,001	\$5,905

It will be important for Liz and Scott to ensure they also have the right Income Protection Insurance policy in place to protect their loss of income for accident or illness. But at least they now have the ability to reduce the level of duplication and the overall cost.

How we can Help You

Our objective is to assess the optimal combination of Income Protection and ACC to:

- Provide the appropriate amount of insurance you need under either circumstance of illness or accident;
- Reduce the duplication of insurance for accidental events to the extent we can under law;
- Obtain the optimum premium cost by appropriately structuring your Income Protection and ACC Levies.

The case studies highlight some of the benefits you can gain by obtaining professional advice.

Please talk with your Triplejump Adviser if you would like a review of your ACC Structure.