



## 2020 Private Health Insurance Premium Application Form

### Guidance

Section 66-10 of the *Private Health Insurance Act 2007* provides that

*(1) A private health insurer that proposes to change the premiums charged under a \*complying health insurance product must apply to the Minister for approval of the change:*

- a) in the approved form; and*
- b) at least 60 days before the day on which the insurer proposes the change to take effect.*

A **written report** and three templates (**Template A, Template B and Template C**) is the approved form (referred to as the premium application form) - if completed in accordance with the direction in this document. Covering letters to the premium application form will also be considered part of the premium application form.

The premium application form will be assessed by the Department of Health (Health) and the Australian Prudential Regulation Authority (APRA).

Health's intention is to provide the Minister a package of information that comprises:

- For each private health insurer:
  - **Template C**; and
  - Additional supplementary comments prepared by Health/APRA.
- For the industry:
  - An aggregated **Template C**; and
  - Additional pages with supplementary comments from Health/APRA.

In submitting the premium application form, please note:

- all information should be provided as instructed in this document
- data should be cross checked with information provided to APRA, notably HRF601 and HRF602
- pages should be numbered in the written report
- the premium application form should not be submitted in PDF format
- only information that is relevant to the health insurance business is required
- **Template A** (Product Information) should be completed for all products currently available and all new products expected to commence on 1 April 2020.

Health/APRA will contact insurers to discuss applications that do not comply with the guidelines and requirements set out in this document.



## **Applications submitted via SecureDoc**

Applications should be submitted via SecureDoc, a cloud-based APRA owned file transfer system by **3pm Tuesday, 12 November 2019**.

Please direct queries regarding the premium application form to [phi@health.gov.au](mailto:phi@health.gov.au).

## **Confidentiality and publication**

The completed form will be treated as “protected information” as defined by the *Private Health Insurance Act 2007*.

The Department’s intention is to publish on its website:

- **For each private health insurer:**
  - Each insurer’s average premium price change.
  
- **For the industry:**
  - The industry average premium price change.
  - Only highly aggregated or non-identifiable information will be made public, such as average premium changes in jurisdictions or by insured groups.



## Written Report Guidance

Applications for premium changes **should** include the below information.

As a guide – an application which is consistent with the insurer’s pricing philosophy and capital management plan is expected to be no more than:

- 20 pages addressing the questions below; and an additional
- 10 pages for an Actuarial Opinion.

Reference	Question	Guidance
1	Insurer name	Provide the name of the insurer as registered with APRA as at the premium application date.
2	Date(s) of premium change effect	Provide the date(s) on which the premium change(s) are to take effect. It is preferable for insurers to implement a date of effect of 1 April.
3	Consistency with Pricing Philosophy	<p>Outline the extent to which this year’s premium application is consistent with the insurer’s pricing philosophy over the forecast period. This should include commentary on the expected level of performance in 2020, 2021 and 2022 and forecast premium changes in 2021 and 2022.</p> <p>The commentary should discuss the extent to which the application is consistent with all of the pricing philosophy including:</p> <ul style="list-style-type: none"><li>- Overall target gross or net margin</li><li>- Targets for individual products or product groups</li><li>- Hospital and general treatment products</li><li>- Product hierarchies.</li></ul> <p>Commentary should specifically discuss products currently operating, or forecast to operate, outside of the pricing philosophy and the insurer’s strategy for each of these products.</p>
4	Consistency with Capital Management Plan	Outline the extent to which this year’s premium application is consistent with the insurer’s capital management plan. This should include reference to the insurer’s forecast capital and the forecast target capital range as stated in template B.
5	Key financial risks over the forecast period	<p>Outline the key risks to the financial performance position of the fund over the forecast period. This should be a brief high level description of the main financial risks to the fund over the next two and a half years. The risk areas covered are not intended to duplicate the risk register or risk management framework. Rather it should provide a concise description of the key areas of uncertainty in the projections.</p> <p>Some examples may include:</p> <ul style="list-style-type: none"><li>- A change in the profile of policyholders, either through material new joiners or lapses</li><li>- New products</li><li>- Product changes</li><li>- Volatile experience or large changes in benefit payments, making assumption setting difficult</li><li>- Changes in strategy</li><li>- Changes in the health or competitive environment.</li></ul> <p>It is suggested that insurers be specific and comment on the risks that are applicable to the insurer’s risk profile in this year’s premium application.</p>



