



Application for conversion to for profit status

Supporting documentation requirements

Form cgests004

To be read in conjunction with Section 126-42 of the
Private Health Insurance Act 2007

Related forms

cgests003 – application for a conversion to for profit status

Applications under section 126-42 of the *Private Health Insurance Act 2007*

1. Mandatory information required:

Insurers applying for approval to convert to a for-profit status under section 126-42 of the *Private Health Insurance Act 2007* (the Act) must attach a conversion scheme to their application. The conversion scheme includes information relating to the proposed restructure.

The conversion scheme should identify whether the change of status involves a demutualisation of the insurer. Where the applicant has determined that the conversion scheme does not involve a demutualisation, the reasons must be outlined in the Reason for Change Statement.

Where the scheme involves a demutualisation, the conversion scheme should demonstrate that the change to for profit:

- Would not result in a financial benefit to any person who is not a policy holder of, or another person insured through a health benefits fund conducted by the insurer; and
- Would not result in financial benefits from the scheme being distributed inequitably between such policy holders and insured persons.

2. Additional information required:

To assist the Council in considering the conversion to for-profit application, applicants are to submit two copies of the following with the approved form, if the information is not detailed in the conversion scheme:

- a) Documents adopted by the Board approving the change of status (Reason for Change Statement) that detail all or any of the following:
 - the reason or rationale for the change of status
 - which fund(s) of the insurer will be impacted by the change
 - reasons why the insurer believes the conversion application does not involve a demutualisation (if applicable)
 - the financial impact of the change on the insurer and health benefits fund/s conducted by the insurer
 - how fund reserves will be impacted by the change
 - the projected change to the management and administrative expenses of the fund
 - the dividend policy for the first three years
 - demonstration that the fund will be able to continue to comply with the Capital Adequacy and Solvency Standards of the Act
 - any proposed changes in the registration, such as open or restricted registration
- b) A statement by the Appointed Actuary, in respect of the proposed registration change, that the impact statement and financial projections are reasonable and consistent. The statement is to include what effect the change of registration is likely to have on the premiums for and benefits under each policy group over the next three years. The statement should also include a basis for the share allocation methodology (if applicable).
- c) A copy of the Policy Holder Impact Statement or similar document advising policy holders of how the change of registration status will impact on policies and entitlements
- d) Detail of any changes to the insurer's fund rules resulting from the change of status
- e) Detail of any changes to the insurer's constitution resulting from the change of status

- f) Details of expert fees in the conversion and success retainers (if any). Experts may include (list not exhaustive) lawyers, actuaries, and others: detailing name, amount to be paid and when the payments are expected to be paid for each contract
- g) Directors, senior officers and employees: fees, additional bonuses and/or remuneration including redundancy payments as a result of the conversion – detailing name, amount to be paid and when the payments are expected to be paid for each person
- h) Details of any donations to any organisation as a result of the conversion: detailing name, amount to be paid and when the payments are expected to be paid, and why the payment is being made
- i) Proposed timeline for the conversion process including proposed dates for Federal Court hearings and member meetings
- j) The history of past mergers and acquisitions of the insurer(s), in particular how policy holders are treated in relation to any proceeds of sale distributions
- k) Details of the new corporate structure

The scheme must be accompanied by such further information that is specified in the *Private Health Insurance (Registration) Rules 2007*.