



Australian Government
Private Health Insurance
Administration Council

Circular

Circular No 08/14

Replaces Circular: NA

25 June 2008

2007 - 2008 END OF YEAR REPORTING REQUIREMENTS

This circular is to inform insurers of their reporting requirements to PHIAC for the year ended 30 June 2008. The circular contains:

- Risk equalisation audit arrangements
- PHIAC 2 annual reporting requirements
- Schedule of critical dates for reporting
- References to related documents available on PHIAC's web site
 - Risk equalisation audit program
 - List of updates to the risk equalisation audit program
 - Guidance for Auditors for the PHIAC 2 annual report

Insurers are reminded that PHIAC will name, in its annual report to Parliament, those insurers that do not meet the statutory reporting requirements.

Audit Arrangements for Financial Year Ended 30 June 2008

Insurers must ensure that their external auditors adopt the audit program and guidance provided by PHIAC, or an alternative that provides similar checks and levels of accuracy, for the 2007-2008 year. Insurers are responsible for engaging competent auditors. Insurers and auditors are responsible for their own audit program and processes.

Risk Equalisation

PHIAC 1 returns (Risk Equalisation and related statistics) for the four quarters to 30 June 2008 are to be audited by external auditors. A copy of the audit program for PHIAC 1 returns submitted to PHIAC for the period 1 July 2007 to 30 June 2008 is available from the PHIAC website at <http://www.phiac.gov.au/standardsguides/riskeqaudit/riskeqreinsaudit.htm>. The required format for the audit opinion is included in the PHIAC 1 audit program as Appendix D.

A list of updates to the audit program is also available as a separate document. The update clarifies issues that have arisen over the year, primarily in relation to the High Cost Claimants Pool.

Audit certification for the four quarters to 30 June each year must be provided within three months of the end of the financial year or such time as approved by the Commissioner. Please ensure that the certificate for the 2007-2008 year reaches the PHIAC Secretariat by no later than **17:00 AEST, 30 September 2008**.

Contact Officer:

Paul Collins (02) 6215 7955 • email: paul.collins@phiac.gov.au
• Suite 16 • 71 Leichhardt St Kingston • ACT • 2604 •
Internet: <http://www.phiac.gov.au/circulars/index.htm>

PHIAC 2 (Annual) Return

PHIAC 2 (Annual) Returns for the 12-month period ended 30 June 2008 are to be subject to external audit to ensure consistency with the insurer's statutory financial accounts and faithful application of the solvency and capital adequacy standards.

The Market Yield and Investment Earnings rates prescribed by Clause 25 of Schedule 3 of the *Private Health Insurance (Health Benefits Fund Administration) Rules 2007* to be applied by all health benefits funds for the PHIAC (Annual) Return is to be consistent with the rate advised by PHIAC for the June 2008 quarterly returns in the relevant circular. PHIAC circulars are available at: <http://www.phiac.gov.au/circulars/index.htm>

To assist auditors in their review of these returns, audit guidance for auditors has been prepared. A copy of the audit program for the PHIAC 2 (Annual) Return is available from the PHIAC website at <http://www.phiac.gov.au/standardsguides/index.htm>. The Guidance includes a proforma opinion for auditors.

Audit certification for the PHIAC 2 (Annual) Return must be provided within three months of the end of the financial year or such time as approved by the Commissioner. Please ensure that a hardcopy of the opinion reaches the PHIAC Secretariat by no later than **17:00 AEST, 3 October 2008**. Insurers must also ensure that each page of the hardcopy return is authenticated by inclusion of the auditor's identifying stamp.

Schedule of Information to be Provided

Private health insurers must provide the following information to PHIAC:

1. Audit Opinion
 - PHIAC 1 – no later than 30 September 2008
 - PHIAC 2 – no later than 3 October 2008
2. PHIAC 2 (Annual) Return
 - A PHIAC 2 Return for the 12-month period ended 30 June 2008. PHIAC has issued a new PHIAC 2 Return template (Version 07_06_9) which must be used. The completed return must be provided in both hard and soft copies.
 - Softcopy of the PHIAC 2 (Annual) Return – no later than 30 September 2008. To be sent to returns@phiac.gov.au
 - Hardcopy of the PHIAC 2 (Annual) Return – no later than 3 October 2008.
3. Statutory Financial Accounts
 - A copy of the signed statutory financial accounts of the health benefits fund¹.
 - Where not already included in the copy of the statutory financial accounts, a copy of the Audit Report in relation to the statutory financial accounts.
4. Financial Condition Report
 - A copy of the Financial Condition Report prepared by the private health insurer's Appointed Actuary in respect of the 2007 - 2008 financial year.

¹ Where the health benefits fund is a part of an economic entity, a copy of the consolidated financial accounts for the 2007/2008 financial year.