6	Management of key risks identified	<p>Outline how the insurer is managing the risks and uncertainties outlined above. Insurers should <u>briefly</u> discuss the insurer's approach to these risks. The discussion should be sufficient to get a high-level understanding of the approach, actions taken and where further detail can be found.</p> <p>This section is not designed to replicate the insurer's existing documents such as the insurer's risk register and risk management framework.</p>
7	Reasons identified for the changes in benefit payments or drawing rates	<p>Outline changes in benefit payments or drawing rates that have resulted in the requested premium change. The commentary should reference recent experience, risk factors and insurer action, to demonstrate how the forecast benefit change was determined.</p> <p>Insurers should also comment on experience that is materially different to industry, the reasons for the differences and justify the premium change.</p> <p>Insurers are asked to be mindful that the reasons for premium changes are not always well understood by the public. This is especially the case for the relationship between premium changes, CPI and AWE. Clarity in this section could assist in communicating these messages and ensure that the reasons for premium changes are clear to the Minister for Health and the Department so adequate public messaging can be provided.</p>
8	Initiatives to address affordability concerns	<p>Outline the initiatives the insurer is taking to support the affordability of premiums, including by reducing benefit inflation or improving the value proposition of private health insurance.</p>
9	Other matters considered relevant	<p>This section provides an opportunity for the insurer to comment on any other matter considered relevant. This may include matters that influenced the premium change or matters which the insurer considers the Minister may find useful in considering his assessment.</p> <p>Examples of such matters could include:</p> <ul style="list-style-type: none"><li>- The insurer's competitive position</li><li>- Premiums being materially different than competitors</li><li>- The insurer's strategy</li><li>- Broader health programs and initiatives to enhance affordability</li><li>- Extent of downgrades or lapses</li><li>- Health related business (such as Overseas Student Health Cover)</li><li>- Recent performance.</li></ul>
10	Consistency with Act and Rules	<p>Provide a declaration that the premium changes are consistent with the <i>Private Health Insurance Act 2007</i> and <i>Private Health Insurance (Prudential Supervision) Act 2015</i>, and the associated Rules, as at 12 November 2019.</p>



11	Actuarial experience analysis	<p>Provide an experience analysis comparing actual performance to the forecasts submitted during last year's premium round.</p> <p>The commentary should include:</p> <ul style="list-style-type: none"><li>- The extent of the differences</li><li>- The reasons for the differences, if known</li><li>- The impact these differences had on this year's forecasts.</li></ul> <p>This can include experience up to June or September. Specifically, it can include the experience analysis completed in the recent Financial Condition Report (FCR), provided the forecasts assessed in the FCR were those submitted in last year's premium application.</p> <p>If experience up to June is used, this section should include a statement whether any material deviations from expected experience have arisen in the September quarter.</p> <p>The Appointed Actuary should also comment on how the assumptions compare to recent actual experience and the reasons for material difference.</p> <p>The experience analysis should be signed by the Appointed Actuary.</p>
12	Actuarial risks	<p>Provide an opinion from the Appointed Actuary on whether there are any other material risks impacting the insurer in addition to those provided under item 5 of this premium application.</p>
13	Actuarial opinion	<p>Provide commentary from the Appointed Actuary on the extent to which duration effects have been incorporated into the forecasts.</p> <p>Provide commentary from the Appointed Actuary on the extent to which changes in the demographic profile have been incorporated into the forecasts.</p> <p>Provide an opinion from the Appointed Actuary regarding whether the financial forecasts and assumptions are reasonable central estimates.</p> <p>Provide a comment on the suitability of the conversion factor values provided by the insurer in Template C, for the intended use.</p>
14	Contact person	<p>Provide the contact details of a primary contact person, and an alternative contact person. This should include:</p> <ul style="list-style-type: none"><li>- name</li><li>- position title</li><li>- landline telephone number</li><li>- mobile phone number</li><li>- e-mail address.</li></ul>



## **Template A (Product Information)**

Please note the following guidance in completing **Template A**.

- All current products and proposed new products commencing prior to 2 April 2020, regardless of whether a change in premium is being sought, should be reported.
- All products should reflect the name, excesses, and premiums as they will appear in the PHIS and Fund Rules from 1 April 2020.
- Ambulance Only policies should be included where they are complying health insurance products, and included in HRF601.
- Information should be provided for all products, even if some products have the same price (i.e. information should be provided for couple policies even if they are priced the same as family policies).
- Do not include Overseas Visitors Health Cover products or Overseas Student Health Cover products.
- Do not create new categories as a substitute for drop down list options – select only options in the drop-down menu.
- Template A “number of policies” and “insured people” should be consistent with HRF601 for the September 2019 quarter.
- The age-based discount conversion factor at Column **P** of Template A is only relevant to products where the aged-based discount will be applied.
  - If the discount does not apply to the product, the factor will be 100 per cent.
  - If 100 people are on a product, and 10 people are eligible for a 2 per cent aged-based discount, the difference in monthly income when the discount is applied is 0.2 per cent, therefore, the aged-based discount conversion factor is 99.8 per cent.
- Products listed in all templates should be identified with a unique ‘Product Code’ identifier. This should be the PHIS ID.
- If an insurer plans to terminate products from 1 April 2020, the 2020 new product price should be left blank.
- For further assistance in completing template A, direct all queries to [phi@health.gov.au](mailto:phi@health.gov.au), using “2020 Premium Round” in the subject line.



