



Institute of Actuaries of Australia

HEALTH PRACTICE COMMITTEE

Information Note:

Financial projections for private health insurers

December 2008

The purpose of this Information Note is to remind Health Insurance Appointed Actuaries of their obligations in relation to financial projections prepared for private health insurers.

The Department of Health and Ageing recently released details of the health insurance premium approval process for 2009. Health insurers seeking to change premiums in 2009 are required to include an actuarial opinion on their financial forecasts (including the assumptions, appropriateness and sufficiency of the financial model) as part of their submission to change premiums. This actuarial opinion is required to be consistent with the requirements of Guidance Note 660 (Financial Projections for Health Insurers).

By now most Appointed Actuaries will be close to finalising their advice on premium rates. In that context, actuaries providing advice to health insurers are particularly reminded to consider impacts of the current investment climate and recent changes to the Medicare Levy Surcharge thresholds.

Investment climate

Members should be aware of the impact of the current investment climate on the investment policy and performance of the health insurer. The Private Health Insurance (Insurer Obligations) Rules 2007 specify that significant changes to investment policies or risk profile are notifiable circumstances for which actuarial advice may be warranted.

Guidance Note 670 (Financial Condition Reports for Health Insurers) specifically requires the actuary to be familiar with the health insurer's assets and investment policy, current investment mix and any likely changes. The impact of the current investment climate should be assessed in relation to asset valuations, actual and projected investment returns and solvency and capital adequacy requirements.

Medicare Levy Surcharge

Legislation to increase the Medicare Levy Surcharge thresholds to \$70,000 for singles and a minimum of \$140,000 for families (with annual indexation) was enacted in October 2008. An Information Notice issued in July 2008 advised members to consider



Institute of Actuaries of Australia

HEALTH PRACTICE COMMITTEE

Information Note: Financial projections for private health insurers

December 2008

the impact of changes to these thresholds on health insurers. In particular, members are advised to consider that any membership impact resulting from this change may occur over an extended period rather than at one specific date.

Appointed Actuaries also have an obligation to notify a health insurer of any event occurring within the fund's operations that is known to the actuary which the actuary reasonably expects to have a material impact on the private health insurer's health insurance business.

Feedback and comments

Any feedback or comments regarding this Information Note should be directed to:

Stuart Rodger
Convenor
Health Practice Committee
srodger@deloitte.com.au