



STATISTICS

Quarterly private health insurance statistics - highlights

June 2020 (released 18 August 2020)

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Private Health Insurance Industry Quarterly Highlights

The impacts of COVID-19 are reflected in both the June quarter 2020 and year-to-June positions. The June quarter result was impacted by the health and societal measures introduced as a result of COVID-19¹, and the weaker investment performance caused by the initial COVID-19 driven market volatility contributed to a softer year to June result.

The industry reported a deterioration in insurance performance during the June quarter 2020, resulting from lower premium revenue, higher claims and higher management expenses (Table 1).

Premium revenue fell 1.4 per cent to \$6.1 billion in the June quarter 2020, reflecting an ongoing decline in membership, deferral of premium increases and premium concessions/holidays provided to policyholders due to COVID-19 (Chart 1). Claims costs² rose 2.0 per cent in the June quarter 2020, and this was mainly due to insurers recognising a total of \$1.4 billion in claims liabilities² to meet the cost of procedures deferred during the quarter. Meanwhile management expenses increased by 15.8 per cent to \$650 million in the June quarter 2020, in part reflecting seasonal increases in operational expenses in June quarters. As a consequence of the above movements, the insurance result (net margin) declined to -0.4 per cent in the June quarter 2020 (Table 1), the lowest in at least the last 12 years.

Notwithstanding the weak insurance result, a turnaround in investment income saw an improvement in overall profitability in the June quarter 2020 (Chart 2). Net profit after tax was \$159.3 million during the quarter, after a \$53.9 million loss in the prior quarter (Table 1).

Table 1. Key performance data/metrics for the quarter at a glance

	March 2020 Quarter	June 2020 Quarter	Quarterly Change
Premium revenue	\$6.2 bn	\$6.1 bn	-1.4%
Fund benefits (claims)	\$5.3 bn	\$5.4 bn	2.0%
Gross Margin	13.2%	10.2%	-3.0pp
Management expenses	\$561.3 m	\$650.1 m	15.8%
Net Margin	4.1%	-0.4%	-4.5pp
Net investment income	-\$288.8 m	\$239.0 m	
Net profits after tax	-\$53.9 m	\$159.3 m	

¹ The federal lockdown was announced on 23 March 2020 and restrictions on elective surgeries were imposed for the period 26 March to 28 April. Deferrals of procedures resulted from the restrictions are now expected to occur in the next 12 months. On 22 June, APRA provided interpretive capital and prudential reporting guidance to insurers on the treatment of liabilities for deferred claims.

² This refers to benefits reported in financial statements in accordance with the relevant accounting standards, including claims incurred but not reported and claims that are processed but not yet paid which are on an accrual basis. Other benefits statistics in the Membership and Benefits, and Benefits Trends sections of this publication refer to benefits paid and reported on a cash basis.

For the year ending June 2020, net margin fell to 2.8 per cent (from 4.9 per cent in the year ending June 2019), reflecting a falling membership base and claims cost growing faster than premiums. This weaker insurance performance, combined with a decline in investment income, resulted in net profit after tax falling 45.3 per cent during the year (Table 2).

