



STATISTICS

Quarterly private health insurance statistics - highlights

September 2021 (released 24 November 2021)

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Highlights for the year to 30 September 2021

In the year to 30 September 2021, industry profitability was materially higher than for the year to 30 September 2020, driven by stronger insurance profits and investment income (Chart 1). This strong increase in profitability in September 2021 reflected weak margins coupled with negative investment returns during the height of the pandemic in the previous year.

Premium revenue grew 5.4 per cent over the year, from a combination of membership growth and premium rate increases (Chart 2). Claims growth increased over the preceding year but remained below pre-COVID levels due to COVID-19 restrictions and lockdowns and was impacted by movements in insurers' Deferred Claims Liabilities (DCL)¹. These factors resulted in an increase in gross margins to 16.6 per cent in the year (Chart 3).

Management expenses increased 6.8 per cent during the year, driven by growth in operational and administration expenses, while marketing expenses declined, associated with the impact of the pandemic on the industry. Net margins over the year ending 30 September 2021 grew to 7.2 per cent (Chart 3).

Investment earnings increased materially in the year to September 2021 when compared with the significantly lower investment earnings in the previous year, due primarily to strong gains in equities investments.

Hospital treatment membership increased by 204,848 persons during the year. Hospital coverage continued to increase (up from 44.0 per cent in September 2020 to 44.7 per cent in September 2021), continuing the more recent reversal of the longer-term declining trend.

However, the longer-term ageing trend in hospital membership continued, with membership in the 50+ age group increasing by 115,694 persons compared with membership among the younger population (insured persons aged 20 to 49) which increased by 47,597 persons during the year (Chart 4).

Table 1. Key performance data/metrics for the year to date

	Year to September 2020	Year to September 2021	Yearly Change
Premium revenue	\$24.8 bn	\$26.2 bn	5.4%
Fund benefits (claims)	\$22.0 bn	\$21.8 bn	-0.8%
Gross Margin	11.4%	16.6%	5.2pp
Management expenses	\$2.3 bn	\$2.5 bn	6.8%
Net Margin	2.1%	7.2%	5.1pp
Net investment income	\$131.9 m	\$571.0 m	332.9%
Net profits after tax	\$587.4 m	\$1.8 bn	212.4%

¹ Claims are 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. The DCL was raised by insurers to meet the cost of procedures deferred during the pandemic.

Highlights for the quarter ended 30 September 2021

Despite strong profitability over the year to September 2021, the industry reported a decline in profits in the September quarter 2021 as a result of claims costs rising faster than premium growth, and significantly lower investment income. The seasonal fall in management expenses of 10.8 per cent (Chart 5) helped moderate the profitability decline.

Premium revenue increased 1.1 per cent in the September quarter 2021 (Table 2), reflecting stronger membership growth and premium increases on 1 April 2021. Fund benefits increased by 3.5 per cent, mostly due to rising hospital claims. The industry released \$150 million of DCL in the September quarter 2021,² as claims started to increase in the quarter.

The quarterly decline in investment income was mainly due to large falls in the value of equities investments and to a lesser extent, indirect investments.

Hospital episodes increased by 1.8 per cent in the September quarter 2021, increasing benefit claims, while the number of ancillary services declined 17.3 per cent (Chart 6). The decline in ancillary claims, which has persisted over several quarters, was driven primarily by the COVID-19 lockdowns experienced in the eastern states during the quarter and various social restrictions nationally. Declines in hospital claims in NSW were offset by increases in hospital claims in other States.

Table 2. Key performance data/metrics for the quarter

	June-2021 Quarter	September-2021 Quarter	Quarterly Change
Premium revenue	\$6.6 bn	\$6.7 bn	1.1%
Fund benefits (claims)	\$5.3 bn	\$5.4 bn	3.5%
Gross Margin	20.6%	18.7%	-1.9pp
Management expenses	\$683.3m	\$609.7 m	-10.8%
Net Margin	10.3%	9.6%	-0.7pp
Net investment income	\$197.4 m	\$66.5 m	-66.3%
Net profits after tax	\$667.2 m	\$486.5 m	-27.1%

² The DCL reported by insurers was \$1.2 billion at the end of the September quarter 2021.

