

Biennial Convention 2007

Adventures in Risk

23-26 September 2007 • Christchurch, New Zealand



Institute of Actuaries of Australia



Contemporary Issues in Private Health Insurance

Health Practice Committee:

Andrew Gale

Ben Ooi



Outline

- A new insurer
- Trends
- Private Health Insurance Act 2007
- Broader Health Cover
- Appointed Actuary role
- Risk Equalisation changes
- Solvency & Capital Adequacy Standards
- Demutualisations and ASX Listings
- Health Practice Committee



A new insurer

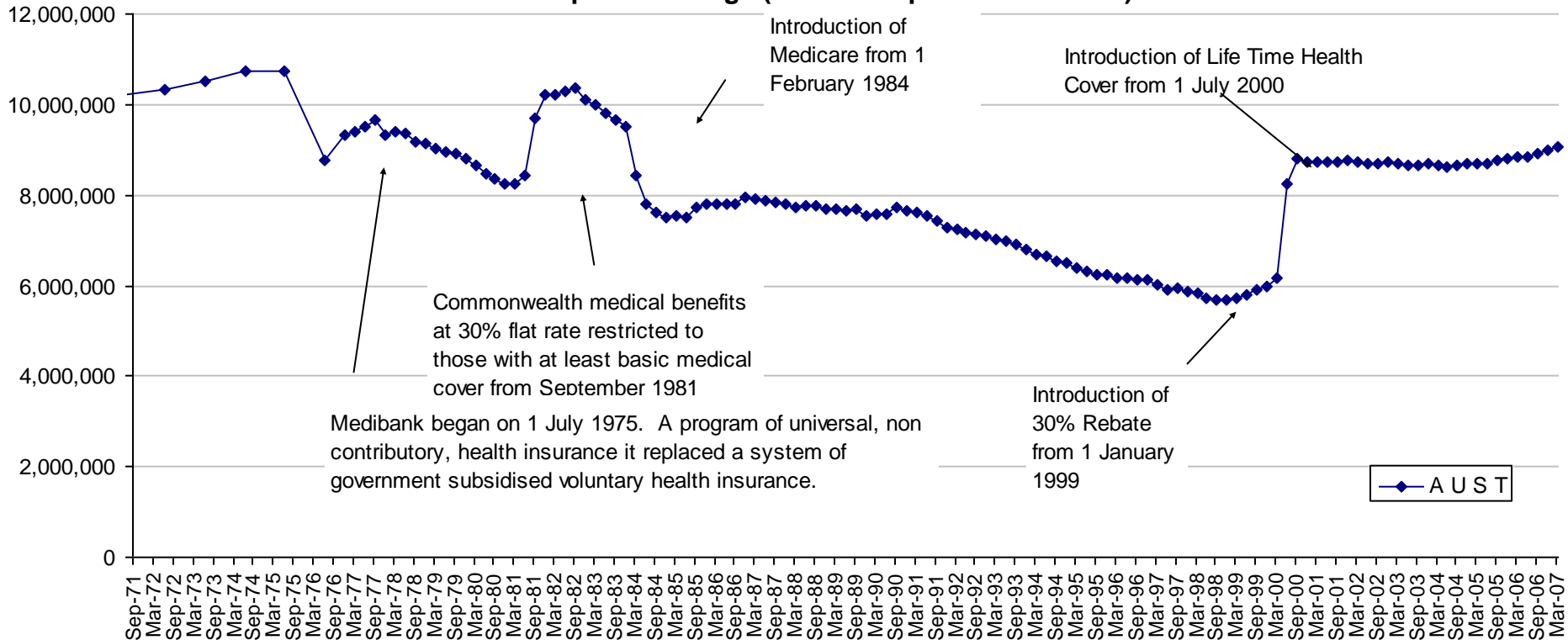
- First new insurer in 20 years –making 38 insurers
- National Health Benefits Australia Pty Ltd
- Operates as OneMediFund –open and for-profit
- Managed by Peoplecare from Wollongong
 - Same products
 - Same systems
 - Same management
- Diversification for Peoplecare



