

EXPLANATORY MEMORANDUM TO PRACTICE GUIDELINE 699.01 (PRICING AND FINANCIAL PROJECTIONS FOR PRIVATE HEALTH INSURERS)

March 2018

A. About this Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist Members in understanding the new Practice Guideline 699.01 (Pricing and Financial Projections for Private Health Insurers) (“PG 699.01”) which replaces the version issued in September 2012.

B. Background to review

Regulatory and legislative changes, the most significant of which are the current health insurance capital standards adopted by APRA in HPS 100 and HPS 110 and updated Actuaries Institute documentation guidelines (2013 documentation guidelines)¹ have necessitated an update to PG 699.01.

C. Review process and consultation

During 2017, a Drafting Group in HPC was established to review and amend this Practice Guideline. The Drafting Group consisted of members of the HPC and Institute staff. The draft Practice Guideline issued for member consultation has been approved by the HPC and the Institute. Feedback arising from member consultation has been considered by HPC as part of the finalisation of this practice guideline.

D. Key changes

The following are the key changes:

- ▶ The addition of sections relating to the Stress Test and Stressed Net Cashflow calculation
- ▶ The removal of the definitions section, which has been moved to a separate Practice Guideline that will apply to all Private Health Insurance Practice Guidelines

Other changes made are:

- ▶ References to legislation and regulations are made generically to allow the Practice Guideline to remain up to date even if there are subsequent naming

¹ Actuaries Institute, “Policy for developing documents to guide and regulate professional practice as in force as at Council resolution 13/06/8.7 (11 June 2013)”

changes to these instruments. This change is recommended by the 2013 documentation guidelines Paragraph 60

- ▶ The addition of text and amendments to reduce the occurrences of “must” and “shall” as per the 2013 documentation guidelines
- ▶ Minor amendments to wording to increase clarity and resilience against obsolescence.

END OF EXPLANATORY MEMORANDUM