Historical performance trends

Chart 1 – Breakdown of profit components (Year ending)

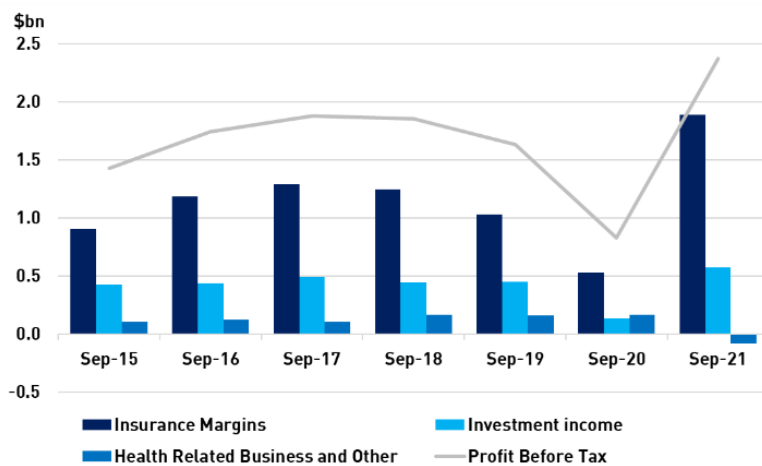


Chart 2 – Premium revenue and claim costs

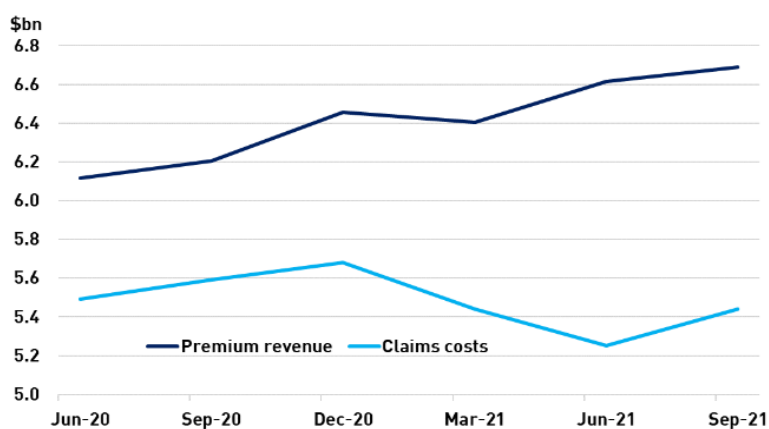


Chart 3 – Gross and net margins

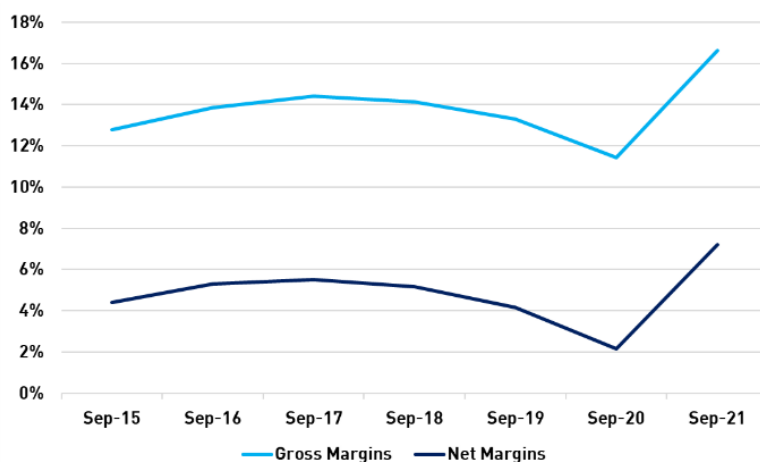


