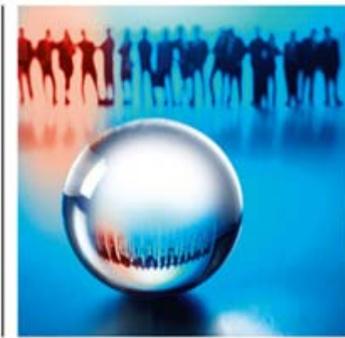


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SYNOPSIS

LONG TERM CARE INSURANCE: A SURVEY OF INSURER ATTITUDES

Bridget Browne

Key words:

Long Term Care insurance, aged care, longevity, insurability

Purpose of your paper:

To report on a survey of insurers regarding their views on Long Term Care insurance in Australia including consumer need, product viability and current barriers.

Synopsis:

While the State covers most Long Term Care outlay in Australia, the Government's response to the Productivity Commission report of 2011, the Living Longer, Living Better (LLL) package of April 2012, has confirmed that individuals who have the means will be required to contribute more than in the past to the cost of care (albeit with certain limits).

Private Long Term Care Insurance (LTCI) markets exist in several other countries (notably the US and France) but the product is absent in Australia. There are many possible reasons for this, one of which is supply-side reluctance.

This survey will approach relevant senior officers of life insurers, life reinsurers and major financial services consultants active in the Australian market to explore their attitudes to LTCI in the past and whether their views have changed in light of the LLL package.

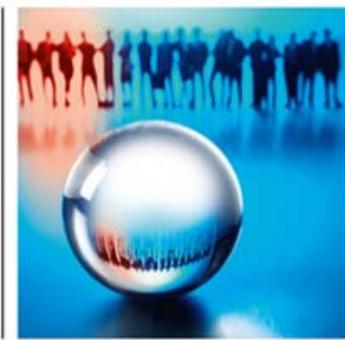
The aims are to:

- Gain an understanding of insurer attitudes towards LTCI
- Stimulate meaningful reflection as to whether LTCI is a viable private insurance product in the Australian marketplace
- Ultimately, open a dialogue between suppliers and purchasers

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SYNOPSIS

INCURRED CLAIMS ASSESSMENT: A PRIVATE HEALTH INSURANCE STUDY

David McSweeney

Key words:

Outstanding Claims, Estimated Incurred Claims

Purpose of your paper:

To discuss the relationship between the estimate of incurred claims and the estimates of the outstanding claims in the context of Private Health Insurance.

Synopsis:

Management needs to have a clear picture of how net profit is progressing from period to period. This can only be achieved if management is provided with an accurate appraisal of the claims incurred in each period; this will lead to claims and profit being correctly allocated to the period in which it is earned.

The common accounting approach is to determine incurred claims as the claims paid during the period plus the change in the Outstanding Claims Provision during the period. This amount is then recorded as the incurred claims for the period and is not subject to future revision. Sometimes this change in the Outstanding Claims Provision is not calculated correctly; it is sometimes calculated (wrongly) as the difference between the estimate of the Outstanding Claims Provision at the beginning of the period which is made at the beginning of the period and the estimate of the Outstanding Claims Provision at the end of the period which is made at the end of the period.

However, the reality is that the Outstanding Claims Provision at any point in time is an estimate that can continue to be recalculated with the benefit of subsequent claim payment data. For example, with the benefit of three months delay, the Outstanding Claims provision at both the start and end of any prior period can be recalculated to produce a revised Incurred Claims estimate for the period. This continual updating of the incurred claims estimate for a period provides a more useful data source for claims trend analysis compared to the accounting claims data.

In this paper, we analyse the relationship between incurred claims and outstanding claims estimates, and we discuss:

- The magnitude of the differences which can arise between these two approaches to determining incurred claims
- How revising the estimate of incurred claims results in revising the timing of earnings
- How revising the reported timing of earnings can affect the Financial Condition Report and the Rate Rise Submission.

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SYNOPSIS

NEW THERAPIES FOR ADVANCED CANCERS: CAN OUR SOCIETY AFFORD THEM? IS IT ETHICAL TO DENY PATIENTS ACCESS TO THEM?

Dr Anthony Lowe

Key words:

Ageing Population, Health, Policy, Economics, Ethics, Cancer

Purpose of your paper:

To explain the role actuaries can play in the health policy debate on the affordability and ethics of new therapies for advanced cancers in the context of our leadership role in the public debate on responses to Australia's ageing population. The paper/ presentation will be of particular interest to actuaries involved in public policy and those working for health insurers.

