



23 September 2016

Pat Brennan
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Dear Mr Brennan

Consultation on streamlining the process for varying restricted access groups

Thank you for your letter of 10 August 2016 and the opportunity to comment on a proposal to simplify the *Private Health Insurance (Registration) Rules 2015* (Cth) (**Registration Rules**).

We also thank Peter Kohlhagen and Fiona Bowden for the opportunity to meet with them to discuss this submission on 26 August 2016.

hirmaa has already commented on the substantive aspects of the proposal to simplify the Registration Rules (please refer to our letter of 18 March 2016). This submission focusses on the 'mechanical' aspects of the proposal to vary the Registration Rules (specifically, the proposed *Private Health Insurance (Registration) Rules 2016* (Cth) published on the APRA website) (**Draft Registration Rules**).

Issue 1 – more than one grouping

The principal issue arising from your letter of 10 August 2016 and the Draft Registration Rules is the following statement on page 2:

In particular, restricted access groups must demonstrate that they are compliant with:

- the definition of a restricted access group in section 15(4) of the *Private Health Insurance (Prudential Supervision) Act 2015* (the PHI(PS) Act).

The draft process discussed on page 2 also requires the insurer to include in any proposal to amend a restricted access group 'an explanation of how compliance with the legislative framework is achieved' (specifically with reference to section 15(4)).

As discussed in greater detail in our meeting with Mr Kohlhagen and Ms Bowden on 26 August 2016, the restricted access insurers currently operating in the market are reliant on a rule made under section 15(4)(e) to describe their restricted access group. Expressed another way, each restricted access insurer can only demonstrate compliance with section 15(4) because a rule made under section 15(4)(e) describes their restricted access groups.

This issue manifests in rule 7(a) of the Draft Registration Rules which currently provides:

- (a) persons who belong to a group of persons based on whether they are or were a member of a group specified in paragraph (a), (b), (c) or (d) of subsection 15(4) of the Act;

Many restricted access insurers have restricted access groups which comprise more than one group specified in paragraph (a), (b), (c) and (d) of subsection 15(4). A number of restricted access insurers also define their restricted access groups (in part) by reference to particular groupings which do not strictly fall within any of paragraphs (a), (b), (c) or (d) of subsection 15(4).

For this reason, hirmaa considers there to be a compelling need to amend rule 7(a) to refer to 'one or more' groups specified in paragraph (a), (b), (c) or (d) of subsection 15(4) and/or 'one or more *other* groups'.

Issue 2 – making optionality clear

APRA has made clear that rule 7 is intended to provide restricted access insurers the 'option' to extend coverage to a particular group of people referred to in rule 7(a), (b), (c), (d), (e), (f) and (g) of the Draft Registration Rules without needing to seek an exemption if they do not offer cover of any of the additional classes of people permitted by the Registration Rules.

hirmaa supports this approach. However, we consider rule 7 of the Draft Registration Rules requires a small amendment to make clear that a restricted access group may comprise 'any or all' of the particular groups referred to in rule 7(a), (b), (c), (d), (e), (f) and (g).

Issue 3 – partners and dependent children

The Draft Registration Rules delete the reference to the partners and dependent children of the principal insured as this extension is contained in section 15(4) of the PHI(PS) Act. Whilst hirmaa agrees with this deletion, we consider there to be utility in including a note to this effect in rule 7 of the Draft Registration Rules.

Suggested amendments to the Draft Registration Rules are included as Annexure A to this letter.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'C' shape followed by a horizontal line extending to the right.

MATTHEW KOCE
Chief Executive Officer

ANNEXURE A – SUGGESTED AMENDMENTS TO RULE 7 OF THE DRAFT REGISTRATION RULES

7. Description of groups who can be offered insurance products by restricted access insurers

For the purposes of paragraph 15(4)(e) of the Act ~~a restricted access group the following persons comprise a particular group of persons~~ to whom a restricted access insurer may make its complying health insurance products available may comprise any or all of the following:

- (a) persons who belong to a group of persons based on whether they are or were a member of ~~a one or more~~ groups specified in paragraph (a), (b), (c) or (d) of subsection 15(4) of the Act and/or one or more other groups;
- (b) persons who were already insured with ~~a the~~ restricted access insurer immediately before 12 October 2007;
- (c) persons who are, or become, officers or employees (including contractors) of the restricted access insurer;
- (d) the former partners and adult children of Principal Insureds of the restricted access insurer;
- (e) the siblings, grandchildren and parents of Principal Insureds of the restricted access insurer;
- (f) the partners and dependent children of persons who are the adult children of Principal Insureds of the restricted access insurer; and
- (g) the partners and dependent children of persons who are the siblings of Principal Insureds of the restricted access insurer.

Notes:

The purpose of Rule 7 is to ensure that, on and from the commencement of these Rules, restricted access insurers are able to make complying health insurance products available to limited classes of persons who might not otherwise form part of a restricted access group for the purposes of subsection 15(4) of the Act.

The partners and dependent children of people who belong to a particular restricted access group are also taken to belong to that group – see subsection 15(4) of the Act.