## Template A guidance

Field	Data Entry Guidelines	Example
STATE	Select from the drop down list the State or Territory in which the product is available. This should be consistent with the risk equalisation jurisdiction for APRA reporting. Each State/Territory should be recorded separately (i.e. if the same product is available in multiple states do not record in the same row as NSW/ACT/VIC but in individual rows).	<b>Drop down list:</b> NSW ACT NT QLD SA TAS VIC WA
PRODUCT CODE PHIS ID	Enter in full the unique product identification code for the product, exactly as generated in the PHIS by privatehealth.gov.au (i.e. do not truncate by omitting insurer identifier component of code). This includes products that are closed, or have zero policies/people.	
PRODUCT NAME as at 1 April 2020	Enter the product name. If the name is duplicated across products, do not leave any rows blank, but instead enter the identical name for each product. This should be consistent with the information recorded in the PHIS for the product.	Gold Hospital Cover
PRODUCT STATUS as at 1 April 2020	Select from the drop down list whether the product is: <ul style="list-style-type: none"> <li>• <u>Open</u> and is a <u>New Product</u> to the market.</li> <li>• <u>Open</u> already <u>Existing</u> product.</li> <li>• <u>Closed – Closing</u>, if the insurer plans to close the product anytime between 1 April 2019 to 31 Mar 2020.</li> <li>• <u>Closed</u> prior to 1 April 2019 – <u>Existing</u>.</li> <li>• <u>Terminating</u>, if planning to terminate the product prior to 1 April 2020 with customers being migrated to alternative products.</li> </ul>	<b>Drop down list:</b> Open – New Product Open – Existing Closed – Closing Closed – Existing Terminating
PRODUCT TYPE	Select from the drop down list the product type. Do not use values that are not in the drop down list.	<b>Drop down list:</b> Hospital = Hospital treatment only General = General treatment only Combined = Combined Hospital and General Treatment General Ambulance = AmbulanceOnly
HOSPITAL CATEGORY as at 1 April 2020	Select from the drop down list the hospital category. This should be consistent with the information recorded in the PHIS for the product with that particular unique product identification code. Leave blank for general products.  <i>Note: All products categorised from Basic to Silver Plus are considered exclusionary.</i>	<b>Drop down list:</b> Gold Silver Plus Silver Bronze Plus Bronze Basic Plus Basic



Field	Data Entry Guidelines	Example
INSURED GROUP	<p>Select from the drop down list the insured group for the product. Do not use values that are not in the drop down list</p> <p>Enter information for each product subgroup separately even if different insured groups have the same price (e.g. include couples information in a separate row from families information even if they have the same prices).</p>	<p><b>Drop down list:</b>            ChildrenOnly            Couple            ExtendedFamily            ExtendedSingleParentFamily            Family            Single            SingleParentFamily            3+Adults</p>
ANNUAL EXCESS as at 1 April 2020	<p>Enter the amount of the excess for the product as at 1 April 2020. This is the maximum annual excess for the policy (i.e. \$500 should be entered if the excess is \$250 per admission per person but limited to a maximum of \$500 per year). This should be consistent with the information recorded in the PHIS for the product with that particular unique product identification code.</p>	\$500
ANNUAL CO-PAYMENT as at 1 April 2020 (Yes/No)	<p>Select from the drop down list whether the product has co-payments or not, as at 1 April 2020. This should be consistent with the information recorded in the PHIS for the product with that particular unique product identification code.</p>	<p><b>Drop down list:</b>            Yes            No</p>
RESTRICTIONS as at 1 April 2019 (Yes/No)	<p>Select from the drop down list whether the product has restrictions or not, as at 1 April 2020. This should be consistent with the information recorded in the PHIS for the product with that particular unique product identification code.</p>	<p><b>Drop down list:</b>            Yes            No</p>
2019 MONTHLY PREMIUM (\$) for products existing on 30 September 2019 (Leave blank for new products commencing on 1 April 2020)	<p>Enter the current price per month for the product. This price should reflect the full price and <u>exclude</u> the rebate, LHC loadings, and discounts.</p> <p>For new products commencing on 1 April 2020, please leave blank.</p>	\$100.07
2020 MONTHLY PREMIUM (\$) as at 1 April 2020 - for all products (new and existing)	<p>Enter the proposed new price per month for the product as at 1 April 2020, including for new products. This price should reflect the full price and <u>exclude</u> the rebate, LHC loadings, and discounts.</p> <p>For products terminating by 1 April 2020, please leave blank.</p>	\$101.67
TOTAL NUMBER OF PEOPLE COVERED BY THIS PRODUCT as at 30 September 2019	<p>Enter the total number of <u>people</u> covered by the policies comprising the insured group for the particular product as at 30 September 2019 (e.g. number of people covered by couples policies for the product). <u>Do not record SEUs.</u></p> <p>Please leave blank for new products commencing on 1 April 2020.</p>	2,000