Trends

- Membership

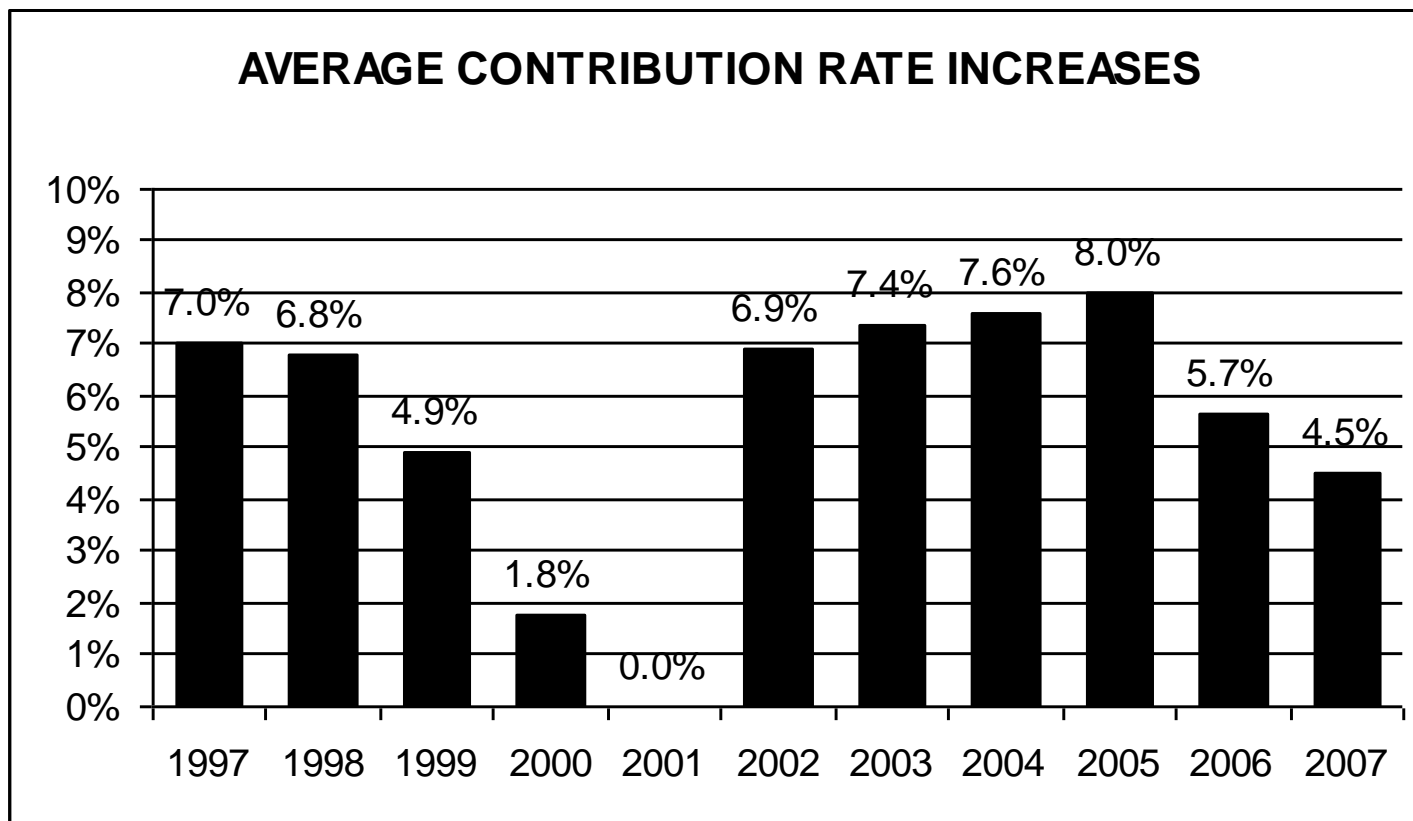
Total Hospital Coverage (number of persons covered)





