



EXPLANATORY MEMORANDUM PROFESSIONAL STANDARD 600: FINANCIAL CONDITION REPORTS FOR PRIVATE HEALTH INSURERS

March 2017

About this Explanatory Memorandum

This Explanatory Memorandum has been prepared by the Health Practice Committee (HPC) to assist Members understand changes to Professional Standard 600, which is the Institute's professional standard covering Financial Condition Reports for Private Health Insurers ("PS 600").

Introduction

In November 2016, the HPC released an Exposure Draft of proposed amendments to PS600 for comment. One submission was received. The HPC found the submission useful in finalising the standard and thanks the Member for their comments.

Changes

The changes from the Exposure Draft of November 2016 are not material. The key change is the deletion in section 1.3.4 of references to the requirement for Members to be independent and objective, as it was felt that this requirement is addressed in the Institute's Code of Professional Conduct.

The key changes made to the prior (June 2011) version of PS600 are:

1. Changed reference from Private Health Insurance Administration Council to APRA throughout. References to legislation and prudential standards as per the change in regulator have been changed as required;
2. Clause 17 discusses Non-Fund Business; business of the Insurer which may have a material impact on the operations of the Fund. The standard has been updated to guide Members in assessing whether Non-Fund activities of the Insurer are material for inclusion in the Financial Condition Report;
3. Clauses 14 (Regulatory Capital) and 15 (Capital Management) have been changed to reflect the current regulatory capital requirements introduced since June 2011. Specific reference is made to HPS100 and HPS110 as required; and

4. References to Appointed Actuary have been changed to Member. While it is a regulatory requirement of the Appointed Actuary to prepare an annual Financial Condition Report for a Fund, the use of Member has been adopted to reflect circumstances where an individual other than an Appointed Actuary may be asked to prepare a Financial Condition Report, or where a Member has assisted the Appointed Actuary create the Financial Condition Report.

Commencement date

This version of PS600 will apply to Financial Condition Reports in respect of reporting periods ending on 30 June 2017 or later.

END OF EXPLANATORY MEMORANDUM