



Australian Government
Private Health Insurance
Administration Council

Circular

Circular No 07/03

Replaces Circular: N/A

12 January 2007

PHIAC Private Health Insurance Standards – Revised Prudential Standards

Background

In early 2006 PHIAC announced that it would undertake a major review of the Solvency and Capital Adequacy Standards to ensure that these Standards remain relevant to the environment and operations of Private Health Insurers in Australia.

Notwithstanding that no major issues appear to have arisen in relation to the operation of the present Standards, PHIAC decided to review them with the aim of assessing and improving the efficiency, effectiveness and appropriateness of the current Standards in their practical business settings, having regard to the evolving environment of private health insurance.

The comprehensiveness of the review of the Standards means the full process is expected to take 12-15 months from inception to completion.

As the timeframes of the Department of Health and Ageing's legislation reform agenda and that of the Standards review overlap, rather than pursue the full review of the Standards and to ensure minimum impact of concurrent major changes in the policy, legislative and capital regulation frameworks occur, a staged approach to the review of the Standards is being undertaken.

The first phase (Stage I) of the project, addresses the changes considered necessary in light of the revised legislative framework, and also minor changes that were previously identified and can be made without delay. It is these changes to which this consultation paper relates.

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As the changes to the Standards are closely related to the legislative framework reforms, the Solvency and Capital Adequacy Standards have been drafted to be implemented with the Private Health Insurance Act 2007, and are intended to become effective on and from 1 April 2007.

The Standards have been developed for implementation consistent with Divisions 140 and 143 of the Private Health Insurance Bill.

Process

The Standards are being distributed (attached), as separate and stand-alone documents for the purposes of stakeholder consultation, but will (subject to approval of the Private Health Insurance Bill) form part of the broader Private Health Insurance (Health Benefits Fund Administration) Rules.

Attached:

- the Solvency and Capital Adequacy Standards Invitation for Comment
- Solvency Standard draft
- Capital Adequacy Standard draft

Written comments regarding the proposed Solvency and Capital Adequacy Standards are invited from all stakeholders and other interested parties.

Comments (as per attached Invitation for Comment) should be addressed to:

Prudential Standards Review
Private Health Insurance Administration Council
Suite 16, 71 Leichhardt St
KINGSTON ACT 2604

Or by email: phiac@phiac.gov.au

Comments must be received by at either of the above addresses by 12 February, 2007.