Synopsis:

The risk of cancer increases with age. In Australia five times as many cancers are diagnosed in people over age 50 as in people under that age. Because of this, Australia's ageing population is driving a rapid increase in new cases of cancer. The good news is that advances in health technology* have meant that the death rate from cancer has been falling in recent years and this is expected to continue with many new therapies currently under development. A recent analysis by Pharmaceutical Research and Manufacturers of America revealed that almost 1,000 new cancer medicines and vaccines are currently being tested in the US. Many of these are for advanced cancers.

However, many of these new therapies are very expensive and the incremental cost effectiveness ratio (cost per QALY) is at, or beyond, the limit of what is considered affordable by health economists and health policy makers. Around the world health consumer advocates have argued that cancer therapies for end-of-life settings should be treated differently from other health technologies and that the value of one year of life at the end of life may be more valuable than one year of healthy life (utility > 1). This has led to the introduction of special rules for advanced cancer therapies by many health technology assessment organisations. Others have argued that cancer receives disproportionate funding relative to its societal burden and that this has a detrimental impact on other, more cost effective, public health initiatives.

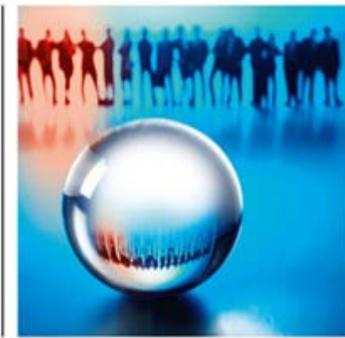
In this paper and presentation, we outline the actuarial methodology used by health economists to determine the cost effectiveness of health technologies and we examine the decision making process for listing of new therapies on the Pharmaceutical Benefits Scheme. We use examples from Australia and overseas to highlight the affordability and ethics issues surrounding expensive new therapies for advanced cancers. We explain the role actuaries can play in the health policy debate in the context of our leadership role in the public debate on responses to Australia's ageing population.

* The World Health Organization defines health technology as the application of organized knowledge and skills in the form of devices, medicines, vaccines, procedures and systems developed to solve a health problem and improve quality of lives.

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SYNOPSIS

COMMUNITY RATING: MORE TROUBLE THAN IT'S WORTH?

Jamie Reid, Ashish Ahluwalia, Sonia Tripolitano

Key words:

Private Health Insurance, Community Rating, Market Structure, Industry Change

Purpose of your paper:

To court controversy and – possibly – provoke outrage by asking whether community rating remains appropriate for Australian private health insurance.

Synopsis:

Australian Private Health Insurance (PHI) has been community rated since the 1950s, and this policy continues to be widely supported by both the Australian public and health insurers. Many countries adopt a more limited form of community rating than Australia, or permit risk rating in the same way as other insurances.

Community rated health insurance is most attractive to people who expect to make claims, for example, because they are in poor health. In order to maintain community rating, PHI requires both government subsidies and extensive regulation to encourage healthy people to insure. Both the extent and cost of government involvement has increased over time.

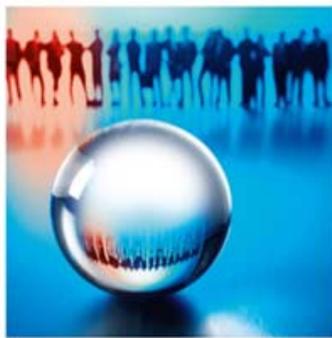
This paper considers whether the benefits of community rating still outweigh the costs.

We will examine alternative pricing mechanisms, and consider whether they might serve Australia better than community rating. Drawing on examples from other jurisdictions and types of insurance, we will consider the impact of any changes on different groups of policyholders and insurers, and on government.

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SYNOPSIS

Contemporary Issues in Private Health Insurance

By Health Practice Committee (Nicholas Stolk, Andrew Gale & David Watson)

Key words: Private Health Insurance, Health Practice Committee, contemporary issues

Purpose of your paper:

To discuss contemporary issues of interest to actuaries practicing in, or interested in, the private health insurance industry.

Synopsis:

This workshop will provide an opportunity to discuss the latest developments in private health insurance in Australia including:

- Legislative and regulatory developments;
- Industry trends;
- Cost pressures;
- Risk equalization;
- Contribution rate increases;
- Solvency and Capital Adequacy;
- Forthcoming changes to Commonwealth Government Rebate;
- PHIAC activities; and
- Health Practice Committee activities

This session will take the form of a presentation followed by an opportunity for discussion. No paper will be distributed.