Table 2. Key performance data/metrics for the year to date at a glance

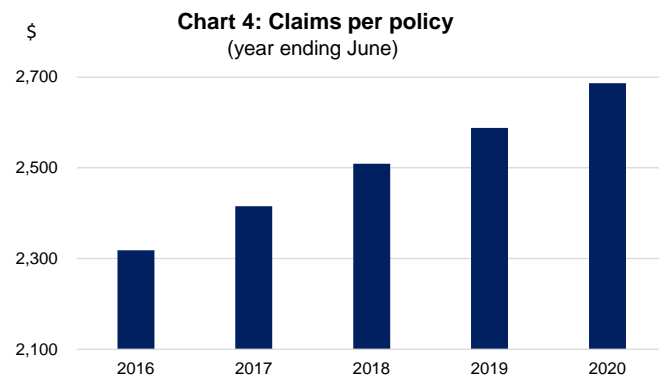
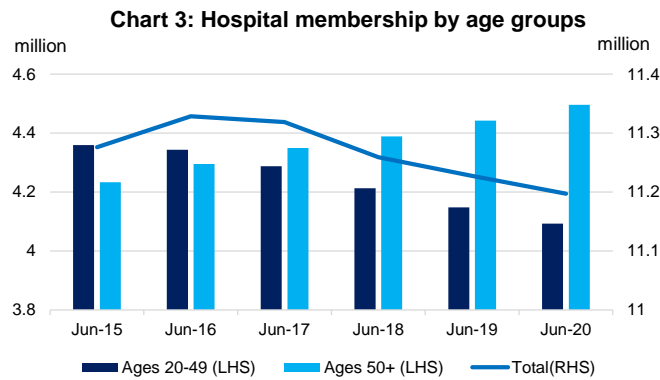
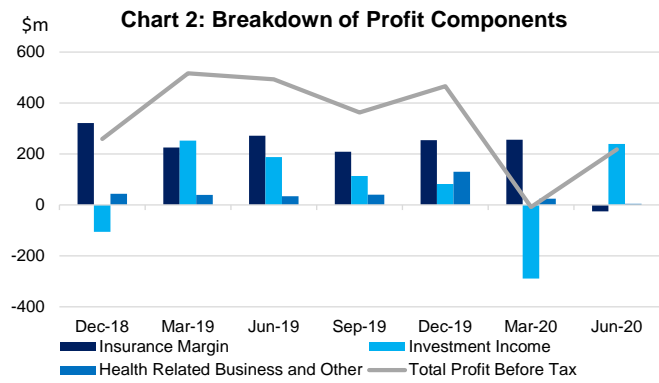
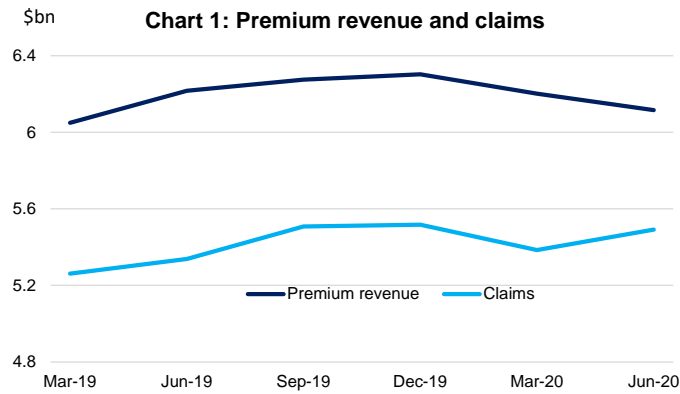
	Year to June 2019	Year to June 2020	Yearly Change
Premium revenue	\$ 24.6 bn	\$24.9 bn	1.4%
Fund benefits (claims)	\$20.9 bn	\$21.7 bn	3.7%
Gross Margin	14.0%	12.0%	-2.0pp
Management expenses	\$2.2 bn	\$2.3 bn	3.1%
Net Margin	4.9%	2.8%	-2.1pp
Net investment income	\$456.5 m	\$146.2 m	-68.0%
Net profits after tax	\$1.4 bn	\$755.1 m	-45.3%

Hospital treatment membership fell by 30,174 persons in the year to June 2020, taking hospital coverage (as a share of population) from 44.3 per cent in June 2019 to 43.6 per cent in June 2020. The industry continues to face the challenge of falling membership among younger people and growing membership in older age groups, with hospital membership for the 20-49 age group declining by 55,646 persons (Chart 3), due to worsening affordability and the associated value proposition of PHI products for younger population. Policy suspensions due to COVID-19, some of which may be reinstated in later periods, also contributed to the reported membership decline.

The underlying demographic trends have been contributing to increasing average claims as older age groups generally claim more than younger population. In the year ending June 2020, claims per policy³ rose 3.8 per cent, further exacerbating the affordability issue in the industry (Chart 4).

³A standardised measure of policy (Single Equivalent Unit) is used for the calculation to capture different policy types (i.e. single, family)

Historical performance trends





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