Field	Data Entry Guidelines	Example
TOTAL NUMBER OF POLICIES COVERED BY THIS PRODUCT as at 30 September 2019	Enter the total number of <u>policies</u> comprising the insured group for the particular product as at 30 September 2019 (e.g. number of couples policies for the product). <u>Do not record SEUs.</u>  Please leave blank for new products commencing on 1 April 2020.	1,000
AVERAGE AGE-BASED DISCOUNT CONVERSION FACTOR	The average aged-based discount conversion factor applied to all policies on this product. 100% should be applied to products that do not have age-based discounts or for all new products.	99.8 per cent
2019 MONTHLY INCOME FROM PRODUCT	This is an automated field that calculates the 2019 monthly income from all policies on the product based on 2019 monthly premium in column L multiplied by the total number of policies covered by this product as at 30 September 2019 in column O. Because there will be zero policies in column O for a proposed new product, this field will be zero for all new products.	
2020 PREMIUM INCREASE (\$)	This is an automated field that calculates the dollar value of the premium change between the 2020 monthly premium price in column M and the 2019 premium price in column L. For new products this field will be automatically flagged as a 'new' product. For terminating products this field will be automatically flagged a "terminating".	
2020 PREMIUM INCREASE (%)	This is an automated field that calculates the percentage change of the premium change between the 2020 monthly premium price in column M and the 2019 premium price in column L. For new products this field will be automatically flagged as a 'new' product. For terminating products this field will be automatically flagged a "terminating".	
2020 MONTHLY INCOME FROM PRODUCT	This is an automated field that calculates the 2020 monthly income for all policies on the product based on the 2020 monthly premium in column M multiplied by the total number of policies covered by this product as at 30 September 2019 in column O. Because there will be zero policies in column O for a proposed new product, this field will be zero for all new products.	



## **Template B (Financial Forecasts)**

Please note the following guidance in completing **Template B**.

- Information requested in dollars should be entered as thousands of dollars (\$'000).
- Forecasts are required for the period October 2019 to March 2022.
- Figures under the Balance sheet and Capital Adequacy Standard for September 2019 should align with the September 2019 HRF602 returns.
- Hospital SEUs at September 2019 should reconcile with the HRF601 and HRF602.
- Expected dividend payments should be entered as a positive value and capital injections expected to be received as a negative value under 'dividend payments'.
- Capital Target Range should be expressed as total assets. This is the amount of assets required to be consistent with the targets outlined in the Capital Management Plan. Capital target range upper and lower bounds should both be entered. Where only a single target exists, this is to be repeated.



## Template C (Snapshot)

Please note the following guidance in completing Template C:

- Insurers are only required to complete the white cells. Grey cells will auto-populate.
- Rate Protection Conversion Factor (%) will convert Excluding Rate Protection (%) into Including Rate Protection (%).
- Proposed changes to benefits, should include an estimated cost or saving as a percentage of total contribution income.
  - Savings should be stated as a negative amount as a percentage of Total Contribution Income.

## Avoiding data issues and resubmissions

Each year a number of insurers are asked to resubmit applications due to incorrectly completing the approved form or for data issues. To avoid these in the coming round, insurers are asked to be particularly vigilant of data issues that have historically resulted in insurers being asked to resubmit.

To ensure each application does not contain data issues it is requested insurers check the following before submitting:

- No additional columns or rows are inserted into **Template B**.
- The excel spreadsheet does not contain links to other files.
- The capital target range is expressed as total assets, not net assets (capital).
- Cells surrounding the template are blank. Cells outside of the requested fields do not have checking or verification calculations.
- Changes to benefits in **Template C** that result in savings are expressed as a negative.
- Cells requesting a number have a number inserted and not text. Similarly that cells with a number have not been formatted to 'text'.
- Cells in **Template B** without a value have a '0' inserted and are not left blank.
- If an insurer has a single capital target rather than a range, this figure is entered into both the lower and upper bound.
- The formula cells have not been edited by the insurer.
- Data entered by the insurer should be values and not include calculations.
- Expected dividend payments should be entered as a positive value and capital injections expected to be received as a negative value under 'dividend payments'.