5. Statement by Directors²

- The accounts and statements given to the Council must be certified by two directors of the private health insurer to be true and correct and be in the form specified in the *Private Health Insurance (Insurer Obligations) Rules 2007*. The form specified in the Rules is included at Attachment 1.

SCHEDULE OF CRITICAL DATES FOR SUBMISSION OF DOCUMENTS

Due date	Document	Comment
30 September 2008	PHIAC 1 audit certification for the four quarters to 30 June 2008	Insurers must apply in writing well before 30 September 2008 if extra time is required.
30 September 2008	Softcopy 2008 Annual Return	Must be received at PHIAC by no later than 17:00 [AEST] .
3 October 2008	Hardcopy of 2008 Annual Return for 2008 Annual Return	Must be received at PHIAC by no later than 17:00 AEST .
3 October 2008	Auditor's Report	For the completed PHIAC 2 Return for the 12-month period ended 30 June 2008. Must be received at PHIAC by no later than 17:00 AEST .
3 October 2008	A copy of the statutory financial accounts of the health benefits fund	Must be received at PHIAC by no later than 17:00 AEST .
3 October 2008	A copy of the Audit Report in relation to the statutory financial accounts .	Where not already included in the copy of the statutory financial accounts. Must be received at PHIAC by no later than 17:00 AEST .
3 October 2008	A copy of the Financial Condition Report	Prepared by the private health insurer's Appointed Actuary in respect of the 2007/2008 financial year. Must be received at PHIAC by no later than 17:00 AEST .
3 October 2008	Statement by Directors in Relation to Capital Adequacy Margin, Loss Ratio and Risk Management Procedures	Certified by two Officers (See Attachment 1). Must be received at PHIAC by no later than 17:00 AEST .

Documents that are not in the appropriate form or are incomplete will not satisfy the lodgement requirements of this circular or, in some circumstances, those of the *Private Health Insurance (Insurer Obligations) Rules 2007*.

Insurers requiring additional time to meet any reporting requirements must apply in writing no less than 7 days before the relevant due date.

Requirement to Report Solvency & Capital Adequacy Position

Clause 5 of Schedule 2 of the *Private Health Insurance (Health Benefits Fund Administration) Rules 2007* requires that the **Solvency Reserve** is disclosed in the financial statements of the insurer.

² The form of the statements by Directors is at Attachment 1

Attachment 1

Form of Statements by Directors in Relation to Capital Adequacy Margin, Loss Ratio Risk Management Procedures

A. Capital Adequacy Margin

*"The Board of [private health insurer], at a meeting held on [Date], after consideration of the qualitative factors specified by Clause 13 of Schedule 3 of the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, **resolved** that the capital adequacy margin of [x]% is an appropriate margin for risk for the purposes of the preparation of the PHIAC Annual Return for [insurer] for the year ended 30 June 2008"*

B. Loss Ratio

*"The Board of [private health insurer], at a meeting held on [Date], after consideration of the qualitative factors specified by Subclause 19 (3) of Schedule 2 of the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, **resolved** that the loss ratio of [x]% is a suitable alternative ratio for the purposes of the preparation of the PHIAC Annual Return for [insurer] for the year ended 30 June 2008."*

C. Risk Management Processes

We, in our capacity as Directors of (private health insurer) certify that:

- *The insurer has referred to the Australian Standard for Risk Management (AS/NZS 4360) as an accepted measure of appropriate risk management processes;*
- *The Board has approved the risk management system in place, and understands its contents;*
- *The risk management system in place has been formulated from a framework for establishing the context, identification, analysis, evaluation, treatment, monitoring and communication of risk;*
- *The system in place includes comprehensive written policies and procedures and adequate control systems to measure, monitor and manage risk;*
- *The Board has reviewed the policies and procedures, at least annually, to assess their implementation, effectiveness, and to endorse them;*
- *The Board receives regular reports on the operation of the risk management system and is satisfied with the level of adherence to those policies and procedures;*
- *The Board has ensured that there has been, at all times, appropriate Director's and Officer's (D&O) insurance cover in place;*
- *This statement is made in accordance with a resolution of Directors; and*
- *The information provided is true and correct. I am aware that the giving of false or misleading information, documents or statements to the Private Health Insurance Administration Council is a serious offence under the Commonwealth's Criminal Code Act 1995 and that the Criminal Code Act imposes substantial penalties, including imprisonment, for committing these offences.*

I, [name] certify on behalf [name of private health insurer] that:

- (a) *the accounts and statements bearing this certification are true and correct; and*
- (b) *I have the authority of [name of private health insurer] to make this certification.*

.....

Certifier 1

.....

Date of certification

I, [name] certify on behalf [name of private health insurer] that:

- (a) the accounts and statements bearing this certification are true and correct; and*
- (b) I have the authority of [name of private health insurer] to make this certification.*

.....

Certifier 2

.....

Date of certification