Trends

- Price Increases





Trends

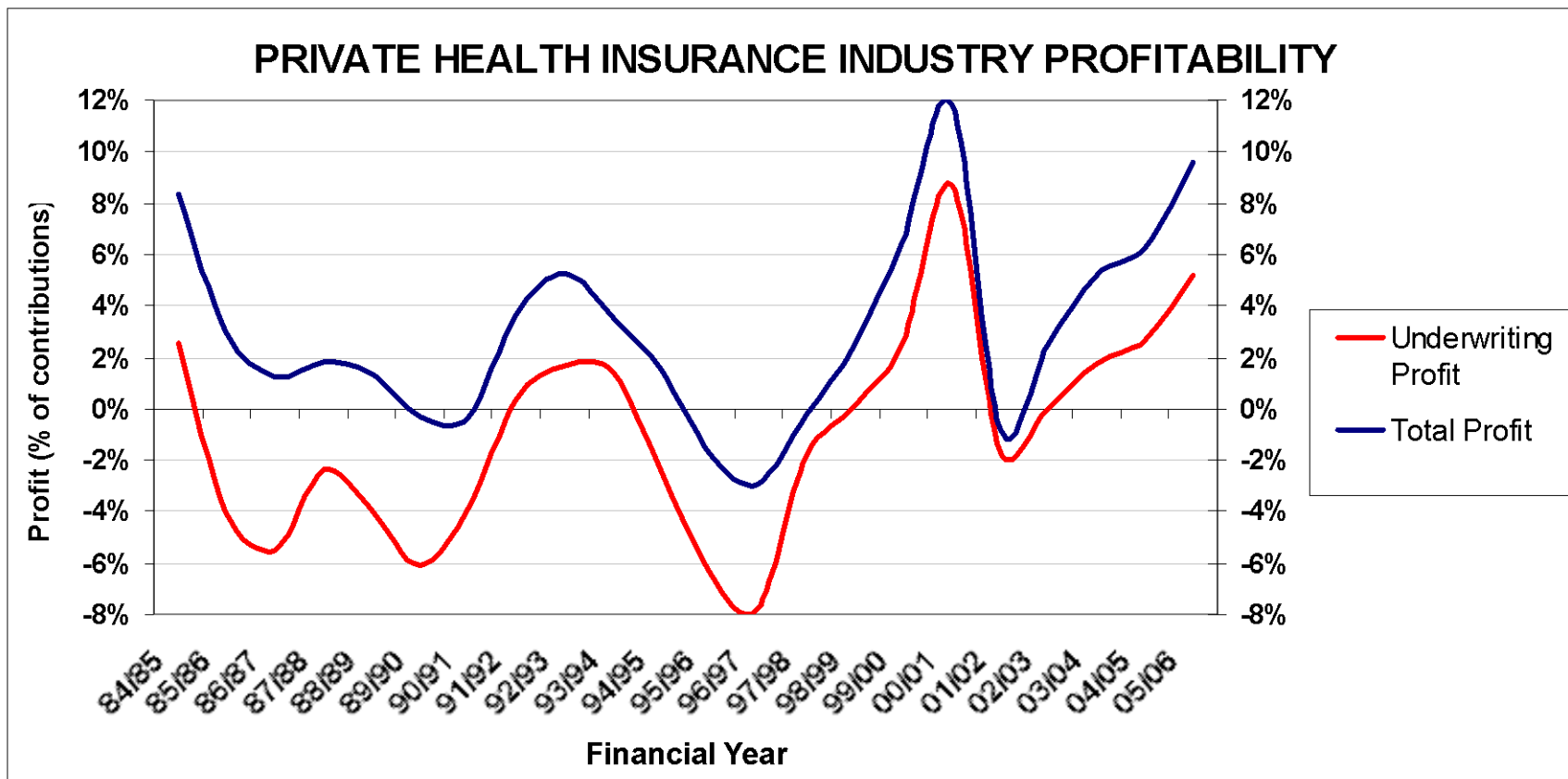
- Ageing

Year ended	Hospital Insurance Risk Profile change
Dec 98	1.9%
Dec 99	-1.1%
Dec 00	-12.0%
Dec 01	1.9%
Dec 02	1.9%
Dec 03	1.9%
Dec 04	1.9%
Dec 05	1.9%
Dec 06	1.3%
June 07	1.1%



