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Healthcare

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Dear Mr Brennan

Discussion Paper
Proposed prudential and reporting framework for APRA's supervision of private health insurers in Australia

Thank you for the opportunity to review and provide feedback on the proposed APRA Rules and Reporting Framework for private health insurance.

Given the majority of the Standards and Rules are proposed to be transitioned on a 'like for like basis' our feedback is mostly minor in nature and outlined in the attached Appendix.

Should you wish to discuss the above in further detail, please do not hesitate to contact me.

Yours sincerely



Amanda Hagan
Chief Executive Officer - Healthcare

CC: Shane Porter, Department of Health –

Appendix 1

Document	Specific Comments
<p>HPS 350 Disclosure to APRA</p>	<p>We note Rule 15 requires an insurer to notify APRA when a decision is made by the insurer to terminate an insured's policy. It is our understanding such notifications are required given the community rating implications (eg. an insurer must offer cover to anyone who wishes to purchase) of terminating a policy.</p> <p>In the context of the community rating implications of a policy termination, we would suggest it is more appropriate for this notification to be lodged with the Department of Health as the policy regulator for private health insurance.</p> <p>PHIAC in the past have expressed interest in understanding more about policy terminations relating to fraud. It is important to note that in respect of erroneous claiming only a small proportion of cases result in an active decision by the insurer to terminate the policy. More often than not the policyholder self terminates upon becoming aware they are under investigation. We would suggest there is more value to be gained in holistic insights into fraud rather than one off policy termination events.</p> <p>It is our view fraud risk should be managed through the insurers risk management framework with material exposures reported to APRA in accordance with prudential standards.</p> <p>Rule 17 & 20 – contain references to superseded Acts – in particular references to the Trade Practices Act (should read Consumer and Competition Act) and Information Privacy Principles (should read Australian Privacy Principles).</p>

Document	Specific Comments
HPS 510 Governance	<p>We note that, whilst Attachment A has been lifted straight from the corresponding PHI Standard, one element is out of date.</p> <p>We suggest amending the last paragraph of Attachment A as follows:</p> <p><i>Note: A person who is a member of a private health insurer that is a mutual society (either an open mutual insurer or restricted access group) would not by that fact alone be a person described by sub subparagraph 1(b)(i)(A) of this Attachment. The definition of substantial shareholder in this section makes clear that a person must have in the insurer a substantial holding as defined in section 9 of the Corporations Act 2001.</i></p>
Duplicate Notifications	<p>Rule 8 (d) of the Disclosure Standard (HPS350) requires insurers to lodge a copy of ASIC Form 484 with APRA at the same time as it is lodged with ASIC. This form is used to notify of changes in CEO/Directors and their contact details.</p> <p>Rule 16 and 16A of the Private Health Insurance (Prudential Supervision) Rules also require an insurer to notify in approved form of a change in CEO/Director and their contact details. This notification duplicates the information provided on Form 484 and in addition requires information on the Director type (independent/executive) and their associated qualifications, skills and experience. The timeframe for lodging this form is within 28 days of the appointment/change.</p> <p>Often due to the timing differences between two requirements, the ASIC form is lodged and then the subsequent approved form is lodged a few days later.</p> <p>Whilst we acknowledge that these requirements are a like for like transition, it would seem that this is an opportune time to streamline this process and reduce duplication and complexity of notifications. We would recommend removing the requirement to lodge the Form 484 with APRA where the details are notified through another APRA reporting requirement.</p>

Document	Specific Comments
Private Health Insurance (Prudential Supervision) Rules 2015	<p>In the context of a restructure or merger and acquisition of a health benefits fund, we suggest the Rules outlined below be extended to also incorporate compliance with the Private Health Insurance Act.</p> <ul style="list-style-type: none"> • Rule 7(b)(ii)(a) • Rule 8(1)(A) • Rule 12 (e)(i) • Rule 13 (1)(a) <p>The inclusion of compliance with the PHI Act is noted in Rule 12 (c)(i).</p>
Other issues	<p>We note in transitioning the relevant PHI Rules to the APRA Rules Framework, Part 5 of the Private Health Insurance (Health Benefits Fund Administration Rules) 2007 in relation to Risk Equalisation Jurisdictions have been omitted as these relate to the policy elements of Risk Equalisation which are the jurisdiction of the Department of Health.</p> <p>In the absence of the amended Private Health Insurance Rules (PHI Rules) being available at the time of the APRA consultation, we raise this issue to ensure these provisions are transitioned to the appropriate PHI Rules overseen by the Department of Health.</p> <p>We also noted a number of the APRA rule documents have omitted some 'and'/'or' from the end of dot points. We suspect these are just drafting oversights but the inclusion of these words will be important when interpreting the documents moving forward.</p>