Chart 4 – Hospital treatment (Year ending) membership by age groups

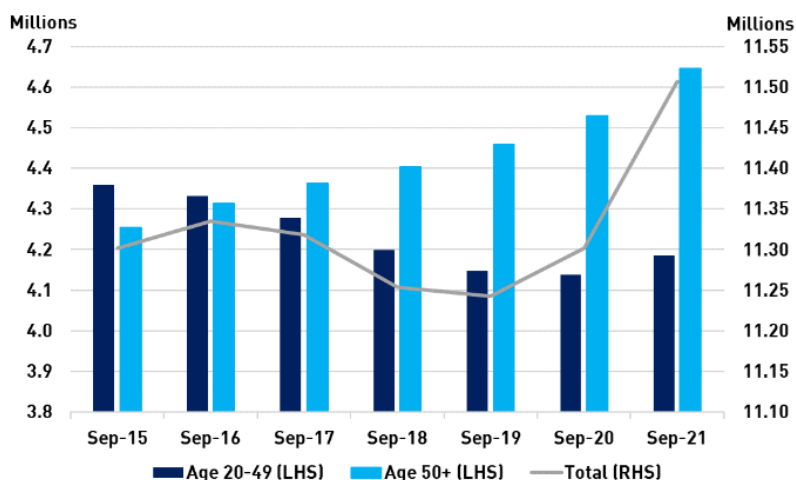


Chart 5 – Contributions to quarterly growth in profits

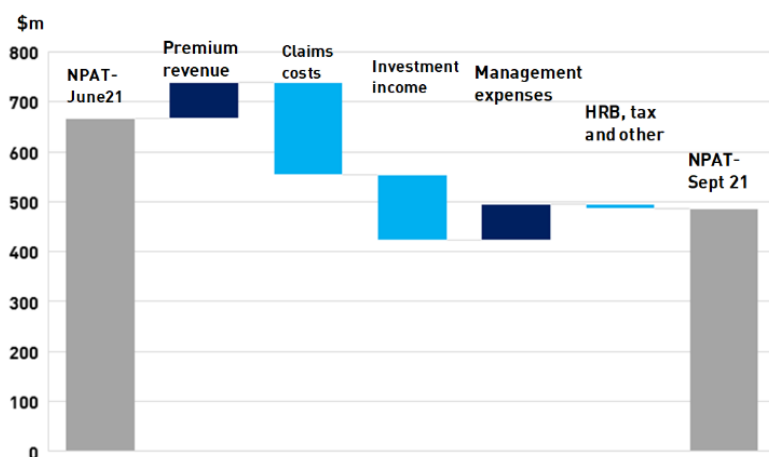
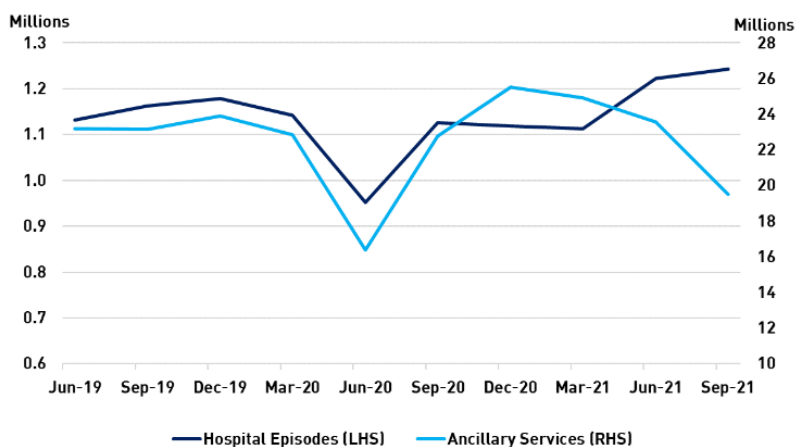


Chart 6 – Hospital episodes and ancillary service





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