Trends

- Financial Performance





Private Health Insurance Act 2007

- Separated from National Health Act 1953
- Appointed Actuary role
- Broader Health Cover
- Risk Equalisation changes
- Health Benefits Fund concept (statutory fund)
- Health insurance business
 - vs health related business
- Re-registration of health funds required
- Private health insurance website – SIS
- Health insurance products need to be complying



Appointed Actuary

- **Division 160 of Private Health Insurance Act**
similar to APRA Life Insurance Appointed Actuary regime
details in Private Health Insurance (Insurer Obligation) rules
Appointed Actuary has qualified privilege
whistleblower provisions
- **Specified duties of Appointed Actuary**
valuation of insurance liabilities and valuation model
determination of discretionary margin in Capital Adequacy
determination of risk margins for financial statements
annual Financial Condition Report



Notifiable Circumstances

- Health funds must advise actuary of:
 - proposed changes to premiums or benefits
 - changes to strategic or business plans
 - development of new products or major changes to products
 - changes to investment policy
 - development of or changes to capital management plan
 - any other event expected to have a significant financial impact
- Appointed Actuary must provide advice on these matters if warranted



Broader Health Cover

- Hospital Substitute Treatment
- Chronic Disease Management Programs
- Actuarial issues
 - Product structure and packaging
 - Benefit design and management
 - Pricing
 - Liability issues
 - Liability Adequacy Test, Outstanding Claims provision



Risk Equalisation changes

- Age based pool

Age	Old % pooled	New % pooled
0–54	0%	0%
55–59	0%	15%
60–64	0%	43%
65–69	79%	60%
70–74	79%	70%
75–79	79%	76%
80–84	79%	78%
85–89	79%	82%
90–94	79%	82%
95+	79%	82%



Risk Equalisation changes

- High cost claims pool (replaces Chronically ill)
- Operates within each state (ACT part of NSW)
- Financed by levy per SEU
- Single parents: 1 SEU (previously 2 SEUs)
- 500 SEU minimum removed for state reporting
- Medical benefit limit of 116% MBS fee removed



Review of Capital Standards

- Solvency & Capital Adequacy Standards developed in 2000
 - revised in 2003 – after initial operating period
 - revised in 2005 – for IFRS
 - revised in 2007 – for new legislation
- PHIAC has commenced a review
 - Initial industry paper: responses by 5 Oct
 - Preliminary view paper: Oct-Nov 2007
 - Proposed changes paper: Jan-Feb 2008
 - Draft Capital Standards: May-June 2008
 - Implementation of new standards: 1 Jan 2009

PHIAC is establishing a Standards Reference Group



Demutualisations and ASX listings

NIB members vote for ASX listing

The way is clear for demutualisation and a float by November

**MBF set
to float
on ASX**

MBF shrugs off BUPA bid for sharemarket listing

Health fund on ASX

NIB board confident premiums will not go up



Demutualisations and ASX Listings

- **NIB**

March 2007: announced plans to demutualise

19 July 2007: members vote in favour of demutualisation

Late 2007: ASX listing expected

- **MBF**

17 August 2007: Council endorse demutualisation proposal

31 August 2007: BUPA announces interest in buying MBF

2008: MBF expects to demutualise and list on ASX

- **Medibank Private**

December 2006: Medibank Private Sale Act passed

2008: ASX listing expected if coalition government re-elected



Health Practice Committee

- PHI CPD on-line course
- Submissions on CapAd Standards revision
- Review of Guidance Notes
 - GN650 – OSC liabilities and provisions
 - GN660 – financial projections
 - GN670 – financial condition reports
 - new material
 - appointed actuary role/responsibilities
 - IFRS

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Questions & Discussion